

Peer Reviews on the NCAs' Governance of Colleges
(Reference period: Sept 2012 – Sept 2013)

(Public Version)

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Executive summary

College work has been an integral part of supplementary group supervision in the Solvency I framework and a tool to make group supervision efficient and effective from both a home and a host perspective. The college framework will become an even more important part of the supervisory framework under Solvency II regime. Therefore it was important to recognize the NCAs' approaches towards the readiness to lead and contribute to college work under Solvency II.

This peer review examined the practices of National Competent Authorities (NCAs) during the period September 2012 until September 2013 (the so-called reference period).

Due to different scale and complexity of the supervised groups the proportionality principle was applied to the final assessment of governance of the colleges. As NCAs have different roles and intensity of involvement in college work, the Review Panel agreed that more formal processes, procedures and arrangements were needed especially in reference to NCAs highly involved in college work regardless of whether they were a group or a host supervisor. Until now all NCAs have been operating in the environment of Solvency I as well as the Insurance Groups Directive and taking into account the Helsinki Protocol¹, the College Guidelines², at the time of the reference period still under development and other recommendations, practices and tools provided by EIOPA.

Having in mind that the approach to college work may vary due to available resources and the size of a college this peer review aimed at identifying the actual practices in the reference period and assess whether identified differences are justified. With this peer review the Review Panel tried to foster the convergence of practices before entering the new Solvency II regime.

Aiming at the enhancement of the effectiveness of the practices of NCAs in colleges and the quality of supervisory outcomes, as well as the alignment (to the extent appropriate) of the EU approach to NCAs' involvement in colleges and relevant internal processes and procedures, the Review Panel issued recommendations to NCAs promoting a more consistent and structured approach to the governance of college work. Most of the recommendations referred to the area of: governance of the college framework within NCAs (21 NCAs), information flow within the NCAs (14 NCAs), operational college work, in particular involvement of the host NCAs (13 NCAs) and risk assessment at the group level (11 NCAs). The first three areas already have an impact on the proper organisation and functioning of the college. The latter area will undoubtedly develop when Solvency II comes into force and NCAs will base their assessments on more risk-based and comparable data provided by the groups under the Solvency II regime.

¹ <https://eiopa.europa.eu/CEIOPS-Archive/Documents/Protocols/14.pdf>

² https://eiopa.europa.eu/Publications/Guidelines/Colleges_Final_document_EN.pdf

It should be highlighted that the recommendations were issued in view of actual practices during the reference period. This report does not consider developments in the practices of NCAs after this reference period. Most of the recommendations issued as result of this peer review have already been implemented in various guidelines or directly addressed by NCAs in the course of their preparations for implementation of the Solvency II directive.

1. Scope and Reference Period

The scope of the peer review covered the following topics:

- Governance of the College framework inside NCAs
- Coordination and information flow within the NCAs
- Cooperation with supervisors of branches and supervisors from other sectors
- Delegation/allocation of tasks to other College members
- Coordination arrangements
- Release of information from NCAs to College members
- Third country professional secrecy and information sharing
- Planning
- Operational College work
- Risk assessment at group level
- Follow up and evaluation
- Training activities

All EEA insurance supervisory authorities being College members, participated in the peer review which comprised 30 NCAs.

The reference period was September 2012 till September 2013.

2. Approach to peer review

2.1. Approach

The peer review was performed based on the EIOPA peer review methodology. In a first step a self-assessment questionnaire with 37 questions was sent out and answered by participating NCAs.

Evaluation reports were sent to the heads of NCAs. In response to the evaluation reports NCAs provided their feedback which contributed to the final assessment of the practices of the NCAs.

It should be noted that some NCAs informed the Review Panel of actions that they have taken after the reference period and action planned for the near future as a direct result of the peer review process and the evaluation

received. This report does not consider developments in the practices of NCAs after the reference period (i.e. from September 2013 onwards).

2.2. Proportionality applied to the peer review

During the peer review it became clear that the proportionality principle should apply to the final assessment of governance of the colleges due to different scale and complexity of the supervised groups and as a consequence of different complexity of work in each college. At the same time, as NCAs had different roles and intensity of involvement in college work, the Review Panel agreed that more formal processes, procedures and arrangements were needed especially in reference to NCAs highly involved in college work, regardless of whether they were a group or a host supervisor. For those NCAs it is important to find a proper balance between consistency of the approach to all colleges they are involved in and flexibility which would allow NCAs to efficiently supervise various group structures.

