

Summary of Conclusions

Insurance and Reinsurance Stakeholder Group (IRSG)

Seventh meeting

Date: 7 June 2017

Time: 09:30 – 16:00

Location: EIOPA premises

Contact: Florian Ouillades (Stakeholder.Groups@eiopa.europa.eu)

List of participants:

IRSG: Maria Aranzazu Del Valle (Chair), Alexandre Caget, Alexandru Ciuncan, Desislav Danov, Daniel Eriksson, Marie Gemma Dequae, Hugh Francis, Benoît Hugonin, Jimmy Johnsson, Olav Jones, Thomas Keller, Roger Laeven, Stefan Materne Marc Michallet, Amund Lunde, Anthony O’Riordan, Ioannis Papanikolaou, Juan-Ramón Plá, Greg Van Elsen, Valter Trevisani, Karel Van Hulle, Rick Watson, Małgorzata Więcko-Tułowicka, Rickard Ydrenäs.

Not present: Jean Berthon (Vice-Chair), Petra Chmelová, Teresa Czerwińska, Teresa Fritz, Loriana Pelizzon, Annette Olesen.

EIOPA: Gabriel Bernardino (Chairman), Fausto Parente (Executive Director), Manuela Zweimueller (Head of Policy Department) Justin Wray (Deputy Head of Policy Department/Head of Insurance Policy Unit), Camille Graciani (Policy Department), David Cowan (Consumer Protection Department), Jan-Ole Wagner (Consumer Protection Department), Julian Arevalo (Consumer Protection Department), Florian Ouillades (Corporate Affairs Department).

EIOPA Management Board/Board of Supervisors (BoS) Members: Frank Grund (BaFin, DE), Dominik Smoniewski (NBB, BE).

European Commission (EC, DG FISMA): Steve Ryan (via telco).

1. Approval of the draft agenda

Conclusion/Action:

- The agenda was adopted.

2. Update by the EIOPA Chairman

Recovery and Resolution:

Following the publication of the Discussion Paper and the feedback received from IRSG and other stakeholders, EIOPA’s Opinion on harmonisation of recovery and resolution frameworks for insurers will be presented for approval to the EIOPA BoS at the end of June 2017. Issues requiring a common approach are the scope for recovery and resolution planning (criteria to waive the requirements where necessary in order to avoid excessive burden for small insurers) and the

limitations to restructuring e.g. "bail-in" power.

Long-term Guarantees (LTG)

EIOPA's report on the LTG review for 2017 – to be published in December – will include a thematic focus on public disclosure on the use and impact of the LTG measures. EIOPA is in the process of collecting information from market participants. It is suggested to discuss public disclosure issues at the IRSG meeting on 5 September 2017.

EIOPA described its mandate covering all aspects of LTG including the sensitivity aspect, which is an important parameter of the risk-free rate mechanism. EIOPA explained that the LTG annual report will be based this year on more precise data. With regard to the Board of Supervisors decision on the topic, it does not entail advice for changes: The 2017 exercise focusses on gathering data while the 2020 report will give recommendations.

PRIIPs

Following the EIOPA BoS adoption at the end of May 2017 of a first package of the Joint European Supervisory Authorities (ESAs) Q&As on the PRIIPs Delegated Regulation (RTS), the ESAs intend to publish these once the Commission has published their own Communication on issues concerning the PRIIPs Regulation. The ESAs Q&As will include some guidance on the assessment of credit risk for insurers. Work is also ongoing on a second set of Q&A to be published in the summer 2017.

Enhanced website publication of statistical information on the insurance sector based on Solvency II data

EIOPA proposes to move forward from the current situation – i.e. annual publication on its website of a statistical annex based on Solvency I data sourced directly by National Competent Authorities (NCAs) – to more frequent publication of comprehensive statistical information on the insurance sector based on Solvency II data from regulatory reporting. It is suggested to discuss Solvency II data collection at the IRSG meeting on 5 September 2017.

Statement on Own Risk and Solvency Assessment (ORSA)

EIOPA is publishing a statement on ORSA in June 2017. Individual follow up by EIOPA's Oversight team on NCAs' approach towards ORSA will be conducted in the second half of 2017. A more detailed Peer Review on ORSA is foreseen for the second half or end of 2018. The current statement should be considered as an opinion, rather than formal advice, on facts as EIOPA sees them on the first year of implementation.

