



EIOPA-BoS-13/011

29 January 2013

Report on the Functioning of Colleges and the Accomplishments of the 2012 Action Plan

Executive Summary

1. The overall strategic target of EIOPA's college work is to build the position of the EEA supervisory community towards the cross-border operating insurance groups for the benefit of both group and solo supervision. The focus is on combining and leveraging the knowledge and forces of the national supervisory authorities in the EEA to form a strong and equal supervisory counterpart towards the powers of the mostly centrally organized and managed undertakings. The target is to make further progress in improving effectiveness and efficiency of the supervision of cross-border insurance groups and their undertakings and, thus to support crisis prevention and financial stability in the EEA.
2. In light of the continuously challenging operating environment for insurers in Europe and the period till Solvency II implementation, the objective of the yearly EIOPA Action Plan for Colleges is to further enhance the cooperation and communication in Colleges under the current regulatory regimes as envisaged under the EIOPA regulation.
3. EIOPA as a member of Colleges promotes communication, cooperation, consistency, quality and efficiency in Colleges. In 2012 the principal aim of the Action Plan was to foster the preparation of Solvency II for Colleges of Supervisors. Another focal point in 2012 in Colleges was to enhance the understanding and knowledge of the EEA industry's macro-economic risk exposure and the positioning of the individual cross-border groups in the overall environment. In this respect EIOPA contributed by developing several tools e.g. coordination arrangement template, catalogue for regular information exchange and by providing specific presentations in Colleges about EIOPA's approach to

regular macro-economic risk assessment including the explanation of the results of the EIOPA Risk Dashboard.

College activities in 2012 and conclusions

4. By end 2012 91 insurance groups¹ with cross-border undertakings were registered in the EEA compared to 89 groups in 2011. After its second year of operations, EIOPA's observations as a member of the Colleges of Supervisors are as follows:
 - Colleges of supervisors with at least one physical meeting or telco were organized for 78 groups compared to 69 groups in 2011. For at least 20 groups, especially for the large groups (measured by premium), college meetings or telcos were organised more than once a year. In those extra meetings either specific topics are discussed (internal model), or the quarterly or half year results of the firm as well as specific developments in firms (mergers). Also College members have in between meetings (bilateral) contacts.
 - 17 national supervisory authorities acted as Group Supervisors.
 - 6 Colleges were chaired by FINMA/CH as group supervisor. EIOPA and FINMA closed a MoU whereby it was formalised that EIOPA attends the College meetings for the groups under FINMA's lead and vice-versa. FINMA bases its college work on the IAIS core principle 25 for supervisory cooperation and cooperation and supports the implementation of the EIOPA Action Plan for Colleges. For example FINMA prepared emergency plans for the Colleges they lead based on the template suggested by EIOPA.
 - EIOPA attended college meetings and/or telcos for 75 groups. EIOPA was present in 55 Colleges in 2011.
5. The following key conclusions can be drawn from EIOPA's observations as a member of Colleges:
 - The College Action Plan 2012 is aimed at achieving more consistency amongst the college activities as well as to increase the level of the college activities. It requires timely and common efforts of both group and solo supervisors.
 - In general a conscious preparation of college meetings by especially group supervisors is observed as agenda and documents are in most cases sent in a timely manner. Documents and presentations for the college meetings are usual of a good quality level. Despite the still outstanding decisions at European level regarding the implementation of Solvency II, the Colleges in 2012 were making great efforts to prepare for the implementation of the new regulation, in particular the pre-application process for the approval of internal model use.

¹ An updated list of the all cross-border insurance groups can be found at EIOPA's website under the following link: <https://eiopa.europa.eu/activities/insurance/colleges-of-supervisors/index.html>

- Further combining knowledge, experience and forces would be to the benefit of both group and solo supervision. Though, it is observed that in the Colleges that collect and prepare information in a more structured and consistent manner in preparation of the meeting, a more risk oriented discussion is stimulated. This supports the move towards a group wide approach whereby group issues as well as solo issues relevant for the group supervisors and solo supervisors are assessed.
- The discussion of financial conglomerate aspects, where relevant, helped to enhance the understanding of intergroup relationships and risks and the importance of certain intra-group transactions.
- Although supervisors are making efforts to find practical solutions, concerns over legal constraints in some Members States related to the exchange of confidential information continue to restrict the scope, transparency and quality of discussions in Colleges.
- Differences were observed between Colleges regarding:
 - Scope, content and the frequency of information exchange in Colleges;
 - Level of and approach to risk assessment at group and solo level; and,
 - Preparation and type of presentations by, and discussions with, firms' representatives.

These are areas for improvement regarding the implementation of consistent, coherent and effective EEA-wide supervision of cross-border groups.