Therefore, applying the proportionality principle, the Review Panel took into account the following elements to focus its work:

- the number of colleges where a NCA acts as a group supervisor,
- the number of colleges where a NCA acts as a host supervisor,
- the impact of the particular elements of the process subject to peer review (i.e. college framework, coordination within the NCA, operational college work) on the proper functioning of the college.

3. Key Findings

This section presents the key findings of the peer review. Each chapter of the report presents the general rationale for the recommendations in a particular area and explains why certain behaviour or methods are important for a proper functioning of a College. Each section also presents supervisory practices observed as well as practices which the Review Panel deemed as particularly noteworthy and subsequently considered as best practices.

3.1. Governance of the College framework inside NCAs

In the insurance market, business is carried out to a large extent in a cross-border context. In order to address the challenges related to different group structures and to achieve the best possible outcome for group supervision, supervisors have to intensify their cooperation and exchange of information. The supervisory college is an important platform for these purposes and the Solvency II directive provides specific requirements for group supervisors and College members to enhance the group supervision in the EU.

In order to ensure a consistent, efficient and effective use of this platform it would therefore be advisable to define as a starting point an overall policy for college work within NCAs. It is important to note that it is the authorities that are members of a college, and not individual staff members. Therefore

authorities should develop a policy describing in sufficient detail their priorities for the work of colleges and provide their staff members with the relevant steering and guidance in order to allow them to carry out their duties effectively.

Apart from general policy, NCAs should develop written internal rules of procedure governing the organisation of the work within supervisory colleges specifying responsibilities, procedures and tasks with regard to colleges, as well as necessary competences for performing activities in colleges.

The findings from the peer review show that during the reference period, in most cases a formal overarching policy was not in place. The results point to four NCAs which had a formal policy for colleges operation during the reference period.

Moreover, in most cases during the reference period, College work was not included in the strategic planning cycle. In many cases the college work was not well integrated in the supervision at all levels in the NCAs but rather constituted an additional layer which was distinct from daily supervisory work.

Best practices

Implementation of Governance

- Board level management defines or approves targets for supervisory units, which include targets with regard to college operations. Heads of departments can have college related targets in their personal objectives and within their job description. In addition supervisory sections need to set up a supervisory plan which has to be validated at board level management. The above actions harmonize the targets of the board level management regarding colleges.

Internal Communication Platform

- All documents relevant to the operation of colleges are centrally stored by the NCA in an electronic secure form and accessible to all relevant and authorized persons.

Content of the Internal Policies and Procedures

- A set of written and updated internal guidelines is in place dealing with major issues like: group SRP (Supervisory Review Process), strategic processes regarding groups, data exchange, IT College Collaboration Tool, Colleges, definition of the role of the person responsible for a group.

Recommendation

- NCAs should put in place a policy document for the college activities of the authority. This document should outline at least the approach to colleges in terms of their role as group supervisor, as host supervisor, any proportionality aspects, information exchange, focus areas for supervision, the integration of college work in the planning, the procedure for execution and follow up of cross-border college based

activities in the remit of the NCA as part of its group supervision. Where relevant, this document should be adapted to large colleges where specific issues need to be addressed (e.g. size of the college, importance of non-EEA activities within the group, non-traditional non-insurance risks etc.). Moreover, in order to comply with the spirit of the Solvency II regime, the application of such policy should incorporate a forward looking perspective and risk based approach in the group supervision.

The recommendation applies (with tailored variations) to: 21 NCAs.

3.2. Coordination within the NCA

In order to ensure that strategic plans are executed at the operational level in an effective and consistent manner the Review Panel believes that it is important to coordinate college activities within the NCA. NCA staff responsible for the functioning of the college should be informed regularly about the changing goals and management expectations as well as be able to escalate the risks and identified issues in order to receive steering from the management.

The staff should also have the opportunity to share the experience and benefit from the knowledge and expertise of others. Coordination function, regardless of how it is organised, should ensure a consistent approach in standard cases.

Coordination in the NCAs may be supported by useful guidance for supervisors, data bases, IT platforms, etc.

In practice the most appropriate form of coordination might be different depending on the size and complexity of the authority but also the size and complexity of the college portfolio of a particular NCA.

The peer review shows that, during the reference period, there were a number of examples of well-arranged coordination of the information needed by staff members participating in colleges. These took the form of IT-platforms, regular meetings, dedicated networks, standardised templates etc.

