



EIOPA-14/064

13 February 2014

Report on the Functioning of Colleges and the Accomplishments of the 2013 Action Plan

EIOPA publishes the Report on the Functioning of Colleges and the Accomplishments of the 2013 Action Plan

Introduction and Executive Summary

1. Colleges are multilateral groups of relevant supervisors formed for the collective purpose of enhancing efficient, effective and consistent supervision of financial institutions operating across borders. EIOPA monitors the achievements of the Colleges continuously and assesses these twice a year against detailed criteria based on the EIOPA Action Plan for Colleges, resulting in a report to the EIOPA Board of Supervisors with proposed actions within National Supervisory Authorities, towards Group Supervisors/Colleges as well as the work for EIOPA.
2. The report on the Functioning of Colleges and the Accomplishments of the 2013 Action Plan describes the yearly achievements of the Colleges in particular referring to the EIOPA Action Plan for Colleges. In 2013 the principal aim of the Action Plan was to foster the risk analysis for Colleges of Supervisors. Another focal point in 2013 in Colleges was to enhance the understanding and knowledge of the Preparatory Guidelines.
3. The development of Colleges of supervisors can be described by different stages. The first step refers to information exchange. It means exchange of financial details at solo and group level. The next step is the cooperation where joint activities like joint on-site inspections and the development of a shared view on risks, are undertaken. The following step is coordination and delegation where in Colleges the tasks are shared, delegated and cross-border teams are created. At the final stage decisions are taken jointly like for the internal model

use. We note in general a gradual shift from information exchange towards more cooperative and coordinating working planning in Colleges, e.g. more joint on-site reviews, developing jointly a risk assessment approach, setting of cross-border specialised teams.

4. EIOPA as a member of Colleges and through its activities promotes and steers communication, cooperation, consistency, quality and efficiency in Colleges overall. In 2013 EIOPA contributed by developing several tools in close cooperation with relevant Working Groups and Group Supervisors e.g. by collecting and disseminating Practical Solutions and Examples (PSEs), providing a coordination arrangement template and a structure for a risk assessment approach. EIOPA continued to provide specific presentations in Colleges about EIOPA's expectations on Group Supervision and cooperation between supervisors in view of EIOPA's Action Plan for Colleges as well as approaches to regular macro-economic risk assessment including the explanation of the results of the EIOPA Risk Dashboard and the outcome of specific studies like on liquidity swaps, focussed on understanding the rationale for these transactions, their risks, as well as to discuss the supervisory approach of NSAs.

College activities in 2013 and conclusions

5. By end 2013 92 insurance groups¹ with cross-border undertakings were registered in the EEA compared to 91 groups in 2012. After its third year of operations, EIOPA's observations as a member of the Colleges of Supervisors are as follows:
 - Colleges of supervisors with at least one physical meeting or telco were organized for 83 groups compared to 78 groups in 2012. For at least 20 groups, especially for the large groups (measured by premium), College meetings or telcos were organised more than once a year. In those extra meetings either specific topics are discussed (internal model), or the quarterly or half year results of the firm as well as specific developments in firms (mergers). Also College members have in between meetings (bilateral) contacts and set up specialised teams.
 - 17 national supervisory authorities acted as Group Supervisors.
 - 6 Colleges were chaired by FINMA/CH as group supervisor. FINMA bases its college work on the IAIS core principle 25 for supervisory cooperation and cooperation and supports the implementation of the EIOPA Action Plan for Colleges.
 - EIOPA attended College meetings and/or telcos for 82 groups. EIOPA was present in 75 Colleges in 2012.

¹ An updated list of the all cross-border insurance groups can be found at EIOPA's website under the following link: <https://eiopa.europa.eu/activities/insurance/colleges-of-supervisors/index.html>.

