1. Introduction

1.1 There is a high degree of internationalisation in the European insurance sector. Cross-border insurance measured as foreign share in total gross written premium is at 36 percent, which is higher than in banking with 25 percent (measured in assets). Of this 36 percent, 29 percent comes from other EU member states while 7 percent comes from non-EU countries. The number of groups with a head office in the EEA operating on a cross-border basis has risen to 100 by end 2015.

1.2 Colleges of supervisors (further referred to as colleges), i.e. multilateral platforms where the national supervisors involved in the supervision of a single insurance group cooperate, formed for the purpose of enhancing efficient, effective and consistent supervision of financial institutions operating across borders, are therefore highly relevant for the supervision of the insurance sector.

1.3 Through the colleges, the group supervisor provides the solo supervisors with relevant information on the group and the solo supervisors inform the group supervisor on the financial developments and risks in the solo entities, so that a shared view on the risks and the future strength of an insurance group can be developed and, if needed, supervisory actions or measures at group and solo level can be taken consistently. Also, colleges are expected to spot emerging risks at an earlier stage and to be prepared to act promptly and conjointly in crisis situations.

1.4 EIOPA is through its membership of the colleges pro-actively engaged in the work of the colleges. During the year 2015 EIOPA staff participated in 137 college meetings and joint on-site examinations, 96 of them were attended in person. Several colleges met 2 or more times, either because of the internal model or because there were specific issues to be discussed. EIOPA further sets on a yearly basis targets for colleges, organises group supervisors' days and other training days related to group

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2 List of https://eiopa.europa.eu/Publications/Administrative/List%20of%20groups%202015_Final_29012016.pdf.

3 The group supervisor is responsible for coordination and exercise of group supervision. In the vast majority of cases the group supervisor is the supervisor where the (re)insurance undertaking (re-)insurance parent company, that is heading the group, has been authorized or is located.

4 The solo supervisor is responsible for the supervision of the related undertakings of an insurance group situated in its jurisdiction.
supervision, collects and shares practical examples and solutions in colleges (e.g. on the assessment of the ORSA, joint risk assessment and colleges workplan).

1.5 The achievements of the colleges are assessed against criteria based on the EIOPA Action Plan for colleges, resulting in reports on specific themes to the EIOPA Board of Supervisors as well as the report on the functioning of colleges and EIOPA's work in accordance with Article 259 of the SII Directive. The colleges led by the Swiss Financial Market Supervisory Authority (FINMA) follow the EIOPA action plan and so they are included in this report: as such all figures and charts in this report include EEA and FINMA-led colleges unless specifically stated.

1.6 Although not included in this report, CMGs (Crisis Management Groups) are an additional institution for the supervision of GSII’s (Global Systemically Important Insurers): these CMGs represent substantial additional requirements for the groups and supervisors concerned. NCAs and EIOPA further cooperate through the meetings of the GSII Forum.

2. Overview of developments and main conclusions

Significant and tangible progress in the development of colleges in several areas

2.1 In 2015 the coordination arrangements for 91 colleges were agreed and signed at the level of the Board of Supervisors by the supervisory authorities from the EEA member states. Those coordination arrangements contain e.g. a detailed description of the content, frequency and format of information to be exchanged as of the implementation date of 1 January 2016 of the SII Directive. Furthermore they explain the consultation and decision making process in a college as well how supervisors will cooperate and coordinate in case of an emergency situation. In the EIOPA Multi-Annual Work Programme 2015–2017 it is foreseen to finalise a

walk-through exercise on crisis management for one college, for which already some preparatory work has been done in 2015.

2.2 In 10 cases members of **colleges assessed and approved the application of an internal model** for the calculation of group and solo SCRs in accordance with Article 231 of the Solvency II Directive. On average there were for each model between 2-3 solo supervisory authorities concerned with the joint decision. There are several internal model approvals ongoing at the moment, which were either submitted in 2015 or 2016 as new applications or major model changes.

2.3 Supervisory Cooperation in Europe has further been strengthened by the setting up of **informal fora of European supervisory authorities concerned for large and complex conglomerates** that operate through holding companies outside the EEA into different EEA countries, where there is no group supervision at the ultimate level and where there is no European sub-group established (yet). In these fora supervisors cooperate, facilitating the gathering and analysis of available information on risk exposure, solvency and governance of entities in the group. This is a good example of EIOPA contributing to better supervision.

**Recommendations by the European Commission’s internal audit service**

2.4 In the context of the review of the European Commission’s internal audit service on 'Promoting colleges of supervisors and building a common supervisory culture in EIOPA', feedback was gathered through EIOPA’s internal (national competent authorities - NCAs) and external (CROs and CFOs of insurance groups) stakeholders. The resulting report acknowledged the good progress made in this area. In the report the following areas for further development were identified.