EIOPA's Chairman provided further details about the ORSA process e.g. on proportionality, while a BoS representative explained the process of how inconsistencies are identified at a national level and then discussed in EIOPA committees.

Members stressed the need to adapt communication on ORSA to the various types of audiences (financial analysts, general public, etc.).

Solvency and Financial condition report (SFCR)

EIOPA's Chairman explained that all undertakings and groups must disclose on an annual basis a report on their solvency and financial condition. EIOPA is currently analysing data and making compatibility checks. The aim of this publication is to increase both transparency (Pillar III) and market discipline (Pillar II). Deadline for first disclosure of year-end 2016 data was on 20 May 2017 for solo SFCR. First analysis will be available by the end of 2017. It is suggested that EIOPA regularly informs IRSG about its data analysis, EIOPA has increased interaction on the topic e.g. with financial analysts through regular workshops.

EIOPA's Strategy Day

EIOPA's Chairman informed IRSG about the EIOPA Strategy Day 2017 and the topics discussed such as big data and supervisory convergence. It is suggested that EIOPA presents the outcome of the discussions on supervisory convergence at the IRSG meeting on 5 September 2017.

Brexit

BoS agreed in March 2017 that "EIOPA should play an active and strong role in setting out the guiding principles that should apply with regard to the authorisation, outsourcing and ongoing supervision, supported with oversight action." EIOPA carried out six on-site visits at NCAs took place and held several meetings with EU institutions.

Conclusion/Action:

- EIOPA to inform about timeline for IRSG consultation on solvency and financial condition report (SFCR) and InsurTech topics.
- EIOPA to discuss with IRSG in September 2017 the topic of Supervisory Convergence

3. Update by the European Commission (COM)

IDD

the European Commission will adopt draft Delegated Acts by mid-July 2017. The dossier is currently at the final translation stage. Finalisation is expected at the end of 2017 after the 3-month scrutiny period. Some members emphasized potential legal risks on the operational level of firms due to the tight timeline for implementation.

PRIIPs

The PRIIPs regulatory technical standards (RTS) in the form of a Commission Delegated Regulation will enter into force 20 days after their (imminent) publication in the Official Journal of the EU. They will be applicable from 1 January 2018.

Simple, Transparent and Standardised (STS) securitisations

A proposal to revise the relevant capital calibration for STS by banks and insurers is planned. However, further details are not known at this stage. A legislative proposal is expected beginning of 2018. COM is currently analysing the impact of the outcome of Trilogue discussions to ensure alignment between the banking and insurance sectors.

Covered agreement

COM representative outlined the entering-into-force process of the EU-US covered agreement, which will not require a State-by-State ratification in the US. One member asked if COM planned a similar agreement with China. No formal agreement is foreseen. However, regular exchanges take place.

EIOPA highlighted in this respect the signature in 2016 of a Memorandum of Understanding between EIOPA and the China Insurance Regulatory Commission.

SCR standard formula Review

Based on EIOPA's technical advice, COM adopted on 8 June 2017 an amendment to the Solvency II Delegated Regulation. Ongoing preparatory work is conducted between COM and EIOPA for the 2018 review of the delegated acts, which will focus on the Cost of Capital.

Conclusion/Action:

- European Commission to check feasibility of attending IRSG meeting on 5 September 2017

4. European Commission's Public Consultation on the Operations of the ESAs

Benoit Hugonin presented the main points (link to presentation [here](#)) of the Joint ESAs Stakeholder Groups letter to COM and of the IRSG response. The main points include more meetings between the IRSG and EIOPA Board members and more involvement in level 3 measures. IRSG is supportive of EIOPA's approach towards supervisory convergence and wishes more IRSG insight into the supervisory handbook and a larger role in peer reviews.

EIOPA's Chairman outlined the view of the Authority and the need for a holistic and integrated approach to prudential and conduct of business supervision. Any changes to the institutional set-up must entail this approach.

EIOPA wants to make further progress on supervisory convergence (with a clearer reference to soft tools) equivalence assessments (monitoring them over the years) or internal models (where approval should go hand in hand with supervision).

EIOPA needs more than a coordinating role given the large cross-border dimension of insurance business, but also increasing failures, regulatory arbitrage, and Home/host supervisor issues.

