

ACTUARIAL ASSOCIATION OF EUROPE SOLVENCY II PROJECT

MONTHLY REPORT FOR INSURANCE COMMITTEE

8 March 2018

SCR – Review:

EIOPA has sent the second set of advice to the Commission at 28 February 2018.
(EIOPA-BoS-18/075 28 February 2018: **EIOPA’s second set of advice to the European Commission on specific items in the Solvency II Delegated Regulation**)

The document covers all aspects included in the consultation paper and in addition an issue that had been postponed in the first set of advice – exposure adjustment (article 209(3) of the Delegated Regulation).

Under consideration of stakeholder comments EIOPA has published this comprehensive paper.

Some very first observations:

EIOPA’s advice would result in a number of changes of the Delegated Regulation.

- 1) No changes proposed for mortality / longevity risk
- 2) Volume measure: Distinguishing between one-year and multi-year contracts requires a change of Articles 116 and 147. Nonlife working group will analyse the proposal.
- 3) Risk margin: The advice is restricted to the CoC-rate. This should be 6% unchanged. AAE had questioned the methods that led to this result. The discussion of further methodological questions relating to the calculation of the risk margin is postponed. It should be part of the LTG – review until 2021.
- 4) LAC DT: EIOPA proposes a considerable extension of the Delegated Regulation to reflect the consulted key principles. In addition, article 272 concerning the Actuarial function is extended: (7a. Assess and validate the underlying assumptions applied for the projection of future profits for the purpose of Article 15 and Article 207.) Working groups are now asked to analyze the proposals and check if these can still be assumed to be principle-based. It would be helpful to compare the current practice with these new proposals.
- 5) Interest rate risk: Divergent from the two options listed in the Consultation paper, EIOPA now proposes the shift approach that had also been part of the AAE – comments. This proposal leads to a method that is also effective for low and

negative interest rates. It shall be gradually implemented over the next three years.

- 6) Impact assessment: The impact assessment is done punctually for the proposed measures. It would be necessary to assess the impact holistically. Taking into account the possible changes of the risk-free rate as part of the LTG review, this impact assessment can only give a fragmentary picture.

The working groups are asked to analyse the proposals and to identify possible points of action. Declan Lavelle and Lauri Saraste will participate in the spring meeting of the IC. This offers an additional opportunity to discuss the further proceeding.

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. Esko Kivisaari has registered for this meeting.

Insurance Stress Test

No new information. EIOPA planned to provide technical specifications in April. Start of the stress test exercise is planned for May.

Systemic risk and macroprudential policy in the insurance sector

EIOPA published the first paper of a series on systemic risk and macroprudential policy in the insurance sector at 6 February 2018. Two more papers are planned. As an outcome of this analysis, it might be necessary to change reporting requirements and to implement further macroprudential tools in Solvency II.

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

Solvency II project

Considering recent changes in AAE governance (new risk management committee) and the proceeding relating to future Solvency II issues (e.g. LTG –review), AAE should decide on a restructuring of the Solvency II project in line with the strategic objectives.

The meeting of the Insurance Committee will be held in Lisbon 12 April 2018. We need to find a new date for the next monthly call:

Next call: 19 April 2018, 9:30 – 10:30