

Summary of Conclusions

Insurance and Reinsurance Stakeholder Group (IRSG)

Ninth meeting

Date: 28 October 2015

Time: 09:30 – 17:00

Location: EIOPA premises

Contact: Giulia.Conforti@eiopa.europa.eu

List of participants:

IRSG: Karel Van Hulle (Chair IRSG), Olav Jones (IRSG Vice-Chair), Renzo Avesani, Yannick Bonnet, Paul Carty, Alexandru Ciuncan, Seamus Creedon, Marie Dequae, Jari Eklund, Frank Ellenbürger, Maria Heep-Altiner, Marcin Kawiński, Thomas Keller, Edgar Koning, Damien Lagaude, Annette Olesen, Ioannis Papanikolaou, Nino Savelli, Claes Thimrén, Rick Watson, Dieter Wemmer.

Not present: Andreea Cosma, Maria Aranzazu Del Valle, Jean Berthon, Francis Frizon, Baiba Miltovica, Martin Simhandl, Mojca Strucl.

EIOPA: Gabriel Bernardino (Chair), Carlos Montalvo (Executive Director), Jan Parner (Management Board member), Timo Broszeit (Chair EIOPA FSC Risk Assessment SG), Justin Wray (Head of Policy), Gabriele Arnoldi (Coordinator External Relations), Pamela Schuermans (Coordinator Insurance), Casper Christophersen (Financial Stability), Lars Dieckhoff and Tomas Walter (Insurance team), Pieter Hulst, Adrian O'Brien (Cross-Sectoral and Consumer Protection Unit), Timothy Shakesby, Katharina Strohmeier, Giulia Conforti, Katalin Almasi.

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. Commission update and EIOPA general update

- The draft agenda of the meeting was approved. The minutes of the previous (10 June 2015) IRSG meeting were approved by written procedure.

European Commission update by Steve Ryan (via telco)

- Capital Market Union (CMU) package was adopted at the end of September including the new rules on Solvency II treatment of infrastructure projects and a consultation on covered bonds.
- Solvency II Delegated Regulation: the amendments to the SII DA are currently under scrutiny for three months by the European Parliament (EP) and the Council of the European Union (Council). Topics in the amendment are:
 - Infrastructure: new category of qualifying infrastructure, calibration.
 - Risk calibration for European investment funds.
 - Extension of the scope of the equity transitional.

- Changes to the definition on equities traded over multilateral traded platforms.
- European Long Term Investment Funds.
- Call for Advice on infrastructure on corporates was sent to EIOPA.
- Adoption of Solvency II ITS: ten ITSs were sent to EC for adoption in June:

A package of seven shorter ITSs are to be adopted at the end of October. The adoption of the three longer ITS on reporting and disclosure is estimated at the end of November. The translated versions will be published on the EC website at the beginning of December. Publication in the Official Journal (OJ) is only possible in early February. The application date remains 1 January therefore the ITSs will be legally binding as of 1 January 2016.
- ITS on equity transitional and ITS on ECAI mapping are due to be sent to EC on 30 October.
- Third country equivalence:
 - Adoption by EC for Bermuda (full) and Japan reinsurance (5-year temporary) will enter into force at the end of February.
 - Switzerland equivalence adopted in June.
 - Equivalence of group solvency regime (Art. 227 of Solvency II) of six countries: the European Parliament three months scrutiny will end on 7 December, and will be published in the Official Journal before the end of this year.
- Pension:
 - The European Parliament report on IORP II is to be adopted in December.
 - PEPP advice is being prepared by EIOPA.
- Insurance Distribution Directive (IDD): the EP adoption is expected on 24 November, and the publication in the OJ in January.
- The green paper on retail financial services to be adopted before the end of the year.
- Transposition of Solvency II: the Chair asked for an update of Member State (MS) responses. EC representative informed the group that the number of MS that had not notified transposition of either both Solvency II and Omnibus II, or of Omnibus II only, was 11 (number not confirmed).

Correction sent by EC later: the number of MS that had not notified transposition of either Solvency II or Omnibus II was in fact 9, and 2 had notified transposition of Solvency II but not Omnibus II. The other 19 MS had notified transposition of both Directives.

EIOPA general update by EIOPA Chair

- EIOPA budget: supportive opinion by ECON and BUDG towards EIOPA's budgetary needs, increasing the amounts proposed by COM and Council to levels aligned with the underlying work ahead. Final decision by the Budgetary Authority expected in November.
- Annual Work Programme 2016:
 - Focus will be on SII implementation, convergence of supervisory practices, ensure consistency on supervisory practices, supervisory handbook, Peer reviews, close monitoring of internal models, across the border monitoring, Supervisory oversight team visiting different supervisors in countries.
 - Consumer side: preventing risk and IDD implementation.
 - Policy: aim to have further involvement in IAIS discussions, and put in more resources.
 - Stability perspective: the low interest rate environment forces EIOPA to carry out another insurance stress test.