Priorities and tasks for Colleges in 2013

6. The EIOPA College Action Plan 2013 has been designed to promote consistency of supervision and a level playing field for cross-border groups during the period until Solvency II implementation.
7. The Action Plan 2013 for Colleges has been established taking into account the experiences and conclusions from the college work in 2012.
8. The main targets for 2013 are in particular:
 - To develop a common understanding through a structured analytical approach of risks in each college.
 - To align the Internal Model related tasks for the relevant group supervisors that have to follow the Internal Model pre-application and application process as well as the "Colleges To-Do-List" related tasks due to the interim implementation of some Solvency II items.
 - Assess the conclusion of a coordination arrangement for the interim period until the implementation of Solvency II.
9. Discuss the results of the self-assessment made as part of the Action Plan 2012 in the college and identify measures allowing to close the gaps. This report contains the following:

A. Summary of accomplishments of the EIOPA 2012 Action Plan for Colleges and main conclusions

- (i) Summary of accomplishments of the EIOPA 2012 Action Plan
- (ii) Main conclusions from EIOPA's participation in Colleges

B. EIOPA Action Plan for Colleges 2013 and EIOPA's other College activities in 2013.

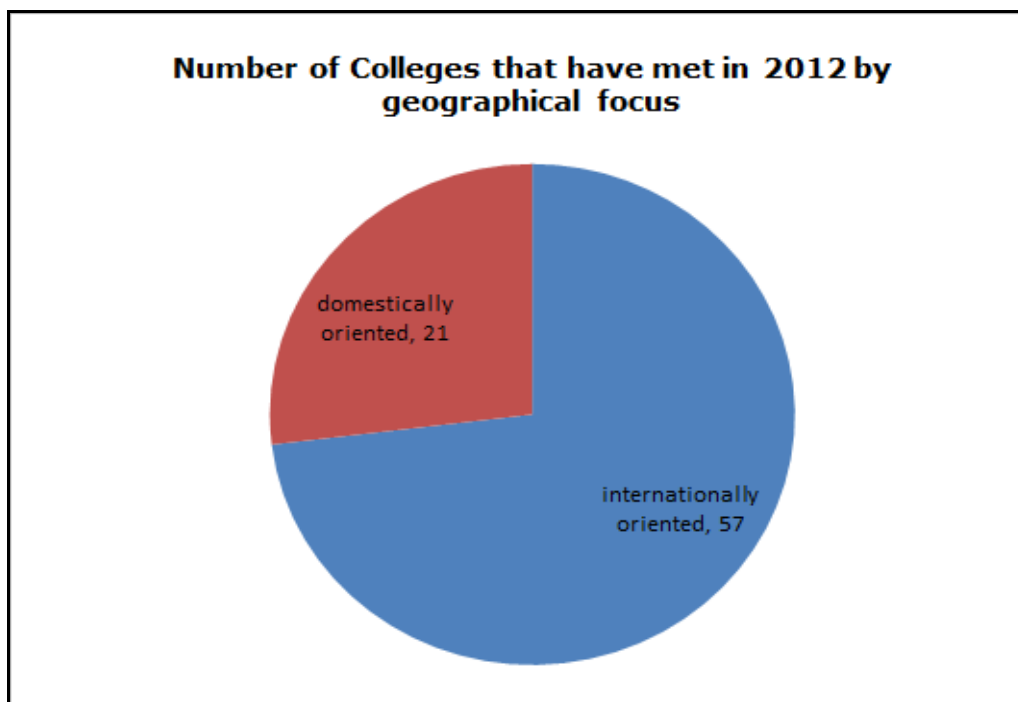
A. Summary of accomplishments of the EIOPA 2012 Action Plan for Colleges and main conclusions

(i) Summary of accomplishments of the EIOPA 2012 Action Plan

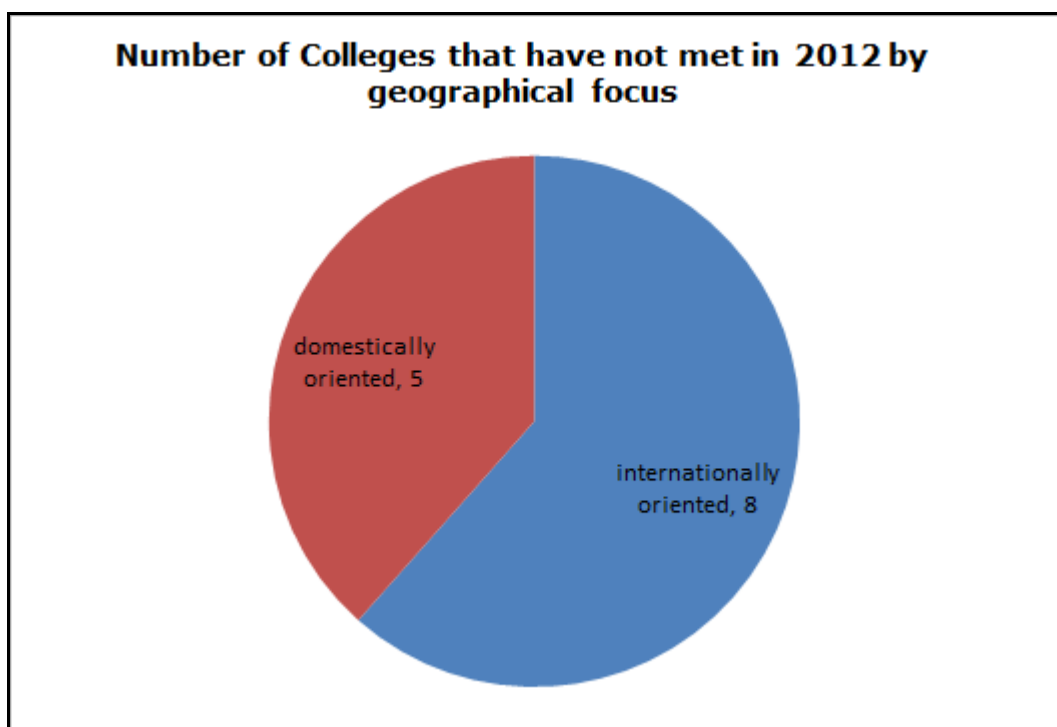
10. Action Point I: Action points for Colleges constituted over 2012

