

## Summary of Conclusions

### Insurance and Reinsurance Stakeholder Group (IRSG)

#### Tenth meeting

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Date: 16 February 2016

Time: 09:30 – 17:00

Location: EIOPA premises

Contact: [peter.kleisen@eiopa.europa.eu](mailto:peter.kleisen@eiopa.europa.eu)

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#### List of participants:

IRSG: Karel Van Hulle (Chair), Olav Jones (Vice-Chair), Renzo Avesani, Jean Berthon, Yannick Bonnet, Paul Carty, Alexandru Ciuncan, Seamus Creedon, Maria Aranzazu Del Valle, Marie Dequae, Jari Eklund, Francis Frizon, Marcin Kawiński, Thomas Keller, Edgar Koning, Damien Lagaude, Baiba Miltovica, Annette Olesen, Ioannis Papanikolaou, Nino Savelli, Martin Simhandl, Mojca Strucl, Claes Thimrén, Rick Watson, Malgorzata Wiecko-Tułowicka.

Not present: Andreea Cosma, Frank Ellenbürger, Maria Heep-Altiner, Fernando Herrero, Dieter Wemmer.

EIOPA: Carlos Montalvo (Executive Director), Peter Braumueller (EIOPA Vice-Chair), Dominik Smoniewski (Alternate Management Board member), Justin Wray (Head of Policy), Katja Wuertz (Head Cross-Sectoral and Consumer Protection Unit), Gabriele Arnoldi (Coordinator External Relations), Pamela Schuermans (Coordinator Insurance), David Cowan (Project Manager on the Insurance Distribution Directive), Jarl Kure (Coordinator Supervisory Oversight), Vesa Ronkainen (Coordinator Internal Models), Pieter Hulst, Moritz Beker, Julian Arevalo (Cross-Sectoral and Consumer Protection Unit), Peter Kleisen.

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

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### 1. Approval of the agenda

- The draft agenda of the meeting was approved.

### 2. European Commission update and EIOPA general update

#### ➤ European Commission update

Steve Ryan provided an update via phone:

- The implementing act with the technical information (RFR tables) has been published in the Official Journal of 5 February. It was clarified at the request of an IRSG-Member that EIOPA's technical information is intended to be used as a reference for information. The implementing act is the official legal source.
- Green paper on retail financial services: a Public Hearing will be held on 2 March 2016 in the context of the broad consultation with stakeholders launched by the Green paper on retail financial services published by the European Commission on 10 December 2015.

- Delegated Acts - Infrastructure: the European Parliament has extended by another three months the scrutiny period (until end of March 2016 the latest assuming that the EP will use the full additional 3 months) and therefore its right of objection. The Commission mentioned in this respect also a letter from the European Parliament to Commissioner Hill, which can be found [here](#)
- Many comments received on Call for Evidence EU regulatory framework for financial services, currently being processed by COM.
- Trialogue IORP II starts end of this months
- At the request of an IRSG-member, the Commission provided a link to the website about the 'Monitoring implementation and enforcement of Directives', see [link](#) (scroll down for Solvency II).

➤ **EIOPA general update by EIOPA Executive Director**

- EIOPA - organisational issues:
  - The European Parliament confirmed the reappointment of the EIOPA Chair on 16 December 2015. Second five-year term of Gabriel Bernardino will start on 1 March 2016.
  - BoS elected Fausto Parente as new Executive Director of EIOPA. Appointment is subject to confirmation by the European Parliament. Fausto Parente is currently Head of the Supervisory Regulation and Policy Directorate of IVASS – Istituto di Vigilanza sulle Assicurazioni.
  - Peter Braumüller, Managing Director at the Austrian Financial Market Authority, was re-elected as EIOPA's Alternate Chair.

- Work programme 2016: AWP 2016 was revised following a shortfall in financial and human resources (almost 2 and a half million Euros less and 9 fewer FTEs than requested). The re-prioritisation resulted in 10 products/services being cut (e.g. review of methodology for thematic review and Principles of crisis management practices) and reduction in scope of a further 11. The AWP 2016 has been published at EIOPA's website, link [here](#)

Single Programming Document (SPD) 2017-2019: Following the introduction of new financial regulations, the AWP 2017 is now part of a new document called the SPD 2017-2019. The SPD is intended to combine the related products of the multi-annual (strategic objectives and areas of work for 3 years) and annual work programmes (specific activities, products and services to be delivered in a year) with budget and human resources requirements. The Final SPD 2017-2019 will be adopted in September 2016, before that date the new IRSG-group will be asked for input.

