ACTUARIAL ASSOCIATION OF EUROPE
ASSOCIATION ACTUARIELLE EUROPÉENNE

4 PLACE DU SAMEDI

B-1000 BRUSSELS, BELGIUM

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

E-MAIL: info@actuary.eu
WEB: www.actuary.eu

Notes of a meeting with EIOPA 17 December 2014

AAE
Michael Renz
Malcolm Campbell
Esko Kivisaari
Christoph Krischanitz
Falco Valkenburg
Michael Lucas

EIOPA
Gabriel Bernardino
Carlos Montalvo
Julian Arevalo
Andrea de Jong
Barthold Kuipers
Andrew Mawdsley
Pamela Schuermans
Katharina Strohmaier
Thomas Walter
Katja Würtz
Manuela Zweimüller

1. Solvency II

GB reported that SII is now moving from regulation to implementation, with the goal of achieving consistency of supervision. He recognised that there is room for improvement in the quality of supervision in some jurisdictions, and that this will take time. He reacted strongly to the suggestion that the EIOPA Guidelines are too long and detailed, and emphasised that clear guidelines – particularly on technical provisions – would strengthen the position of the actuarial profession. Esko pointed out that this criticism came from larger industry players, not AAE. GB agreed that smaller undertakings welcomed detailed guidance in order to ensure that TPs are calculated correctly. He hoped that EIOPA will be able to produce the Guidelines in condensed form, excluding a lot of detailed explanation.

In response to AAE concerns that we had not been invited to participate in two recent stakeholder meetings, GB/PS agreed that invitations would in future be sent to Michael L. (Previously these were sent to Seamus Creedon and Annette Olesen, the AAE nominees on IRSG).

Asked about the results of the stress test going forward, GB pointed out that the transitionals simply buy time. NCAs were strongly advised to monitor progress with transitionals, and EIOPA will re-visit the recommendations to review action taken by NCAs, particularly since application processes differ between Member States. GB also observed that the markets may have more stringent expectations than politicians.

2. LTI infrastructure initiative

GB reported that EIOPA will be reviewing the infrastructure asset class: currently there is insufficient evidence for recommendations on calibrations.

3. Non-bank resolution

GB pointed out that this issue is on the Commission's agenda, with an impact assessment planned: EIOPA will provide data for this. He drew attention to the relevance of Insurance Guarantee Schemes, and emphasised EIOPA's concern over policyholder interest as well as financial stability – the key difference from the banking sector.

On the issue of insurance union, GB's personal opinion is that this will be the endgame scenario for large cross-border groups in Europe. But it will not happen in the short term: there cannot be single supervision without single resolution, and it will be necessary to develop European Guarantee Schemes.

4. Risk management and capital markets union

Christoph drew attention to EIOPA's recent report on key risks to financial stability, in particular the issue of interconnectedness measures where the IFR Committee is undertaking work. GB confirmed that EIOPA would welcome AAE's input on this topic.

On risk management, Christoph reported that he would like to develop contacts between AAE and the other two ESAs (EBA and ESMA), with a view to presenting an AAE position paper to the joint ESAs. GB agreed to facilitate these contacts.

5. Pension issues

GB reported that further work by EIOPA on solvency for IORPs will include:

- improvements to the holistic balance sheet
- how to use the HBS as a sustainability tool rather than imposing capital requirements
- recognition of the sponsor covenant

BK explained that EIOPA will publish draft technical specifications for the second QIS at the end of March, hold an informal consultation with stakeholders in April, and start the QIS in May. EIOPA will welcome AAE's input in developing stress test scenarios during Q1 of 2015.

Falco drew attention to the AAE's work on Decumulation, in particular best practice and suggestions for improvement: we expect to publish our report by the end of January 2015, and will send a copy to EIOPA.

Falco also reported that the AAE's second report on Tracing and Tracking of pensions will be published at the end of January: we will send a copy of this report to EIOPA. The report contains suggestions for good practice, and extends the range of countries covered in the first report.

On the issue of transferability of supplementary occupational pension rights, KW referred to the Commission's Call for Advice, on which EIOPA is preparing a consultation paper. AdJ explained that this will include:

- identifying obstacles (e.g. tax regimes, level of information on options)
- good practices
- calculation of transfer values
- problem of obtaining data

AdJ added that AAE's previous work on some of these issues is of considerable help. Falco confirmed that we will be happy to provide further input going forward.

6. Roles of Actuaries

GB welcomed the AAE memo describing the initial work of our task force on the Roles of Actuaries. Michael R emphasised that, at present, the task force offers only observations, not conclusions or recommendations. GB reported that EIOPA is collecting information from NCAs on key functions in governance systems. It is not intended that EIOPA will intervene at national level, but will be looking for any loopholes, or duplication in implementation of the Actuarial Function. EIOPA will look forward to further results from AAE on this issue.

Michael R also drew attention to our recent position paper on the independent review of Solvency II reports. GB welcomed the paper and observed that EIOPA will not initially issue any guidance on this but will keep the issue under scrutiny. He agreed that it is important that there is some level of reassurance concerning the SFCR, and perhaps recommendations on good practice.

7. Consumer Protection

KW reiterated EIOPA's objective to identify and prevent consumer detriment through key risk indicators, and welcomed the AAE's assistance in developing conduct risk indicators. She drew attention to the problem of obtaining relevant data from NCAs – whether they have such data and, if so, whether it can be shared – and what triggers for action exist. KW emphasised that it is essential for EIOPA to have a set of robust conduct risk indicators in order to devise a risk framework: she believed that EIOPA should focus on a small number of indicators in order to provide a template for (consistent) reporting by NCAs. It was agreed to arrange a meeting with members of our CPTF soon.

CM pointed out the importance of focusing on what is right rather than what is legal, and that product oversight and governance should be a key element of any system of governance. GB commented that the insurance sector has the opportunity to avoid criticisms directed at the banking sector, and noted that IAIS is also developing contact risk indicators.

8. Commission review of ESAs

GB reported that a major concern in the review of the ESAs is funding: a reduction in the Commission's contribution is expected, and there has been a suggestion that the industry may be asked to provide some funding. Since the Commission and the European Parliament are positive about the ESAs, GB does not expect any major rearrangement – apart from the funding issue, there may be some changes in governance.

9. Actuarial Standards

Michael R and Malcolm gave a brief overview of the present status of our work on actuarial standards:

- introduction of ESAP 1 (General Actuarial Practice)
- working draft of ESAP 2 (Actuarial Function Reporting) – currently being "user tested", with final exposure draft awaiting completion of EIOPA Guidelines
- proposal to develop ESAP 3 (Preparation of ORSA) and an associated educational note

Michael R confirmed that we will share drafts with EIOPA. He also noted that we will collect information from member associations on their adoption of ESAPs. Malcolm observed that less developed associations feel a greater need for standards; in others, standards have previously been issued by local supervisors.