There were also cases where the approach was not structured or the structure was not sufficiently comprehensive. Although many teams were involved in college work it was not clear who was responsible for certain college operations.

System/Concept of Coordination

It was observed that NCAs in general follow two concepts of coordination. Comprehensive examples of coordination of the information needed by staff members participating in colleges identified during the review can be classified as follows:

Central coordination examples

- In some NCAs monthly department meetings provide opportunity for the College Coordination Group Members (coordination function) to

provide an update on college or coordination function holders' activities. During such meetings other supervisors may ask questions and share their experience.

- College interaction is primarily co-ordinated via the operational supervisors who have the most direct engagement with the college and thus have the best perspective on how best to engage and lead the college. Complementary, a dedicated college policy unit provides a framework and a central hub for coordination within the organisation, disseminating a range of helpful information and guidelines dedicated for supervisors' use. The flexibility provided to supervisors allows them to take information that is most pertinent to their college needs.

Decentralised coordination examples

- In order to ensure proper coordination across different groups and departments in a proportionate way there are three networks in place which are relevant for Colleges meeting on a monthly basis: the Governance network, the Actuarial network and the College network. The "College network" plays the role in aligning supervisory college-activities. This network is merely an information exchange committee.
- Procedure regarding coordination between departments for pre-application of internal models that aims at structuring the role of all relevant departments in internal model reviews, panel meetings of management and experts and information exchange is covered in detail by an internal regulation.
- Organisation of joint teams on internal model issues between the supervisory teams and the dedicated internal models risk expert group (eg. pre-application).
- Weekly meetings of the Auditing/Actuarial Section in combination with a clear escalation path support information sharing and facilitate decision making processes.
- For each college, a Single Point of Contact coordinates the college activities. In terms of coordination between colleges to secure the NCA position, discussion points and minutes are submitted to a Risk Committee. The Risk Committee is chaired by an Executive Director and includes Deputy Directors as well. There are also regular meeting of risk teams for specific themes such as credit risk, market risk, internal model, which include representatives from the policy and supervision departments. Attendees of risk team meetings provide summaries of the risk team discussion to colleagues in their department. Minutes of risk team meetings are also sent to the Risk Committee.

The Review Panel observed also other practices in the area of coordination:

- Supervision of all undertakings belonging to the same group is exercised by dedicated teams which are responsible for the operational day-to-day supervision regardless of whether it is related to college work, group supervision or solo supervision. Through this operational arrangement the NCA ensures that team members possess all information about the supervised group.

- An administrative college coordinator manages all administrative college related tasks such as information about college invitations, collection of agendas, minutes, questionnaires etc. The establishment of a regular (weekly, by-weekly or monthly) internal face-to-face information exchange between staff supervising the same group or responsible for other groups within the authority contributes to a consistent approach of the authority, when properly linked to the authority's college coordination function.

Coordination tools

The Review Panel also analysed the coordination tools used by NCAs. Apart from using a single storage system or sharing information on the extranet there are practices of issuing guidance on colleges containing a dedicated section 'Useful links and contacts' facilitating easy identification of the relevant points of contact in each supervisory department for questions relating to the functioning of colleges.

Some NCAs establish a college mailbox which receives a copy of all relevant messages to and from EIOPA, which enables to obtain an overview for the college coordination group on the communication between the EIOPA College Team and the NCA with respect to Colleges and ensure consistent dissemination of information within the NCA. It also acts as a single point of contact for college-related queries.

Recommendations:

- NCAs should consider how to ensure the harmonisation of processes and consistency of approaches not only across the groups where they act as group supervisor but also across the groups where they act as host supervisors.
- NCAs should implement a structured approach to cooperation between line supervisors and policy teams, expert centres, "file managers" of each college, supervisors from other sectors etc.
- NCAs should ensure there is a written document describing roles and responsibilities as regards coordination of college work.
- It is also recommended a consistent approach to group supervision be applied to ensure compliance with regulations for colleges.

The recommendations apply, for at least one of the bullets (with tailored variations) to: 6 NCAs.

3.3. Information flow within the NCA

With respect to the information flow the peer review aimed at identifying how the relevant information reaches the staff members before the college meeting and how information on the outcome of the meeting as well as the information on the content of the discussion is fed back into the proper reporting lines within the authority. This includes also any feedback to the NCAs from EIOPA which is monitoring the respective colleges.