6. The following key conclusions can be drawn from EIOPA's observations as a member of Colleges:

- With the College Action Plan 2013 a new stage is reached in the consistency amongst Colleges and in terms of the level of the College activities. It requires time and willingness both at group and solo level.
- Group Supervisors take care of their Colleges sending in advance agenda and support documentation. Documents and presentations for the College meetings are usual of a good quality level. Despite it was a new item of the Action Plan 2013, Colleges made great efforts to set up risk analysis tools for the group as a whole.
- The Colleges that had a deep reflection on the risk analysis were the ones that have implemented a detailed information exchange based on the risk categories identified and a good work planning. In 2014 the Colleges need to come to a shared view of the risks. That achievement will require more efforts from the group and solo supervisors to have the same understanding of the risk definitions and scoring methods.
- The discussion on the consequences of the implementation of the Preparatory Guidelines for Solvency II in the Colleges is in an initial phase, as College members awaited the outcome of the comply or explain procedures. This will be a priority for 2014 for the Colleges.

Priorities and tasks for Colleges in 2014

7. In 2014 Colleges are expected to further develop their functioning. The key areas of development will be the followings:

- Exchange of qualitative and quantitative information.
- Discuss and agree on the implications of the Guidelines on preparing for Solvency II and update the College work plan and the internal model work plan accordingly.
- Form a shared view on the risks of the group and its major solo entities.
- Review the status of the coordination arrangement/emergency plan in all Colleges.
- More information on the EIOPA Action Plan 2014/2015 can be found at: [https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/EIOPA-13-424 AP Colleges 2014 15 for publication.pdf](https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/EIOPA-13-424_AP_Colleges_2014_15_for_publication.pdf).

Summary of accomplishments of the EIOPA 2013 Action Plan for Colleges and main conclusions

- (i) Summary of accomplishments of the EIOPA 2013 Action Plan

(ii) Main conclusions from EIOPA's participation in Colleges

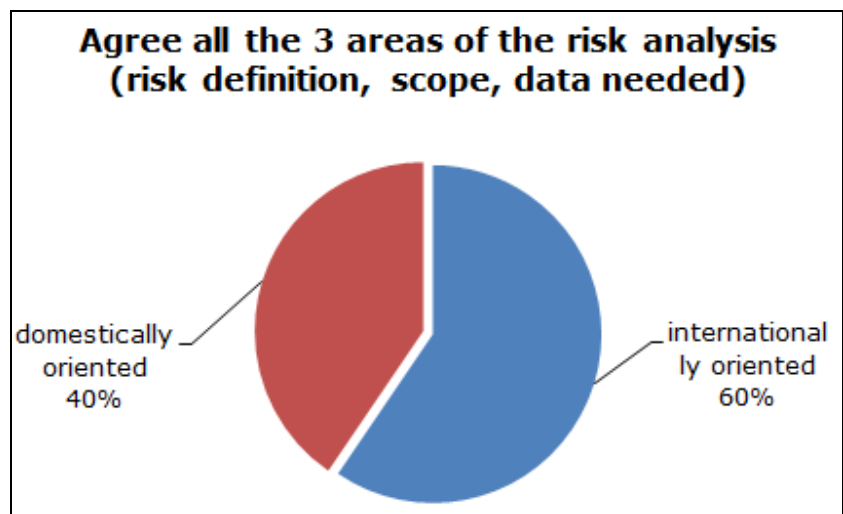
(i) Summary of accomplishments of the EIOPA 2013 Action Plan

Action Point 1: Risk analysis in Colleges – (by 31 December 2013)

Risk analysis - Good examples have been observed of risk assessment approaches in Colleges and of reaching a shared view on risks. National Supervisory Authorities have started to develop a consistent approach, establishing a risk assessment framework for the group as a whole, to the Colleges where they are the group supervisor. However there is significant work to be done by most authorities if the goal of a performing an assessment of the risk exposure of the group and its major solo entities is to be reached by mid-2014. This is a high priority for EIOPA. It is important for Colleges to develop a structured approach to risk analysis if they are to be in a position to come to a shared view of the risk of the group. So far 40 Colleges have developed a common understanding of a structured analytical approach.

In November 2013 EIOPA organised and hosted a workshop for Group Supervisors of large and complex cross-border groups on risk assessment of cross-border groups. The participants collected ideas of peers on the way of doing the risk assessment: scope definition, risk definition, scoring and aggregation of risk indicators, and finally coming to a shared view in the College on the risks. Group Supervisors for example advised to start with a simple set up; e.g. a limited number of categories at the start, to complement the quantitative key risk indicators with a qualified expert judgement and peer group analysis and benchmarking.