Out of a total of 91 Colleges registered at the end of 2012:

- 65 groups generate a material part (more than 10%) of their business measured in terms of gross written premiums in foreign countries (=internationally oriented). 26 groups generate a material part (90% or more) of the their business measured in terms of gross written premiums in their domestic market (=domestically oriented).
- Of the 78 Colleges that have met, 57 groups generate a material part of their business, i.e. more than 10% of the gross written premium, in foreign countries.

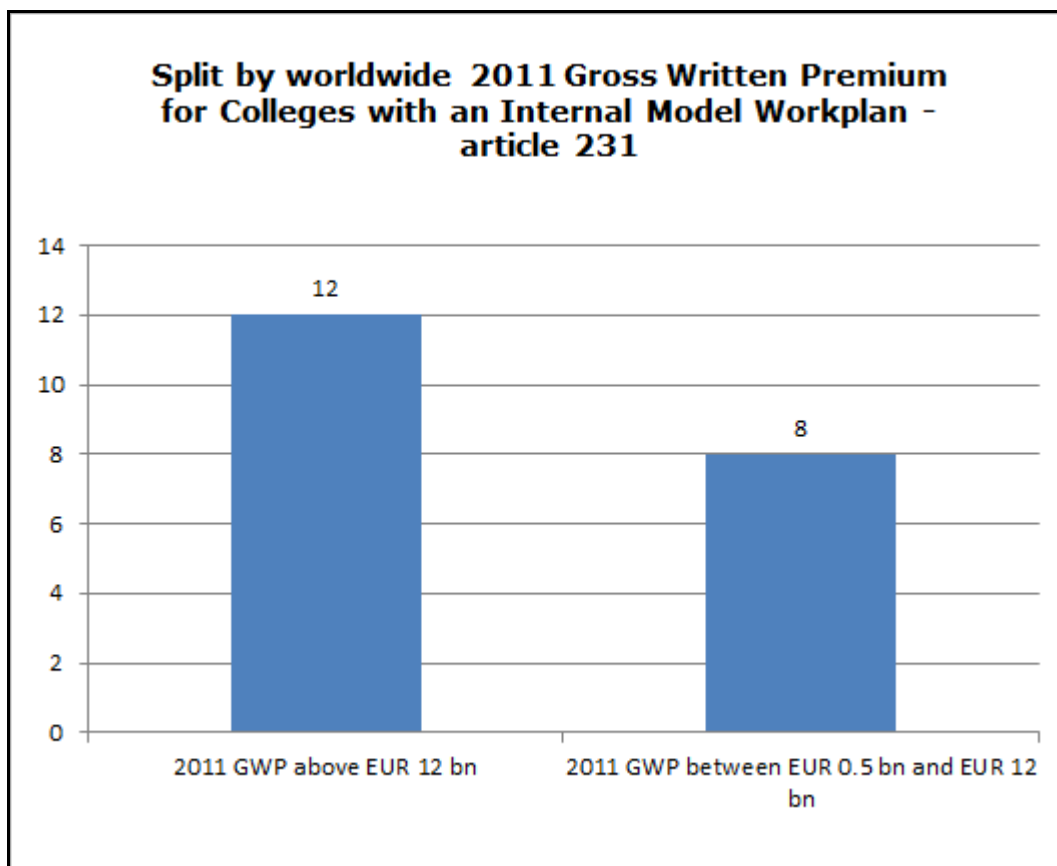


- A slight improvement is noticed, as, in 2011, Colleges for 20 (23%) groups did not meet while, in 2012, Colleges for 13 (15%) did not meet. Colleges for 13 groups have not met, of which a majority with substantial parts of cross-border business (around 2/3) and few domestically oriented (around 1/3). The vast majority of those groups are active in two countries only. Half of the 13 groups have premiums of less than 5 bn and are also having activities in two countries only. Overall 5 are classified as a financial conglomerate. Some groups were in a reorganisation process and their 'new' Colleges will be set up in 2013.