With respect to the prioritisation of topics, standing agenda items or discussion at colleges, only three NCAs stated that they had such formal documented policy arrangements in place during the reference period.

When analysing different approaches to information flow within NCAs, the Review Panel observed different practices in this area. For example:

- In NCAs highly involved in college work, aiming at creating full oversight of the activities of the group, at least once per year internal supervisory college meetings are held for groups which have entities supervised by different divisions of the NCA.
- In smaller NCAs, central data bases serve as information sharing platform for all staff members. This single location supports effective and efficient dissemination of information.
- The resources of the college coordination unit create a hub structure for conversation creating a centre of knowledge that can then be shared with supervisors across colleges.

Best practice

- Information about college meetings prepared in the form of a summary or management report template is disseminated to relevant units/experts as well as the relevant management level. It includes all relevant data, discussions and positions expressed in a structured way, in relation to the college together with particular actions or decisions of the college and/or entities. In some NCAs quarterly monitoring reports are also prepared.

Recommendations:

- NCAs should establish a central repository of documents for colleges.
- NCAs should ensure there is an approach to receive/access mails to and from EIOPA regarding colleges, in order to have an audit trail for the information exchange (e.g. per group college, per NCA, central register, etc.).
- NCAs should ensure that the information needed for staff members in their college work is available and that, for example, executive summaries of each college meeting are distributed to all relevant management levels. Also information needed for other supervisors or expert centres should be distributed in a timely manner.
- NCAs should implement a process for executive or management reports from college meetings.

The recommendations apply for at least one of the bullets (with tailored variations) to: 14 NCAs.

3.4. Cooperation with supervisors of branches and supervisors from other sectors

It is important that the information needed for supervision of a particular group is exchanged with other relevant supervisors, including the supervisors from other sectors.

It is equally important to point out that branch supervisors also have an interest in the information exchange and may be able to contribute substantially to the supervision of a group (e.g. by providing market specificities or revealing differences in standards on general good provisions), as in the insurance sector consumer protection issues are closely linked to the prudential supervision of a group.

It is therefore important to invite those supervisors to the college work, when necessary. They can be invited to college meetings or preparatory meetings within the NCA. It is also important that they receive adequate information from college meetings if not attending.

The peer review revealed the following examples of practices with regard to dissemination of relevant information with supervisors from other sectors:

- Invitations to colleges are sent out to all relevant local authorities, e.g. banking or market conduct regulators, to facilitate engagement if necessary. Before considering the attendance the invited authorities make an assessment of the topics to be discussed at the college meetings and their relevance.
- The NCA acting as a host supervisor proposes that the group supervisor attends the college meetings together with supervisors from other sectors within the NCA (integrated authority), where relevant.
- The dissemination of relevant information and organisation of internal meetings for supervisors of different sectors for the purpose of discussion of risk and problems of undertakings creates a holistic view of insurance groups and facilitates cooperation among supervisors.
- The cooperation of the prudential supervision authority with the market conduct/consumer protection authority is formalised through a MoU (Memorandum of Understanding) and the organisation of an annual college between both authorities. There are also regular informal contacts between both authorities including monthly telephone conferences.

Recommendation:

NCA should ensure that there are internal meetings/information exchanges with supervisors from other sectors or, in case of non-integrated authorities, meetings with other competent authorities at national level.

The recommendation applies to: 4 NCAs.

3.5. Delegation/allocation of tasks to other College members

Existing need for the cooperation and coordination among NCAs carrying out college activities relates also to the delegation of tasks within colleges. With the aim of optimising the resources and expertise in order to avoid duplication of tasks, NCAs should delegate particular tasks to other College members when necessary. The delegation should reflect the manner in which supervised entities are organized and operate and should be proportionate to the nature, scale and complexity of the supervised markets.

As NCAs are functioning within the boundaries of their national legislation it is important to have clarity as to the possible scope of sharing tasks. Therefore it is important that NCAs have a common understanding on this.

The Review Panel analysis revealed that, during the reference period, a distribution of tasks and responsibilities already exists in case of some colleges. Under Solvency II provisions the delegation of tasks is an option available to NCAs. Once Solvency II is in place and a follow-up of this review takes place the issue of delegation/allocation of tasks to other College members should be further analysed and verified from the point of view of effective and efficient management of the college work.

3.6. Coordination arrangements

When Solvency II comes into force (or even earlier in the case of internal models) it is important for NCAs to have processes in place to be able to sign a coordination arrangement in a timely manner.

