



EIOPA Presentation on Solvency II - Governance

Insurance and Reinsurance Stakeholder Group meeting
24 May 2012

- Undertakings are required to have in place an **effective system of governance** which provides for sound and prudent management of the business.
- The system of governance needs to be **proportionate to the nature, scale and complexity of the risks** of the undertaking
- The system should be **regularly reviewed and properly documented**

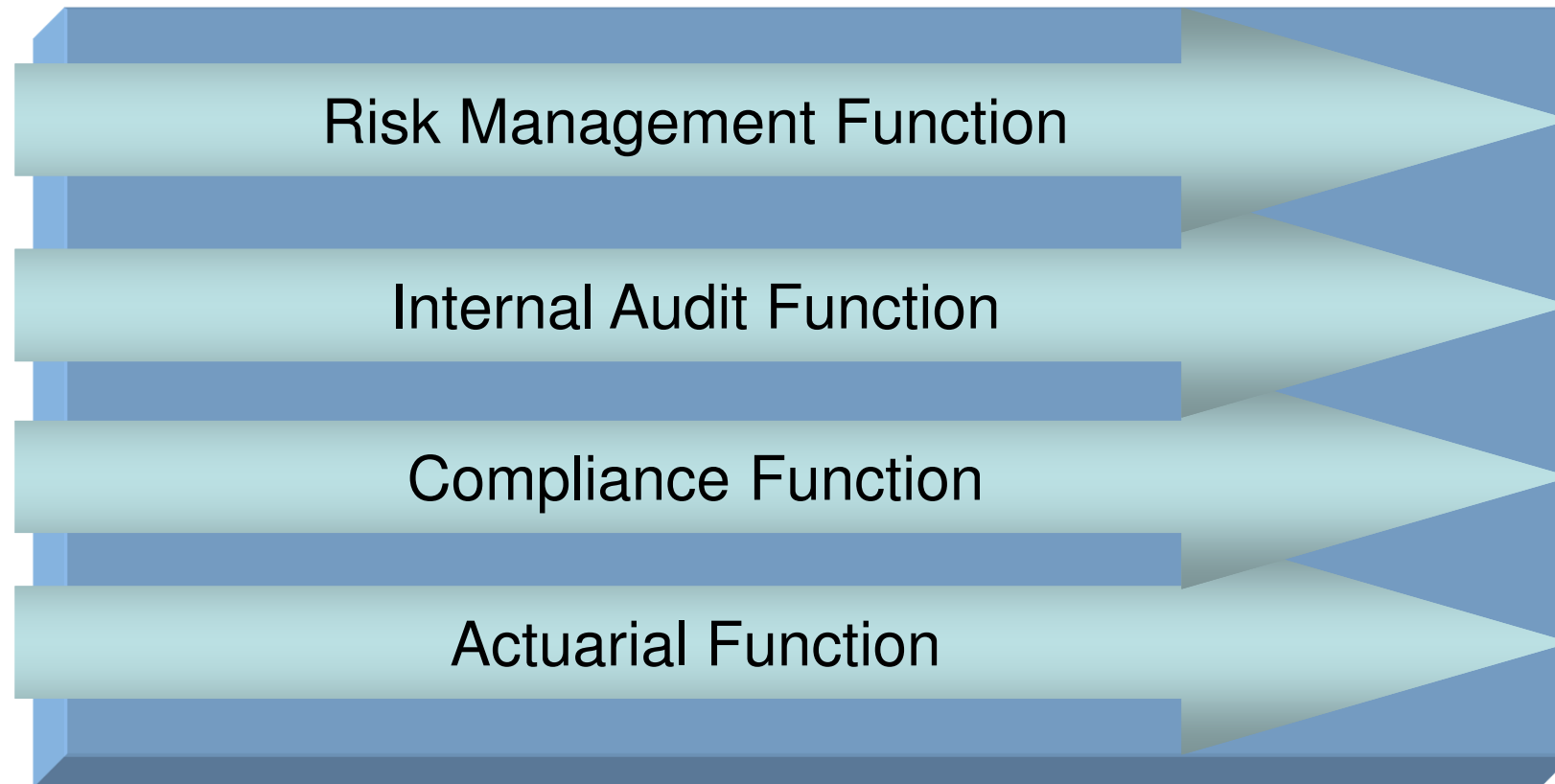
Governance in Solvency II is about people, ...



- The administrative, management or supervisory body
 - Ultimately accountable and responsible for the compliance of the undertaking with legal and administrative requirements of the Directive
- Persons who effectively run the undertaking
- Key function holders

... functions, ...

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... qualifications, competency,
skills and professional
experience ...

