

## **VIRTUAL MEETING OF THE RISK MANAGEMENT COMMITTEE**

**HELD ON THURSDAY 15 APRIL 2021**

### **MINUTES**

The list of participants is attached at the end of these minutes as **Annex 0.1**.

#### **1. OPENING OF MEETING AND ADOPTION OF THE AGENDA**

Malcolm Kemp welcomed the participants. Some new members István Szabó (Hungary) and Christian Akselsen (Norway) gave brief personal introductions.

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

2.1 No comments or additions to the minutes.

2.2 No additional matters brought to the attention of the RMC.

#### **3. OPEN/ONGOING PROJECTS**

##### **3.1 *Solvency II Working Group***

Siegbert Baldauf gave an update on the changes to be expected for Solvency II after the 2020 Review and explained the effects and issues as already observed in the Holistic Impact Assessment and the Complementary Information Request. As a remedy for the quite material effects of the updated extrapolation on capital requirements, a phasing-in might be introduced. Currently, the main task is to reflect and comment on EIOPA's opinion. Two papers, one on Volatility Adjustment and one on Extrapolation, have been prepared by the Working Group for further promoting AAE's view on the 2020 Review with relevant stakeholders.

Further work was done to provide feedback to stress testing exercises done by EIOPA. This has already been considered in the insurance stress test exercise for 2021. Further work will relate to expected changes concerning QRTs. On this topic, a consultation is expected for summer 2021.

Malcolm Kemp pointed out that the Working Group always needs volunteers to support the analysis of proposals and to provide feedback to consultations. Anybody wanting to join the working group was requested to contact Siegbert or him after the meeting.

##### **3.2 *Reputational and Conduct Risk***

Nadia Lamari Mfitih, Tomasz Krylowicz and Jana Zelinkova gave an update on the RMC survey, mainly focussing on these risks for new products and the in-force portfolio. The work should provide insights both on how to measure and how to manage these risks. For that several qualitative and quantitative tools will be assessed. Feedback was given especially on five areas concerning product design, product profitability / pricing, fairness / discrimination of clients and adequate communication / information to

clients. Some of the topics were rather specific to certain lines of business or to certain countries.

As a next step the survey will be prolonged to receive more input from still missing countries and to receive feedback on the current observations. Based on this analysis the group wants to identify KPIs to model, measure and manage these risks. It is targeted to produce a paper on the results later in 2021.

Annina Pietinalho addressed that she was uncertain with some questions of the survey and asked if others had similar observations. The group could use her feedback to improve the questionnaire.

Siegbert Baldauf noted that EIOPA is currently carrying out a consultation on unit linked products and costs. This could be also considered for this work.

Esko Kivisaari further noted that the results should also be provided to the Professionalism Committee to help them consider further updates on guidelines or best practises for actuarial work.

Malcolm Kemp also pointed out that several papers on measuring and modelling operational risks exist such as the discussion paper recently published by AAE, which could be referenced.

Maria Kamenarova thanked the group for working on this – for actuaries – “untypical” topic and encouraged others to also participate in the survey.

### 3.3 *Sustainability and Environmental, Social and Governance Issues*

Annina Pietinalho and Marcin Zwara gave an update on the topic. Firstly, they provided an overview on the EIOPA consultation and the position of AAE on how to consider climate risks beyond the one-year time horizon through the system of governance, risk-management system and their ORSA. It is seen to be important to provide guidance on what scenarios to consider for assessing these risks but also where to focus on relevant risks for the undertaking and which qualitative measures should be implemented for managing and mitigating transition and climate change effects.

Secondly, they summarized the discussion at the AAE Roundtable on Sustainability and Climate Risks on 23 March 2021. The main topics were what to expect on sustainable investments and their regulation, how to extend the underwriting policy with respect to sustainable risks, and the role of the actuaries for assessing transitional and long-term risks. An important cornerstone for AAE’s position is “same risk, same capital”, i.e., it is not adequate to favour any risks simply because they might be “green” or coming from a different sector.

The timeline for the Sustainable Finance Disclosure Regulation has been extended to 1 January 2022 and it is important for the AAE to provide an opinion and to support the implementation of this topic. Work on the European Actuarial Climate Index has been stopped, but the Board has decided to set up a new working group on Sustainability and Climate Issues. Details will be discussed in a separate meeting later in April.

Falco Valkenburg noted that this topic has great importance and, hence, it is especially important to support a joint effort and implement a working group on Sustainability

and Climate Issues. For future work both qualitative and quantitative approaches must be combined to fully address all aspects of ESG risks.

Tomasz Krylowicz asked if anybody knows if the analysis provided by local regulators will be combined and aggregated on a European level. EIOPA plans to aggregate the scenario analysis and therefore they might ask for consistent approaches in all European countries.

