

VIRTUAL MEETING OF THE INSURANCE COMMITTEE
HELD ON THURSDAY 15 APRIL 2021 FROM 10.30-13.30

MINUTES

The participants list of those who attended this virtual meeting is attached at the end of these minutes as **Annex 0.1**.

1. OPENING OF THE MEETING AND ADOPTION OF THE AGENDA

- 1.1 The Chairperson of the Insurance Committee Lauri Saraste welcomed the members to the virtual meeting and expressed disappointment that we could not meet in person. He noted that today we have two new representatives from our member organizations; Inna Aaltonen from Finland and Fernandez Cruz from Portugal, who is replacing Ana Martins Pereira.

Lauri Saraste was grateful for Ana's contribution over the past years and asked Fernandez to convey his message to Ana.

There were no comments to the agenda which was approved.

2. MINUTES OF PREVIOUS MEETING

- 2.1 The Chairperson recapped the agenda topics from the last biannual meeting held on the 8. October 2020 and the minutes of the virtual meeting (**Annex 2.1**) were approved.
- 2.2 The notes of the teleconferences held on 2 December 2020 (**Annex 2.2a**) and 8 March 2021 (**Annex 2.2b**) were confirmed.
- 2.3 The committee noted the quarterly committee reports as published on the AAE website (committee reports are part of the Board reports to MAs) and the latest version (January 2021) is available as **Annex 2.3**.
- 2.4 Any matters arising not covered elsewhere as substantive items on the agenda were taken under Agenda item 20 "ANY OTHER BUSINESS"

3. CHAIRPERSON – VICE-CHAIRPERSON

- 3.1 Lauri was pleased to confirm that Daphné de Leval had been elected Vice-chairperson of the Insurance Committee. The Chairperson thanked Daphné for her support and contribution during the past 6 months.

4. VISION AND VALUES OF AAE

- 4.1 The Chairperson introduced a discussion of AAE activity contributing to the wellbeing of society, focussing on aspects relating to work of Insurance Committee.

The Chairperson noted that the megatrends such as digitalization and sustainability are focus areas to be better covered by WGs and where a lot needs to be done also on the ways communicating on these. He added that Consumer Protection is also a topic of interest most relevant to the well-being of society and public interest.

There were no further comments from the participants, however issues related to strengthening the position of actuaries and communicating the AAE's mission statement more appropriately would be covered under agenda point nr. 10.

5 **TERMS OF REFERENCE**

5.1 The Chairperson noted that relatively minor revisions have been made to the terms of reference of the Insurance Committee (Annex 5.1).

No decisions are needed to be made at this meeting as these changes were approved by the AAE Board of Directors on 13 November 2020.

5.2 The Chairperson noted that minor revisions have also been made to terms of reference of IFRS 17 Working Group (Annex 5.2).

These changes have already been approved by the AAE Board of Directors on 13 November 2020.

6. **WEBINARS**

6.1 The Chairperson invited participants to discuss potential topics for the next IC webinar which is planned for September 2021.

At this stage there are no topics fixed and the Chairperson suggested that non-life topics such as climate change and an update on future Solvency II legislative changes expected to be reported in July 2021 could be relevant.

Declan Lavelle mentioned that Esko Kivisaari's paper on the insurability of Pandemics could be interesting to include and Daphne de Leval added that macroprudential issues as well as focusing on transition risks related to Climate change could be topics for the Webinar.

Esko Kivisaari was happy to include his paper on pandemics if thought suitable and agreed that the focus on Macroprudential issues was of special interest for actuaries and an area where many could benefit from education in this field.

Sam Accord added that our goal should be to ensure that financial stability concerns have the same level of importance for actuaries as policy holder protection does today.

The Chairperson noted that the macroprudential topic is extensive and that the entire Webinar could even be devoted to this topic.

The Chairperson noted that a final decision would be made at the June telco meeting of the committee.

7. PROPOSED PLAN

- 7.1 The Chairperson confirmed the Insurance Committee plan for the period to September 2021 (attached as **Annex 7.1**), and asked members to contact him if they had suggestions on how the plan could be improved or utilized better.