11. Action Point II.1: Agreement on a joint workplan for the pre-application process and a joint timetable for application process for the approval of group internal model (GIM) use

- A work plan - where the group internal model is planned to calculate the consolidated group Solvency Capital Requirement, as well as the Solvency Capital Requirement of insurance and reinsurance undertakings in the group (Art. 231) – for the pre-application and application process consistent with the joint timetable, needed to be established by the College initiated by the Group Supervisor aiming to get day 1 approval.
- 20 groups planned to apply for a GIM under art. 231, of which including 12 groups with a gross premium income exceeding 12 billion EUR. The supervisory authorities concerned agreed on a workplan for the pre-application period.



12. Action Point II.2: Planning of Colleges 'to do' list for Solvency II

In order to meet the requirements of group supervision under Solvency II, the Group Supervisor has to initiate a process to evaluate and discuss within the College:

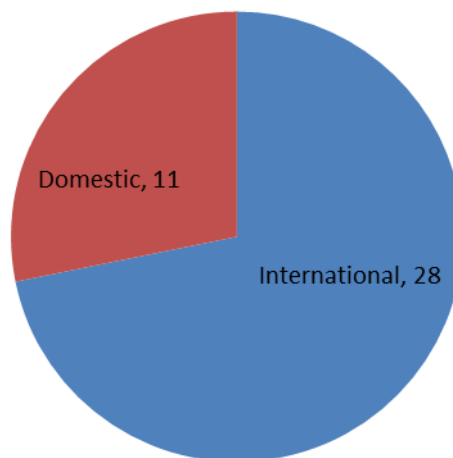
- which items of the requirements on group supervision under Solvency II are relevant for the group (i.e. decision on centralised risk management, setting thresholds for reporting Intra Group Transactions and Risk Concentrations)
- what kind of organisational structure fits best to tackle the issues (e.g. set up of a specialised team, telco, etc.)
- what activities have to be taken to fulfil the tasks (e.g. analysis of documents, on-site visits, discussion in the College).

The changes in the timeline for Solvency II had implications for the priority of monitoring this Action Point. Several Colleges however have already prepared a timeline for the planning of the decisions to be taken in preparation for Solvency II.

13. Action Point II.3: Regular info exchange within the College

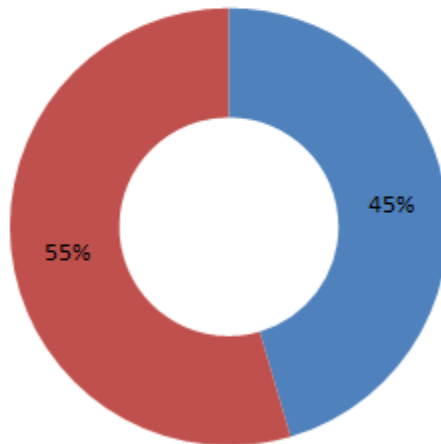
- In preparation of every college information is exchanged and also in between College meetings information is exchanged either on a bilateral basis or amongst several College members. Colleges more and more collect and prepare in a structured and consistent format information at solo and group level before the meetings. It is observed that this improves the discussion on risks as there is more focus and consistency in the presentations at the meeting.
- The aim of the action point in the EIOPA Action Plan, was to develop a structured and consistent way of regular information exchange in the college, aligned to the specific needs of the individual college. Colleges were requested to decide what information to exchange and for which entities, in which format and by which frequency. Thereto, EIOPA provided to the Colleges a catalogue with suggestions for quantitative and qualitative data/information.
- The fulfilment of the action point is still in progress. Approximately 40 Colleges agreed or used an information structure according to the aim of the Action Plan 2012, 6 of those are domestically oriented and with gross written premium below EUR 5 bn. The majority of the Colleges are still discussing this action point and/or planning to set this up for next year.

Split by geographical focus for the Colleges that started information exchange



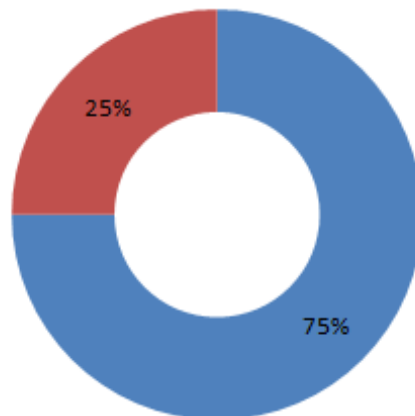
Split by GWP for domestically oriented Colleges that started information exchange

