



AAE

ACTUARIAL
ASSOCIATION
OF EUROPE

EIOPA Consultation on scenarios for best-estimate valuations for life insurance obligations

AAE Consultation Response Summary





Consultation Summary Note

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<p>Purpose of the consultation</p>	<p>This consultation sought feedback on the methodology for defining scenarios to support prudent deterministic valuation under Solvency II. EIOPA proposed specific implementing technical standards (ITS) that provide a standardised approach to scenario generation for insurers, enabling more consistent assessments of future risks. The consultation aimed to ensure that valuation scenarios are appropriately calibrated, facilitating a more accurate reflection of the financial risks faced by insurers.</p>
<p>Issuing Authority</p>	<p>European Insurance and Occupational Pensions Authority (EIOPA)</p>
<p>Brief Overview of AAE Response</p>	<p>The AAE welcomed EIOPA's efforts to develop a prudent deterministic valuation methodology aimed at supporting small and non-complex undertakings. This approach sought to provide a proportionate alternative to full stochastic valuation while ensuring an appropriate reflection of the time value of options and guarantees (TVOG).</p> <p>However, the AAE expressed concerns regarding the robustness and clarity of the proposed methodology, particularly its reliance on a limited set of scenarios and the lack of a well-defined concept of "prudence."</p> <p>The AAE highlighted the importance of maintaining flexibility for undertakings while ensuring that the methodology adequately reflected the specificities of their business and risks.</p> <p>The AAE recommended improvements to enhance the practicality and accuracy of the framework. It suggested clarifying the treatment of volatility adjustments, ensuring alignment with economic realities, and providing more guidance on the integration of the methodology with existing Solvency II requirements.</p> <p>Additionally, the AAE emphasised the critical role of the Actuarial Function in validating assumptions, methodologies, and scenarios. This would ensure a consistent and proportionate application of the methodology while fostering trust in the valuation outcomes across the insurance industry.</p>
<p>List of volunteers/contributors</p>	<p>Solvency II Working Group, Society of Actuaries Ireland, Dutch Actuarial Association, Institute of Actuaries in Belgium, Danish Actuarial Society, Hungarian Actuarial Society.</p>
<p>Assigned Committees WGs</p>	<p>Solvency II Working Group: Insurance and Risk Management Committees</p>
<p>Board Reviewers</p>	<p>Jette Lunding Sandqvist and Matthias Pillaudin</p>
<p>EIOPA deadline</p>	<p>2 January 2025</p>
<p>Submission date</p>	<p>19 December 2024</p>



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Silversquare North
Boulevard Roi Albert II 4
1000 Brussels, Belgium
www.actuary.eu

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