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Background information for the proposal to establish "Economics & Finance Cross-Functional Working Group" supporting IC, RMC and PC

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Meta goals

- To achieve broader and more stable **engagement** by Member Associations and individual actuary volunteers
- To **attract European actuaries, at all career stages** (including more senior actuaries, leaders, experts, generalists, etc) to work together to address **common European issues** facing insurance, pensions and social care
- To **increase the quality and quantity of work** product, output & deliverables coming from the AAE
- To **increase the strategic alignment** of volunteer work projects
- To be realistic and responsible with volunteers' time

Economics & Finance Cross-Functional Working Group

Terms of Reference

- Provide support for stakeholders in understanding and managing change, volatility and uncertainty in the macro economy and financial system as it relates to insurance, pensions and social care (SO2 & SO3)
- Support the AAE, via professional analysis & deliverables, in enhancing relations with European institutions (SO1)
- Support cross-practice projects: support ideas relevant to multiple Committees and Working Groups; ensure strategically-aligned projects and deliverables; and promote projects of value to the AAE, its Committees and Working Groups (SO1, SO2 & SO3)
- Incorporate technical solutions and approaches from multiple practice areas. The Working Group will formalise problems to be solved and seek expertise from the Insurance, Risk Management and Pensions areas. (SO3)
- Build a centre of excellence for actuaries, support a feeling of community and shared purpose, share tools and insights, and attract volunteers with valuable and relevant expertise (SO3)

Economics & Finance Cross-Functional Working Group

Functions & Connexions

- Increased project assessment at outset
- Light strategic assurance along the way
- Ad hoc project support & quality assurance
- Liaison with IC, PC & RMC and Working Groups
- Committee meetings: 1+ at regular meetings
- Ad hoc other meetings: as appropriate
- Otherwise, doing what is “professional”

People dimension

- Chair: general functioning & oversight,
- Vice Chairs: ensure projects are aligned, regular contact with projects, strategic assurance, support as needed
- Members: in whatever capacity they want
- Projects Teams: dynamic teams based on approved projects
- Project Managers: each project needs 1+ project manager(s), can be from E&F WG, Committees, other volunteers or other EU actuaries (as temporary project members)

Ideas for potential projects

- The following slides give some early ideas for projects that would be supported by the E&F Working Group
- Good project ideas should become projects, bad ideas should be rejected
- These following project ideas are not promises to do these projects…they still need to run through the proper processes, which include…

Project Formulation

- The project idea needs to be formalised (e.g. on 2 pages) so that all stakeholders can understand what the project involves and what it aims to achieve.
- This is not a small task, but will help ensure good projects and minimize wasted effort

Strategic Alignment

- The project team, E&F WG & other stakeholders need to assess whether the project idea is aligned with the AAE's mission, vision & strategic objectives
- Good, aligned projects can be refined
- Misaligned projects rejected

Planning & Resourcing

- Realistic planning with stages, people needs, and deliverables
- This will help ensure timeliness in output and the respectful use of volunteers' time
- It will protect the AAE's goodwill to volunteers and promote return volunteers

Tentative projects, deliverables & timelines

Liquidity Risk Management

- In progress in the LIR WG, involves IC, PC, RMC
- Status: in info-gathering phase of 1st document
- Deliverables:
  - Planned 2023: first report on liquidity risk management
  - 2023/4: input into potential consultation papers following final changes to Solvency II
  - 2023/4: extending learnings from insurance (Solvency II) to pensions (IORP)
  - On-going: collection good practices and practitioner insights

Inflation

- In progress in the LIR WG, involves IC, PC, RMC
- Status: planning additional concrete future output
- Deliverables:
  - 2022: Convention A & AAE Rome
  - Planned 2023: Paper with RMC; Article for "The European Actuary" magazine
  - 2023/4: analysis of actual impacts of inflation on insurance and pensions companies, and on policyholders and pension members
  - 2023/4: Preparatory stress testing, what happens if inflation stays high? Comes back down?

Tentative projects, deliverables & timelines

Product design for volatile and uncertain times

- Could be a spin-off of the “Product Innovation” project
- Status: to be discussed and formalized
- *Potential* deliverables:
  - Holistic overview and review of insurance and pensions products with a focus on who bears risks and whether product designs are living up to product needs, with a focus on the effects on providers and customers of volatility and uncertainty

Costs of guarantees

- Could be a spin-off of the “Product Innovation” project
- Status: to be discussed and formalised
- *Potential* deliverables:
  - Study of the “realised costs of guarantees under COVID, war and inflation”
  - Study of the “balance sheet effects (reserving & market values) of guarantees during heightened market volatility and uncertainty”

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