

**MEETING OF THE RISK MANAGEMENT COMMITTEE
HELD IN BRATISLAVA
ON THURSDAY 20 APRIL 2023 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 MEETING AND ADOPTION OF THE AGENDA

Malcolm Kemp (Chairperson) welcomed attendees, particularly new members. Attendees also introduced themselves.

2. MINUTES OF PREVIOUS MEETING

2.1 There were no comments or additions to the [Minutes of the meeting](#) held on 6 October 2023.

2.2 There were no further matters raised not already covered in the agenda and no conflicts of interest were declared by members of the RMC.

3. OPEN/ONGOING PROJECTS

3.1 *Solvency II Working Group*

Siegbert Baldauf provided an update on the activity of this WG. He explained the triologue process and why revisions to the Solvency II Directive were not practically likely to come into effect before 2025, particularly given forthcoming EU Parliament elections. Significant changes in the economic environment since the one driving initial proposals in the Solvency II 2020 Review included:

- Interest rates up materially (indeed jump in them significantly greater than IR up stress mandated at the time)
- UFR coming down (so SII euro yield curve now slightly inverted)
- Inflation (HICP) up very significantly
- Therefore need to consider these issues as well as liquidity risk and risk of impaired statutory accounting in ORSA whatever the eventual changes made to Solvency II

Other topics discussed included issues arising from the failure of Eurovita and SVB and current thinking on low risk undertakings.

Malcolm thanked Siegbert and the rest of the Solvency II Working group for their extensive work in this area and again encouraged members to consider volunteering to assist this WG.

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

Frank Schiller provided an update on the activity of this WG.

Malcolm Kemp thanked the working group for their excellent work done so far. He requested that the WG (and other RMC overseen WGs) prepare a short summary of the current and planned future work of the WG. The Board had requested that committee chairs provide such summaries for each of the working groups and task forces they look after. Such a workplan is covered in slide 5 of Frank's presentation. The SCRR WG's plans include a future AAE paper on social sustainability (maybe >6 months' time), a paper on nature-related risks (maybe >1 years' time) and some suggested changes to ESAP3 (by Autumn meeting). Jérôme and Loudina are also working on the climate resilience and adaption topic.

3.3 *Sustainable Products in Insurance*

Frank Schiller presented for review by the Committee a proposed paper prepared by members of the SCRR WG on sustainable products in insurance. The regulatory landscape was still evolving, so the authors are planning to review and update the paper every say c. 2 years until the landscape settles more.

The RMC expressed a desire for a summary to be included but otherwise was comfortable to recommend the paper to the AAE Board for approval. Given the practical timelines involved in agreeing a suitable summary, if members did have any other comments on the paper they were requested to provide them by the end of April to Frank and Malcolm.

3.4 *Pension Risk Management Working Group*

Martin Melchior and Karel Goossens provided an update on the activity of this WG and led a further discussion on the presentation on risk management for IORPs and ORA versus ORSA given earlier to the Joint IC-PC-RMC meeting.

Martin was keen for views on the presentation. Points noted included:

- On ORA vs ORSA, Jason Wiebe noted the differential impact of conduct risk. Pension fund benefits tend to be relatively straightforward and homogeneous compared to insurance benefits (because of the much larger number of product types an insurer often writes). He wondered if sometimes this additional complexity in the insurance space was partly facilitated by actuaries (citing e.g. the many rider types often now available within variable annuity products).
- Frank Schiller noted that the EU parliament had decided some time ago against giving the actuarial function strong responsibilities in the product development area. He believed this reflected a keenness on deregulation and competition. He thought this was likely still the political consensus except perhaps in relation to topics specifically covered by the Insurance Distribution Directive. But perhaps we should be further challenging ourselves on topics such as whether expenses might be set at unreasonable / "unsustainable" levels?
- Karel explained that one reason he had been particularly keen to work on the survey was to give greater prominence to the actuarial function in risk management, feeling that in Solvency II the actuarial profession had somewhat missed a trick in this area. He updated the RMC on the views of the Pensions Committee. This included aiming to fill in Article 48 paragraph H. This meant it would be helpful to identify how the AF could best contribute to the IORP's risk

management activities. He thought the UK Scheme Actuary framework might provide a suitable inspiration. He wondered who looked at the sponsor covenant. Others noted the strong interaction between IORP and labour law.

