

January 2011

CNB opinion on Commission consultation document on Solvency II implementing measures

General observations

We generally agree with the Commission's proposals (with the exceptions given below), although we cannot answer some of the questions without, for example, knowledge of the overall results of QIS5 (not just for the Czech Republic, but for the whole EU) or knowledge of the impacts of the possible changes – see question 21 on the correlation parameters used in the standard formula. This is a highly technical issue which cannot be answered solely with regard to whether the proposed parameters meet the Commission's objectives (to introduce internationally recognised standards of supervision of insurance undertakings or maximum harmonisation of the regulations). A change to one of the parameters could have a fundamental effect on the resulting capital requirements of the entire insurance sector or of specific insurance undertakings.

We also feel that the deadline for the consultation is entirely inappropriate – whatever response the Commission gets, the scope for incorporating it into the implementing measures will be minimal. If the Commission receives totally negative feedback and completely new proposed measures, it will not have enough time to discuss them properly with EIOPA, the Member States or any other stakeholders. If the Solvency II regulation is to be effective from day one (i.e. from 1 January 2013), it is vital to have all the implementing measures officially in force at least a year in advance so that the Member States and European insurers have enough time to prepare and implement these regulations. The timetable no longer allows for major changes to the text of the implementing measures, which have already been under discussion in the relevant Commission working group for more than a year. We therefore regard the timing of the consultation as highly unfortunate.

In certain specific areas of the consultation, the CNB – in line with its earlier opinions – takes a negative stance on some of the Commission's proposals. Those areas are the following:

- the inclusion of an illiquidity premium in the risk-free yield curve (we feel this is unjustified) – see point 1 (question 1)
- recognition of diversification in the risk margin for technical provisions (we feel this is not based on a realistic assumption and may lead to undervaluation of technical provisions) – see point 2B (question 3)
- reduction of insurance undertakings' reporting requirements (at previous working group meetings the Commission suggested a reduction of the reporting requirements that would endanger the conduct of supervision owing to a lack of information) – see point 5 (questions 9–12)
- the calibration of some capital requirement calculations, or the use of correlation coefficients (it is possible to comment on these issues only on the basis of knowledge of the impacts of any changes to the calibration and not on the basis of generally proposed options that only suggest lower or higher factors).

The EC questions and CNB answers are provided below:

1. Technical provisions – best estimate – risk-free interest rate curve

Question 1:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **harmonising the calculation of technical provisions;**
- **introducing proportionate requirements for small undertakings;**
- **introducing risk-sensitive harmonised solvency standards; and**
- **promoting compatibility of valuation and reporting rules with the international accounting standards elaborated by the IASB.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 meets these objectives in a more efficient and effective way and why?)

Answer 1:

We disagree with the Commission's suggestion to choose the risk-free yield curve, mainly because of the inclusion of an illiquidity premium. The CNB has already stated in its opinions that it is against the inclusion of an illiquidity premium. In our view, the existing research in this area does not provide convincing evidence of the need to include an illiquidity premium in the risk-free interest rate curve. Moreover, there are no clear rules and procedures for the exact calculation of the illiquidity premium (and in our opinion it will be difficult to create clear rules), nor are there specific and sufficiently transparent criteria based on which EIOPA would be empowered to declare a situation of reduced liquidity. We do not have a strong opinion on whether to opt for the swap or bonds yield curve, but if our opposition to the inclusion of a liquidity premium is not accepted, we would be against using the bonds yield curve in combination with an illiquidity premium (option 4) owing to the significant spread between the bonds and swap curves on the Czech market.

2A. Technical provisions – risk margin – Cost-of-Capital rate

Question 2:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **harmonising the calculation of technical provisions;**
- **introducing proportionate requirements for small undertakings;**
- **introducing risk-sensitive harmonised solvency standards; and**
- **promoting compatibility of valuation and reporting rules with the international accounting standards elaborated by the IASB.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 meets these objectives in a more efficient and effective way and why?)

Question 3:

Do you agree that a 6% Cost-of-Capital rate would closely reflect the cost of providing an amount of eligible own funds equal to the SCR necessary to support the insurance obligations over the life time thereof?