- Most Colleges have started with this task in the second half of 2013.
- Most Colleges and National Supervisory Authorities worked on the basis of their existing risk approaches towards individual entities as required under Solvency I and have extended as a first step the approach towards the entities outside their jurisdictions and the group level. Based on the results, further work to fine tune the approach will need to be conducted in 2014 and 2015. 59 Colleges have developed a common understanding of risk categories, 68 Colleges have an agreement on what are the main entities in scope, and 45 have identified what quantitative and qualitative data are needed for the risk assessment.



Action Point 2: Internal models related tasks review– (on-going during 2013)

Internal models tasks – internal model related work has increased in 2013, in particular since the 2nd “Quick-Fix” gave certainty about the new transposition and application dates of Solvency II. Group supervisors set up new workplans and reviews re-started in case of those groups which partially had put their Internal Model development on hold earlier. This resulted in an increase in the number of joint inspections, specific Internal Model College meetings etc. For those Colleges which still have to start the discussion on the implications of the internal model work this should be an item of priority for early 2014.

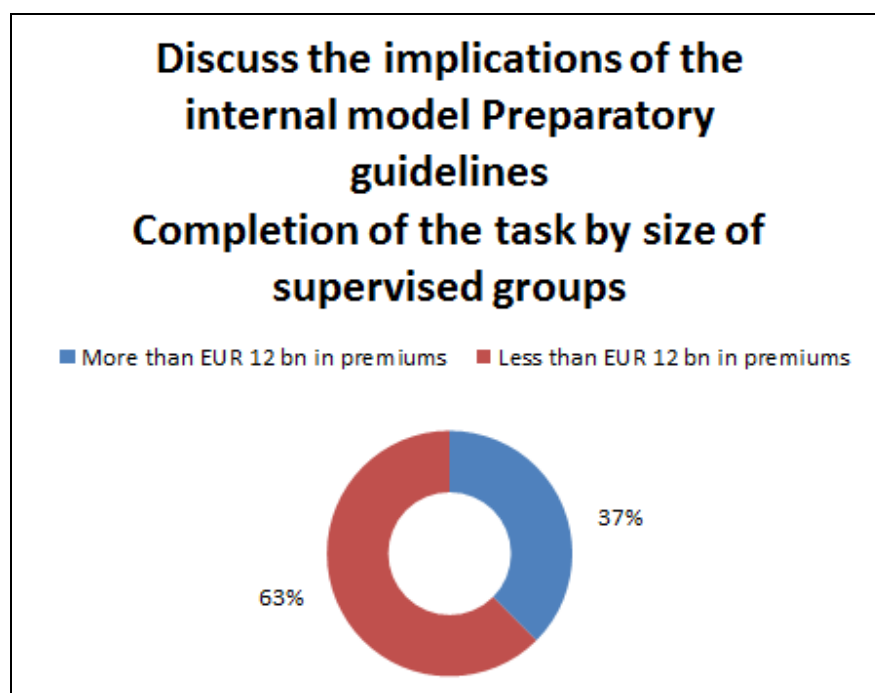
It is also among the high priorities for EIOPA.

EIOPA has set up an Centre of Expertise in Internal Models. The Centre of Expertise’s aim is to achieve greater consistency and efficiency in the implementation of Solvency II internal models across member states. Its approach is:

- working collaboratively to deliver tools that equip NSAs.
- collecting information on Internal Model activity and reporting to the Board of Supervisors.

² Internationally oriented means that more than 10% of the premiums come from abroad. Domestically oriented means that more than 90% of the premiums come from the domestic country.

- 22 groups are preparing an internal model application under art 231 of the Solvency II Directive. The vast majority have started to discuss the consequences of the preparatory guidelines on internal models.