■ 2011 GWP above EUR 5 bn ■ 2011 GWP below EUR 5 bn



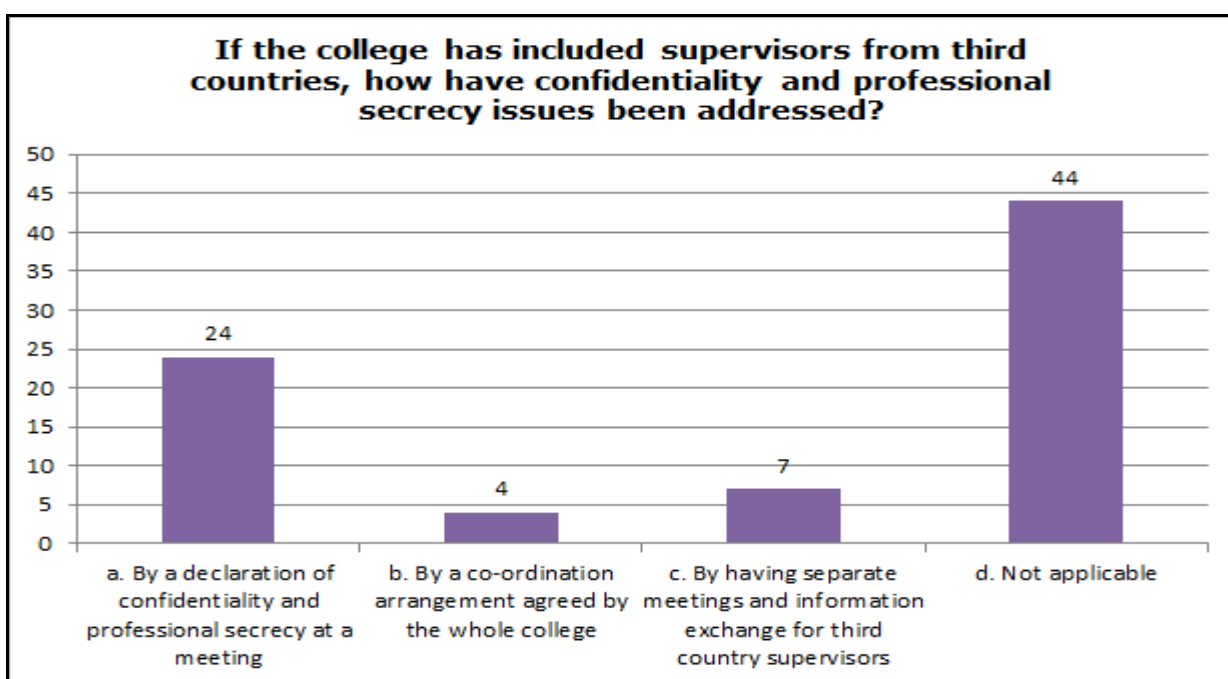
Split by GWP for internationally oriented Colleges that started information exchange