The meeting participants discussed e.g. to what extent EIOPA should issue preparatory guidelines, produce work on level 2 before level 1 is in place, or determine the EU international strategy in negotiations at the IAIS. They also asked to have the possibility of analysing the final version of Q&A's before their publication. The need for reform of EIOPA's governance structure identified by IRSG was also addressed (e.g. with the suggestion of an Oversight Board).

Conclusion/Action:

- Benoît Hugonin to suggest to ESAs Stakeholder Groups to include reference in the Joint letter to (1) COM representative attendance at Stakeholder Group meetings (2) not to draft any preparatory work on level 3 measures until level 2 is finalised

5. Solvency II review: Solvency Capital Requirements and key technical concepts

EIOPA staff presented an overview (link to presentation [here](#)) of the first set of advice for consultation, the scope of information requests (strategic participation, volume measure for premium risk, interest rate risk), and the contents of the second call for advice. Public consultation on the draft advice, to include concrete plans, is scheduled for July-August and then November-December 2017.

EIOPA clarified the scope of the project as regards equity and the proposed look-through approach for vehicles that invest on behalf of the insurance undertaking for instance in property. EIOPA also explained that proposing policy options for the "Loss absorbing capacity of deferred taxes" item is part of the mandate of the Authority, and also stressed the convergence objective of the project.

Conclusion/Action:

- Delegation of IRSG members to attend EIOPA Roundtable on 19 September 2017 on EIOPA's Project on the Review of the Solvency Capital Requirement Standard Formula under Solvency II. EIOPA to confirm the date.
- EIOPA to present to IRSG on 5 September 2017 outcome of "Workshop on the treatment of unrated debt and unlisted equities in the standard formula".

6. Insurance Capital Standard (ICS)

EIOPA staff updated the IRSG (link to presentation [here](#)) on the status of the work of International Association of Insurance Supervisors (IAIS) and in the development of the global Insurance Capital Standard (ICS). The fourth quantitative Field Testing exercise is taking place this summer, with a final submission date on 1 September 2017. The importance of the participation of European groups was highlighted, as this is fundamental to ensure the standard appropriately reflects the reality of European business. ICS 1.0 for extended Field Testing is expected to be published in July 2017. This is an important milestone in the path towards the completion of ICS 2.0 by end-2019, which should be a version fit for implementation by IAIS Members.

IRSG appreciated the regular debate on the ICS. Members pointed out that it is important to debate the nature of the ICS, not to prejudge too early and keep options open but to ensure a level playing field. EIOPA will investigate whether a list of Internationally Active Insurance Groups is available from IAIS but pointed out that criteria are clear and publicly accessible. EIOPA reemphasised its commitment to the ultimate goal and the current timeline for the ICS 2.0, which will be a supervisory standard.

IAIS will publish the ICS1.0 – extended stress testing version end June/early July 2017. IRSG Members pointed out that the external market's perspective is key to be taken into account, when, for example, confidential reporting may be considered by the IAIS, and that it is acknowledged that the topic of valuation and avoidance of procyclicality poses a challenge. EIOPA is aware of and attentive to potential interlinkages between the current review of SII and the development of the ICS.

Conclusion/Action:

- IRSG to clarify deliverable in IRSG work plan for this particular topic, discuss if needed Insurance Core Principles (ICPs) at IRSG meeting on 5 September 2017.

7. Consumer Protection:

7.1 Insurance Distribution Directive

7.1.1. Review of Professional Indemnity Insurance (PII) amounts

EIOPA staff presented to IRSG members (link to presentation [here](#)) the review to be undertaken for the revision of PII limits and the requirement to develop draft RTS. The purpose was to gather information regarding the efficiency of the existing market for PII cover and whether there were any specific market failures that could be identified.

Four questions were asked to the IRSG:

- What is your experience with PII for insurance and reinsurance intermediaries?
- Are you aware of any current issues or problems with PII for insurance and reinsurance intermediaries?
- Any views on the minimum limits in IDD?
- Any evidence that the minimum amounts foreseen by IDD are not sufficient?

The feedback received from IRSG members was that:

- Claims for PII vary from country to country. It is therefore difficult to get an overview of possible issues. It seems especially difficult to find evidence to the adequacy of the minimum limits.
- Obtaining PII cover is generally not a significant market-entry barrier to entry for intermediaries.
- The adjustment envisaged in IDD is merely mechanical. Therefore, EIOPA's role would be investing resources for a review that would not change the outcome.
- When comparing PII cover to a deposit guarantee scheme, the minimum amounts of PII for individual cases were too high and the aggregate amount too low.

