

**MEETING OF THE RISK MANAGEMENT COMMITTEE
HELD ONLINE
ON THURSDAY 31 MARCH 2022 FROM 14:00-18:00 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 new participants. Further topics added to the previously communicated agenda following further requests from the AAE board were:

- Provide input to upcoming meeting with EIOPA
- Assist with preparing guidelines for management of AAE's own assets

2. MINUTES OF PREVIOUS MEETING

- 2.1 No comments or additions to the Minutes of the meeting held virtually on 30 September 2021.
- 2.2 No further matters arising not yet covered in the agenda and no conflicts of interest declared by the members of the RMC.

3. OPEN/ONGOING PROJECTS

3.1 *Solvency II Working Group*

Siegbert Baldauf briefly gave a status update on the 2020 Review, the currently ongoing process of its implementation into European law on the different levels (directives, delegated acts etc.) and currently proposed amendments. He judged that it is especially problematic that very relevant parameters and risk evaluation features will only be specified in delegated acts without guide rails being provided in directives (very important for the extrapolation method to be used for the risk free interest rate and the volatility adjustment). Focussing on the most relevant areas, he compared the current Solvency II framework and EIOPA's earlier proposals with the changes now proposed by the European Commission and their effects on capital requirements. Siegbert also gave an overview on additional reporting requirements, especially for ORSA wrt. climate change risks and the new structure of the SFCR.

Richard Deville asked what effects inflation might have on the standard formula and on risk profiles. Effects might not be directly seen in Solvency II Pillar One, but the topic might need to be addressed in, e.g., the ORSA.

Malcolm Kemp highlighted that later in the meeting the RMC would discuss the topic of "Recovery and Resolution" as the Board had requested input from the RMC on this topic. All RMC members are asked to consider and answer by email to Malcolm what relevance they see for recovery and resolution in their own work or for other actuaries in their countries.

Martin Melchior asked if there had been new developments on contract boundaries. To Siegbert's knowledge no new changes are currently under discussion within the Solvency II Review. However, Frank mentioned that refinements concerning the interpretation of contract boundaries do appear to be currently discussed and implemented by some local regulators in close dialogue with EIOPA.

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

Frank Schiller gave an update on the activities of the Sustainability and Climate-Related Risks WG based on the agenda for its meeting on 1 April 2022 as previously shared with the RMC. He also referred to input from the AAE board at its meeting on 30 March in terms of priorities wrt. sustainability activities.

As the next meeting of the SCRR WG was the following day, Frank invited RMC members to give feedback directly to him, if they are missing any topics that are not yet addressed and should be tackled in the working group.

Malcolm Kemp thanked the working group for their excellent work done so far.

3.3 *Reputational and Conduct Risk*

Frank Schiller briefly presented the close to final version of a paper from Clara Armengol Vivas, Tomasz Krylowicz, Jerome Crugnola-Humbert, Jana Zelinkova and Frank Schiller on sustainability issues and their impact on reputation risk. The paper has been shared in advance with the members of the RMC.

Malcolm mentioned that it might be helpful to add visualisations or pictures to the paper to make it more easily to be understand. And a topic that could be added is on property investments and how to relate that to sustainability and reputational risks. Any feedback on the paper should please be shared with Frank by 8 April to be considered in the final version.

3.4 *Model risk*

Malcolm Kemp started to explore how best to develop this topic. The members of the RMC showed no immediate interest and it was decided no longer to follow up on this topic.

3.5 *The impact digitalisation might have on risks faced by the banking, insurance and pensions industries*

Following the planned presentation on this topic at the Joint Meeting, Malcolm Kemp first gave again a precis of the presentation and then started to discuss further whether there is appetite to explore from a risk perspective how digitalisation might impact the insurance and pensions industries.

Frank Schiller asked where the focus should lie, e.g. on cyber risks, consumer protection / discrimination, or systemic risks for the economy. It is otherwise a very broad topic to be tackled.

