

ACTUARIAL ASSOCIATION OF EUROPE
INSURANCE COMMITTEE MEETING
4 SEPTEMBER 2020

Participants:

Tony O’Riordan – chair
Lauri Saraste – vice-chair
Siegbert Baldauf – chair SII WG
Michael Bamberger
Loes de Boer
Conor O ‘Byrne
Daphné De Leval
Philippe Demol
Nils Dennstedt
Martin Jusko
István Kerenyi
Declan Lavelle – chair NLWG
Christos Loucaides
Ana Martins Perreira
Matthias Pillaudin
Robert Pusz
Giovanni Sammartini
Ksenija Sanjkovic
Miroslav Simurda
Mats Sollie

Agenda

1. Minutes of previous meeting on 13 July accepted.
2. TO’R briefly presented the draft 2020/2021 plan, which will be presented in final draft form to the October meeting for approval. Loes suggested the addition of a paper in European practice explaining new trends and how they can be applied in insurance sector, eg online learning. She will supply suggested wording.
3. Solvency II

Siegbert flagged that EC will produce its report on the Solvency II review in Q3 2021, with the delay reflecting the impact of Covid-19.

Siegbert talked through recent consultation responses:

- Joint consultation on ESG disclosures – submitted 1 September and circulated.

- EIOPA-BoS-20/341: Second discussion paper on methodological principles of insurance stress testing. Comments due to Solvency II Working Group from Member Associations on 7 September with deadline of 2 October for submission to EIOPA
- EC: Review of prudential rules for insurance and reinsurance companies (Solvency II). Comments due to Solvency II Working Group from Member Associations on 28 September with deadline of 21 October for submission to EC

Members are asked to provide input by dates shown above.

Siebert and Daphne spoke about progress on papers being prepared on key Solvency II topics for AAE input – VA, extrapolation, interest rate stress, risk margin. These will be discussed at the next monthly meeting of the Solvency II WG, with a draft paper planned to be circulated in advance of October meeting.

Survey on national initiatives or specific treatments, e.g. Covid-19, counter/pro cyclical potential, long term equity requirements, will be distributed. Responses could provide basis for useful input to the Solvency II review.

Philippe made a suggestion to enable efficient input to surveys. Matthias said that it will be important to include a question re ORSA in context of Covid. Daphne mentioned the Belgian approach to stress testing. Lauri suggested circulating the survey to members for consideration before finalising.

4. Update from Kristoffer on IFRS17

Updated terms of reference for IFRS 17 WG will be circulated for discussion and approval at the October meeting.

The IFRS 17 WG reached out to the member associations to gain support for pursuing a more formal role of actuaries in relation to IFRS 17 reporting. The comments coming back from member associations 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 strong opinions 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".

Mária, Esko and Kristoffer had two conference calls with Accountancy Europe, which seems to be supportive of closer cooperation with the actuarial profession and of a more formal role for actuaries, provided that actuaries are not taking responsibility from auditors or starting a competitive race for formal roles.

The IASB has published the final amendments to the IFRS 17 standard. The changes since 2019 are limited. Kristoffer will arrange a conference call in mid or late August to follow up and plan for reactions on our side.

Daphne mentioned a discussion re similar risks in Belgium and will get in touch with Kristoffer to discuss how to establish what different approaches are in place.

5. Declan updated on activity in the Non-Life WG. 2 workstreams are progressing – risk mitigation techniques and USPs. Surveys are to be issued on these subjects. The NLWG is also represented on other WGs, eg Low Interest Rates, Solvency II, risk arising from “systemic” events, e.g. pandemics
6. Matthias updated on activity in the Low Interest Rates WG. A short paper will be available for the October meeting covering
 - medium and long term risks of protracted low rates
 - obstacles and benefits of current regulation
 - indicators that should be promoted at micro and macro level

This paper is planned to be circulated more widely post October meeting. In response to a question from Lauri, Matthias said the paper would take EIOPA concerns and approach into account.

7. Valery updated on the work of the Consumer Protection Task Force. Support for EIOPA on costs and past performance for profit participation products has been the main activity recently. In life insurance, the issue of measuring the past performance of contracts with participation features raises major difficulties of definition, homogeneity and measurement. The AAE launched a survey among IC members to gather a precise vision of the functioning of the main products in relevant markets and the functioning of profit-sharing for these products. Although limited to four, these responses reflect the disparity of situations.
 - Spain (a single PP contract and a hybrid contract) and France have relatively simple contracts.
 - Italy shows a more diversified situation, with regular premium contracts and flexible contracts, with profit-sharing that can be acquired at any time or only at term.
 - Germany shows a very diversified situation, with several components of profit-sharing, regular, single premium or flexible contracts, MOP and non-MOP hybrid contracts.

Excluding UK, the three countries which write most of affected business have responded. The 4 respondents represent c70% of affected GWP.

The output has been shared with EIOPA and a meeting is scheduled to discuss with EIOPA.

8. Tony updated on work relating to Covid-19. A paper was prepared by IC for AAE in April. Esko is leading work to consider provision of solutions for costs arising from future “systemic” risk events. Discussions have been held with both EIOPA and EC.
9. Sustainable finance. Tony drew attention to the recent submission to the EC consultation on the renewed sustainable finance strategy.
10. A webinar provided by the IC is scheduled for 15 September. Daphne asked whether a recording will be available afterwards.
11. Tony mentioned the need to prepare in timely manner for the October meeting. IC agenda is in preparation.