There were no comments to the proposed plan.

8. CONSULTATIONS AND RESPONSES

- 8.1 The Chairperson noted that the Insurance Committee had been very active in responding to consultations since the last meeting with responses to the following having been submitted:

- [Insurance & reinsurance firms – review of prudential rules \(Solvency II Directive\)](#)
- [Consultation paper on draft Opinion on the supervision of the use of climate change risk scenarios in ORSA](#)
- [Consultation paper on EIOPA’s advice regarding Article 8 of the Taxonomy Regulation](#)
- [Draft endorsement advice on IFRS17 insurance contracts as resulting from the June 2020 amendments](#)
- [Consultation Paper on EIOPA's Supervisory Statement on the use of risk mitigation techniques by insurance and reinsurance undertakings](#)
- [EIOPA’s Consultation on Statement on supervisory practices and expectations in case of breach of the Solvency Capital Requirement](#)
- Survey on the application of the Insurance Distribution Directive (IDD) - responded by sending a letter (**Annex 8.1**).
- [Discussion paper on a methodology for integrating climate change in the nat cat standard formula](#)
- [Ensuring the availability and affordability of insurance in light of climate change: Discussion paper on non-life underwriting and pricing](#)
- [Consultation on the Supervisory Statement on ORSA in the context of COVID-19 The pilot dashboard on insurance protection gap for natural catastrophes](#)

The Chair thanked the WG’s for preparing answers and noted that the Board have been active in their reviewing role.

There is an ambition to be clearer on how to prioritize our responses and ideas to improve this process are welcome.

Daphne de Leval mentioned that that it is important to involve relevant experts on time and that it is not always easy to identify which category of experts are required.

There was consensus that we need to be more clear on future consultations so more members can prepare and contribute to this process. Sam Accord added that it could be useful at a preliminary stage to assess whether or not there is value (defined in terms of the vision and values of AAE) in participating so that we can prioritize feedback loops more efficiently.

The Chairperson thanked all for input and will consider changes to the process.

- 8.2 To note the following outstanding consultations:
- [Open insurance: accessing and sharing insurance-related data](#) (closing 28 April 2021)

Philipp Miede, who is responsible for collecting the input, shared thoughts and overviews with the help of slides.

The goal of Open Insurance (OI) is to support existing discussion on the facilitation of data ecosystem with a view to insurance related data as a basis for risk identification and pricing. The content and basis for the discussion is a 49-page document containing 31 content-specific questions.

Philipp outlined 6 specific focus areas: definition, existing initiatives, regulator role, risk and opportunities, sound OI framework. Detailed examples of five user cases related to Motor insurance and one general insurance were given. The response from the AAE covered general comments (Banking vs. Insurance, Data Standardisation & Use, Innovation Competition Consumer focus and Actuarial tasks and use of Data in Insurance) as well as a 11 pages of comprehensive answers to the questions.

Esko Kivisaari mentioned that this subject had the potential to change work processes and encouraged all to provide comments. The Board will need one week to review so feedback should be forwarded before the 22nd of April.

Esko noted that we should respond as Actuaries and not have commercial interest and focus on how our work/society will be affected by changes. The Chairperson thanked Philipp for the presentation and Esko for his work and reminded participants of the deadline for feedback.

He added that there were two consultations in the pipeline: Value for Money in Unit Linked products and EC's ESA review on supervisory Convergence.

9. **AAE ADVISORY PANEL**

Esko Kivisaari outlined the objective of the introduction of the new AAE Advisory Panel.

The goal of the panel is to facilitate the communication of AAE viewpoints and messages to key stakeholders ensuring that material is more easily understood by a wider audience. The focus is on advising on communication as well as trying to increase our influence with alternative counterparties/stakeholders and aiding committees and the Board.

Important to note that the Advisory Panel does not produce own views but receive input from the relevant committees.

Kristoffer Bork stated that he fully supports the establishment of the panel but enquired about the practical implementation and how the panel would be selected moving forward. Esko replied that the governance procedure would be decided at a later stage and stated that the panel has only a limited role to ensure compliance with current governance set-up.

