

**MEETING OF THE RISK MANAGEMENT COMMITTEE
HELD AT CAMPUS SURSEE, SWITZERLAND AND ONLINE
ON THURSDAY 30 SEPTEMBER 2021 FROM 09:00-12:30 CEST**

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

Welcome by Malcolm Kemp and short introductory round of participants.

2. MINUTES OF PREVIOUS MEETING

2.1 No comments or additions to the [Minutes of the meeting](#) held virtually on 15 April 2021.

2.2 No further matters arising not yet covered in the agenda.

3. VICE-CHAIRPERSON RISK MANAGEMENT COMMITTEE

Frank Schiller confirmed to continue as vice-chair person of the RMC.

4. OPEN/ONGOING PROJECTS

4.1 *Solvency II Working Group*

Siegbert Baldauf briefly gave a status update on the 2020 Review and the legal process of the further implementation into European law. He especially presented the proposals as communicated by the European Commission 22 September with a focus on long term measures (incl. their expected costs) and still open questions.

Discussions included the following topics:

- Equity symmetric adjustment to be increased from 10% to 17%
- Interest rate extrapolation method to change, with still unclear parameters to be used from 2032 ongoing, AAE to keep commenting on how to further adapt parameters in Delegated Acts
- Volatility adjustment to be modified, however now not using as complex a formula as originally proposed by EIOPA
- Use of transitional measures to be more limited
- Risk margin to change to lambda-approach (and lower CoC rate), thereby materially lowering the capital requirements (of life insurers)
- Interest rate risk stress to be modified to reflect negative rates, with UFR also stressed
- Long-term equity criteria to be reviewed
- Low-risk undertakings to be introduced with simplified calculation of TP and reporting
- Several additional reporting requirements being added

- Climate change scenarios to be calculated, analysed and reported in the ORSA with further reviews of Solvency II to better reflect sustainability delegated to EIOPA
- Macroprudential elements to be added

Especially for all topics delegated to EIOPA and where parameters are still to be set by Delegated Acts, AAE could try to ensure an actuarially adequate implementation. Marcin Zwara asked when we can expect full implementation of all the changes. Delegated Acts have to wait for implementation of the Directive. Hence, timing is not easy to be foreseen.

Richard Deville asked how the full effect of the Directive can be assessed. It is not clear how the capital relief of €90bn quoted by EU Commission has been quantified and how valid the result is.

Gabor Hanak asked if the role of actuaries could be further strengthened as part of the process and if we could further influence the development of IFRS17 after the Solvency II 2020 review to improve consistency where applicable. Currently, there does not seem to be any possibility to extend the remit of an actuarial qualification further under Solvency II. Also with respect to better connecting Solvency II and IFRS17, there are no obvious ways of improving synergies, as completely different political and regulatory parties are involved with different objectives. Efforts of the AAE in these directions have not so far been successful and we see little likelihood of change during this current review.

Philip Shier asked what is the definition for a Low Risk Profile Undertaking and how do the planned Directive changes address convergence of supervision. LRPU is well defined, however some of the simplifications for the LRPU still have to be specified. Group and cross-border supervision rules have been updated to make them more consistent.

Maria Kamenarova asked if we as AAE need to comment on the definition of LRPU. Further work needs to be prioritized by the RMC.

Richard Deville asked how the different positive and negative impacts have been addressed and analysed. The general idea behind the Solvency II Review was to avoid material effects, however, the results from positive and negative effects will affect companies to different levels and the average effect might not be observable for each undertaking or country.

Lutz Wilhelmy asked if the claimed lower capital costs would actually support the Green Deal and if it is a good idea to reduce the policyholder protection by the amount quoted. Siegbert agreed that there was no automatic link between the two areas and AAE could prepare a view and position to be able to discuss this aspect with the political stakeholders.

Kartina Thomson asked what local regulators' views are on the Solvency II review. It is not yet clear how they will position themselves. However, as many of the proposals were derived in joint sessions, they are likely to be well aligned.

Malcom Kemp noted that the size of the capital relief could be timescale dependent, e.g. it looked to him as if the scale of the initial relief could reduce over time as transitional features wore off. Second, he thanked Siegbert Baldauf and all volunteers for their excellent work during the consultations. Third, as now the dialogue of AAE with EIOPA and the European Commission starts, we should prepare a position also on the macroprudential elements.

Lutz Wilhelmy stated that especially policyholder protection aspects arising from implementing and standardizing recovery and resolution processes across Europe seemed appealing, and this view seemed to meet with approval from others. However,

it is still open whether such gains can be established consistently without restricting already existing local implementations and whilst avoiding inconsistencies or overburdened additional regulation with respect to the existing Solvency II framework.

