

Solvency II project - Terms of Reference

1. Project Overview

With Solvency II operational from the start of 2016 the original Solvency II project of the AAE has fulfilled its role. The AAE is thankful for all project managers and sponsors, chairs of the working groups and all actuaries involved in the project over the years. The project has greatly influenced the successful completion of S II and also achieved for actuaries and the AAE a prominent role in the S II world.

While S II could be considered as a fait accompli, there are several areas where its functioning needs actuarial expertise also after January 2016. There are still some outstanding issues but also S II will be further developed not only according to the review clauses of the framework directive but also in the continuing work of EIOPA. Also global initiatives (ICS, IFRS, etc.) need to be taken in to account in keeping S II up to date.

Ongoing activities include, inter alia:

- assessment of underlying assumptions for the calculation of the SCR,
- assessment of underlying assumptions for the LTG measures,
- validation, data quality, actuarial function report,
- preparing for the reviews according to the framework directive
- assuring full harmonization in supervisory measures, like the application of capital add-ons,
- etc.

In addition to this there are ad hoc activities, like

- consultation papers from EIOPA, calls for advice by the Commission,
- involvement as stakeholder in activities from EIOPA or the Commission,
- support for member organisations/actuaries in specific questions, especially within the role of the actuary and the actuarial function/risk management function.

To be able to answer challenges mentioned above and to assume a more proactive role, the Project includes working groups, where each working group is chaired by one of its members. The working groups report to the Project Team, which offers advices to the Insurance Committee based on the output from the working groups. Advices once approved are submitted through the Project Team as appropriate. Advices include technical assistance and support, and explanation of actuarial methodology, but avoid provision of opinions which may have a political (non-actuarial) bias. The Project Team takes responsibility for establishing and developing contacts between the AAE and relevant organisations for Solvency II issues.

2. Project Structure

The members of the Insurance Committee propose the candidates for membership of the working groups. In practice, it is not feasible to have representatives from every association; nevertheless, the project management will endeavour to be sensitive to the views of those associations, particularly the smaller ones, which are not represented. The Chairperson of the Insurance Committee, the Project Manager, and (once appointed) the Chairperson of the working group nominate the members of the working group from proposed candidates. In appointing members of the working groups, every attempt will be made to ensure a reasonable geographical spread; normally not more than one nominee from any association or country may be a member of a working group. Candidates must have experience in the appropriate technical area, and must be able to commit time to regular participation in the working group. At the start of this continuation of the project after January 2016 the members of existing working groups are understood to be de facto proposals from the Insurance Committee for the new working groups.

The Chairperson and Vice-Chairperson of each working group are selected from the proposed candidates of that working group by the Chairperson of the Insurance Committee and the Project Manager. The nomination of the Chairpersons and the Vice-Chairpersons is confirmed by the Insurance Committee formally appointing them. The Chairpersons and Vice-Chairpersons must have experience in the appropriate technical area, relevant experience in managing a group of professionals, and must be able to commit time to fulfill the role of Chairperson / Vice-Chairperson.

The Project Manager is selected by the Chairperson of the AAE and the Chairperson of the Insurance Committee, from a list of candidates proposed by the members of the Insurance Committee. The Project Manager of the Project before the end of the earlier Project is proposed to be the Project Manager of the new Project to ensure smooth continuation of the Project. The nomination of the Project Manager is confirmed by the Insurance Committee formally appointing him/her. Candidates must have relevant experience in the area of Solvency II, must have experience in project management and must be able to commit time to fulfill the role of Project Manager.

The Project Team includes the Project Manager, the Chairperson of the Insurance Committee, and the Chairpersons and Vice-Chairpersons of the working groups. The Chairperson of the AAE is an ex-officio member of the Project Team. Project Team meetings are chaired by the Project Manager.

All members of the Project Team serve for a period of three years in the first instance, and would normally not serve more than two 3-year terms.

3. Project Roles

The Insurance Committee

- Has overall responsibility for the Project
- Obtains reports as appropriate on the progress of the Project and discusses the status of the Project at its regular bi-annual meetings
- Reviews and approves as appropriate advices received from the Project Team
- Confirms nominations for Project Manager, and Chairperson and Vice-Chairperson of each working group, and formally appoints them

The Chairperson of the Insurance Committee

- Liaises with the officers of the AAE on the subject
- Has overall supervisory responsibility for the Project; this includes its compliance with the principles underlying the Statutes (in particular Articles 2 and 13) and the code of conduct of the AAE
- Represents the AAE in the official communications (e.g. signing formal submissions) and contacts with the above mentioned organisations relating to the Solvency II Project
- Submits a report to the General Assembly of the AAE on the Solvency II Project as part of the annual report of the Insurance Committee

The Project Team

- Reviews outputs from the working groups
- Proposes advices/comments for discussion and approval by the Insurance Committee
- Submits approved advice/comments to relevant organisations
- Establishes and develops contacts with relevant organisations

The Project Manager

- Coordinates the work by agreeing with the Chairpersons of the working groups on the deliverables and the planning
- Assures a consistent approach throughout the Project
- Arranges meetings of the Project Team as necessary
- Coordinates (with the AAE Secretariat) communications to the Insurance Committee, to the members of the AAE and to the external world on Solvency II issues
- Represents the AAE (after consultation with the Chairperson of the Insurance Committee for official communications and contacts) and impartially presents the point of view of the AAE, in accordance with the provisions of Article 13, at appropriate events
- Submits a report to the Chairperson of the Insurance Committee four weeks before the meetings of the Insurance Committee or at his request.
- Submits progress reports to the Chairperson and the members of the Insurance Committee, as appropriate
- attends meetings of the Insurance Committee, and should be able to attend meetings of the General Assembly and other committees of the AAE when matters relating to Solvency II are considered

The working groups

- The working groups prepare the advice/comments of the AAE in the field as described in the definition and the scope.

The Chairperson of each working group

- Coordinates the activity of the working group
- Assures the quality and timeliness of the deliverables
- After consultation with the Project Manager and the Chairperson of the Insurance Committee, may represent the AAE and impartially present the point of view of the AAE in accordance with the provisions of Article 13 of the Statutes
- Submits a report to the Project Manager and the Chairperson of the Insurance Committee four weeks before the meetings of the Project Team and the Insurance Committee, or at their request.

The Vice-Chairperson of each working group assists and, as and when necessary, deputises for the Chairperson in fulfilling the above functions.

Working Groups definition and scope

Considering the specifics of the business there will still remain a need for at least 3 working groups:

1. Business specific: Life,
2. Nonlife
3. Cross sectorial: Internal models, reporting, "Pillar 2" issues, groups

Additional ad hoc activities require a task force that can easily be activated whenever contributions are required. Staffing: Working groups might appoint members for this purpose. Also the chairs of the working groups could be candidates. But additionally the Project will maintain a pool of experts, based on recommendations from the members of the Insurance Committee, from whom task forces can be set up without delay.