



GROUPE CONSULTATIF ACTUARIEL EUROPEEN EUROPEAN ACTUARIAL CONSULTATIVE GROUP

SECRETARIAT, MAISON DES ACTUAIRES, 4 PLACE DU SAMEDI

B-1000 BRUSSELS, BELGIUM

TELEPHONE: (+32) 22 17 01 21 FAX: (+32) 27 92 46 48

E-MAIL: groupe@actuaries.org.uk

WEB: www.gcactuaries.org

Notes of a meeting with EIOPA 10 December 2012

Groupe Consultatif:

Karel Goossens
Gábor Hanák
Malcolm Campbell
David Martin
Esko Kivisaari

Falco Valkenburg
Christoph Krischanitz
Chris Daykin
Pia Skaerbak
Michael Lucas

EIOPA

Gabriel Bernardino
Daniela Rode
Anne Froehling

Daniel Perez
Barthold Kuipers

1. Solvency II

Esko referred to the Groupe's action to appoint a successor to Seamus Creedon as project manager. He expressed concern at the delay in political resolution of the Omnibus 2 trialogue and on the Terms of Reference for the LTG impact assessment.

Gabriel confirmed that EIOPA could not take any action until agreement is reached on the ToR: if this can be achieved soon then he hoped that the impact assessment could run from the end of January until the end of March, with data to EIOPA in the second half of April. More generally he explained that January 2016 is the earliest realistic date for full implementation, although EIOPA are exploring the possibility of some interim supervisory implementation (system of governance, ORSA, reporting, internal models) before then, using the powers delegated to EIOPA. He emphasised the importance of trying to ensure consistency and national convergence and avoiding national initiatives which might lead to divergence. Gabriel indicated that this will be discussed with the Stakeholder Groups: he noted that there is broad support from industry and national supervisors, and Gábor confirmed that the Groupe would also support this approach provided it is in line with the basic original principles underlying Solvency II and is consistent. EIOPA will prepare a document and will also ask Groupe for input.

Gabriel reported that EIOPA expect to develop ORSA guidelines in 2013, and he confirmed that it would be helpful to have a brief standard and an educational/best practice note on ORSA from the Groupe.

Gabriel referred to the request from the European Commission to address the issue of calibration of investment risks, for example in relation to infrastructure projects, venture capital and SRI. Since EIOPA lack relevant data here, any help from the Groupe will be most welcome.

Gabriel noted that the external attestation/audit of the Solvency II related public information is very important for EIOPA. How this might be achieved is being further discussed but the issue is not a high priority for EIOPA at the moment and it will not be included in the early implementation package.

Karel presented the Groupe's publication on the Role of the Actuary – *Raising the bar on insurance technical expertise*. Gabriel indicated that the Actuarial Function could be included in the interim implementation as part of the system of governance.

2. Market Consistency

Christoph summarised the background to the development of the Groupe's recently-published paper, emphasising that it opened up the discussion of a second stage which will explore application of market consistency in specific areas. Gábor pointed out the difficulty in reaching consensus, particularly in relation to specific (national) circumstances. Gabriel welcomed the paper, and emphasised the appropriateness of splitting the complex issue into the two phases as proposed by the Groupe. He looked forward to the Groupe's further work in key areas and indicated that EIOPA would find it helpful if these could include –

- characteristics of liabilities
- materiality of mismatch
- agreement on a list of “no-go” issues

Gabriel emphasised that the Groupe's input on these topics is needed as soon as possible if it is to influence EIOPA's thinking. He highlighted in particular input in relation to the characteristics of the risk/illiquidity of various types of liability.

Christoph also reported that the Groupe's Market Consistency web portal is being reviewed in order to make it more useful to users.

3. Review of IORP Directive/QIS

Falco noted that, while Pillar 2 and Pillar 3 aspects of the review were generally accepted, there are widespread concerns in relation to quantitative issues – in particular how to value liabilities and the sponsor covenant. He indicated the Groupe's support for a risk-based, market consistent regime, but emphasised that pensions and insurance are different. He also expressed the Groupe's concern that the timescale is unrealistic and risks conclusions based on unclear, incomplete and unreliable QIS answers: he indicated that one QIS is not enough, and that more analysis is needed.