- Stakeholder selection procedure: The EIOPA Board of Supervisors, during its meeting on 29 January, took a decision on the new composition of the stakeholder groups. It is a challenging process whereby many aspects, both described in the Regulation as well as on advice by the Ombudsman, have to be taken into account (gender balance, geographical balance, continuity/new members, etc). All candidates have been informed about their membership or rejection. New composition will be published at EIOPA's website in the first week of March. EIOPA thanked all Members for their participation.
- Solvency II update: As part of the implementation of the new regulatory framework, the following projects and initiatives regarding "insurance policy" are ongoing:
  - Advice on infrastructure (expected Summer 2016) - see also below
  - International capital standard - see also below
  - SCR review project (2016-2018) and LTG review project (2016-2020) - see also below
  - SRP Handbook (ongoing, chapters on Internal Models, Prudent Person Principle, ORSA, Group supervision are due to be agreed this year)
  - Q&A on the SII regulation

- Governance structure working groups: A new working structure is being gradually implemented to further increase the efficiency of EIOPAs work and ensure upfront steering for key projects. During the pilot phase (up till April/June) two steering committees will be implemented, one for insurance policy and one for financial stability. The steering committees, composed of BoS members, will provide upfront steer to particular projects, which will be carried out in project groups. Expert networks composed of NCA experts will act as a pool of experts to seek evidence on particular themes.
- Public Consultation Audit Guidelines: The recent reform of the Audit Directive and even more so of the Audit Regulation aimed at improving the perception and the transparency of the auditor's role in the statutory audit of financial statements. Several measures were introduced, for example mandatory rotation, limits on non-audit services and strict rules on services an auditor should not provide. The Audit Regulation, which also focuses on the statutory audit of banks and insurers, sets out rules on a regular dialogue between statutory auditors and supervisors to inform both the audit and the supervision of those entities. EBA and EIOPA have been working on Guidelines to foster supervisory convergence in this field. EIOPA's public consultation of its Guidelines runs until 26th April. They should become applicable in 2016.
- SCR Review and LTG review: EIOPA started in February 2016 projects to support the review of the SCR standard formula by 2018 and the review of the long-term guarantees measures and the measures on equity risk by 2020. As part of the latter review EIOPA will publish annual reports on the impact of the measures, starting with the first report in 2016.
- International Capital Standards-developments: The IAIS continues to progress its work on the development of a global ICS. Feedback to the Public Consultation which ended in early 2015 continues to be published. At the same time, the IAIS is working to finalize the Technical Specifications for its 2016 Field Testing exercise (beginning in May) and the 2nd ICS Public Consultation (to start in June). This year's exercise will focus on the refinement of Valuation methodologies, namely regarding the issue of volatility, as well as further development of the Capital Resources and Capital Requirements frameworks. The first version of ICS should be finalized in mid-2017 and the second version (the first expected to be implementable) will be completed by the end of 2019.
- RFR: In January 2016 EIOPA has published for the first time risk-free interest rates that will be used in Solvency II.
 

EIOPA will continue the review of the methodology to derive the ultimate forward rate. The review will include a public consultation. Results are expected for September 2016. Implementation of any changes will not take place before 2017.

EIOPA will carry out the regular update of parameters used in the calculation, in particular the update of the DLT assessments. EIOPA is also working on a possible update of the representative portfolios.
- Call for advice on infrastructure corporates: EIOPA is currently analysing the data available. EIOPA envisages consulting on draft advice following the April Board of Supervisors. A consultation period of around a month is envisaged due to the time constraints (deadline from the COM).
 

EIOPA held a Roundtable discussion with selected stakeholders on the 12 February - similar events were held during the previous call for advice on Infrastructure last year.

- Insurance stress test 2016: To mitigate the burden in 2016, the stress test exercise will be more focused than previous edition and it is tailored to assess the insurance sector's vulnerabilities to a combination of adverse market-risk scenarios, paying attention only to low interest rate and double hit, i.e. not insurance specific stresses will be tested. In line with this idea, the exercise will be based on a sample of solo insurance undertakings most vulnerable in a persistent low interest rate environment and a double hit scenario where, in addition to the low interest rates, the assets prices are also stressed. Reference data will be year-end 2015 as collected during 2016 and likely supplemented with cash flow projections. A dedicated area in EIOPA website has been enabled on 2nd of February where broad information and timeline of the exercise is currently available and where EIOPA will provide industry participants with the regular updates on the status and all the upcoming steps of the stress test. Consultations with industry participants are planned to start in March 2016. Disclosure of the results of the stress test analysis in December 2016.
- **Main points of discussion**
  - The IRSG Chair asked for EIOPA's view on an [ESRB paper](#) on macro prudential issues (lack of counter-cyclical buffers in SII). EIOPA mentioned that it considers SII to have already elements of counter-cyclical buffers, and is not supportive of any changes now. EIOPA will not provide a formal public statement on this, but expresses its views in various events it attends.
  - A member asked about the possible changes to the UFR. A public consultation will take place, results by September 2016. If any changes are needed at all, these will only be for 2017.

