

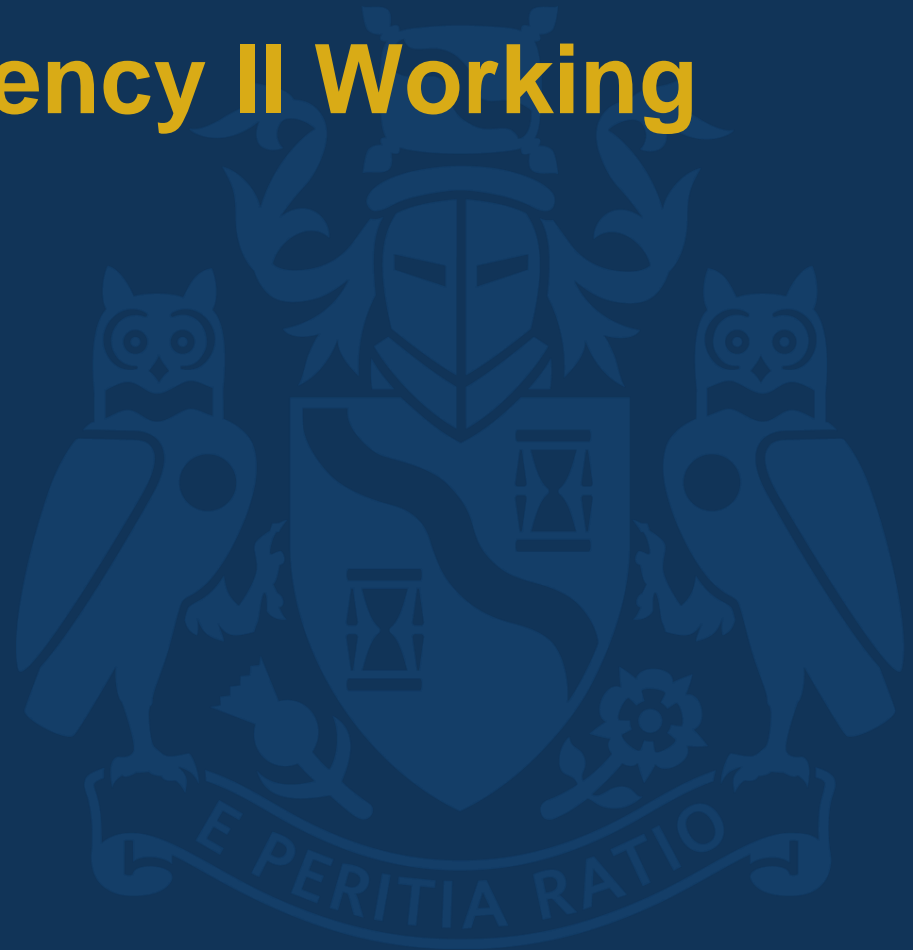


Institute
and Faculty
of Actuaries

Retrospective on Solvency II Working Party Perspective

Presented by Dick Rae

January 23, 2017



Remit and working party members

- Remit : evaluate the outcome of the final regulation against the objectives of Solvency II with a focus on long term guarantees
- Working Party members:
 - Dick Rae (Chair)
 - Aisling Barrett
 - Chris Barnard
 - Dylan Brooks
 - Meshali Chotai
 - Andy Pelkiewicz
 - Chen Wang



The views expressed in this presentation are those of the presenter or the Working Party

The Treasury Select Committee (TSC)

- The treasury Select Committees inquiry into EU Insurance Regulation
<http://www.parliament.uk/documents/commons-committees/treasury/Terms%20of%20reference/EU-insurance-regulation-ToR-16-17.pdf>
- The Institute and Faculty of Actuaries (IFoA) response
<https://www.actuaries.org.uk/documents/ifo-response-tsc-solvency-ii-inquiry-111116>
- The IFoA oral evidence to the TSC by Andrew Chamberlain
<http://www.parliamentlive.tv/Event/Index/5c34d007-6dbd-4b6d-bca7-60dc3575a25c>

