

Joint meeting of EIOPA Stakeholder Groups (IRSG and OPSG) and Members of the EIOPA Board of Supervisors

19 October 2011

Venue: Hotel Marriott Frankfurt, Hamburger Allee 2, 60486 Frankfurt/Germany;

Conclusions and Action Points

11.00	Welcoming	Type
1.	Opening remarks of EIOPA Chairperson, Gabriel Bernardino, to the first joint plenary meeting of EIOPA Stakeholder Groups and BoS representatives	Welcome
<p>Remarks: EIOPA Alternate Chair welcomed the Stakeholder Group members and BoS representatives to the first joint meeting of EIOPA Stakeholder Groups (IRSG and OPSG) and Members of the EIOPA Board of Supervisors. Stakeholder Groups Chairs, Michaela Koller and Chris Verhaegen also welcomed the SG members to their first joint meeting.</p> <p>Stakeholder Group members and BoS representatives were also informed that the meeting will be chaired by both IRSG and OPSG Chairs as follows: Agenda items – 2 to 6 will be chaired by IRSG Chair and Agenda items – 7 to 10 will be chaired by OPSG Chair</p> <p>Conclusion/Action points: N/A</p>		
2.	Approval of the draft agenda ➤ <i>Doc: EIOPA-11-146: Draft agenda joint IRSG-OPSG mtg.</i>	Decision
<p>Remarks: IRSG Chair presented the meeting agenda for approval.</p> <p>Conclusion/Action points: IRSG and OPSG members approved the Draft Agenda without amendments</p>		
3.	Financial stability update <i>EIOPA and BoS members are invited to present an update as to latest actions undertaken at supervisory level with regard to current developments in the financial sector.</i>	Discussion
<p>Remarks: EIOPA Chair undertook to inform SG members as to the role of EIOPA as set in Regulation 1094/2010 – article 18 (“Action in emergency situations”), article 22 (“General provisions”), article 23 (“Identification and measurement of systemic risk”), article 24 – (“Permanent capacity to respond to systemic risk”), article 25 – (“Recovery and resolution procedures”), article 27 – (“Crisis prevention, management and resolution”), article 31 (“coordination function”) and article 36 – (“Relationship with the ESRB”).</p> <p>EIOPA Management Board Member – Mathew Elderfield also undertook to present IRSG and</p>		

OPSG members with the latest information available regarding insurance sector evolutions in the context of the current crisis noting the main categories of risks faced by insurers as well as cooperation of EIOPA with the ESRB.

With regard to financial stability re occupational pension funds, EIOPA Chair noted that the sector faces to a large degree similar risks to the ones faced by the life sector. EIOPA Chair also noted that while the amount of data currently available for insurance is larger, EIOPA will work to ensure that similar levels of analysis are also available for the pensions sector.

SG members also expressed views with regard to accounting standards (IAS 19 and 39), valuation rules in general, current capital requirements (incl. as to variations at MS level). It was accepted that the SII framework will significantly expand the toolkit of the supervisors and insurers for facing such adverse conditions as those of today.

Conclusion/Action points: Financial Stability updates will remain a recurring agenda item for meetings of IRSG and OPSG.

4.	Overview of practical effects of Lisbon Treaty as to decision making process at EC, Council and EP level	Discussion
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Remarks: Ms. Daniela Weber Rey – IRSG member delivered a comprehensive presentation as to impact of Lisbon Treaty on EU legislative procedures. The presentation addressed the following main areas:

- Decision making process at EC, Council and EP level before and after the Lisbon Treaty
- Current hierarchy of legislation / rules
- Delegated acts and implementing acts (Legal basis, purpose, process of adoption)
- Regulatory and implementing technical standards of EIOPA (Legal basis, purpose, development and adoption)
- Guidelines and recommendations of EIOPA (Purpose, addresses, Comply or explain procedure)
- EIOPA powers in cases of breach of EU law (Article 17 -Regulation 1094/2010) as well as further EIOPA intervention powers (Article 18 & 19 -Regulation 1094/2010)

EC representative, Mr. Karel van Hulle also shared with IRSG and OPSG members some practical experience of the Commission in implementing the new Lisbon rules for the decision making process and conceded the degree of complexity in EU making had increased. Nonetheless these changes provide a highly advanced framework for the legislative process at Union level which will lead to a single rule-book for the EU financial sector and its supervision.

The presentation was followed by an active debate with the participants.

