

EIOPA Extraordinary Board of Supervisors Meeting

26 October 2017

Approved Deliberations and Conclusions

Chairman: Gabriel Bernardino

Voting: AT: Peter Braumüller, BE: Jean Hilgers, BG: Dimitar Koychev (PoA), CY: Tonia Tsanagaris (PoA), CZ: Marcela Gornychova (PoA), DE: Frank Grund, DK: Per Plougmand Baertelsen, EE: Stina Mander (PoA), ES: Magdalena Rubio Benito (PoA), FI: Teija Korpiaho, FR: Emilie Quema (PoA), HR: Gordana Letica, GR: Ioanna Seliniotaki, HU: Koppany Nagy, IE: Gerry Cross, IT: Alessia Angelilli, LT: Mindaugas Šalčius, LU: Claude Wirion, LV: Dina Mikelsons, MT: Marisa Attard, NL: Olaf Sleijpen, PL: Damian Jaworski, PT: Jose Almaca, RO: Cornel Coca Constantinescu, SK: Zuzana Kardosova (PoA), SI: Mojca Piškurić, SE: Asa Larson, UK: David Rule

Non-voting: BE: Dominik Smoniewski, BE: Henk Becquaert, DE: Thomas Schmitz-Lippert, FI: Tuuli Wiio, IS: Rúnar Guðmundsson, LI: Alexander Imhof, NL: Thijs Van Woerden, PL: Mariusz Smetek, COM: Nathalie Berger, EBA: Cedric Coraillon-Parquet, ESMA: Mette Sicard Filtenborg, ESRB: Dieter Hendrickx

Experts:

CZ: Hana Marčíková, DE: Petra Faber-Graw, FR: Jean Nicolini, IE: Mary Burke (PoA), RO: Florin Golovatic, UK: Sebastien Delfaud

EIOPA Staff:

Fausto Parente (EIOPA Executive Director), Szabolcs Diszter (Legal), Ineta Galubicke, Manuela Zweimüller (items 2, 3), Justin Wray (items 2, 3), Camille Graciani (item 2), Lars Dieckhoff (item 2), Roy Nitze (item 2), Tomas Walter (item 2), Carlos Guine (item 3), Ana Teresa Moutinho (item 4), Andrew Candland (item 5), Vesa Ronkainen (item 5)

Welcome and introductory remarks by the EIOPA Chairman		Information
Remarks:		
The Chairman welcomed the attendees to the 5th meeting of EIOPA's Board of Supervisors (BoS) in 2017.		
1.	Adoption of the Agenda	Decision by SMV¹
Remarks:		
Voting Results: BoS adopted, by simple majority voting, the agenda.		
Written Procedure: Not applicable		
Conclusions: Not applicable		

Action points: Not applicable

2. Review of Solvency Capital Requirement

Decision by SMV¹

2.1. Draft advice on Part II of call for advice, and on outstanding issues from Part I

2.2. Final advice on Part I

2.1 Draft advice on Part II of call for advice, and on outstanding issues from Part I

Conclusions:

Subject to the adjustments described below, BoS approved by simple majority voting the 'Consultation paper on EIOPA's second set of advice to the European Commission on specific items in the Solvency II Delegated Regulation' (EIOPA-BoS-17-282, 16 October 2017).

Loss absorbing capacity of deferred taxes

- The consultation paper should be more open in its proposals, to reflect different practices.
- The consultation paper should focus on principles and convey the positive message that there is convergence on a significant part of Loss absorbing capacity of deferred taxes (LAC DT).
- The consultation paper should express clearly that an assessment is on-going of what should be advised as changes in the Delegated Regulation and what would be covered by Guidelines or the supervisory handbook.

Risk margin

- The consultation paper should better explain the impact of the risk margin on annuities.

Catastrophe risks

- The consultation paper should include where possible certain natural catastrophe (NatCat) re-calibration topics, where data delivery by National Competent Authorities (NCAs) is imminent.
- In the longer term, EIOPA to consider further the impact of climate change.

Unrated debt and unlisted equity

- The consultation paper should expand on the advantages and disadvantages of the case for the use of the results of approved internal models and for a look-through approach.

Other market risk topics

- Data on strategic equity investments will seek to distinguish better participations in insurance subsidiaries from other types of investments for the consultation if possible.

Other underwriting risks

- On mortality risk, the consultation should be sufficiently open and ask stakeholders for further evidence.

Information request on LAC DT and interest rate risks

- Approved.

Action points:

- EIOPA to launch a short written procedure to approve the changes to the consultation paper consistent with its publication on 3 November 2017.

Loss absorbing capacity of deferred taxes

- EIOPA to modify the consultation paper as per the conclusions and to distribute for a short written procedure.

