

MEETING OF THE INSURANCE COMMITTEE

HELD IN ROME, ITALY

ON THURSDAY 6 OCTOBER 2022 FROM 14.00-17:30 CEST

MINUTES

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

1. OPENING OF THE MEETING AND ADOPTION OF THE AGENDA

The chairperson welcomed everybody to the insurance committee meeting. He presented the list of topics that were awaiting to be discussed in the meeting. There were no comments from the participants on the agenda nor for additional topics to be covered so the agenda was approved.

2. MINUTES OF PREVIOUS MEETING

2.1 The chairperson presented briefly the [Minutes](#) of the online meeting held on 31 March 2022 (a further copy is attached at **Annex 2.1**) and these were approved without changes

2.2 The chairperson reminded that there were two online meetings held on [29 June 2022](#) (**Annex 2.2a**) and on 13 September 2022 (**Annex 2.2b**) and apologized that the minutes were not ready at the time of the meeting therefore all comments will be welcome alongside with the comments to the minutes of the current meeting.

2.3 The chairperson encouraged to give feedback to [the quarterly committee reports](#) published on the AAE website (committee reports are part of the Board reports to MAs). The latest version - issued July 2022 - is attached as **Annex 2.3**.

2.4 The chairperson informed that the committee is expected to approve Daphné de Leval as a vice-chairperson of the Insurance Committee. According to the rules the decision has to be reconsidered every year. There were no objections to the proposal and Daphné de Leval was approved to continue as the vice-chairperson of the Insurance Committee.

3. WEBINARS

3.1 The chairperson informed that the committee is expected to approve Daphné de Leval as a vice-chairperson of the Insurance Committee. According to the rules the decision has to be reconsidered every year. There were no objections to the proposal and Daphné de Leval was approved to continue as the vice-chairperson of the Insurance Committee.

4. CONSULTATIONS AND RESPONSES

4.1 The chairperson informed that the IC responded to two consultations and the responses are publicly available:

- [Public consultation on draft criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the Insurance Capital Standard](#)
- [Consultation on the Supervisory statement on management of non-affirmative cyber underwriting exposures](#)

4.2 The chairperson noted that tomorrow (October 7) is the deadline for comments on the Supervisory statement on differential pricing practices in non-life insurance lines of business. The topic will be covered in more details by Cyriaque Tequia later in the meeting while discussing the non-life issues

5. **DIGITALIZATION**

The chairperson invited Esko Kivisaari to give a short presentation and talk what IC could do in this area to be more active. Esko reminded that he is leading an AAE artificial intelligence and data science (AI-DS) WG and has been involved in EIOPA consultative expert group on artificial intelligence and ethics together with Lutz. Traditionally digital data has been scarce, expensive, slow to manipulate therefore actuaries used to use simple proxies e.g. gender, age as proxies for the riskiness or the model of the car in non-life. Nowadays the amount of digital data is mushrooming and it is very cheap to manipulate it having the available computing power. It enables to develop better underwriting and lower insurance costs. All the stakeholders will benefit from that.

Traditionally it is believed that customers know better about their risks and have the advantage, but data changes that situation and there might be cases when insurers will know the risks better than the clients. Regulators address these issues (GDPR, PDS2, open insurance initiative). Open insurance is tricky. There might be an adverse selection of risks. Artificial intelligence act is more like an example of the seriousness of the matter. EIOPA has interest in this topic, they are interested if LI products are making profit for customers, another question is whether it is fair that the difference between actuarial estimates and actual life is kept by the companies, etc. The question for actuaries is whether we like the idea of pure actuarial premiums with just a service cost or do we feel that it is ok to have a differential pricing. EU parliament is discussing the right to be forgotten and affordability of insurance e.g., cancer. Consumer Credit Directive is discussed in the EU Parliament where the right to be forgotten plays an important role. Esko shared his own experience about the project in Finland that deals with the right to be forgotten in mental health area. Esko continued with listing the areas of work of AAE artificial intelligence and data science WG:

- Answering the consultations e.g., a consultation on open finance;
- Organizing a competition with a data set and a problem to be solved aiming to involve actuaries and other professions specializing in data science;
- Producing papers e.g., AI and insurability. Papers are being reviewed by the AAE board and should be published afterwards.