Answers 2 and 3:

We agree with the Commission's suggestion to set the cost-of-capital rate equal to 6%. We regard this level as appropriate based on the analyses conducted by CEIOPS and the results of QIS4, where this option was tested.

2B. Technical provisions – risk margin – diversification

Question 4:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **harmonising the calculation of technical provisions;**
- **introducing proportionate requirements for small undertakings;**
- **introducing risk-sensitive harmonised solvency standards; and**
- **promoting compatibility of valuation and reporting rules with the international accounting standards elaborated by the IASB.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 meets these objectives in a more efficient and effective way and why?)

Answer 4:

In its opinions the CNB has always been against the suggested calculation method, since full diversification is not possible. The risk margin represents the costs of obtaining additional capital incurred by the reference undertaking taking over a portfolio of insurance contracts. The key assumption about the reference undertaking is that it is an “empty” company into which the portfolio is transferred. It is important to emphasise that new composite insurers (providing life and non-life insurance simultaneously) cannot currently be created and so it is impossible to transfer an entire portfolio from an old composite undertaking to a new empty undertaking. As a minimum, therefore, diversification between types of life and non-life insurance should not be recognised. Consequently, we believe that the proposed calculation does not satisfy the Commission’s third objective (introducing risk-sensitive harmonised solvency standards).

3. Own funds – quantitative limits for SCR and MCR

Question 5:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing proportionate requirements for small undertakings;**
- **introducing risk-sensitive harmonised solvency standards;**
- **promoting compatibility of prudential supervision of insurance and banking; and**
- **promoting compatibility of the prudential regime for EU insurers with the work of the IAIS and IAA.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 or alternative suggestion meets these objectives in a more efficient and effective way and why?)

Answer 5:

We agree with the Commission’s suggestion, as we regard this combination as an approach that is balanced with regard to the capital quality requirement and the cost of capital.

Question 6:

In your view, what impact would the Commission Services’ suggested approach have on the following:

- **cost of own funds**
- **capital raising or capital reduction**

Answer 6:

We feel that increasing the proportion of highest-quality capital could have implications for the cost of capital, as a provider of highest-quality capital can be expected to demand a higher yield. According to past impact study results of, the impacts on Czech insurers should be minimal, if not zero – all insurers have so far been reporting sufficient own funds and there have been no problems with raising capital in the past where necessary. In this regard, however, we would like to add that Solvency II is not the only framework under preparation and that the introduction of Basel III could have far greater impacts – the amount of capital banks will have to raise in the near future can be expected to limit investors' willingness to provide capital to insurance undertakings.

4. Procyclicality – Pillar II dampener**Question 7:**

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing risk-sensitive harmonised solvency standards;**
- **harmonising supervisory powers, methods and tools;**
- **promoting compatibility of prudential supervision of insurance and banking; and**
- **promoting compatibility of the prudential regime for EU insurers with the work of the IAIS and IAA.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 or alternative suggestion meets these objectives in a more efficient and effective way and why?)

Question 8:

Should the list of factors to be taken into account by supervisory authorities when deciding whether to grant such a decision be left open? (Please provide reasons)

Answers 7 and 8:

We agree with the Commission's suggested approach, as we feel it meets the objectives set by the Commission for the implementing measures. Likewise, we feel that the list of factors influencing the decisions of supervisory authorities should be left open, as proposed by the Commission.

5. Supervisory reporting – content, form and modalities**Question 9:**

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing proportionate requirements for small undertakings;**
- **harmonizing supervisory reporting;**
- **promoting compatibility of valuation and reporting rules with the international accounting standards elaborated by the IASB; and**
- **ensuring efficient supervision of insurance groups and financial conglomerates.**

(Please provide reasons and examples. If you do not agree, which combination of options in Annex 1 or alternative suggestion meets these objectives in a more efficient and effective way and why?)