NCAs stated that they have general written requirements, policies, processes concerning their approach to considering/agreeing/signing coordination arrangements. During the reference period some NCAs had already signed coordination arrangements on their own initiative.

The peer review showed that, during the reference period, the level for decision on and signing of such an agreement could vary among different management levels in the NCA.

It was observed that in preparation to implement the new legislation, some NCAs had already covered the approach to considering, agreeing upon and signing coordination arrangements in detail, in a written form through internal rules.

As highlighted above, the Solvency II regime requires the establishment of a structured process concerning coordination arrangements involving all NCAs. With the assistance of EIOPA this process has been already initiated. Coordination arrangements were signed in March 2015 for those insurance groups that decided to apply the internal model approach. The remaining coordination arrangements were signed by December 2015.

Recommendations:

- NCAs should ensure a structured process at NCAs leading to making a timely decision on the coordination arrangements;

- NCAs should ensure there is clarity on who signs the coordination arrangements.

The recommendations apply to: 4 NCAs.

3.7. Release of information from NCAs to College members

Proper functioning of colleges can only be achieved when all necessary information is distributed among supervisors in a timely manner. This allows the NCAs to take informed decisions and take necessary supervisory actions with respect to a particular undertaking and/or group immediately.

In order to have clarity on whether a particular piece of information may be shared within the college there is a need for developing guidance so that the information could be shared as soon as possible and whenever needed.

The self-assessment results show that, during the reference period, nine NCAs have general written requirements, policies or processes concerning how the NCA should approach the issue of sharing of confidential or sensitive information (including company specific information) in colleges. This includes information sharing with third countries.

Best practices

The following examples were considered as exemplary approaches (including tools used) when releasing information to other College members:

- To have in place comprehensive written internal procedures for information sharing. To make the procedures available for the staff through the NCA's intranet.
- Running a dedicated website with restricted access for each college facilitating a safe exchange of sensitive information with the highest possible level of security. The college website can be used both for communication with EEA and non-EEA college members. In some cases host supervisors have to sign the Terms of use of the secured information exchange at the same time as the Coordination Arrangement. In order to manage a contact list for a given College adequately, the list of people having access to the secured information exchange is directly managed on the extranet webpage.

Recommendation:

- NCAs should ensure that there is clear guidance to staff members participating in colleges about relevant information to be shared, including with members from third countries.

The recommendation applies to: 4 NCAs.

3.8. Third country professional secrecy and information sharing with third countries

The current framework of EU Insurance Directives (often referred to as Solvency I) and the Solvency II Directive (2009/138/EC) require the equivalence of professional secrecy regimes as a pre-condition for

establishing cooperation agreements for the exchange of information between EEA and third country insurance supervisory authorities. Each EEA supervisor has the task to decide whether a third country has an equivalent professional secrecy regime (article 66 Solvency II).

While the decision making powers are a matter of Member State competence, the actual work of assessing a third country professional secrecy regime may be organised either on national or at European level to promote consistency and a common approach in assessing a third country's professional secrecy regime.

Since January 2009, EIOPA and its predecessor CEIOPS have been actively contributing to the development of working structures and methodologies to undertake professional secrecy assessments, some assessments concentrate on the professional secrecy regime only and others are full Solvency II equivalence assessments or Solvency II gap analysis. EIOPA then simultaneously provides to all EEA States the analysis it has performed and that is needed as the technical basis for national decisions to formally recognise the professional secrecy equivalence of a third country regime. NCAs are expected to consider the outcome of EIOPA's assessments when available and to share amongst themselves the assessments of countries not yet assessed by EIOPA.

The results of the peer review show that, during the reference period, the NCAs have rather general, written requirements or policies for assessing the professional secrecy regimes of third countries. This also includes general conditions for involving other College members in this work.

The results of the peer review also show that NCAs have general written requirements, policies, processes for sharing information with third country representatives, including signing of a confidentiality agreement or other arrangements.

Although no best practices were identified, the following practices have been observed by the Review Panel:

- For securing a timely information exchange the NCA implemented an efficient approach for the verification of the third country professional secrecy: it uses a standardised form which is sent to the third country's supervisory authority with the request for completion. Upon return, the legal department decides, based on the completed form and additional information if needed, whether the professional secrecy regime is equivalent to the NCA's standards. Via this approach the functioning of an efficient information exchange is ensured.
- In the NCA there is a clear process and procedure for supervisory assessment allowing to check whether or not a particular information is considered relevant and appropriate to be shared with a third country. Colour coding is used to distinguish between the information which can and cannot be shared. If a relevant supervisor is unsure about the equivalence of a third country regime he or she can contact the central team to discuss the matter and also receive assistance from the international team which may conduct a quick equivalence assessment.