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3 Areas for further development by EIOPA

- to increase its resources to support the information exchange within colleges.
- to further develop its risk-based approach towards colleges.
- EIOPA to improve the internal administration of the college related activities.

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**Also on the other aspects of the delivery of Action Plan - majority of colleges have developed in line with the targets established in the Action Plan**

2.5 During 2015 **the exchange/discussion on qualitative and quantitative information/data increased further (Action Point I)**. Colleges are expected to regularly share a set of quantitative and qualitative data which covers the most important risks within the group which is crucial for a shared view of risks at group and entity level in the college. The college task of 2015 was to continue and enhance the regular information exchange among the College members and participants. In 2015 more information and data have been exchanged within the colleges, such as investment exposure, ORSA documents, outcome of supervisory processes and joint examinations.
2.6 An increasing number of colleges have a well-developed approach to forming a shared view of risk at group level or their major solo entities (Action Point II), including making an explicit link to the regularly exchanged set of information/data. This task is often performed in the colleges during the joint risk assessment meeting where all college members and participants provide their input on the different risk categories, from their perspective, for the group’s main risk as well as for the major solo entities. There is a slightly higher number of cases where no risk assessment was performed in the college in 2015. This increase was caused by establishment of new colleges during 2015 with the activities only starting in 2016.

2.7 In many colleges, in line with EIOPA regulation and as reflected in the 2014 EIOPA insurance stress test documentation (i.e. technical specifications, the report and the recommendations published simultaneously to the results) all relevant solo supervisors have been informed on the outcome of the stress test.

In 2015 colleges started to discuss several non-internal model-related aspects of Solvency II implementation more in depth

2.8 The college task for 2015 was to discuss and review the results of the preparatory reporting for year-end 2014, i.e. the scope and quality of reporting and the consistency across the group including how individual entities have been consolidated in the group reporting. Almost all colleges have had a first discussion on the preparatory reporting and agreed on the implications for their work planning (Action Point IV). The discussions focused on the quality and consistency of the new reporting meeting the new requirements under SII.

2.9 Colleges were also expected to review the readiness of the group for the implementation of the final Solvency II framework, including how solo entities will be included in group ORSA and group solvency calculation. The task included identifying gaps and enhancing the dialogue with the group and, where appropriate, with solo entities to close the gaps.

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6 The numbers of 2014 did not include the 15 colleges for which a proportionate approach was applicable. In 2015 those colleges reported on the same basis as the non-proportionate colleges.
In the majority of the colleges, **discussions took place on how the preparatory guidelines have been implemented by the group (Action Point V) and which gaps still needs to be closed.** However, not in all cases feedback about these discussions was agreed or provided to the insurance group. Improving the transparency of the college work towards the group is one of the colleges themes for the Action Plan 2016. In several (smaller) colleges there was not yet a discussion in progress on the implementation of the preparatory guidelines by the groups.

**Graph 2: Progress and consistency in implementation of the preparatory guidelines by the group and progress of review by the college**

![Graph 2](image)

2.10 One third of the colleges provided feedback to the group during or after the college meetings and more specific on the quality of the ORSA based on the discussions held within the college. The requirements regarding the structure of the four key functions (compliance, actuarial, risk and audit) have been discussed. Among the other topics discussed was the risk management system (which must be integrated into the entire organisation) and outsourcing, since insurance undertakings remain fully responsible for the tasks that are outsourced.

**Close cooperation in colleges on internal models applications**

2.11 EIOPA was following those internal model applications where a joint decision had to be reached in the college; therefore the numbers below do not cover domestic group models. The number of groups preparing an internal model application under Article 231 of the SII Directive aiming day 1 approval has substantially decreased. From 23 groups at the end of 2014, 10 groups were finalising their preparation for an internal model application under Article 231 of the SII Directive for the calculation of group and solo SCRs.
Supervisors concerned conducted a high number of on-site examinations and organise meetings to discuss the planning also for the application phase. EIOPA took part in the joint on-site examinations of the large groups as long as the resources allowed. During the second half of 2015 EIOPA monitored the colleges' decision making process closely by tracking on a monthly basis any blocking points.

2.12 The majority of these colleges had a discussion on the internal model work plan and agreed on the implications of Solvency II for the college work planning (Action Point VI). Among others, the colleges agreed on the involvement of the relevant NCAs, distributions of tasks, process and timeframe to come to a joint decision on the internal model. A small number of colleges were in the process to come to an agreement on their college work plan for 2016.