Question 10:

The Commission Services are currently of the view that, in line with the proportionality principle, the level 2 implementing measures should only require material and/ or relevant

information to be provided. Do you agree with this approach? (Please provide reasons, including specific suggestions on how to implement the proportionality principle with respect to reporting requirements, how and who should determine what information is material and/or relevant)

Answers 9 and 10:

We feel that the question of reporting of specific information should be dealt with at the level of supervisory authorities. The level 2 implementing measures should only contain general rules (for example time limits for sending information to supervisory authorities) and authorisation for EIOPA to issue relevant level 3 measures specifying the required information in detail. It is important to emphasise that supervisory authorities must have the relevant tools and all the necessary information to perform their work in an efficient and effective way. We do not agree with limiting the quantity of information to be reported to supervisory authorities. The Commission's efforts to reduce the reporting requirements are entirely unacceptable, as any limitation of reported information would hinder the supervision of insurance undertakings.

Question 11:

Do you have any suggestions on which specific quantitative data should be subject to external audit? (Please provide reasons)

Answer 11:

We feel that balance sheets drawn up in accordance with the Solvency II rules and the calculated SCR should be subject to external audit (on an annual basis).

Question 12:

Do you have background information or evidence that groups are approaching the reporting requirements from a centralised, top-down group perspective? (Please also provide views on whether groups should be encouraged to adopt this approach)

Answer 12:

In QIS5 we came across cases in several insurers from large groups where data had been completed at the parent company level and domestic insurers did not entirely know what the figures meant and how they had been calculated. Whether insurers would choose such an approach in the case of regular reporting requirements is a question. However, we think that such approach is unacceptable.

6. Public disclosure – content, form and modalities
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Question 13:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing proportionate requirements for small undertakings;**
- **harmonizing supervisory reporting;**
- **promoting compatibility of valuation and reporting rules with the international accounting standards elaborated by the IASB; and**
- **ensuring efficient supervision of insurance groups and financial conglomerates.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 or alternative suggestion meets these objectives in a more efficient and effective way and why?)

Answer 13:

We agree with the Commission's suggestion.

Question 14:

The current approach favoured by the Commission Services would be to list a number of items which would need to be put in the public domain. Some stakeholders argue that the SFCR should contain much less information, so that it is understandable by policy holders, while others support disclosure of information directed at a much wider audience. Do you have views on:

- a) what stakeholders should be addressed?
- b) what are the areas on which stakeholders need information?
- c) how detailed has it to be?

Answer 14:

In our view, disclosure of information to policy holders must be clearly strengthened. The question is whether a prudential regulation like Solvency II should be used for this purpose. It would probably be better to strengthen disclosure of information to policy holders through the planned revision of the IMD or the planned regulation of PRIPS. Information on the financial condition of an insurer is certainly relevant to policy holders, but is probably not the most important factor in the decision to buy a policy. Reports on solvency and financial condition are therefore more relevant to other market participants, such as reinsurers, banks, rating agencies, financial analysts and investors. Such reports should thus contain as much relevant information as possible and we therefore agree with the suggested approach.

Question 15:

Solvency II will be based on an economic valuation of all assets and liabilities. The current approach favoured by the Commission Services would be to require public disclosure of a number of aggregated key figures arising from solvency valuation and their material differences with the accounting valuation. Do you support that approach? (Please provide reasons and suggestions on how precise such information should be and how it should be presented to be understood well by markets)

Answer 15:

We support the suggested approach. Its basic principle should be incorporated into Solvency II right from the outset. It is important to realise that Solvency II is a prudential regulation to be used primarily for the assessment of the financial soundness of insurance undertakings by supervisory authorities. It is designed especially for insurance undertakings alone, whereas the accounting principles pertain to a wider range of entities, so the purposes of the two frameworks may partially differ. At least a basic explanation and justification of the differences between accounting and Solvency II is therefore desirable if they are to be properly understood.

7. Treatment of holdings in participations and subsidiaries
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Question 16:

Do you consider that the approach tested in QIS5 would be the most efficient and effective in order to achieve the objectives of:

- introducing proportionate requirements for small undertakings;
- introducing risk-sensitive harmonised solvency standards;
- promoting compatibility of prudential supervision of insurance and banking; and
- ensuring efficient supervision of insurance groups and financial conglomerates.

