

Undertaking Specific Parameters (USPs)

The AAE believes that understanding of the application and value of USPs is useful for insurance companies, in particular in non-life business, though also potentially for life business. The AAE has however noticed that the requirements to get approval are not harmonised among National Competent Authorities. Consequently, in order to ensure a level playing field across Europe, AAE encourages EIOPA to consider the approval process for USPs as a priority area in its supervisory convergence plan 2018-2019.

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In 2017, the Insurance Committee of the AAE carried out a survey which addressed the use of USPs for non-life business across Europe. The main findings are as follows:

- few non-life insurance companies are using USPs in their calculations;
- the understanding of USPs remains relatively weak, possibly due to a lack of guidance from national regulators; and
- obtaining approval is perceived to be quite difficult due to data requirements.

Consequently, in order to ensure a level playing field across Europe, AAE encourages EIOPA to consider the approval process for USPs as a priority area in its supervisory convergence plan 2018-2019.

Additionally, AAE is currently working on an actuarial note on the ORSA. In particular, this note encourages the use of USPs in the firm's ORSA, specifically to understand to what extent its risk profile deviates from the underlying assumptions of the standard formula. In this way, the AAE will welcome any initiative of EIOPA to encourage the use of USPs in the ORSA framework.

For further information, please contact:

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