Action Point 3.1: Review College work plan based on preparatory Guidelines – (by 30 June 2013)

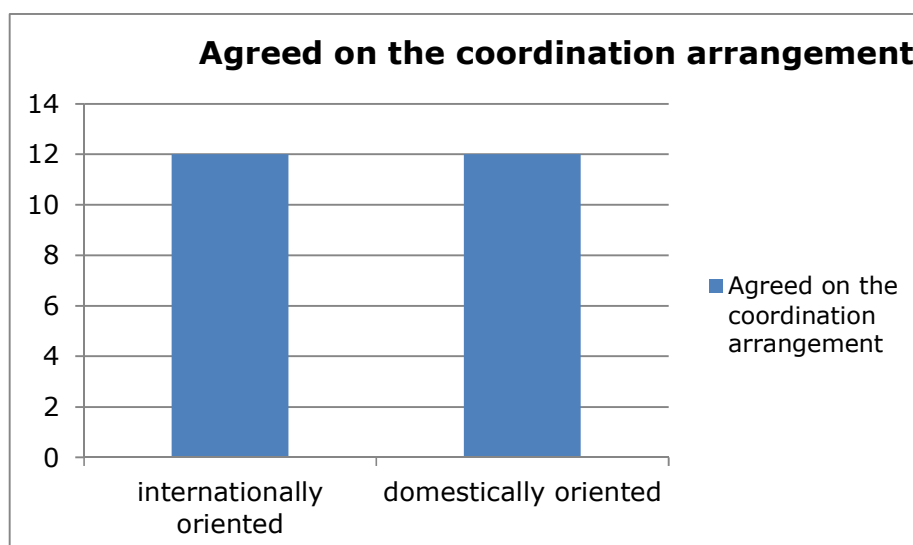
Review Preparatory Guidelines on Reporting, Forward Looking Solvency Assessment, and Governance. This is a high priority for EIOPA in 2014 as it will be important for Colleges to ensure that their workplan is aligned with the position that their respective authorities take. This work will not easily coincide with the dates of College meetings, so it will require work outside of meetings.

- 65 Colleges discussed the implications but agreed to revisit the amendments of the College work plan latter in 2013 or 2014, as supervisors waited for the results of the comply or explain procedure.

Action Point 3.2 Conclusion of a coordination arrangement – (by 31 December 2013)

Compared to 2012 the number of Colleges that have agreed on a coordination arrangement is gradually increasing. Colleges are being encouraged to come to a practical agreement about how the co-ordination arrangement covers the College's work, even where they are not yet able to sign the arrangement. This is especially relevant for the Colleges that have to decide on a pre-application of an internal model in accordance with art. 231 of the Solvency II Directive. The final conclusion of a coordination arrangement will take place closer to the implementation date of Solvency II.

- Most Colleges have started to discuss the coordination arrangement.
- Still ca. 9 have not started to discuss (some of these Colleges are new or very small).
- In 23 cases an arrangement has been agreed of which 3 Colleges were in a position to actually sign the arrangement.



Action Point IV self-assessment on Guidelines for the Functioning of Colleges currently in development within EIOPA.

– (by 30 June 2013)

Self-assessment – the vast majority of Colleges have conducted a gap analysis assessment based on Guidelines for the Functioning of Colleges currently in development within EIOPA. In most cases the gaps have been discussed and

closed, or are in the process of being closed. In ca. 35 of the Colleges there were no gaps identified by the GS/College with the Guidelines for the Functioning of Colleges currently in development within EIOPA.

This is a relatively low priority for EIOPA as good progress is being made.

(ii) Main conclusions from EIOPA's participation in Colleges

8. The EIOPA staff's engagement in Colleges in 2013 focused primarily on:
 - Explaining the Action Plan 2013 and encouraging implementation and its use.
 - Encouraging and supporting a discussion on risks, by explaining through themed presentations EIOPA's work in the area of Financial Stability and Risk Dashboard outcome. E.g the methodology of the Risk Dashboard is introduced by some Group Supervisors to assess the risk of the groups under their supervision (same risk categories, risk indicators).
 - Assisting, on request, the Group Supervisor when setting up a new College or facilitating finding a solution for issue that arises.
 - Providing regular updates on the working assumptions of the Solvency II project and specific presentations of the content of the Preparatory Guidelines for Solvency II.
 - Developing tools, in close cooperation with EIOPA's Working Group on Group Supervision (IGSC), comprise the collection and sharing of PSEs across colleges, e.g. on coordination arrangements, College workplans and Confidentiality agreements and processes. Furthermore an abstract from the Preparatory Guidelines listing the Guidelines that are relevant to be discussed and assessed in the Colleges was provided to the Group Supervisors.
 - The continuous update of the Helsinki Plus list on the restricted area of EIOPA's website, which includes basic financial information of the group and solo entities per country as well as contact details of the supervisors in the National Supervisory Authorities responsible for the day-to-day supervision as well as in crisis situations.
 - Organisation of meetings between the supervisory authorities involved in the supervision of groups, either as Group or as Host Supervisor for a great number of groups, in individual countries and EIOPA's oversight staff.
 - Cooperation and exchanging views with EBA and ESMA to align the approaches to promoting the functioning of Colleges, e.g. with regard to information exchange and risk assessment and the structure of the action plan. The ESE (European Supervisory Education Initiative) and EIOPA organised with the support of EBA and ESMA experts on Colleges

