

**MEETING OF THE INSURANCE COMMITTEE**  
**HELD IN BRATISLAVA, SLOVAKIA**  
**ON THURSDAY 20 APRIL 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 everyone. The delegates and observers briefly introduced themselves. It was noted that some presenters (Daphne, Sam, Gavin and Julie) joined via Teams. Chairperson noted non-life and consumer wg chairperson not attending the meeting today and the Chairman will give their update.

Link to the [agenda of the Meeting of the Insurance Committee](#).

**2. MINUTES OF PREVIOUS MEETING – 5 min**

- 2.1 Meeting noted the [Minutes](#) of the online meetings held on 06 October 2022 and on 29<sup>th</sup> March 2023.

The Chairperson referred to meeting note #5 referring to the consumer protection working group. He commented that the EU commission is expected to issue new information on the Value for Money agenda in early May.

No remarks from the meeting on the minutes.

- 2.2 The Chairperson noted [the quarterly committee reports](#) as published on the AAE website (committee reports are part of the Board reports to MAs).

Chairperson noted these have been shared. No specific discussion.

- 2.3 The Chairperson noted no matters arising not covered elsewhere as substantive items on the agenda.

**3. WEBINARS**

- 3.1 There was a discussion the IC 2023 webinar topics with a need to identify topics for the IC webinar in Q4 2023.

Initial suggestions from the meeting included:

- ICS and Solvency II – compare and contrast.
- Interest rates, and insurance guarantees and third-party guarantees
- Inflation
- Reinsurance and effectiveness under Standard Formula (and assessment of risk mitigation impact). For example mass lapse reinsurance.
- More generally – analysis and comparison of calibrations of Standard Formula and Internal Models to assess appropriateness of stresses in the SCR in the current market conditions.

The attendees were asked to forward ideas to the IC chair and deputy chair (Lauri and Daphne). The topic will be further discussed and decided in the summer IC call.

#### 4. **CONSULTATIONS AND RESPONSES**

4.1 It was noted that the IC responded to the following consultations:

- [EIOPA's Discussion paper on prudential treatment of sustainability risks](#)
- [EIOPA's Discussion Paper on Methodological Principles of Insurance Stress Testing – Cyber Component](#)

Chairperson noted thanks to all involved in preparing the submissions to EIOPA.

NatCat consultation – a submission prepared, but no final submission sent to EIOPA. However work has been useful to the non-life working group.

It was noted that an ESAs consultation on sustainability had started, AAE should look whether to prepare a submission.

#### 5. **SUSTAINABILITY AND CLIMATE-RELATED RISKS WG**

Daphne De Leval updated on the last two meetings from the working group (via Teams).

Work on climate scenarios best practice (for ORSA) is being developed based on the Dutch WG initiative on the NFGS as a reference. However challenges exist on how to deal with consistency of scenarios and calibrations of stresses. More work underway (including any local specificities).

Risk Committee is reviewing some prepared draft guidance on “sustainable product” – covering new products but also address transparency and the risk of greenwashing. Also need to think how a product is not just pricing of a risk, but also how it can contribute to a feedback loop to address sustainability within society.

Working group will also focus on “S” for social in ESG over the rest of 2023.

The wg meeting from the morning of 20<sup>th</sup> April covered sustainable products working group update, overview on ESAP3 (Actuarial Function Report) to review how sustainability risks and issues can be best addressed and discussion on TNFD (voluntary disclosure) to see how that might develop for the industry and how it might overlap with TCFD. Group also received a presentation from Italian academic on draft paper on policyholder and

reputation risk (behavioral finance) and another on research on climate, assumption setting and mortality.

Some questions from the meeting:

- a. How are you coordinating sustainability across other committees in the AAE and are you seeing success in fostering collaboration from other working groups?

Working well with Solvency II WG on EIOPA consultations. More widely the sustainability WG is discussing issues that are larger than typical actuarial topics and therefore there has been limited opportunity so far to work across other WG within AAE.

- b. Do you need more help from Insurance Committee?

Maybe – Daphne to discuss 2023 work plan and ambitions with others to identify what might need extra resource for the planned workload.

- c. A comment from the floor. IAS consultation – climate is both an emerging risk and systemic risk, so that might mean Climate will feed back into the ICPs.
- d. ORSA quantitative analysis relating to climate – has the AAE developed something, and is this an opportunity for an education session?

