

Status Report on the Evolution of Solvency II and the Actuarial Function

Status date: March 2016

Country: GERMANY

1. Professional association's initiatives:

The new **Enterprise Risk Committee** continues and extends the work on Solvency II initiated by the DAV Accounting and Solvency Committee. It aims at supporting the holders of the Actuarial and the Risk Management Functions. Apart from several working groups dealing with the standard formula and internal models in life and non-life insurances, there are working groups on capital management, operational risks, limit systems and reporting requirements of the AF and RMF (including ORSA).

A **coordination group Solvency II** organizes all activities of the above mentioned working groups and the DAV representatives in the working groups of the AAE Solvency II project. The coordination group meets in monthly conference calls to screen relevant consultation papers and allocate tasks to the working groups in charge.

EIOPA is currently reviewing the methodology to derive the **ultimate forward rates** (UFRs). The review will include a public consultation from April to June 2016. DAV is currently preparing to support the AAE in commenting on that.

<u>Item</u>	<u>Description</u>	<u>Deadline / Status</u>
Compendium on AF	Based on the exposure draft of ESAP 2, DAV initiated in 2014 an extensive compendium on the actuarial function. The paper was revised at the end of 2015 taking into account further clarifications on the Solvency II regulations.	adopted
Paper on RMF tasks	DAV developed a paper on the tasks of the risk management function	adopted
Papers on EPIFP and disability	DAV developed two short technical papers dealing with EPIFP and the question to which line of business disability insurance should be assigned in Germany	adopted

2. Position papers

[Position papers, if any, since the last report]

<u>Item</u>	<u>Description</u>	<u>Deadline / Status</u>
Special issue on Solvency II	DAV will shortly publish a special issue of the DAV politic magazine "Aktuar Aktuell" entitled "Solvency II – the beginning of a new era". A special highlight is an interview with Gabriel Bernardino.	March 2016

3. Supervisor actions & positions

<u>Item</u>	<u>Description</u>	<u>Deadline / Status</u>
National implementation of Solvency II	The legal implementation of Solvency II has largely been completed in Germany. Only some subsequent regulations will be adopted later this year.	largely completed
German supervisor's interpretation decisions	At the end of 2015, German supervisor published a number of interpretation decisions on certain pillar 1 regulations focussing on specific aspects of German market. DAV had the opportunity to comment on the corresponding drafts.	adopted

4. Expectations from the AAE and its Solvency II Project

<u>Item</u>	<u>Description</u>	<u>Deadline / Status</u>



Actuarial Association of Europe

Standards Professionalism and Freedoms Committee, spring meeting 2016

Subject	Update on the activities of the UK's Institute and Faculty of Actuaries (IFoA)
Meeting	10 March 2016 Nicosia, Cyprus
Author	Emma Gilpin, Senior Regulatory Lawyer, IFoA

General Background

The IFoA is responsible for the regulation, in the public interest, of all of its members worldwide. It is subject to independent oversight, in the exercise of its regulatory functions in relation to the UK, by the Financial Reporting Council (FRC). The FRC is additionally responsible for the setting of technical standards in the UK.

The key recent (and upcoming) IFoA developments in relation to standards are:-

1. Quality Assurance Scheme

- 1.1. As explained in the last update, in September 2015 the IFoA launched its Quality Assurance Scheme (known as 'the QAS'), which is a voluntary accreditation scheme for organisations that employ one or more Members of the IFoA.
- 1.2. The IFoA has now received its first applications from organisations to participate in its Quality Assurance Scheme (QAS) accreditation.
- 1.3. There were 23 applications as part of the first batch of applications. This represents:
 - 1.3.1. 10 of what we understand to be the top 20 largest employers of IFoA members;
 - 1.3.2. The employers of approx. 19% of our UK membership and 10% of our total (worldwide) membership.
- 1.4. The applicants are mainly constancy firms (both actuarial and multidisciplinary).
- 1.5. The first accreditations will be announced on 12 April 2016 and will be conditional on all of the successful applicants being assessed as meeting the outcomes of the standard APS QA1 and agreeing (through a legally binding participation agreement) that they will adhere to those requirements for the duration of their accreditation.

2. First Solvency II Practising Certificates issued and revised insurance standards

- 2.1. On 1 July 2015, the IFoA introduced three new mandatory Practising Certificates for those in the life and non-life practice areas who either hold, or intend to hold, the role of Chief Actuary, as approved by the UK's Prudential Regulation Authority (the authority in the UK responsible for providing approval in terms Solvency II legislation).

- 2.2. In order to give effect to those Practising Certificates, it was necessary to make changes to one of our existing life insurance standards (APS L1 – Duties and Responsibilities of Life Assurance Actuaries) and to introduce a new standard for General Insurance actuaries (APS G1 – the Chief Actuary in Non-Life Assurance). Those both came into force on 1 January 2016 and are scheduled for an early review in 2016.

3. Technical Guidance to accompany FRC's Technical Actuarial Standard (TAS) 100

- 3.1. The IFoA is also currently considering guidance to support the Financial Reporting Council's (FRC's) new TAS 100 when it comes into effect in 2017.
- 3.2. Any such guidance will be produced the agreement of the FRC, who produce technical standards in the UK. At the moment, consideration is being given to the potential topics for such guidance.

4. APS X1

- 4.1. You may recall that in 2014, the IFoA consulted upon the introduction of a new standard known as 'APS X1: Applying Standards', which was intended to clarify for members the appropriate set of standards they should apply depending on where they are carrying out work.
- 4.2. The standard aims to introduce a requirement that members of the IFoA carrying out work outside the UK must act in a way that is substantially consist with ISAP 1/ESAP1. There is flexibility for those members to meet that requirement in a range of different ways, including applying the standards of other actuarial professional bodies. There is also a requirement to consider standards that are in place by 'local' IAA or AAE member associations.
- 4.3. It was agreed in April 2015 that the responses to the consultation indicated sufficient support for introduction of the APS that it should be introduced. However, it was also agreed that publication of the final standard should be postponed until mid 2016 to allow further work to be carried out by the FRC on their review of their technical standards framework as well as to allow other IAA and AAE bodies to carry out further work in relation to the implementation of ISAP1.
- 4.4. Work has now begun to refine the drafting of the APS in advance of its publication, which is expected to be in early summer.

5. Review of the Actuaries' Code

- 5.1. The IFoA has started a substantive review of its Actuaries' Code. The key focus will be on ensuring that the Code is fit for purpose in light of experience and changes to the actuarial working environment for IFoA members since 2009 (when the Code was first introduced).
- 5.2. The work of this review has just started and it is intended that the IFoA will engage with, and seeks views from, a wide range of members and stakeholders in the UK and worldwide. The current plan is for any changes to be put out to consultation by the end of 2016 and for a new Code to come into force in the first half of 2017.

6. Risk Outlook Project and 'Risk Alerts'

- 6.1. The IFoA has been engaging in a 'risk outlook' project which has involved the IFoA in considering risks to the public interest in connection with actuarial activity.

- 6.2. The Risk Outlook working party has completed its preliminary investigations and compiled a list of the risks identified. From this list the most pressing areas of concern will be identified and will form the subject of “Risk Alerts”, to be published by the IFoA. They will also be fed into other IFoA projects, such as the review of the Actuaries’ Code.

7. New standard introduced: APS Z1 – Duties and responsibilities for actuaries working for UK Trust Based Funeral Plans

- 7.1. In late 2015, the IFoA introduced a new standard APS Z1 that relates to the responsibilities of members that are involved in providing advice in relation to Trust-Based pre-paid funeral plans.
- 7.2. The APS came into force on 1 December 2015.