

## ACTUARIAL ASSOCIATION OF EUROPE SOLVENCY II PROJECT MONTHLY REPORT FOR INSURANCE COMMITTEE

8 February 2018

### SCR – Review:

Siegbert Baldauf informed about the status of the review process.

AAE had submitted the comment template to EIOPA on time (5 January 2018). EIOPA had invited stakeholders to a telephone conference at 23 January 2018.

Lauri Saraste and Siegbert Baldauf participated in this call. Stakeholders had the opportunity to present their most relevant issues relating to the consultation paper. EIOPA did not reveal new aspects concerning their final advice.

### Additional activities concerning SCR - Review

End of January EIOPA asked two questions relating to AAE – comments on the group currency risk and the counterparty default risk. Lauri Saraste and Simon Cureton enabled a short-term answer to these questions.

An additional query was related to the definition of exposure adjustment and the recognition as risk mitigation technique. EIOPA considered in the consultation for the first set of advice whether weekly adjustments to risk mitigation techniques should be allowed in case of so called “exposure adjustments”. The final advice on this will be provided now in the second set of advice. EIOPA were interested in discussing the provisional definition of exposure adjustments, developed at the working level. In a telephone conference. Siegbert Baldauf and a German colleague, who had been commenting on this issue in the first set of advice, discussed this definition with EIOPA at 31 January 2018. The standard formula with the prescribed methodology complicates an adequate treatment of e.g. change in exchange rate and in equity price during the year. It is unclear how an instantaneous shock can cover this risk adequately.

**Next steps:** EIOPA will now finalise their proposals. An approval by the Board of Supervisors is the last step before sending these proposals to the EU-Commission not later than 28 February, 2018.

## **EU – Commission and Solvency II**

The EU-Commission has scheduled a public hearing on the 2018 review of the Solvency II Delegated Regulation at 27 March 2018. AAE still has to decide on participation. The following panels are planned to discuss more general questions in connection with Solvency II.

Panel 1: **Solvency II in the Capital Markets Union**

Panel 2: **Solvency II and the need for proportionality**

Panel 3: **Solvency II under changed economic and environmental**

Panel 4: **After two years of Solvency II: which priorities for the future?**

A treatment of EIOPA's proposal cannot be expected at this early date.

## **Systemic risk and macroprudential policy in the insurance sector**

6 February 2018: EIOPA published the first paper of a series on systemic risk and macroprudential policy in the insurance sector.

*Today, the European Insurance and Occupational Pensions Authority (EIOPA) published the first in a series of papers with the aim of contributing to the debate on systemic risk and macroprudential policy. Until now, the debate has mainly focused on the banking sector due to its prominent role in the recent financial crisis. Through this series of papers, EIOPA will ensure that any further extension of the debate to the insurance sector fully reflects the industry's specific nature.*

*This first paper outlines the lessons learnt from the financial crisis and the banking sector affecting the insurance sector, as well as the current status of debate within the sector. The paper identifies and analyses the sources of systemic risk in insurance outlining three potential sources: entity-based, activity-based and behaviour-based.*

*The paper also includes a proposal for a macroprudential framework for insurance and defines specific operational objectives based on the previously-identified sources of systemic risk.*

<https://eiopa.europa.eu/Publications/Reports/Systemic%20risk%20and%20macroprudential%20policy%20in%20insurance.pdf>

It might be recommendable to check if and how AAE should deal with this activity. The spring meeting of the Insurance Committee in April in Lisbon can be used to discuss the further proceeding.

**Next call: 8 March 2018, 9:30 – 10:30**