

AAE Board Report to MAs

July 2020

1) INTRODUCTION

In this newsletter the Board of the AAE wants to inform you about developments during the second quarter of 2020.

2) AAE BOARD

The AAE Board met five times in the second quarter of 2020: conference calls were held on 1 April, 27 April, 15 May, 10 June and 26 June 2020.

Decisions

The Board decided to postpone the Presidents' Meeting scheduled to take place in Paris on 15 May 2020. This decision was a direct result of the COVID-19 measures in place in Europe. An alternative date is being investigated. (The date is now fixed on Thursday 12 November 2020 and the meeting will take place in our office in Brussels or will be held by virtual means).

Following the resignation of the Chief Executive the Board decided to review the organisational set-up of the AAE Secretariat. The outcome will be shared with the General Assembly in the meeting scheduled to take place on 9 October 2020.

The Board decided to organise an extraordinary General Assembly on 19 June 2020. In this extraordinary GA the Board explained the discussions that have taken place with the leadership of the Institute and Faculty of Actuaries (IFoA) UK in the first part of 2020. The IFoA indicated that they wanted to reconsider their membership of the AAE and presented and explained their proposal. The GA was asked for guidance and a mandate to the AAE Board to enter into negotiations with the IFoA.

Webinars

The following webinar was held in the second quarter of 2020:

- June 9, 2020 on Current activities in developing actuaries - organised by the Education Committee. 53 participants registered to attend this webinar.

The Board decided to organise the following webinar:

- September 15, 2020 on Update on Insurance Topics covering Solvency II, IFRS17, COVID-19 and Sustainability.

Blogs written by board members or Committee chairs are now a regular feature on the AAE website. In the second quarter, the following blog was published:

- **Do Ethics Matter?** by José Mendinhos

Meetings with European Stakeholders

An overview of meetings with stakeholders in 2020 second quarter can be found on the AAE website under 'Members Only/Meetings with Stakeholders' or using this [link](#). Please note that a login will be required.

Press releases, Consultations and other publications

Consultations

The AAE regularly responds to consultations that are of actuarial interest. Following these responses AAE publishes a summary of the response and a link to the full responses and the consultation.

- On 31 May 2020 the AAE commented on [the Commission's consultation on the European Strategy for Data](#)
- On 14 June 2020 the AAE commented on [the Commission's White paper on Artificial Intelligence](#)
- On 26 June 2020 the AAE commented on [the Commission's consultation on new digital finance strategy for Europe/FinTech action plan](#)
- On 29 June the AAE commented on [EIOPA's Discussion Paper on IBOR transitions](#)
- On 30 June the AAE commented on [the Commission's Capital Markets Union: Final report by High-Level Forum on the Completion of the CMU](#)

Publications and Press Releases

- On 2 June 2020 the AAE published the [COVID-19 position paper](#).

All press releases are available [on the website under AAE News](#).

All publications are available [on the website under Publications](#).

3) AAE COMMITTEES

Education Committee (EC)

European Congress of Actuaries 2021

The 4th European Congress of Actuaries (ECA) will take place on 3rd / 4th June 2021 in Madrid, Spain. The AAE Education Committee appointed the Program Committee for the ECA. The first tasks include setting up the main topics for the congress and designing the Call-for-Papers which is scheduled to be released in August / September 2020. The members of the Program Committee hope for such a fantastic feedback as in the Call-for-Papers for the ECA 2019 with over 80 submissions.

Committee webinars

In June a webinar of the AAE Education Committee took place with around 40 participants on "Current activities in developing actuaries" concentrating on ethical parts of the actuarial education and the AAE CPD Strategy.

CPD Strategy

Together with the Professionalism Committee a joint Task Force on CPD was established in 2018 to review AAE's CPD strategy.

The Task Force, led by Rafael Moreno Ruiz (IAE), presented its final report in a joint meeting of both committees. The final report was accepted by the AAE Board in May 2020. The Professionalism Committee will now work on the implementation of the strategy.

Insurance Committee (IC)

1. COVID-19

A paper on COVID-19 was prepared for AAE website, which was later published as an article by The European Actuary.

Sponsored by Esko Kivisaari, work is now underway to consider the availability of insurance type solutions to exposures arising from systemic risk issues (such as pandemics).

