



eiopa
EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

Public consultation on further work on solvency of IORPs

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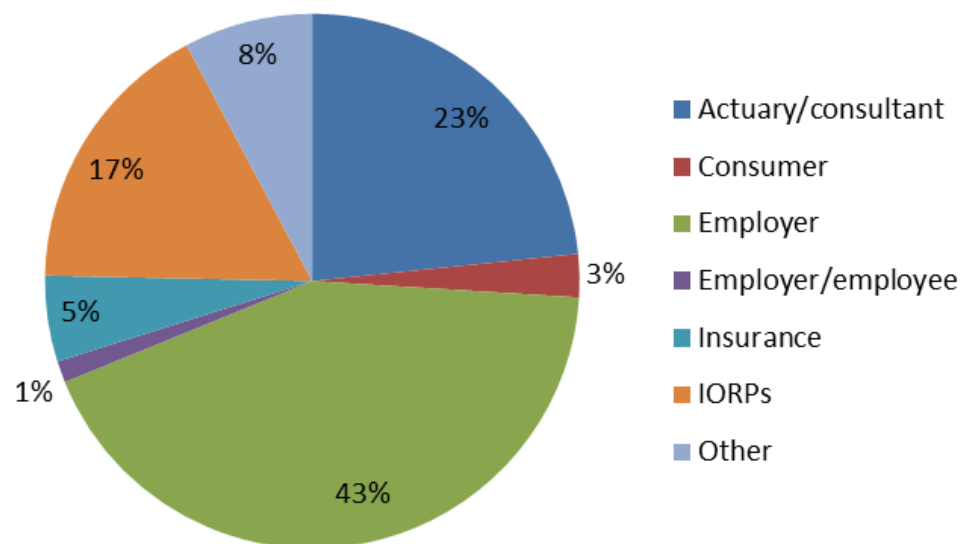
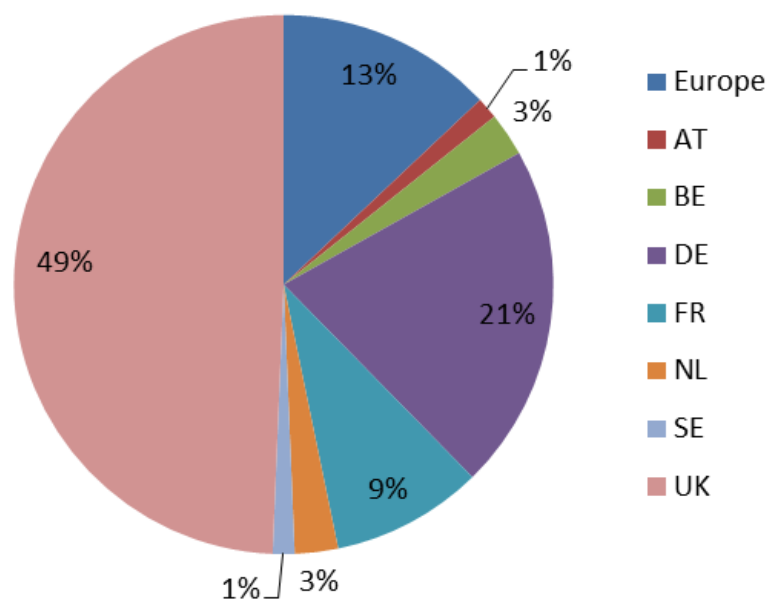
Launch event – Pensions Stress Test & Quantitative
Assessment

19 May 2015

- Public consultation
- Changes made to technical specifications
- Process exercises

Breakdown consultation responses by country/sector

- 77 responses, of which 12 confidential
- 2000 pages of feedback



General messages respondents EIOPA

- Appreciation of consultation paper
- Issue EIOPA's further work on HBS/solvency
- Use of HBS in supervisory framework
 - o Pillar 1: HBS least suitable to set capital requirements
 - o Pillar 2: HBS most suitable as risk management tool
 - o Pillar 3: Diverging views on disclosure of HBS
- Valuation of HBS
 - o Principle-based approach
 - o Simplifications, such as balancing item approach

Process consultation



- 11 May – Launch quantitative assessment on further work on solvency of IORPs
 - o Publication of all responses
 - o Publication of reasoned feedback valuation part (Q1-71)
- Q1 2016 – Advice to Commission on solvency of IORPs
 - o Publication of reasoned feedback supervisory responses (Q72-Q111)
 - o Possibility to revisit stakeholder responses on valuation

