

7 December 2018

**AAE summary response to European Commission Financial Services - rules on solvency for insurance companies - Draft Delegated Regulation (reference EIOPA-PSC-18\_093)**

Article 43

The AAE welcomes the considerable extension of article 43 in order to ensure a sound process when changing the basic risk-free interest rate term structure.

Article 171a in combination with Article 169

The introduction of a new class of equities was not part of the EIOPA proposal. The AAE has the following concerns in relation to this proposal:

1. The nature of equity investment is that the same considerations in respect of portfolio management are likely to apply to equities regardless of the purpose for which they are held (other than for unit-linked business). It is unclear to us that a subset of equities in a portfolio can be legitimately identified as having separate portfolio characteristics from another subset. We would caution against requiring that equity investment be subject to restrictions which would go against the disciplines which should be part of any equity investment strategy (in order to make those equities somehow “distinct”).
2. The proposed change of the Delegated Regulation has not been part of earlier consultations. An impact assessment covering the reduced stress is not available.
3. We consider that a deviation from the required one-year period for the value-at-risk calculation is not technically enabled by current regulation.

Article 260

The AAE welcomes the clarity around the role of the actuarial and risk management functions in relation to the calculation of loss absorbing capacity.

**For more information please contact**

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