Reinhold Kainhofer raised a question about the right to be forgotten e.g., customer's right not to mention or not to be asked that he/she have had a cancer. This practice might spread to different types of illnesses and insurances and even age. Since age is a central function for actuaries to differentiate life insurance contracts, He was curious whether Esko saw any danger of age being problematic in the future?

Esko replied that originally there was a discussion about the use of gender. Then there is an Age and disability initiative that is currently on hold. We as actuaries have to explain what insurability is e.g., if health data couldn't be used it would not mean that everybody would get insurance with the same terms as today, but it would rather mean that nobody would get insurance since companies would stop providing insurance where actuarial pooling doesn't work.

Romain Durand shared his views on the differences in the discrimination based on gender and age. In contrast to gender age can hardly be linked to any EU constitutional right. Matthias Pillaudin added that as from this year in France companies have limitation to underwrite credit life with limit to 250 000 euro and 60 years of age.

Esko replied that in this case the limit is very high and above the essential needs and is more luxury. There would be stronger pressure in the area of essential needs (if you do not get it, you would be socially excluded), but it depends on the country and its social security. The second is issue about the gender and differentiation by gender, actually if one looks at mortality tables you will notice that there is not only a big difference between genders, but also a huge difference between different socio-economic groups that is a real difficulty. Are we helping people not be excluded and falling into over the capital risk or are we helping them to be socially included so that they avoid dropping to the lower categories where the risk is higher. We should also think about our view on gender definition where we are used to traditional, black and white approach and take into account that there is some evolution in gender ideology nowadays.

Gabor Hanak commented on discrimination between gender and age that it is a choice of value in the EU and that we as AAE should rather tell what the consequences of the decision would be. He's opinion was that AAE failed with that earlier. On the other hand, there might be other options for risk management.

Esko disagreed that AAE (Groupe Consultative at that time) failed, it was EU court of justice who failed to understand and put down the decision incorrectly. The chairperson thanked for the presentation, vivid discussion and different angles that was brought out. He also told that the right to be forgotten was and the agenda later today with some remarks on the use of data, etc.

6. **SUSTAINABILITY AND CLIMATE-RELATED RISKS WG**

The chairperson emphasized that a lot of things have been done by the WG and invited Daphne De Leval to present in more details.

Daphne reminded that WG reports to the RM committee, but topic is important and it has delegates from pension committee as well. Daphne presented an update on the WG tasks:

- Overview of existing climate scenario material
- Mapping and translation of climate scenarios to insurance
- Webinars
- Communication and Consultation of Sustainability related Topics
- Sustainable products
- Next steps

The chairperson said that WG has a lot on the table and thanked for a good overview.

Esko Kivisaari pointed out that it's one of the most important topics for the actuaries.

7. **UPDATE ON EUROPEAN ISSUES**

7.1 The chairperson gives an update on the issues discussed at EIOPA IRSG meeting 28th June 2022:

- the Right to be forgotten
- Solvency II
- Markets in Crypto-Assets Regulation (MiCA)
- Aggregation Method and Insurance Capital Standard comparability assessment
- inflation
- AI work done by European commission
- Call for Advice to the ESAs on Securitization
- European database on access to insurance by SMEs
- Better finance publication on Solvency and Financial Condition Report (SFCR)
- Proportionality
- Addressing the protection gap
- Discussion on value for money in the context of sustainability
- The coming meeting will focus on protection gap and greenwashing

Daphne De Leval asked about the stress tests (cyber risks) planned. The chairperson explained that stress tests are planned for the next year but areas are not known yet. Sustainability is most likely to be in scope, but it is not that certain for cyber risks.

8. **LOW INTEREST RATE WORKING GROUP (LIR)**

8.1 The chairperson introduced the next agenda topic and announced that after the presentation it should be considered changing the name of the WG to “Interest rate WG” due to obvious reasons. Also, the board is asking to come with the explanation about the scope of the WG.

Sam Achord gave a presentation “IC update from (L)IR Group”. Inflation is very hot topic and interesting. WG continues work on liquidity and would be happy to continue as a WG but maybe with a different name. WG asked for input for topics to be considered in the future. In a very short term WG is going to focus on liquidity issues and later on inflation. The chairperson thanked for a good presentation and noted that inflation is good topic to focus now on.