Technical provisions



- “Contract boundaries”, accrued pensions if:
 - IORP has unilateral right to terminate new accruals
 - Sponsor has unilateral right to terminate new accruals
- Simplifications risk margin
 - o 8% of best estimate
 - o advanced simplifications cost-of-capital calculation
- Enhanced definitions
 - o pure discretionary, mixed and pure conditional benefits
 - o benefit reduction mechanisms
- Expected return on assets
 - o Forwards interest rate curve
 - o Allowance for dynamic asset allocations

Sponsor support



- Balancing item approach for IORPs covered by strong sponsors
- Principle-based valuation of sponsor support
- More options for default probabilities
 - Credit ratings
 - Market-implied default probabilities
 - Own calculation based on asset/income cover ratios
 - Default rates UK Pension Protection Fund
- Maximum sponsor support based on principles
- Simplifications
 - 2 existing simplifications + alternative simplified approach

- Stressed balance sheets for each SCR module
 - Excluding loss-absorbency of technical provisions and sponsor support
 - Including loss-absorbency of technical provisions and sponsor support
- Simplification, if loss-absorbency covers whole IORP instead of specific risks
 - Not necessary to calculate stressed balance sheet including loss-absorbency for every SCR module
- Number of modules not part of basic request
 - Intangible asset risk
 - Mortality, disability, expenses, revision, benefit option and CAT risk

Packages on EIOPA website





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Insurance Long-term Guarantees Assessment

Insurance Quantitative Impact Study 5

Insurance Quantitative Impact Study 4

Insurance Quantitative Impact Study 3

Insurance Quantitative Impact Study 2

Insurance Quantitative Impact Study 1

Quantitative Assessment

Quantitative Assessment

Objective

This Quantitative Assessment (QA) is an important input to own initiative advice to the European Commission.

The aim of the quantitative assessment is to collect evidence on the impact of proposals that were publicly consulted in 2014. Those proposals include a balance sheet and possible supervisory responses, with a view to providing sponsor support.

The exercise is conducted simultaneously with the consultation of proposals with the national supervisory authorities (NSAs).

Timeline

11 May 2015	Launch of the QA
19 May 2015	Workshop with participants
May - August 2015	Q&A procedure for participants

Stress test specifications

EIOPA runs both stress test and Quantitative Assessment (QA). QA specifications are required for the completion of the stress test exercise.

- IORP stress test specifications
- Technical specifications QA (also link under QA)
- Qualitative questionnaire DB ST
- Qualitative questionnaire DC

Reporting Templates

Please use these templates in order to complete also the Quantitative Assessment both stress test and QA exercises simultaneously and uses for them the following:

- Reporting spreadsheet QA and DB ST (also link under QA)
- Word template questionnaire DB ST
- Reporting spreadsheet DC ST

Supporting spreadsheets

- Yield curves for QA and DB ST (also link under QA)
- Calculation tool DC ST
- Helper tab Risk margin (also link under QA)
- Helper tab Sponsor support 1 (also link under QA)
- Helper tab Sponsor support 2 (also link under QA)
- Helper tab Sponsor support 3 (also link under QA)
- Helper tab Max sponsor support (also link under QA)
- Helper tab Pension protection scheme (also link under QA)

Questions and Answers

For any queries related to the exercise, please fill in this template and the addresses of the NSAs can be viewed here.

Q&A during exercise



- 11 May/10 Aug – QA and ST exercise
- Questions & answers (Q&A) process
 - o IORPs to submit questions to NSAs
 - o NSAs forward questions of “general relevance” to EIOPA same day
 - o Dedicated Q&A workstream formulates answer
 - o Answer within 5-8 days
 - o Publication on EIOPA website every Wednesday
- 24 Jul – Last questions to NSAs
 - o 5 Aug last answers on EIOPA website

Validation and report



- Validation
 - o 10 Aug – IORP submissions to NSAs
 - o 24 Aug – NSAs submit results to EIOPA
 - o Week (31 Aug - 4 Sept) – 1st validation meeting
 - o Follow-up NSAs with IORPs
 - o Week (28 Sep – 2 Oct) – 2nd validation meeting
- Report
 - o Dec 2015 – Stress test report
 - o Mar 2016 – Advice to COM on EU solvency rules
- No publication of names/data that can be linked to individual IORPs



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Questions?

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