2. Solvency II

EIOPA's timetable for the 2020 review has changed, with the requested Opinion now to be provided by EIOPA at end December 2020. Solvency II Working Group activities included:

- analysing the scenarios introduced in the Holistic Impact Assessment. Key areas of interest were extrapolation, volatility adjustment, risk margin and interest rate stress. Analysis of the scenarios gave insight to the possible content of EIOPA's proposal to the Commission. We have concerns relating to some of these proposals and are putting position paper together, especially with regard to extrapolation and the VA.
- worked with Malcolm Kemp to prepare and submit comments on the discussion paper on IBOR transition to EIOPA on 29 June.
- Sustainable Finance: We are analysing the Joint Consultation Paper on ESG disclosures, with comment deadline 1 September 2020
- EIOPA published the Second Discussion Paper on Methodological Principles of Insurance Stress Testing, with deadline for comments of 2 October 2020. The AAE responded to the first paper. We will analyse this paper.

3. Non-Life

The Non-Life WG provided input to an EIOPA questionnaire on Climate Risk and Pricing which was finalised in early July. The WG is represented on the Climate Index WG and is supporting its work to consider development of a European Actuarial Climate Index.

The WG has provided input to the work of the Solvency II WG on the 2020 review. No specific non-life issues are as material as the items mentioned above.

A Risk Mitigation Techniques (RMTs) subgroup has been working on formalising a document which highlights difficulties in interpreting the regulations around RMTs, and drafting a questionnaire on the subject which will be sent to Member Associations.

4. IFRS17

The WG has reached out to Member Associations to gain support for pursuing a more formal role of actuaries in relation to IFRS 17 reporting. The comments coming back are generally very

positive. When it comes to the role of actuaries with auditors, it seems to be generally supported and we have seen no signs of objection to the proposed set-up. However, opinions on the exact set-up of the actuarial role in the insurance company are somewhat mixed and local needs seem to be mutually contradictory to some extent. This means that the AAE should not and cannot recommend more specific governance structures. Thus, the suggested formal role of actuaries in an insurance company in relation to IFRS 17 should be generally phrased to be designed to "fit into local governance structures and traditions in order to avoid unnecessary complexity".

Accountancy Europe seems to be supportive of closer cooperation with the actuarial profession and will be supportive to suggest a more formal role of actuaries, provided that actuaries are not taking responsibility from auditors or starting a competitive race for formal roles. The IASB published the final amendments to the IFRS 17 standard in late June, with limited changes since 2019.

5. Sustainable finance

Response is being prepared for the EC consultation on renewed sustainable finance strategy.

6. Costs and past performance of profit participation products

A survey was issued to MAs to support the provision of quantitative input on this subject to EIOPA in 2020. Responses have been received from Catalonia, France, Germany and Italy. Analysis of responses is underway. Current indications are that the inputs are unlikely to give the basis for a uniform methodology for calculation of credit rates on profit participation products.

7. Consumer Protection Working Group

In the quarter, the WG's work focused on support for the work on Costs and Past Performance / profit participation products.

8. Low interest rates

The Working Group is preparing a paper presenting key findings and messages of the survey completed earlier in the year, to be available for the October meeting. This paper could be addressed to European authorities or/and MAs, and should answer the following questions:

- What are the medium / long term risks of protracted low rates for insurers?
- What are the obstacles/benefits of current regulation? How to move to a more resilient system?
- What indicators / tools should be promoted at the micro and macro level?

Other

- The IC will hold a webinar on 15 September, covering Solvency II, COVID-19, IFRS17 and sustainable finance.
- Response was submitted to EIOPA on its questions relating to pricing in the context of climate change.

Pensions Committee (PC)

Capital Markets Union, AAE answer to the final report by High Level Forum on the completion of the CMU

The Pensions Committee answered to the request for feedback of the final report by the High Level Forum on the Capital Markets Union (CMU). The AAE welcomed this valuable report and generally supports the recommendations made. The response can be found **here**.

This paper makes 3 recommendations related to pensions: Pension dashboards from Member States, annual Pillar II and III reporting and auto-enrolment. The AAE thinks that all these recommendations are very important, and goes beyond recommending both sustainability and adequacy being looked together and including not only Pillar II and III in the reporting but also Pillar I, as the pension rights should be looked at as a whole. On this point, the AAE also considers non-financial assets (such as access to housing wealth and access to appropriate health care) being part of the future retirement wealth and as such it should be mentioned in the tracking system. The AAE also believes that auto-enrolment is a good idea, and that non-traditional workers (i.e. self-employed) should also be part of these programs.

Social Security Subcommittee

The TF Methodology and Projections has finalised the draft 2020 Technical Manual together with Eurostat, which has been distributed to the Pensions Expert Group (PEG) by Eurostat. A key aim of our involvement as AAE was to provide the actuarial perspective in relation to the calculation of Table 29 pension figures, including the determination of assumptions, the data sources and the methodologies used. The final objective was to help member states to provide Table 29 liability calculations (liabilities of their first pillar pension scheme) in a consistent manner among them, which was not the case in the past, which avoided the comparability of results among Member States.