- Joint Committee Work Programme 2016:
 - EIOPA will chair the Joint Committee in 2016 and EBA in 2017.
 - Consumer Protection issues: RTS on KID under PRIIPS Regulation; assessment on automated financial advice; assessment of the use of "big data" and personal data by financial institutions; further work on the complaints handling GL.
 - Regulatory work: work on the 4th Anti Money Laundering Directive mandates; follow up on "securitisation"; assessment of initial margin models under EMIR OTC RTS.
 - Continued cooperation on reporting for financial institutions and with ESRB.
 - Addressing any new developments in the EU regulatory field if necessary.
- Selection procedure for IRSG/OPSG: there was a typo in the deadline of the English version of the announcement (15 Nov instead of 8). EIOPA decided to extend the deadline to 15 November. The EIOPA webpage has been updated.
- **Solvency II**
 - IRSG Chair mentioned that the aim of EC seems to be to have lower and lower calibrations. EIOPA Chair explained that now the element of long-term investment and growth was gaining more importance in the balance of the different objectives. EIOPA maintains the sound basis of risk regime and focuses on consumer protection.
 - It is for group supervisors to decide whether they apply sub-group supervision or not. EIOPA developed GLs with criteria for supervisors to see if sub-group supervision was needed then discussed in the colleges. There are different views in MS on this regime but EIOPA's aim is to have consistency. EIOPA is in discussions.
 - Communication to explain Solvency II: the EIOPA Chair informed the group that communication will focus on the public who have little knowledge e.g. journalists. A session will also be organised with analysts next year. The EIOPA Chair also agreed to do a joint effort with IRSG members to enhance communication on SII. Another member highlighted that it is important that acronyms are clearly explained to the public.
 - A member noted that the figures to be submitted next year will be difficult to explain, and that good communication on the final number is crucial. Therefore an open dialogue between EIOPA and industry would be useful.
 - A member asked if EIOPA could have more communication on the implementation of transitionals. The EIOPA Chair informed the group that there would be communication on it next year.
 - The IRSG Vice Chair asked when the Guidelines on POG will be approved. The EIOPA Chair replied that the idea is to have them in a sort of "preparatory phase" before the implementation of IDD in two years' time. The topic will be discussed by the Management Board to see if a public consultation can be issued later.
 - Another member asked if the ultimate forward rate was planned to be revised or if there would be a stress test next year. The EIOPA Chair confirmed that there would be a public consultation on implementation of UFR in 2017.
 - A member noted that recalibration is always only downwards. The communication given on this has to be very careful. The EIOPA Chair explained that it was important to have a process of getting the data, analysing them and carry out a review of the calibration in 2017, instead of always revisiting calibrations.

3. IRSG Chair update and report on recent activity

- The IRSG end of mandate activity report will be prepared and instructions will follow in the coming weeks.
- Draft will be distributed to members before last meeting in February 2016.

- Table of overview of deliverables and feedback from EIOPA will be updated after the meeting and distributed.
- GL on the effective dialogue between statutory auditors and supervisory authorities is being developed.

Call for Advice on Infrastructure investments

Rick Watson and Thomas Keller updated members.

▪ Main points of discussion

- The EIOPA Chair explained to members that a project plan was being developed to deliver the new CfA. EIOPA had previously not found enough evidence to do the calibration. Now looking at this in more detail to get data and how we could ensure that the delineation is the right one in terms of behaviour of corporates.
- Calibration and internal rating approval need further discussion.

IAIS HLA

Annette Olesen provided an update on the topic.

▪ Main points of discussion

- Nine responses had been received. The general feedback was that more transparency is needed on the design criteria.
- The EIOPA Chair noted that EIOPA's aim is to avoid having two regimes.

Proportionality in practice

The IRSG Chair explained that IRSG had received 2 emails from insurance undertakings in Malta and in Belgium in relation to the application of the proportionality principle. It was not clear who in these cases had taken the final decision - local authority EIOPA or the European Commission. The decision making process should be clear on issues concerning the application of Solvency II.

▪ Main points of discussion

- The EIOPA Chair explained that there is a tool and process on Q&A on guidelines. EIOPA is looking at broadening it to other areas e.g. ITS. Members and stakeholders are encouraged to send their questions to EIOPA. More questions are expected on proportionality in the future from stakeholders.

