Interview by Manuela Zweimueller, EIOPA's Head of Regulations, with AMICE Newsletter

1. **Gabriel Bernardino mentioned, at the last EIOPA Conference, that it should be possible to have a Solvency II regime which is simpler. What actions is EIOPA planning to undertake to ensure that a simplified regime is put in place?**

EIOPA will closely monitor the application and the implementation of the new framework and will enter into the so-called "ex-post assessment" of the Solvency II regulation. We will assess the different approaches, identify possible gaps as well as redundancies, revise the rules and introduce any relevant changes. Our revision will be based on three principles:

- ✓ To be alert to any possible unintended consequences that might occur during the implementation.
- ✓ To pay close attention to proportionality as one of the fundamental elements of the regime.
- ✓ And finally, to make an effort in order to reduce complexity. We do not strive to have more, we prefer to have less.

We have started already with the relevant preparations, which we will continue throughout 2016, and this task is included in EIOPA's Work Programme for 2017.

2. **EIOPA's main objective is to move from regulation to supervision and to ensure convergence among supervisory practices across different Member States. How will this have an impact on the way firms are being supervised in the future?**

Indeed, EIOPA's main strategic focus for the upcoming years is supervisory convergence. Why is supervisory convergence so important? Because it is essential for three fundamental objectives:

- ✓ To ensure the consistent application of EU regulation.
- ✓ To guarantee a level playing field and to prevent regulatory arbitrage in the internal market.
- ✓ To safeguard a similar level of protection for all policyholders and beneficiaries in the European Union.

Solvency II implementation is driving supervisory convergence in the EU Member States. The National Competent Authorities need to be part of this collective effort to develop a European supervisory culture. Convergence is a journey and implies change and moving away from the status quo. EIOPA plays a key role in this context and provides a clear direction in a rapidly changing landscape.

In the current environment, EIOPA has a unique position by being able to analyse the different practices and approaches and to bring them to a common level across the European Union.
The power to bring the supervisors together to discuss the way they are carrying out their supervision should not at all be underestimated!

3. How will EIOPA ensure that the aim of further convergence is achieved whilst allowing national supervisory authorities enough flexibility to treat different situations differently?

First of all I would like to underline that EIOPA does not intend to replace national supervisors. We have different roles and responsibilities. The day-to-day supervision is under the remit of national supervisory authorities.
EIOPA's task and strategic focus in the coming years is to develop a common European supervisory culture, a risk-based culture that:

- ✓ Aims to ensure strong but fair supervision;
- ✓ Is based on a forward looking approach to risks;
- ✓ Prioritises the dialogue with market participants to better understand their business models, strategies and underlying risks;
- ✓ Promotes early enough awareness and supervisory action with the aim of protecting policyholders and mitigating possible market disruptions.

Given that the EU Member States have very different supervisory histories this will be a challenging task. But again, convergence is a journey and implies change and moving away from the status quo. It is fundamental to ensure a level playing field between different companies and a common level of protection for policyholders and beneficiaries in the European Union. To reach these goals, EIOPA has specific targeted tools such as:

- ✓ Participation in the colleges of supervisors;
- ✓ The Centre of Expertise in the internal model;
- ✓ The Supervisory Oversight Team, conducting bilateral visits to the national authorities.

EIOPA is also developing a Supervisory Handbook to build an array of good supervisory practices in the different areas of Solvency II. We encourage the National Supervisory Authorities to adequately implement these good practices in their supervisory processes.

4. The industry is concerned about the delay in the final publication by the European Commission of the reporting package in all official languages which is key for SMEs to be able to start preparations. What is your opinion on this issue?

Thanks to the Solvency II Preparatory Phase from 2013 to 2015, which EIOPA initiated, the firms had the time to set up the relevant structures, to get familiar with new requirements, to start the process of enhanced communication with supervisors and in general to use this interim period as a "warm-up" for Solvency II implementation from 1 January 2016 onwards.

EIOPA also communicated at an early stage that the July 2015 Final Report on the reporting package could be used for implementation. The relevant Implementing Technical Standard (ITS) was published at the beginning of December and there was no change in the reporting package introduced by the European Commission. This, together with the publication of the taxonomy in October 2015 and the publication by the Commission of the reporting package in all official languages at the beginning of December 2015, should allow a timely implementation.

5. **The industry had requested flexibility with regards to the first submission of information foreseen in May 2016. Has EIOPA considered this possibility?**

On the one hand, EIOPA is confident that those firms that in the last years were doing their "homework" during the Solvency II Preparatory Phase will be able to comply with the new reporting requirements.

On the other hand, EIOPA wishes to encourage companies to put all the necessary efforts into delivering good quality data for their first submission. All parties alike – EIOPA, national supervisors and firms - are currently taking their last steps to meet this requirement. We are all sitting in the same boat!

In addition, it should not be forgotten that the scope of the "day 1" reporting and quarterly reporting, which represent the first submissions, is reduced compared to the scope of the annual reporting and focus on core information.

EIOPA is aware that the list of assets in particular is raising some concerns in relation to the completeness and accuracy of the information but we trust that firms have made good use of the preparatory phase to improve their processes and that on this basis there will be no material problems in the submission of this information.

6. **The European Commission adopted a new set of Delegated Acts on 30 September 2015 which create a separate infrastructure asset class.**

Are you confident that it is attractive for insurers to invest in such assets taking into account all the requirements?

We are happy that the European Commission took EIOPA's advice as a basis for the decision to treat infrastructure investments in a more granular way. The new calibrations will certainly make it easier for insurers to invest in high quality infrastructure.

But there is another and even more important issue which should not be forgotten. Infrastructure projects can be very complex and require specific risk management expertise. EIOPA therefore proposed robust risk management requirements. Insurers should establish written procedures to monitor the performance of their exposures and regularly perform stress tests on the cash flows and collateral values supporting the infrastructure project. It is crucial to have adequate due diligence prior to the investment. If insurers comply with these requirements, the new calibrations will very well reflect the risk profile of high-quality infrastructure projects.