ACTUARIAL ASSOCIATION OF EUROPE

European Commission Consultation on the Solvency II Delegated Regulation

Summary of key messages from the AAE's response

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13 October 2025

European Commission Consultation on Solvency II Delegated Regulation (1/2)

ACTUARIAL ASSOCIATION OF EUROPE

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

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.

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