EIOPA is due to share some feedback on an ORSA review of climate scenarios and quantitative assessments. This will be reviewed once published. It was agreed actuaries are asking for more guidance and support on how to use EIOPA guidelines.

## 6. **UPDATE ON EUROPEAN ISSUES**

### 6.1 Update on EIOPA Insurance & Reinsurance Stakeholder Group (IRSG) and European agenda in more general.

Chairman presented his slide pack from the meeting papers.

EIOPA IRSG working group update:

- EIOPA monitoring the market closely, including liquidity and banking issues emerging.
- EIOPA not currently deploying any regulatory tools (like they did during the pandemic).
- Noted EIOPA has same information as everyone else on progress on the SII 2020 review (and the timetable).
- EIOPA not looking at revising SCR calibrations (there is a 5 year review in the directive) but they are monitoring interest rates given market movements.
- EIOPA has some discussions with national regulators on next steps for IRRD. For now this is not being progressed as a matter of priority.
- Discussed Romanian insurer Euroins (failed insurer) and the fallout from that issue.
- EIOPA is interested in trying to find a way to open and share data relating to sustainability issues and risks. Getting standardised data across the EU is a challenge.

- EIOPA preparing a consultation paper on ICS and how this could impact internal models under Solvency II in Europe. This might differ from approaches how ICS would impact US and Canada (for example) and how this would compare with the impact of ICA on European insurers.
- EIOPA looking at protection gap to understand why they exist. To date only limited countries (approx. 5) in their survey.
- Right to be forgotten being worked on by Insurance Europe and noted AAE also active on this topic.
- EIOPA preparing consultation paper on DORA (due June 2023 – scope first part of RTS). Second part of consultation due by end 2023. AAE should keep these consultations on the radar.
- Discussion Paper on Sustainability Risks – are these best addressed in Pillar 1 (SCR) or Pillar 2 (ORSA), and also is historic data even relevant (how do you measure transitional risk more generally).

Other topics noted:

- Insurance Stress test due 2024. Already noted climate stress must be a stress to cover. See J.Berrigans letter 8 March to all ESAs.
- Liability directive under way will include consequences for the insurance industry.
- Noted that the volume of guidance and regulations relating to sustainability is widening and increasing. There is also now a risk of incoherence and some contradictions possible.

Questions from the floor.

- a. Do we think freedom of services scope and failure of an insurer in a country might have consequences for cross-border regulation.

A discussion followed that concluded it is complex, changing and quickly becomes a topical issue following any insurance failures.

- b. Comment from the floor. It is important for AAE to have good links to the appropriate EU authorities on the digitalisation agenda. Actuaries have a lot to offer in this area.

## 7 EXCHANGE OF NEWS ON CURRENT ISSUES – ‘TOUR DE TABLE’

All members of the Committee were asked to give an update on current issues in their country.

### **Ireland**

Priorities of the Regulator:

1. The implementation of the Individual Accountability Framework (IAF). This builds on Fitness & Probity for identified employees and role holders.
2. Key Regulatory themes being monitored by the Regulator include Financial Resilience (banking failures, ongoing war in Ukraine and associated sanctions); Consumer Interests (specifically Payment Protection Insurance (PPI) and Value for Money (VfM) in unit linked products).

3. Regulator has published a wide ranging “Guidance for (Re)insurance Undertakings on Climate Change Risk.”
4. Regulator undertook a digitalisation survey of a sample of Irish (re)insurers in Q4 last year, complementing previous work undertaken in relation to data ethics.
5. Regulator preparing for introduction of Digital Operational Resilience Act (DORA).

#### Activities of the SAI

1. Almost 1,500 fellows. 90% of members work in Insurance and Pensions.
2. Consultation on Consumer Protection Code (local conduct of business rules)
3. Ongoing awareness raising on new “Right to be forgotten” legislation in Ireland
4. Updating our actuarial guidance for latest updates to ESAP 2 (Actuarial Function Report)

#### **Slovakia**

Regulator looking at ORSA and trying to develop sustainability reporting. IFRS17 implementation is also keeping the market very busy.

