

8 January 2009

CEIOPS Internal Governance Supervisory Review and Reporting Expert Group (IGSRR) Work Programme 2009

1. Mandate

1. The tasks of the Expert Group are:
 - to conduct preparatory work on the appropriateness and consequent requirements related to qualitative aspects of management, such as risk management and internal control system or other requirements on the managers;
 - to conduct preparatory work on appropriateness and consequent requirements related to all the phases of the supervisory action, and its harmonisation at European level, in terms of process, supervisory reporting and prudential tools;
 - to deal with supervisory powers of intervention as well as transparency and accountability of supervisory practice;
 - to carry out the preparatory work needed for the fulfilment of CEIOPS' tasks concerning Pillar III of the Solvency II project, including the recognition and measurement of assets and liabilities (other than technical provisions), and in particular
 - to build up an adequate level of harmonization of contents and formats for solvency and financial condition reporting to supervisors;
 - to deal with public disclosure information requirements.
 - to deal with accounting issues which are of interest to the EU supervisors, and in particular
 - to follow the developments of the work of the IASB and to carry out the preparatory work for the participation and contribution of CEIOPS both to the IFRS-making process and to the EU endorsement process (EFRAG/ARC consultation);
 - to carry out exploratory work on linkages and convergence of solvency public disclosure requirements and financial statements.
 - to act as an information sharing platform in the field of the above mentioned issues.

2. Organisation and Structure

2. Gabriel Bernardino (PT) was appointed as Chair of the IGSRR in the Members' Meeting of 27/28 June 2007.
3. The IGSRR is supported by Gerlinde Taurer (secretariat@ceiops.eu).
4. To maximise efficiency, effectiveness and to facilitate discussions and drafting of documents, three internal Subgroups¹ were set up to deal with specific matters:

Subgroup 1: Accounting-related issues

Subgroup Leader: Francisco Carrasco (ES)

The subgroup shall focus on:

- Following the developments of the IASB's and other international and European institutions' work relating to accounting issues with relevance for CEIOPS;
- Development of Level 2/3 measures regarding the methods and assumptions for the valuation of assets and liabilities other than technical provisions;
- Development of Level 2/3 measures regarding financial reporting to supervisors, including valuation principles and performance indicators.

Subgroup 2: System of Governance

Subgroup Leader: Sibylle Schulz (DE)

The subgroup shall focus on:

- Development of Level 2/3 measures on the requirements of the system of governance, risk management, internal control and internal audit, including ALM and investment policy;
- Development of Level 2/3 measures on the circumstances under which a capital add-on may be imposed including the calculation methodologies for capital add-ons (with input from FinReq and IntMod);
- Development of Level 2/3 measures on Transparency and Accountability;
- Development of Level 2/3 measures on Adjustments of the criteria set out in Article 58(1) for assessing the notification of the intention to acquire or increase a qualified holding and the information referred to in Article 57;
- Development of Level 3 measures on quantitative limits and asset eligibility criteria in order to address risks which are not adequately

¹ Participation of experts in the three Subgroups is indicated in the IGSRR contact list.

covered by a sub-module and requirements to control the risk of investments including derivatives;

- Development of Level 3 measures on Own Risk and Capital Assessment (ORSA).

Subgroup 3: Other issues

Subgroup Leader: Paul Brenchley (UK)

The subgroup shall focus on:

- Development of Level 3 measures on Supervisory Review Process;
 - Development of Level 2/3 measures on the information to be gathered and disseminated systematically by the group supervisor to other supervisory authorities or vice-versa and specification of items essential or relevant for supervision at group level with a view to enhancing convergence of supervisory reporting (input to IGSC);
 - Development of Level 2/3 measures regarding supervisory reporting of capital management;
 - Development of Level 2/3 measures regarding the supervisory reporting requirements on the system of governance, risk management, internal control and internal audit, including ALM and investment policy (with input from SG2);
 - Development of Level 2/3 measures regarding supervisory reporting of the other requirements, including compiling the information developed by the other subgroups;
 - Development of Level 2/3 measures regarding public disclosure including financial public disclosure;
 - Development of Level 2/3 measures regarding requirements on special purpose vehicles;
 - Development of Level 3 measures on specifications with respect to recovery plan and finance scheme;
 - Development of Level 3 measures on qualitative control of risks arising from finite reinsurance activities.
5. For all work streams, the proportionality principle has to be explicitly taken into account, for CEIOPS' Level 2 advice as well as for any Level 3 guidance.
6. For CEIOPS' deliverables on Level 2 as well as Level 3, the European Commission's letter of 19 July 2007² and the further developments of the Framework Directive proposal in the political negotiations have been taken into account (see "Proposal for a Directive of the European Parliament and

² <http://www.ceiops.eu/media/files/requestsforadvice/2007-07-19ECtoCEIOPS-SII.pdf>

of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance, SOLVENCY II - Presidency compromise³ which reflects the state of discussions in the Council on 20 June 2008. Of course it has to be borne in mind that the Presidency compromise is not a final politically agreed text yet, but reflects developments in the last few months since the Commission's proposal.