Matthias Pillaudin asked if WG have planned to make a quick survey to study what tools to fight inflation are used by different insurers?

Sam agreed that it would be a good idea and needs to be developed. Unfortunately, in most cases, you can't fight inflation, you have to adapt. Nevertheless, it's a good idea to have a survey and combine knowledge about how companies are reacting and how it impacts policyholders.

The chairperson assured that IC members would be happy to answer the questionnaire if any.

Sam raised a question how to do the survey. Should it be done via member organizations or should it be less formal.

Matias Pillaudin shared his view that it would be more useful to have a survey with one answer per country. It would make it easier to consolidate and interpret.

- 8.2 The chairperson reminded that a formal decision has to be made to change the name of the WG to Interest rate WG. **There were no objections and the new name of the WG was approved.**

The chairperson proposed to change the order on the agenda and cover topic 12 from it next. There were no objections so the chairperson asked Valéry Jost to give his presentation - **Decision**

9. **IFRS17 task force**

- 9.1 The chairperson invited Kristoffer Bork to give an update on the finalization on the EAN and also bring out main results from the IFRS17 survey and on any final activities of the IFRS17 task force.

- 9.2 Kristofer presented the status of EAN finalization. He pointed out that EAN draft is out for a consultation process with the MA and the consultation lasts till November 10. Further work depends on the feedback received. The final version is expected to be approved by the relevant committees by e-voting when it will be ready.

10. **CONSUMER PROTECTION WORKING GROUP**

Valéry Jost presented the report of the Consumer protection working group covering main areas:

- Value for Money
- Sustainability
- PRIIPs (Packaged Retail Insurance based Investment Products)
- Retail investor protection
- Some insights from the last legal trends

The chairperson thanked for the report and commented that a large list of interesting topics shows that this area is important and WG does a great work communicating AAE position on these topics. The chairperson raised a question if WG is able to continue the work with current resources.

Valery responded that WG is always recruiting new members and it would be useful if other members join.

11. **NON-LIFE ISSUES**

- 11.1 The chairperson invited Cyriague Tequia to give an update on the work of the Non-Life working group.

- 11.2 Cyriague Tequia expressed appreciation for the five active and involved members of the group. He also reminded that in addition to the usual work of responding to EIOPA consultations, a workstream is opened on "how to deal with inflation in a non-life insurance company? ". The end of the work is planned for this workstream in March 2023, as a survey needs to be conducted.

12. **SOLVENCY II**

The chairperson invited Siegbert Baldauf to give an update of the Solvency II working group on the Solvency II review, the IRRD and the latest draft legislations, etc.

Siegbert presented an update on Solvency II working group:

- Introduced the process and the timeline of the Solvency II directive review.

- Discussed the proposed amendments by Council and ECON emphasizing the problem of RFR development and UFR. Explained the problem of coming to a single proposal while having a large number of different proposals for changes from ECON.
- Introduced the concept of the Low-risk profile undertakings (LRU) and Prudent harmonised reduced set of scenarios and introduced EIOPA's timeline on this question.

Gabor Hanak raised a question if it is appropriate that insurance undertakings build in their business plans anticipation that there will be lower risks in the future?

Siegbert replied that he is in favor of scenario calculations. The change of cost of capital calculation is not an issue and different scenarios should be assessed in ORSA process. Gabor Hanak wondered if the added paragraph to the Article 77 brings anything new since insurance undertakings are allowed to apply prudent approach to the technical provisions based on Article 56.

Siegbert replied that a new group of low-risk undertakings is introduced and EIOPA's aim is to allow them to do stochastic valuation by using only 10 scenarios hand-made or something.

István Kerényi pointed out that several years ago the interest rate risk evaluation was changed to the form where a fixed yield is added and raised a question if this approach will remain in a new approach.

Siegbert replied that it is not being discussed now, but it is likely they will consider the approach that has been discussed was discussed 3-4 year ago and it is written by the Council that they would support a transition phasing-in period of up to 5 years.

The chairperson asked to think about the topics that could be covered in the webinar planned on November 23 and thanked Siegbert for a thorough presentation.