a cross-sector seminar on Colleges, to which also supervisory authorities from non-EEA European countries participated.

- Organisation and hosting of two days targeted towards Group Supervisors, to provide a forum for them to exchange ideas and approaches with their peers. During those days EIOPA receives also important input for developing its work, i.e. to develop with priority PSEs on group risk assessment, to conduct equivalence analysis on professional secrecy and confidentiality of non-EEA countries in the Eastern part of Europe, to consider the importance of ensuring continuity, seniority, competence and mandates for College members and participants, and, last but not least, the need for macroeconomic and financial market risk analysis and assessment, since growth perspectives in developed markets are very limited cross-border groups are increasingly searching for growth in emerging markets, mainly in South East Asia and the BRICS countries (Brazil, Russia, India, China and South Africa).
9. In 2013, as in 2012, almost all Colleges met and quite a number had more than one activity organised and had implemented the basic organisation requirements that are explained in the College Guidelines that are under preparation in EIOPA e.g. to organise a College meeting, agreed on the scope of group supervision, participation of supervisors of relevant branches and non-EEA countries, had settled a Work plan for 2013 and agreed on an emergency plan as well as started discussing a coordination arrangement.
10. A large number of good practices were noted in Colleges, that can be easily implemented in other Colleges. The EIOPA staff attending the Colleges, collect those examples and disseminates the approaches at other College meetings where relevant as advice. They vary from the organisation of a focussed College meeting on a specific business line whereby College members as well as the representatives of the firms focussed their presentations, to the effective input provided by the supervisors of branches, the use of an IT-tool for information exchange, a focussed survey on intragroup transactions (IGTs) in the group, the organisation of a dry-run of a group ORSA or an Internal Model pre-application decision making process.
11. Coordination Arrangements are required by the Solvency II Directive but also independently needed of Solvency II, as the requirement is already included in the FiCoD 2002/87/EC of 16 Dec 2002 (Article 11 (1)) for Colleges of financial conglomerates where applicable, in the predecessors of EIOPA/EBA paper on "10 Common Principles for Colleges of Supervisors" as of 27 Jan 2009 (Principle 5) as well as in the IAIS Insurance Core Principle (ICP) 25 as of 1 Oct 2011.

EIOPA thereto provided a template version which could be easily adapted to the specific needs of the individual College. The majority of supervisors started discussing a Coordination Arrangement. Ca. 25 Colleges could agree or sign the agreement before Solvency II comes into force. In many cases further questions were raised and adjustments to the template were proposed meanwhile the Solvency II requirements were evolving. It is expected to finalise and consult the template this year so that all Colleges will be in a position to agree upon and sign their Coordination Arrangement well before Solvency II comes into force.

12. The more effective College meetings clearly benefitted, especially when assessing and discussing the risks for the solo and group entities, from an earlier circulation of agendas and documents and analysis and more over involving all College members in the preparation at an early stage as well as being able to prepare their session with the representatives from the group better.
13. Overall the differences in the level of information exchange have declined during 2013. Colleges are in the midst of the development of a method for a group risk assessment with the aim to come to a shared view of the risks to which the group and/or solo is exposed.
14. EIOPA is monitoring the Colleges intensively and will also act upon the Colleges that have to finalise basic organisational issues (documentation distributed in a timely manner, finalisation emergency planning).
15. All in all, the efficiency and effectiveness of the College work have further improved in 2013 and therewith the quality of the supervision of insurance groups in Europe. While the majority of Colleges have now set their basic procedural and organisational architecture in place they can and need to shift their focus on the risk assessment, the agreement on a coordination arrangement and the implementation of the preparatory guidelines on Solvency II.