7. As to the date of the stated deliverables, the above mentioned Commission's letter and the implementation deadline stated in Article 310 of the Framework Directive Proposal⁴ of February 2008 (unchanged) have been taken as a basis.
8. All Advice on Level 2 implementing measures shall be accompanied by contributions to the impact assessment analysis the Commission has to carry out. On all Level 3 measures CEIOPS shall carry out its own impact assessment analysis.

³ See

http://register.consilium.europa.eu/servlet/driver?page=Result&lang=EN&ssf=DATE_DOCUMENT+DESC&fc=REGAISEN&srm=25&md=400&typ=Simple&cmsid=638&ff_TITRE=insurance&ff_FT_TEXT=&ff_SOUS_COTE_MATIERE=&d_DATE_REUNION.

⁴ See http://ec.europa.eu/internal_market/insurance/docs/solvency/proposal_en.pdf.

3. Deliverables and deadlines

	Reference	Description of issue	Deadline CEIOPS WP 2009 ⁵	IGSRR deadlines	Resp.
Solvency II: Level 2 advice and Level 3 measures					
Risk-assessment framework for Supervision	Article 28	Guidance to apply prospective and risk-based approach to supervision in a manner which is proportionate to the nature, complexity and scale of the risks	2011	L3: Qu.2-3/2010: Draft guidance for consultation L3: Qu.1/2011: Final guidance	SGr.3
Transparency and accountability of supervisory authorities	Article 30	Disclosure of a) the texts of laws, regulations, administrative rules and general guidance in the field of insurance regulation; b) the general criteria and methods used in the supervisory review process c) Aggregate statistical data on key aspects of prudential framework applied in Member States and the format, structure, contents list and publication date of the disclosures d) the manner of exercise of the options provided for in this Directive; e) the objectives of the supervision and its main functions and activities.	October 2009	L2: March 2009: Draft advice for consultation L2: October 2009: Final advice L3: Qu.2-3/2010: Draft guidance for consultation L3: Qu.1/2011: Final guidance	SGr.2

⁵ In brackets, if this work stream is not covered by the CEIOPS WP 2009 (2010), but its previous WP, or the 3L3 WP 2008/2009.

	Reference	Description of issue	Deadline CEIOPS WP 2009 ⁵	IGSRR deadlines	Resp.
Supervisory reporting	Article 35	Information to be provided by insurance and reinsurance undertakings to supervisory authorities	October 2009	L2: March 2009: Draft advice for consultation L2: Oct. 2009: Final advice L3: Qu.2-3/2010: Draft Tables for consultation L3: Qu.1/2011: Final Tables	SGr.3
Supervisory Review Process	Article 36	Level 3 guidance	2011	L3: Qu.2-3/2010: Draft for consultation L3: Qu.1/2011: final guidance	SGr.3
Capital add-ons	Article 37	Circumstances under which a capital add-on may be imposed as well as the methodologies for the calculation thereof	October 2009	L2: March 2009: Draft advice for consultation L2: Oct. 2009: Final advice L3: Qu.2-3/2010: Draft for consultation L3: Qu.1/2011: final guidance	SGr.2

	Reference	Description of issue	Deadline CEIOPS WP 2009 ⁵	IGSRR deadlines	Resp.
Own risk and solvency assessment	Article 44	Level 3 guidance on ORSA	2011	L3: Qu.2-3/2010: Draft for consultation L3: Qu.1/2011: final guidance	SGr.2
System of governance	Article 49 with references to Articles 41, 42, 43, 45, 46, 47	System of governance, risk management, internal control and internal audit, in particular ALM and investment policy Functions Fit and proper requirements Conditions for outsourcing	October 2009	L2: March 2009: Draft advice for consultation L2: Oct. 2009: Final advice L3: Qu.2-3/2010: Draft for consultation L3: Qu.1/2011: final guidance	SGr.2
Public disclosure	Article 55 (see also Art. 260: IGSC lead)	Information to be disclosed in the Solvency and Financial Condition Report	October 2009	L2: March 2009: Draft advice for consultation L2: October 2009: Final advice L3: Qu.2-3/2010: Draft Tables for consultation L3: Qu.1/2011: Final Tables	SGr.3

