ACTUARIAL ASSOCIATION OF EUROPE

Update on European agenda – EIOPA IRSG meeting 28th June

6/10/2022 –IC meeting, Rome

Lauri Saraste

Notes from EIOPA IRSG meeting 28th June 2022

- the **Right to be forgotten** – topic is quite much in the discussions right now. The possible access to health data seems to be one special problem as there's a lot of different ways nowadays across EU and changes would be needed there e.g. on how to use data. A holistic risk assessment is still highly important in any UW process but that the data should need to be used a more fair way. There's a strong link to GDPR which needs to be taken into account. At the first phase EIOPA is seeking on getting more information and believes there might not probably come that much changes to regulations but more into harmonizing practices. All-in-all this seems to be a slow process.
- In Solvency II EIOPA still keeps its balanced approach important and communicates from that position. On cross-border topics EIOPA has highlighted the importance to find good solutions. They are bit worried that the council & parliament seems to be in different sides in Solvency II and that EIOPA certainly keeps the parliament's draft positions miss balanced. Especially sustainability and IRRD a problems here.
- About on the **Markets in Crypto-Assets Regulation (MiCA)**, EIOPA repeated their warnings that consumers might face and still thinks that some bad behavior exists. EIOPA (and other ESA's) keeps monitoring this closely.

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- On the IAIS consultation paper on detailed criteria for the **Aggregation Method and Insurance Capital Standard comparability assessment**. There is some progress and discussions around ICS and many countries in global scale are looking forward to it but USA seems not to be that interested. In EU the possibility to allow also internal models seems to be one important matter.
- EIOPA is following closely how **inflation** is developing. They believe that it will cause also price changes to insurance sooner or later. And this then will have an effect on new sales and then lapses might increase. Here they see that the possible liquidity risk increases and further monitoring is needed. EIOPA published the Financial stability report in end June where inflation was covered quite a lot. EIOPA BoS will talk about this on their end June meetings.
- About the **AI work done by European commission** some parts of the insurance business is identified as a high risk area (in digitalization). The broader concept of the use of AI and the use of risk differentiation will be talked also in BoS end-June meetings.
- **Paul Fox** (Finance Watch) was voted unanimously as the **new IRSG chairperson** for the latter 2 year period and Michaela Koller (Insurance Europe) as the vice-chair person. So basically a shift of the chair/vice-chair was put in place.

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- **Call for Advice to the ESAs on Securitization** – seemed not to be a major topic concerning only a very niche market segment.
- IRSG Own-initiative advice on **European database on access to insurance by SMEs**. This was shortly discussed as being of high important to one IRSG member. EIOPA seemed not to be that interested on the topic.
- **Better finance publication on Solvency and Financial Condition Report (SFCR)** was discussed (attached). They had been identifying SFCR reports key measures from a consumer point of view on what would be a 'balanced' situation. There was, as expected, a lot of comments round the industry representatives on various aspects that were not cover or was covered in a way that end to false conclusions. I made the comment on the mutual insurers perspective to SFCR's, that these makes a large part of the market but was not covered at all. All mutual insurers have their own ways to communicating with their customers, so the customer friendly aspect is covered (by definition) but SFCR might not be that much used in that. So also other channels should be looked to understand this better. In the Study there was also a number of technical aspects where there was a risk of false conclusions, like surplus funds, solvency positions in relation to the future investment requirement, asset allocations vs. the underlying business model. Also IFRS should not be used for an all-industry measure as does not consider large part of the insurers.
- On **proportionality** a short update on the work of the Advisory Committee on Proportionality (ACP) and its Task Forces (TF) was covered. There will be a joint advice (with all ESAs) on proportionality but more information on this to come. Also DORA probably will be picked up in the near future also.

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Topics discussed with EIOPA BoS members:

Addressing the protection gap (data).

- The role of **data on climate and cyber risks** for insurers and supervisors was discussed.
- EIOPA was keen to understand better issues for identifying the relevant data, sharing it and what might be the technical aspect around it.
- There is already markets like France, Italy and UK where insurers offer protection for climate change risks.
- It was noted that to identify areas of risks more accurately is crucial in order to help in better aiming to provide coverage.
- There lies a strong (lack of) data concern also.
- Anyway cyber needs to be separated as it is totally different but where also data changes and grows continuously.
- The need for good Public-private partnerships (or policies) exists e.g on collecting and sharing data.
- EIOPA was also asked to share some of the data that has been collected.

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Topics discussed with EIOPA BoS members:

Discussion on **value for money in the context of sustainability**.

- A lot of legislative and supervisory tools are been put in place (on sustainability) but yet a number of questions seems to rely around it which still hinders insurers offering and thus customers start saving to more sustainable products.
- For instance in Belgium these are identified as a high risk and complex products category yet over 50% of the consumers would be willing to invest more to sustainable products.
- In the discussion it was identified that a level playing field is highly important (ESA's, national markets), that some ESG rating might be needed to create better comparability and that a lot needs still to be done for consumers to be willing to save in ESG products (e.g. transparency, simplification).
- Comment: The internal work around sustainability, done by insurers (and asset managers), should be fairly acknowledged.
- There can be already good customer satisfaction and numerous measures to cover ESG but then the new legislation makes it difficult to comply with it to re-justify sustainability measures.
- Comment: The concept of 'value' should be broadened as many other measures, not just real return and costs, might be important, consumer satisfactory and the actual impact to green transition being couple examples.

ACTUARIAL ASSOCIATION OF EUROPE

Actuarial House

1 Place du Samedi

1000 Brussels

Belgium

www.actuary.eu

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