4.2 *Reputational and Conduct Risk*

Tomasz Krylowicz and Jana Zelinkova started by stating that they had originally planned to be able to provide an overview of reputational and conduct risks as seen in different countries and legislations in Europe. They still see two main questions:

1. How should they further proceed?
2. Should the current pandemic be also added explicitly to the analysis?

As this area is not extensively covered in the Solvency II framework, the RMC still saw benefit of the progressing this topic. As the pandemic especially triggered certain risks in this area, it might be insightful to include this aspect in the analysis.

4.3 *Sustainability and Climate Related Risks WG (SCRR)*

Frank Schiller briefly presented the results of the kick-off 15/16 July meeting and the work done since then. He asked the members of the RMC if they were aware of any material or working results on sustainability and climate related risks that already existed from their local associations and to share it with the SCRR WG.

Tomasz Krylowicz asked whether it would help to connect the reputational and conduct risk project with the SCRR WG. Frank Schiller will approach him after the annual meeting to discuss cooperation.

Philip Shier emphasised the merits of joining forces with IAA and noted that together with the Irish association the IAA will provide training on their current results in this area in a webinar. Frank Schiller noted that cooperation between the AAE and IAA is currently well addressed in the working group.

4.4 *Macroeconomic and macroprudential impacts of climate change policies*

This topic is part of the SCRR WG meeting on 1 October and will be addressed there. The SCRR WG will report back to the RMC next time with the results of the discussion.

4.5 *Model risk and digitalisation*

Malcolm Kemp started by sharing some material including some recent work in this area by the AAA and asked what thoughts members have on this topic.

Hillevi Mannonen mentioned that this topic is very relevant to actuarial work and supported further analysis, especially for models outside the explicitly regulated environment.

Florin Ginghina also emphasised that this topic is of high relevance.

Tom Wildsmith (AAA representative) mentioned that the AAA paper was the result of quite extensive work done by the US regulator and the US industry in the last few years. With Hillevi Mannonen, further members volunteering to participate in the working group are Christoph Krischanitz and Florin Ginghina.

4.6 *Banking*

Malcolm Kemp asked who does not work in insurance. Only one person raised their hand. Banking would be an area where the AAE would likely also want to position itself. Richard Deville noted that actuaries in banking are often no longer active in actuarial associations and the AAE originally established its Investment and Financial Risk Committee (one of the precursors to the Risk Management Committee) in part to connect with them. It is still difficult to establish and maintain these connections.

Eduardo Trigo Martínez mentioned that he is very interested in better understanding how the IFoA positioned itself with respect to the new investment pathway. Malcolm Kemp referred him to the relevant pages on the IFoA website.

It was noted that also within the insurance space especially market and credit risks are very relevant, and hence a deep understanding and a link with banking ideas can be very beneficial. Also model risk has a bigger focus in banking and it might be helpful to connect the model risk work with approaches in banking.

Maria Kamenarova mentioned that especially for operational risks banking provides some useful insights.

The topic will be taken up again next meeting to more explicitly discuss and eventually decide on actions for the RMC.

5. **COMMUNICATIONS AND INFLUENCING**

5.1 *Blogs, articles and conference presentations etc.*

For the Communications Committee it is important to be able to plan potential publications. The RMC should ensure that future results should also be optimally utilized for communications.

5.2 *CRO Round Table*

An idea of better connecting the AAE directly to CROs could be to have conversations with the CRO-Forum and establish a network with this group.

Maria Kamenarova asked for a specific agenda and relevant topics for an exchange with the CRO-Forum. Climate risks and the Solvency II Review might be on the top of our agendas and a good starting point.

Karel Goossens noted that the idea of the CRO Round Table was primarily to connect and directly engage with Leaders in risk management. A contact with the CRO-Forum might not fulfil this original objective. However, if it was proving hard to establish a actuarial CRO Round Table, having discussions with the CRO-Forum might currently be the most valid option for connecting with leaders in the risk management space.

5.3 *RMC webinar*

Frank Schiller will again take the lead to organize the Webinar. Topics could be on

- Climate and Sustainability (to be discussed in SCRR WG meeting)
- Panel discussion between insurance and pensions on risk management (Malcolm to take this up with PC)

Frank Schiller and Malcolm Kemp will develop these ideas further.

6. **JOINT MEETING INSURANCE, PENSIONS AND RISK MANAGEMENT COMMITTEE**

It might be helpful to directly ask, if the PC would be interested in having the joint panel discussion at the RMC webinar.

No further comments on the agenda were addressed.

