

Insurance Europe final assessment of EIOPA opinion on SII 2020 review

Assessment of EIOPA's SII 2020 Review proposals			
	Positive	Mixed/unclear/neutral	Negative
LTG measures and measures on equity risk			
Extrapolation	<p>Bad, because EIOPA advises to implement its alternative extrapolation methodology which will negatively impact solvency positions and increase solvency volatility.</p> <p>EIOPA has advised to implement this proposal via a (very complicated) "mechanism" (what EIOPA describe as an emergency brake) which is both a) time dependent and b) rate dependent. The mechanism will offset the negative solvency impact only to a small extent (in very low yield environments) and its benefit would be phased out over the period until 2032.</p> <p>EIOPA also advises on additional disclosure requirements on the sensitivity of the parameters in the extrapolation and the impact of the implementation mechanism.</p>		
	<ul style="list-style-type: none"> ■ The mechanism reduces the negative solvency impact of the alternative extrapolation proposal in very low rate environments (where the FSP – first smoothing point - is less than 0.5%). 	<ul style="list-style-type: none"> ■ During the phase-in, the value of TP reacts somewhat less strongly to changes in market interest rates, as the adjustment of the convergence parameter has an opposite effect to the original interest rate change. 	<ul style="list-style-type: none"> ■ All the existing drawbacks of the alternative extrapolation approach remain or are delayed until 2032 when the mechanism would expire: <ul style="list-style-type: none"> ■ It ignores the Matching Criterion which mandates that insurers should be able to match their liabilities cashflows with bond cashflows ■ It increases the link and interactions with derivative markets. ■ It sets a strong procyclical incentive in an environment of historically low yields, in particular w.r.t. long-term

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			<ul style="list-style-type: none"> ■ It will increase the cost of long-term products ■ The focus for the new extrapolation has been the euro, non-euro-currencies have been more or less neglected. ■ EIOPA advises that a sensitivity analysis of the alpha parameter is undertaken for undertakings with material exposures (sum of long-dated cashflows is more than 10% of total cashflows). This should be disclosed in the SFCR. The sensitivity analysis is extremely punitive for some non-Euro currencies. ■ The EIOPA impact assessments show the necessity of the mechanism if a change in the extrapolation method is wanted. However, the mechanism proposed by EIOPA is very complicated and will make risk management more difficult. ■ For example, the 1-year forward is constant between 15-20 years, which has an impact on the key interest rate risk. In addition, extrapolation according to the FSP depends on the liquidity in EIOPA's DLT statement, which is not very transparent. ■ EIOPA also advises that when the mechanism is triggered, all undertakings must provide information on its impact and even disclose in their SFCR. This disclosure requirement substantially depreciates the mechanism. Where its removal would result in insolvency, supervision should be "intensified".

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MA	Good , because EIOPA advise to improve the recognition of diversification in the standard formula.		
	<ul style="list-style-type: none"> ■ Removal of limitations on recognition of diversification will improve solvency position of standard formula MA users. 	<ul style="list-style-type: none"> ■ EIOPA also advise to introduce an additional requirement on restructured assets. This arguably increases the legitimacy of using these assets in MA portfolios. On the other hand, it did not take industry feedback into account when finalising the Opinion; its proposals are therefore overly focused on the assets underlying the restructured assets instead of the validity and robustness of the structure itself. 	
VA	Bad , because EIOPA damaging proposals on the risk correction and illiquidity ratio override the positive aspects especially during a financial crisis, when the VA is most needed.		
	The positive aspects are rescaling factor, increased application ratios and the macro-VA which is the improved (“Option 7”) country component which is only relevant for the Euro-countries on a practical basis.		
	<ul style="list-style-type: none"> ■ The macro-VA (aka the Option 7 country component) improves the effectiveness of the VA during periods of localised sovereign volatility. It will be available for all undertaking who have liabilities originating the in country where it is activated. ■ The introduction of a rescale parameter is welcome to combat undershooting (acknowledging 	<ul style="list-style-type: none"> ■ An increased GAR of 85% is welcome but could justifiably be increased to 100% 	<ul style="list-style-type: none"> ■ The proposed risk correction methodology increases procyclicality (instead of preventing it) and reduces effectiveness of the VA in stress periods both in the permanent and macro-VA component (i.e. Option 7). ■ The illiquidity adjustment is unnecessary as it creates double counting of risk. Liquidity risks are adequately addressed elsewhere in the framework.

