



Mr Gabriel Bernadino
EIOPA

To: Westhafenplatz 1
60327 Frankfurt am Main
Germany

From: Economics & Finance department

Date: 19 June 2013

Reference: ECO-SLV-13-208

Subject: Insurance Europe feedback on the Consultation on Guidelines on preparing for Solvency II

Dear Gabriel,

Insurance Europe remains supportive of interim measures that aim to encourage undertakings to prepare for Solvency II.

In particular, we recognise the benefits of undertakings embedding the Solvency II principles of risk management into their governance structure and to gain practical experience with the upcoming forward looking risk assessment. We also support the issuing of the interim guidelines on pre-application of internal models aiming at assuring consistency in approach and timing across national competent authorities and readiness from undertakings.

We fear however that the direction taken by EIOPA has gone further, leading this preparatory phase beyond its objectives. As such, we would like to highlight the following aspects to your attention for further consideration:

a) The Guidelines should focus on the undertaking's level of preparedness and not on the early implementation of Solvency II.

Although EIOPA's Cover Note refers to the aim as being preparation for Solvency II, the Interim Guidelines are requiring de facto early application of Solvency II overriding the decision taken by the co-legislators.

We believe that the Guidelines should be redrafted to reflect the preparatory nature of this phase. Instead of stating that national competent authorities should ensure that undertakings have in place certain elements of the Solvency II framework during the preparatory phase, the Guidelines should state that national competent authorities should ensure that undertakings are making appropriate progress towards the implementation of certain elements of the Solvency II framework during the preparatory phase.

b) The Interim Guidelines should be applied by the undertakings on a best effort basis.

We believe that given the aim of the preparatory phase, and in accordance with our proposal in a), the Guidelines should be applied on a best effort basis.

We consider that is not appropriate to require undertakings to increase the costs of compliance by requiring a piecemeal implementation of Solvency II regardless of their Solvency II implementation priorities and resources.

c) Interim Guidelines should be high-level principle-based.

We feel that the Interim Guidelines are too detailed and as such create additional hurdles for the industry and may even set back the advancement of some of the Solvency II projects by detracting undertakings' attention from the implementation of the Solvency II package as a whole.



This is particularly the case of the Guidelines on the System of Governance which set overly prescriptive requirements that force specific organizational, governance and risk management solutions that should remain under the responsibility of the undertakings.

d) Interim Guidelines should not require at this stage the implementation of compulsory quantitative reporting or ORSA requirements based on Solvency II Pillar I requirements.

Any changes to the Pillar I elements will require adjustments to the systems and procedures which will be costly and time consuming. We are opposed to requiring at this stage the fulfilment of unstable requirements that can lead to double costs of implementation.

Only when the outcome of the political process is known can the focus turn to what, if any, interim measures should be applied to reporting and ORSA requirements based on Pillar I elements, as this will depend on when the political process is finalised, what is decided, and the time-table for implementation. Even then the implementation ought to be done in application with the proportionality principle and over a reasonable period of time to allow undertakings to make the necessary changes to their corresponding processes and systems. As such, we believe that the implementation of Pillar I requirements on group and solo level should follow once the political process is finalised.

e) Any interim measures to be applied once the political process is finalised, should not require more than one cycle of annual reporting and one cycle of quarterly reporting before Solvency II entry into force.

Once the political process is finalised, any interim measures to be applied to reporting should just require a maximum of one cycle of annual and quarterly reporting before the Solvency II effective date.

If the Solvency II effective date is delayed further the timetable for interim reporting requirements will be pushed back accordingly. We recognise that this is in paragraph 1.11 in the introductory text, however, to be truly effective it should be included as a guideline.

Therefore if the Solvency II effective date is 1 January 2016, annual templates would be required for the year ended 2014, and quarterly templates would be required for Q3 2015 only.

We believe that the reporting of the September 2015 (Q3) quarter is sufficient to assess undertakings preparedness to report high quality data on a quarterly basis once Solvency II is applicable. Moreover, considering the additional effort and costs involved in meeting the interim reporting requirements while complying with existing Solvency I requirements, the deadline for the September 2015 quarterly reporting should be 12 weeks after the quarter end.