Conclusion/Action points: N/A

13.00	Lunch (1 hour)	
5.	European Commission update on current work on insurance & IORP	Discussion

Remarks:

EC representative, Mr. Karel van Hulle updated SG members as to the following main areas of work for the insurance and IORP:

- Solvency II framework: EC representative updated on latest developments regarding the OMDII, SII Level 2 implementing measures and Technical Standards:
 - ❖ OMDII – state of play: While the Council has reached an agreement on OMD II text in September 2011, ECON is planning to vote on the Balz Report on 22 November (note caveat as the date may slide towards December 2011). After ECON vote, trialogues will start and currently it is expected that the EP plenary vote will take place in February 2012.

- ❖ OMDII - SII entry into force: the EP and Council have agreed to make a distinction between implementation in MS (before 01.01.2013) and application to undertakings (start 01.01.2014). During the one year phase-in period, undertakings will have their internal models approved and will have to report to supervisors on their state of preparedness for SII. EC will table at November EIOPC a paper explaining the obligations that undertakings will need to deliver on during the phase-in period (incl. reporting requirements).
- ❖ SII Level 2 IM: After OMDII will be endorsed, the EC will table officially the Level 2 IM proposals. EC representative also noted that the last remaining issues on SII (for ex: countercyclical and matching premiums) were sent to MS for a short consultation. The EP needs to receive by end October the full package of L2 implementing measures. This L2 – IM package is not yet in final shape but the EP wanted to receive a first version as soon as practicable.
- ❖ SII Technical Standards: EIOPA will table its Technical Standards in the course of 2012 and the EC expects the entire package will be then approved by end 2012.
- IMD Review: EC representative explained that in February 2012 he expected that a cross-sectorial PRIP's proposal will be tabled while the IMD will be reviewed (proposal expected at same time in Feb 2012) to include:
 - ❖ The selling practices for PRIPS
 - ❖ The professional category of "loss assessors". This amendment was announced at recent conference re NAT CAT where the Commissioner also informed that in 2012 the EC will publish a communication based on a study produced by EC – Joint Research Centre regarding MS exposures to NAT CAT risk. The non-life Directives shall also be amended to include/recognise at EU level the professional category of "loss assessors".
- IORP Review: Apart from announcing the publication of the Commission's
- Proposal for a revised IORP Directive by the end of 2012, the EC representative also informed about the planned publication of the White Paper on pensions by the end of the third quarter of 2012. The White paper will cover, inter alia
 - ❖ proposals for more extensive disclosures for pillar 3 pensions,
 - ❖ a code of good practice for occupational pensions and
 - ❖ a tracking service for individual pension rights across all three pension pillars.

These proposals are based on the findings from the 2010 consultation on the EC Green Paper on Pensions.

IRSG and OPSG members welcomed the update and noted concerns as to the heavy schedule ahead of both insurance and occupational pensions sectors as well as to the complexity of the overall process which has become challenging even for those directly involved in the process.

Conclusion/Action points: N/A

6.	Overview of work of IRSG and OPSG in 2011 and potential outlook for 2012, if applicable	Discussion
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Remarks:

IRSG and OPSG Chair debriefed attending SG members and BoS representatives as to work undertaken by the two Stakeholder Groups throughout the current year.

IRSG Chair noted, inter alia, the following:

- 2012 is expected to be a very challenging year as the IRSG will be consulted on EIOPA proposals for Technical Standards (expected approx. 60 Consultation Papers). Two topics are already expected to be released into public consultation in November 2011.
- IRSG has decided to set up two subgroups (IRSG-SG on Consumer protection issues and IRSG-SG on anti-discrimination). IRSG members were reminded that applications for membership in these subgroups need to be sent to EIOPA Sec. no later than 30 November.

- IRSG will continue to monitor the developments regarding the IORP Directive revision.

OPSG Chair noted, inter alia, the following:

- Number of meetings of OPSG for 2011 is a clear reflection of the volume of work needed to deliver the Opinion for EIOPA Advice to EC on the revision of the IORP Directive
- Tight timeline imposed by the Commission for EIOPA to deliver its final advice is very challenging also for the OPSG. A steering group has been established in order to further streamline the work on producing the opinion within the set consultation deadlines.
- EIOPA OPC Chair as well as EIOPA representatives directly involved in the Advice work attended OPSG meetings.

