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SOLVENCY II WORKING GROUP

Following its entry into force on 1 January 2016, the legal framework of the Solvency II Directive and the Delegated Regulation continue to be subject to review. EIOPA has also started own initiatives based on empowerment by the EIOPA Regulation to improve identified weaknesses. The SCR Review (until end of 2018), the LTG Review (until end of 2020) and the initiative to include macroprudential issues in the framework, could all lead to significant changes in the Solvency II framework. Actuaries, as important stakeholders, should be prepared to monitor the activities of EIOPA and the European Commission.

The Solvency II Project of the AAE contributed significantly to the development of Solvency II in the past. The structure of the project was designed to contribute to the expected tasks.

The already recognisable new challenges require a rethinking of the structure to ensure it is capable of contributing effectively to future developments. Taking into account the “Protocol for the establishment of subcommittees, task forces and working groups”, a working group appears to be the appropriate organisational structure to ensure the European profession can continue to play its part.

TERMS OF REFERENCE

SOLVENCY II WORKING GROUP

The prescribed SCR Review process formally reaches its end in the year 2018. The consultations that have led to EIOPA’s advice to the EU Commission revealed a close connection with the Review of the Long Term Guarantee (LTG) measures. This review is required to be complete by the end of 2020.

Besides the required review of the Solvency II Directive and Delegated Regulation, ongoing work of EIOPA aims at continuous further development of Solvency II. Global initiatives (ICS, IFRS, etc.) also need to be taken into account in keeping Solvency II up to date. Actuarial expertise will be needed during these processes.

The structure of the Solvency II work within the AAE necessarily overlaps with the work of the Insurance Committee, the Risk Management Committee and the Pension Committee. In line with the “Protocol for the establishment of subcommittees, task forces and working groups”, the Solvency II Working Group will pursue the following objectives:

- assessment of underlying investigations for the LTG measures,
- preparing for reviews as required by the framework directive,
- contributing to consultations relating to the LTG review process
- contributing to discussion on systemic risk (with support of Risk Management Committee) and macroprudential policy in insurance, as initiated by EIOPA,
- assuring full harmonization in supervisory measures, such as the application of capital add-ons,
- providing input on other related initiatives.

In order to be equipped to address these challenges, members of the Solvency II Working Group are selected based on their expertise in the relevant fields.

- Members can include non-actuaries and shall not represent particular Full Member Associations.
- Members should be highly committed to the tasks of the working group.
- In addition, individuals with particular expertise may be called upon to ensure provision of appropriate advice on certain specific issues.

The Working Group will offer advice to the Insurance, Risk Management and Pension Committees based on its investigations. Advice will include technical assistance and support, and explanation of actuarial methodology, but will avoid provision of opinions that may have a political (non-actuarial) bias.

The Solvency II Working Group takes responsibility for establishing and developing contacts between the AAE and relevant organisations for Solvency II issues. The Working Group will report on a regular basis to the Insurance Committee, Risk Management and Pension Committees. It will be represented by appropriate members at meetings of relevant Committees or, where relevant, at the AAE Board.

The Working Group will be led by Siegbert Baldauf as Chair. It will appoint a Vice Chair. It will also, subject to the approval of the AAE Board, appoint sub-groups as it deems necessary to effectively address issues arising.

While reporting to a number of committees and to the AAE Board as referenced above, the Working Group will be primarily accountable to the Insurance Committee of the AAE for delivery against its objectives. This is designed to ensure that there is appropriate focus in its work on the issues of primary importance to the AAE and that it has one point of contact to address any contentions and ensure it has appropriate resources at its disposal. The Chair of the Committee to which it has primary accountability will ensure that the Working Group addresses the issues of all relevant committees.

The term of the Working Group will end after the end of the LTG Review, which is expected at the end of 2020. The term could be extended should this be deemed necessary by the AAE Board to address ongoing activities relating to Solvency II.

These terms of reference were approved by the AAE Board of Directors on 18 July 2018.