■ 2011 GWP above EUR 5 bn ■ 2011 GWP below EUR 5 bn

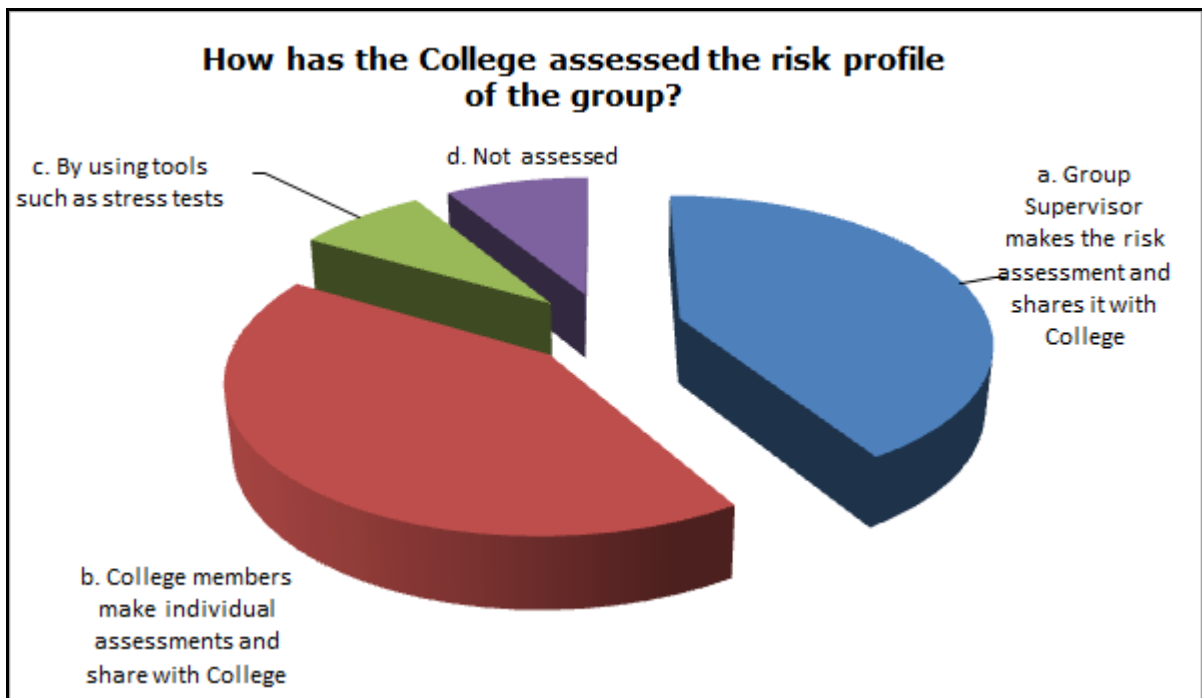


14. Action Point II.4: Gap analysis College Guidelines

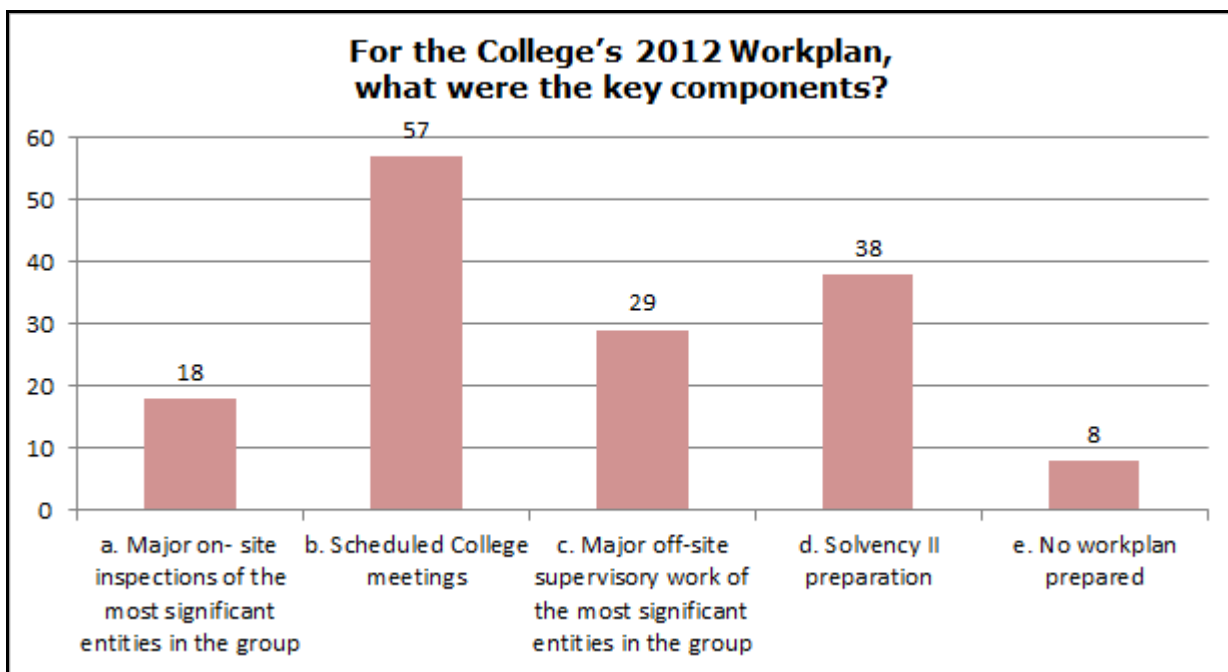
15. In the 2012 Colleges Action Plan, Group Supervisors of Colleges were asked to perform a "self-assessment" of the use of the Guidelines for the Functioning of Colleges currently in development within EIOPA. In order to assist Group Supervisors in this task EIOPA has done a short survey. This was aimed to encourage supervisors to familiarise themselves with the Guidelines for the Functioning of Colleges and to provide a view as to how embedded the provisions of the guidelines are in the College work. The results of the analysis will provide input to a further development of the Guidelines on the functioning of the Colleges.
16. The Group Supervisors had provided EIOPA with their self-assessment for 84 groups. All respondents have mapped the related undertaking in order to determine the group structure and to identify all members of the college. The majority of Group supervisors have conducted this mapping as part of a regular review. 3 % of respondents said they had not taken due consideration of the significance and materiality of undertakings in the group when inviting supervisory authorities of significant branches and other related undertakings to the college.
17. Confidentiality and secrecy issues are relevant for 35 Colleges in which third country supervisors are involved. These issues were addressed by either a declaration of professional secrecy at the meeting (24 respondents); by a co-ordination arrangement agreed by the whole college (4 respondents); or by having separate meetings and information exchange for third country supervisors (7 respondents).



18. Approximately 60 Colleges have either discussed an outline or a draft text for a coordination arrangement. Less than 5 Colleges have already signed a coordination arrangement.
19. Only a minority of Colleges (around 20 %) has used Specialised Teams: these have been established mainly for review of internal models. Other Specialised Teams have been set up for non-internal model work streams or projects like variable annuities products, joint coordinated inspections, and Solvency II preparation.
20. Risk assessments have been made at Colleges through a combination of the Group Supervisors sharing their risk assessment with the College, and of College members making individual assessments which are shared with the College. Stress tests have been used as a risk assessment tool by 9 Colleges.