### 3. IRSG Chair update and report on recent activity

- The IRSG-Chair discussed the status of the IRSG [Work Plan mid-2015 – March 2016](#):  
**Conclusions/actions points:**
  - EIOPA will send a short questionnaire soon on the equity dampener. Seamus Creedon will coordinate an IRSG response to this.
  - Own initiative papers will have on the first page/cover note an overview of the main recommendations. These highlights will be sent to IRSG for endorsement by all Members. Topic owners of the various own initiative papers will revise the papers accordingly.
  - EIOPA's Security officer will be invited for one of the next meetings to provide a presentation on cyber risk.
  - Input requested by end of the week to Frank Ellenbuerger on Consultation Paper Audit Guidelines. Subsequently Frank will provide a draft response.
  - Jean Berthon will provide a draft IRSG-response by the end of the week on the Discussion Paper on automation in financial advice.
  - IRSG Chair will share the EIOPA response to questions about 'look through' approach.
  - A member wondered whether the European Parliament is aware of the work the IRSG undertakes. It was agreed to send the end of mandate report to the EP, and also possible other institutions/interested parties.
- ESFS review: no discussion, further work needs to be undertaken.  
**Action point:**
  - IRSG Vice-Chair to follow-up with OPSG-Chair on draft paper.

#### 4. Initial feedback on responses to the PEPP consultation

Justin Wray (Head of Policy) and Katja Wuertz (Head Cross-Sectoral and Consumer Protection Unit) gave a presentation, see link to the [presentations](#)

##### ▪ Main points of discussion

- Support for the preference for a second regime solution over harmonisation of existing personal pension products.
- Concern whether aspects such as not requiring advice would lead to consumer detriment; on the other hand in other fields simplified products had been introduced successfully.
- The importance of transparency in the level of costs and charges.
- Some disagreement with the advice that switching should not be restricted for all products, though it would remain possible for some.

##### ▪ Action point

- IRSG will respond under its current mandate (which runs to April 3) to the paper, including the part with Consultation on PPPs. Edgar Koning to coordinate the response.

#### 5. EIOPA - Consumer protection:

- Update on the work on the Insurance Distribution Directive (IDD)

David Cowan (Project Manager on the Insurance Distribution Directive) gave a presentation (see link to the [presentations](#)) setting out the imminent deliverables for EIOPA under the IDD, some of the key questions to be answered and the anticipated timeline for delivery. IRSG was, in particular, thanked for the input given on the recent on-line survey published by EIOPA.

##### ▪ Main points of discussion

- Issue of the timeline for delivery of the technical advice to the Commission on the four delegated acts. On this point, it was clarified that, although the Commission had not sent EIOPA a formal Call for Advice yet, EIOPA had nevertheless received from the Commission an indicative deadline for delivery of the technical advice of 1 December 2016. EIOPA's understanding was that this deadline was originally based on the assumption that the IDD would enter into force in December 2015 to allow EIOPA at least 12 months to deliver its advice. Given that the IDD was only entering into force on 23 February 2016, EIOPA's expectation was that when sending the formal Call for Advice to EIOPA, the Commission would adapt its deadline to February 2017 to reflect this change.

- Feedback on consultation paper on the PRIIPs Key Information Documents

Pieter Hulst (Expert Cross-Sectoral and Consumer Protection Unit) gave a presentation, see link to the [presentations](#). Thanks to the IRSG for their input.

##### ▪ Main points of discussion

- Successful consultation of draft RTS: over 100 stakeholders reacted.
- Most made remark in the consultation was the timing issue: the limited time stakeholders have to comply with the RTS after it will be published in the Official Journal (somewhere in the summer). In this context a member advocated that the project should be delayed for at least 1 year, another member stressed the limited time industry has to implement.
- Cost presentation – questions were raised about comparability when including the costs associated with the insurance cover (not the actual price of the biometric risk cover itself, this is kept out of the cost section). EIOPA explained that this is a compromise: the fund industry is pushing to regard everything that is not invested as costs, the EC uses the legal argument that all costs should be in the aggregated cost figure and the insurance industry would like to treat the insurance part as a

separate product and only display the investment costs. The presented compromise is not ideal but in the end acceptable for all parties.