- In-house developed questionnaires are used during the individual assessment of the third country's equivalence with the legislative requirements applicable to the NCA, that enable to decide which information could be shared under which conditions in a fair and timely manner.

Recommendation:

- NCAs should ensure that there is a clear process of exchanging information/data with third country jurisdictions even if the NCA does not make the assessment itself.

The recommendation applies to: 8 NCAs.

3.9. Planning

Efficient functioning of Colleges requires proper planning. The NCAs' supervisory plans (required under Solvency II) should reflect College Work Plans and vice versa. When planning college related activities, NCAs should also benefit from the yearly EIOPA College Action Plans.

The results from the peer review show that only some NCAs integrate tasks and actions related to college work into the overall planning of the NCA's supervisory activities.

The Review Panel observed the following approaches to linking colleges' activities with NCAs strategic and operational level plans:

- The consideration of colleges within the formal strategic planning helps to ensure that colleges are considered a key topic by senior management. It also helps to ensure that college work is considered and aligned with the supervisory priorities of the NCA so as not to add unnecessary burden on supervisory teams.
- College activities are integrated into the yearly action plan of the supervisory department and requests for resources follow from this process. A proposal of the action plan is then sent to the Board of Directors for approval.
- Each head of unit defines the tasks and deliverables proposed to the college. Such proposal requires the approval of the head of department. The NCA gives due consideration to inputs from solo supervisors during the planning process. All the above information is then transformed by the person responsible for a particular college into a specific tasks and deliverables table. The formal planning and task allocation process is completed at the latest one year in advance for the largest colleges.
- Every year a supervisory strategy regarding the core market for groups supervised by the NCA is set up. Insurance market data, macroeconomic data and performance data from groups are analysed and the strategic focus for the next year is determined. The planning of the college lies within the responsibility of the group supervisors (file manager), in coordination with the Group Supervisory Team.

A general roadmap for the college is drafted (reminder of dates and venues, deadline for information exchange, Tour de Pays talk, deadlines for submission of data to colleges are fixed).

The Review Panel proposes the following recommendation across NCAs in order to bring the overall level of preparedness a step ahead.

Recommendation:

- NCAs should ensure that they link colleges' activities with NCAs' yearly planning process also across units (including resources, turnover issues, financial allocation, bottlenecks, etc.). Planning should include all activities in relation to a specific group or a specific college.

The recommendation applies to: 5 NCAs.

3.10. Operational College work

Efficiency of College work depends not only on the approach taken by the group supervisor but also on quality and timeliness of contributions of solo supervisors.

Only a few NCAs state that, during the reference period, they provided structured guidance on consistent contributions at college meetings (e.g. who participates, content of the contributions, who validates the content of the contribution, etc).

Best Practices

The following examples were identified as best practices within the scope of consistent contributions at college meetings.

- Before the college meeting the NCA acting as a group supervisor collects the questions the Host Supervisors would like to ask to the management of the group during the College meeting. The Group supervisor summarises these questions and sends them to the group management in order to have answers ready at the meeting.
- NCA organise a yearly joint workshop for supervisors of conglomerates from different sectors.

Recommendations:

- NCAs should ensure that their college staff is active in discussions in the college, knowing when to commit the authority and how.
- NCAs should ensure that their representatives participating in the college meetings are provided (e.g. in a written form) with guidance (instructions) for a structured and consistent contribution.
- NCAs should support their college staff with positions on specific issues and with consistent presentations.
- NCAs should support their college staff to embrace their general policy for group supervision, group risk management, etc.

- NCAs should elaborate transparent criteria and policy for participating/non-participating in college activities when invited.

The recommendations apply for at least one of the bullets (with tailored variations) to: 13 NCAs.

3.11. Risk assessment at group level

Risk assessment at group level is a crucial part of group supervision and college work. Already today every group supervisor must form an opinion on the major risks the group is exposed to, how intra group arrangements affect them and whether risk concentrations are accumulated to unacceptable levels. Under Solvency II the consolidated perspective on risk will be even more explicit, with new requirements in the form of proper group risk management including conducting group ORSA, etc. Therefore also supervisors should be able to assess the risk management at the group level.