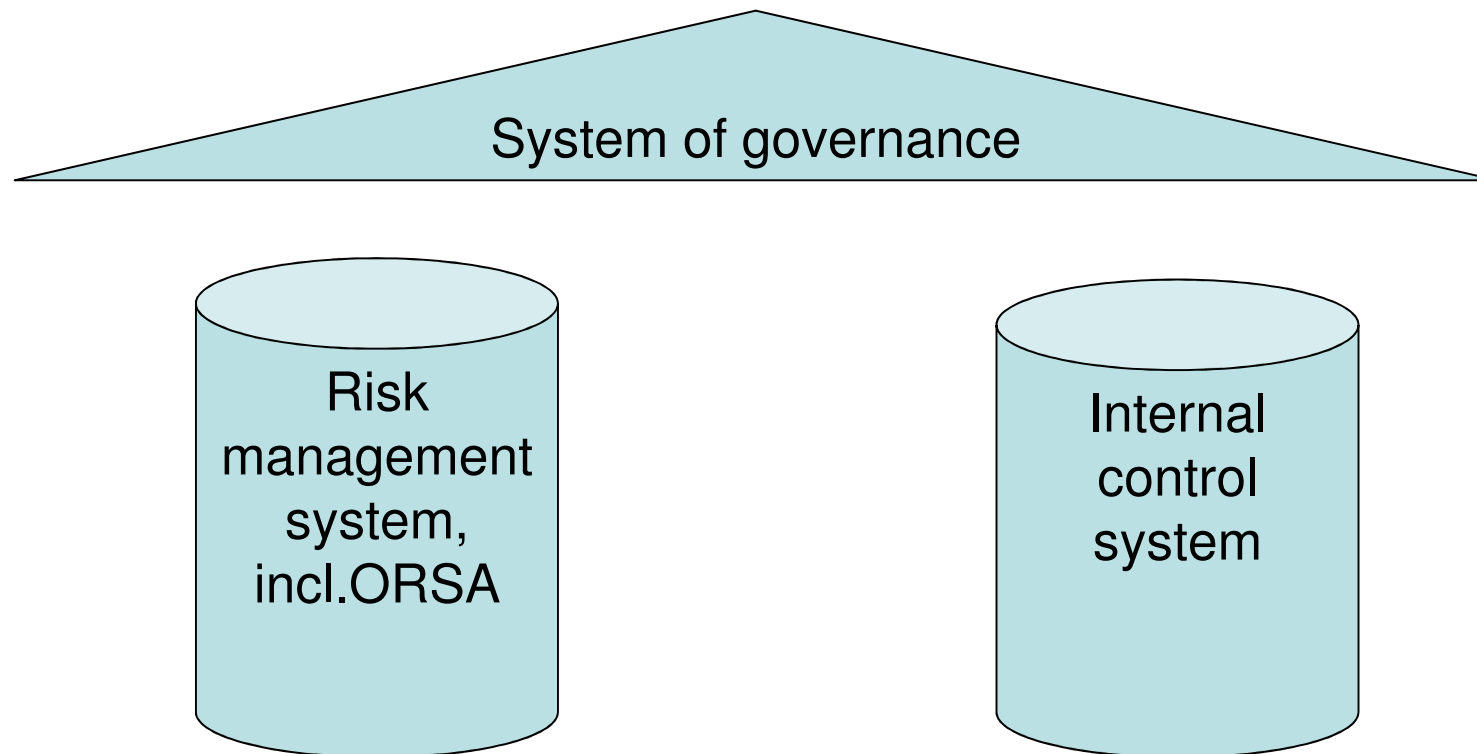
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Fit and proper requirements have to be met at all times

- Professional qualifications, knowledge and experience (**fit**) → Proportionality applies
- Good reputation and integrity (**proper**) → Proportionality does not apply

... and the organisational structure and processes.

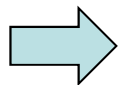
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- **Strategies, processes and reporting procedures** necessary to identify, measure, monitor, manage and report risks
 - o on a continuous basis,
 - o at an individual and at an aggregated level,
 - o considering the interdependencies of the risks.
- **covering all risks** the undertaking is or could be exposed to
- well **integrated into the decision making processes** within an undertaking

Policies on action to be taken in the following areas:

- Underwriting and reserving
- Asset-liability management
- Investment risk management
- Liquidity risk management
- Concentration risk management
- Operational risk management
- Reinsurance and other risk mitigation techniques



Monitored by the risk management function

- Is **part of the risk management system** regarding investment activity of an undertaking
- Ensures the **security, liquidity, profitability & availability of assets**, while taking into account ALM and concentration risk
- Specific requirements for **derivatives**

- A service provider is a **third party or a supervised entity**, an entity from the same group, inside the EU as well as outside
- The **management body retains ultimate responsibility** for discharging its obligations
- **Notification requirements for critical or important functions and activities**

Areas of discussion with the IRSG



Question 1 Are the guidelines clear and will they help the undertaking understand what they are expected to achieve under the requirements of the Solvency II Directive?

Question 2 Are there any other areas in the scope of the Directive where guidelines would be useful?

Question 3 Are there any practical or operational issues with the application process which can be identified by undertakings? If so, how could they be addressed?

Question 4 Are there any issues regarding the application of these requirements on solo and on group level of an undertaking?

Question 5 What are the costs and impacts EIOPA should consider? What benefits may flow from the proposed guidelines?

For example, what would be the potential impact of the application of these requirements on the pricing, design and availability of insurance products, the corresponding effects for consumers and the wider social or economic impacts even if indirectly?