The IRSG will send a written response to the four questions raised above.

Conclusion/Action:

- Juan-Ramón Plá to coordinate IRSG input on the topic and liaise with EIOPA.

7.1.2. Evaluation of structure of intermediaries' markets

EIOPA staff explained (link to presentation [here](#)) its requirement to draft a report to evaluate the structure of the insurance intermediaries' markets under the Insurance Distribution Directive (IDD) and asked IRSG for further input. It was explained that this deliverable derives from the Commission's 2012 legislative proposal on IMD2 and was part of the "Review" clause in the Directive. It was essentially a study on quantitative elements and EIOPA was currently running a survey with national authorities looking at four different elements:

- Categories, numbers and national market share of insurance intermediaries/direct writers;
- "New distribution channels", in particular comparison websites;
- Types of remuneration models used by insurance intermediaries; and
- Data on patterns of cross-border activity.

The diversity of the intermediary distribution landscape in Europe was identified with local categories of intermediaries and insurance not being a homogenous sector, indicating a challenging data collection exercise to come.

Members stressed the need to focus, in particular, on the impact on small and medium-sized intermediaries as these were a large proportion of the market. EIOPA was also encouraged to consider third party studies already produced and to include reinsurance intermediaries in the survey. In addition, the fact that direct sales were included in the study was also strongly supported.

Conclusion/Action:

- IRSG to provide comments by 14 July 2017 on the EIOPA Survey for the purposes of evaluating the structure of insurance intermediaries' markets
- Juan-Ramón Plá to coordinate IRSG input.

7.2. Consumer Trends Report

EIOPA staff thanked IRSG members for the quality of input to its the Consumer Trends Report, which will be very useful to complement the feedback received from National Competent Authorities (NCAs) and other stakeholders. EIOPA explained this year's forward-looking approach and focus on new technologies. Prioritising the sources of information and singling out the most significant trends is the main challenge given the diverging views in the EU market.

Conclusion/Action:

- None

7.3. European Commission's public consultation on FinTech

Desislav Danov updated the group on the status of the IRSG draft response. Members discussed the impact on the reinsurance market as well as the difference between risk-taking behaviours and the various broking systems in Europe.

On the question of how disruptive the FinTechs are for the market, all agreed about the overall objective to ensure sufficient consumer protection and a level-playing field in Europe.

There was large support for further analysis work in the area, acknowledging that regulators must keep up to speed with technology.

EIOPA confirmed its intention to work on best practices in the field of insurance innovation. The Management Board representative confirmed the reality of so-called "sandboxes", which should be understood as a proportionate – not compromised – aspect of regulation. For instance if, after sandbox testing, a firm wants to offer its services to the wider market, it shall comply with the regulatory framework applicable to that activity.

Conclusion/Action:

- Members to send general comments by Friday 9 June 2017 on public consultation to Dessislav Danov.
- Dessislav Danov to prepare draft for circulation by Tuesday 13 June 2017, incorporating relevant messages from IRSG opinion on Big Data.¹

7.4. European Commission's Consumer Financial Services Action Plan: Better Products, More Choice

Rickard Ydrenäs briefly outlined the status of the IRSG Position Paper to the group.

Conclusion/Action:

- Rickard Ydrenäs to circulate draft shortly after conference call of Working Party on 12 June 2017.
- IRSG to adopt final document by mid-July 2017.²

8. Internal organisation

The IRSG Chair updated the Group about the outcome of a call of the Communications subgroup on 17 May 2017 and commented on suggestions to enhance the visibility of the Stakeholder Groups (SHG)' role and work. Room for improvement identified by the Subgroup include the presentation (executive summaries), display (on EIOPA website) and distribution of the IRSG opinion and feedback, as well as a better reporting on the activities of the group in the EIOPA Annual Report and Stakeholder Group Activity Report.

Conclusion/Action:

- EIOPA to give feedback to IRSG Communications Subgroup about the feasibility of suggestions made during the meeting.
- IRSG Members to send to EIOPA Secretariat by 20 June 2017 suggestions for topics, set-up, etc. regarding Joint EIOPA Board of Supervisors and Stakeholder Group meeting on 28 November 2017.

¹ Timing was slightly adjusted post-meeting.

² After the above-mentioned conference call, IRSG Working Party on Fintech decided not to present any document.