Wilhelm Schneemeier agreed that detailed governance will be defined appropriately since possible changes could only be formalized by the general assembly and this panel had to be set up in a short timeframe.

The Chairperson thanked for a good discussion leading us into the next topic on communication.

10. **AAE Communications**

AAE Communications Working Group – Gunn Albertsen to update IC on the work of the AAE Communications Working Group and how the IC may assist it.

Gunn Albertsen thanked the Chairperson for the invitation and with the help of slides (annex 10) outlined the background for the establishment of this WG.

The Terms of reference were approved by the Board on 9 December 2020 and the WG consists of 5 members with Gunn taking the role as Chairperson. She restated the goal to contribute to fulfil AAE's vision to ensure that actuaries throughout Europe are to be recognized as the leading quantitative professional advisers in financial services, risk management and social protection, contributing to the well-being of society, and for European institutions to recognize the valuable role that the AAE plays as a leading source of advice on actuarial and related issues.

Gunn gave an example of how the WG coordinates existing communication activities by means of classifying between strategic and non-strategic topics. The AAE's response to the Solvency 2020 review was chosen as a pilot process, and Gunn outlined how the WG were involved in the various steps to submission. With the WG's participation and influence, there is the potential for our messages to reach more Actuaries and Stakeholders.

Gunn then outlined how the Communication WG may assist committee members and WG's, restated expectations to committee members and asked to be informed of upcoming activities in the Insurance Committee so that communication tasks/activities could be planned.

The Goal of the WG is to further strengthen the actuarial profession in Europe through a communication strategy which makes the expertise of the actuary widely seen and recognized. Finding a Slogan can assist in promoting the work of the AAE and she asked all members to participate and make our local organizations aware of the submission procedure.

The chairperson thanked Gunn and her team on bringing out this important message and agreed that a lot in the end depends on well-functioning communication and steps will be taken in IC to achieve this.

11. **NON-LIFE ISSUES**

11.1 Declan Lavelle gave an update on the work of the Non-Life working group (Annex 11.1a)

The WG provided input to several consultations in the past six months including

- Integrating Climate Change in the Nat Cat Module of the Standard Formula
- Non-Life Pricing in context of Climate Change and
- Pilot Dashboard on Nat Cat Protection Gap

Regarding the EIOPA 2020 Solvency Declan detailed the main proposals that are of interest from a Non-Life perspective

- EPIFP: a change to allow offsetting of loss-making against profit-making homogeneous risk groups.
- Expense projections (in TPs) to allow for Board decisions regarding writing new business
- Risk margin decay factor lambda
- SCR volatility parameters updated for a number of LoBs
- Recognition of Adverse Development Reinsurance as a Risk Mitigation Technique in the Standard Formula

There are no proposals that the WG feels the AAE needs to comment on.

The WG has recently issued two surveys to Member Associations on a) the Barriers to use of USPs and b) Non-Life Risk Mitigation Techniques and Declan encouraged all members to respond. The deadline is 28 May and results of the survey will be presented at the September meeting.

Declan Lavelle Sub-item 11b - introduce a new workstream on the Environmental Liability Directive.

On the subject of the Environmental Liability Directive (**Annex 11.1b**) the WG will also assist in analysing how insurance mechanisms can support the ELD “polluter pays” principle using risk based actuarial approaches.

The aim is to produce a paper covering

- Insurance as a mechanism to price and manage the risk
- Ensuring the insured entities have “skin in the game”
- Which risks are suitable for insurance mechanism?
- Public vs Private approaches
- Managing capacity in the transition to an environmentally friendly future

Declan outlined other potential workstreams namely Cyber Risk and Reinsurance for legacy carbon based industries.

Daphne de Leval mentioned that with regard to Cyber she suggested covering underwriting as a supplement to reserving. Declan would coordinate with the WG to see if this could be included without adversely affecting timeline and delivery deadlines.

