

ENGAGING WITH EUROPE'S POLICYMAKERS

THE VALUE OF CONSULTATION

BY **STEPHANOS HADJISTYLLIS**

One of the AAE's strategic priorities is to maintain a strong presence in European policymaking. Strategic Objective 1 – 'Enhance relations with European institutions' – commits the AAE to establishing and maintaining relationships with key European institutions so that the AAE can effectively provide them with high-quality professional advice to improve the soundness of decisions from an actuarial perspective.

This includes playing a prominent role in shaping new European legislation and in reviewing and refining existing legislation that affects actuarial work in both traditional and emerging areas. It also means reinforcing relationships with the European Commission, EIOPA, and other European stakeholders.

Public consultations are a key mechanism for achieving these aims. They provide a transparent forum for expert input and allow the AAE to help ensure that policy and regulation are grounded in sound actuarial principles. Each consultation response reflects the profession's expertise and commitment to the public interest.

Our ability to respond effectively relies on the support of our Member Associations and volunteers who contribute time, knowledge, and insight. The AAE thanks all those involved in recent consultation work for their continued dedication and professionalism.

RECENT CONSULTATION RESPONSES

Over the past quarter, the AAE has responded to several European Commission and EIOPA consultations of direct relevance to our profession:

1. EIOPA Guidelines to specify further the qualitative and quantitative indicators in pre-emptive recovery planning
2. EIOPA Guidelines to specify further the range of scenarios in pre-emptive recovery planning
3. EIOPA Consultation on adaptation measures in NatCat insurance under Solvency II
4. European Commission Detailed arrangements on evaluations and proceedings in relation to the Artificial Intelligence Act

Together, these represent our most recent contributions to European consultations. >

1. EIOPA CONSULTATION ON IRRD GUIDELINES FOR SCENARIOS IN PRE-EMPTIVE RECOVERY PLANNING

This **consultation** focused on draft guidelines governing the range of scenarios to be used in pre-emptive recovery planning under the Insurance Recovery and Resolution Directive. The guidelines addressed how to structure scenarios around slow-moving and fast-moving events, how to design appropriate severity thresholds including breaches of capital requirements, and how to distinguish between system-wide and idiosyncratic events such as market-wide asset movements or concentrated exposures.

Clear guidance in this area matters because it ensures that recovery plans are credible and consistent across the EU without placing disproportionate burdens on smaller firms. It also helps insurers avoid duplicating work by leveraging existing ORSA frameworks while still being able to realistically test their capacity to restore financial positions.

Our response called for proportionality and consistency above all, urging that guidelines allow cross-referencing to existing Solvency II and ORSA documentation rather than imposing a one-size-fits-all approach. We asked for greater clarity on projection horizons, arguing that slow-moving events should not automatically require multi-year projections where this is not proportionate to the risk. We recommended that fast-moving events be explicitly defined to include derivative margin calls and mass lapse scenarios, and that guidance be provided on whether SCR breaches should be assessed with or without Long-Term Guarantee measures. We also encouraged regulators to consider ownership structures, such as private equity maturity cycles, as relevant idiosyncratic risk drivers, and proposed that reputational risk be treated as a narrative element within scenarios rather than a standalone measurement dimension.

2. EIOPA CONSULTATION ON IRRD GUIDELINES FOR INDICATORS IN PRE-EMPTIVE RECOVERY PLANNING

This **consultation** sought to specify the qualitative and quantitative indicators that should trigger the escalation or activation of pre-emptive recovery plans. It covered indicator categories spanning capital, liquidity, asset quality and profitability, as well as market, macroeconomic and operational event indicators, with the aim of ensuring these indicators provide sufficiently early warning of financial distress. >

The stakes are significant. Poorly calibrated indicators can lead either to the inadvertent activation of recovery plans when a firm's viability is not genuinely threatened, or to dangerous inaction until it is too late to respond effectively. Consistency across Member States is equally important to ensure a level playing field in supervisory expectations.

In our response, we emphasised the need to draw a clear distinction between hard recovery triggers and early-warning indicators that require expert judgment, rather than treating all indicators as equivalent. We argued that capital and liquidity should be the primary mandatory indicators, with profitability and asset quality serving a supporting, early-warning function. We called for explicit confirmation that a breach of the Solvency Capital Requirement constitutes the minimum mandatory capital indicator. We also raised concerns about the proposed mandatory use of 2024 EIOPA Stress Test haircuts for liquid asset ratios, which we believe should remain illustrative rather than prescriptive. More broadly, we advocated for treating macroeconomic and operational events as scenario-defining inputs rather than direct triggers, given that management cannot control them, and urged a principles-based approach that allows firms to reflect their own specific risk profiles.

