

## VIRTUAL MEETING OF THE INSURANCE COMMITTEE

HELD ON THURSDAY 30 SEPTEMBER 2021 FROM 13.30-17.30

### 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 and observers of the Committee. It was confirmed that there was no amendment to the agenda, except for new attachments to be followed by two decision points.

#### 2. **MINUTES OF PREVIOUS MEETING**

- 2.1 The Committee confirmed the Minutes of the virtual meeting held on 15 April 2021 (a further copy is attached at Annex 2.1).
- 2.2 The Committee was invited to note the two teleconferences that was held on 22 June 2021 (Annex 2.2.1) and 9th September (Annex 2.2.2).
- 2.3 The Committee also noted the quarterly committee reports as published on the AAE website (committee reports are part of the Board reports to MAs). The latest version - issued July 2021 was attached as Annex 2.3.
- 2.4 No matters were raised that was not covered elsewhere as substantive items on the agenda were taken under Agenda item.

#### 3. **CHAIRPERSON – VICE-CHAIRPERSON**

- 3.1 The Committee noted the revised Guidelines for appointing the vice-chairperson of a committee (Annex 3.1) and confirmed that Daphné De Leval continues as vice-chairperson.

#### 4. **VISION AND VALUES OF AAE**

- 4.1 The Chairperson discussed areas of AAE activity in the area of contributing to the wellbeing of society, focusing on aspects relating to work of Insurance Committee. The plan was presented and noted.

#### 5 **PLAN FOR INSURANCE COMMITTEE UNTIL SEP 2022**

- 5.1 The Chairperson introduced the plan (attached).
- 5.2 The following comments were made:
- Esko Kivisaari highlighted that data science used under the 'Role of Actuaries' taskforce falls under the Professionalism Committee. Since the summer, it reports directly to the Board. Membre Titulaires were contacted to put forward specialists from their own associations.
  - Declan Lavelle stressed the importance of consumer protection in general insurance products where it is important that customers are not disadvantaged. This is a consumer issue but also data science issue.

- Gabor Hanak raised concerns over Solvency II regulators look at IFRS17 framework and use it in Solvency II to infer profitability buckets in the prudential framework. He urged the IFRS17 working group to look into this.
  - o Sam Accord stressed the importance of regulatory framework that doesn't converge into accounting framework.
  - o Daphne De Level commented that it doesn't stop us studying it and learn from the frameworks.
  - o Kristopher Bork acknowledged the differences but agree that it is highly valuable to look at synergies.

5.3 The Insurance Committee confirmed the Committee plan for the period to September 2022.

## 6. WEBINARS

6.1 It was noted that the next Insurance Committee webinar covering Macro-prudential topics will be held on 25 October 2021 with the title 'Why actuaries should consider also macro-prudential framework'. Esko Kivisaari, Malcolm Kemp and a representative from EIOPA will be presenting. The attendees were encouraged to advertise the webinar.

## 7. CONSULTATIONS AND RESPONSES

7.1 The Committee noted that it responded to the following consultations:

- ESAs consult on Taxonomy-related product disclosures;
- Targeted consultation on the supervisory convergence and the single rulebook;
- Consultation on framework to address value for money risk in the European unit-linked market;
- Consultation on interbank offered rates;
- Discussion paper on blockchain and smart contracts in insurance.

7.2 The Committee also noted the following outstanding consultations:

- EIOPA consults on the approach to the supervision of run-off undertakings (closing 17 October 2021);
- EIOPA consults on the amendments of supervisory reporting and disclosure requirements (closing 17 October 2021);
- Consultation on the revision of the Guidelines on Valuation of Technical Provisions (closing 12 November 2021);
- Consultation on the revision of the Guidelines on Contract Boundaries (closing 12 November 2021).

## 8. SUSTAINABILITY AND CLIMATE-RELATED RISKS WORKING GROUP INTRODUCTION

8.1 Daphné De Level gave a short introduction of the working group. The Terms of Reference was included for information. EIOPA expects climate scenarios in ORSA and will review the status in 2023.

8.2 The following comments were made:

- Esko Kivisaari outlined that COP26 will take place in Autumn where drastic information in area of climate change is expected. Paris agreement expects that global warming should be limited to 2 degrees and 25 years are needed to carbon neutral.
- Gabor Hanak advised that the working group should link with the IAA Climate Risk Taskforce but focus on specific European issues.
  - o Daphne De Level confirmed that the group will leverage the work by the IAA and other organisations as much as possible. The aim is to help European actuaries find their way on the topic.

## 9. UPDATE ON EUROPEAN ISSUES

9.1 The Chairperson updated on EIOPA Insurance & Reinsurance Stakeholder Group (IRSG) and European agenda in more general (Annex 9.1).

- 9.2 The following comments were made:
- Dermot Marron commented the importance for the AAE to have a view on price optimisation and linked it to Declan's point on fair value pricing.
  - Malcolm Kemp raised the issue of digital finance/euros and how it impacts on insurance where the direct impact on banking is clearer, but not insurance.