**Sub-group supervision is implemented only in cases where it provides an added value to the supervision of the group**

2.13 The need to ensure appropriate and high quality supervision of the insurance and reinsurance undertakings may indicate the necessity to apply supervision at different levels of the group. This was the rule under the Solvency I regime. Under the Solvency II the focus is on group supervision at the ultimate group level while application of sub-group supervision can be applied when certain conditions are met.

2.14 The potential need for supervisors to provide clarity to the industry as early as possible on the application of sub-group supervision was recognized in the course of 2015. Therefore, in some colleges theme III of the Action Plan 2016 "Discussion of plans for/extent of sub-group supervision at national level or EEA regional cross-border level" was brought forward.

2.15 The objective of sub-group supervision is to improve and contribute to the effectiveness and provide an added value for risk-based supervision of a cross-border operating group by identifying and mitigating risks which could arise between pure solo supervision and supervision at the ultimate group level. In light of this objective EIOPA supports by providing guidance for the application of the criteria of the Solvency II regulation, the evaluation of the added value and the governance for the consultation and decision making process including the involvement of EIOPA in the assessment phase and discussions in colleges. EIOPA is closely following the plans of sub-group supervision with NCAs and discusses with NCAs the reasons, collecting examples and good practices with the objective to support convergent, effective and efficient application of sub-group supervision across the EEA.

2.16 At the moment in 17 cases, sub-group supervision has been decided or is under assessment.

### 3. Conclusions and priorities going forward

3.1 By setting clear priorities and targets e.g. the signing of the coordination arrangements, reaching a shared view on the group's and main solo undertaking's risk assessment, sub-group supervision which is facilitated by supporting tools and analysis, a significant progress in the college work was achieved in 2015.

3.2 Although colleges and individual NCAs as well as groups progressed on their readiness for the implementation of SII during the first half of 2015, the preparation for the implementation per the 1st of January 2016 in the colleges was not fully finalised. There are differences in the progress in the individual colleges as well as diversity within NCAs amongst colleges.

3.3 With the first approvals in 2015, the work on internal model in colleges has only just begun. As many groups decided to de-scope - in term of risks as well as
entities - during the pre-approval or the official approval period of the first applications, supervisors will be reviewing the internal models’ appropriateness as well as assess the extension of the scope of the model. This topic will be an important part of the colleges' action plan beyond 2015.

3.4 EIOPA has prioritised in 2015, followed by the NCAs and group supervisors, the signing of the coordination arrangements including the setting of a standardized and structured information exchange in each college in the Solvency II era.

3.5 Information exchange in the colleges will stay an important topic for the next years. The majority of the colleges will exchange information on a yearly basis. One third of the colleges will decide this year on the frequency and till otherwise decided exchange on a yearly basis. One third of the colleges have not further specified the templates and will therefore exchange the templates as defined by the Commission Delegated regulation 2015/35 (Article 357(1)) and the EIOPA Guidelines on the exchange of information within colleges.

**Graph 3: Frequency of the information to be exchanged in colleges under Solvency II**

3.6 EIOPA will be supporting the information exchange in colleges by the development of a secure College Collaboration IT tool as well as by the development of proto-types of analytical reports using the information available in a college from the quantitative reporting templates.

3.7 EIOPA coordinates at the EEA level the assessment of professional secrecy regimes of non-EEA countries to support its members. In the past years EIOPA together with NCAs assessed more than 20 professional secrecy regimes.

3.8 Since 2013 EIOPA has been setting out multi-annual Action Plans for colleges. The aim of the Action Plan 2016 is to ensure high quality and consistent implementation of the Solvency II framework in cross-border operating groups through enhanced cooperation in the colleges. In order to achieve this objective four different Solvency II related themes have been defined as priorities and consistent basis for the colleges work in 2016. Together with the introduction of risk-based approach towards EIOPA's oversight role in 2016, EIOPA will focus and therewith strengthen its work on group supervision and colleges.

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5 Solvency II related themes as priorities and consistent basis for the college work

**Theme I.**
What is the appropriate quality and adequate set of data/information for the college to form a shared view on the risks of the group and its major solo entities?

**Theme II.**
Improve the transparency of the college work towards the group

**Theme III.**
Are there any plans for subgroup supervision?

**Theme IV.**
Are ORSA and group solvency calculations appropriate and consistent across the group?

**Theme V.**
Agree on a procedure for reviewing that the full or partial internal model is still appropriate for group and solo solvency calculation purposes in the light of developments within the group entities or external environment. For colleges with full/partial IM.