

## Summary of Conclusions

### Insurance and Reinsurance Stakeholder Group (IRSG)

#### Sixth meeting

---

Date: 10 February 2015

Time: 09:45 – 16:25

Location: EIOPA premises

Contact: [Konstantinos.Karountzos@eiopa.europa.eu](mailto:Konstantinos.Karountzos@eiopa.europa.eu)

---

#### List of participants:

IRSG: Francis Frizon (acting Chair IRSG), Renzo Avesani, Jean Berthon, Yannick Bonnet, Paul Carty, Alexandru Ciuncan, Andreea Cosma, Seamus Creedon, Maria Aranzazu del Valle, Marie Dequae, Jari Eklund, Frank Ellenbürger, Maria Heep-Altiner, Fernando Herrero, Marcin Kawiński, Thomas Keller, Edgar Koning, Damien Lagaude, Baiba Miltovica, Annette Olesen, Ioannis Papanikolaou, Nino Savelli, Martin Simhandl, Mojca Strucl, Claes Thimrén, Rick Watson, Małgorzata Więcko-Tułowicka.

Excused: Olav Jones, Karel Van Hulle, Dieter Wemmer

EIOPA: Gabriel Bernardino (Chair), Carlos Montalvo (Executive Director), Sandrine Lemery (Management Board member), Manuela Zweimueller (Director of Regulations), Justin Wray (Head of Policy), Gabriele Arnoldi (Coordinator External Relations), Pamela Schuermans (Coordinator Insurance), Konstantinos Karountzos (External Relations), Lars Dieckhoff, Laurent Etti, Huijuan Liu, Ana Teresa Moutinho, Tomas Walter (Insurance), Szabolcs Dispiter, Beatriz Garcia, Ivo Karshev (Legal), Julian Arevalo, Pieter Hulst, Lay Peng Lim, Timothy Shakesby (Cross-Sectoral and Consumer Protection Unit).

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

---

### **1. Welcome by Chair, Approval of the agenda and the minutes of the previous meeting; 2. Chair update and report**

Due to the acting Chair's absence, Francis Frizon volunteered to serve as Chair for this meeting. The Chair welcomed the participants and thanked the previous Chair (Kay Blair) for her contribution to the smooth functioning of the IRSG. The new IRSG member, Fernando Herrero who replaced Kay Blair was presented to the IRSG.

The draft agenda of the meeting and the minutes of the previous (01 October 2014) IRSG meeting were approved.

Due to the acting Chair's absence, the 2<sup>nd</sup> item of the agenda was not presented.

### **3. Election of new IRSG Chair**

Two IRSG members applied for Chair, Jean Berthon and Karel van Hulle. Since Karel van Hulle was absent, Jean Berthon was the only one called to present his candidature to the IRSG.

The IRSG members present at the meeting (26 members at that time) voted in a secret ballot and **elected Karel van Hulle as the new Chair.**

Following the election, some members expressed the view IRSG to have a 2<sup>nd</sup> vice-Chair from consumers/users category.

**Action:** EIOPA to make a drafting proposal to the IRSG Rules of Procedure and circulate it to IRSG members for their views/comments/potential approval.

#### 4. European Commission (EC) and EIOPA general update

##### EIOPA update by Executive Director

- **Solvency II:** Endorsement by the EC of Set 1 ITS on approval processes is underway, no substantive changes expected. On final GL on Governance and ORSA, a debriefing to IRSG was held on 22 January on main resolutions, the BOS approved on 28 January, comply-or-explain to start mid/end March, application from 1 January 2016. Draft advice on recovery plans, finance schemes and extension of recovery period: **deadline for comments 18 February**; approval to follow in March BoS for delivery to COM. The draft final report will be sent to IRSG mid/end March (before BoS meeting) and a debriefing telco will be offered.
- Ongoing work on **opinion on internal models:** to be discussed in the next MB/BoS. Focus is on consistent approach among NSAs for comparable situations.
- **EIOPA Work-plan 2015:** under reprioritisation, there will be changes, e.g. there will be the toolkit for undertakings but the IT supervisory toolkit related to XBRL reporting has been cancelled. Similarly, social media monitoring tool to identify consumer trends will not be available.
- **Stress-test:** in 2015 in the field of pensions. As regards insurance, the plan is to have one every two years.
- **Infrastructure:** EIOPA intends to develop a definition of infrastructure investments that offer predictable long-term cash-flows and whose risks can be properly identified, managed and monitored by insurance undertakings. Insurance undertakings' reallocation of resources to infrastructure should be taken into account. IRSG members showed interest in participating in such WG. Public consultation will follow.
- EIOPA **opinion on sales of products via the internet:** aim to ensure that consumers' interests are adequately protected when purchasing insurance and pension products online. The opinion is followed by 6 months monitoring.

