

Summary of Conclusions

Insurance and Reinsurance Stakeholder Group (IRSG)

Third meeting

Date: 15 September 2016

Time: 09:30 – 16:00

Location: EIOPA premises

Contact: peter.kleisen@eiopa.europa.eu

List of participants:

IRSG: Maria Aranzazu Del Valle (Chair), Huub Arendse, Alexandre Caget, Alexandru Ciuncan, Desislav Danov, Marie Gemma Dequae, Hugh Francis, Teresa Fritz, Benoît Hugonin, Jimmy Johnsson, Olav Jones, Thomas Keller, Roger Laeven, Marc Michallet, Annette Olesen, Anthony O’Riordan, Juan-Ramón Plá, Valter Trevisani, Greg Van Elsen, Rick Watson, Małgorzata Więcko-Tułowicka, Rickard Ydrenäs

Not present: Jean Berthon (Vice-Chair), Petra Chmelová, Teresa Czerwińska, Daniel Eriksson, Stefan Mærterne, Ioannis Papanikolaou, Loriana Pelizzon, Karel Van Hulle

EIOPA: Gabriel Bernardino (Chair), Fausto Parente (Executive Director), Peter Braumüller (Management Board Member), Justin Wray (Head of Policy), David Cowan (Project Manager on the Insurance Distribution Directive), Adrian O’Brian (Expert on Consumer Protection), Timothy Shakesby (Coordinator Consumer Protection Team), Camille Graciani (Expert on Insurance Policy), Sandra Desson (Coordinator Colleges Team), Peter Kleisen (External Relations Team), Katalin Almasi (Insurance Team)

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

1. Approval of the agenda

The IRSG Chair welcomed members to the third meeting and introduced the draft agenda.

Conclusion/Action:

- The agenda was approved.
- If IRSG Members have suggestions for the agenda, they can approach the EIOPA Secretariat at least 5 weeks before the meeting.

2. Updates by EIOPA and the European Commission

EIOPA Chairman, Gabriel Bernardino updated the IRSG on:

- The first Long Term Guarantee report is being prepared. The thematic focus this year is the approval processes. Further use of 2016 reporting to assess first time financial impact on balance sheet. The reports will be factual, without recommendations. EIOPA aims to submit the final document to the European Commission by the end of the year. IRSG opinion will be sought when EIOPA will be drafting its own opinion as required (during 2020).

- PRIIPs – EIOPA continues to be supporting the RTS, and no implementation of PRIIPs without the RTS. Related to the concerns expressed, these might be solved via a Q&A or can be put in the RTS to have more legal clarity. EIOPA stressed the need for a package solution, which has to be a right solution for consumers, industry and supervisors.
- First Solvency II peer review has been launched. The theme is proportionality in application of key functions requirements. Closure is expected by autumn 2017.
- Pro-active approach to international developments: highly involved in seeking EU responses to the development of the International Capital Standards within the framework of the International Association of Insurance Supervisors (IAIS). The public consultation ICS 1.0 is ongoing until 19 October.
- Drafting of the Supervisory Handbook is progressing very well. Currently the team is working on the chapter on the life technical provisions and updating the ORSA, next topics will be the SCR and own funds. Good practices and concrete examples will be used to find the key characteristics of European supervisory culture. The target date for finalisation is end of next year.
- Consistency reports on for example sovereign risks, market risk and Internal models. The report will be shared with IRSG after the report is discussed in BoS. EIOPA confirmed that the co-operation between companies and supervisors in the context of internal models will be addressed in the Supervisory Handbook and might be covered in the consistency report. Step-by-step approach is used to handle changes in the models.
- Results from participants of the Insurance Stress Test are being validated centrally by EIOPA after the first filter at national level. Currently NCAs should have informed the participants in their market of any potential data issue. The central validation team is waiting for any clarification or resubmission before considering the database ready for the analysis by the end of September. Around 230 companies from 29 countries have submitted results representing ca. 75% of the European market which is considered relevant for this focussed exercise (i.e. life business with guarantees). Internal deliberations on the stress test report are expected to happen in October and November with publication in December. This stress test targeted only business models that are affected by the low interest rate (i.e. life business with guarantees), and will report only on country level. The two main goals of the stress test are vulnerabilities and recommendations for the future. The aim is to have a full stress test in 2018 and details of reporting will be decided later.

Members are welcome to inform EIOPA about any issues and difficulties companies experienced during the exercise.

