



Interim Guidelines

IRSG
Frankfurt, 16 April 2013

Why do we propose to issue guidelines?



- Enable supervisors and industry to prepare for Solvency II
- Phasing-in approach
 - General phasing-in by nature
 - Thresholds for small and medium size firms, as we expect larger ones to be more prepared
 - Proportionality

Why is it worth preparing for Solvency II?



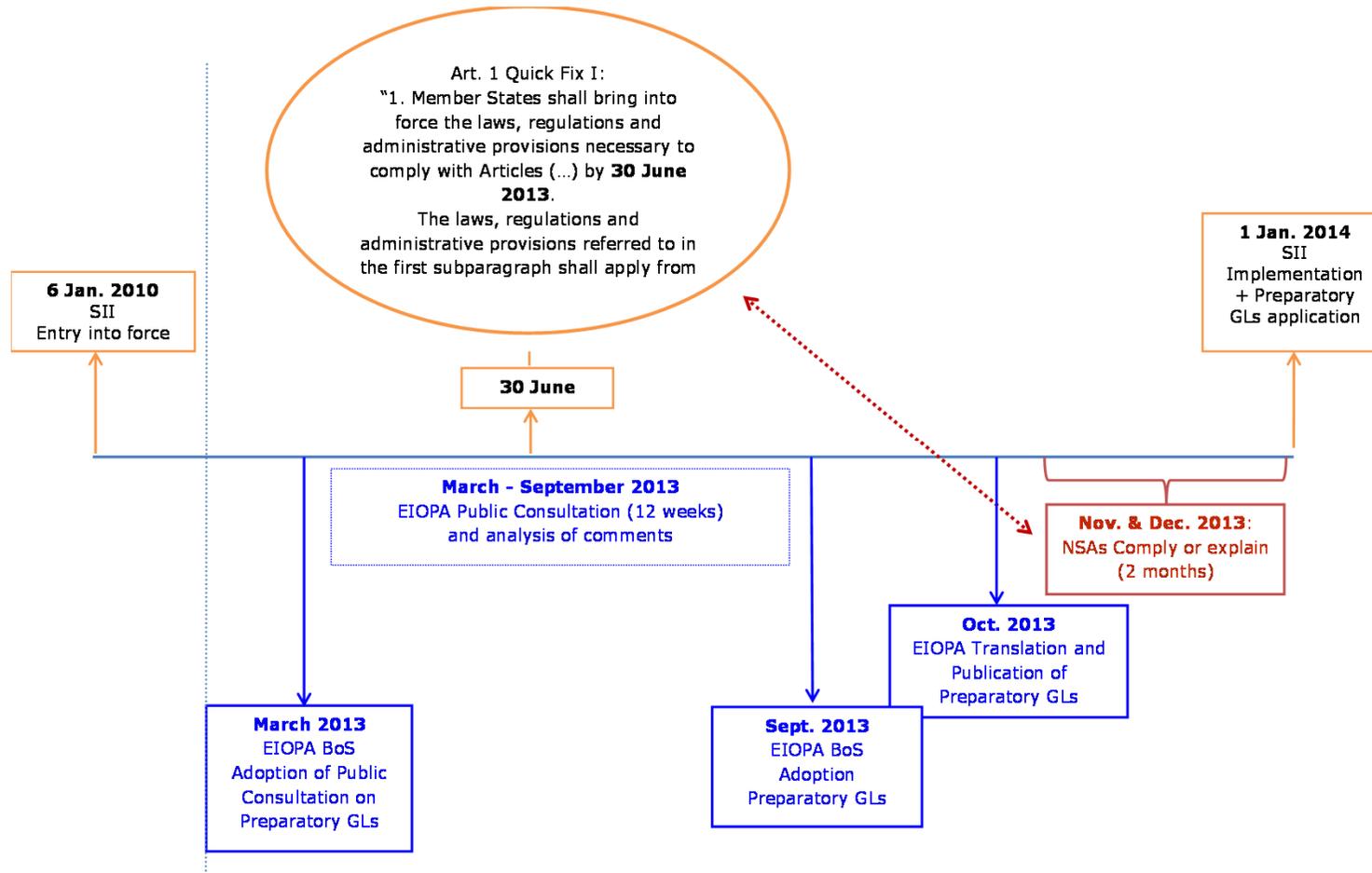
“European supervisors will be forced to develop national solutions in order to ensure sound supervision”

“Undermining EU credibility in international discussions”

“Strong concerns regarding the stagnant OMDII negotiations and their impact on the Solvency II project. The concerns expressed reflect the major worries of the heads of the relevant national competent authorities in Europe”

