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REPORT
of the Insurance Committee
to be presented to the
Meeting of the General Assembly
in Barcelona on 23 September 2016

The Committee met formally once during the year, in Nicosia on 11 March. In addition, conference calls were held in December, February, May and August. The Chairman will present an oral report of the meeting in Barcelona on 22-23 September.

1. European agenda

Recent developments in the European agenda as it affects the financial services sector include:

- economic uncertainty continues
- low interest rates
- regulatory landscape, including impact of regulation and new policies on companies, customers and the economy
- Commission targets for financial markets, including Green Paper, infrastructure investments and Capital Markets Union
- Euro-area crisis management
- recent/ongoing consultations, in particular –
    - Insurance Capital Standard (IAIS) – EIOPA is keen to have AAE participation to help provide stronger European input
    - CMU: potential EU personal pension framework (Commission) – very much insurance based
    - Methodology to derive UFR (EIOPA) – AAE has responded
    - Supervisory reporting and disclosure under Solvency II (EIOPA) – AAE did not respond
    - Automation of financial advice (Joint ESAs) – AAE has responded

2. Solvency II

Following the implementation of Solvency II on 1 January the main issues include –

- EIOPA annual work programme
- reporting, disclosure and review
- amendments of delegated regulation still pending
- EIOPA stress test

The project team will continue to be proactive, particularly with input to EIOPA, who are now addressing the Commission's Call for Advice on the review of Solvency II. EIOPA are particularly interested to receive our advice on calibration of the standard formula, calculation of risk margin, use of USPs, and cost of capital rates. It is important to be effectively organised to provide comprehensive and constructive AAE opinion to EIOPA.

3. Non-Life issues

The group established last year to address non-life issues is actively involved in a number of areas including –

- cyber risk and cyber security
- geo-blocking (which has relevance to the Green Paper on retail financial markets)
- non-life market conditions
- reserve risk methodology

4. Low interest rate environment

The task force which was set up to review the position has reported on a survey of member associations: its report was published in August. It should be noted that the impact of negative interest rates is now of greater concern (e.g. the increase in risk capital in response to the Swiss Solvency Test). A discussion paper on this issue is being prepared, for consideration at the Barcelona meeting, where we should also consider experience around Europe.

5. Ultimate forward rate (UFR)

AAE submitted a response to an EIOPA consultation on the UFR. It is hoped to have more information from EIOPA, particularly on the level of UFR going forward, for discussion in Barcelona.

6. IAIS consultation on Global International Capital Standard (ICS

This consultation is open until 19 October, and EIOPA is keen that AAE should participate actively in order to ensure a comprehensive EU response. Members of the Committee have been encouraged to volunteer so that we can put an effective structure in place to deal with this very extensive consultation.

7. Roles of Actuaries/Actuarial Function

The Roles of Actuaries task force has delivered work on -

- Role of the Actuary under Solvency II and the lack of harmonization, Role of the Actuary in Risk Management under Solvency II
- Mini survey and survey on the Roles of Actuaries under Solvency II and the presentation of the results to various stakeholders and conferences
- Position paper on the Independent Review under Solvency II and discussion of it with FEE

This material has been shared with EIOPA and the European Commission, and EIOPA has requested additional input in relation to the number of actuaries who have a Board position, and how many combine the Actuarial Function and the Risk Management Function.

There is a need for educational and best practice material on Risk Management, and there was a meeting of representatives from member associations who are active in this area – a report on this meeting will be presented in Barcelona.

8. Actuarial Standards

Comments received from the Insurance Committee and the Standards, Freedoms and Professionalism Committee (SFPC) on the Exposure Draft of ESAP3 showed a significant degree of pushback (see report of SFPC for details). The ED is being revised, retaining the current structure, but taking account of the comments received – particularly to distinguish between requirements and guidance. This will mean the transfer of some material from ESAP3 to the EAN, subject to observance of due process for EANs. It is expected that revised drafts of both ESAP3 and the EAN will be available for discussion in Barcelona.

9. Consultation on Insurance Block Exemption Regulation (IBER)

It appears likely the IBER will not be renewed; the basis for this is that –

- there is very little quantitative evidence of detriment if IBER is not renewed;
- existing horizontal guidelines are sufficient to overcome any issues; on the question of seeking legal opinion on the adequacy of horizontal guidelines, this is beyond the resources of AAE and Esko/Tony will discuss with contacts in Insurance Europe;
- the European Commission may provide additional guidelines, and perhaps AAE may be able to help here

EIOPA has asked AAE for advice on what data should be collected. .