12 **LOW INTEREST RATE WORKING GROUP**

12.1 Samuel Achord has been appointed new Chair of the LIR working group.

The group has held meetings in 3 sub-groups:

- The impacts of LIR on new business and product innovation
- Liquidity risk management under adverse interest rate scenarios
- Impacts of LIR under IFRS17 and Solvency II

where Sam detailed the activities and goals of these WG’s.

Future plans include conducting a survey on Challenges in LIR environment (consumer choice, consumer protection, and more) in collaboration with the Consumer Protection WG, connecting WG initiatives and volunteers’ ideas to the AAE’s mission and goals and collaborative work on Actuarial Fairness during Recovery & Resolution and in situations when benefits may need to be adjusted.

Results can be expected within the next 6 months. There were no questions or comments to the status.

13. **UPDATE ON EUROPEAN ISSUES**

13.1 To receive a brief update from the Chairperson on EIOPA Insurance & Reinsurance Stakeholder Group (IRSG) and European agenda in more general (**Annex 13.1**).

The Chairperson gave an update outlining recent developments in the European agenda touching on a wide range of issues including the following:

- Key information document for packaged retail investment and insurance and insurance-based products (PRIIPS).

- Survey on the application of the IDD
- Upcoming consultation on Value for Money
- Legal Entity Identifier (LEI) Guidelines
- Interbank Offered Rates (IBORS) transactions
- Financial education Map

The Chairperson updated the Committee on the 2021 Insurance Stress test process. New Taxonomy Regulation and input from the outgoing head of EIOPA before the end of his period.

There were no comments or questions to this update.

14. SOLVENCY II

- 14.1 Siegbert Baldauf gave a comprehensive update as Chair of the Solvency II Working Group (SII WG) reviewing the schedule of items being covered by the working group and its proposed approach (**Annex 14.1**).

The update was sub-divided into two sections, an overview and then technical issues which were outlined in the annex to the presentation.

- Stocktaking - review process, updated documents from EIOPA and an overview of the timeline
- EIOPA's proposals concerning LTG-measures including extrapolation of the risk-free interest rate, MA, VA, symmetric equity adjustment and transitional measures for risk free rate and TPs
- Further proposals include new stress factors for interest rate risk, an introduction of a lambda-factor for RM calculation, update to correlation factor for spread and interest rate risk down, updated criteria for the use of reduced stress parameter for Long Term equity and significant extended risk management disclosure requirements. In additional proposals concerning macroprudential policy have been outlined.
- EIOPA's proposals on the Impact assessment with initial view on typical impact of the proposed changes. Looking at the estimated impact on capital surplus there are significant differences from the Holistic Impact Assessment and the Complementary information request. The effect of proposed extrapolation changes vary significantly from country to country and a phasing-in extrapolation mechanism might be introduced to reduce the effect of the proposal.

- 14.2 Siegbert outlined the current activities of the SII-Working group and the conclusions of a paper prepared by the Solvency II working group on Volatility Adjustment (**Annex 14.2**)

- 14.3 Siegbert outlined the conclusions of a paper prepared by the Solvency II working group on the Risk-Free-Rate Extrapolation method (**Annex 14.3**)

Further work is also planned related to the latest Insurance stress test 2021 and Siegbert gave details on the structure and timeline of the test. Regarding reporting and disclosure future work will consider EIOPA's proposed restructuring of the QRT process with a public consultation being planned for Summer 2021.

A discussion followed on the added complexity of Solvency II. Sam Achord expressed concern is that the overall framework is becoming too complex and that recent proposed changes and additions do not necessary reflect market/business reality. Mária Kamenáróva agreed stating that the message that we are sending to our stakeholders is that we support a risk-based framework which does not become over burdensome and

bureaucratic. She encouraged more feedback from the SII committee so that we can better communicate our concerns.

Siegbert mentioned that more feedback from members would help us to influence the decision-making process. Christos Loucaides added that compliance is becoming more difficult for smaller companies and in certain regions of Europe and that there should be more focus on proportionality measures. Siegbert stated that it would be very helpful to receive concrete feedback on higher-burden tasks.

