

# AAE PRIORITIES IN 2023

## A STEP ON OUR WAY

BY **LUTZ WILHELMY**

In this article I would like to highlight the goals of the AAE that the board has agreed on for 2023. Moreover, I would like to contextualize our longer-term challenges.

**T**he AAE has three strategic objectives, which include:

1. the deepening of its relationship with European institutions,
2. the promotion of the profession, and
3. the formation of a European community of actuaries.

Regarding the first objective, 2023 is focused on the European Green Deal and the European Digital Agenda. We do not pick and choose these topics - they are dictated by the EU's priorities. Furthermore, the finalization of the Solvency II review, the Recovery and Resolution Directive and the IORP Directive will play a role.

On the second objective, we will be looking at the agreement on the mutual recognition of professional qualifications. We also want to hold a discussion on requirements and proof of 'professional qualifications' ('fit and proper

persons) with the responsible parties concerned at European level. Ultimately, this touches on the question of suitable skills and thus goes beyond purely technical qualifications. However, the latter is an issue that cannot be satisfactorily dealt with within a year and will therefore stay on the agenda for longer.

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For the third goal, we would like to help to make the profession better known in countries where it is not yet prominent in the public eye. To do this, we propose to establish a European brand that stands for compliance with AAE regulations on training, professionalism, and conduct. >

In addition, with our event and education partner, the European Actuarial Academy (EAA), we plan to host various webinars, round tables, the European Actuarial Day on June 27, and the next European Congress of Actuaries (ECA) in Rome in early summer 2024.

The challenges we have faced in 2022 were clearly the war in Ukraine and the return of inflation after 40 years of comparatively very moderate inflation rates.

Russia's war against Ukraine, which is violating international law, has challenged all actuarial associations worldwide and their umbrella organizations, such as the International Association of Actuaries (IAA) and the AAE, to review their statutes to see if they allow or even suggest condemnation of the military action. Since actuarial associations do not usually speak out on non-actuarial issues, this was uncharted territory. I was deeply impressed by the professionalism and prudence with which the bodies and working groups of our actuarial associations addressed this issue: Where the statutes have a sufficient connection to the welfare of their societies, condemnation is possible and proportionate. Thus, it has been possible for both the IAA and the AAE to issue condemnations. In addition to the political dimension,

there is the actual help for our colleagues in the region, where the national associations in Europe have been quick and effective. This is a reason to be proud!

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With the war and the aftermath of the pandemic, inflation has returned to Europe. Older colleagues, who were taught their trade by people whose formative years were defined by 1970s high inflation, recalled the difficulties of determining reserves in non-life lines – particularly in liability and especially in non-proportional liability reinsurance, but also in business planning in life insurance. Actuaries, with their good memories, are well prepared to meet these challenges.

Besides these new topics that have entered the stage in 2022, I would like to elaborate a bit more on the topics that have been there in 2022 and will continue to accompany us even beyond 2023. The perennial issues of sustainability and digitalization as well as the

Solvency II Review have kept us busy. On the topic of sustainability, it is not only the uniform scenarios in the ORSA, but also the quantification, comparability, and delimitation of climate risks for future reporting that are relevant to us. How useful these reports are for investors and the general public will be crucial to the success of reporting. There is a risk here that people will not be able to see the wood for the trees. However, our influence on these issues is limited, as this is not insurance-specific regulation, but so-called horizontal regulation, i.e., regulation that concern all sectors and industries.

The situation is very similar in the implementation of the European Union's digital agenda. Here, too, the starting point is cross-sectoral – here, too, the AAE's factual influence is severely limited. It so happens that AI systems to be used for risk assessment and pricing in relation to natural persons in the case of life and health insurance are labeled as high-risk in the current draft of the AI Act (November 25, 2022) without any significant factual expert discourse having taken place on this.

Maybe the upcoming challenges that the actuarial profession is going to face in the future can be structured along the following five dimensions: >

- The pace of technological change: The increasing speed of technological change and digitalization is likely to continue to impact the actuarial profession, creating both challenges and opportunities. Actuaries will need to keep pace with these changes in order to remain relevant and continue to add value to their organizations.
- The impact of climate change: The effects of climate change are likely to have significant implications for the insurance industry, as well as for society as a whole. Actuaries will need to take into account the potential impact of climate change when modeling risk and setting prices.
- Changing regulatory landscape: The regulatory environment is constantly evolving, with new rules and regulations being introduced at both national and international levels. Actuaries will need to stay abreast of these changes and adapt their practices accordingly.
- Talent management: As the demand for actuarial expertise increases, attracting and retaining top talent will become increasingly important. This may require organizations to offer competitive compensation packages, as well as flexible work arrangements and

opportunities for professional development.

- Globalization: The actuarial profession is becoming increasingly global, with more actuaries working across borders and in different countries. This brings new opportunities for collaboration and innovation, but also requires a deeper understanding of different cultural and regulatory environments.

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As the actuarial profession evolves to meet new challenges, it's important for actuaries to not only have the knowledge and technical skills necessary to perform their work, but also the soft skills and attributes needed to succeed in a rapidly changing industry. Competency frameworks can help define and standardize these skills and attributes. Some of our member associations, e.g., the Irish association, are using such competency frameworks to help their members to define focus areas in their formation. Moreover, these frameworks allow self-assessment. It is a material challenge that the



competencies outside the knowledge and technical skills space do not lend themselves easily for an objective assessment. But even while lacking the objective assessment, a uniform European framework for competencies would be beneficial, as it would allow for greater consistency and comparability within the profession across different countries and organizations. <

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