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3. EIOPA CONSULTATION ON NATCAT ADAPTATION MEASURES IN INSURANCE

This **consultation** examined how the Solvency II standard formula for natural catastrophe risk could be refined to better reflect the benefits of climate adaptation measures such as flood defences and roof hardening. EIOPA assessed a range of prudential treatment options including more frequent reassessment cycles, Undertaking-Specific Parameters and new dedicated parameters, and conducted peril-specific analysis covering windstorm, earthquake and flood. The consultation also considered the distinction between micro-level measures at the property level and macro-level infrastructure interventions.

The policy question here is important: if capital requirements fail to recognise adaptation efforts, insurers have little incentive to pass on the benefits of resilience to policyholders. At the same time, granting capital relief without robust supporting evidence risks undermining solvency standards. This makes the prudential treatment of adaptation a critical bridge between financial regulation and broader climate resilience policy.

Our response supported a combined approach, favouring more frequent reassessment of risk parameters alongside the introduction of new dedicated adaptation parameters. >

We encouraged EIOPA to draw on international evidence, including data from the US FORTIFIED roof hardening programme, to inform European windstorm vulnerability assessments, appropriately adjusted for local conditions. We called for greater geographical granularity in the CRESTA zone structure, potentially down to postal code level, to better capture local risk variations. We advised that Undertaking-Specific Parameters be reserved for larger entities, given their resource intensity, with country-specific parameters offering a more scalable alternative for mid-sized firms. We cautioned against treating physical adaptation as a form of risk mitigation equivalent to reinsurance, as it lacks the contractual and enforceable characteristics that underpin that treatment. Finally, we urged the inclusion of wildfires and heavy snow in the standard formula so that relevant adaptation measures for those perils can also be recognised.

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4. EUROPEAN COMMISSION CONSULTATION ON THE AI ACT IMPLEMENTING REGULATION

This consultation concerned the draft Implementing Regulation setting out the detailed procedural arrangements for the European Commission's evaluation of general-purpose AI (GPAI) models and enforcement proceedings against their providers under the EU AI Act.

The stakes for the actuarial profession are direct: GPAI models are increasingly embedded in insurance pricing, underwriting, reserving and operational risk management. Actuaries and the firms they serve are therefore primary downstream users of the models this Regulation governs, bearing full professional responsibility for outputs regardless of the AI tools employed.

Our response was focused and targeted, recognising that as an implementing act the scope for substantive change is limited. We called for the technical competence criteria for independent expert selection to be addressed in accompanying guidance, ensuring that appointed experts bring statistical expertise, familiarity with uncertainty quantification and model validation, and knowledge of Explainable AI (XAI) methods. We welcomed XAI methodologies as a means of balancing transparency with business confidentiality, and invited further guidance on how they might be incorporated into evaluation practice. >

We raised two specific procedural concerns. First, on the log disablement provision in Article 2(1) — which allows the disablement of access logs during an evaluation — we noted that this departs from standard inspection practice, where maintaining an audit trail is a key safeguard requirement. Second, on the reopening of proceedings under Article 6(2), we observed that tying the trigger to systemic risk developments beyond a provider's conduct materially weakens the legal certainty that a formal closure decision should provide, and suggested a temporal limit or a more conduct-centred threshold.

WORKING TOGETHER FOR BETTER POLICY

These consultations illustrate the breadth of topics where actuarial expertise informs European policymaking – from natural catastrophe adaptation measures in capital requirements, to insurance recovery and resolution, and AI regulation. The AAE's strength lies in the collective knowledge of its members, drawn from 38 actuarial associations across 37 countries.

We are grateful to all volunteers and associations who contributed to drafting, reviewing and refining these responses. Your work ensures that the profession's voice is technically sound and relevant to policymaking.

Looking ahead, the AAE will continue to engage with the European Commission,

EIOPA and other stakeholders. As new initiatives emerge—in sustainability, pensions, insurance and artificial intelligence – the profession stands ready to provide independent, evidence-based input.

By participating in the consultation process, the AAE helps ensure that regulation remains proportionate, forward-looking and centred on the long-term interests of citizens and policyholders. That is how the actuarial profession fulfils its public-interest mandate – and how it supports effective regulation.

This article was written on 25 May 2026 and does not include any developments in relation to consultations submitted by the AAE after this date. <



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