A questionnaire on the role of Social Security actuary has been prepared and will be sent to the SSSC members, while the comparison between the 2015 and April 2019 Eurostat population projections is in process.

Professionalism Committee (ProfC)

Actuarial Standards Sub-Committee (ASSC):

- ESAP 2 on ORSA: A Task Force is currently being set up to review the AAE model standard on the ORSA process.
- EAN on IORP II: The respective Committee continue working on the EAN amendments based on the feedback received and it is expected that the EAN will be submitted for approval to the Professionalism Committee electronically in due course.
- EAN on Professional Judgement: Based on the AAE Commentary paper “Application of Professional Judgment by Actuaries” an EAN will be developed. The responsible Task Force has started the drafting process.
- Cross references of ESAPs: As there are cross references between ESAPs, EANs and other governance documents and documents are updated regularly, the Professionalism

Committee will take measures to make clearer to which respective versions documents refer to.

Roles of Actuaries Task Force:

- Legal recognition of the Profession: After its intermediary report has been well received during the last meeting of the Professionalism Committee, the work stream is currently focusing on additional case studies and has established contacts with other professions for exchange of information.
- Professional Judgement: See above.
- Big data and AI work stream: The work stream is currently focussing on various consultations, among these the consultation on the Digital Services Act issued by the European Commission.

MRA Review Task Force:

A new MRA Task Force has been set up to come up with a comprehensive approach with regards to the MRA. The goal is to update the recommendations on the MRA amendments as presented last October in Vienna and consider possible CPD requirements as presented in the final report of the CPD Task Force.

Compliance Review Task Force:

A new Task Force has started discussing how to review the compliance of full member associations with AAE membership requirements as described in the Statutes (e.g. code of professional conduct, disciplinary process and process of promulgation of standards).

Risk Management Committee (RMC)
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The April 2020 virtual RMC meeting and Joint IC, RMC and PC meeting included discussion on:

- Risk management implications of Covid-19. A specimen modelling spreadsheet was circulated by Frank Schiller beforehand and updated after the meeting, following input from several RMC members
- Risk management aspects of IORPs
- IFRS 17
- EIOPA's Solvency II 2020 Review consultation papers
- Sustainability and ESG, including the European Actuarial Climate Index
- IBOR transition
- Systemic risk and macroprudential policy

The RMC responded (via the Solvency II Working Group) to the EIOPA discussion paper on IBOR transition. Members of the RMC also assisted the AAE Solvency II Working Group and other AAE Committees by commenting on an AAE statement on Covid-19, volunteering for the ESAP 2 Review Task Force and contributing to AAE communications on how actuaries might contribute to the management of systemic catastrophe risk.

4) MISCELLANEOUS

- Actuvew is now available. A personal login code has been given in order to get full access to all content.
- We advise you to regularly check our **website** under 'Members Only' for the latest news.
- All other (detailed) information of AAE committee meetings can be found at our website (www.actuary.eu) under 'Members Only' or through this [link](#).
- For additional information please contact Monique Schuilenburg, Operations Manager at moniques@actuary.eu.

ANNEX 1

An overview of contacts with external parties, stakeholders and member associations 2020 Q2

Date	Stakeholder	Venue	Stakeholder delegate(s)	AAE delegation
24-Apr-20	Serbian Actuarial Association	call	Branko Pavlovic	José Mendinhos
28-30 April 2020	DAV Annual Meeting	virtual		Falco Valkenburg, Lutz Wilhelmy
11-May-20	Accountancy Europe Insurance Working Party	Virtual instead of Brussels	Hilde Blomme, Paolo Ratti	Mária Kamenárová, Kristoffer Bork, Esko Kivisaari
12-Jun-20	Accountancy Europe Insurance Working Party	call		Mária Kamenárová, Kristoffer Bork, Karel Goossens, Luis Saez de Jauregui (Esko Kivisaari)
22-Jun-20	EIOPA	virtual	Pamela Schuermans, Justin Wray, Marie Scholer	Falco Valkenburg, Esko Kivisaari, Tony O'Riordan, Jan Martinek, Malcolm Kemp
26-Jun-20	Accountancy Europe	virtual	Hilde Blomme	Karel Goossens, Luis Saez de Jauregui
26-Jun-20	International Pension Research Association 2020 conference	virtual		Maitane Mancebo
29-30 June 2020	Data – Ethics – Actuary e-Conference EAA	virtual instead of Dusseldorf		Falco Valkenburg (keynote speech)
30-Jun-20	Pensions Expert Group	virtual		Maria Economou