21. In addition to scheduled college meetings, 47 Colleges highlighted major on-site inspections and major off-site supervisory work as key components of the college work plan. 8 Colleges had not (yet) prepared a college work plan. (please note that multiple answers were possible to this question. As a rule where the respondent said that no work plan was prepared, then no components of the work plan were ticked. An additional 4 respondents considered the question as not applicable).



22. Communication by Colleges: 39 Group Supervisors stated that all communication with the undertaking is in co-ordination with the college, either at ultimate participating undertaking level or at individual undertaking level. Colleges use a variety of methods to communicate with the undertakings, including using college meetings as a forum for solo and group supervisors to communicate with the group. 39 Group Supervisors responded that there is no formal college agreement concerning communication with group; there may be informal arrangements concerning such communication but this was not part of the survey.
23. The main triggers for college communication, apart from organising the college meeting and follow up actions were related to organising joint inspections (14 Colleges), and the occurrence of an unexpected situation leading to ad-hoc communications (5 respondents).

(ii) Main conclusions from EIOPA's participation in Colleges

24. The EIOPA staff's engagement in Colleges in 2012 focused primarily on:
- Explaining the Action Plan 2012 and encouraging implementation and its use.
 - Encouraging a discussion on risks, by explaining through themed presentations EIOPA's work in the area of Financial Stability and Risk Dashboard outcome. Also specific presentations, on request by the College, for example on the details of the joint decision for internal model approval, the cooperation between EEA supervisors in Colleges for groups with a head office in a non-EEA country, were provided.

- Assisting, on request, the Group Supervisor when setting up a new College.
- Providing regular updates on the working assumptions of the Solvency II project.
- The development of tools comprise a catalogue for information to be exchanged (quantitative and qualitative), the “College-to-do-list” for Colleges when preparing for Solvency II and the Helsinki Plus list. The Helsinki Plus list includes basic financial information of the group and solo entities per country as well as contact details of the supervisors in the National Supervisory Authorities responsible for the day-to-day supervision as well as in crisis situations.
- EIOPA’s College team is also acting as link between Colleges and Solvency II working groups and providing practical input to the Solvency II policy work. E.g. questions in the area of internal models stemming from the Colleges are fed into the internal Q and A procedure for supervisors. College team members participate actively in several work streams that relate to cooperation amongst supervisors. The format of the Coordination Arrangement as well as the Emergency Plan for Colleges was developed in close collaboration between the EIOPA IGSC and the EIOPA College team.
- In 2012 meetings between the supervisors involved in the supervision of groups in individual countries (in the beginning with National Supervisory Authorities that are Group Supervisor for a great number of groups) and EIOPA’s College team were set up and will be continued in 2013. They will be extended to national supervisory authorities that are mainly solo supervisors as the activity/interest of the solo supervisors in the Colleges are also very relevant for the College functioning.
- EIOPA cooperates and exchanges views with EBA to align the approaches to promoting the functioning of Colleges, e.g. with regard information exchange and risk assessment and the structure of the action plan. In addition, the College team organised together with the EBA College team a cross-sector seminar on risk assessment and corporate governance.
- In light of the continuing difficult economic and financial market environment a conference “Colleges at work in a challenging environment” was organised by the College team to enhance the exchange of practices, views and experiences across Colleges and the quality of cross-border supervision.

25. In 2012 almost all Colleges met and quite a number had more than one activity organised. In general those Colleges fulfilled the basis organisational requirements, i.e. organize a College meeting, agreed on the scope of group supervision, participation of supervisors of relevant branches and third countries and other sectors’ involvement in the College and started discussing the nature and main risks of the group including Intra Group Transactions (IGT) and Risk

Concentrations (RC), set a College Work plan for 2012, and set up an emergency plan and started discussing a coordination arrangement.

26. Coordination Arrangements are required by the Solvency II Directive but also independently needed of Solvency II, as the requirement is already included in the FiCoD 2002/87/EC of 16 Dec 2002 (Article 11 (1)) for Colleges of financial conglomerates where applicable, in the predecessors of EIOPA/EBA paper on "10 Common Principles for Colleges of Supervisors" as of 27 Jan 2009 (Principle 5) as well as in the IAIS Insurance Core Principle (ICP) 25 as of 1 Oct 2011. EIOPA thereto provided a template version which is to be adapted to the specific needs of the individual college. The majority of supervisors started discussing the Coordination Arrangement. Some Colleges have already finalised their discussion and signed the agreement. In many cases also further questions are raised and further discussions are expected to take place in 2013. For more than 70 Colleges Emergency Plans that describe the cooperation amongst College members in emergency situations are agreed or a draft is made available. EIOPA requires all Colleges to have an Emergency Plan in place.
27. The more effective college meetings clearly benefitted from an earlier circulation of agendas and documents, and more over involving all college members in the preparation at an early stage, including the structured collection information from the solo supervisors on main financial data, governance, risk management and supervisory measures.
28. Overall significant differences in the level of information exchange have been observed. Areas for improvements are in particular continuous and effective information exchange between Colleges meetings, as well as the discussion and assessment of risks by taking a more structured and prospective view. Some Colleges have started to set up a method for risk assessment with the aim to come to a common view of the risks to which the group and/or solo is exposed.
29. Overall the meeting with the firm is well prepared by the group supervisor. Additional value could be achieved by a presentation focused on predefined relevant topics and, in particular, by an active contribution of all college members in challenging the group management on all relevant supervisory issues from a group and solo perspective.

