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EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

SCR review project

EIOPA Insurance & Reinsurance Stakeholder Group meeting
Frankfurt, 29 March 2017

- Why is the topic on the agenda?
 - We received responses to the discussion paper that EIOPA publicly consulted end of 2016 to March 2017
 - The European Commission has sent to EIOPA a new call for advice on investments
- What is expected from IRSG?
 - This presentation provides IRSG with an overview of the main comments received and with the next milestones
- Next steps
 - A roundtable end of May 2017 on the first call for advice
 - A workshop in June 2017 on the new call for advice

- We received 70 responses from various stakeholders:
 - IRSG
 - European insurance / actuaries associations
 - National insurance / actuaries associations
 - Individual undertakings from various Member States
- Analysis of more than 1,000 pages on-going
- Overview of the main topics of interest

- Simplifications and proportionality
 - o Large support of simplifying where possible
 - o In practice, not so many concrete inputs – rather a description of main difficulties
 - o Few proposals on counterparty default risk module, despite being one of the aim of the call for advice

- Risk margin
 - o One of the most material items being reviewed
 - o Some want the whole design to be reviewed
 - o Other focus more on the CoC, which is in line with the call for advice
 - o Sensitivity to interest rates is rejected or accepted

- Interest rate risk
 - o Review is welcomed by almost all participants
 - o Global consensus not to change too much the current methodology (non-parametric and based on a PCA)
 - o Several stakeholders proposed to calibrate the shocks on a shifted interest rate curves history

- LAC DT
 - o All recognised it is a material item of the SCR
 - o All recognised it can be complex to justify
 - o But few would welcome more regulation

- Volume measure
 - o Composed of unearned premium plus an estimation of future premiums
 - o Term FP(future) raises difficulties and comments
 - o Agreement that there is a “hole” but some are concerned about the impact
 - o Different proposals to include scenario calculation in order to better recognise reinsurance
- Recalibration of non-life standard parameters
 - o No evidence relevant at European level for a new LoB
 - o Discussion on “income protection” as a potential candidate

- Specialist nature means we will benefit from external input
- Received applications for participating alongside NSAs in the work stream
 - o Insurance Europe, AMICE, CFO/CRO Forum, RAB
 - o Model vendors RMS, CoreLogic, PERILS
 - o Brokers contacted as well
 - o Ioannis Papanikolaou as academic and to ensure link with IRSG
 - o We hope to have more members from academic world
- Need however to limit numbers in order to maximise effectiveness

- Some of the topics of the first call for advice will be consulted after June 2017
 - Simplified calculations, look-through approach, reliance on external credit ratings, guarantees and RGLA, RMT, USP, LAC DT and risk margin
 - 8 weeks to be able to send the advice by October 2017
- To prepare for the consultation, a workshop will be organised end of May

- COM sent on 22 February a new call for advice on “removing unjustified constraints to financing” the economy, in the context of Capital Markets Union
- Second and last call for advice for the 2018 review
- To be answered by end February 2018 – as for the first call

- Unrated bonds and loans
 - At the moment is treated between CQS 3-4
 - Define criteria for treating as CQS 2
- Unlisted equities
 - At the moment is treated as type 2
 - Define criteria for treating as type 1
- Strategic equity investments
 - Provide information

Milestones of the project plan



What?	When?
Call for evidence to prepare the workshop	As soon as possible in April
IRSG meeting to gather inputs on criteria for unrated debt and unlisted equity	7 June
Workshop with stakeholders to gather inputs on criteria for unrated debt and unlisted equity	Mid-June or sooner in May if possible
Information request to NSAs and insurance undertakings	From July to August Or sooner in May-June if possible
Consultation of the draft advice	8 weeks in November-December 2017
Finalising and sending the advice to COM	By February 2018