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	that the duration ratio will cap this benefit to prevent overshooting).		<ul style="list-style-type: none"> ■ Additional public disclosure requirements are unnecessary and could disincentivise the use of the VA. ■ A requirement for the pre-approval for new users of the VA is also unnecessary, creating additional regulatory burden.
DVA in Internal Models	<p>Bad, because EIOPA advises to introduce the "enhanced prudency principle", as initially proposed in the Holistic Impact Assessment, into the Solvency II Directive.</p> <p>Also, supervisors already have a responsibility to ensure the DVA is appropriately modelled.</p> <p>[Note that the existing prudency principle is in the form of an EIOPA Opinion].</p>		
			<ul style="list-style-type: none"> ■ The enhanced prudency principle effectively creates a floor to the SCR calculation. The floor is the higher capital requirement calculated under the assumption of the DVA being modelled using 1) the currency reference portfolio VA and 2) an Own Assets portfolio VA. ■ It creates significant operational burden, requiring three separate calculations and complicating the AoC and internal model use test. Supervisors already have a responsibility to ensure the DVA is appropriately modelled for the company. ■ EIOPA expect to see a "convergence of approaches" to DVA modelling which could be seen as a first step towards harmonisation of IMs. ■ EIOPA also explicitly state that if all of its proposals on the VA are not implemented (ie the risk correction and illiquidity proposals),

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			<p>it would advise additional safeguards to be introduced in the DVA modelling.</p> <ul style="list-style-type: none"> Fixing the enhanced prudency principle in the directive could severely restrict the further development of internal models.
Transitionals	Bad , because EIOPA introduces additional disclosure requirements on the use of transitionals and restricts their future application.		
			<ul style="list-style-type: none"> EIOPA advises that transitionals on RFR and technical provisions should only be available for initial application to firms entering the scope of solvency II and portfolios subject to transfer. EIOPA advises additional disclosure in the SFCR on use and dependency on the transitional measure.
Long-term Equity	Bad because EIOPA insists the 22% shock is not justified and its proposed improvements to the LTE criteria only remove some obstacles to use the sub-module, while introducing new requirements which are not consistent with the features of insurance products in a large number of European countries.		
	<ul style="list-style-type: none"> Improving the quasi ring-fencing requirement. In comparison to the draft version tested in HIA/CIR (not in comparison to the current regulation): Expanding the use of the sub-module for life business, by enlarging the eligibility of liabilities that can be backed by LTE from Category I to Categories I and II and reducing the required liability duration from 12 to 10 years. 	<ul style="list-style-type: none"> Adding new criteria which could limit the applicability of the submodule (min 10-year duration requirement, a proportionality limit between assets and liabilities). The assessment of the criteria can be made at the level of the funds (and not of the underlying assets) only for equities held in specific collective investment undertakings (EuSEF, EuVECA, ELTIF) and closed-ended alternative investment funds, eg without leverage (point 3). 	<ul style="list-style-type: none"> The min average holding period for underlying assets still mandates a buy and hold strategy to a certain extent. While the new requirement proposed in the HIA to have a Macaulay duration of the liabilities in Homogeneous Risk Groups exceeding 12 years has been lowered to 10 years, it would still prevent companies to use the sub-module in countries where business is characterised by lower durations. The sanctions for non-compliance and related 36-month criterion could outweigh the benefits of using this module.

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			<ul style="list-style-type: none"> ■ Introducing enhanced reporting in cases where the equity allocation to LTE has a material impact on the overall SCR of the undertaking. ■ Participations are excluded.
Symmetric adjustment	Mixed. EIOPA proposes to widen the corridor from +/-10% to +/-17% to mitigate equity market volatility, but this could lead to increased solvency volatility for some companies.		
			<ul style="list-style-type: none"> ■ A widened corridor may lead to higher volatility in the SCR for equities that will, among others, result in unwarranted disincentives to invest in equity holdings, as well as negative implications for the policyholders. ■ There might be unintended consequences if there is basis risk between EIOPA equity index used to determine the symmetric adjustment and insurers actual equity investments. The consequences will probably be worse when the majority of the equity holdings, including eg holdings belonging to unit-linked policies, are denominated in non-euro currencies due to the composition of the reference index.
Other	Bad, because EIOPA proposes powers for NSAs to suspend dividends before SCR breach, based on a subjective and vague individual assessment of insurers' risks.		
		<ul style="list-style-type: none"> ■ Some changes/clarifications to the risk management provisions of the use of LTG measures are advised. ■ 	<ul style="list-style-type: none"> ■ EIOPA advise on increased disclosure of LTG measures and sensitivity analysis of the extrapolation methodology in SFCR. ■ EIOPA advise to give NSAs power to suspend capital distributions if there is a "progressive and structural deterioration" of an insurer's financial position, with burden placed on the undertaking to demonstrate