14.4 To consider the survey which the working group proposes to distribute to the Insurance Committee in relation to Solvency II practices in the Covid-19 environment (**Annex 14.4**)

Daphné de Leval described the key results of the survey in relation to Solvency II practices in the Covid-19 environment (Annex 14.4). 14 Member states participated in the survey which covered the following 5 areas:

- Countercyclical elements -
- Appropriateness of the standard formula
- Approach on liquidity and default
- Recovery
- National supervisors' initiatives

The overall message is that the Solvency II framework is resilient and that we should address emerging results in the ORSA process where Risk Management is key. Communication WG and advisory panel would like to use the results following minor adjustments.

14.5 Members of the Committee reported briefly on important recent developments in relation to Solvency II in their country.

The Chair encouraged members of the committee to submit their observations if any to the Solvency II WG.

15. **IFRS 17**

15.1 To discuss the latest IASB/financial reporting issues and to receive an update from the IFRS17 Working Group on its work and plans (**Annex 15.**)

Kristoffer provided an update on the latest IFRS developments focusing on the response to the EFRAG consultation and the expected process moving forward.

The WG prepared a response submitted in late January challenging the benefit of the annual cohort requirement applied to contracts with intergenerationally -mutualised features and pointed out three additional issues which are listed in the annex.

Kristoffer gave a status on the endorsement process noting that there is no consensus within EFRAG on annual cohorts. 7 members oppose the recommendation, 7 members are in favour with the remaining 2 members undecided.

No initiatives are planned at present in the WG and the ToR's would need to be updated if the WG continues after the end of the year. This will be further discussed during the AAE annual meeting this year.

16. **CONSUMER PROTECTION WORKING GROUP**

Valéry Jost was unable to attend but an activity report was available which was summarized by the chairperson.

- **IDD Consultation.** The letter (noted in agenda point 8) had been sent to Tim Shakesby, head of conduct of business oversight at the EIOPA. No further work right now but something in progress as noted in the letter.
- **PRIIPs.** The ESAs approved the proposed amendment to PRIIPs RTS, after having failed to reach an agreement in the past. An entry into force of the new rules is expected, subject to the endorsement by the Council and the Parliament. This will be closely followed by the WG in the next months.
- **Low rates.** The WG is planning to launch a survey about the consequences of low rates on the insurance offer which needs some works and also co-operation with the LIR WG.

17. **JOINT COMMITTEE MEETING**

The Chair noted no additional issues arising from the [Joint Meeting of the Insurance, Pensions and Risk Management Committees](#) held on 15 April 2021 from 08.30-10.00 CEST (Agenda in **Annex 17**).

18. **MEETINGS WITH EXTERNAL ORGANISATIONS AND STAKEHOLDERS**

To note the most recent overview of meetings held between delegations of the AAE and the respective stakeholders. (2021 Q1 is attached as **Annex 18**). One pager as shared with EIOPA and the European Commission can be found on the AAE website under Publications

19. **EXCHANGE OF NEWS ON CURRENT ISSUES**

The chair encouraged all to be active and bring topics, questions and observations to the table.

20. **ANY OTHER BUSINESS**

20.1 The chair noted the call for papers for the forthcoming European Congress of Actuaries in June 2022 and encouraged Committee members to bring it to their member associations' attention. The call for papers is open until 31 October 2021.

21. **NEXT MEETING**

The Chairperson thanked attendees for their participation and contribution at the meeting

He invited everyone to the next meeting of the Insurance Committee which will take place at Campus Sursee, Switzerland from 29 September-1 October 2021 at the invitation of the Schweizerische Aktuarvereinigung. The next meeting of the Insurance Committee will be held on Thursday 30 September 2021 (to be confirmed).

