

AAE Insurance Committee Non-Life Working Group

Update for Insurance Committee Conference call 8 March 2021

- **Recent Consultations**

- 1) Integrating climate change in the Nat Cat standard formula

Very wide-ranging input from member associations. Key issues related to

- Aligning definitions of perils / coverages
- Factoring climate change into regular recalibrations of the SF
- Suggestions for new countries / perils

- 2) EIOPA's Discussion paper on non-life underwriting and pricing

Input from member associations was generally quite consistent.

- While insurance can play its part, it cannot solve the protection gap in isolation
- The difference between actuarial risk-based “pricing” and the wider concept of “underwriting”
- The risk of unintended consequences if insurance is provided at below the true cost of the risk.
- Longer term non-life contracts are not a viable approach.

- 3) Pilot Dashboard on Nat Cat protection gap draft - going to SII WG shortly

- Welcome the dashboard with some reservations about design and calibration
- We also recommend that EIOPA clearly defines the purpose and scope of the dashboard

- **EIOPA Opinion on the Solvency II Review**

This focuses mainly on Long Term Guarantees, but there are some parts relevant to Non-Life e.g. Risk Mitigation Techniques – Adverse Development Covers

NLWG will collate a summary and draft comments, by end March.

- **Subgroups**

- Risk Mitigation Techniques: Questionnaire will be ready shortly
- USPs (Identify barriers to using USPs): further work required

- **Potential New areas of focus for 2021 – not yet finalised**

- Reinsurance for legacy carbon-based industries – an emerging issue?
- Cyber Risk – review of approaches to pricing and reserving
- Environmental Liability Fund – link with EP to help design the directive

- **NLWG Terms of reference**

Will have updated ToR for April meeting – no material change