

## CONSISTENCY OF SOLVENCY II APPLICATION

The Actuarial Association of Europe (AAE) is a strong supporter of the European risk-based solvency framework, Solvency II. In particular, the AAE strongly supports EIOPA in its intent to ensure the convergence of supervisory practices and to build a level-playing field across the Union.

Against this background, the AAE has developed a document providing an overall picture of the practices observed across the Union in the implementation of Solvency II. It focuses on some key topics such as contract boundaries, valuation of options and guarantees, expenses modelling, use of surplus funds, etc.

The document is based on expert judgment of generally observed practices for the following representative panel of countries: Belgium, Ireland, Czech Republic, Italy, Denmark, Luxembourg, France, Netherlands, Germany, Poland, Greece and Spain.

Over the panel of countries considered, the AAE observes that, following the implementation of Solvency II, which is a principles based Directive, discrepancies have emerged in the methods and approaches used in practice by country. These discrepancies have emerged either as a result of market practices or the guidance and/or requirements of local National Competent Authorities. They relate in particular to the calculation of the Best Estimate of technical provisions.

The AAE strongly believes that these discrepancies may:

- Have a relevant impact on policyholders and financial stability
- Affect fairness, the level playing field or the proper functioning of the internal market through the existence of possible supervisory arbitrage

Therefore, the AAE strongly encourages EIOPA to include analysis of the consistency of the calculations of technical provisions across Europe as a top priority for 2019.

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