	Reference	Description of issue	Deadline CEIOPS WP 2009 ⁵	IGSRR deadlines	Resp.
Acquisition of a qualifying holding *	Article 57(8) with reference to Article 58(1)	Adjustments of the criteria set out in Article 58(1) for assessing the notification of the intention to acquire or increase a qualified holding and the information referred to in Article 57	October 2009	L2: tbd: Draft advice for consultation L2: tbd: Final advice	SGr.2
Valuation of assets and liabilities other than technical provisions	Article 74	Methods and assumptions for the valuation of assets and liabilities other than technical provisions	October 2009	L2: March 2009: Draft advice for consultation L2: October 2009: Final advice	SGr.1
SCR Standard Formula	Article 109(2)	Quantitative limits and asset eligibility criteria in order to address risks which are not adequately covered by a sub-module	2011	Start after March 2009 L3: Qu.2-3/2010: Draft for consultation L3: Qu.1/2011: Final measures	SGr.2
Investments	Article 133	Control of risks of investments and derivatives	2011	Start after March 2009 L3: Qu.2-3/2010: Draft for consultation L3: Qu.1/2011: Final measures	SGr.2

* As in the Proposal for a Directive of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance, SOLVENCY II - Presidency compromise (Brussels, 20 June 2008).

	Reference	Description of issue	Deadline CEIOPS WP 2009 ⁵	IGSRR deadlines	Resp.
Undertakings in difficulty or in an irregular situation	Article 141 with reference to Articles 136 and 137	Specifications with respect to recovery plan and finance scheme	2011	Start after March 2009 L3: Qu.2-3/2010: Draft for consultation L3: Qu.1/2011: Final measures	SGr.3
Finite reinsurance	Article 208	Qualitative control of risks arising from finite reinsurance activities	2011	Start after March 2009 L3: Qu.2-3/2010: Draft for consultation L3: Qu.1/2011: Final measures	SGr.3
SPV authorisation*	Article 209	Scope of authorisation, mandatory conditions to be included in contracts, fit and proper requirements, accounting and prudential requirements	October 2009	L2: March 2009: Draft for consultation L2: October 2009: Final advice L3: Qu.2-3/2010: Draft for consultation L3: Qu.1/2011: Final measures	SGr.3

	Reference	Description of issue	Deadline CEIOPS WP 2009 ⁵	IGSRR deadlines	Resp.
Solvency II – other work streams					
QIS4		Input to QIS4 Report regarding valuation of assets and liabilities other than technical provisions and management of operational risks	(Nov. 2008)	Input to QIS4 Report by 25 Sept. 2008 October 2008: approval of QIS4 Report (publication: 19 Nov. 2008)	SGr.1 SGr.2
Follow-up of Ecofin conclusions					
Supervisory powers	Ecofin Conclusions of 15 May 2008	Cross-sectoral stock-taking exercise of the differences and actual use of supervisory and sanctioning powers across Member States, and of the national supervisors' objectives	(3L3 WP 2008)	Interim Report by November 2008 Final report by February 2009	PT, Secr

	Reference	Description of issue	Deadline CEIOPS WP 2009 ⁵	IGSRR deadlines	Resp.
Internal governance		<p>A preliminary analysis of options for simplifying a cross sector internal governance framework, building on a stock take done on the differences that exist in the texts and the definitions of the internal governance requirements stemming from the CRD and MIFID;</p> <p>Stock take of the internal governance requirements contained in Solvency II;</p> <p>Stock take of the internal governance requirements contained in the Financial Conglomerates Directive.</p>	(3L3 WP 2008)	<p>End 2008: Report setting out scope and timeline of any proposed work</p> <p>Qu.2 or 3/2009: Consultation on cross sector guidance</p> <p>Qu.4/2009: Final cross sector guidance</p>	3L3 TF under lead of IGSRR Chair
Ongoing work					
Accounting	---	Monitoring of European and international accounting environment with relevance for CEIOPS' work, especially IASB's Project on Insurance Contracts-Phase 2	Permanent activity	Depending on need	SGr.1
Training		Assessment of training needs and development of training programme	Permanent activity	Depending on need	Secr