

SOLVENCY II

The AAE has established a new Solvency II Working Group to represent it in the upcoming review of Solvency II and the Long Term Guarantee (LTG) measures. The 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 AAE Risk Management Committee) and macroprudential policy in insurance, as initiated by EIOPA,
- monitoring harmonisation in supervisory measures, such as the application of capital add-ons, and signalling aspects where harmonisation is lacking.

The LTG review is a relevant part of this expected work. The recent consultation on illiquid liabilities is an indication that this review is now effectively underway. The AAE has commented on this consultation.

Key identified issues for the upcoming review of Solvency II are the “remaining” tasks from the SCR review. These include the reassessment of the interest rate down shock and of the risk margin. The extension of the Solvency II framework by macroprudential tools will also be part of the review process. These tools include recovery planning and resolution planning, enhanced ORSA and monitoring against market-wide under-reserving. We will be happy to support EIOPA in its work in these areas.

We are especially interested in seeing a coherent development of Solvency II, taking into account proportionality and the relatedness of all components of the framework.

The Working Group will also monitor and contribute as appropriate in relation to developments concerning sustainable finance and The International Capital Standard (ICS). We think the basic elements of Solvency II should be honoured in the development of the ICS.

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