(Please provide reasons and examples. If you do not agree, which option in Annex 1 or alternative suggestion meets these objectives in a more efficient and effective way and why?)

Answer 16:

We agree with the Commission that this question deserves deeper analysis, in particular of the QIS5 results, and especially for companies that have a large number of holdings in various sectors, which is not really the case for the Czech Republic.

Question 17:

Do you agree with Deloitte's conclusion that the choice of policy option may cause some undertakings to change their corporate structure? (Please provide reasons and examples)

Answer 17:

Yes, this is already currently happening in some cases, although more with regard to the restructuring of entire insurance groups. However, the application of a lower stress for some participations may lead to the transfer of some risky assets (to which a higher capital requirement would otherwise apply) to subsidiaries to which a lower capital requirement would be applied.

Question 18:

In terms of alternative approaches for holdings in certain regulated related undertakings (financial and credit institutions and insurance and reinsurance undertakings), would you support an approach which makes use of the additional information available about these holdings to determine their contribution to the overall risk profile of the undertaking? (Please give suggestions of possible approaches)

Answer 18:

Yes, we consider a more detailed analysis of holdings to be an important part of risk management by insurance undertakings.

8. SCR standard formula – equity risk – Pillar 1 dampener
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Question 19:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing risk-sensitive harmonised solvency standards;**
- **harmonising supervisory powers, methods and tools;**
- **promoting compatibility of prudential supervision of insurance and banking; and**
- **promoting compatibility of the prudential regime for EU insurers with the work of the IAIS and IAA.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 meets these objectives in a more efficient and effective way and why?)

Answer 19:

We do not agree with the Commission's proposal. In line with CEIOPS' advice, we suggest choosing option 4, i.e. 12 months. This option would be a compromise between the short and long horizons. Short-term options lead to frequently changing equity stress that is hard to predict when estimating future capital requirements. Long horizons, by contrast, react slowly to changes in the equity index. Moreover, the one-year horizon is consistent with the other time horizons used in the calculation of capital requirements.

9. SCR standard formula – loss-absorbing capacity of technical provisions
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Question 20:

Is option 2 or 3 the most efficient and effective in order to achieve the objectives of:

- **introducing risk-sensitive harmonised solvency standards;**
- **introducing proportionate requirements for small undertakings.**
- **harmonising supervisory powers, methods and tools; and**
- **promoting compatibility of the prudential regime for EU insurers with the work of the IAIS and IAA.**

(Please provide reasons and examples)

Answer 20:

We suggest choosing option 2 or 1. Option 3 was tested in QIS5 and the method under test turned out to be too complicated and in some cases unfeasible for the Czech participants. Czech insurers therefore preferred the modular approach (from QIS4), i.e. option 2. Given the efforts to reduce the overall complexity of the standard formula, we could reconsider option 1, i.e. a single adjustment using a factor depending on the size of future profit shares contained in technical provisions.

10A. SCR standard formula – diversification effects – correlation parameters

Question 21:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing risk-sensitive harmonised solvency standards;**
- **introducing proportionate requirements for small undertakings.**
- **promoting compatibility of the prudential regime for EU insurers with the work of the IAIS and IAA; and**
- **ensuring efficient supervision of insurance groups and financial conglomerates.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 meets these objectives in a more efficient and effective way and why?)

Answer 21:

We agree with the Commission's suggestion to retain the correlation parameters already tested in QIS4 and QIS5. Although we do not have any analyses of the dependence between different lines of business, which, moreover, differs from the non-life insurance segmentation used currently, the QIS4/QIS5 results showed that the suggested parameters lead to capital requirements with which the Czech participants would be compliant.

10B. SCR standard formula – diversification effects – geographical diversification

Question 22:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing risk-sensitive harmonised solvency standards;**
- **introducing proportionate requirements for small undertakings.**
- **promoting compatibility of the prudential regime for EU insurers with the work of the IAIS and IAA; and**
- **ensuring efficient supervision of insurance groups and financial conglomerates.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 or alternative suggestion meets these objectives in a more efficient and effective way and why?)