## 10. SOLVENCY II

10.1 The chairperson of the Solvency II working group, Siegbert Baldauf, gave an update on the Solvency II review and the latest draft legislations that are publicly available. This included potential Solvency II Directive change where the consultation ending 23<sup>rd</sup> November 2021. He also highlighted EIOPA's claim of potential capital release of EUR90bn due to the change. There was also a discussion of upgrading issues to Level 1.

10.2 The following comments were made:

- Florin Ginghina highlighted that it is difficult to identify liquidity/illiquidity in credit risk modelling but it is easier for regulators to identify losses. He believed that bottom-up approach is required; i.e. look at spread, and take the residual as illiquidity. He highlighted that top-down approach will be difficult.
- There was a discussion on the audit of SFCR; i.e. what should be audited, and there are some countries that do not have this requirement.
  - o Dermot Marron commented that Ireland and Malta has statutory requirement. It gives some comfort that the numbers are being checked.
  - o Michael Claffey commented that he was unsure what addition EIOPA brings to auditing requirement as national regulators are already doing it.
- Istvan Kerenyi highlighted that there are impacts of climate change that we do not understand and therefore it is useful to look at alternative scenarios.
  - o There should be a consultation on what these scenarios might be as it is not just part of 3-5 year projection.
- There is a risk that EIOPA sees climate as an issue for technical provision. AAE is recommending that it should be a Pillar II issue, not Pillar I.
- Esko Kivisaari challenged the EUR90bn capital release. He believed it is part of a political agreement in a Green Deal and Covid-19 context. The following should be taken into account:
  - o Feedback on Level II implementation and timing of implementation;
  - o If there is lowering capital requirement of EUR90bn, how does this impact policyholder protection.
  - o This may be headline in current political climate with covid, etc.
- Matthias Pillaudin questioned whether we have challenged the capital release number.

10.3 The actions below were reached:

- Engagement is required if we want to influence changes in Level 1.
- The working group asked for feedback from audience on the topics.

## 11. NON-LIFE ISSUES

11.1 Declan Lavelle presented the work that the NLWG has undertaken. A couple of surveys were completed, namely USP and SF risk mitigation techniques. He also updated on the Environmental Liability Directive where an update on the paper will be submitted to the Sustainability and Climate related Risk working group. Natural catastrophe insurance gap dashboard was discussed to track protection gap for Natural catastrophe risks across the EU.

11.2 The following comments were made:

- Isyvan Kerenyi commented that companies has to demonstrate the effectiveness of reinsurance.
  - o In Ireland, additional requirement in AFR that capital relief reflects a the reinsurance taken.

11.3 The following action was identified:

- The group requested support for the Environmental Liability paper.
- 11.4 Cyriaque Tequia (France) was appointed as the new Chair-person of the NLWG.

## 12 LOW INTEREST RATE WORKING GROUP

12.1 Samuel Achord presented the progress on LIRWG.

- (1) Impacts of LIR of NB and Product Innovation,
- (2) Liquidity RM under adverse IR scenario,
- (3) Impact of LIR on IFRS and SII bases.

12.2 The following comments were made:

- Maria Kamenárová asked whether we will create a practitioner's handbook on actuarial fairness and if so, this is an excellent idea. It is consistent with the intergenerational fairness working group in the Pensions Committee. She encouraged and supported this progress.
- Mike Claffey commented that the work on Policyholder Reasonable Expectation (PRE) and Treating Customers Fairly (TCF) can leverage on the Irish working group. The work was meant to touch on PRE and TCF. He highlighted the challenges in this area where typically PRE is the focus of the Board while actuaries focussed on TCF. He wants us to be careful that we are not seen as policyholder advocate.

## 13. UPDATE ON EUROPEAN ISSUES

13.1 Kristoffer Bork presented his materials.

13.2 The following decisions were made:

- Committee members decided to launch a task force on EAN or explanatory document complementing the IAN100 with a focus on EU specificities and EU carve out. Task force can consist of members of the current IFRS17 taskforce but should be added with members of the ASSC.
- Committee members decided on the need to change the task force ToR and the renewed term for the task force.

## 14. CONSUMER PROTECTION WORKING GROUP

14.1 Valery Jost presented the paper in Annex 14 on value for money risk. AAE is talking to EIOPA on the topic to discuss the value of products. Strong commitment from EIOPA on consumer protection.

14.2 The following comments were made:

- Declan Lavelle highlighted the risk of stochastic modelling on individual risk, rather than a whole portfolio.
- Mike Claffey identified the risk of parallel regulation and discussed the issue of localisation requirement.
- Matthias Pillaudin outlined the impact on low interest rate environment to consumer protection.

14.3 The working group asked for volunteers to join the group to help with the consultation response.

## 15. AAE COMMUNICATIONS WORKING GROUP

15.1 Gunn Albertsen talked about communications and how it impacted the Insurance Committee.

15.2 The following comments were made:

- Lauri Saraste suggested that we give a total picture and a holistic view as much as possible. We should also have different levels of communication; e.g. to EIOPA, quite technical feedback. It is also useful to develop a checklist to help the structure.
- Kristoffer Bork commented that whilst communication doesn't come naturally to actuaries, we should not make it too formulaic. He also suggested that the governance/sign-off from the IAA should be looked at. He also urged that we start

with the purpose of the communication before coming up with a framework. We should structure the scope appropriately.