#### 3.4 *Modelling and digitalisation*

Malcolm Kemp started by explaining the four proposed topics and asked if and how the RMC could further explore these.

Frank Schiller noted that quantum computing is not yet well established as relevant for insurers, model risk is a very relevant topic but hard to tackle – hence it would be very interesting to share experiences – and digitalisation and FinTechs disrupting our work might be also relevant for Conduct Risk and could be considered there.

Tomasz Krylowicz commented that feedback relating to digitalisation was not yet provided to his working group in the survey and he would be happy to receive such input for the further analysis and work on Reputational and Conduct Risk.

Esko Kivisaari mentioned that the CORAS method might be relevant when topics of this area are discussed in the RMC.

### 4. **COMMUNICATIONS AND INFLUENCING**

#### 4.1 *Work of Risk Management Committee*

Malcolm Kemp noted a presentation on the work of the RMC as presented to the AAE board. He also especially thanked all the active members who had supported the work of the RMC in recent years.

#### 4.2 *AAE Communications Group*

Gunn Albertsen gave an update on the AAE Communications Working Group. The group was established last year and is aiming to address and coordinate existing AAE communication activities. For this a process for classifying (strategic / non-strategic), approving communications by the Board and deciding on the means of communication has been set up. It has been tested on the consultation response for the Solvency II 2020 Review and how to communicate the AAE position.

Tomasz Krylowicz asked if webinars are also part of the communication plan. As webinars can address both internal and external stakeholders, Gunn indicated that they were being considered by the Communications Group.

#### 4.3 *AAE Advisory Panel*

Esko Kivisaari gave an update on the work of the AAE Advisory Panel and how the RMC might assist it. Objectives of the panel are to promote AAE messages, to identify relevant stakeholders in European institutions, and to provide feedback to the AAE board and the committees on relevant topics for their work.

#### 4.4 *Blogs, articles and conference presentations etc.*

Malcolm Kemp asked the RMC for input to blogs, articles, webinar sessions, conference presentations etc. that might assist with AAE communications and influencing goals.

Mathias Wambeke asked if current work in Belgium on modelling risks of mortgage loans might be interesting. Malcolm Kemp agreed that this might be a relevant topic.

Richard Deville asked if flaws in green deal assessments might be relevant and if certain recent experience emanating from the UK might be helpful to be shared. As this is a topic focussing on failures and therefore rather political, it needs to be checked with the Communications Group. Gunn Albertsen will consider whether this sort of topic was something the AAE would want to comment on.

#### 4.5 *CRO Round Table*

Malcolm Kemp asked the RMC how to further organize the CRO Round Table after Gábor Pásztor's departure from the RMC. He also expressed thanks to Gábor for his prior involvement with the RMC.

Bryan O'Higgins mentioned that in Ireland such a round table already exists and is well received. It was probably important to find a suitable CRO to chair such a round table to support a valuable exchange for the other CROs.

Malcolm Kemp asked the participants to come back to him after the meeting with any further ideas or support on this topic.

#### 4.6 *RMC webinar*

Malcolm Kemp asked for first ideas for the RMC webinar likely to be held Q4 2021.

Frank Schiller volunteered again to act as the moderator and mentioned that it might be best if new results of the RMC can be directly shared in this webinar. Hence, potential topics could be Reputational and Conduct Risk or results from the new working group on Sustainability and Climate Issues. Local topics like mortgage loans (see 4.4) might also be relevant and participants are invited to share their ideas with him.

### 5. **JOINT MEETING INSURANCE, PENSIONS AND RISK MANAGEMENT COMMITTEE**

Malcolm Kemp gave an overview and organized the tasks for the RMC.

Frank Schiller proposed addressing Systemic / Macro Prudential Regulation further, suggesting also it be interconnected with proportionality issues to assist effective and efficient implementation of requirements in the heterogeneous and diverse European environment.

Malcolm Kemp asked if there are volunteers for the joint work with the Pensions Committee in the Cash Flow Task Force. Participants are asked to approach him after the meeting.

### 6. **CONSULTATIONS, PRESS RELEASES, BLOGS AND OTHER PUBLICATIONS**

Malcolm Kemp gave an overview on answers of the AAE to recent consultations and AAE publications. No comments from the participants.

7. **MEETING WITH EXTERNAL ORGANISATIONS AND STAKEHOLDERS**

The list of meetings had been shared before the conference. No further comments or additions were provided by the participants.

8. **FORWARD WORKPLAN**

The RMC went through the list of topics as shared before the meeting and discussed priorities and next steps.