Lutz Wilhelmy noted that the AAE has already established a working group on "Artificial Intelligence and Data Science" directly reporting to the AAE Board. Not only methods but also effects on society will be tackled by this WG. Hence, cyber and systemic risks might still be relevant for the RMC.

Karel Goossens added that the above mentioned working group does not yet cover risk management aspects. Hence, it might be good to liaise with this working group and cooperate on this topic.

Maria Romera agreed that the addressed topics and risks are of great relevance for companies and that we should tackle them. However, we need to make sure that we have sufficient expertise to work on these risks.

As a next step Malcom will get in contact with Esko Kivisaari as the chair of this WG to discuss how to coordinate and potentially kick-off work in this area from a risk management perspective.

3.6 *ERM beyond the financial sector*

Malcolm Kemp gave an update on how best to develop RMC activity in this area. He had spoken to several potential candidates who had previously expressed interest, but the topic has not yet progressed.

Ingrid Langfeldt Gould mentioned that especially cyber risk might be of relevance in this area and that a data collection on incidences might be a good starting point. However, Lutz Wilhelmy cautioned that a key risk in cyber is concentration risk rather than single incidences, that unfortunately data is not easily accessible and that a forward looking assessment might be even more difficult as the risk environment might change quickly due to political or criminal actions.

Frank Schiller mentioned that this could be a good way to connect actuarial expertise in certain risk aspects like market, cyber or operational risks to other sectors or industries and by that leverage mutually on data and knowledge. Karel Goossens and Lutz Wilhelmy underlined that this could be a very valuable approach, especially for cyber risks.

At this stage no one in the RMC wanted to take responsibility for progressing this topic further.

3.7 *IORP risk management*

Malcolm Kemp and Martin Melchior gave an update on the topic of risk management for IORPs and Martin briefly presented the slides as per the Joint Meeting.

Malcolm underlined that it is important to carry on with this topic to better coordinate the work of the RMC and PC.

Karel Goossens also supported the close exchange between actuaries in pensions and insurance. His opinion is that within the IORP space we now have an opportunity as actuaries to lead the debate regarding further development of risk management frameworks.

Malcolm Kemp wanted to facilitate the more extended exchange between RMC and PC, to engage with Tatiana Bitunska to coordinate this cooperation and to find volunteers for this joint approach. Karel Goossens supported setting up a survey with the member associations to identify actuaries in IORPs risk management with the aim of setting up such a joint working group. All members of the RMC are highly welcome to join this work.

3.8 *Systemic risk*

Malcolm Kemp gave an update on how RMC might best contribute to discussions relating to systemic risk. He had spoken to several potential candidates who had previously expressed interest, but the topic has not yet progressed except in the context of updating the ESAP 3 standard.

Members of the RMC present at the meeting showed no immediate interest in the topic. However, we will keep it on the open topics lists as it is of high relevance for the AAE Board.

3.9 *Recovery and resolution*

Malcolm Kemp had already started discussion within Sigbert Baldauf's earlier presentation of how RMC could best contribute to debates around the proposed Insurance Recovery and Resolution Directive. He reiterated the request that RMC members share any thoughts they had with him.

4. **COMMUNICATIONS AND INFLUENCING**

4.1 *RMC webinar*

Frank Schiller and Malcolm Kemp organized the RMC webinar held on 1 February 2022 on the topic "Sustainability and Climate Change – what does it mean for risk management in Insurance and Pensions?". It was well received by the audience and Malcolm Kemp thanked all the participants for making it a success.

Convention A

Malcolm Kemp started to discuss a possible RMC contribution to Convention A (September 2022).

The AAE has decided to take two blocks, the first on the general role of actuaries in Europe and the second to be covered by AAE committees. Here, the RMC could cover a 30-45min slot and would again aim to support this with a SCRR WG-based presentation.

4.2 *Blogs, articles and conference presentations etc.*

For the Communications Committee it is important to be able to plan potential publications. Malcolm Kemp encouraged RMC members to attend the ECA 2022. He mentioned that there were still a handful of presentation slots available if people wished to propose presentations to this conference.

