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AAE Consultations Update

Paris Annual Meeting, September 2025



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1. Consultations and Policy Influence

The AAE continued to act as a **trusted stakeholder to European institutions**, providing thoughtful and balanced input on a wide range of regulatory consultations. During this period, the AAE Staff identified relevant consultations, coordinated input across committees and member associations, consolidating divergent perspectives, and ensuring timely, high-quality and **independent** submissions.

Each consultation requires significant behind-the-scenes coordination, including initial screening and assessment, launching calls for volunteers, drafting specifications and templates, liaising with contributors, drafting of consultation responses, facilitating committee reviews, coordinating Board input, and finalising and submitting responses.

Consultations Submitted in the 12 months to September 2025

In the 12-months to September 2025 **23 consultations** have been submitted, as follows:




1. ESAs – Guidelines on integrating ESG risks in stress tests (September 2025)
2. EC – Review of Solvency II Delegated Regulation (September 2025)
3. European Commission – Supplementary Pensions (August 2025)
4. EIOPA – IRRD Consultation Pre-emptive Recovery Plans (July 2025)
5. EIOPA – IRRD Consultation Content of Resolution Plans (July 2025)
6. EC – Consultation on high-risk AI systems (July 2025)
7. EC – Consultation and call for evidence on the Apply AI Strategy (June 2025)
8. EIOPA – Revised Opinion on Dynamic Volatility Adjustment (June 2025)
9. EIOPA – Opinion on AI Governance and Risk Management (May 2025)
10. EIOPA – Mass-lapse Reinsurance and Risk Mitigation (Feb 2025)
11. EIOPA – Revised Guidelines on Market and Counterparty Risk (Feb 2025)
12. EIOPA – Revised Guidelines on Undertaking-Specific Parameters (Feb 2025)
13. EIOPA – Biodiversity Risk Management by Insurers (Feb 2025)
14. EIOPA – RTS on Management of Sustainability Risks (Feb 2025)
15. EIOPA – SII Review: Liquidity Risk Management (Jan 2025)
16. EIOPA – Best-Estimate Valuations for Life Insurance Obligations (Jan 2025)
17. EIOPA – Exceptional Sector-Wide Shocks (Jan 2025)
18. EIOPA – Supervision of Liquidity Risk in IORPs (Dec 2024)
19. EC – AI Act Prohibitions and System Definition (Dec 2024)
20. EIOPA – New Proportionality Regime under Solvency II (Oct 2024)
21. European Commission – Scientific Panel Regulation (Nov 2024)
22. EC (DG FISMA) – Targeted AI Consultation in Financial Sector (Sep 2024)
23. AI Office – AI Code of Practice Consultation (Sep 2024)

AAE consultation responses can be found on the AAE website [here](#).

1. Update on current and recently submitted consultations

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The table below provides an update on recent consultations, including their progress and status:

Consultations	Status	Submission Date
1. European Commission public consultation on supplementary pensions (Pensions & IORP II) 	<i>Submitted</i> 	29 August 2025
2. European Commission public consultation on Solvency II Delegated Regulation (Solvency II) 	<i>Submitted</i> 	2 September 2025
3. EIOPA Consultation for Insurance Stress Testing and the incorporation on ESG Factors (Sustainability / SII) 	<i>Submitted</i> 	16 September 2025
4. EC Consultation Call for Evidence on Digital Omnibus (Artificial Intelligence) 	<i>Currently under assessment by AI-DS WG</i> 	13 October 2025



Summary

- All consultations have been submitted on time.
- Monitor upcoming consultations, due in Q4 2025 and react accordingly.
- To prepare consultation summaries, where applicable and TEA Magazine consultations column.

1. Future Consultations Expected in Q4

Based on EIOPA publicly available table:

Topic	Planned publication
Instruments of the Insurance Recovery and Resolution Directive (IRRDR)	Q3
Draft ITS on disclosure templates for supervisory authorities	Q3

And some more which are expected but are yet to be formally announced (expected in early October):

1. ITS on procedures for the approval of the matching adjustment
2. RTS on simplified calculation of the risk margin
3. Guidelines on supervisory powers to remedy liquidity vulnerabilities
4. Guidelines on valuation of technical provisions
5. Guidelines on ring fenced funds




Additionally, the next batch of SII consultations are expected to be announced in **December**.