Answer 22:

We suggest choosing option 1, i.e. not reflecting geographical diversification in the standard calculation. As the impact study results have shown, this aspect of the calculation has no effect on the resulting capital requirement of Czech insurers and merely increases the complexity and opacity of the standard formula. When geographical diversification is justified for an insurance undertaking, it can be recognised in other ways in the current proposals, for example by using parameters specific to the undertaking or by introducing a partial internal model.

11. SCR internal models – integration of partial internal models

Question 23:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing risk-sensitive harmonised solvency standards;**
- **introducing proportionate requirements for small undertakings;**
- **harmonising supervisory powers, methods and tools; and**
- **ensuring efficient supervision of insurance groups and financial conglomerates.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 meets these objectives in a more efficient and effective way and why?)

Answer 23:

We agree with the Commission's suggestion.

12A. SCR standard formula – underwriting risk (other than catastrophe risk) arising from non-life insurance obligations

Question 24:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing risk-sensitive harmonised solvency standards;**
- **introducing proportionate requirements for small undertakings; and**
- **harmonising supervisory powers, methods and tools.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 meets these objectives in a more efficient and effective way and why?)

Answer 24:

We agree with the Commission's suggestion to calculate non-life risks on the basis of the factor approach, which has been widely tested in several impact studies with no negative responses from market participants.

12.B SCR standard formula – underwriting risk (other than catastrophe risk) arising from life insurance obligations

Question 25:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing risk-sensitive harmonised solvency standards;**
- **introducing proportionate requirements for small undertakings; and**
- **harmonising supervisory powers, methods and tools.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 meets these objectives in a more efficient and effective way and why?)

Answer 25:

We agree with the Commission's suggestion to calculate life risks on the basis of the scenario approach, which has been widely tested in several impact studies, as no major problems with its application were identified among market participants. However, the calibration issues need to be discussed on the basis of the QIS5 results.

12C. SCR standard formula – underwriting catastrophe risks arising from insurance obligations

Question 26:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing risk-sensitive harmonised solvency standards;**
- **introducing proportionate requirements for small undertakings; and**
- **harmonising supervisory powers, methods and tools.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 meets these objectives in a more efficient and effective way and why?)

Answer 26:

We generally agree with the scenario approach to the calculation of catastrophe risks, which suitably captures the nature of natural and man-made disasters, as suggested by the Commission. However, we wish to point out that QIS5 revealed that some market participants may have problems with some calculations because they do not have data in the required structure. Moreover, some risks – in particular flood risk – was overestimated for the Czech Republic in QIS5. This led to excessive/inappropriate capital requirements.

13. SCR internal models – use test

Question 27:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing risk-sensitive harmonised solvency standards; and**
- **harmonising supervisory powers, methods and tools.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 or alternative suggestion meets these objectives in a more efficient and effective way and why?)

Answer 27:

We feel that the internal model should be used, as a minimum, at all levels of the organisation in significant decision-making processes.

14. SCR internal models – statistical quality standards

Question 28:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing risk-sensitive harmonised solvency standards; and**
- **harmonising supervisory powers, methods and tools.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 or alternative suggestion meets these objectives in a more efficient and effective way and why?)

Answer 28:

We agree with the Commission's suggestion. Insurance undertakings should establish their own policy on data quality of their internal models.

15. Capital add-ons

Question 29:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing risk-sensitive harmonised solvency standards;**
- **harmonising supervisory powers, methods and tools; and**
- **introducing proportionate requirements for small undertakings.**

(Please provide reasons and examples. If you do not agree, which option in Annex 1 meets these objectives in a more efficient and effective way and why?)