B. EIOPA Action Plan for Colleges in 2013 and EIOPA's other College activities in 2013

30. The EIOPA College Action Plan 2013 is a step forward towards consistency of supervision and a level playing field for cross-border groups during the period until Solvency II implementation.
31. The EIOPA College Action Plan 2013 is based on the targets and achievements made with regard to the Action Plan 2012.
 - One of the tasks in the Action Plan 2013 is to discuss the implications of the interim guidelines for the phase leading up to the implementation of Solvency II and amend the existing college and internal model work plan accordingly.

- In light of the period until implementation of Solvency II, the discussion and agreement on a coordination arrangement with the aim to base the cooperation and communication in Colleges on clear rules and procedures is crucial to support effective supervision of cross-border groups.
- Further main elements of the Action Plan are the tasks related to risk assessment in Colleges in light of the current difficult economic and financial market environment. A common understanding of risks and a consistent approach for risk analysis and assessment in Colleges is needed irrespective of the still differing regulatory and accounting rules.

32. The Action Plan 2013 includes four items.

- The first action point relates to risk analysis. This point will be achieved through systematic information exchange in Colleges. The risk areas to arrive at a common understanding by the college refer to: Business and performance, System of governance, Risk profile, Solvency Valuation and Capital Management.
- The second action point is about the internal model. For solo and group capital calculations based on an internal model application according to Art. 231 of the Solvency II regulation, the Colleges might need to adapt their work plan to prepare them for the pre-application and the application process in view of the implementation of interim guidelines for the period leading up to Solvency II. Furthermore it is expected that with the review of the models on-going, the Colleges will be in a better position to discuss content-related questions, e.g. impact of size, business diversification. EIOPA will be able to support those discussions with its establishment of EIOPA's centre of expertise on internal models.
- The third action point relates to the "College-To-Do-List" and the review of the status of the activities and the progress made of the actions that are specifically related to the implementation of interim guidelines for the period leading up to Solvency II.
- The fourth action point relates to the assessment of the possibility to conclude a systematic and proportionate cooperation using a Coordination Arrangement.
- Finally, a specific task for group supervisors is to discuss the results of the self-assessments about their College functioning. The aim of the survey is to adapt the College workplan 2013/2014 to close the gaps.

33. As there are Colleges which are not fully fledged yet – it is expected they set the basics of the college – among others - agree on meeting either in person or by telephone conference to set the scope of group supervision, agree on a proportionate college work plan for 2013, set up and approve a proportionate emergency plan for the college.

34. EIOPA's task will be to promote consistency, coherence and effectiveness of information exchange in Colleges. Focal points will be to drive the implementation of an appropriate risk assessment approach, the evaluation of

the low interest rate risk and the potential contagion risks which could spill over from the sovereign and banking sector.

35. EIOPA will also carry out a tabletop exercise, involving one or more Colleges, where the involved parties gather together in a room and “walk through” a range of processes considered in the Emergency plan for the college - based on a previously defined scenario that seeks to discover the likely outcome(s) of an event on the basis of starting and surrounding conditions and the effects of decisions.
36. EIOPA will also begin as of 2013 to take part in on-site inspections carried out jointly by two or more competent authorities.
37. EIOPA’s College team observed several good and practical solutions in the Colleges in relation to EIOPA’s Action Plan 2012. They will be discussed and assessed in close collaboration with the IGSC in its forthcoming meetings with the aim to disseminate them in a more structured manner to Colleges and in the end to set EIOPA best practices. The following areas for collecting and disseminating good practical solutions have been identified: MoUs and confidentiality agreements, practices for risk assessment including corporate governance, practices for chairing/running college meetings incl. data/information collection and sharing, college work plan, IGTs/Risk concentration, coordination arrangements, organisation of joint decision processes for internal model approval.
38. EIOPA will implement a specific IT Tool that can be used by the Colleges for a secure information exchange. In early 2013 a test phase will be initiated.
39. EIOPA will set up an internal model expertise centrum with close links to the EIOPA College work so that support in this field can be safeguarded.
40. Last but not least in 2013 proportionality aspects for Colleges will be further developed using several criteria for differentiation of the complexity of performing the tasks by Colleges. Regardless of the type of the College the EIOPA Action Plan is supposed to be followed up, e.g. Colleges are expected to have an emergency plan and coordination arrangement in place and to prepare for Solvency II. The emergency plan and the coordination arrangement shall be aligned to the needs of Colleges for low risk and less complex groups with regard to business type and geographical spread.