

**MEETING OF THE RISK MANAGEMENT COMMITTEE
HELD IN COLOGNE, GERMANY
ON THURSDAY 5 OCTOBER 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, who introduced themselves.

2. MINUTES OF PREVIOUS MEETING

2.1 There were no comments or additions to the [Minutes of the meeting held on 20 April 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 likely timing of the current dialogue process (and views of each party) which meant that changes to the Directive itself were only likely to be applicable as of 2026. Some changes to delegated regulations might come into effect in sooner. Siegbert highlighted the changed economic conditions since the Solvency II Review was first started (e.g. changed levels of interest rates and inflation rates). Siegbert queried whether the current UFR methodology (introduced after the Directive was originally enacted) was robustly justified. He explained that some lack of views from Council (e.g. on the risk margin) reflected the topic not being included in the Directive itself but only in delegated regulation.

Siegbert also provided an update on the planned Insurance Recovery and Resolution Directive. There was a discussion about what an “asset and liability separation tool” might involve in this context, as some participants questioned whether such a separation would be practical for insurance business.

3.2 *Economics & Finance Cross-Functional Working Group*

Sam Achord provided more information on the planned work of this WG, bearing in mind the presentation he had given to the Joint Committee meeting earlier in the day. There was a general willingness to see how the WG developed. Sam encouraged members of the RMC to contact him, Malcolm or Loudina if they had ideas that might be developed within the remit of this new WG. Banking and asset

management topics might be included if there was volunteer appetite. It would be important to avoid unnecessary bureaucracy when proceeding with projects.

3.3 *Sustainability and Climate Related Risks Working Group (SCrR WG)*

Malcolm Kemp and Loudina Erasmus provided an update on the activity of this WG and of the topics it was planned for the following day's WG meeting. The WG was sensitive to the risk of duplication with activities being carried out within AAE member associations (and within the IAA). Loudina thought that the WG could benefit from more input from actuaries from southern Europe. Loudina highlighted the importance of the Double Materiality Assessment concept and explained this further for the benefit of RMC members. She highlighted the increasing complexity of proposed and enacted regulation in this space which is creating a risk that activity focuses on compliance rather than on fundamental issues.

3.4 *Pension Risk Management Working Group*

Martin Melchior and Karel Goossens provided an update on the activity of this WG. Martin had just provided a similar update at the Pensions Committee. A presentation had just been received from Brendan Kennedy (Irish regulator) on the IORP II review. Karel noted that the preliminary results of the survey carried out across RMC members showed significant variation in actuarial involvement in IORP risk management depending on location within Europe.

Malcolm noted that the Board was keen for the WG to draft a short AAE position paper on actuarial involvement in IORP risk management. Martin and Karel explained that this would only be practical once the results of the survey had been digested and further analysis carried out.

3.5 *IAIS Consultation on International Capital Standard as a Prescribed Capital Requirement*

Lutz Wilhelmy summarised the AAE's response to this recent consultation. The three key issues highlighted in the AAE's response were:

- (a) A need for IAIS to propose how a decision would be reached on which existing capital frameworks, e.g. Solvency II, met the goals of ICS as a PCR. European IAIGs wanted to be in a position where if they met Solvency II requirements they would automatically be deemed to meet ICS. Otherwise the process would become very cumbersome.
- (b) The importance of being able to use internal models, since for many IAIGs a standard formula approach would be inappropriate.
- (c) A rejection of the simplistic percentile based methodology being proposed for the MOCE. It was very dated and compared poorly with the more rigorously justifiable cost-of-capital style approach already included for the risk margin in e.g. Solvency II, Solvency UK and Swiss Solvency Test.

3.6 *Operational risk management (including operational resilience)*

Sinead Cronin summarised progress to date on updating the RMC's paper on operational risk. The focus has been on drafting additional material on risk culture and operational resilience. A team at the IAA were currently updating a somewhat

similar document within the IAA Risk Book series. Sinead had agreed with them to share material both ways where appropriate.

The plan was to finish updating the RMC paper in time for it to be reviewed and approved by the RMC at its April 2024 meeting. There would then likely be some weeks of additional review by the AAE Board and a typesetting process coordinated by the AAE secretariat.

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

Malcolm Kemp and Loudina Erasmus led a discussion on potential future activities of the RMC. Topics proposed included:

- (a) Recovery planning. This topic had been carried over from discussions held in October 2022 and April 2023 because Jason Wiebe was unable to attend the October 2023 meeting. The plan is for him and John Oost to present on this topic in April 2024.
- (b) Pay as you go schemes, perhaps principally within the IORP risk management WG.
- (c) Product oversight and governance, looking at risk management from the perspective of the policyholder / beneficiary. This could consider topics in scope of the Insurance Distribution Directive as well as similar pension topics.
- (d) Contributing to work elsewhere within AAE on professional judgement topics
- (e) Risk and opportunities in AI. Again it was commented that this is also being worked on elsewhere within AAE, so it would be important to link up with these other groups.
- (f) There was also a discussion about revisiting the idea of a round table or equivalent for senior risk management actuaries. A successful such round table had been held some years ago (and also seemed to happen more regularly within some member associations). However, physical proximity seemed important, making it easier to set up something like this at a country level than at a European level.

