

ACTUARIAL ASSOCIATION OF EUROPE SOLVENCY II PROJECT

MONTHLY REPORT FOR INSURANCE COMMITTEE

11 January 2018

SCR – Review:

Siegbert Baldauf informed about the finalisation of the consultation process. AAE has submitted the comment template to EIOPA on time (5 January 2018).

The draft version prepared by the project team until 15 December 2017 and consolidated in a meeting in Brussels (19 December 2017), was reviewed by AAE – Board. AAE – Board had asked Thomas Behar, Thomas Béhar, Maria Kamenarova and Kartina Thomson to review the comment template. This review process led to some (minor) changes of the draft template.

Board members congratulated the team and thanked for the hard work.

EIOPA's advice to the EU Commission is due by 28 February 2018. There are still two areas remaining. EIOPA had started a data process in November 2017 to collect data concerning the interest rate risk and the LAC DT. Deadline for the delivery of these data was 31 December 2017. The analysis of these data might influence the advice concerning these issues.

EIOPA has invited stakeholders to participate in a conference call at 23 January 2018. Lauri Saraste and Siegbert Baldauf have registers to represent AAE. Considering the timing, EIOPA might be able to present first proposals.

Besides this, the risk margin issue is not comprehensively treated in the consultation paper. The focus there is on the cost of capital rate. Methodological questions relating to the calculation of the risk margin are not considered. AAE has already mentioned this fact in the meeting with EIOPA in December.

EIOPA had invited AAE to discuss their thoughts concerning the risk margin in a separate conference call. This call took place 10 January 2018. Malcom Kemp and Siegbert Baldauf participated in this call. It was acknowledged that this issue needs further consideration. As it will not be possible to do this short-term, this analysis can be done as part of the LTG – review process. Deadline for this review is 31 December 2020. Besides methodological questions, concerning e.g. the treatment of long-term business AAE could elaborate on the issues addressed in their comments relating to the development of the cost-of-capital rate.

LTG - review, LTG - report

At 20 December 2018, EIOPA has published the LTG – Report 2018 which like the previous report describes the use of the LTG – measures across the countries. This time the report presents in addition the results of a data request from summer 2017. EIOPA had prescribed three scenarios to test the effects of the extrapolation. Undertakings had been asked to calculate the effect on their financial position resulting from these scenarios

- Scenario 1: Increase of the LLP for the euro from 20 to 30 years. For currencies other than the euro the risk-free interest rates are unchanged.
- Scenario 2: Increase of the convergence point from 60 to 90 years for all currencies except the Swedish krona. For the Swedish krona the convergence point changes from 20 years to 50 years
- Scenario 3: Decrease of the UFR for all currencies by 100 basis points

Results by country are shown in the report. As this can be considered as a first analysis in the context of the LTG – review, actuaries should thoroughly check and assess these results.

Solvency II project: organisational issues

The role of the Solvency II project after the SCR-Review is unclear. According to the terms of reference, the tasks of the project are directly connected to the SCR – Review. AAE has to decide how the Solvency II issues, especially the LTG-review, should be treated in the future. In addition, the new governance structure of the AAE has to be considered.

Next call: 8 February 2018, 9:30 – 10:30