

Actuarial Association of Europe Solvency II Project – Monthly Report for Insurance Committee

18 May 2017

Discussion paper on the review of specific items in the Solvency II Delegated Regulation

EIOPA has invited stakeholders for a roundtable at 23 May 2017 in Frankfurt. The participants for each of the invited stakeholder groups is limited to 2 persons. Depending on the previously announced agenda items AAE has registered Siegbert Baldauf and Lauri Saraste. We expect the non-life issues to be discussed later after analysis of the requested data. A more detailed agenda is still missing.

Expected issues to be discussed: simplified calculations, exposures guaranteed and exposures to RGLA, risk-mitigation technique, reducing reliance on external ratings, USP, LAC DT and risk margin. These issues belong to the 1 Bucket of the call for advice items. EIOPA plans to send their advice to the Commission by end of October 2017. Eight weeks consultation are planned July and August 2017.

Bucket 1 and Bucket 2 of 1. Call for Advice 

<u>Bucket 1</u> (Deadline: October 2017)	<u>Bucket 2</u> (Deadline February 2018)
<ul style="list-style-type: none"> ▪ Overarching aspects ▪ USP ▪ Deferred taxes ▪ Risk margin 	<ul style="list-style-type: none"> ▪ Non-Life underwriting risk ▪ Non-Life and health: catastrophe risk ▪ Life Underwriting risk ▪ Market risk module ▪ Counterparty default risk ▪ Own funds
<p><u>Criterion for subdivision:</u> Reported data from undertakings (Reporting, SFCR) needed. Available end of May 2017</p>	

19

EU-Commission's Request to EIOPA for Technical Advice

22 February 2017: EU – Commission has issued

REQUEST TO EIOPA FOR TECHNICAL ADVICE ON THE REVIEW OF SPECIFIC ITEMS IN THE SOLVENCY II DELEGATED REGULATION AS REGARDS UNJUSTIFIED CONSTRAINTS TO FINANCING (Regulation (EU) 2015/35)

This technical advice shall be delivered by 28 February 2018.

EIOPA is invited to provide advice on the following three issues:

Methods and assumptions to be used

- 3.1. ..when assessing the credit risk in calculating the spread risk submodule, with respect to criteria that could be used to identify certain unrated bonds and loans
- 3.2. ...when calculating the equity risk submodule, with respect to criteria that could be used to identify certain portfolios of unlisted equity
- 3.3. ...when calculating the equity risk submodule with respect to strategic equity investments

26 April 2017: EIOPA published consultation paper EIOPA-CP-17/003, a Call for Evidence relating to the **Request by the European Commission to EIOPA for Technical Advice on the treatment of unlisted equity and debt without an ECAI rating in the standard formula**

The consultation period is very short and ends on **24 May 2017**.

Next Steps: 8 June 2017: Roundtable with stakeholders

EIOPA will prepare draft advice to the European Commission

8 weeks consultation planned for November and December 2017

Advice send to the Commission end of February 2018

IFRS 17 published (18 May 2017)

As an international accounting standard IFRS 17 is mainly an IAA issue. It will become a European issue because EU – countries have to decide whether they will endorse this standard. IFRS 17 contains a valuation method for technical provisions. It has to be analysed to which extent Solvency II valuation should (could) be changed to conform more with that of IFRS 17. It seems to be recommendable that AAE should monitor the development. Also local GAAP may be affected.

Meeting with EIOPA (22 May 2017):

Meeting of EIOPA with AAE (Technical meeting). AAE want to discuss with EIOPA some items raised during December meeting. Especially the issues Stress Test and observed differences

in cash flows, negative interest rate, supervisory handbook and retail risk indicators are on the agenda.

Other Business:

European Commission **PUBLIC CONSULTATION On:**

*Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority) amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (the "**EBA Regulation**")*;

*Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority) amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (the "**EIOPA Regulation**")*; and

*Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority) amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (the "**ESMA Regulation**").*

Responses to this consultation could be submitted until 16 May. AAE submitted answer to some questions relating to the role of EIOPA.

Next call: Date for next call has to be rescheduled because of a clash with the meeting of the Insurance Committee at that day.

Thursday, 8 June 2017, 9:30 – 10:30