2. European Commission Consultation on Supplementary Pensions (1/5)



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Consultation	Submission	Consultation		
		Webpage / EC Document / AAE Response		
European Commission Consultation on Supplementary Pensions	29 August 2025			

The consultation covered five key areas:

- **Pension Tracking Systems** (4 questions)
- **Pension Dashboards** (2 questions)
- **Auto Enrolment** (5 questions)
- **Review of the PEPP Regulation** (22 questions)
- **Review of the IORP II Directive** (21 questions)

2. Key Messages on PTS and Pension Dashboards (2/5)



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- **Purpose and design of PTS:** A well-functioning Pension Tracking System should be simple to use, secure, and give individuals a comprehensive view of their pension entitlements across all three pillars. Both accrued rights and projected benefits should be included to support long-term planning.
- **Quality and comparability of information:** Objectivity, accuracy, and clarity of data are essential to build trust. Standardisation of assumptions (e.g. retirement age, inflation, return expectations) helps comparability, but AAE stressed the need to avoid misleading simplicity. Actuaries are well placed to define methodologies that balance accuracy with accessibility.
- **Role of PTS in engagement:** PTS can play a vital role in raising awareness of pension adequacy gaps. Behavioural nudges (e.g. visualisation of projected replacement rates) can encourage participation in supplementary schemes. Some members noted the importance of communication tools tailored to different levels of financial literacy.
- **European dimension:** A pan-European PTS could be particularly valuable for mobile workers with entitlements in multiple countries. However, members cautioned that interoperability adds complexity; most agreed that robust national systems should be established first before EU-level integration is pursued.
- **Pension dashboards:** Dashboards should not only display accrued entitlements but also focus on forward-looking measures of adequacy and sustainability. This would allow policymakers and individuals alike to see potential risks to future retirement income.
- **Dashboards' data:** Consistent, comparable data across Member States can be useful for benchmarking and policymaking. At the same time, national contexts and differences in system design must be respected. Dashboards could also highlight inequalities (e.g. gender gaps, non-standard employment, income differences), helping to inform inclusive policy responses.

2. Key Messages on PEPP and Auto-Enrolment (3/5)

PEPP

- Uptake remains weak. The majority view is that the 1% fee cap should be revisited, with value for money as the guiding principle. However, some members supported retaining the cap for its transparency and predictability.
- Lifecycle strategies are widely seen as a suitable default, but some members noted that other risk-mitigation approaches could be equally effective and should remain available.
- There is broad agreement that execution-only distribution could reduce costs for simple products, and that the sub-account structure creates complexity and should be simplified.
- Employer contributions are supported, but the PEPP should remain a personal product.
- Transfers into PEPP divided opinion: while portability is appealing, several members warned of tax and administrative risks.

Auto-Enrolment

- Members agreed AE should complement statutory systems, expand coverage (including self-employed), and use state incentives to support fairness.
- Fairness for self-employed and non-standard workers is essential — equivalent tax incentives/subsidies recommended.
- Gradual contribution escalation is supported as a way to balance affordability and adequacy.
- Opt-out windows should be limited and linked to re-enrolment to avoid long-term disengagement.
- Majority view is that the legislator should set the framework, while social partners should play a meaningful role in design.

2. Key Messages on IORP II: Investment & Risk Management (4/5)

- **Broader diversification:** The AAE supported expanding IORPs' ability to invest in a wider range of asset classes, including infrastructure, private equity, and real estate. This can improve risk-adjusted returns and diversification, and help match long-term pension liabilities, provided that schemes have the capacity and governance to manage such exposures.
- **National limits vs prudent person principle:** Responders generally agreed that some national quantitative investment restrictions could constrain investment strategies and reduce long-term member outcomes. A more consistent reliance on the prudent person principle would allow IORPs to align investments with their liabilities and membership characteristics.
- **Duty of care:** Most responders favoured introducing an explicit duty of care to strengthen member protection and trust. However, some stressed that this must be proportionate and clearly defined, particularly to avoid imposing excessive burdens on smaller IORPs.
- **Risk management enhancements:** While the existing IORP II framework is regarded as solid, further improvements were identified. These include liquidity risk management, more robust scenario and stress testing, and transparent methodologies for valuing illiquid and alternative assets.