- Feedback on consultation paper on POG preparatory Guidelines for insurance undertakings and insurance distributors

Moritz Beker (Expert Cross-Sectoral and Consumer Protection Unit) gave a presentation, see link to the [presentations](#), summarising the feedback received in response to the Public Consultation on the draft POG Guidelines. He highlighted that many respondents supported the introduction of POG arrangements, but were concerned about the enforcement date of the Insurance Distribution Directive (IDD) and its future implementing measures. EIOPA explained that the POG Guidelines would be of preparatory nature aiming to provide guidance and to bridge the time until the IDD has to be applied.

- **Main points of discussion**

- Some IRSG members expressed their scepticism as regards the issuance of the POG Guidelines arguing that the proposed guidelines for distributors would not be appropriate and go beyond the new requirements of the IDD.

- EIOPA Consumer Trends Report 2015

Julian Arevalo (Expert Cross-Sectoral and Consumer Protection Unit) gave a presentation, see link to the [presentations](#). He thanked the IRSG for the input given.

- **Main points of discussion**

- Some members stated that a trends report should be differentiated from 'anecdotal statements'. Also the number of complaints should be seen in perspective, e.g. by comparison with other sectors or the number of contracts.
- One member proposed that EIOPA should closer liaise with FIN-NET.
- EIOPA clarified that insofar the report aims to inform EIOPA in the identification, prioritisation and development of targeted policy proposals; EIOPA seeks to identify possible consumer protection issues arising from the trends identified in the report. Nevertheless, positive trends shall also be identified and highlighted.

- **Action point**

- Alexandru Ciuncan will coordinate IRSG response to the EIOPA questionnaire, with input from both the current and the new IRSG-group.

## **6. EIOPA – Experiences from first wave of applications and approach to on-going supervision of internal models in 2016 and beyond**

Vesa Ronkainen (Coordinator Internal Models) presented the topic. His slides (slightly revised to make them suitable for the public website) are available [here](#).

- **Main points of discussion**

- A question was raised about the number of Internal Models, which is around 50 (no exact number can be given by EIOPA at this moment of time).
- EIOPA confirmed that on the banking side, based on meetings with the Single Supervisory Mechanism (SSM), similar procedures exist regarding Internal Models.
- Members thanked EIOPA for the transparency and stressed the importance of EIOPA in this process. They asked EIOPA to encourage Member States to be transparent as well (the PRA was given as a good example).
- A member asked if deferred taxes are on the radar of EIOPA. This was confirmed, but not only in relation to Internal Models, also in a broader context.
- A member stressed that the Internal Model approval process was also challenging for industry, not only for the supervisors. EIOPA acknowledged this and is open to receive feedback from industry as well.

## **7. EIOPA – Work on monitoring of NCAs’ preparation for Solvency II**

Jarl Kure (Coordinator Supervisory Oversight) gave a presentation, available [here](#).

### **▪ Main points of discussion**

- IRSG Chair stressed the importance of the work, and proposed to follow-up on the topic in the future. Under the new IRSG-mandate the group could think of how to assist EIOPA in their work.
- Also other members underlined the importance of convergence and EIOPA’s role here.

## **8. IRSG – End of mandate report**

The IRSG-Chair presented the ideas about the new set-up of the end of mandate report. It will get a more streamlined approach, with the details in Annexes. IRSG-members supported this approach.

### **Conclusions/action points:**

- Support for the new approach regarding the end of mandate report.
- IRSG (Vice) Chair will provide 1st draft on which comments are asked from Members (2 weeks for comments). Based on comments a final draft be presented for a written approval procedure (end March/early April).
- IRSG to consider distribution of the end of mandate report, e.g. to EU institutions.

## **9. AOB**

- The IRSG Chair thanked all Members for their contributions during the mandate. Also appreciation for the support received from EIOPA. Many challenges ahead for the new Group (low interest environment, SII implementation, consumer protection, etc.). The IRSG-Chair also proposed the introduction of an alumni-network, in order to stay in contact with those Members that won’t be present in the next IRSG.
- Dates for the meetings under the new IRSG-mandate: 26 April (inaugural), 9 June, 15 September, and 28 November (Joint BoS/IRSG/OPSG).