#### **Czech Republic**

Development of long term care (LTC) in the market, which is a new type of product there. The public opinion has now moved towards looking for this product and government policy is supportive (e.g. via tax relief on premiums).

Czech insurers making memorandums with property investment funds and government (infrastructure funds and long term investments). State guarantees exist which lower the SCR requirement. Housing seems to be directed more to public sector in support of affordable living.

#### **Italy**

Eurovita life insurers failure in Italy is high profile and it has been put under extraordinary administration (and closed to surrenders for the short term). This is the first time this was used. Some 350 000 policyholders are affected. One solution looked is to split the company and merger to other big life insurers in Italy.

#### **Denmark**

Stochastic models needed across the life industry. End 2022 was first full reporting.

Disability market has shown large losses – full market now needs to sell on a self-financing basis with controls on pricing.

Interest rates moving upwards has happened at a time when the market has moved to unit-linked with no guarantees. However, the government is concerned on product suitability and how fairness can be managed across historic cohorts of policyholders. There may be legislation to address this.

#### **Austria**

IFRS17 still highly topical and there is a lot of work around this. Also results production is very time consuming and manual – this is likely not viable for the industry in the medium term and will need to be addressed.

Market trying to kick start the traditional (with-profits) market but try to avoid material guarantees.

Some activity on VfM and especially for cross border from Austria into Italy.

Some worries that the idea of “right to be forgotten” for some health factors might expand unfairly to wider groups and even age. This would make the market unviable.

### **Finland**

Similar topics to other countries, also contract boundaries being discussed.

### **Hungary**

Insurance industry has to be mindful of politics in Hungary. Tax charges to the insurance industry increased last year (using a premium based tax for non-life and funds based tax for life). This also means challenges to reserving for these taxes in the future, as well as redefining “premium” that feeds into capital requirements.

Government has been involved in insurance M&A – they bought a single premium issuing company and veto’d an attempted sale of a Hungarian subsidiary of a European insurance group. That transaction ended up involving 50% purchase by a Hungarian resident shareholder.

### **UK**

Climate work still high profile with consultation.

Recovery and Resolution also still “bubbling along”.

FCA has issued a paper urging insurers to be careful with external data that may not be reliable. Worry about inappropriate use of models (e.g. ESG ratings or models).

### **Sweden**

Life market is mostly unit-linked. Solvency ratio went up last year as funds under management fell (Own Funds fell less than SCR).

Regulator focus on risk mitigation techniques like mass lapse reinsurance. Regulator did some individual inspections on these treaties.

Pension insurer Electa took a large position in Silicon valley bank and made a large loss, but company was able to withstand the loss.

The market now allows mobility of policyholders which means policyholders can move their policy to any provider. This could lead to more lapses in the industry but no pattern emerging yet.

Local regulator monitoring the progress in IRRD very closely.

### **Germany**

Life insurance – similar to Austria. Inflation and mass lapse is a risk to traditional insurance.

Adaptive pricing is attracting the attention of the regulator to assess fairness and misuse of AI.

German regulator has introduced a new “AIT” requirement that is a pre-cursor to DORA. The companies have to submit material amounts of information to the regulator.

German regulator querying any M&A activity involving private equity – in particular Cinven who recently purchased a large bank in Germany.

### **France**

A lot of actuaries involved in IFRS17. The regulator wants to see results of IFRS17.

Contract boundaries issues for savings contracts are under review (do not include future premiums) based on old analysis. This is under review.

### **Lithuania**

Regulator is pushing VfM for unit linked products- issued a report recently on “poor value” and lapses on unit-linked has increased.

Regulator published guidelines on ESG – including reporting.

Government thinking about cancelling tax advantages for life insurance premiums (tax relief in place for over 30 years).

### **Additional comment from the floor.**

There seems to be a lot of open issues for IFRS17 – audit opinions are overdue and still open. It’s a complex mess. IASB owns this project. Unclear how actuaries can influence things here.

## **8. INTEREST RATE WORKING GROUP**

8.1 Samuel Achord introduced the new Economics and Finance (EF) working group that will replace the existing one.

He noted interest rates touch on a huge range of issues and topic can vary widely. He identified the need to be strategically aligned with other AAE activities and also use the limited volunteer resource to the best outcomes possible.

Initial list of possible projects will include a filter through a “project formulation” step to align the idea with other AAE activities and also identify scope and volunteer resource in advance.

