

## ACTUARIAL ASSOCIATION OF EUROPE SOLVENCY II PROJECT

### MONTHLY REPORT FOR INSURANCE COMMITTEE

14 December 2017

#### SCR – Review:

Siegbert Baldauf informed about a meeting with EIOPA on 12 December 2017. Interest rate risk, the LAC DT, the risk margin and the volume measure are important issues also from EIOPA's perspective. The data request to LAC DT and interest rate risk is still ongoing. Deadline for undertakings is end of December. The insights gained by the analysis of these data might influence the advice to the Commission. EIOPA has scheduled a telephone conference with stakeholders for 23 January 2018 to discuss the emerging findings of the consultation on the 2<sup>nd</sup> part of the advice on the review of the SCR. Especially the LAC DT issue might be affected. The chapter in the consultation paper dealing with LAC DT contains no "blue box" with proposals. It is open if and perhaps how supervisory or regulatory framework should be adapted to consider the discussed key principles.

Besides this, the risk margin issue is not fully considered 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. This was mentioned in the meeting with EIOPA and will be addressed in our comments.

Siegbert Baldauf and Lauri Saraste will participate in the telephone conference in January.

According to the agreed internal timeline, the comments from working groups and IC – members should be delivered by 15 December 2017.

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

A drafting team will meet on Tuesday, 19 December 2017 in Brussels to consolidate the comments.

### **Insurance stress test 2018:**

EIOPA and NSAs have identified the participating groups. The planned stress test and especially the calculation of a post-stress SCR leaves several questions open. It is obvious that simplifications and approximations are needed to calculate the capital position after a stress had incurred.

The 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

need further analysis. The combination of financial stresses with stressed underwriting risks is challenging. The Nat-Cat scenario is difficult to define as Nat-Cat risk differs considerably across countries or even regions.

EIOPA had started the discussion on this stress test exercise with two initial workshops in October and November. A next workshop with stakeholders in February and a meeting with participants in March are next steps in the preparation of this stress test.

### **Solvency II project: organisational issues**

The role of the Solvency II project after the SCR-Review is unclear. In addition, the new governance structure of the AAE requires a decision on how to proceed with Solvency II – issues. Despite this, the monthly calls of the project team should be continued at least until March 2018.

**Next call: 11 January 2018, 9:30 – 10:30**