

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

13 July 2017

What has happened since last call?

5 July 2017: EIOPA published an opinion on recovery and resolution of insurance undertakings.

OPINION TO INSTITUTIONS OF THE EUROPEAN UNION ON THE HARMONISATION OF RECOVERY AND RESOLUTION FRAMEWORKS FOR (RE) INSURERS ACROSS THE MEMBER STATES (EIOPA-BoS/17-148)

AAE had commented on a consultation paper in February 2017. According to EIOPA's opinion there is a need for recovery and resolution authorities considering proportionality.

Quoted from executive summary

- *EIOPA is of the view that a harmonised recovery and resolution framework should include a requirement for insurers to develop and maintain recovery plans in a pre-emptive manner (i.e. during normal course of business).*
- *A harmonised recovery and resolution framework should also include a requirement for resolution authorities to develop and maintain resolution plans in a pre-emptive manner (i.e. during normal course of business).*
- *Resolution authorities should furthermore be required to assess the resolvability of insurers for which a pre-emptive resolution plan is drafted.*

SCR – Review:

4 July 2017: EIOPA published

Consultation Paper on EIOPA's first set of advice to the European Commission on specific items in the Solvency II Delegated Regulation (EIOPA-CP-17/004 04 July 2017)

Consultation paper launched
Consultation period ends

4 July 2017
31 August 2017

Proposed process:

- The S II project team (with its working groups) will draft the response.
- Member association should channel their comments through members in the working groups.

- However, comments can be sent also directly to [Siegbert Baldauf](#) until **16 August 2017**

The following timeline is tight for two reasons:

- 1) Consultation period is only 8 weeks
- 2) Holiday season makes the task more difficult

Timeline:

- Solvency II project team identifies sections of consultation paper attributable to working groups (monthly call) **13 July 2017**
- and informs officers on the outcome **14 July 2017**
- **Comments from working groups** **16 August 2017**
- Consolidation of answers **18 August 2017**
- Draft response sent to the IC **21 August 2017**
- Teleconference to discuss the draft (optionally) **24 August 2017**
- Final draft to member associations and officers **28 August 2017**
- Sign off by officers and submission on **31 August 2017**

First thoughts concerning the consultation paper

The consultation paper contains

Proposals for changes of Delegated Regulation

- 2.4.2 Paragraph 81: Correction of Article 88
- 3.4.3 Paragraph 143: Introduction of two new simplified calculations under the framework of Article 88 of the Delegated regulation rot the spread risk sub-module and the concentration risk sub-module
- 4.4.4 Paragraph 226:
 - Central government guarantees: Replacement of Article 192(4) and RGLA guarantees: introduction of new provisions in Articles 180(2) and 187(3)
- 7.4.4 Paragraph 453. USP method for stop-loss – based on Annex XVII 'F'

Requests for input from stakeholders

- 3.4.3 Paragraph 146: “provide input on such thresholds” (coverage of debt portfolio by ECAI)
- 7.3 Paragraph 407: “Stakeholders are invited to provide other methodologies on lapse risk that would solve the issues explained above”

Advices

- 2.4.3 Paragraph 64: not to modify the current requirements of Article 88 Paragraph 76 adjustment of simplified calculation
- 3.4.3 Paragraph 147: “not to extend internal rating approaches at this stage”

5.4.3 Paragraphs 317 – 323 concerning rolling hedges

Paragraphs 324 – 329 concerning realistic recovery plan

6.4.3: Paragraph 374 -376 look through approach for investment related undertakings

Paragraph 447, 448: No advice for modification

Paragraph 450: new standardised method for the calculation of the adjustment factor for non-proportional reinsurance

LAC DT (Section 8):

In this section EIOPA collect results for the requested report on different methods currently applied and their impact regarding LAC DT. Commission had not requested EIOPA to propose changes of the Delegated Regulation. EIOPA have not excluded this outcome as a possible requirement resulting from the need of supervisory convergence.

Paragraph 457 shows the need to work on this issue:

*In this first response to the Call for Advice EIOPA will only address the request for information from the European Commission and will not yet come up with any advice on possible changes in the Delegated Regulation. EIOPA will continue working on supervisory convergence and, **if deemed necessary, may advise changes in the Delegated Regulation in its second response to the Call for Advice.***

A thorough analysis of the results presented and the methods used to achieve these results seems to be recommendable and urgent.

Paragraph 507: *As for every other part of this consultation paper, EIOPA welcomes comments. In particular, comments on*

- *whether there are other analyses than the OLS analyses explained above relevant for demonstrating sources of variation in the amounts of LAC DT across the EEA;*
- *whether there are other characteristics that should be considered for the quantitative analyses of the variation in the amounts of LAC DT across the EEA;*
- *whether EIOPA has to focus on total LAC DT or on the part of LAC DT that is being demonstrated by future profits, to the extent possible.*

Lauri Saraste will organise a separate call on this issue for 31 July 2017.

Clemens Frey will discuss non-life issues in a conference call with his working group end of July. He will also invite Kartina Thomson from the IC non-life working group to participate.

Draft impact analysis (section 9)

This might be helpful to understand how EIOPA came to the proposed advice.

Next call: Thursday, 10 August 2017, 9:30 – 10:30