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Minutes from the meeting of the Solvency II project team 26 January 2016

Participants: Declan Lavelle, Camilla Erikson, Lauri Saraste, Esko Kivisaari, Siegbert Baldauf:

1) Update on recent developments in the context of Solvency II

Siegbert gave a summary about an EIOPA meeting that was held in Frankfurt on 18 December 2015:

- EIOPA clarified that from 2016 onwards we are stepping from regulation to supervision and this should change the perspective in SII work
- Consumer protection was raised as an issue (and is currently also dealt in the Insurance Committee)
- Bernardino brought up two main issues: longevity (with a Danish study on this) and the work relating to USP's --> EIOPA seemed to have the need to do an assessment relating to these issues and needs some help. This subject seemed to relate also on the supervisory handbook which is drafted in EIOPA
- Consultation on RFR and UFR (Q2/2016) is coming out from EIOPA --> to be able to react adequately on this, UFR and especially the real interest rate (not inflation) could possibly be studied more in the AAE SII WG.
- EIOPA Stress test are coming for the industry in Q2/2016. The idea seemed to be to produce a double hit scenario, here AAE SII WG could study earlier stress tests (e.g. 2014 stress test outcome) to better be able to support EIOPA if needed. AAE did already forward a paper on stress tests to EIOPA. Relating to the Stress test exercise It was discussed, whether these tests could be designed in such early stage that the stress scenario could be incorporate in companies ORSA's when they are doing these (in that year)
- AAE Survey on low interest rate environment. A draft version was handed to EIOPA in December. Esko promised to see that this paper would now be finalized.
- Pensions IORPS: stress test results are published 26 January 2016.
- Pension committee was establishing a mortality working group. There might be some similarities to SII life working groups and this was discussed. It was also noticed that:
 - o The correlation between annuity amounts and the people who are living longer has been studied and there seems to be some evidence about this (sociodemographic aspects).
 - o Esko mentioned that there was some good OECD actuarial work about social economic misbalances in mortality.

- How a policyholder option to be able to take the annuity as a lump sum payment could cause anti-selection

2) Structural issues of project

Population of working groups:

- Life WG: Dylan was still to check the life working group list to identify active members
- Non-life working group: List with 11 (active) persons. But representatives from UK & France are missing
- Other issues working group (Group 3):
 - Internal models had some active people (Camilla did produce a list)
 - Groups issues: Alain Joynes still interested in continuing to this issue but with limited availability
 - Pillar 2 issues (Gerard's group) status was kindly checked by Karel during the meeting. Gerard will not be available in the project. Siegbert will send an email to reach the still active people around this
 - Vice-chair(s) are still missing and Lauri, Camilla and Siegbert will try to find the right persons.
- It was recommended that face-to-face meetings should be organized to get the work started. Non-life working group has planned a meeting in spring. One idea discussed was to organize something when ECA 2016 will be held in Brussels. This depends on the participation of group members in this event.
- Pillar 2 issues were discussed and the reaction of NSA's to this. Now when SII is in its supervision stage Pillar 2 issues might be increasingly in the focus of both NSA and company's point of view
- Reporting is still one issue and it was discussed what issues to consider here and maybe focus more on the 'what to report' - type of issues if there still are some open ones.
- **A monthly call of the project team was considered to be helpful.**
Proposed date: every second Tuesday at 9:30 CET

3) Identification of tasks for the working groups based on review requirements from Directive and DA

- Longevity issue (more in detail in agenda point 4) which EIOPA was specially asking from AAE
- Lapse risk has some question marks. The current SCR calibration assumed this phenomenon was based to log normal distribution. It was noticed that policy holder behavior should be considered when calibrating this
- Non-life WG had sent a list of ideas to Siegbert (e.g USP's, nat.cat.) and this could be taken into the AAE SII work somehow
- SII increases significantly the guidance jungle where actuaries are and this might bring some work for the WG how to help actuaries here
- Compliance with SII regulation is an issue and might be something that actuaries might have to deal with
- UFR. The WG could come up with some ideas how to communicate this towards EIOPA when the review work starts

- Underwriting and re-insurance - harmonization issue: opinion is required by the actuarial function

4) Danish paper on longevity (a background paper of supervisory handbook which is currently drafted by EIOPA) and discussion around the issue

- Paper presents basically an idea how to calibrate a mortality model
- EIOPA's task seemed to be how to give guidance on longevity best estimates and whether the SCR calibration is still adequate.
- It was agreed that this issue should be on the agenda for all the AAE SII WG's.
- How to combine national ways to deal with mortality?
- Correlation between mortality & longevity --> IDEA: this could be calculated from each company's data and possibly would not even have to be set in SCR
- There was link to the Int. models work: How a consistency with technical provisions is handled and how to justify the used probability distribution
- It was agreed to write down questions for WG's relating to this issue. Timeline could be end April to be able to get some output relating to this issue. The focus should be more on the concept framework not the numbers.

5) Preparation of IC meeting 11 March 2016 in Nicosia

A slide show to be prepared for insurance committee meeting. Besides description of identified tasks committee could be asked to name representatives for working groups in case members are still needed.

Siegbert, Lauri and Esko will participate in this meeting.