EIOPA Management Board member – Hector Sants (UK-FSA) also intervened to note the following:

- Support for EIOPA approach towards outlining the options available for the purposes of consultation as stakeholders have full opportunity to express their views on a range of approaches;
- The need to focus on valuation issues, including the approach to valuing technical provisions (options on the discount rate) and the sponsor covenant
- Disclosure requirements for those joining DC IORPS, and annual statement for DC pensions and money purchase illustrations.
- The need to recognise and assess the likely impacts of the proposals on different Member States as well as the cumulative impact.
- The need to respect the technical nature of the work EIOPA was asked to undertake and that some issues such as the level of security are ultimately political decisions

Conclusion/Action points: N/A

15.15	Coffee break (15 min)	
7.	Tentative conclusions/findings from recent IORP consultation (1st round)	Discussion

Remarks: EIOPA representatives updated SG members as to work undertaken to date, process, input received to date, way forward in relation to providing EIOPA Advice to EC regarding the revision of IORP Directive.

With regard to the way forward for providing EIOPA Advice, the following next steps were announced:

- EIOPA BoS approval sought on 20 October and that the consultation procedure will start on 25 October 2011. Closing date will be confirmed in the consultation document.
- The Consultation Paper covers all 23 topics in the CfA as follows:
 - ❖ Scope of the IORP directive
 - ❖ Definition of cross-border activity
 - ❖ Ring fencing
 - ❖ Prudential regulation and social and labour law
 - ❖ Valuation of assets, liabilities and technical provisions
 - ❖ Security mechanisms
 - ❖ Investment rules
 - ❖ Objectives and pro-cyclicality
 - ❖ General principles of supervision, scope and transparency and accountability
 - ❖ General supervisory powers

<ul style="list-style-type: none"> ❖ Supervisory review process and capital add-ons ❖ Supervision of outsourced functions and activities ❖ General governance requirements ❖ Fit and proper ❖ Risk management ❖ Own risk and solvency assessment ❖ Internal control system ❖ Internal audit ❖ Actuarial function ❖ Outsourcing ❖ Custodian/depository ❖ Information to supervisors ❖ Information to members/beneficiaries <p>EIOPA representatives also presented additional information on the approach followed with regard to Advice on Cfa 5 & 6 – Holistic balance sheet as well as on the topic of information to be provided to members and beneficiaries.</p> <p>Conclusion/Action points: N/A</p>		
8.	<p>Sharing SG experience on public consultation on IORP</p> <p><i>OPSG Chair – Chris Verhaegen will update IRSG and BoS members as to process and work plan OPSG is currently following in order to deliver its opinion on EIOPA Consultations on IORP Revision.</i></p>	Discussion
<p>▪ Remarks: OPSG Chair provided additional details regarding organisation of work with the OPSG members (Steering Group and use of written input). She informed that during the OPSG morning meeting the Group had discussed some main messages prepared by the Steering Group taking into account written inputs already provided by OPSG members. Items reviewed by OPSG morning session include: Scope; Cross border activity; Prudential Regulation and SLL; Cfa13, 17, 18 – General Governance Requirements for IORPs; Fit and proper.</p> <p>OPSG members will be presented further work from the Steering Group at the 22 Nov. 2011 meeting taking into account further written input. If necessary a final meeting could be organised to ensure that the draft Opinion is discussed by the OPSG in full meeting with an adoption following that debate.</p> <p>Conclusion/Action points: N/A</p>		
9.	Overview of Joint Committee Work	Discussion
<p>Remarks: EIOPA Representative updated as current state of work being undertaken by the Joint Committee (EBA, EIOPA, ESMA) incl. as to developments on financial stability and consumer protection.</p> <p>EIOPA Representative also provided additional details as to potential implications of JC work for the two EIOPA stakeholder groups.</p> <p>SG members addresses further enquiries as to consumer protection work undertaken at JC level re PRIPS and more broadly regarding information to be provided to policyholders/members and beneficiaries during the pre-contractual phase.</p> <p>Conclusion/Action points: N/A</p>		

10.	<p>AOB</p> <p><i>IRSG: Confirmed meeting dates</i></p> <ul style="list-style-type: none"> ▪ 2011: 12.12.2011: Reporting and ORSA ▪ 2012: 14.03.2012; 24.05.2012; 27.06.2012; 18.10.2012 <p><i>OPSG: Confirmed meeting dates</i></p> <ul style="list-style-type: none"> ▪ 2011: 22.11.2011: IORP Revision – OPSG opinion <p>Next Joint meeting of IRSG & OPSG: 28.11.2012</p>	Information
<p>Remarks: EIOPA representative also informed SG members as to current initiative to improve communication and public awareness as to work undertaken by the two stakeholder groups. As such, EIOPA invited SG members to provide their bio's so as to update their public profile on EIOPA website.</p> <p>Conclusion/Action points: EIOPA to circulate email inviting IRSG & OPSG members to provide their biographies by</p>		
17.00	Scheduled end of the meeting	