Ideas will keep the existing list from the low interest rate WG such as product design and inflation. New ideas include also aspect relating to value for money.

## **9. NON-LIFE ISSUES**

Not covered – Lauri to update in the June IC call.

9.1 Cyriague Tequia was unable to attend – and was due to give an update on the work of the Non-Life working group.

10. **SOLVENCY II**

- 10.1 We received an update from the chairperson of the Solvency II working group on the Solvency II review, IRRD and the latest draft legislations that are publicly available. (Siegbert Baldauf). Slide pack in papers (Annex 10.1).

A discussion followed on several topic relating to SII and IRRD, this is something where AAE keeps being highly active on.

11. **CONSUMER PROTECTION WORKING GROUP**

Not covered – Lauri to update in the June IC call.

12. **RIGHT TO BE FORGOTTEN**

Chairperson introduced the topic and note the recent [publication](#) from the Society of Actuaries in Ireland.

Presentation given by Julie McCarthy and Gavin Maguire.

Chairperson noted there will be work for the AAE WG on this topic and asked members to join the WG if this topic is of interest to your market. Matthias Pillaudin told he could join the work.

13. **JOINT COMMITTEE MEETING**

It was noted the successful agenda of the [Joint Meeting of the Insurance, Pensions and Risk Management Committees](#) held earlier today on 20 April from 11.00-12.30 CEST

14. **MEETING WITH EXTERNAL ORGANISATIONS AND STAKEHOLDERS – 5 min**

It was noted the [most recent overview](#) of meetings held between delegations of the AAE and the respective stakeholders.

One pagers as shared with EIOPA and the European Commission can be found on the AAE website under [Publications](#).

15. **ANY OTHER BUSINESS**

None noted.

16. **NEXT MEETING**

The next meeting will be held in Cologne, Germany, on 5 October 2023 (tbc) at the invitation of the Deutsche Aktuarvereinigung and in conjunction with the AAE Annual Meeting.



## Annex 0.1

### Participants Insurance Committee meeting Bratislava | 20 April 2023

	Family name	First name	Member Association	Country	Role
1	Kainhofer	Reinhold	AVÖ	Austria	Delegate
2	De Leval	Daphné	IABE	Belgium	Vice-chair-online
3	Jusko	Martin	Ceska spolecnost aktuaru	Czech Rep.	Alternate
4	OByrne	Conor	Den Danske Aktuarforening	Denmark	Delegate
5	Achord	Samuel	Den danske Aktuarforening	Denmark	Chair LIR-online
6	Kivisaari	Esko	Actuarial Society of Finland	Finland	Alternate
7	Saraste	Lauri	Suomen Aktuaariyhdistys	Finland	Chair
8	PILLAUDIN	MATTHIAS	Institut des Actuaire	France	Delegate
9	Cywie	Samuel	Institut des Actuaire	France	Observer
10	Baldauf	Siegbert	DAV	Germany	SII Project Man.
11	Kaiser	Birgit	DAV	Germany	Observer
12	Jung	Daniel	DAV	Germany	Observer
13	Dennstedt	Nils	DAV	Germany	Delegate
14	Kerényi	István	MAT	Hungary	Delegate
15	Hanak	Gabor	MAT	Hungary	Observer
16	Sammartini	Giovanni	ISOA	Italy	Delegate
17	Valeiša	Evaldas	Lietuvos Aktuaru Draugija	Lithuania	Delegate
18	Claffey	Mike	Society of Actuaries in Ireland	Rep. Ireland	Delegate
19	McCarthy	Julie	Society of Actuaries in Ireland	Rep. Ireland	presenter
20	Maguire	Gavin	Society of Actuaries in Ireland	Rep. Ireland	presenter
21	Hancar	Jozef	Slovenská spoločnosť aktuarov	Slovak Rep.	Delegate
22	Armengol	Clara	Col.legi d'Actuaris de Catalunya	Spain	Observer
23	Campbell	Malcolm	Aktuarieföreningen	Sweden	Observer
24	Lundgren	Maryna	Aktuarieföreningen	Sweden	Delegate
25	Thomson	Kartina Tahir	Institute and Faculty of Actuaries	UK	Delegate
26	Piper	Alice	IFoA	UK	Observer