7. **CONSULTATIONS, PRESS RELEASES, BLOGS AND OTHER PUBLICATIONS**

Malcolm Kemp explicitly thanked relevant members of the RMC for their extensive support on consultations in the past year, typically as coordinated by the Solvency II WG and he especially thanked Siegbert Baldauf for his contribution in this area.

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

The list of meetings had been shared before the conference.

Maria Kamenarova emphasised the importance of these meetings and that especially the RMC supports her and the other AAE board members in positioning the AAE and bringing forward explicit perspectives and suggestions in the risk area.

9. **FORWARD WORKPLAN**

The list of topics was presented by Malcolm Kemp. For the following topics changes were decided:

- IORP risk management: next steps to be discussed and followed up between Malcolm Kemp and Susanna Adelhardt
- ORSA support material: topic lead is needed to further drive the work, link to SCRR WG where needed
- Sustainable finance now to be tackled in SCRR WG
- Model risk working group setup as defined in today's RMC meeting (see 4.5)
- World beyond finance and insurance to be deprioritized

Gabor Hanak asked if we are currently missing relevant topics in the workplan and how to address and prioritize potential open topics.

Karel Goossens mentioned that a CRO or RMF Round Table could exactly be used for such an assessment.

Lutz Wilhelmy noted that such topics are often discussed in magazines / journals and in the open exchange the AAE has with regulators and other stakeholders.

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

Topics were already addressed under 4 and 9. No further comments or additions.

11. **ANY OTHER BUSINESS**

No points raised.

12. **DATE OF NEXT MEETING**

The next meeting will be held in Munich, Germany, on 31 March 2022 (tbc) at the invitation of Deutsche Aktuarvereinigung.

No further comments.

Annex 0.1

Participants Risk Management Committee meeting
Sursee-online | 30 September 2021

Family name	First name	Member Association	Country	Role	In person	Online
Knapp	René	AVÖ	Austria	Delegate		X
Krischanitz	Christoph	AVÖ	Austria	Observer	X	
Goossens	Karel	IA BE	Belgium	Observer	X	
Horvatic	Vedran	Hvratsko Aktuarsko Društvo	Croatia	Observer		X
Zelinkova	Jana	Ceská Spolecnost Aktuáru	Czech Rep.	Delegate		X
Svab	Jan	Ceská Spolecnost Aktuáru	Czech Rep.	Observer	X	
Melchior	Martin	Danish Actuarial Association	Denmark	Delegate		X
Kivisaari	Esko	Actuarial Society of Finland	Finland	Observer	X	
Pietinalho	Annina	Suomen Aktuaariyhdistys	Finland	Delegate		X
Mannonen	Hillevi	Suomen Aktuaariyhdistys	Finland	Observer		X
Valade	Pierre	Institut des Actuaires	France	Delegate		X
Deville	Richard	Institut des Actuaires	France	Observer	X	
Baldauf	Siegbert	DAV / AAE	Germany	Observer	X	
Schiller	Frank	Deutsche Aktuarvereinigung	Germany	Vice-chair		X
Adelhardt	Susanna	Deutsche Aktuarvereinigung	Germany	Observer		X
Hanak	Gabor	Hungary	Hungary	Observer	X	
Balestreri	Aldo	ISOA	Italy	Delegate		X
Kars	Jan	IAA	Netherlands	Observer	X	
Oost	John	Dutch Actuarial Association	Netherlands	Delegate		X
Killi	Trond	Den Norske Aktuarforening	Norway	Observer	X	
Albertsen	Gunn	Actuarial Association of Europe	Norway	Observer	X	
Akselsen	Christian	Norwegian Actuarial Society	Norway	Delegate		X
Zwara	Marcin	Polish Society of Actuaries	Poland	Delegate	X	
Krylowicz	Tomas	Polish Society of Actuaries	Poland	Observer		X
Afonso	Lourdes	IAP	Portugal	Observer		X
Shier	Philip	Society of Actuaries in Ireland	Rep. of Ireland	Observer		X
Ginghina	Florin	ARA	Romania	Observer		X
Kamenarova	Maria	Actuarial Association of Europe	Slovak Rep.	Observer	X	
Trigo Martínez	Eduardo	IAE	Spain	Delegate		X
Wilhelmy	Lutz	SAV	Switzerland	Observer	X	
Kaufmann	Roger	SAV	Switzerland	Delegate	X	
Heck	Christophe	SAV	Switzerland	Observer	X	
Thomson	Kartina	IFoA	UK	Observer	X	
Kemp	Malcolm	IFoA	UK	Chair	X	
Wildsmith	Tom	American Academy of Actuaries	USA		X	