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			at the satisfaction of the NSA that distribution "does not increase the risk of further breach".
Technical provisions			
Best Estimate	Mixed , while there are some helpful clarifications there are others which are negative/not needed.		
	<ul style="list-style-type: none"> ■ Introduction of a definition for future management actions ■ Clarification it is a right, and not an obligation to perform an assessment at individual contract level (regarding exception allowing extension of contract boundaries for contracts with individual risk assessment performed at inception) ■ EPIFP – HRG may both contain both profit and loss making policies, and should be offset against each other. And the impact of reinsurance should not be included. 	<ul style="list-style-type: none"> ■ Clarifications regarding expenses, in particular DA Art 31(4) that would lead to new obligations for the AMSB. 	<ul style="list-style-type: none"> ■ Introduction of definition of gross expected future profit/loss from servicing and management of funds ■ Clarification that the exception allowing for extension of contract boundaries for contracts where an individual risk assessment has been performed at inception, is to be applied only when the undertaking does not have the right legally/contractually to perform again the individual assessment.
Risk Margin	Mixed , because the 0.975 lambda will only have a very limited impact, which is even further reduced by the floor of 0.5.		
		<ul style="list-style-type: none"> ■ Introduction of a lambda factor, which recognises the need to take into account the risk dependence over time. 	<ul style="list-style-type: none"> ■ CoC remains at 6%, despite extensive industry evidence. ■ EIOPA still does not allow for diversification at group level and across business lines

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		However, lambda = 0,975 is too high and the arbitrary floor of 0.5 reduces the already limited impact of the lambda even further, making it less useful for long term products.	
Own funds	Good , because no changes are proposed		
	<ul style="list-style-type: none"> ■ No changes, in line with Insurance Europe agreed position 		
SCR			
Interest rate risk	Bad , because although the industry recognises that the capital requirements for IRR should reflect the low and negative yield environment and supports a shifted approach model, EIOPA's proposal incorrectly stresses the illiquid part of the curve and proposes an explicit floor which does not reflect a realistic assessment of the effective lower bound for interest rates, particularly for long-term rates.		
	<ul style="list-style-type: none"> ■ A phase-in period of 5 years is proposed. ■ EIOPA proposes a shifted approach. 	<ul style="list-style-type: none"> ■ EIOPA introduce an explicit floor of -1.25%. 	<ul style="list-style-type: none"> ■ Explicit floor of -1.25% to the stressed down curve does not reflect a realistic assessment of the effective lower bound for interest rates, particularly for long-term rates. ■ Illiquid part of the stressed curves is derived using factors (and not under the SW extrapolation methodology). ■ EIOPA has chosen to use the EUR-calibration for all countries, even though their own analysis (and ours) show that this is clearly not suitable for several currencies (such as NOK and SEK).
	Bad , because EIOPA makes no proposal to alter the spread risk submodule for long-term investments and reject the proposal for a DVA in the standard formula		

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Spread risk			<ul style="list-style-type: none"> ■ No DVA or similar spread risk reduction is introduced in the standard formula ■ EIOPA considers the separate treatment of long-term holdings of corporate bonds to be "unnecessary and even unwarranted".
Property risk	Bad , because EIOPA advises no changes to the calibration of the SCR standard formula.		
Other	Mixed , because EIOPA advises some helpful and justified improvements to various parts of the standard formula, eg reduction in correlation parameters, but it fails to advise on other justified improvements, eg a reduction in the 40% mass lapse shock.		
	<ul style="list-style-type: none"> ■ EIOPA proposes to reduce the correlation parameter between IRR down and spread risk to 0.25 which offsets some of negative impact of the IRR proposals. ■ EIOPA introduces recognition of adverse development covers as a risk mitigation technique. ■ EIOPA agree industry proposal on calculation of hypothetical SCR for fire, marine and aviation risk SCR. ■ In counterparty default risk submodule, EIOPA <ul style="list-style-type: none"> ■ introduces simplified calculation for risk mitigating effect of derivatives. ■ Improves recognition of partial guarantees on mortgage loans. 	<ul style="list-style-type: none"> ■ EIOPA advises no change to the scope of assets for which an alternative credit assessment (based on Art. 176a for unrated bonds) can be used. However, it proposes to investigate this further. ■ EIOPA advises on a grandfathering provision exempting member states sovereign and central bank bonds issued in the domestic currency of any other member state from market risk concentration and spread risk submodules. 	<ul style="list-style-type: none"> ■ No change is made to calibration of lapse risk. The shocks are still selectively applied, and the unjustified 40% risk charge remains. ■ EIOPA advises to remove contingent capital instruments from the definition of financial risk mitigation techniques which can reduce the SCR in both standard formula and internal models. ■ EIOPA advises to transform guidelines 1, 2 and 3 on basis risk into the legislation in the Delegated Regulation – it did not make any changes to reflect industry feedback. ■ EIOPA advises to strengthen the wording on recognition of risk mitigation techniques in Article 210.
	Good , because no significant changes are proposed.		