**Action:** IRSG members to share with EIOPA knowledge of and information on existing reports, studies and public authorities, other than NSAs, that collect data.

- **RFR project:** In relation to the document approved for consultation, the final version includes changes relevant in light of the comments received (e.g. allocation of unrated assets in CQS, timeline for changes in the insurance market data, clarification of the distinction between country and currency portfolios). The monthly publication of RFR will subsequently start, as well as the monitoring phase on the impact of the technical information, and the monitoring of the appropriateness of the risk management incentives derived.
- **IAIS developments:** IAIS is now working on Higher Loss Absorbency Requirements (for G-SIIs) and the insurance International Capital Standard (ICS), which will be a part of ComFrame and will apply to all Internationally Active Insurance Groups (IAIGs). Ongoing ICS Public Consultation, with deadline 16 February.

##### EC update by Steve Ryan (via telco):

- **Insurance Distribution Directive:** positive atmosphere, trilogues are now scheduled, starting on 26/2.
- **Equivalence:** EC plans two groups of equivalence delegated Regulations this year, in spring (mid-March/April) and autumn (September), with the spring package containing Article 227 provisional decisions (group solvency calculation) and the one in autumn articles 172 (reinsurance) and 260 (group supervision).
- This week (09-13/2) the EC will adopt recommendation to the Council to start negotiations with the US. The negotiations with the US on a covered agreement on reinsurance are expected to begin around end of May.
- The Call for Advice on infrastructure has been issued, with a view to a possible amendment of the Solvency II Delegated Act in the second semester.

- Green Paper on capital markets union by end February.
- Green Paper on consumer issues, including insurance, in summer.
- No decision has been taken yet about a possible initiative on insurance resolution.

## 5. IRSG – discussion of key messages of draft IRSG response to 2nd set of ITS & GL (pillar 1)

Seamus Creedon, subgroup lead, presented the main elements of the draft IRSG response.

- **Main points of discussion**
  - Proportionality should flow through these GL
  - On GL7 on long-term guarantee, EIOPA explained that the risk margin remains unchanged. More specifically, both level 1 and level 2 texts are silent on whether risk margin calculation includes the long-term guarantee measure.
  - EIOPA explained that on CP-14-057, there are no “countries missing” but this is the list Member States have provided. On 3rd countries, they should qualify as well. EIOPA also explained that legally is not possible to have a review clause.
  - An IRSG member asked if the insurer has invested – before 1/1/2016 – in a mutual fund that only invests in type 1 equities, would it be reasonable that this investment gets a risk weight according to the equity transitional?
  - Deadline for IRSG to respond: 2 March
- **Action**
  - If IRSG requests so, there could be a telco with EIOPA experts on GL on long-term guarantee.
  - IRSG members to provide their feedback to Seamus Creedon by 20 February.

## 6. IRSG – discussion of key messages of draft IRSG response to 2nd set of ITS & GL (pillars 2&3)

Frank Ellenbürger presented the main elements of the draft IRSG response.

- **Main points of discussion**
  - An IRSG member recognised the huge request for additional information both on annual and quarterly basis.
  - On ITS on capital add-on, members called for deletion of Art. 1(3). EIOPA explained that ‘exceptional’ does not mean ‘last resort’. Besides, the ITS should not just repeat what is in level 1 and 2 texts.
  - On CP-14/051, EIOPA explained that the information is to be published on aggregated level.
  - EIOPA mentioned that the information required is what needed for purposes of supervision, however it called the IRSG to provide EIOPA with concrete examples (e.g. life, non-life obligation analysis). Besides, additional requirements derive from Omnibus II. EIOPA recognised that it should be made clearer that solo report is mentioned in Level 2 but group report is mentioned in the ITS.
  - On CP-14/052, IRSG called for room for application of proportionality in other areas than those specifically mentioned. EIOPA responded that the legislation specifies how proportionality applies. Further, EIOPA acknowledged that local GAAP valuation will be used. Similarly, it explained that the purpose is to avoid inconsistencies of definition and check consistency has been done but, still, if IRSG has such examples they should inform EIOPA.