Action: The Chair will propose to the parties concerned in Malta and in Belgium to authorize him to transmit their questions to EIOPA for analysis. The EIOPA Chair will inform the IRSG about the outcome.

4. Initial feedback on responses to the PEPP consultation

Edgar Koning presented the IRSG views on the topic, followed by a presentation by Adrian O'Brian (Cross-Sectoral and Consumer Protection Unit). See link to the [presentations](#).

Adrian informed that EIOPA is finalising its advice on personal pensions to the European Commission (due by 1 February 2016) and that to this aim EIOPA would benefit from the OPSG input to a qualitative questionnaire designed to collect further data on several aspects, including obstacles to cross-border PPP schemes and the feasibility of such product.

▪ Main points of discussion

- PEPP was only one part of the Call for Advice.
- Good level of responses (55) with a high level of response on all 21 questions.
- The topic will be on the joint IRSG/OPSG meeting agenda.

Action:

- Members to provide responses to the questionnaire to EIOPA (circulated after the meeting) by 20 November.
- Members are invited to send their input to Edgar Koning by 15 November, who will prepare a summary for the Group before the deadline.

5. EIOPA debrief on EIOPA advice on infrastructure

Tomas Walter (Insurance Team) thanked members for the comments on the consultation paper on infrastructure investments. He presented a summary of the IRSG feedback. See link to his [slides](#).

IRSG congratulated EIOPA on the excellent work on this topic in such a short and challenging timeframe.

7. EIOPA - Presentation on EIOPA's framework of risk-based/preventive conduct of business supervision

Jan Parner (EIOPA Management Board member) presented the topic. His slides are available [here](#).

▪ Main points of discussion

- Financial stability versus policy holder protection – there has to be balance between these two. If a lot of issues go through intermediaries then we have to deal with them i.e. ask for regulation of these.
- Advanced systems/countries in Europe: they have still to prove that they are actually more advanced. The political back-up of these policies is still to be proved.
- Regulated vs. non-regulated companies is an issue in the Capital Market Union discussions. ESMA has the same problem. The regulation has to be reviewed by ESAs and ED and provide a solution.

8. IRSG views on ESFS review

Karel Van Hulle, IRSG Chair presented the ideas received from members. The discussion will continue in the joint IRSG/OPSG meeting.

▪ Main points of discussion

- The employee representative highlighted the inequality among Stakeholder Groups members and requested from EIOPA management to send to the next employee representative the mandates, to ensure that the role will be supported in the future when a new representative starts in IRSG.
- One member noted that EIOPA should increase the budget for meetings.
- A member suggested including professional insurance clients, with multinational insurance contracts containing clauses that touch on regulation outside Europe, e.g. captives. In a nutshell: B2B, not just B2C.
- A member acknowledged that the quality and quantity of dialogue between EIOPA and IRSG had improved over the years but there is still a way to go. At times of disagreement more transparency should be exercised on the reasoning behind it.
- Another member reminded members that the idea of setting up IRSG had been to challenge ideas. He suggested adding and reinforcing strategic outlook and global outlook into the future agenda of IRSG.
- The new IRSG will have a different structure: up to now it was to respond to ITS/GLs. In the new term more monitoring tasks will be in the focus (SII).

- The EIOPA ED thanked IRSG for all their work and contributions during the past years.
- The EIOPA ED informed the group that a new senior communication expert will start the following week. The IRSG Chair could meet the expert to discuss the visibility of the website and other communication issues.
- The EIOPA ED replied to comments on transparency: EIOPA had given reasons for not taking on IRSG views. He also emphasised that IRSG ideas have to be carefully presented.

Action:

- Members to send ideas on IRSG as a challenging body to EIOPA before the joint meeting.
- Karel to review the summary of IRSG member views on the ESFS review

9. EIOPA – presentation on the EIOPA Risk Dashboard Modernisation project

Casper Christophersen (Financial Stability) and Timo Broszeit (Chair EIOPA FSC Risk Assessment SG) presented the project. The FSC Chair thanked the industry representatives of IRSG for reliably reporting QFT data for the past years. These greatly contributed to the project.

The aim of this presentation was to ask IRSG members how they would like to use the RDB data and in what format they would like to see the results.