- The EIOPA Chair re-emphasised that there is no change in the status of the United Kingdom as member of the European Union further to the Referendum in June. Work of the UK IRSG Members continues as usual.
- EIOPA and NCAs have product intervention empowerments entering into force with the PRIIPs Regulation on 31 December 2016. Despite on-going political discussions on PRIIPs, EIOPA does not expect a delay or postponement of the banning powers. The BoS will discuss the rules of procedure that operationalise the intervention powers. That said, EIOPA views temporary bans as very strong measures that require cautious considerations. Therefore, EIOPA is monitoring the market and is pro-active in finding pragmatic solutions to potentially harmful developments. The IRSG can be involved in this as well in the future.
- As promised by EIOPA Chair during the inaugural meeting of the IRSG in April 2016, he would inform the BoS of discussions in the IRSG Sub-groups where relevant for the BoS agenda. In their June meeting, BoS Members were informed about the IRSG opinion on the public consultations on calibration for infrastructure corporates and the Insurance Distribution Directive.
- In response to the question raised by a Member on how the activity based approach is implemented, EIOPA Chair informed the IRSG on working closely with the ESRB on a report on the impacts of the long-lasting low interest rates. After the approval of the ESRB Board, the report will be published. EIOPA confirmed its view in a recently published report on how the potential elements for macro-prudential approach have to be clearly related to Solvency II. Consistency needed between macro and micro related regimes. This view is promoted also on international level.
- At a question if EIOPA is involved in the Block exemption regulation, EIOPA stated that it isn't.

Steve Ryan (DGFisma, European Commission) updated the IRSG by phone:

- PRIIPS: Questions on this topic cannot be taken as discussions are currently ongoing in the European Commission. After the decision of the Council at the end of September, the European Commission will be in a position to answer.
- President Juncker addressed the European Parliament in his annual State of the European Union speech where he talked about the indication of political importance on private pensions. The "Capital Markets Union: Action on a potential EU Personal Pension Framework" consultation is open until 31 October. The consultation is complemented by a public hearing on 24 October.
- The European Commission adopted the EIOPA ITS on the procedures for the application of the transitional measure for the equity risk sub-module.
- The third quarter figures for RFR were published in the Official Journal.
- There was political agreement on the IORP II Directive. The legal review is currently ongoing and will be followed by publication in the Official Journal shortly.
- The Call for Advice on the SCR review was sent to EIOPA. It will lead to the review of the Delegated Regulation and the Solvency Capital Requirement before 2018.
- The public consultation on IA on motor insurance directive (scope and application) is ongoing.
- At the request of a Member, COM informed that the regarding the Call for Evidence, before the end of the year a document will be published summarizing the process and providing some conclusions.
- At the request of a Member, COM informed IRSG that the advice EIOPA provided on the infrastructure corporates is currently being reviewed and the new legislation is likely to be finalised in the first quarter of next year.
- On personal pensions, COM informed the IRSG that a conference will take place on 24 October. Also a contractor works on this topic to supplement the work of EIOPA, e.g. on fiscal regimes.

3. Subgroup mandates, brief presentations by Subgroup leaders and IRSG Work plan mid-2016 – 2017

Sub-group leaders updated Members on the progress of each group's work.

Conclusion/Action:

- The expiration of mandates needs to be harmonised.
- Solvency sub-group to add "Internal Models" to the topics.
- Solvency sub-group to add "Micro-prudential and systemic risk" to the topics, only if it will be part of the EIOPA work-plan.
- Mandates were approved by the Members, under the caveat that the above topics are included.
- EIOPA to organise a telco with sub-group members before next IRSG.

IRSG Work-plan

The IRSG Chair presented the topic and opened the floor for discussion.

Conclusion/Action:

- European Commission's Public consultation on a potential EU personal pension framework: Alexandru Ciuncan will lead the work, Olav Jones, Teresa Fritz, Rick Watson and Anthony O'Riordan will support. Deadline for comments on the consultation is 31 October.
- Green Paper for consumer issues: Rickard Ydrenas to lead the work
- Own initiative projects: topic owners to verify if an own opinion is feasible and in the affirmative to send a calendar for the first half of 2017 to the Chair.
- IRSG work-plan: Chair will update the document and send for written approval procedure during October.

- Report on improving the visibility of IRSG: discussion between the Chair and the Vice-chair and to send to Members afterwards.

4. Consumer protection

Presentations are available on the IRSG website: [link](#)

Draft IRSG response to Public Consultation on Technical Advice on possible delegated acts concerning the Insurance Distribution Directive (IDD)

Juan-Ramon Plá introduced the draft IRSG response to the consultation on the Technical Advice on possible delegated acts concerning the IDD, which included a combination of input from the three topic leaders, Alexandru Ciuncan on Product Oversight and Governance (POG), Juan Ramon on conflicts of interest and Teresa Fritz on suitability and appropriateness.

He explained the basic lines of thought on the three topics e.g. the need to differentiate between life and non-life products on POG requirements and for EIOPA to avoid introducing a ban on the payment or receipt of commission by the back door by sticking to high level principles, instead of specific examples of detrimental impact.