2. Key Messages on IORP II: Scale, Supervision & Cross-Border (5/5)






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- **Challenges of small scale:** Smaller IORPs can face some structural disadvantages — higher costs, limited diversification, and weaker governance resources. This threatens efficiency and long-term adequacy of benefits.
- **Ways to build scale:** Responders pointed to asset pooling arrangements, fiduciary management and outsourced CIO models, as well as multi-employer and master trust structures. These can help IORPs achieve economies of scale, broaden investment opportunities, and professionalise governance.
- **Supervision and convergence:** Supervisory convergence is desirable to ensure a level playing field and consistent protection of members. However, the AAE emphasised that convergence must respect proportionality and national diversity. Overly prescriptive, one-size-fits-all supervisory rules risk undermining diversity and innovation in supplementary pensions.
- **Balance of powers:** There was support for strengthening supervisory effectiveness, but some members cautioned against extending powers to a level that could reduce flexibility and responsiveness at the national level.
- **Cross-border barriers:** Transfers and cross-border operations are still unnecessarily complex. Responders agreed on the need for simpler, clearer transfer procedures and harmonised definitions, which would reduce fragmentation and facilitate mobility of both workers and providers.



Consultation	Submission	Consultation Webpage / EC Document / AAE Response		
European Commission Consultation on the Solvency II Review of DR	29 August 2025			

Overall stance

- The AAE welcomed the review's aims: more long-term investment, stronger proportionality, reduced reporting burden.
- We stressed that policyholder protection remains paramount, and warned against a drift from principles-based to overly rules-based supervision.
- Any capital relief or simplification should be matched by insurers' accountability through the ORSA.
- Actuarial judgement is central: Solvency II must remain forward-looking, not just data-driven.

Core high-level points

1. **Policyholder protection first:** Prudence cannot be compromised for capital relief.
2. **Proportionality as a central theme:** Welcome stronger and more consistent proportionality across reporting, governance, technical provisions and capital. Must ensure simplifications (e.g. PDV) are workable and do not add offsetting new burdens.
3. **Forward-looking judgement:** Best estimates and capital requirements should combine past data with expert actuarial judgement on future developments, especially climate and emerging risks.
4. **Risk margin:** Reducing the risk margin is a key outcome: benefits both life and non-life, frees up capital for investment, and improves stability — but must remain prudent.



Methodological changes (most material for actuaries)

- **Extrapolation:** 11% minimum Alpha could cause volatility; higher values would improve stability.
- **Volatility Adjustment (VA):** refinements welcome, but the new CSSR (credit spread sensitivity ratio) risks complexity and cliff effects; keep use limited and clarify definitions.
- **Risk margin:** New exponential, time-dependent factor reduces margin significantly (~20–25%); correction of over-conservatism is welcome, but cap at 50% ensures prudence.
- **Interest rate risk calibration:** should reflect both upward and downward shocks, including negative yields.
- **Prudent deterministic valuation (PDV):** helpful proportionality tool; requires AF oversight and guidance to ensure prudence.
- **Long-term equity (LTEI):** exclusions (CIUs, financial bonds) too conservative; liquidity tests should reflect actual asset behaviour.

Other significant issues

- **Nat Cat calibration:** flood/hail increases (motor) seems unjustified; more evidence needed.
- **Liquidity buffer (non-life):** rigid requirements disproportionate.
- **Reporting:** streamlining welcome, but offset by new disclosures (outsourcing, multi-language SFCRs).
- **Reinsurance:** payout distributions (Art. 212) seem excessive; risk reducing reinsurance capacity.
- **Internal models:** excluding contingent capital instruments undermines principles-based design.

4. EC Consultation on High-Risk AI Systems



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What was the consultation about?

The consultation asked how the AI Act should decide when an AI system is “high-risk”. It covered:

- Article 6(1): links to Annex I (product-safety sectors like medical devices).
- Article 6(2): links to Annex III (the list of AI use-cases deemed high-risk).

The EC also asked how to define key terms (e.g. “intended purpose,” “substantial modification”), how to interpret “safety components,” and how to split responsibilities between providers (who build/supply AI) and deployers (who use AI).

Why does it matter?

