EIOPA’s Action Plan 2013 for Colleges

Background

The Action Plan 2013 for Colleges acknowledges the continuously challenging operating environment for insurers in Europe, and the implementation of interim guidelines related to Pillars 2 and 3 for the phase leading up to Solvency II. The main objective of the Action Plan 2013 is to make further progress in improving effectiveness by enhancing the risk analysis 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 under the current regulatory regimes as envisaged under the EIOPA regulation.

The following action points are relevant for all colleges of cross-border operating groups, except the internal model related tasks which refer only to colleges for groups applying for internal model use. It is the responsibility of the group supervisor to propose prioritization of different tasks by explaining to the College the reasons.

1. Risk analysis in Colleges

1.1. Develop a common understanding of risks and structured analytical approach

To be complied with by 31 December 2013

As part of the Action Plan 2012 colleges were to agree on a set of information and data to be exchanged in colleges and to start the process of systematic information sharing in the college. Regularly sharing of quantitative and qualitative information provides a good foundation for an assessment of the risk analysis. The objective for 2013 is therefore to go a step further and use the information/data regularly exchanged under the current regulatory regimes and accounting principles as a basis for developing a common understanding and view of the risks of a group while combining group and solo aspects. This task includes the discussion and agreement on a suitable approach for analysis and assessment of the risks to which the group and the major solo entities are exposed to. The aim is to define all relevant risks and agree on qualitative and quantitative information/data needed and the scope of entities to be reviewed. The proportionality aspect in performing this task for small and less complex groups is implicitly reflected in the fact that their risk exposure regarding number and dimension of risks and entities is significantly lower than of large and complex groups. Good practices currently used in colleges regarding categorization of risks could serve as a basis to fulfill this task.
In particular the following risk categories may be considered using the data and information available according to the national rules under the SI regime:

- Business and performance
- System of governance
- Risk profile, for example: Exposure to the low interest rate environment, other market risks, ALM risks, credit risks, liquidity risks, life and non-life insurance risks, natural catastrophe risks, operational risks
- Valuation for solvency purposes
- Capital management

The task is for each category to discuss and agree on qualitative and quantitative elements to be reviewed and analyzed as well as an approach for assessing the risks. EIOPA will make good examples (made anonymous) available to Colleges.

1.2. Reach a common understanding on a final assessment of the risk exposure of the group and its major solo entities
To be complied with by 1 July 2014

The task for the college is to reach a common understanding on a final assessment of the risks at the level of the group and the major solo entities based on the common understanding and agreed analytical approach.

2. **Internal Model related tasks**
On-going tasks

Task for colleges where the group internal model is planned to be used to calculate the consolidated group Solvency Capital Requirement, as well as the solo Solvency Capital Requirements of insurance and reinsurance undertakings (Art. 231 of SII Directive).

The existing work plan for the pre-application and application process needs to be reviewed under consideration of the implementation of interim guidelines for the period leading up to Solvency II. The colleges may identify content-related questions, e.g. impact of size and business diversification, and may discuss these further with the support of EIOPA’s centre of expertise on internal models.

3. **Review and alignment of the college work to the interim guidelines for the period leading up to Solvency II**

3.1. Update the College Work Plan under consideration of the implications of interim guidelines for the period until the implementation of Solvency II
To be complied with by 30 June 2013

According to the Action Plan 2012 for colleges the College had to agree on the actions to be taken for all items of the “College-to-do-list” in order to prepare for Solvency II. The task for 2013 is to discuss the consequences of the implementation of interim guidelines for the phase leading up to Solvency II. The college activities are to be reviewed and aligned, and the College Work Plan 2013/2014 is to be updated accordingly.
3.2 Assess the conclusion of a coordination arrangement for the interim period leading up to Solvency II
To be complied with by 31 December 2013

Colleges shall discuss and assess the possibility of concluding an arrangement for systematic cooperation in the college for the interim period leading up to Solvency II. The requirement to put in place a coordination arrangement is already relevant for Financial Conglomerates according to the FICOD 2002/87/EC of 16 Dec 2002 (Article 11 (1)) but is also included in the CEBS/CEIOPS paper on “10 Common Principles for Colleges of Supervisors” as of 27 Jan 2009 (Principle 5) and the IAIS Insurance Core Principle (ICP) 25 as of 1 Oct 2011. The task is to assess the possibilities of concluding a coordination arrangement based on the current status of the EIOPA template under consideration of proportionality aspects. Colleges which have not yet an emergency plan in place should implement it.

4. Self-Assessment on College Guidelines
To be complied with by 30 June 2013.

Discuss the results of the self-assessment made as part of the Action Plan 2012 in the college and identify measures allowing closing the gaps.