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 us to building relationships with key European institutions so that we can provide high-quality professional advice and improve the soundness of decisions from an actuarial perspective. That advice draws on the technical expertise of our member associations and the volunteers who contribute to each response; the AAE's distinctive role is to bring that expertise together and channel it, with the collective weight of the European profession behind it, to those who shape policy.

Public consultations remain the principal mechanism through which we pursue that aim, providing a transparent forum for expert input and helping ensure that regulation is grounded in sound actuarial principles. Our ability to respond relies on our Member Associations and volunteers, and the AAE thanks all those involved for their dedication and professionalism.

RECENT CONSULTATION RESPONSES

This column appears each quarter, reporting on the consultations to which the AAE has responded since the previous issue. Since the previous issue of the magazine, the AAE has responded to five European Commission and EIOPA consultations of direct relevance to our profession:

1. EIOPA Annex to the Opinion on risk mitigation techniques and proportional reinsurance
2. EIOPA consultation on shortening additional Guidelines under Solvency II
3. European Commission Guidelines on the classification of high-risk AI systems
4. EIOPA draft advice on minimum standards for Insurance Guarantee Schemes
5. EIOPA Discussion Paper on integrated data collection >

1. PROPORTIONAL REINSURANCE WITH FEATURES REDUCING COMMENSURATENESS

This Annex to EIOPA's 2021 Opinion on risk mitigation techniques addresses proportional reinsurance treaties containing variable commissions, loss corridors and loss limits – features that can materially alter the effective risk transfer of what would otherwise be a straightforward quota share.

The question goes to the heart of standard formula work: whether SCR relief is commensurate with the risk genuinely transferred. We supported the principle-based approach and the proportionality carve-out, but argued that full quantitative testing should be reserved for cases of genuine doubt. We questioned the binary drafting under which a treaty whose commensurateness is jeopardised would lose its risk-mitigating effect entirely, and proposed partial recognition proportionate to the risk transfer demonstrated. We also cautioned that applying claims-calibrated standard deviation factors to fixed commissions in the non-life premium risk volume measure – essentially expense risk – would generate capital charges disproportionate to the underlying risk.

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2. SHORTENING OF ADDITIONAL GUIDELINES UNDER SOLVENCY II

EIOPA proposed to shorten thirteen sets of Solvency II Guidelines as part of the European simplification agenda. We support that objective, but observed that removing regulatory text does not automatically reduce administrative burden: where guidelines supply interpretive clarity not replicated at Level 1 or Level 2, their absence may increase uncertainty and produce divergent supervisory practice.

We also questioned the justification that a guideline may be deleted because its content is 'common sense' or 'well integrated' in supervisory practice: practices may be well integrated precisely because the guideline provides the anchor. Our specific concerns centred on the internal model guidelines – proportionality in supervisory examination, the one-year horizon and early supervisory escalation – and on the loss-absorbing capacity of deferred taxes, where the proposed deletions remove a proportionality relief and leave notional deferred tax liabilities unresolved at Level 2. >

3. CLASSIFICATION OF HIGH-RISK AI SYSTEMS

The draft Commission Guidelines under Article 6 of the AI Act matter directly to the profession, since Annex III point 5(c) captures risk assessment and pricing in life and health insurance.

Our central message was that classification should turn on whether a system is an AI system at all, its degree of autonomy, the extent of meaningful human oversight and its individual impact – not on statistical sophistication or the line of business. Established actuarial methods such as generalised linear models, Cox proportional hazards models and mortality-table techniques are manually configured and transparent, and generally do not transcend basic data processing. This is consistent with EIOPA's letter of 13 April 2026, which the AAE endorsed, and with ECB Opinion CON/2026/10.

We proposed that actuarial sign-off under the Solvency II Actuarial Function be recognised as meaningful human oversight for Articles 14 and 6(3), inviting the Commission to leverage existing governance rather than duplicate it. We asked for confirmation that using AI for one upstream step – clustering claims data, for example – does not render an entire workflow high-risk where the pricing decision is produced by a transparent, human-supervised method, and flagged that drawing the boundary of point 5(c) by product form rather than economic substance creates a regulatory arbitrage risk.

4. MINIMUM COMMON STANDARDS FOR INSURANCE GUARANTEE SCHEMES

Insurance remains the only retail financial sector without minimum harmonisation of guarantee schemes. EIOPA's draft advice under Article 98 of the IRRD addresses coverage, operational functioning, funding and the interaction with resolution.

We supported minimum harmonisation but cautioned against drawing the banking analogy too closely: insurance claims emerge far more gradually than bank withdrawals, so liquidity safeguards need different calibration. Scheme costs are ultimately borne mostly by policyholders through premiums, so protection must be commensurate with cost, and we highlighted the risk of double coverage where IRRD resolution tools and a scheme are triggered for the same event. On funding, we recommended that contributions be ring-fenced and that individual insurer contributions be capped to avoid a procyclical risk of cascading failures. We welcomed policy continuation alongside compensation: in life insurance, a gone-concern cash payout may crystallise substantial losses relative to going-concern value. >

5. INTEGRATED DATA COLLECTION

EIOPA sought views on overlaps and gaps across insurance and IORP reporting. We identified substantial duplication around climate and sustainability information, required under ORSA, CSRD/ESRS, SFCR/RSR, SFDR and the EU Taxonomy – the same asset or scenario prepared repeatedly to different definitions, perimeters and timelines. We supported a 'report once, use many times' principle underpinned by a common data dictionary linking prudential, actuarial, product and sustainability concepts. We also noted that current datapoints are largely asset-focused and backward-looking, and do not capture the forward-looking actuarial effects of climate and transition risk on claims, premiums, guarantees and lapse behaviour.

WORKING TOGETHER FOR BETTER POLICY

A common thread runs through this quarter's responses. Each was, in its own way, an exercise in calibration – how much capital relief a reinsurance treaty should earn, how much guidance can be withdrawn before clarity is lost, how far AI rules should reach into established actuarial methods, and how much protection a guarantee scheme should provide and at what cost. In every case the profession's contribution was the same: the answer should follow the underlying risk. Simplification and proportionality are objectives we share, but they deliver value only where technical precision is preserved.

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 and refining these responses. Your work ensures that the profession's voice is technically sound and relevant to policymaking. The technical substance of each response comes from our member associations and the volunteers who give their time to it. The AAE's role is to bring that expertise together into a single, coherent position and, as an association of associations, to carry it forward with the collective voice of the profession. Speaking through the AAE amplifies what each association contributes, giving our messages greater reach with EIOPA and the Commission.

Looking ahead, the AAE will continue to engage with the European Commission, EIOPA and other stakeholders. By participating in the consultation process, we help ensure that regulation remains proportionate, forward-looking and centred on the long-term interests of citizens and policyholders. That is how the profession fulfils its public-interest mandate.

This article was written on 27 July 2026 and does not include developments in relation to consultations submitted by the AAE after this date. <

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