Solvency II Retrospective WP perspectives

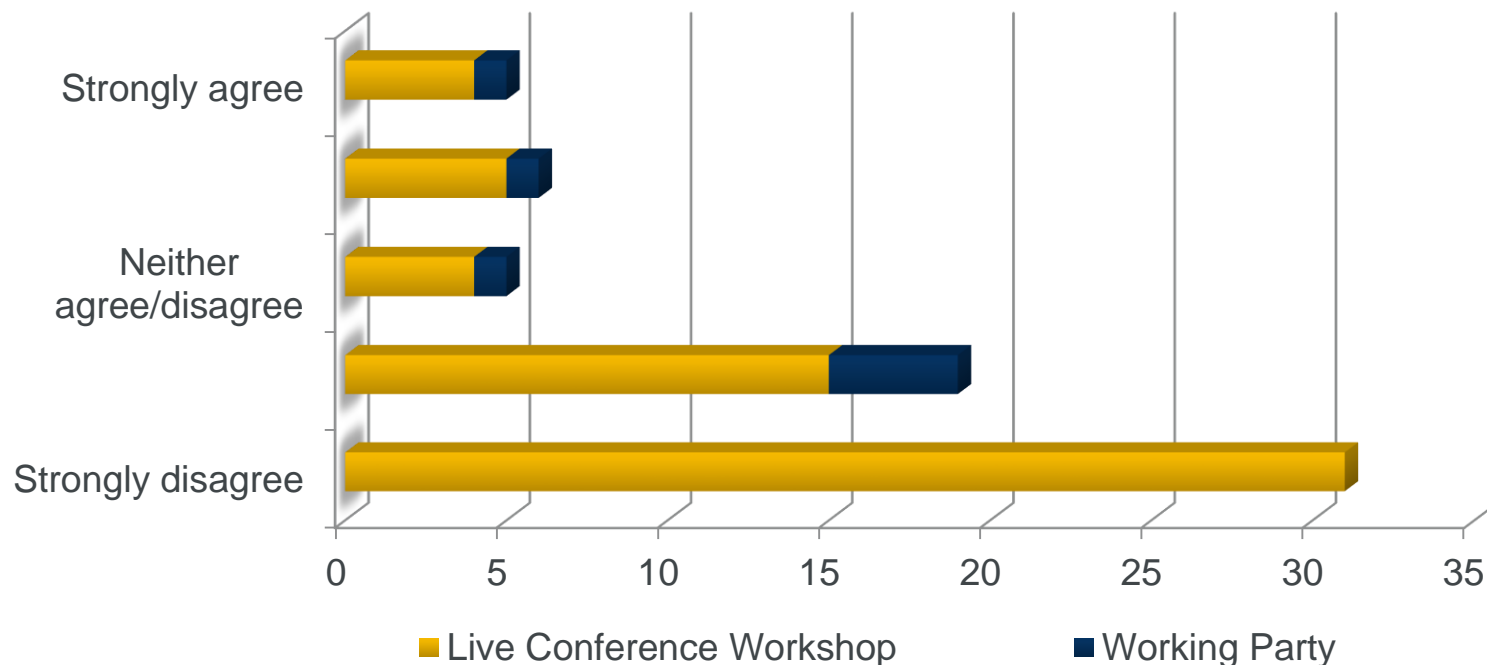
- **Passporting, equivalence and prudency**
- Market consistency and Procyclicality
- Risk Margin
- Compliance constraints and burdens

Solvency II Retrospective WP perspectives

- Passporting, equivalence and prudence
- **Market consistency and Procyclicality**
- Risk Margin
- Compliance constraints and burdens