- Maria Kamenarova commented that having a one-pager is very good. She asked us to consider what the main messages are for internal purposes.

15.3 The Committee members were asked to contact Gunn and the working group for further suggestions.

16. **JOINT COMMITTEE MEETING**

The Committee noted that the agenda of the Joint Meeting of the Insurance, Pensions and Risk Management Committees to be held on 1 October 2021 from 11.00-13.00 CEST (Agenda attached as Annex 16).

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

The Committee noted the most recent overview of meetings held between delegations of the AAE and the respective stakeholders. (2021 Q2 is attached as Annex 17). One pagers that were shared with EIOPA and the European Commission can be found on the AAE website under 'Publications'.

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

The following update was given by members of the Committee on current issues in their country (members are invited to send a note on any current issues for circulation to the Committee before the meeting, especially if they are unable to attend)

- Declan Lavelle: In Ireland, ICB is bringing in recovery and resolution. Similar to the UK.

19. **ANY OTHER BUSINESS**

The Chairperson thanked Declan Lavelle on his active contribution and participation as a member of the Committee. He was also thanked for his role as the Chair of NLWG with clear chairing and output. The Chair also thanked him for his role as a good minute taker.

20. **CALL FOR PAPER FOR ECA 2022**

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 Munich, Germany, on 31 March 2022 (tbc) at the invitation of Deutsche Aktuarvereinigung.

**Participants Insurance Committee meeting**  
**Sursee-online |**  
**30 September 2021**

	<b>Family name</b>	<b>First name</b>	<b>Member Association</b>	<b>Country</b>	<b>Role</b>	<b>In person</b>	<b>Online</b>
1	Kainhofer	Reinhold	AVÖ	Austria	Delegate		X
2	Krischanitz	Christoph	AVÖ	Austria	Observer	X	
3	De Leval	Daphné	IABe	Belgium	Vice-chair		X
4	Demol	Philippe	IABE	Belgium	Observer		X
5	Zaharieva	Zornitsa	BAS	Bulgaria	Observer		X
6	Sanjkovic	Ksenija	Croatian Actuarial Association	Croatia	Delegate		X
7	Loucaides	Christos	Cyprus Association of Actuaries	Cyprus	Delegate		X
8	Bork	Kristoffer	Den Danske Aktuarforening	Denmark	Chair IFRS17 WG	X	
9	O'Byrne	Conor	Den Danske Aktuarforening	Denmark	Delegate	X	
10	Achord	Sam	Den Danske Aktuarforening	Denmark	Chair LIR		X
11	Kivisaari	Esko	Actuarial Society of Finland	Finland	Observer	X	
12	Aaltonen	Inna	Actuarial Society of Finland	Finland	Delegate		X
13	Saraste	Lauri	Suomen Aktuaariyhdistys	Finland	Chair	X	
14	Mannonen	Hillevi	Suomen Aktuaariyhdistys	Finland	Observer		X
15	Pillaudin	Matthias	Institut des Actuaire	France	Observer	X	
16	Jost	Valéry	Institut des Actuaire	France	Chair ConsProt		X
17	Béhar	Thomas	Institut des Actuaire	France	Observer		X
18	Baldauf	Siegbert	DAV / AAE	Germany	SII Project Man.	X	
19	Renz	Michael	DAV	Germany	Observer	X	
20	Schneemeier	Wilhelm	DAV	Germany	Observer	X	
21	Poulding	Michael	Channel Islands	Guernsey	Delegate		X
22	Hanak	Gabor	MAT	Hungary	Observer	X	
23	Kerenyi	Istvan	MAT	Hungary	Delegate		X
24	Bencsik	Tamas	MAT	Hungary	Observer		X
25	Sammartini	Giovanni	ISOA	Italy	Delegate		X
26	Mocane	Baiba	Latvijas Aaktuāru Asociācija	Latvia	Delegate		X
27	Valeiša	Evaldas	Lietuvos Aktuaru Draugija	Lithuania	Delegate	X	
28	Sollie	Mats	Den Norske Aktuarforening	Norway	Delegate	X	
29	Albertsen	Gunn	AAE	Norway	Observer	X	
30	Pusz	Robert	Polskie Stowarzyszenie Aktuaruszy	Poland	Delegate		X
31	Lavelle	Declan	SAI	Rep of Ireland	Chair NLWG		X
32	Marron	Dermot	SAI	Rep of Ireland	Observer		X
33	Claffey	Michael	Society of Actuaries in Ireland	Rep of Ireland	Observer		X
34	Ginghina	Florin	ARA	Romania	Delegate		X
35	Kamenarova	Maria	Slovak Society of Actuaries	Slovakia	Observer	X	
36	Milner	Aitor	Instituto Actuarios Españoles	Spain	Delegate		X
37	Bamberger	Michael	Swiss Association of Actuaries	Switzerland	Delegate	X	
38	Thomson	Kartina	IFoA	UK	Delegate	X	
39	Wildsmith	Tom	American Academy of Actuaries	USA	Observer	X	