Being classed high-risk triggers extra controls (a Quality management System, data governance, human oversight, testing, documentation, logs, monitoring). For insurers and pension providers, this could affect which actuarial tools and workflows would need those controls and how they would fit with Solvency II, GDPR and DORA.

What were our key messages?

1. Treat traditional actuarial models separately. We noted that GLMs (generalised linear models) and similar actuarial tools are interpretable and professionally overseen, so they should not be classed high-risk by default; only specific deployments that directly determine access, pricing or coverage should trigger high-risk treatment.
2. Get the insurance use-cases right in Annex III. We asked for explicit coverage of genuinely high-impact cases (e.g., automated eligibility/terms in life & health, decisions using shared fraud databases, mandatory motor third-party liability), with clear human-in-the-loop safeguards and a distinction between fully automated engines and decision-support tools.
3. Proportionality and equivalence. We supported sector-specific guidance and recognition that existing Solvency II / GDPR / DORA controls already deliver many AI-Act outcomes—avoid duplication.
4. Provider–deployer roles and documentation. We asked for clear responsibility splits for in-house, vendor and fine-tuned systems; minimum documentation to be shared along the value chain (without forcing IP disclosure); and workable expectations for QMS, logging and incident handling.
5. Define intended purpose and change thresholds. Set criteria that prevent under-scoping of intended purpose and treat routine recalibrations/data refreshes as non-substantial within a pre-approved model lifecycle plan; re-assessment should be reserved for material changes to method, context or population.
6. Keep Article 6(1) to physical safety. We supported a narrow reading of “safety component” so financial-sector analytics aren’t misclassified under 6(1), and asked for guidance on borderline cases and overlaps between 6(1) and 6(2).



What was the consultation about?

EIOPA consulted on its Opinion on AI governance and risk management in insurance. The Opinion gave guidance to insurers and supervisors on how to manage AI responsibly and sought feedback on:

- How AI risks should be embedded in existing governance frameworks (e.g. Solvency II, risk management systems).
- Clarifying the line between AI systems and traditional actuarial models (e.g. GLMs).
- Expectations for fairness, explainability, human oversight, and data governance.
- How proportionality should work in practice (by firm size vs. by consumer impact).

Why does it matter?

The Opinion would influence how insurers apply AI governance in day-to-day actuarial and risk management work. For actuaries, it was important that rules distinguished between transparent statistical tools and opaque machine learning systems, and proportionality and fairness principles applied consistently.

What were our key messages?

1. Support for principle-based, proportionate guidance. We welcomed EIOPA's pragmatic approach, aligned with the AI Act and Solvency II. Flexibility was key to innovation and consumer protection.
2. Distinguish actuarial models from AI. We urged clarity that GLMs and similar traditional tools are not AI under the Act and should not carry unnecessary compliance burdens.
3. Proportionality should focus on consumer impact. Rules should consider the risk of harm to policyholders as well as firm size; e.g. small insurers can still deploy AI with major customer consequences.
4. Embed AI within existing governance. AI risks should be integrated into risk management, actuarial, and compliance functions—not treated as a separate silo.
5. Fairness and ethics. We supported fairness as a core principle, but asked for realistic expectations: firms should demonstrate reasonable bias mitigation, not elimination. We suggested guidance on fairness definitions and customer redress.
6. Transparency and explainability. Explainability should be an obligation of means (reasonable effort), not absolute results. Firms should explain decisions in plain language to customers, especially where outcomes affect access or pricing.
7. Data governance. We backed strong standards for data quality, but asked for consistent terminology, attention to third-party data, and alignment with actuarial standards such as ESAP1.

The AAE has a consultations policy in place to support our strategic objectives, to contribute to European consultations, and therefore to provide input on the review of EU legislation that affects the actuarial profession and the industries in which actuaries operate.

The AAE consultations process includes:

1. An analysis of consultations that are issued by stakeholders and assessment of importance / relevance
2. Communication of relevant consultation to committees and FMAs
3. Preparation of response templates to assist FMAs and volunteers in providing responses
4. Preparation of specification document setting out the relevant details for the consultation to provide a useful overview or “snapshot” of the consultation we request feedback on
5. Governance steps, including committee and board reviews

The consultation policy can be found on the AAE website: <https://actuary.eu/wp-content/uploads/2024/05/240417-AAE-Consultation-Process-Apx-FINAL.pdf>



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