

## ACTUARIAL ASSOCIATION OF EUROPE SOLVENCY II PROJECT

### MONTHLY REPORT FOR INSURANCE COMMITTEE

9 November 2017

#### **Initial workshop stress test 2018 -**

EIOPA had invited stakeholders to an initial workshop in preparation of the insurance stress test 2018 on 23 October 2017. They had presented their ideas concerning the upcoming stress test and especially the planned structure of this exercise.

Only Groups shall calculate the three planned scenarios:

- (1) Yield curve up shock combined with lapse and provisions deficiency stress
- (2) Low yield scenario combined with longevity stress
- (3) Nat-Cat scenario

EIOPA will develop the final calibration until April 2018.

What is new: Calculation of a post-stress group SCR

Individual disclosure of results

(More details in the slides presented in this workshop.) These new requirements are the reasons for this very early start of engagement with stakeholders. EIOPA had developed a questionnaire concerning these issues. Stakeholders should submit their answers by 10 November 2017(cob). A further workshop is scheduled for 21 November 2017.

First feedback is available, from the Netherlands. Dylan Brooks reported his experience with the calculation of SCR. He will send a short description in the course of Thursday. Siegbert Baldauf will collect the answers and develop a harmonized view. Especially possible simplifications used in groups already are of interest.

A full calculation of the SCR, compliant with all requirements of the legal framework (management rules, policyholder behaviour, etc.) is very time consuming and perhaps not possible for this purpose. Approximations and simplification might be indispensable.

#### **SCR–Review: Second set of advice**

6<sup>th</sup> November 2017: EIOPA published the consultation paper on the second of advice to the Commission (EIOPA-CP-17-006).

The deadline for comments is 5<sup>th</sup> January 2018

The consultation paper comprising 438 pages is subdivided in 21 sections. To facilitate the analysis of this very long paper, EIOPA introduced blue boxes at the end of each chapter containing the proposed advice on the particular issue.

The following list contains those paragraphs where blue boxes can be found (perhaps not complete).

I. Recalibration of standard parameters of premium and reserve risks	
II. Volume measure for premium risk	176-177
III. Recalibration of mortality and longevity risks	244-246
IV. Health catastrophe risk	282-285
V. Man-made catastrophe risk	306-208 320-323 352-354
VI. Natural catastrophe risk	368-370 402-410 425-428
VII. Interest rate risk	522-525
VIII. Market risk concentration	570-573
IX. Currency risk at group level	599-603
X. Unrated debt	741-757
XI. Unlisted equity	880-886
XII. Strategic equity investments	
XIII. Simplification of the counterparty default risk	1030-1068
XIV. Treatment of exposures to CCPs and changes resulting from EMIR	1155-1162
XV. Simplification of the look-through approach	1217-1220
XVI. Look-through approach at group level	1251-1255
XVII. Loss-absorbing capacity of deferred taxes	
XVIII. Risk margin	1444-1446
XIX. Comparison of own funds in insurance and banking sectors	1459-1460 1466-1467 1473 1477 1495 1506 1507-1517
XX. Capital instruments only eligible as tier 1 up to 20% of total tier 1	1539-1541
XXI. Impact assessment	

In a first step, an allocation of the particular issues to working groups is recommendable. This can easily be done for mortality and longevity risk (life working group), or premium and volume risk (a challenging exercise for the non-life working group). Clemens Frey and Declan Lavelle had already scheduled first telephone calls with the working group.

Others like interest rate risk, risk margin; loss-absorbing capacity of deferred taxes might be of interest for more than one working group. Comments on the discussion paper early this year had mainly been provided by the cross sectoral working group. Siegbert Baldauf will discuss these issues in a separate call with Lauri Saraste on Friday.

The finally agreed allocation (including also items not mentioned above) will be forwarded as soon possible.

**Proposed timeline:**

We should give the working groups six weeks of time, although this will lead to a consolidation process affecting the year-end holidays.

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|--------------------------|---|
| <b>15 December 2017:</b> | Comments of working groups (and IC-members) sent to project manager           |
| <b>19 December 2017:</b> | Consolidation of the answers (perhaps meeting of drafting team recommendable) |
| <b>22 December 2017:</b> | Draft response sent to the IC   |
| <b>28 December 2017:</b> | Teleconference to discuss the draft – or written feedback                     |
| <b>2 January 2018:</b>   | Final draft sent to member associations and officers                          |
| <b>5 January 2018:</b>   | Sign off by officers and submission of comments                               |

Supervisors have started an information request to undertakings relating to LAC DT and interest rate risk in order to assess the impact of possible proposals. Due date: 31 December 2017.

**Next call: Thursday, 14 December 2017, 9:30 – 10:30**