- IORP risk management: Support needed for the Cash Flow Task Force (see 5). In addition, there might be some further topics potentially raised in the Pension Committee and they will come back to the RMC after their meeting.
- CRO round table: as discussed in 4.5 to be reorganized and looking for volunteers
- ORSA support material: as we in the RMC currently see nothing specific to work on, we might need to coordinate with the Insurance Committee or carry this topic forward
- Sustainable finance: as discussed in 3.3, to be taken up in the new working group
- Model risk: open, carried forward
- Reputational and Conduct Risk: as discussed in 3.2, continue as planned
- World beyond finance and insurance risks: to be de-prioritised
- Covid-19 in risk management: Mathias Wambeke and Frank Schiller to exchange current work of their local associations and discuss how to bring the topic forward for the RMC

9. **EXCHANGE OF INFORMATION ON CURRENT ISSUES**

No topics were exchanged.

10. **ANY OTHER BUSINESS**

No points raised.

11. **DATE OF NEXT MEETING**

To note that the next Annual Meeting will be held at Campus Sursee, Switzerland, from 29 September-1 October 2021 at the invitation of Schweizerische Aktuarvereinigung. The next RMC meeting will be held on Friday 1 October 2021 (to be confirmed).

**Annex 0.1****Participants Risk Management Committee****Virtual | 15 April 2021**

	First name	Family name	Country	Nominating association	Role
1	Christoph	Krischanitz	Austria	Aktuarvereinigung Österreichs	Observer
2	Reinhold	Kainhofer	Austria	Aktuarvereinigung Österreichs	Observer
3	René	Knapp	Austria	Aktuarvereinigung Österreichs	Delegate
4	Philippe	Demol	Belgium	IA BE	Observer
5	Rob	De Staelen	Belgium	IA BE	Delegate
6	Mathias	Wambeke	Belgium	IA BE	Observer
7	Vedran	Horvatic	Croatia	Hrvatsko Aktuarsko Društvo	Observer
8	Jana	Zelinkova	Czech Rep.	Ceská Společnost Aktuáru	Delegate
9	Martin	Melchior	Denmark	Den Danske Aktuarforening	Delegate
10	Annina	Pietinalho	Finland	Suomen Aktuaariyhdistys	Delegate
11	Hillevi	Mannonen	Finland	Suomen Aktuaariyhdistys	Observer
12	Esko	Kivisaari	Finland	Suomen Aktuaariyhdistys	Observer
13	Richard	Deville	France	Institut des Actuaire	Observer
14	Nadia	Lamari	France	Institut des Actuaire	Delegate
15	Thomas	Béhar	France	Institut des Actuaire	Observer
16	Frank	Schiller	Germany	Deutsche Aktuarvereinigung	Vice-Chair
17	Siegbert	Baldauf	Germany	Deutsche Aktuarvereinigung	Observer
18	Susanna	Adelhardt	Germany	Deutsche Aktuarvereinigung	Observer
19	Alexander	Schalk	Germany	Deutsche Aktuarvereinigung	Observer
20	Gábor	Hanak	Hungary	Magyar Aktuárius Társaság	Observer
21	Istvan	Szabo	Hungary	Magyar Aktuárius Társaság	Observer
22	Tamás	Bencsik	Hungary	Magyar Aktuárius Társaság	Delegate
23	Bryan	O'Higgins	Ireland	Society of Actuaries in Ireland	Delegate
24	Aldo	Balestreri	Italy	ISOA	Delegate
25	Baiba	Mocane	Latvia	Latvijas Aktuāru Asociācija	Observer
26	Paulius	Ptakauskas	Lithuania	Lietuvos Aktuarijų Draugija	Delegate
27	John	Oost	Netherlands	Koninklijk Actuarieel Genootschap	Delegate
28	Falco	Valkenburg	Netherlands	Koninklijk Actuarieel Genootschap	AAE Board-Observer
29	Christian	Akselsen	Norway	Den Norske Aktuarforening	Delegate
30	Gunn	Albertsen	Norway	Den Norske Aktuarforening	Observer
31	Marcin	Zwara	Poland	Polskie Stowarzyszenie Aktuariuszy	Delegate
32	Tomasz	Krylowicz	Poland	Polskie Stowarzyszenie Aktuariuszy	Observer
33	Florin	Ginghina	Romania	Asociatia Romana de Actuarial	Delegate
34	Mária	Kamenárová	Slovakia	Slovenská spoločnosť aktuárov	AAE Board-Observer
35	Eduardo	Trigo Martínez	Spain	Instituto de Actuarios Españoles	Delegate
36	David	Musazai	Sweden	Svenska Aktuarieföreningen	Delegate
37	Roger	Kaufmann	Switzerland	Association Suisse des Actuaire	Delegate
38	Lutz	Wilhelmy	Switzerland	Association Suisse des Actuaire	Observer
39	Nurdan	Türkdemir	Turkey	Actuarial Society of Turkey	Delegate
40	Malcolm	Kemp	UK	Institute and Faculty of Actuaries	Chair
41	Craig	Hanna	USA	American Academy of Actuaries	Observer