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MCR	<ul style="list-style-type: none"> No changes to the methodology or the corridor, in line with Insurance Europe agreed position 		
Reporting and disclosure	<p>Bad, while EIOPA proposed some helpful improvements (SFCR in two parts) the SFCR is still too extensive, and the many additions proposed will make it even lengthier. The industry welcomes the introduction of the possibility to have a single group RSR, and the extension of deadlines for annual reporting (SFCR/RSR and QRTs) but is disappointed by the introduction of a minimum external audit requirement and the additional reporting requirements in the SFCR. In addition, standard formula reporting for internal model companies is maintained. And EIOPA will implement several changes via ITS amendments - mainly on QRTs - separate from and independent of the rest of the Review 2020 process.</p>		
	<p>Reporting Deadlines</p> <ul style="list-style-type: none"> 2 weeks increase in reporting timeline for annual QRTs (16 weeks – quarterly reporting remains 5 weeks) 4 weeks increase in reporting timeline of Solo SFCR (18 weeks) and Group SFCR (24 weeks) 4 weeks increase in reporting timeline of RSR (18 weeks) <p>SFCR</p> <ul style="list-style-type: none"> Deadline Single SFCR: policyholder section (18 weeks) professional section (24 weeks) Group SFCR no policyholder section required Require SFCR/RSR in a specific technical format, allowing for application of search function. Require reporting (via QRT) exact location of SFCR/Public QRTs on website to NSA. 	<p>QRTs</p> <ul style="list-style-type: none"> While Art 35 was changed to become more risk based (applying in priority on the basis of risk based criteria - which we have deemed too restrictive - for LRU rather than a priority given to "small" companies), it was not made mandatory for NSAs to use waivers up to 20% threshold. <p>SFCR</p> <ul style="list-style-type: none"> SFCR split in two parts, with proposals for streamlining, however the requested narrative is still required. <p>RSR</p> <ul style="list-style-type: none"> RSR link frequency to proportionality (LRU only every 3 yrs), in other cases however the frequency is still at the discretion of the NSA, and EIOPA proposes L3 tools for achieving supervisory convergence. 	<p>Reporting Deadlines</p> <ul style="list-style-type: none"> No change in quarterly QRT timelines (remain 5 weeks) <p>QRTs</p> <ul style="list-style-type: none"> Standard formula reporting for internal model users, but no public disclosure. Q4 reporting is kept. Additional reporting requirements/reviewed templates for cross border business (S.04), cyber risk, product by product information for life and non-life (S.14) And although we recognise justification for additional reporting for eg cyber, this has not been compensated by other reductions. <p>SFCR</p> <ul style="list-style-type: none"> Minimum external audit requirement - SII Balance sheet. (not for Captives) [<i>although reduced compared to initial proposal</i>] Disclosure of information without LTG measures only in the professional section of

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	<ul style="list-style-type: none"> ■ SFCR data may be used by NSAs/EIOPA to collect/extract/analyse/publicly disclose the information of SFCRs/QRTs. ■ No standardisation in evolution of Own Funds (EOF) over the reporting period. <p>RSR</p> <ul style="list-style-type: none"> ■ Option to have a single group RSR subject to criteria (24-week deadline) ■ RSR streamlining – distinction between static/dynamic information and reduce overlap with ORSA and delete information that is already reflected in QRTs <p>Other</p> <p>Further support for legislative changes that would clarify/facilitate use of already reported data within other EU reporting framework. With CIU data as a priority (would reduce reporting burden of S.06.04).</p>		<p>SFCR, the policyholder section only reports information with LTG measures.</p> <ul style="list-style-type: none"> ■ Standardisation of the sensitivity of SCR only to be disclosed by groups/undertakings relevant for financial stability purposes (to be defined in guidelines). ■ Various new reporting proposed: <ul style="list-style-type: none"> ■ references to sustainability risks/ESG and climate change related issues/ ■ LTG related information (minimum information for policyholders, impact on SCR/MCR, impact of UFR changes on financial position, size of VA and BE to which it is applied) ■ Impact of changes to the convergence parameter of the alternative extrapolation method on financial position. ■ Reporting on use of transitionals for interest rates and technical provisions
Proportionality	<p>Mixed. The proposals are a very good first step to make proportionality work in practice. However, some of the cumulative criteria to identify low risk undertakings are not risk based, and not much progress is made for other insurers.</p>		
	<ul style="list-style-type: none"> ■ EIOPA proposes to raise the main thresholds for exclusion of SII as 	<ul style="list-style-type: none"> ■ EIOPA proposes to incorporate into the regulation some provisions of its April 2019 supervisory statement as pushed 	<ul style="list-style-type: none"> ■ Automatic measures for LRU are limited to Pillar 2 and criteria to identify low risk