- The exact work output of the WG is yet to be fully clarified.

3.5 *Inflation risk*

Jason Wiebe introduced a draft paper prepared by Richard Deville, Martin Melchior, Sam Achord and himself. The paper contains a short introduction to inflation, how inflation risk can be managed and some of the direct and indirect risks introduced by inflation. The plan is for the paper to be amended to include further material on recently defined ESRB inflation scenarios and then to be circulated to committee members for approval, perhaps c. 2 weeks after the meeting.

As with the sustainability paper, Malcolm requested that a more formal summary be included, to clarify the scope / contents of the paper and to make it easier to produce blogs, articles, etc. referencing the paper.

3.6 *Economics & Finance Cross-Functional Working Group*

The creation of this WG (approved by the Board the day before) was noted. As Sam Achord was unable to attend the meeting, further discussion of what this WG might initially concentrate on (and how members of the RMC might best contribute to it) was carried over to the next RMC meeting.

3.7 *Other topics the RMC could usefully discuss and develop*

Two topics had been discussed at the previous RMC meeting: (1) operational risk and (2) recovery and resolution.

On operational risk, Malcolm briefly updated the meeting on a conversation he had had with Socrates Coudounaris of IRM/IOR, details of which were included in the agenda pack. Malcolm also referred to a previous paper that he and others within the RMC including Christoph Krischanitz had worked on some years back. He agreed to circulate it (a pdf version is available here: <https://actuary.eu/memos/actuaries-and-operational-risk-management/>). He asked for suggestions on how the RMC might proceed in this area.

It was noted that there were some new hot topics in this area. These included operational resilience and the implications of the new Digital Operational Resilience Act (DORA). These developments warranted a review and likely update of the RMC's earlier paper. Sinead Cronin, Karina Schreiber and Christoph Krischanitz all volunteered to look into this (and Malcolm is happy to be involved too, given that he was a co-author of the original paper, like Christoph). John Oost mentioned that IAIS has recently published an issues paper on a similar topic. It was suggested perhaps to review and update our own paper and only then interact further with IRM/IOR.

On recovery and resolution, it was noted that this was a hot topic in Netherlands, Ireland and UK so it might be best to wait until a forthcoming EIOPA paper had been published before doing too much. In the meantime, Jason Wiebe proposed that he gave a 15 minute presentation on this topic to the next RMC in-person meeting from the Irish perspective, given that he had had to work on this topic already. John Oost

indicated a willingness to present alongside him from a Dutch perspective, so the two will work together on such a presentation for the October RMC meeting.

4. **COMMUNICATIONS, INFLUENCING AND COMMUNITY DEVELOPMENT**

4.1 *Webinars*

The committee discussed what a proposed webinar hosted by the RMC (and/or its working groups) and tentatively timetabled for September 2023 might cover. It was proposed that the webinar could usefully present to a wider audience some recent output from the committee, i.e. involve presentations on (1) inflation risk, (2) sustainable insurance products and (3) ORA versus ORSA / IORP risk management. Malcolm will liaise with Monique Schuilenburg to confirm that this approach would work and what else would be needed to deliver on this proposal.

4.2 *Blogs, articles and conference presentations etc.*

Malcolm encouraged individual RMC members to propose to him topics for potential blogs, articles, webinar sessions, conference presentations etc. He encouraged members to promote AAE activities via posts on LinkedIn or other social media vehicles. A discussion at the AAE Board the day before suggested that even a one sentence comment on an earlier post would meaningfully assist in this respect.

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

There was a discussion about whether to lengthen the joint meeting and reduce the length of the individual committees, but the majority view was not to change meeting lengths materially. Karina and others suggested that the next joint meeting include a discussion on risks and opportunities of AI, as well as an update from the AAE AI Working Group.