Gabriel confirmed that EIOPA recognises the differences between pensions and insurance, especially in different countries, and in relation to attitudes to risk transfer. He pointed out that EIOPA is conscious of the need to test the holistic balance sheet, and to undertake more work on methodologies, and he believes that there will be further QIS. He emphasised the importance of a risk-based system which is reality tested. He also acknowledged Falco's concerns over –

- the need to provide risk-based supervision, strong governance, transparent reporting, and to address unsustainability
- affordability and knock-on effects on investment, capital markets and Europe 2020 growth agenda must be considered fully
- elements of the `market consistent` approach remain under review
- timescale is unrealistic and risks conclusions based on unclear, incomplete and unreliable data from a single QIS
- differences in national systems will present serious challenges
- the value of sponsor covenant is important - how to recognise in the HBS?
- should pension protection schemes be included in the HBS?

- the absence of any indication of supervisory actions

Gabriel noted that sponsor support will be further developed by EIOPA in the first half of 2013. He hoped that the Groupe would be willing to assist with this, and acknowledged the importance of the input the Groupe has provided so far.

Barthold summarised the preparation of the QIS, and acknowledged the Groupe's helpful input on sponsor support and draft technical specifications. He explained that France had now withdrawn from the original group of nine countries participating in the QIS. He reported that 85-100 IORPs are participating in the QIS, some directly and others being coordinated through the national supervisor. While this is a small proportion of the overall number of IORPs, it does nevertheless include the largest ones. The QIS ends on 17 December and will be followed by validation in member states in January and by EIOPA (to ensure consistency between member states) in February. A preliminary report will be submitted to the Commission in April, with publication of the final report expected at the end of June.

Falco described the establishment of the Social Security sub-committee and the establishment of two task forces to deal with:

- methodology and projections (to provide input to DG ECFIN for its 2015 Ageing Report); and
- disclosure of information/tracking (to develop systems of information on 1st pillar pensions and subsequently on 2nd pillar pensions)

Gabriel briefly summarised an EIOPA proposal to introduce a collective Europe-wide third pillar pension scheme which would –

- address current concerns over heterogeneity of existing (Pillar 1 and Pillar 2) schemes, and provide greater consistency
- provide better risk management
- improve cross-border business and identify obstacles
- identify desirable characteristics for retirement savings products, which would attract certification

He hoped that an issues paper will be published in May 2013, for discussion at an open seminar: he encouraged input from the Groupe. Gábor noted that this links in with the role of the Groupe's recently-established Consumer Protection task force.

4. Stakeholder Groups

Karel requested information on the nomination process for candidates for IRSG and OPSG, since the present period of appointment is due to expire in September 2013. Gabriel confirmed that the nomination procedure will be opened in May: it is intended to strike a balance between continuity and rotation. He emphasised that appointments are made as individuals with the best expertise in specific areas, taking account of geographical and gender balance, and not as representatives of particular interest groups or professions. The Groupe may make nominations, but its sponsorship will have no influence *per se*; however a CV which includes a European perspective will be important.

Gabriel also confirmed that membership of the stakeholder groups will also be extended to include users.

5. Actuarial Standards

Chris referred to the publication, at the beginning of November, of an Exposure Draft on actuarial function reporting under Solvency II (GCASP2). He pointed out that the ED had been developed on assumptions about EIOPA's Level 2 regulations and Level 3 guidelines which were not yet finalised. Despite this, and the delay in the Solvency II timetable/Omnibus 2, the Groupe had decided it was still worth publishing the ED in order to raise awareness and maintain momentum. He noted that the delay will allow time for good exposure and consultation, and revisions for a second ED, taking account of comments received on the first. Gabriel confirmed that EIOPA had received the ED and would consider making a response (perhaps through dialogue with the Groupe).

Chris drew attention to GCASP1 and the IAA's ISAP1 on quality of actuarial work, and explained that the Groupe will consider whether to adopt/adapt ISAP1 as GCASP1. He also confirmed the earlier remark that the Groupe will consider developing further reporting standards on ORSA and SFCR.

Chris also reported briefly on the reformatting of the Groupe's Code of Conduct into five core principles, and explained that a longer-term, more extensive and more fundamental, review will be undertaken which will take account of other professions and changes in public attitudes towards the professions.