Annex 0.1: Participants Insurance Committee meeting – Virtual | 15 April 2021

	First name	Family name	Country	Nominating association	Role
1	Reinhold	Kainhofer	Austria	Aktuarvereinigung Osterreichs	Delegate
2	Christoph	Krischanitz	Austria	Aktuarvereinigung Osterreichs	Observer
3	Karel	Goossens	Belgium	IA BE	Alternate
4	Philippe	Demol	Belgium	IA BE	Observer
5	Daphne	Deleval	Belgium	IA BE	Vice-Chair
6	Angel	Videnov	Bulgaria	Bulgarian Actuarial Society	Delegate
7	Lyubimka	Dermendzhiyska	Bulgaria	Bulgarian Actuarial Society	Observer
8	Mike	Poulding	Channel Islands	Channel Islands Actuarial Association	Delegate
9	Ksenija	Sanjkovic	Croatia	Hrvatsko Aktuarsko Društvo	Delegate
10	Christos	Loucaides	Cyprus	Cyprus Association of Actuaries	Delegate
11	Miroslav	Simurda	Czech Republic	Ceská Spolecnost Aktuáru	Delegate
12	Martin	Jusko	Czech Republic	Ceská Spolecnost Aktuáru	Observer
13	Conor	O'Byrne	Denmark	Den Danske Aktuarforening	Delegate
14	Samuel	Achord	Denmark	Den Danske Aktuarforening	Chair LIR
15	Kristoffer	Bork	Denmark	Den Danske Aktuarforening	Chair IFRS17 WG
16	Esko	Kivisaari	Finland	Suomen Aktuaariyhdistys	Observer
17	Lauri	Saraste	Finland	Suomen Aktuaariyhdistys	Chairperson
18	Inna	Aaltonen	Finland	Suomen Aktuaariyhdistys	Delegate
19	Matthias	Pillaudin	France	Institut des Actuaire	Delegate
20	Siegbert	Baldauf	Germany	Deutsche Aktuarvereinigung	Chairperson SII WG
21	Michael	Renz	Germany	Deutsche Aktuarvereinigung	Observer
22	Wilhelm	Schneemeier	Germany	Deutsche Aktuarvereinigung	Observer Chair AAE
23	Nils	Dennstedt	Germany	Deutsche Aktuarvereinigung	Delegate
24	Philipp	Miehe	Germany	Deutsche Aktuarvereinigung	Observer
25	Istvan	Kerenyi	Hungary	Magyar Aktuárius Társaság	Delegate
26	Inga	Helmane	Latvia	Latvijas Aktuāru Asociācija	AAE Board-Observer
27	Baiba	Mocane	Latvia	Latvijas Aktuāru Asociācija	Observer
28	Debbie	Ramdien-Sonai	Netherlands	Koninklijk Actuarieel Genootschap	Observer
29	Mats	Sollie	Norway	Den Norske Aktuarforening	Delegate
30	Gunn	Albertsen	Norway	Den Norske Aktuarforening	AAE Board-Observer
31	Marcin	Zwara	Poland	Polskie Stowarzyszenie Aktuariuszy	Observer
32	Robert	Pusz	Poland	Polskie Stowarzyszenie Aktuariuszy	Delegate
33	Declan	Lavelle	Republic of Ireland	Society of Actuaries in Ireland	Delegate
34	Philip	Shier	Republic of Ireland	Society of Actuaries in Ireland	Observer
35	Florin	Ginghina	Romania	Asociatia Romana de Actuarial	Delegate
36	Mária	Kamenárová	Slovak Republic	Slovenská spoločnosť aktuárov	Delegate-Vice-Chair AAE
37	Jozef	Hancar	Slovak Republic	Slovenská spoločnosť aktuárov	Observer
38	Aitor	Milner	Spain	Instituto de Actuarios Españoles	Delegate
39	Xavier	Gómez	Spain	Col.legi d'Actuaris de Catalunya	Delegate
40	Malcolm	Campbell	Sweden	Svenska Aktuarieföreningen	Observer
41	Michael	Bamberger	Switzerland	Association Suisse des Actuaire	Observer
42	Kartina	Thomson	United Kingdom	Institute and Faculty of Actuaries	Delegate
43	Malcolm	Kemp	United Kingdom	Institute and Faculty of Actuaries	Observer Chair RMC
44	Tom	Wildsmith	USA	American Academy of Actuaries	Observer