insurance europe

Press statement

05 April 2017

Comment on announcement on changes to Solvency II UFR methodology

Following the announcement that the European Insurance and Occupational Pensions Authority (EIOPA) plans to make changes to the Solvency II ultimate forward rate (UFR) from 1 January 2018, Olav Jones, deputy director general of Insurance Europe, commented:

"The European insurance industry maintains there is no need to make rushed changes to the UFR, because Solvency II already takes a very conservative approach and has several safeguards. When calculating their liabilities under Solvency II, insurers are required to assume that the current low interest rates will remain in place for the next 20 years[1]. However, this is generally considered to be an extreme scenario, not a base case. As a result, insurers currently have to value 10 year liabilities using an interest rate of just 0.6%; even for 50 year liabilities the rate is below 2.7%[2].

"Insurers must also hold capital in case of even lower rates. In addition to this, Solvency II has very significant governance and reporting requirements that are designed to ensure that company management take action early to address any problems, and if they do not, ensures supervisors have the powers and information for early intervention.

"The UFR is part of the valuation system of Solvency II. There are already concerns that this valuation system does not correctly reflect insurers' long-term business and will have a detrimental impact on insurers' ability to invest long-term. Changes therefore should only be finalised and implemented as part of the review already planned for completion by 2020 when the overall system and its impact will be assessed.

"When the European Commission receives the technical information from EIOPA on this particular aspect of the framework, it should take account of Solvency II's sensitivity to interest rates and overall conservativeness and should avoid such isolated changes."

- Ends-

Notes for editors

1. For the euro.
2. For the euro for December 2016 (these are the latest figures available from the European Commission).
3. For further information, or to be added to our mailing list, please contact Richard Mackillican, policy advisor communications & PR (tel: +32 2 894 30 69, mackillican@insuranceeurope.eu).
4. You can also receive Insurance Europe's news and press releases by:
   - following us on Twitter @InsuranceEurope
   - signing up to the RSS feeds at www.insuranceeurope.eu
5. Insurance Europe is the European insurance and reinsurance federation. Through its 35 member bodies — the national insurance associations — Insurance Europe represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of more than €1 200bn, employ almost one million people and invest almost €9 800bn in the economy.