- On CP-14/044, EIOPA explained that the business (life and non-life) is split for the market share calculation but then is counted as one. As for the quarterly reporting exemption, then, the company still needs to report annually. If it is again exempted, then ad hoc reporting.
- On CP-14/045, nothing changed from 2012, apart from the deadline that was shortened but does include a transitional period of 9 weeks (6 weeks after 3 years). The timeframe cannot change due to EIOPA's own responsibilities.
- On CP-14/048, EIOPA explained that the localisation of assets ('ring-fencing') is a tool of last resort to protect the policy holders. Equivalence decisions were taken into consideration but cannot be used to differentiate the treatment of 3<sup>rd</sup> country branches.
- Deadline for IRSG to respond: 2 March, except for the CP-14/062 which is due on 18 February.

## 7. EIOPA – presentation on PRIIPs consumer testing

Timothy Shakesby and Pieter Hulst from Cross-Sectoral and Consumer Protection Unit presented the consumer testing options.

### ▪ Main points of discussion

- Effective implementation of the KID is market-by-market and language-by-language. The RTS is at EU level and binding.
- The products to be tested at in the 2nd phase are both unit-linked and risk-profit products.
- Public consultation on a draft RTS will take place in November 2015.

## 8. IRSG – draft response to ESAs JC Discussion Paper on KID for PRIIPs

Maria Aranzazu del Valle, topic owner, presented the IRSG draft response.

### ▪ Main points of discussion

- Responding to a member, EIOPA explained that there is the possibility to take into account specificities and alter the KID but some of its features must be stable.
- IRSG members were encouraged to further contribute.

- **Action:** IRSG members to comment to the draft by 12 February and then the final draft will be circulated for approval. Deadline for responding is 17 February.

## 9. IRSG – draft response to the IAIS public consultation on Global Insurance Capital Standard (ICS)

Annette Olesen, topic owner, presented the IRSG final draft response.

### ▪ Main points of discussion

- On comparability (Q2 of the consultation document), EIOPA stressed that we need to ensure a level playing field, since there are different views on what comparability is. Since this is in the centre of discussions at IAIS, more emphasis should be given.

- **Action:** Annette Olesen will formulate the response in a way that better reflects the above issue and will circulate it. Deadline for IRSG to respond: 16 February

## 10. EIOPA – Consumer trends report

Lay Peng Lim and Julian Arevalo from Cross-Sectoral and Consumer Protection Unit presented how IRSG members can provide input to the EIOPA annual Consumer Trends Report.

### ▪ Main points of discussion

- An IRSG member asked whether performance of investment on life insurance products will be included. He also referred to a study on real return in pensions' savings from last October. EIOPA confirmed that the real return rates are currently discussed but out of the consumer trends report. In addition, EIOPA explained that currently there is no comparable information among most of the countries.
- EIOPA wants to include the more relevant elements and different levels of maturity across EU, and to attempt to enlarge the basis of information. Grouping of countries per region is also possible.
- IRSG should follow the same approach as last year. The only difference is an extra template that also needs to be filled in with top-3 consumer protection and financial innovation issues.
- This year there will also be reference to positive practices.
- Objective is to identify areas where there is not only the repair but also the preventive element (e.g. use of telematics in insurance).

### ▪ Action:

- Alexandru Ciuncan, subgroup lead, to circulate to IRSG last year's IRSG response.
- Deadline for IRSG to submit the response is **30 April**.

## 11. AOB

- Remaining IRSG meetings for 2015:
  - 28 April 2015
  - 10 June 2015
  - 28 October 2015
  - 1 December 2015 (Joint IRSG/OPSG meeting with EIOPA BoS)