

## SOLVENCY II

The Solvency II Working Group of the AAE is monitoring all activities relating to the Solvency II review 2020 and intends to contribute to all consultation opportunities. We responded to the call for input on Reporting and Disclosure in March, the discussion paper on Systemic Risk and Macroprudential Policy in Insurance in April and the consultation on an Opinion on Sustainability within Solvency II in July.

As mentioned in our submission on Systemic Risk and Macroprudential Policy, we consider that the Solvency II regime already deals with many of the macroprudential risk issues identified by EIOPA. We also consider that the Solvency II regime has in the main worked well and we would not support material change to the regime. We are especially interested in seeing coherent development of Solvency II, taking into account proportionality and the relatedness of all components of the framework.

The Commission's request for technical advice with its comprehensive list of issues allowed a first assessment of the related actuarial background. In order to allocate our capacity we made a first prioritisation of the topics. Currently we view the following issues as most important:

- Extrapolation
- Interest rate, matching adjustment (Art. 77b, 77c) and volatility adjustment (Art. 77d)
- Transitional measures
- Risk margin
- Capital Markets Union aspects
- Solvency Capital Requirements and Standard formula
- Macroprudential issues
- Reporting and Disclosure
- Best estimate

We appreciated constructive stakeholder meetings with EIOPA in the summer, which gave us helpful insights to EIOPA's thinking. The questions and options presented there helped us to align our activities accordingly.

Key issues will remain those concerning the risk-free interest rate term structure. Among these are the extrapolation and the outstanding determination of an adequate interest rate down shock, the future design of the volatility adjustment and the adequate consideration of the illiquidity of liabilities. In addition, the risk margin remains an issue. An extension of Solvency II to include additional specific requirements relating to macro-prudential issues requires a thorough analysis of pros and cons. As several of these issues are closely interrelated, we appreciate Commission's requirement to perform a holistic impact assessment considering all components of EIOPA's technical advice on EU and also on member state level.

We see a need to discuss the role and efficiency of the actuarial and risk management functions and their contributions within the principle-based framework as part of the assessment of the need for new requirements.

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