13. **AAE GOING TO WIDER FIELDS**

The chairperson invited Giampaolo Crenca from the AAE board to give a presentation. Giampaolo talked about the role of actuaries in supplementary private health funds (SPHF) from an Italian perspective.

The chairperson thanked Giampaolo for the presentation and apologized that there is no time left for questions and discussion. There will be a follow-up in the future.

14. **REVIEW IC PLAN**

- 14.1 The chairperson informed that the IC plan will be prepared in a month or so and will be presented at the next meeting. The chairperson reminded that there was a joint committee meeting in the morning.

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

The chairperson pointed out that AAE is very active and has a lot of external meetings and encouraged the members of IC to review the [overview of the meetings](#) following the link provided in the agenda.

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

The chairperson encouraged members of IC to share any issues or questions to be discussed in IC via e-mail.

17. **ANY OTHER BUSINESS – 5 min**

The chairperson presented two topics:

- Ongoing work on ESAP3 review. This will go until next year. There will be two types of work with ESAP3 review: one is looking to Solvency II review and the other one will be addressing new topics like sustainability, but then we will need updating current EAN on the ESAP3 and ORSA.
- The right to be forgotten. The work has started in the summer. The Irish colleagues have been active in this question. We have a small working group now. The chairperson invited IC members to join the work group if there is any interest. It is promised to write a short paper (2-3 pages) going broadly over the topic and then have a discussion with the AAE board what would be the areas where we would want to deep dive and what would be areas that we would not cover that deep.

18. **NEXT MEETING**

The chairperson informed that the next meeting will be held in Bratislava Slovakia, on 20 April 2023 (tbc) at the invitation of the Slovak Society of Actuaries and in conjunction with the AAE Spring Meeting.

Annex 0.1

Participants Insurance Committee meeting Rome | 6 October 2022

	Family name	First name	Member Association	Country	Role
1	Kainhofer	Reinhold	AVÖ	Austria	Delegate
2	De Leval	Daphné	IABE	Belgium	Vice-chair
3	Jusko	Martin	Ceska spolecnost aktuaru	Czech Rep.	Observer
4	OByrne	Conor	Den Danske Aktuarforening	Denmark	Delegate
5	Bork	Kristoffer	Den Danske Aktuarforening	Denmark	Chair IFRS17 WG
6	Kivisaari	Esko	Actuarial Society of Finland	Finland	Alternate
7	Saraste	Lauri	Suomen Aktuaariyhdistys	Finland	Chair
8	Durand	Romain	Institut des Actuaire	France	Observer
9	PILLAUDIN	MATTHIAS	Institut des Actuaire	France	Observer
10	Baldauf	Siegbert	DAV	Germany	SII Project Man.
11	Jung	Daniel	German Association of Actuaries	Germany	Observer
12	Dennstedt	Nils	DAV	Germany	Delegate
13	Kerényi	István	MAT	Hungary	Delegate
14	Sammartini	Giovanni	ISOA	Italy	Delegate
15	Helmane	Inga	Latvijas Aaktuāru Asociācija	Latvia	Observer
16	Valeiša	Evaldas	Lietuvos Aktuaru Draugija	Lithuania	Delegate
17	Bieliauskiene	Eugenija	Lietuvos aktuaru draugija	Lithuania	Observer
18	Sollie	Mats	Den Norske Aktuarforening	Norway	Delegate
19	Pusz	Robert	Polskie Stowarzyszenie Aktuariuszy	Poland	Delegate
20	Dolan	Ramona	Society of Actuaries in Ireland	Rep. Ireland	Observer
21	Ginghina	Florin	Asociatia Romana de Actuariat	Romania	Delegate
22	Kamenarova, PhD	Maria	AAE	Slovak Rep.	Observer
23	Weber	Zuzana	Slovenská spoločnosť' aktúárov	Slovak Rep.	Observer
24	Lundgren	Maryna	Aktuarieföreningen	Sweden	Delegate
25	Bamberger	Michael	Swiss Actuarial Association	Switzerland	Alternate
26	Thomson	Kartina Tahir	Institute and Faculty of Actuaries	UK	Delegate
27	Piper	Alice	Institute and Faculty of Actuaries	UK	Observer