Question 30:

Should supervisors be able to exercise judgment, according to pre-defined criteria, in relation to each of the following:

- 1) in the case of risk-profile capital add-ons, significant deviations from the SCR that are below 15%**
- 2) for the purposes of determining when a governance capital add-on may be applied, the timeframe to be regarded as an appropriate for having allowed other remedial measures to have been exhausted, subject to a maximum period of 6 months**
- 3) the methodology used to determine the capital add-on.**

(Please provide reasons)

Answers 29 and 30:

The concept of using capital add-ons as a remedial measure is based on proper and individual assessment of the risk profile of the specific insurance undertaking. Consequently, the decision to apply it is also highly individual and it will be very hard to find a precise definition of the circumstances that should lead to the adoption of such a measure. It is therefore desirable to leave room and flexibility for supervisory authorities. We do not believe that such flexibility is at odds with the maximum harmonisation on which Solvency II is based. It is important to realise that such flexibility also puts extremely high demands on supervisory authorities, as they will have to justify their decisions in watertight fashion to ensure that they are not overturned by the courts, to which insurers would be able to appeal. Therefore, we agree with the Commission's suggestion that supervisory authorities should exercise judgment when deciding on capital add-ons in conformity with the draft text of the implementing measures (i.e. with the chosen options).

16. Actuarial function

Question 31:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- **introducing proportionate requirements for small undertakings;**
- **harmonising supervisory powers, methods and tools;**

- promoting compatibility of the prudential regime for EU insurers with the work of the IAIS and IAA; and
- ensuring efficient supervision of insurance groups and financial conglomerates.

(Please provide reasons and examples. If you do not agree, which option in Annex 1 meets these objectives in a more efficient and effective way and why?)

Question 32:

Do you agree that requiring EIOPA to adopt (non-binding) guidelines at Level 3 would be the most appropriate solution in terms of practicability and level-playing-field considerations? (Please provide reasons)

Answers 31 and 32:

We agree with the Commission's suggestion. We believe that actuarial technical standards should be developed by experts from the actuarial profession with the involvement of representatives of supervisory authorities. The general scope of the tasks of the actuarial function should be prescribed in the implementing measures with the aim of harmonising understanding of the actuarial function among market participants and defining the core tasks of the actuarial function in relation to the calculation of technical provisions and cooperation on risk management. As regards written reports to be submitted annually by the actuarial function to the management of the undertaking, it is desirable for the implementing measures to lay down a general framework for the content of such reports in the interests of ensuring a unified approach across the market.

Question 33:

Should actuarial guidelines solely relate to technical issues or should they be extended to include professional and ethical guidelines? (Please provide reasons)

Answer 33:

We have no objections to selected relevant professional principles being part of the actuarial guidelines. We believe that it is already currently common practice for professional principles to form part of the guidelines of professional actuarial associations.

17. Supervisory co-operation and co-ordination

Question 34:

Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

- harmonising supervisory powers, methods and tools;
- promoting compatibility of prudential supervision of insurance and banking;
- promoting compatibility of the prudential regime for EU insurers with the work of the IAIS and IAA; and
- ensuring efficient supervision of insurance groups and financial conglomerates.

(Please provide reasons and examples. If you do not agree, which option in Annex 1 meets these objectives in a more efficient and effective way and why?)

Answer 34:

We do not agree with the Commission's suggestion to introduce binding qualitative thresholds for determining the significance of branches when creating colleges. In this regard, we incline more towards CEIOPS' advice, as we feel that it is always necessary to assess the situation on an individual basis.

Question 35:

Do you share the view that provisions on colleges should not be set in level 2 implementing measures? (Please provide reasons for your response and, where relevant, suggestions on the provisions which you think should be included at level 2)

Answer 35:

Yes. Colleges differ in nature according to the structure, main activity and risk profile of the group, and we therefore believe the rules for the operation of colleges should be as flexible as possible.

Question 36:

What are your views on the need for supervisors in the college to systematically exchange information? What information would be the most efficient and useful to be exchanged taking into account the potential burden for supervisors?

Answer 36:

Exchanging information is a vital part of group supervision. For efficient supervision, the maximum amount of relevant information needs to be exchanged. We do not believe that efficient supervision will be aided by automatic sharing of all statements of insurers from a group and all their reports on the undertaking's solvency and financial condition among all members of the college. The implementing measures should make it possible to request such information (and require supervisory authorities to provide requested information), but in our view the proposed automatic exchange is inefficient, ineffective and unnecessary.