Gabriel Bernardino to Michel Barnier, 4 October 2012

Timeline



OMII related issues for Submission of information and Forward looking assessment



- EIOPA plan to have preparatory submission of information before Solvency II is applicable (1 annual and 2 quarterly) .
- Plan A and B subject to OMII developments

- Plan A: Assuming OMII plus Delegated Acts stabilised by end 2013 and applicable in 2016: use OMII agreement
- Plan B: EIOPA to review submission dates by end 2013

- GLs is to be issued following EIOPA regulation (art. 16) towards NCAs
- NCAs to make every effort to comply but it can be done in various ways
- Comply-or-Explain two months before issuance
- Progress reports in 2015

Four preparatory Guidelines

Forward looking assessment (ORSA) Objectives



Insurers Own Assessment , including

- Involvement of AMSB, board and senior management, during the process ('top needed')
- Involves all areas, e.g. Finance, Risk, Actuarial, Strategic, Business and AMSB
- It is the process that counts, not only the end report

Forward looking assessment (ORSA)

The main assessments



1. The overall Solvency needs
2. Whether the firm comply on a continues basis future solvency requirements
3. Whether the firm deviate from underlying assumptions in the standard formula - (Threshold applies)

Forward looking assessment (ORSA) Reports to the supervisor



- Firms to report two weeks after conclusions (no fixed date)

Including

- o Qualitative and quantitative results and conclusions
- o Comparisons of solvency needs with SCR/MCR and Own funds
- o Main assumptions

Submission of Information

Objectives



- To prepare reporting in Solvency II style to minimise errors
- Prepare supervisors in receiving common risk based information
- Not to conduct supervisory review processes. I.e. unlikely to replace existing requirements
- To reduce overall reporting burden by alignment of contents where possible with ECB reporting
- Smaller insurers to have more flexibility than more advanced insurers

Submission of information

– frequency, deadlines and format



- First annual reporting with end 2014 information
 - DL: 20 weeks solo and 26 weeks for groups
- First quarterly reporting with 2015 Q3 information
 - DL: 8 weeks solo and 14 weeks for groups
- Taxonomy documentation published
- Report to supervisors of Quantitative templates and narrative reporting above the threshold

Submission of information

– core group annual information



- Balance-sheet
- Detailed list of assets
- Detailed list of derivatives – open positions
- Own funds
- SCR
- Who is in the Group
- Solo requirements
- Contribution to Technical provisions from solos

Submission of information

– core group quarterly information



- Balance-sheet
- Detailed list of assets
- Detailed list of derivatives – open positions
- Own funds

Submission of information

– core Solo annual information



- Balance sheet
- Assets and Liabilities by Currency
- Detailed list of assets
- Detailed list of derivatives – open positions
- Technical Provisions by Country
- Own funds
- MCR
- SCR

Submission of information

– core Solo quarterly information



- Balance sheet
- Detailed list of assets
- Detailed list of derivatives – open positions
- Technical Provisions
- Own funds
- MCR

System of Governance Objectives



Insurers are required to have in place an effective system of governance which

- provides for sound and prudent management of the business
- has to be proportionate to the nature, scale and complexity of the risks of the undertaking
- has to be regularly reviewed and properly documented

- 1: General governance issues
- 2: Fit and proper
- 3: Risk management
- 4: The “prudent person” principle
- 5: Internal controls
- 6: Internal audit function
- 7: Actuarial Function
- 8: Outsourcing
- 9: Group governance specific issues

System of Governance – principle based Documentation of decisions taken at the level of the AMSB GL 7



In accordance with Article 41 of Solvency II national competent authorities should ensure that the undertaking **appropriately documents** the decisions taken at the level of the administrative, management or supervisory body of the undertaking and how information from the **risk management system has been taken into account**

- Aim to assist supervisors to form a view on how prepared the insurer is for using the internal model for Solvency II and to give feedback to the insurer
- Assist insurers in preparing for internal model use under Solvency II
- Transparency in the pre application process to enhance convergence
- Pre application – not pre approval
- Keep momentum in developments of internal models

Internal models pre application areas



- Model changes
- Use test
- Expert judgment
- Methodological consistency
- Probability distribution forecast
- Calibration approximations
- Profit and loss attribution
- Validation
- Documentation
- Functioning of colleges

Solvency II features on its way $\epsilon\iota\omicron\rho\alpha$

- **Preparation for new times**





Questions ?

Jarl Kure
Project lead Interim Guidelines
EIOPA
email: jarl.kure@eiopa.europa.eu
phone: +49-69-95111924