EIOPA staff made it clear that their intention was not to create a ban on the receipt/payment of commission and they had been specifically requested by the European Commission to come up with a list of examples of where a third party payment might lead to a detrimental impact to achieve greater convergence in the application of the detrimental impact criteria.

Other IRSG Members made comments around the need for more explicit guidance on when the payment of trail commission is allowed (as opposed to focussing only on commission paid entirely/mainly upfront), and the need for more detail on the definition of the "target market", in particular to allow scope for sales outside the target market.

The timing for delivering the final response to EIOPA was tight and it was agreed that the deadlines proposed for final input from IRSG Members would be adjusted to allow for final delivery of the response on the deadline of 3 October.

Conclusion/Action:

- Members are encouraged to send comments preferably before 21 September, and not later than 23 September.

Public consultation on draft ITS on the standardised presentation format for IPID under the IDD

Alexandru Ciuncan introduced the draft response to the consultation paper on IPID.

IRSG Members raised questions/comments around the following issues:

- Aspects of the icons were highlighted, including comments on the icons for geographical scope and payments, and emphasis on solutions consistent with digital presentation of the required information.
- Other comments highlighted some difficulties that the proposed IPID design might present when presented in digital format and the use of colours in the context of the requirement to be suitable for black and white reproduction.
- A concern was expressed that the IPID could be seen as the insurance contract itself (although this issue is outside the scope of EIOPA's mandate and that of the consultation).

Conclusion/Action:

- Members to send responses to Alexandru Ciuncan as soon as possible but not later than 10 October. Summary will be sent for written procedure on 17 October.

EIOPA feedback to IRSG general observations and Q&A input on the RTS on KID for PRIIPs

Timothy Shakesby, Coordinator Consumer Protection Team thanked the IRSG for the work on gathering detailed and very clearly presented technical implementation questions. These have been shared with experts on the side of the NCAs in order to see where clarifications and answers can be provided.

There were questions on the next steps in view of the European Parliament's objection to the RTS. EIOPA noted the areas – multi-option products, performance scenarios, and the 'comprehension alert' – where the European Parliament had explicitly objected, and the issues also raised earlier, on the treatment of Credit Risk and of biometric risk premiums.

EIOPA noted that it was up to the European Commission to react now, including on possible impacts for the implementation timeline. The role of the ESAs was not yet clear, as the situation was not explicitly addressed in the ESA Regulations.

There were also questions on detailed implementation, including the role and status of level three guidance. EIOPA noted that such guidance, while not binding, would carry some legal weight and so could provide some comfort for industry stakeholders in implementing the KID. EIOPA also mentioned that the European Commission was working also to issue guidance in the form of a communication addressing certain key 'Q&As', though the timing of this was now unclear in view of the European Parliament's objection.

Conclusion/Action:

- None

5. Update on Call for technical advice SCR review

Presentation is available on the IRSG website: [link](#)

Camille Graciani, Project Leader explained the Call for Advice in more detail, providing information on the scope, objectives and timeline of the project.

IRSG Members raised questions/comments around the following issues:

Regarding the scope of the project, the following points were discussed:

- Some IRSG members proposed to take this opportunity of a revision of the Solvency II Delegated Regulation to address other concerns (e.g. reporting), possibly via the Q&A process, or to expand the scope of the review beyond the areas mentioned in the call. It was answered that for the moment EIOPA is focused on reviewing what is in the scope of the call for advice and that there will be another structured process to collect evidence on potential issues and address them in the future. Only on those areas which are material and relevant from a supervisory perspective, will EIOPA carry out own initiative work (e.g. on LAC DT or interest rate risk), but only if resources permit.
- Sovereign risk is a topic where EIOPA is conducting analysis, although it is not in the scope of the European Commission call for advice.
- As to the risk margin, which is part of the review, EIOPA will focus its work on reviewing the cost-of-capital, but evidence on other risk margin issues is nevertheless welcome.
- As to the work on risk mitigation techniques, the call for advice is not limited to market risk mitigation techniques – evidence will drive the scope of EIOPA's work on that topic.
- On the balance between simplicity and risk-sensitivity: EIOPA representative considers that reducing the complexity and ensuring the proportionality of the requirements is an objective of this review and as such will be prioritised.
- Eventually, as to the relation with the work of the IAIS, i.e. the field-testing for the International Capital Standard, it was clarified that EIOPA is also involved in this work, with the aim to ensure cross-fertilisation between the ICS and the SCR review.

Regarding the process and timetable, the following points were discussed:

- The letter from the European Commission also mentions long-term investments: there could be an additional part of the call for advice, but for the moment, EIOPA is not conducting further work on this topic.
- The discussion paper EIOPA intends to publicly consult on will be open from December 2016, with the objective to further refine the scope of the work and to collect evidence on issues contained in the scope of the review.
- A data request will also be made in December 2016. This data request will be as detailed as possible to help the insurance undertakings provide useful data on qualitative and quantitative aspects. For those risks that could be recalibrated, the data request will be as close as possible to the data request that was made for the initial calibrations.
- EIOPA intends to deliver part of its advice in October 2017 and the rest in February 2018: no input should be expected sooner than that.
- IRSG is called to provide its input on the discussion paper and on other documents and advice EIOPA will be working on.