Each group is unique and the NCAs' risk assessment frameworks should be flexible enough to properly identify and assess the weaknesses in group risk management.

The key challenge identified in the peer review was how to come from the individual NCAs' assessments to the shared view of risks from the group perspective. This challenge however will be partially solved when Solvency II comes into force.

The following approaches about risk assessments were identified :

- A guidance note for the group risk assessment facilitates the discussion with a view to reaching a collaborative assessment of group risk. It acts as an easy reference guidance for the supervisor and ensures that they are not required to reinvent something that already exists. Flexibility is also given to the supervisors as regards adjusting the risk assessment, for example the supervisors involved in supervision of a particular group added additional granularity to the assessment for the college as they felt this was appropriate given the size and complexity of the group.
- The group supervisor completes a group risk assessment in conjunction with other college members and uses this as the basis for discussions within the college. Additionally the supervised group prepares reports on intra-group transactions, risk concentrations and financial data. The group supervisor defines what the report should include and how it should be structured. This includes the preparation of analysis on group risk concentrations and intra-group transactions. This seems to be a resource saving approach also for comparably smaller supervisory authorities acting as group supervisor.
- The development of a central risk log enables a comparison across colleges and gives a holistic view on the range of risks and issues occurring across colleges.

- In-house developed standardised approaches and standardized templates are used for all the companies on the market, which is useful to ensure comparability of the undertakings on the market and its development.
- A four level approach is used. Local risks are identified by the solo supervisor. The group supervisor identifies groups' risks and looks at the solo undertaking from a group perspective and the assessment of the group itself is added on top of that. Defined reporting templates are set up in order to facilitate the joint assessment. The group supervisor and host supervisors agree on a risk score per country.

Yearly "Tour de pays" process in order to prepare the College meeting:

- August/year N: an empty standardised template is sent to each host supervisor in order to collect some data on year N-1 subsidiary's activities.
- September/year N: the completed template is returned from host supervisors to the group supervisor.
- September/year N: the "Tour de pays" meeting takes place between the group supervisor and the group management in order to confront data from the group with data from solo supervisors on each country where the group has activities.
- October/year N: the College meeting takes place with first day focused on group risk assessment and second day focused on discussion with the board of the group.
- End of the year N: very exhaustive minutes are drafted after the College meeting (with the risk assessment included in the minutes).
- The risk assessment framework focuses on the main challenges in relation to the assessment at group level: the gathering of all relevant information from all participants and verification whether the same risks are evaluated similarly by all NCAs. In case of groups with major or significant third country entities, which are integrated as well in order to have the full picture of the group, the group supervisor in a first step aggregates the results of the assessment in a qualitative way. On the basis of the discussions held and the conclusions made, some action may be taken by the group supervisor, the host supervisor or both. This may include for instance organising joint inspections. The way forward is also reviewed internally within the NCA college network.
- Risk assessment is based on a scorecard which includes a number of factors, including governance, risk management, compliance and audit; it also includes risk areas such as credit, market and ALM risk. Scoring is primarily judgment based. The scorecard is designed for solo entities, therefore the score on groups is more complex; however, it is adapted for the purpose in practice. The College members are requested to fill in the risks and an assessment of the risk descriptively - not in a template. This scorecard itself is not used for the college, but the cartography of risks is used (both score and explanation). This information is sent to the College members and they are asked to fill

in the same information for their local entities. The NCA starts from the assessment of the parent undertaking, which is usually the most significant in the group. The NCA sends a sanitised report by College member as well as an overview table which is prepared on the basis of expert judgment. The outcome of the risk assessment is shown to the college and College members are asked to comment or to propose amendments.

Recommendations for NCAs as Group Supervisors:

- NCAs should ensure there is a written guidance on how to perform a group risk assessment taking into account the specificities of each group and allowing for supervisory judgment.
- NCAs should ensure the group risk assessment framework is implemented by supervisors at operational level.

The recommendations apply (with tailored variations) to: 11 NCAs.

3.12. Evaluation and follow-up

In order to ensure that authorities achieve a higher level of consistency and efficiency in arranging colleges' work it is important that NCAs evaluate their current approach in this regard. In some NCAs clear processes are established for passing the information up and across the organisation to discuss the progress made in college work.

