



eiopa
EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

SCR review project

**Joint Stakeholder groups – EIOPA BoS meeting
28/11/2016**

- Issues
 - Providing an advice to European Commission for the SCR review by February 2018
 - Aim is to simplify and ensure the proportionate application of the requirements
- Action asked from BoS and Stakeholder groups
 - For discussion
- Follow-up
 - Stakeholders are asked to answer to the discussion paper
 - EIOPA will reflect on discussions for the drafting of the advice

Scope and objectives of the review



1. Reducing complexity and ensuring proportionality of the requirements
 - o Simplified calculations, look-through approach, catastrophe risk submodule and counterparty default risk module

2. Correct technical inconsistencies
 - o Insurance risks: calibration of life, non-life and health underwriting risks, catastrophe risk, extend the scope of undertaking specific parameters
 - o Market risks: reliance on external credit rating agencies, guarantees, risk mitigation techniques, interest rate risk
 - o Others: LAC DT, risk margin, compare own funds under Sol. II with banking framework

→ Three topics have been selected for this meeting

- Some modules may be seen as too complex: counterparty default risk, catastrophe risk
- Some simplified calculations are allowed to be used after conducting a proportionality assessment

Questions for discussion by board of supervisors and stakeholder groups:

- Where are your main difficulties when calculating the SCR standard formula?
- Do you see room for a more proportionate approach? How it could be practically applied?

Topic 2: Look-through approach



- Look-through needs always to be applied, with the following exceptions:
 - Data can be grouped if look-through not possible up to 20% of the total value of assets
 - Look-through is not applied to related undertakings

Questions for discussion by board of supervisors and stakeholder groups:

- Where are the difficulties to apply the look-through? Could a more proportionate approach be possible?
- Where is it not appropriate or proportionate to apply look-through for investment related undertakings?

- Calibration done in 2010
- Since then, interest rates are completely different: low and negative rates

Questions for discussion by board of supervisors and stakeholder groups:

- Do you see the need to update the calibration?
- What needs to be updated and what needs to remain stable?
- What are the main risks the calibration need to reflect?

1. Proportionality

- o Where are your main difficulties when calculating the SCR standard formula?
- o Do you see room for a more proportionate approach? How it could be practically applied?

2. Look-through approach

- o Where are the difficulties to apply the look-through? Could a more proportionate approach be possible?
- o Where is it not appropriate or proportionate to apply look-through for investment related undertakings?

3. Interest rate risk

- o Do you see the need to update the calibration?
- o What needs to be updated and what needs to remain stable?
- o What are the main risks the calibration need to reflect?