



Institute  
and Faculty  
of Actuaries

## **Life Board and Life Research Committee**

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### **Solvency II impact on the insurance solutions for consumers needs Working Party**

This working party is being initiated as part of a strategy review by the Life Board.

The Institute and Faculty of Actuaries (IFoA) is seeking proactive, innovative volunteers to join this short life (four months) working party to help drive the development of actuarial practice in the life area.

#### **Background information**

The introduction of Solvency II on 1 January 2016 will lead to a difference in capital charges to specific insurance policies and a move from pricing using traditional embedded value techniques to market consistent embedded value techniques. These changes may then lead to changes in the affordability and attractiveness of different products. Capital may become more expensive, the use of risk free rates for all investment return assumptions in the pricing mechanism may change levels of affordability and the use of a prescriptive structure for risk measurement may affect the prices charged to customers.

#### **Working party objective / aims**

This working party will look at the impacts of capital requirements under Solvency II, and how these relate to (UK) protection and investment insurance products.

#### **Experience / skills / background desirable**

We are seeking up to seven qualified Fellows or Associates for the working party, who should have a strong working knowledge of Solvency II and its implementation, as well as an understanding of current insurance products.

#### **Research methodology**

The working party will determine its own feasible methodology, but the following are envisaged:

- survey (online, written and / or interview) information from key UK insurers on the impact on pricing, terms and conditions and sales of key products
- analysis of ABI and other market data on the trend in sales of impacted products
- example analytical work to demonstrate the impact of Solvency II facets on pricing.

#### **Audience for the research**

The target would be the actuarial community, financial media, regulators, government and the investment industry.

There will be some initial research on whether market consistent embedded values is the correct measure of profitability and comparisons with other methods of pricing. There will also be some research on whether risk and capital measurements designed for ensuring the solvency of whole firms is suitable for the pricing of individual contracts – are the measures granular enough to provide suitable allowances at the product level, especially if complex internal models are used.

The research will then aim at contributing to the public debate on appropriate products and solutions for consumers.

## **Outputs**

It is envisaged that this analysis will use a number of profiles of typical consumers to ensure the differing needs by affluence and life-stage are adequately addressed.

The working party will initially produce an internal document outlining the key driving forces and their impacts on insurance products and product provision. This internal document would then form the structure of an external policy piece.

The types of tasks working party members take part in:

- chairing meetings
- reviewing literature and draft papers / reports
- interviews
- creating questionnaires
- writing
- modelling
- research.

## **Time Commitment**

For this working party, volunteers will typically be expected to attend meetings fortnightly for four months. Members will be expected to perform research between meetings. Volunteers should expect to contribute to the research and drafting of articles and papers.

Meetings are often held in London, however, there is flexibility based on where the majority of the working party members are based, and there is flexibility regarding timing. Members can participate in person or by conference call. Meetings usually last for one to two hours, but may be shorter if taking place on a fortnightly basis.

**June 2016**