▪ **Main points of discussion**

- Members stressed the need for the RDB to tell a consistent story (“what has changed in the last quarter?”) and some members mentioned that they would be more interested in changes of risk levels than in the actual levels themselves.
- Statistical annex to the RDB with underlying (aggregated) data: members very much welcomed the idea of having more data published by EIOPA.
- Analytical blind spots: members suggested the following areas to be further included in the RDB:
 - underwriting risks and specifically CAT risks;
 - operational and cyber risks.
- Members mentioned the need for a careful explanation of the regime switch from SI to SII (and how specific indicators like e.g. the solvency ratio should be interpreted under the new regime).
- More generally, members recommended a more active communication on the RDB by EIOPA, e.g. press releases when it is published, or how the RDB is inter-linked with the FSR.
- One member suggested making use of the survey on the KIID on how risks can actually be perceived and understood by the general public.

Action:

- EIOPA to work on the suggestions provided during the meeting.
- Members are invited to send any further comments by the end of this year.

10. EIOPA – update on the work on PRIIPs

Katja Würtz (Head of Cross-sectoral and Consumer Protection Unit) presented the item. The slides are available [here](#).

The public hearing will take place on 9 December at the Goethe Institute in Frankfurt.

The public consultation will be launched by EIOPA on 11 November and will be closed on 29 January.

EIOPA can provide more detailed feedback on the comments received by IRSG if needed.

Action:

- Maria Aranzazu del Valle and Jean Berthold are to further liaise with the group once the consultation paper is published.

11.EIOPA – New item: RFR term structure

Lars Dieckhoff (Insurance Team) presented the topic and thanked IRSG members for their input on the consultation on the methodology review.

▪ **Main points of discussion**

- Decisions made in September BoS regarding the methodology: there was no change in four areas. Changes were made in the areas of DLT (deep, liquid, transparent) assessment; calculation of volatility adjustment to the Swedish korona; volatility adjustment to Norway, Iceland and Lichtenstein: government bonds are aligned with the current treatment of government bonds of MS; and improvement of technical documentation on the methodology. As a result the methodology is stable.
- Other areas that are still being investigated: fundamental spread calculation; further improve the technical documentation complementing it with illustrative calculations. Ultimate forward rate: a more concrete proposal on the methodology will be publicly consulted in 2016. A decision on the methodology will be available by September 2016. As a consequence the current UFR is valid until September 2016.

12.Feedback statement on Savings, investment products and Guaranteed Savings Products (GSP). Their boundaries, regulations and communication to the public

Marcin Kawiński presented the feedback statement on the topic.

▪ **Main points of discussion**

- It was suggested that conclusion and messages could be drawn at the end of this report, e.g. expectations from EIOPA.
- More academic investigation, research on guarantees that are workable would also be useful.

Action:

- Members to provide comments on the presented document by the end of November.
- Revised version to be sent to members for comments on 1 December.
- Marcin Kawiński to finalise the document by the end of the year and provide executive messages.

13.Feedback on Compulsory vs Optional Disaster Insurance

Marie Dequae presented the conclusions drawn on the basis of the comments received in June.

Action:

- Members to provide comments to Marie Dequae before by the end of November.
- Marie Dequae to finalise the paper by the end of the year.

14. Feedback statement on Catastrophe models and Solvency II: Transparency, evaluation, credibility

Ioannis Papanikolaou provided a presentation on the topic.

Action:

- Members to provide comments to refine the wording of the presentation to Ioannis Papanikolaou by the end of November.
- Ioannis Papanikolaou to reformulate the final output by 1 December, including suggested action points for EIOPA and COM by the end of the year.

15. IRSG - approval of updated mandates based on IRSG Work Plan mid-2015 – March 2016

- Subgroup on Market Conduct: no comments were received from members.
- Subgroup on Solvency II Pillar 1: no comments were received from members.
- Subgroup on Solvency II Pillars 2 and 3: no comments were received from members.
- Subgroup on Strategic Areas: no comments were received from members.

Action:

- All mandates have been published on the [website](#).

16. AOB

- Letter from the International Swaps and Derivatives Association (ISDA) regarding the timing of collateral delivery on uncleared swaps.

Action: Rick Watson to circulate the note on cross-border reporting to EIOPA.

- Employee representative:

Action: Damian Lagaude to produce a short note with proposals on employee representative's view on the issues of implementation of Solvency II by the end of this year; IRSG to discuss the proposal in the last meeting in February.

- Andreea Cosma changed jobs but the IRSG agreed that, given her involvement in an NGO dedicated for equal and fair treatment of employees in the labour market, she should continue her mandate. The Chair will invite her to stay with the current group until the end of the mandate.
- Remaining meetings:
 - 1 December (Joint IRSG/OPSG meeting): a dinner will be organised on 1 December.
 - 16 February 2016 (last): a farewell dinner will be held the evening before.