Conclusion/Action:

- IRSG will be called for input later this year. A discussion paper will be available from December 2016 until February 2017.

6. Risk Free Rate methodology

Presentations are available on the IRSG website: [link](#)

Ultimate Forward Rate

Justin Wray, Head of Policy Unit presented the results of the recent public consultation on the RFR methodology. There was a reasonably high level of agreement on most parts of the methodology. However the start of implementation, the frequency of recalculation, and the assessment of impact are still debated. The team is currently discussing the way forward but it is not possible to provide a precise date when EIOPA's view will be finalised.

IRSG Members raised questions/comments around the following issues:

- Due to prudential reasons only the UFR is singled out as the only relevant component in the methodology review. Other elements such as risk margin, time-value guarantees should also be taken into account. It was suggested that EIOPA should build an understanding of the whole system before changing the methodology. Impact assessment should be carried out before finalisation. The prudential reason should not be the ground for doing the review. EIOPA staff explained that this is what the legislation requires EIOPA to review but other aspects are being reviewed too e.g. via the SCR and LTG reviews. The need to add impact assessment was raised in the consultation and it will be actively considered.
- One member asked if the current convergence rate would be reviewed too and indicated that the agreement on methodology applied to the level of the UFR, but not to the convergence rate. Response: the convergence method was consulted on during formation of EIOPA's technical documentation and there were no current plans to address this.

Conclusion/Action:

- None.

Report on deep, liquid and transparent assessment ('DLT assessment')

Justin Wray, Head of Policy Unit presented the report.

Conclusion/Action:

- None.

7. Presentation on Group supervision and colleges of supervisors; future outlook and plans for 2017

Presentation is available on the IRSG website: [link](#)

Sandra Desson, Coordinator Colleges Team, presented to the IRSG EIOPA ambition and plans regarding the strategy for colleges 2016-2019. Because of the structure of the European insurance sector, dominated by insurance groups that provide insurance products through subsidiaries across EEA, of which 50% is also active outside the EEA, colleges are very important. Representatives from the industry recognized the accomplishments and progress in the colleges made so far regarding its different phases (information exchange, cooperation, coordination, aligned decisions and shared work).

The IRSG supported the ambition and operational goals of EIOPA regarding the further maturing of colleges for the forthcoming years as presented. College work will be focussing on the four main elements that ensure a good functioning of a college based on trust (examples reliance on the quality of supervision but also on the quality of information reported by the group, secure exchange of information), an agenda with content using a risk-based and forward looking approach and a proper follow-up to ensure colleges become a platform for continuous group supervision.

Stakeholders provided concrete input for the topics to be discussed in the colleges in 2017 and where inconsistencies might arise: risk margin, use of external audit (in the context of the robustness of the balance sheet), internal model (once approved) acceptance at solo level, internal model change application process, the application and acceptance of a single ORSA report at solo level.

EIOPA was requested to share some more statistics on internal model and single ORSA applications in the future and provide initiatives to align with the statistics published by NCAs (as per their Pillar 3 duties on market transparency) on e.g. internal model and single ORSA applications and approvals.

Currently some colleges share information and discuss topics that relate directly to consumer protection (e.g. complaints handling). In some cases the NCA that is responsible for consumer protection is taking part in colleges. Today colleges focus on prudential topics, though it is foreseen that consumer relevant topics will be part of college agendas.

The strategy for colleges will be presented to the November BoS. It has not yet been decided what exactly will be published afterwards. However, the strategy as decided upon can be discussed again with the IRSG. The reporting on the functioning of colleges is planned on an annual basis.

Conclusion/Action:

- EIOPA to incorporate the points raised by the IRSG into the colleges strategy.
- IRSG Members are kindly requested to provide further input/views to the questions in the presentation latest by the end of September 2016.
- The finalised college strategy 2016-2019 to be decided by the BoS later this year can be discussed in a future IRSG meeting.
- EIOPA to look into the possibility on collecting statistics regarding internal model/single ORSA applications and approvals.

8. AOB

Public consultation on FICOD

A member informed the Group about the ongoing consultation. Insurance Europe will respond and highlight the problem for some groups to comply both with Solvency II and CRD.

Remaining IRSG meeting dates 2016

The last stakeholders meeting will be a Joint BoS, IRSG and OPSG meeting on Monday, 28 November. One member proposed to include the improvement of communication between the groups to the agenda of the joint meeting.

Conclusion/Action:

- Members to suggest topics to the EIOPA Secretariat.