When participating in the colleges, EIOPA regularly provides written feedback to group supervisors, in a structured and timely manner after the college meeting, paying particular attention to the level of coherent and consistent functioning of the college with regard to its college peer group.

Moreover, EIOPA develops regular reports on the Functioning of Colleges and the Accomplishments of the EIOPA Colleges Action Plan.

The Review Panel observed, during the reference period, both top-down and bottom-up approaches to evaluation and follow-up.

In some NCAs a steering group discusses the lessons learned from the college work based on the meeting minutes, follow up and evaluation done by other NCAs and EIOPA. The aim is to enhance the college work and slightly change the approach for the next year.

In some NCAs their representatives in all colleges meet quarterly or whenever the NCA's coordinator requests, in order to facilitate the ongoing improvement of supervisory practices and, if necessary, the corresponding review of procedures.

Best practices

- The NCA runs an internal questionnaire addressed to the file managers of the colleges where the NCA is a group supervisor and (where relevant) to major host supervisors. This is used to get an up to date status of the college work.

- The group supervisor sends a questionnaire to College members and participants, in order to assess their level of satisfaction and implement any necessary changes.

Recommendations:

- NCAs should request timely feedback from the College members after the meetings of colleges for which they act as group supervisor.
- The staff contribution/participation in colleges should be integrated in the general supervisory performance assessment.

The recommendations apply (with tailored variations) to: 4 NCAs.

3.13. Training activities

In terms of training for necessary skills and competences for college participants the peer review shows that, during the reference period, in some cases training programmes were often general and not targeted at colleges activities. Some larger authorities have comprehensive training programmes that cover soft skills (meeting management, intercultural communication, presentation skills as well as language knowledge) and more technical skills very often in the area of Solvency II.

Recommendations:

- NCAs should provide foreign language training for their staff involved in the colleges' meetings (in particular English language trainings).
- NCAs should provide soft skills trainings to their supervisors (e.g. in the area of communication, meeting management etc.)

The recommendations apply (with tailored variations) to: 6 NCAs.

4. Impact on supervisory culture

This peer review has contributed in several ways towards convergence of supervisory practices in the area of governance of the Colleges and the methods used (described in section 1.2. Methodology) allowed for objective assessment and comparison between the authorities reviewed.

The analysis of the responses to the self-assessment questionnaire as well as information about the supervisory practices provided via emails, teleconferences and during visits to NCAs gave a sound factual base for further consideration and discussion by the Review Panel. The debate in the Review Panel and the dialogue between the reviewers and NCAs contributed to fostering consistency within the network of financial supervisors.

While studying whether convergence of supervisory practices in a particular area had already existed, consistency in supervisory outcomes was considered. Bearing in mind different market structures as well as different NCAs governance, a proportionate approach was adopted.

Aiming at enhancing the effectiveness of the practices of NCAs in Colleges, and the quality of supervisory outcomes, as well as aligning (where

appropriate) the approach of NCAs to Colleges and relevant internal processes and procedures, recommendations were proposed to ensure a more consistent and structured approach to the governance of College work. Most often the recommendations referred to the area of: governance of the college framework within NCAs (21 NCAs), information flow within the NCAs (14 NCAs), operational college work, in particular involvement of the host NCAs (13 NCAs) and risk assessment at the group level (11 NCAs). The first three aspects have currently impact on proper organisation and functioning of the college. The latter area will undoubtedly develop when Solvency II comes into force. Moreover, NCAs will base their assessments on more risk-based and comparable data provided by the groups under the Solvency II regime.

It is worth highlighting that the policies adopted after or during the reference period had already addressed most of the recommendations in the areas of governance of college framework and information flow within the NCA. However, a proper assessment of the actions taken by the NCAs in that regard will be possible only during the follow-up to this peer review.

Another positive result is that this peer review has raised awareness of college related issues within the NCAs at different managerial levels.

All the above is likely to have a positive impact on NCAs' readiness to lead and contribute to colleges work under Solvency II.

Moreover the best practices developed by some NCAs are clearly marked in this report might be of benefit for other NCAs.

5. Follow-up measures

This peer review was conducted in the transition phase from Solvency I to Solvency II. When operating in the new regime, supervisors will use the new competences provided by the Solvency II Directive. Therefore areas such as allocation and delegation of tasks and group risk assessment are recommended to remain in the scope of any future peer review in this area. Such review should not be conducted before 2018 and should include checking NCAs actions taken based on the current recommendations and also other relevant areas.