

## **Notes of a meeting with EIOPA 5 July 2016**

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## **1. Insurance issues**

### *Insurance Stress test 2016*

GB reported: In week 28 the stress test will be finalised and sent to the NCAs. The analysis will start in September followed by drafting in October. Early December EIOPA will start to engage with stakeholders (incl. AAE). The expectation is that the report will be published mid December without any individual disclosures. The test will focus on life long term business and real adverse scenarios. The AAE will get the opportunity to preview. **ACTION AAE (1).**

The pension stress test is still in the preparatory phase. It is important to ask for the right data set. In this respect GB requested further AAE assistance. **ACTION AAE(2).**

The release date (in 2017) has not been fixed yet. The test will pay attention to expenses and will focus on the larger funds and introduce simplifications for the smaller ones. Also for this test AAE assistance is requested. **ACTION AAE(3)**

FV asks for more attention on the results for sponsors and beneficiaries.

### *Low interest rate environment*

EK hands out the draft paper on low interest rates and summarizes the issues for life long term guarantees. GB is particularly interested in the impact of other types of options. He asks for information on the number of contracts (or percentages) that carry options (like premium increase) that will change the contract but not the underlying guarantees.

GB stresses that these options need to be included in the ORSA. GB's next question is whether the AAE has information on the average time to maturity of the guaranteed long term contracts. **ACTION AAE(4).**

GB acknowledged that insurance models - including SII standard models - will not work properly on a negative interest rate. KG offered AAE assistance. **ACTION AAE(5).**

In our next meeting GB will discuss further work on Solvency II. In September it will become clear what areas will be affected.

#### Global ICS

CG reported that the field testing will contain three steps:

1. Valuation, exercise on long term guarantees and volatility (planned beginning of August);
2. Testing of part 1 (planned for September);
3. Data gathering for calibration (planned for October)

The public consultation will be published not later than mid July and will be closed June 2017. The consultation will contain 240 questions on very technical details and will concur with the field test. Both should lead to a decrease in the number of options and lead to ICS 1.0.

GB sees this as a "repetition of Solvency II" and again questioned the level of intervention of the AAE in these discussions. He stressed the importance of an AAE opinion, directly or in the context of the IAA ("Please help"). **ACTION AAE(6).**

In the end there cannot be two systems and the result will be that Solvency II has to be adapted.

CG mentioned an IAIS request to the IAA on how to calculate current estimates. EK is part of this discussion via the IAA. GB offered a telco with CG to further discuss and clarify questions. **ACTION AAE(7).**

#### IBER

EK reported that the Commission now intends to end the exemption.

GB reported that EIOPA - as an alternative - is now working on a centralized data-base with statistical information which will be made available to the market. GB requested AAE input from an actuarial perspective on what kind of statistical information should be collected. **ACTION AAE(8).**

#### UFR

EK reported that the AAE will not form an opinion on this in terms of good or bad. GB indicated that the discussions will continue until yearend before a decision will be taken. Also for this topic GB requested the assistance of the AAE, especially with respect to possible methodologies. GB stressed that this will not lead to a Solvency II review. It will be limited to implementing what is in the Directive. **ACTION AAE(9).**

JW asked for more attention to the interests of policyholders and asked the AAE "to consider responses very carefully".

GB was quite satisfied how EIOPA developed the UFR. It has led to more stability.

## 2. Roles of Actuaries and Actuarial Standards

KG introduced and summarized the final AAE paper on the roles of actuaries. He also referred to the recent round table on ERM, stating that app. 4,000 to 5,000 European actuaries were already working in risk management.

GB wanted to have more information on the impact on Boards and asked whether the AAE knew how many actuaries have a Board position. EIOPA is also interested in the number of persons that combine the Risk Management and the Actuarial Function. [ACTION AAE\(10\)](#).

GB confirmed that the CRO Forum is the main counterpart for EIOPA on RM matters.

## 3. Consumer Protection

GB referred to the kick-off of the consultation the day before (4 July) and stated that it covers all the areas of the Delegated Acts. He indicated a number of sensitive issues: inducements and fee and commission arrangements. GB requested AAE input on this consultation. [ACTION AAE\(11\)](#).

The thematic review lies currently with the Member States. Feedback is expected mid to end September. The work on risk indicators will continue. When this is finalized EIOPA will seek co-operation with the AAE. [ACTION AAE\(12\)](#)

## 4. Pensions issues

### Personal Pensions

GB reported that EIOPA is now waiting for the Commission. The final advice will be uploaded in week 27. Next steps will be to start working on a product pilot focusing on pure DC (as life cycle investment) and risk sharing/smoothing (what can the insurance industry contribute?). EIOPA will only start after the Commission's confirmation that the project will go ahead. Later in 2016 the Commission will launch a study on the various European tax systems and will research the 'demand' side. When that starts, EIOPA wants to engage with the AAE. [ACTION AAE\(13\)](#).

EIOPA intends to arrive at a basic solution and wants to look at the regulatory environment for such solutions, whilst emphasizing the necessity for full transparency.

### Common framework for risk assessment and transparency for IORPs

GB reported that EIOPA is looking for simplifications and would like to see active involvement of the AAE. [ACTION AAE\(14\)](#).

GB indicated to think of an SCR type of calculation with a specific hierarchy in the setting of parameters. The attention should go beyond the IORP itself and also look at who are carrying the risks. In the end this should lead to "sustainability of promises".

This can be further discussed in our December meeting.