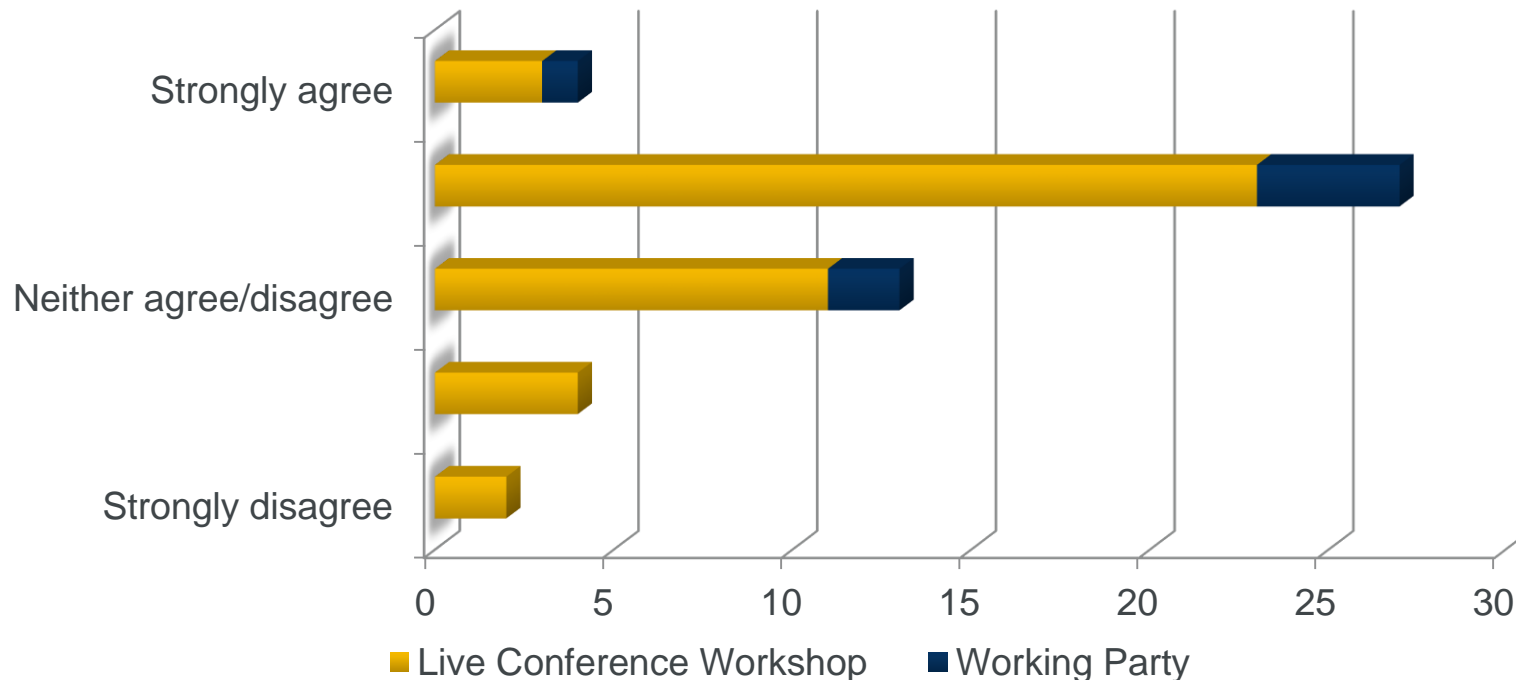
Different views around market consistency

- The aspects of Solvency II that are not market consistent (e.g. MA, UFR) should be removed
 - Vote count from our Life Conference 2016 workshop and Working Party



Addressing Pro-cyclicality

- The capital requirements should be adapted to allow insurers to introduce management actions or allow for markets to find new levels.
 - Vote count from our Life Conference 2016 workshop and Working Party




Solvency II Retrospective WP perspectives

- Passporting, equivalence and prudence
- Market consistency and Procyclicality
- **Risk Margin**
- Compliance constraints and burdens

Risk Margin

- Issues around the risk margin



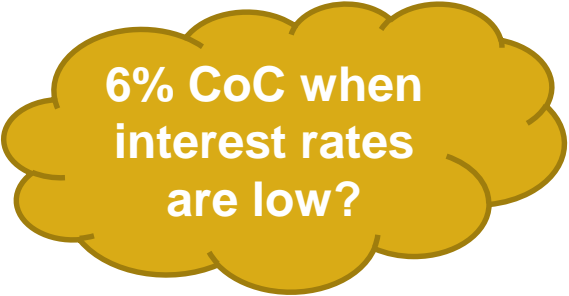
Is longevity
risk really
non-
hedgeable?



Can't interest
rate hedging
be rewarded?



Where did
the 6% CoC
come from?



6% CoC when
interest rates
are low?

CoC = Cost of Capital

Solvency II Retrospective WP perspectives

- Passporting, equivalence and prudence
- Market consistency and Procyclicality
- Risk Margin
- **Compliance constraints and burdens**

Compliance constraints and burdens

- A range of aspects could be benefit from being reviewed