Risk margin

- EIOPA to mention that risk margin has a particular impact on annuities.

Catastrophe risks

- EIOPA to include outstanding data deliveries in the zonal calibration in the consultation paper, subject to scope and quality of inputs.
- EIOPA to consult with catastrophe risk workstream (CAT WS) on capacity to carry out additional recalibration scenarios for windstorm and flood.

Market risk topics

- EIOPA to seek to differentiate data for strategic equity investments as per the conclusions if possible before the consultation.

Other underwriting risks

- EIOPA to reflect conclusion in the consultation paper: ask stakeholders for evidence on mortality risk.

Information request on LAC DT and interest rate risks

- EIOPA to align Information request on LAC DT with new consultation paper.

2.2 Final advice on Part I

Conclusions:

- BoS adopted by simple majority voting the 'Final report on the Public Consultation No. 17/004 on EIOPA's first set of advice to the European Commission on specific items in the Solvency II Delegated Regulation (EIOPA-BoS-17-280, 13 October 2017).
- Work on adverse development covers (ADC) to continue for finalisation by February 2018.

Action points:

- EIOPA to include impact assessment data on new intermediate treatment for publication, and to explore and possibly include data on impact of exclusion of profit participation and unit-linked business, if available.
- Policy Steering Committee (PSC) and SCR review Project Group (PG) to continue working on ADC.
- Data from one Member State to be included in the report on LAC DT subject to delivery on time.

3. ICS: Position in advance of IAIS annual meeting Decision by SMV¹

Conclusions:

<ul style="list-style-type: none"> BoS adopted by simple majority voting the 'ICS 2.0 High-Level Strategic Note' (EIOPA-BoS-17-286, 26 October 2017). Members agreed on the proposal to aim in the long-term for convergence and a truly ambitious, single, consolidated International Capital Standard (ICS) with common methodology whilst being flexible in implementation of an ICS 2.0, which is considered to be a reporting standard and be used in colleges for up to 5 years. Members supported Option 3.5 as described in the note. <p>Action points:</p> <ul style="list-style-type: none"> Not applicable 		
4.	Supervisory Review Process	Information
	4.1. Update from SRP SC	Decision by SMV¹
	4.2. Common Supervisory Culture - Key characteristics of high-quality and effective supervision	
<p><u>4.1. Update from SRP SC</u></p> <p>Conclusions:</p> <ul style="list-style-type: none"> Not applicable <p>Action points:</p> <ul style="list-style-type: none"> Members to consider additional appointments of supervisors to support the work being developed for the Chapter 'Group Solvency'. 		
<p><u>4.2. Common Supervisory Culture - Key characteristics of high-quality and effective supervision</u></p> <p>Conclusions:</p> <ul style="list-style-type: none"> BoS approved, by single majority voting, the EIOPA's 'Common Supervisory Culture - Key characteristics of high-quality and effective supervision' (EIOPA-BoS-17/284, 11 October 2017) with special note on the high quality of the work. <p>Action points:</p> <ul style="list-style-type: none"> EIOPA to proceed with the communication plan for a proper disclosure of the document; The main elements of the document will be introduced in Supervisory Review Process (SRP) Handbook. 		
5.	Steering on Supervisory Opinion on modelling of dynamic VA in internal models	Decision by SMV¹
<p>Conclusions:</p> <ul style="list-style-type: none"> BoS endorsed by simple majority voting answers to three questions about the 		

drafting of the Opinion presented in 'Issues for BoS Steering for the Opinion on Dynamic Volatility Adjustment (DVA) in Internal Models' (EIOPA-BoS-17/294, 18 October 2017). Firstly, a model may model the projected Volatility Adjustment (VA) with deviations from closely modelling the EIOPA VA methodology as long as the deviations are compensated for within the model in a way which ensures the model produces an SCR that is at least as high as a model that does closely model the EIOPA VA methodology. Secondly, that in ensuring a model does not give undesirable risk incentives, supervisors should consider both model- and non-model-related actions, including tools available within Pillar 2. Thirdly, the Opinion should contain provision for EIOPA to assess implementation of the Opinion in 2019 and provide an update to the Board of Supervisors.

- The Project Group will base the Opinion to be brought to the November BoS meeting on the steering provided.

Action points:

- PGVA to prepare a draft Opinion for the November BoS meeting based on the steering provided and highlight any new issues where the PGVA did not reach a single view.

6.	AOB	Information
----	-----	-------------

Conclusions:

- Not applicable

Action points:

- Not applicable

¹: Decision by simple majority (Article 44(1) 1st para. EIOPA Regulation)

²: Decision by qualified majority (Article 44(1) 2nd para. EIOPA Regulation)

'Frankfurt am Main

[Signed]

[name]

Chairperson of EIOPA'