We add that even when Solvency II is in force, it should not be required any quarterly reporting for Q4. During the closing period which follows a financial year end, undertakings will have to prepare, validate and submit Solvency II and financial reporting annual statements. To meet quarterly reporting, undertakings will have to rely on simplification techniques, therefore the additional benefit of a quarterly report within the same quarter as an annual report, is not clear.

f) Any interim measures to be applied once the political process is finalised, need to assure that undertakings will have enough time to establish the appropriate internal processes and IT systems.

We believe that the political process time-table will not provide enough time for undertakings to prepare the internal processes and IT systems for reporting the proposed QRTs package for the year ending 2014, moreover considering that accordingly with EIOPA's Cover note and annex I (Impact Assessment), after the political process is finalised, EIOPA will have to prepare technical specifications and provide guidance on the

assumptions underlying the calculation of technical provisions and the standard formula calculation, reflecting the decision on Omnibus II and the available delegated acts, for the purpose of the quantitative Pillar I Solvency II information to be submitted to national competent authorities.

g) Any interim measures to be applied once the political process is finalised, should exclude narrative reporting.

If the purpose of these Guidelines is to assess progress towards achieving compliance with Solvency II requirements, spending time and resources producing narrative information that describes a temporary situation (temporary, because undertakings will be in the course of making progress towards achieving compliance) seems unduly burdensome.

We believe that the national competent authorities will be able to assess progress towards Pillar II compliance via the means proposed for the System of Governance. We therefore do not believe that the Guidelines proposed on the narrative reporting are necessary.

h) Any interim measures to be applied once the political process is finalised, should exclude Group reporting.

It should be sufficient with the solo reporting to test the data flows in the templates. Group reporting will merely test the consolidation.

It occurs that different approaches to solo reporting between countries and the fact that not all solo entities are required to report, will mean that information may not be available for the group consolidation.

As such, we believe that during the preparatory phase, the Guidelines should be limited to the solo perspective.

i) Interim Guidelines should not penalise undertakings on pre-application for Internal Models and more binding commitments should be requested from national competent authorities in regard the pre-application process.

Undertakings in pre-application process for Internal Models should not be required to perform the Forward Looking assessment of the undertaking's own risks for preparing for the eventuality that the application to use the internal model under Solvency II would be rejected and to fill forms intended only for undertakings using standard formula under EIOPA's stabilised QRT package.

We do not consider it would be consistent with the aim of a preparatory phase to create requirements specifically for this period having in mind the costs that approach will entail in terms of developing reporting processes and systems that will not ultimately be used when Solvency II is in place.

We further believe (Guidelines on Pre-application for Internal Models) that it should be possible for national competent authorities to give more binding feedback based on the assessments already made following the intensive discussions and pre-application activities that have been taking place for years.

j) The explanatory text creates uncertainty.

The explanatory text creates uncertainty because contains numerous additional requirements which are granular and prescriptive, and in some cases not even mirror the proposed Guidelines.

In our opinion the explanatory text obviously reflects the expectations of EIOPA and, accordingly, will have an effect on future supervision. Therefore, the explanatory text should either be eliminated or revised and included in the consultation process.



It is important that the entrepreneurial freedom of undertakings to organize the business is not unduly restricted by way of these guidelines (including the explanatory text) and that an inappropriate additional administrative burden for the undertakings is avoided.

Lastly, and although referred in EIOPA's Cover Note, we stress that the interim measures should not drive any supervisory action during the preparatory phase.

We look forward to engaging with EIOPA as work on the guidelines proceeds.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Olav Jones", is written over a horizontal line.

Olav Jones

Insurance Europe is the European insurance and reinsurance federation. Through its 34 member bodies — the national insurance associations — Insurance Europe represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of almost €1 100bn, employ nearly one million people and invest around €7 700bn in the economy.