



**eiopa**  
EUROPEAN INSURANCE  
AND OCCUPATIONAL PENSIONS AUTHORITY

# **Solvency II Planning 2014 – 2015** *Implications for the Insurance and Reinsurance Stakeholder Group*

IRSG 21 February 2014

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# The proof of the cake will be in the eating



- COM discusses Draft Delegated Acts with Member States in Expert Group meetings (Jan. - March 2014)
- EIOPA is preparing the draft ITS and GL for consultation with the stakeholders
- Member States are preparing the transposition of the Directive by end March 2015

# EIOPA strategy in the SII project in 2014-2015



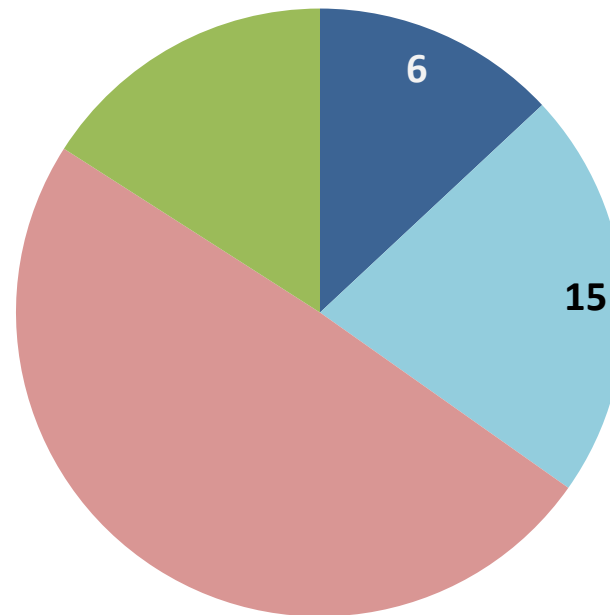
- Priorities for EIOPA: (1) ITS, (2) GL, (3) contribution to discussion on DA
- First: approval processes and Pillar 1 issues!
- Quality of content, legal accuracy and drafting
  - Regular exchange with COM team on ITS empowerments
  - Ensure compatibility with Union law, respect principle of proportionality and the fundamental principles of the internal market for financial services as reflected in the *acquis* of Union financial services legislation

- Translation: better to translate only once
  - o Based on stable guidelines
  - o Standards should be available in time for MS and stakeholders, including for GL the quality check of translations and comply-or-explain by supervisors
- Less is more!
  - o Relevance for day-1, i.e. 1 January 2016
  - o Over 15 per cent of guidelines under construction have been postponed so far until after “Day 1”

- Inclusion of preparatory guidelines in the consultation
  - Stakeholders invited to preferably focus comments on the changes made
- Consultation: ensure proper process, 3 months
- Communication:
  - Update of the website + targeted communication to “key” stakeholders (e.g. IRSG)

# Preparation and consultation: split of ITS and GL in two sets

## Split of Guidelines and ITS into sets 1 and 2



■ ITS set 1 ■ ITS set 2 ■ GL set 1 ■ GL set 2

# ITS – set 1: “Approval processes”

1. Procedures for the approval of the **matching adjustment**
2. Procedures for the approval of **Ancillary Own Funds**
3. Procedures for the approval of **USP**
4. Procedures for the approval of **IMs** and for the approval of **major changes** to an internal model and changes to the **policy for changing an internal model**
5. Procedures for the approval of, **formats and templates** for accounting, prudential and statistical information requirements (Article 211(1-f)) and for **cooperation and exchange of information between NSAs** regarding **SPVs** (“may” ITS)
6. Joint decision process for **group internal models** (“may” ITS)





# GL – set 1: “Relevant for approval processes, including Pillar 1 and internal models”



- **Valuation assets and liabilities other than technical provisions**
- **Pillar 1 topics:** Contract Boundaries, Valuation of TP, AOF, Classification of OF, RFF, Solo treatment of related undertakings including participations, CAT risk (allocation of insurance policies to the liability risk groups for the man-made liability Catastrophe Risk module, Application of the Man Made Liability Catastrophe Risk Sub Module, Application of Outwards Reinsurance Arrangement to Non-life Catastrophe Risk sub-module), Application of operational risk for UL business, Application of disability-morbidity risk, Adjustment for loss absorbing capacity of technical provisions/deferred taxes, Risk mitigation techniques (Basis risk), Market risk - look through approach, Health – CAT issues, Biometric risk for life and health SLT risk modules, USP Approval processes and Quality of data, Application of the market risk module
- **Internal models:** Use test, exert judgment , Probability Distribution Forecasts, Methodological Consistency, calibration – approximations, Profit and loss attribution , Validation, Documentation, External models , Colleges internal models issues
- **Group solvency calculation**
- **Governance**
- **ORSA**



# ITS – set 2: “Pillar 1, Pillar 2, Pillar 3 and supervisory transparency”

1. Transparency and accountability: Templates and structure of the disclosures
2. Reporting templates for the submission of information to supervisory authorities
3. Disclosure procedures to be followed, formats and templates
4. Capital add-on: Procedures to set, calculate and remove capital add ons
5. Risk management: Procedures when assessing external credit assessments
6. Rating allocation to credit quality steps
7. List of regional governments and local authorities treated as exposures to the central government bonds of their jurisdiction
8. Equity index for the equity dampener
9. Adjustments for pegged currencies in the currency risk sub-module
10. Health risk equalisation systems standard deviations
11. Risk concentration - Standard forms, templates and procedures for the reporting
12. Intragroup transactions - Standard forms, templates and procedures for the reporting
13. Colleges - exchange of info (templates)
14. Group SFCR - templates, means for disclosure
15. Equity charge transitional - procedures to be followed for the application of this paragraph



2015

# GL – set 2: “Pillar 2 and Pillar 3”

- Methods to determine the market share for the purpose of exemptions to supervisory reporting
- Reporting to supervisors day-1
- Financial Stability reporting
- Supervisory review process
- Harmonization sensitivity analysis of extrapolation, volatility and matching adjustments
- Extension of the recovery period
- Methodology for equivalence assessment of NSAs under SII equivalence



	2014				2015			
	Jan-March	April- June	July Sept	Oct-Dec	Jan-March	April- June	July-Sept	Oct-Dec
	<b>21.2 IRSG</b> set 1 preliminary	<b>29.4 IRSG</b> ITS set 1 discussion & GL set 1 preliminary <b>24.6 IRSG</b> ITS set 1 approval opinion & GL set 1 discussion, <b>Aug. IRSG</b> written approval opinion GL set 1		<b>21.10 IRSG</b> ITS & GL set 2 preliminary				
<b>ITS set 1 : "approval processes"</b>	24.2 prepare for BOS for adoption for consultation at BOS end March	April - June: Consultation		31.10. submission to COM (BOS end Oct.)				
<b>ITS set 2: "other"</b>				3.10 prepare for BOS for adoption for consultation (BOS end Nov.)	Dec.-Feb.: Consultation	30.6. submission to COM (BOS end June)		
<b>GL set 1 (Approval processes + Pillar 1, including internal models)</b>		1.4. prepare for BOS adoption for consultation (BOS end May)	June - Sept.: Consultat ion	BOS approval end Nov.		1.4 end comply- explain process		
<b>GL set 2 (Pillar 2, Pillar 3 and Supervisory issues)</b>				3.10 prepare for BOS adoption for consultation (BOS end Nov.)	Dec.- March: Consultation	BOS approval end May	30.9 end comply- explain process	

Dreams do come true...

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