

Matkaraportti

Henkilötiedot

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Suunniteltu matka

EIOPA, Frankfurt, 26.1.2012

Matkan aihe

Groupe Consultatif:in sisäiset mallit ryhmän edustajia on kutsuttu osallistumaan kokoukseen, jossa EIOPA toivoo avointa keskustelua ja palautetta tason 3 sääntelyyn sisäisistä malleista (uudet työn alla olevat paperit sekä viimeksi julkaistu Model Change Policy-paperi). Kokouksessa on tilaisuus suoraan vaikuttaa papereiden sisältöön. Kokoukseen osallistuvat EIOPAn sisäiset mallit ryhmä, CRO forumin, CEAn, Amicen ja Groupe Consultatifin edustajat, sekä eri maiden finanssivalvonnan edustajia.

Raportti

Kokouksessa käsiteltiin agendan mukaiset asiat:

- Sisäisten mallien ennakkohakemusvaihe
- Säännösten aikataulu
- Tason kolme säännösluonnokset: external models and data, validation tools, application, documentatio, model changes

Muistiinpanot sekä kokousmateriaali lähetetty Groupe Consultatif Internal Models työryhmälle 30.1.2012.

Agenda ja muistiinpanot kokouksesta liitteenä.

Liite

Draft Agenda



Informal meeting with stakeholders on internal models

26 January 2012

EIOPA

Westhafenplatz 1

60327 Frankfurt am Main

Germany

Refreshments	9:00 - 9:30
1. Introductory remarks	9:30 – 9:45
2. Discussion on pre-application process, other issues related to internal models and information about expected process to be followed to convert current draft papers into consultation papers (including refreshments)	9:45 – 13:00
Lunch	13.00 – 14.00
3. Draft Level 3 papers on internal models recently pre-consulted: external models and data, validation tools, application, documentation and model changes.	14.00 – 16.45
4. Conclusions	16:45 – 17.00
Meeting adjourns	17:00

Notes by Henk and Camilla

Participants: EIOPA's internal model committee, Groupe Consultatif, CEA, CRO Forum, Amice

- Timeline and plans of EIOPA in resp. of consultations etc
 - Hypothesis: to publicly consult in May 2012. EIOPA has already supplied all the material that is expected, is however not equal to the end product. Will be a single paper on ITS measures (regarding IM, that is only integration of PIM) and a single paper on level 3, for all SII issues (not only internal models). Will be a process of consolidation, e.g. using a more uniform language, more legal type of language, but not changing the substance. Once they have consolidated, they will try to release some material in advance (because lot of pages), if timeline allows.
 - Working assumption: the supervisors will be ready to receive applications 1 Jan 2013
 - Working assumption: the supervisors will be able to give a decision 1 Jan 2014. Applies not only to IM but to all the related approval (usp, partial models, group consolidation method, etc)
 - Is depending on omnibus 2, and it is not clear when this is exactly.
- Pre-application process
 - EIOPA is currently doing a peer review of FSAs regarding how they follow CP 80 (pre-app), and they will build a best practice of it, in Feb 2012.
 - EIOPA has also launched a survey of the functioning of colleges. Is a follow up of 2011 college action plan. The preparedness is better now than in 2011.
 - Convergence of supervisory practice is high on EIOPA's agenda.
 - Tomorrow EIOPA will discuss IM consistency with technical provisions, among other. They are discussing also using external cat-models i.e. practicalities to decide whether a company knows the external model enough. The connection with pre-app to the normal supervision: In February 2012 joint college and IM committee meeting to discuss this.
 - Paolo says that political issues like sovereign risk should get a European solution, so that 2 companies with the same risk profile would not have completely different solvency ratios; as one could have it in the ORSA buffer, and the other in the IM)
 - Starting from the application, you may not change anything in your model, unless the supervisor asks you to, says Paolo. You should not go there half baked.
 - Regarding the supervisor reviewing TP/cash flow model for users of IM or SF, and level field btw SF and IM users: You have to think of "What is the SCR, what is the scope of the application of the model, what is the scope of the review of the model?" Paolo says that the supervisor needs to understand the inputs to the internal model. SF users need a SII balance sheet only 1 Jan 2014.
 - CRO Forum: Question about "internal internal model", which would be used in pricing and risk management and would not be the same as a "solvency II internal" model where you have

incorporated e.g. contract boundaries, discount rate, sovereign debt, or illiquidity premium, etc. The answer is that use test applies. But that of course some different parameters can be allowed if it is still the same model - requirement is not that everyone starts using the SCR.

- CRO Forum: Use test & one model or not: Look at level 1 text, it says "model should play an important role" - it does not say "single"
- The phasing from pre-app to app will depend on the supervisor, should be coordinated within the firm and its college. There is not a formalised described procedure for this.
- There was a discussion about diversification and the difference between the standard model and the Internal models. There are thoughts within EIOPA that at every stage the diversification in the IM can not be higher than the Standard Model. Also the technical input from Groupe Consultatif was asked. Henk stated that the standard model does not follow the advise in the GC paper "diversification" to use a full bottom up approach instead of the step model. As often in IM's the diversification is calculated in a more detailed way. It is in our opinion not reasonable to use in parts where the diversification is higher the SM as a limit and in parts where the IM shows a lower diversification the IM should be followed.
- EIOPA will have a 3 day meeting about internal models with NAC in US in March (if we have questions to the US we can send them to Paolo or Juan)
- Information to be supplied at application
 - Many of GC comments were taken on board, particularly where drafting was suggested
- External models and data
 - Separate data policies are not required for external data
 - Reliance on providers: business continuity is not enough
 - EIOPA discussion with cat and esg providers has resulted in an update of guideline 7. The supervisor is not going to approve models where they can't see the documentation, says Paolo.
- Model changes
 - EIOPA representatives are having discussion with many firms and it seems to be difficult to set in on a suitable level
 - They will not back on the parameters, parameter updates will also be changes, but not all parameters will be major changes. E.g. the process to set the parameter may be approved, or may be under validation which may in turn be part of the model change policy.
 - The stakeholders present at the meeting may send Paolo or Juan questions, particularly if they are concerned about level playing field
 - Approximations may or may not be acceptable, it depends, but an assessment will have to be provided

- Major change on solo level automatically major on group level: is about communication and it will remain
- Validation tools
 - Was discussed
- Documentation
 - Paolo said that the documentation should be seen in a pragmatic way. Documentation should not be made for the regulator but should be there for the user. It should be a kind of user manual.