



AAE WORKING GROUP SUSTAINABILITY AND CLIMATE-RELATED RISKS (SCRR)

Working Group Meeting

7 October 2022

Frank Schiller, Daphné de Leval, Gábor Borza, et al.

Agenda

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|---|-----------------|
| 1) Brief welcome | 5min (Frank) |
| 2) Minutes of previous meeting | 5min (Frank) |
| 3) Update on ongoing Task Forces | |
| I. Overview of Existing Scenarios | 1min (Matt) |
| II. Climate Scenario Best Practices | 10min (Loudina) |
| III. Sustainable Products | 5min (Frank) |
| IV. Communication and Ongoing Consultations | |
| a) “Vision on Future World of a Sustainable Economy” | 2min (Bernd) |
| b) “AAE Priorities on Sustainability” | 2min (Loudina) |
| c) Amendments on Sustainability by ECON | 10min (Daphné) |
| 4) Convention A | 5min (Loudina) |
| 5) New developments in Actuarial Associations and IAA | 20min (all) |
| 6) Any other business | 15min (all) |
| 7) Next meetings | 10min (Frank) |

1) Welcome

- 8th meeting of our Working Group
- Presentation at Convention A successful
- Paper on “SUSTAINABILITY ISSUES AND REPUTATIONAL RISK FOR INSURANCE COMPANIES AND PENSION FUNDS” has been finalized and published in September
- Work has lost momentum during summer break on our task forces
We have to speed up again for year end

2) Minutes of previous meeting

Teams Meeting 5 August 2022

- TF2 continued with focussed analysis of relevant scenarios for ORSA and other direct applications for actuaries
- Preparation of Convention A with focus on Climate Scenarios decided
- To continue work on Task Force “Sustainable Products” we need further support from experts on reporting. IFoA to be asked for help.

3.1) Overview of Existing Scenarios

This task force is still in passive mode and focus has been given to the analysis of scenarios and their application in the task force “Climate Scenario Best Practices”.

3.II) Climate Scenario Best Practices

Focus is on scenarios that can be directly applied in the actuarial work – especially for performing the climate scenario analysis on the ORSA to be done in 2022.

Next steps:

- General analysis will be carried on in current TF with Matt leading the work
no updates since last meeting
- Loudina Erasmus will lead the focussed work on the application of climate scenarios in the ORSA

The Loudina has prepared a presentation for Convention A (22 September)
A paper should be available eoy 2022

3.III) Sustainable Products

(Frank, Clara, David, Melissa)

Working plan (no further progress since last meeting):

First draft to be written till July for three areas / chapters and extent these chapters continuously

- Sustainable savings / pensions products
- PSI classification for insurance products
- SDG based classification for sustainable products

Need additional support from experts in SCRR WG on

- Classification of sustainable products under different taxonomies

General outline and draft for introduction and three chapters available.

IFoA will support us with experts on reporting topics and taxonomies.

3.IV) Communication

To be discussed if and how we want to progress with the following two topics:

- a) Paper on “**Vision on Future World of a Sustainable Economy**” (Bernd et al.)
Work on this paper currently paused.

- b) Framework for AAE “**Priorities on Sustainability**” (Loudina, Gábor, Frank)
Loudina in coordination with AAE board

3.IV) Consultations

We noted that several amendments on Sustainability are proposed by ECON.

Amongst other topics, proposed items include:

- Corporate Sustainability Reporting Directive application to all insurers (SME version for Low Risk Profile Undertakings)
→ very extensive reporting applicable as from 2025 (2026 for SMEs)
- Governance: capital add-on, if you do not respect your transition plan
- Reporting in SFCR on alignment transition plan and results climate scenarios in ORSA

To be discussed how to react on these proposals.

How should the AAE position be adjusted to reflect our opinion on these topics, accordingly?

4) Convention A

Presentations by members of the SCrR WG:

- 21 September
Climate-Related Disclosures and Risk Management – Standards and Leading Practices
Jérôme Crugnola for IAA
- 22 September
Climate Scenarios and ORSA
Loudina Erasmus

5) New developments in Associations and IAA

Please share new developments in your local associations. Activities of working groups of local associations in Europe:

- Jérôme Crugnola, Head of Fachgruppe Sustainability, SAV, Switzerland
- Bernd Hirschfeld, Head of KG Sustainability, DAV, Germany
- Loudina Erasmus, AG, Netherlands
- Clara Armengol Vivas, Col·legi d'Actuaris de Catalunya, Spain
- Sinéad Cronin, SoAI, Ireland

Activities of IAA Resource and Environment Virtual Forum / Climate Task Force:

Work on “**Climate-Related Disclosures and Risk Management – Standards and Leading Practices**” finished, please have a look at the paper

(https://www.actuaries.org/iaa/IAA/Publications/Papers/Climate_Issues/IAA/Publications/Climate_Issues.aspx) and participate at the webinars.

As members of the forum, could Jérôme Crugnola, Phillippe Demol, David Dubois, Esko Kivisaari any further topics of interest to be mentioned?

6) Any other business

- Daphné de Leval and Jérôme Crugnola will participate as nominees for the AAE at the „Climate Resilience Dialogue“ of the European Commission (invitation letter in the attachment)
- Jérôme and Frank wrote a paper on “The Only Constant is Change – Opportunities and Challenges for Actuaries in a Changing World” for the EAJ (see attachment).
- AAE presented Discussion Paper on “Environmental Liability Directive”:
<https://actuary.eu/aae-publishes-discussion-paper-environmental-liability-directive-financial-security-and-the-polluter-pays-principle/>
- EIOPA provided statement on exclusions in insurance products related to risks arising from systemic events
https://www.eiopa.europa.eu/document-library/supervisory-statement/supervisory-statement-exclusions-insurance-products-related_en

6) Any other business

- The Linux Foundation is offering an open-software climate tool. Who is interested may join their webinars 6, 10 October (as announced separately) and can provide feedback to our working group?
- Support or at least spread a paper of the IFoA jointly with Sir David King's Climate Crisis Advisory Group for COP 27. This paper will explore why and how we as actuaries should be applying actuarial risk management techniques to the climate challenge.

7) Organisation and next meetings

Next Meetings:

- Next physical meeting at Spring Conference 2023:
venue, date and time still open
- Should we continue with bi-monthly virtual meetings Friday 9-11?
Is Friday 9:00 – 11:00 still a good slot for all members?

Chair of SCRR WG:

- If Frank is accepted as Board Member of the AAE, he will have to step down as Chair of the WG
- Jérôme is designated to follow as chair, in Q4 2022 Frank and Jérôme will organize the hand-over and Jérôme will chair the WG starting in Q1 2023



Appendix