Malcolm asked individuals interested in any of these topics (or topics that Sam had highlighted in his presentation on the Economics & Finance Cross-Functional WG such as liquidity risk) to contact him or preferably Loudina expressing their interest.

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

4.1 *Webinars etc.*

Malcolm Kemp thanked those involved in the RMC webinar held on 26 September 2023 which he felt had been a great success. About 100 participants (perhaps more) seemed to have joined the webinar. He explained that the Board /secretariat expects each committee to host at least one webinar each year, so the committee should pencil in time at its April meeting to plan what might be covered in a 2024 RMC webinar.

4.2 *Blogs, articles and conference presentations etc.*

Malcolm also mentioned that there were other opportunities available to promote work done by RMC volunteers, such as giving a presentation at the forthcoming

European Congress of actuaries (he had circulated the call for papers for that Congress some weeks earlier). There would likely also be European Actuarial Days and it was also possible to organise single theme events (like the forthcoming social security round table) if there was a compelling case to do so.

Frank Schiller described briefly the work of the AAE Communications Panel and the high importance placed by the AAE Board on communicating the great work being done within the AAE actuarial community, whatever the topic in question.

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

There was a brief review of topics not already discussed in this meeting that had been covered earlier in the day at the Joint IC-PC-RMC meeting. Malcolm explained the process typically involved to develop content for joint meetings and asked anyone who had suggestions for content to contact Loudina.

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

The RMC noted the list of recent consultations the AAE had responded to and other AAE press releases, blogs and publications as summarised in a paper prepared by the Secretariat.

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

The RMC noted the overview of meetings between AAE delegations and respective stakeholders as prepared by the Secretariat.

Members of the RMC asked whether more information could be provided on what had been discussed at these meetings. Malcolm and Frank noted that this topic had also been raised at a recent AAE Board meeting. It was relatively easy to share more information if the AAE had prepared a position paper that had previously been made public which was then referred to in such a meeting. Indeed, this was one benefit the Board perceived for creating such “one-pagers”. Sometimes, the other party would have set up the interaction in a way that involved public sharing of output. However, in most circumstances, circulation of any formal minutes of such meetings would require approval of the respective stakeholder. Usually, stakeholders were not set up to approve such minutes. The best that might then be practical would be informal commentary (not for repeating externally) from AAE attendees relating to how the relevant stakeholder appeared to have received comments made by AAE attendees at the meeting.

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

No specific topics were raised.

10. **APPOINTMENT OF COMMITTEE VICE-CHAIR (AND CHAIR)**

Malcolm explained that he would be standing down as Chair with effect from 6 October 2023. Loudina Erasmus has been proposed as the new RMC Chair by the AAE Nominations Panel. This proposal would be voted on by the General Assembly on 6 October 2023. Malcolm was thanked for his chair-ship and the successful launch of the RMC under his watch.

Malcolm also explained that the role of vice-chair was currently vacant and that this role was decided within the committee rather than by the Nominations Panel. He encouraged anyone interested in taking on this role to speak to Loudina.

11. ANY OTHER BUSINESS

There was no AOB raised.

12. DATE OF NEXT MEETING

It was noted that the next (physical) meeting will be held in Vilnius, Lithuania, on 18 April 2024 (tbc) at the invitation of the Lietuvos Aktuarijų Draugija and in conjunction with the AAE Spring Meetings.

Annex 0.1

**Participants Risk Management Committee meeting
Cologne | 5 October 2023**

Family name	First name	Member Association	Country	Role
Deville	Richard	Institut des Actuaire	France	Delegate
Kaufmann	Roger	Swiss Association of Actuaries	Switzerland	Delegate
Ptakauskas	Paulius	Lietuvos aktuaru draugija	Lithuania	Delegate
Kemp	Malcolm	Institute and Faculty of Actuaries	United Kingdom	Delegate
Goossens	Karel	Institute of Actuaries in Belgium	Belgium	Delegate
Trigo Martinez	Eduardo	Instituto de Actuarios Españoles	Spain	Delegate
Schiller	Frank	DAV	Germany	Observer
Svab	Jan	Kooperativa pojištovna, a.s., VIG	Czech Republic	Observer
Ebner	Ulrike	Aktuarvereinigung Österreichs	Austria	Delegate
Helmane	Inga	Actuarial Association of Europe (AAE)	Latvia	Observer
Wilhelmy	Lutz	Actuarial Association of Europe	Switzerland	Observer
Hansen	Lars Sommer	Den danske aktuarforening	Denmark	Observer
Loudina	Erasmus	Royal Dutch AA	The Netherlands	Observer
Kovács	Judit	Magyar Aktuárius Társaság	Hungary	Delegate
Zelinkova	Jana	Czech Society of Actuaries	Czech Republic	Delegate
Cronin	Sinead	Society of Actuaries in Ireland	Ireland	Delegate
Oost	John	Koninklijk Actuarieel Genootschap	The Netherlands	Delegate
Schalk	Alexander	DAV	Germany	Observer
Crenca	Giampaolo	AAE	Italy	Observer