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

No further comments on the agenda were addressed in addition to the topics already raised under 3.

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

The list of consultations, publications and blogs was shared before the meeting.

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

The list of meetings had been previously shared.

Lutz Wilhelmy gave a brief overview on the topics addressed during the last meeting with EIOPA.

Topics the RMC suggested were raised at future meetings with EIOPA (N.B. for next meeting email needs to be sent to EIOPA by 4 April 2022):

- Short (not complete) list as already proposed by the AAE board including: Solvency II, IFRS17
- Contract boundaries could be relevant, as they are currently being discussed in several countries and interpreted differently
- EIOPA's current proposal on stress testing for IORPs in 2022

8. **FORWARD WORKPLAN**

Given the list of topics already discussed under 3, the members of the RMC had no additional ideas for other topics to add at the present time to its future workplan.

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

Topics were already addressed under 3. No further comments or additions.

10. **ANY OTHER BUSINESS**

Malcolm Kemp had been asked by the AAE Treasurer to produce guidelines for the AAE's own asset and cash management.

Karel Goossens will share guidelines applied by the Belgian association and Lutz Wilhelmy will share the guidelines of the Swiss association with Malcolm Kemp.

11. **DATE OF NEXT MEETING**

The next meeting will be held in Rome, Italy, on 6 October 2022 (tbc) at the invitation of ISOA and in conjunction with the AAE Annual Meeting.

Annex 0.1

**Participants Risk Management Committee meeting
Virtual | 31 March 2022**

Family name	First name	Member Association	Country	Role
Knapp	René	AVÖ	Austria	Delegate
Krischanitz	Christoph	AVÖ	Austria	Observer
Goossens	Karel	Institute of Actuaries in Belgium	Belgium	Observer
Zaharieva	Zornitsa	Bulgarian Actuarial Society	Bulgaria	Observer
Pošta	Petr	Ceská Spolecnost Aktuáru	Czech Rep.	Observer
Melchior	Martin	Danish Actuarial Association	Denmark	Delegate
Pietinalho	Annina	Suomen Aktuaariyhdistys	Finland	Delegate
Mannonen	Hillevi	Suomen Aktuaariyhdistys	Finland	Observer
Valade	Pierre	Institut des Actuaire	France	Delegate
Deville	Richard	Institut des Actuaire	France	Observer
Baldauf	Siegbert	DAV / AAE	Germany	Observer
Schiller	Frank	Deutsche Aktuarvereinigung	Germany	Vice-chair
Schalk	Alexander	Deutsche Aktuarvereinigung	Germany	Observer
Bensik	Tamás	Magyar Aktuárius Társaság	Hungary	Delegate
Zsabo	Istvan	Magyar Aktuárius Társaság	Hungary	Observer
Wiebe	Jason	Society of Actuaries in Ireland	Ireland	Observer
Crenca	Giampaolo	ISOA	Italy	Observer
Ptakauskas	Paulius	Lietuvos Aktuarijų Draugija	Lithuania	Delegate
Oost	John	Dutch Actuarial Association	Netherlands	Delegate
Gould	Ingrid	Den Norske Aktuarforening	Norway	Delegate
Killi	Trond	Den Norske Aktuarforening	Norway	Observer
Zwara	Marcin	Polish Society of Actuaries	Poland	Delegate
Afonso	Lourdes	Instituto dos Atuários Portugueses	Portugal	Observer
Kijacová	Katarína	Slovenská spoločnosť aktúarov	Slovak Rep.	Delegate
Kamenarova	Maria	Actuarial Association of Europe	Slovak Rep.	AAE Board-Obs.
Romero	Maria	Col.legi d'Actuaris de Catalunya	Spain	Delegate
Trigo Martínez	Eduardo	Instituto de Actuarios Españoles	Spain	Delegate
Kaufmann	Roger	Schweizerische Aktuarvereinigung	Switzerland	Delegate
Kemp	Malcolm	Institute and Faculty of Actuaries	UK	Chair