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

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

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

The list of meetings was noted. The committee requested that the outcomes column be completed in future (the AAE Board has also noted it would be useful for better feedback on outcomes of such meetings to be provided to AAE committees). Christoph suggested reaching out to ECB. Malcolm will raise this with Lutz or one of the other senior officers.

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

Jason Wiebe gave a presentation on the activities of the Enterprise Risk Management Committee of the Irish Society of Actuaries. He described their CRO circle which is open only to CROs and usually has someone seeding a discussion. He also referred to their annual conference which typically has a representative from the Central Bank of Ireland and some independent directors and non-financial services CROs presenting. The SOAI ERM Committee has its own LinkedIn page which is quite active (committee members are encouraged to post at least once a year to this page). He also referred to the SOAI ERM library which is a great resource but has not proved practical to keep up-to-date.

Jason was asked how the CRO circle avoids conflicts of interest. Its meetings specifically avoid topics that might raise anti-competitive issues, but this is not typically a problem given the second line focus of the meeting participants.

Other topics that were discussed in this section of the meeting included:

- (a) Credit Suisse. Roger provided further insights on topics that had recently received significant public attention in the context of its take-over by UBS. These included: potential interest in splitting UBS into say 4-5 banks, or of building up a different competitor; the importance of liquidity risk; when does one stop paying bonuses (although much of these payments were in stock so have in a sense been “clawed back” by the fall in the stock price); should the regulator have intervened earlier (i.e. was the regulator to some extent responsible for the crisis?); importance of management culture; and, how deep into quantitative risk management should the CRO delve (the last CRO apparently had a legal background). It was agreed to discuss this topic further at our next in-person meeting, with Roger perhaps providing a further more formal presentation to set the context. In this context, John Oost also referred to a DNB paper on how to regulate culture and to IAA EFRF work collating case studies on insurance company failures.
- (b) Jason referred to requirements introduced in Ireland last year to have a recovery plan in place and this year to have reviewed operational resilience on operations with a critical impact on customers or broader financial stability.

9. **APPOINTMENT OF COMMITTEE VICE-CHAIR**

Malcolm highlighted that the Committee remained without a vice-chair and that he was being encouraged to rectify this. He again requested members of the committee to consider whether this was a role they could volunteer to take on.

10. **ANY OTHER BUSINESS**

None

11. **DATE OF 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 (tbc).

Annex 0.1

**Participants Risk Management Committee meeting
Bratislava | 20 April 2023**

	Family name	First name	Member Association	Country	Role
1	Ebner	Ulrike	AVÖ	Austria	Delegate
2	Krischanitz	Christoph	AVÖ	Austria	Observer
3	Goossens	Karel	Institute of Actuaries in Belgium	Belgium	Observer
4	Melchior	Martin	Danish Actuarial Association	Denmark	Delegate
5	Pietinalho	Annina	Suomen Aktuaariyhdistys	Finland	Delegate
6	Mannonen	Hillevi	Suomen Aktuaariyhdistys	Finland	Observer
7	Deville	Richard	Institut des Actuaaires	France	Observer
8	Baldauf	Siegbert	DAV	Germany	Observer
9	Schiller	Frank	DAV	Germany	Observer
10	Schreiber	Karina	DAV	Germany	Delegate
11	Kovacs	Judit	MAT	Hungary	Delegate
12	Oost	John	Koninklijk Actuarieel Genootschap	Netherlands	Delegate
13	Zwara	Marcin	Polish Society of Actuaries	Poland	Delegate
14	Cronin	Sinead	Society of Actuaries in Ireland	Rep. Ireland	Observer
15	Wiebe	Jason	Society of Actuaries in Ireland	Rep. Ireland	Delegate
16	Marej	Martin	Slovenská spoločnosť' aktúárov	Slovakia	Observer
17	Ferrando	Alberto	Col·legi d'Actuaris de Catalunya	Spain	Alternate
18	Gustafsson	Elinore	Svenska Aktuarieföreningen	Sweden	Observer
19	Kaufmann	Roger	Swiss Association of Actuaries	Switzerland	Delegate
20	Kemp	Malcolm	Institute and Faculty of Actuaries	UK	Chair