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	<p>follows and broadly in line with the industry position:</p> <ul style="list-style-type: none"> ■ technical provisions from €25m to €50m ■ premiums from €5m to an option for member states between €5m and €25m – this option was accepted by the industry, although an option between €10m and €25m would be preferable as it would avoid status quo on premiums in some MS ■ Acknowledgment of captive business model ■ EIOPA's proposal to identify low risk profile undertakings allowed to apply automatically a number of proportionality measures would increase the application of proportionality and legal certainty. ■ EIOPA advises to clarify in the Solvency II framework that current and future proportionality measures shouldn't be considered as a "close list" of all possible measures and that Supervisors (should) have the power to apply the principle of proportionality in the Supervisory Review Process (SRP), allowing undertakings to comply with the requirements in a proportionate 	<p>strongly by the industry, to allow <u>all companies</u> to recalculate immaterial submodules of SCR only every three years. However, market risk is excluded from this possibility.</p> <ul style="list-style-type: none"> ■ It is not clear if the non-LRU will be able to continue applying the Pillar 2 simplifications or if it would be more complicated for them. 	<p>undertakings are too restrictive and not risk based, notably:</p> <ul style="list-style-type: none"> ■ Size of company: < €1bn technical provisions for life and €100m premiums for non-life ■ Material cross border business excluded: no more than 5% of premiums (<i>in the supporting doc of EIOPA event in November, the tentative threshold communicated was [0.5%/1%]</i>) ■ Criteria on non-traditional investment including property risk: would exclude all companies in some markets ■

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	way, not explicitly mentioned in the Solvency II framework.		
Group Supervision	Bad , because EIOPA maintained many proposals of the draft advice. The impact is unclear since this topic was completely excluded from the impact assessment.		
		<ul style="list-style-type: none"> ■ Recognition of EPIFPs at group level: EIOPA advises to add them to the regular availability assessment. <i>"EPIFPs should still be not subject to a default assumption of non-availability, but the availability should be justified"</i>. Insurers will have to bear the burden of the assessment, but at least there is no pre-approval process. Also on the positive side, the tiering of EPIFPs is not degraded. 	<ul style="list-style-type: none"> ■ Broadening the scope of the minimum consolidated SCR (to include holdings) ■ Addition of currency and concentration charges on undertakings aggregated with method 2 (D&A) ■ Additional NSA powers to restructure a group ■ AMSB of the head the group to be responsible for the compliance with all group requirements ■ Availability assessment of specific items (especially transitional measure on technical provision or risk-free interest rates) ■ Many other small changes intended to "clarify" definitions and framework, with no clear benefits and no clear view on the impact
FoS/FoE	Good , because most of the proposals are in line with Insurance Europe positions		
	<ul style="list-style-type: none"> ■ Home principle maintained ■ Increased exchange of information and cooperation home/host ■ Disclosure of previous rejections/withdrawals 	<ul style="list-style-type: none"> ■ EIOPA recommendations to be made public ■ Explicit power of the host supervisor to request information in a timely manner (may be seen as undermining the home principle) and direct requests to undertakings might lead to inefficiencies (requests through 	<ul style="list-style-type: none"> ■ Still dependence on vague "materiality" criteria rather than permanent platform structures

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		lead NCA confirm home principle and avoid duplications)	
Macroprudential policy	<p>Bad Although we do not object to implementation of the IAIS holistic framework, in a number of areas EIOPA is proposing to go beyond this, particularly in relation to capital surcharge for systemic risk and concentration thresholds. Moreover, EIOPA proposes to issue Guidelines to further specify the measures, without a clear indication on their extent and how they will be structured or applied.</p>		
	<ul style="list-style-type: none"> ■ Power for NSA to temporary freeze redemption rights ■ EIOPA has included some references to proportionality. 	<ul style="list-style-type: none"> ■ 	<ul style="list-style-type: none"> ■ Expand the use of ORSA to include macro perspective ■ NSA powers to: <ul style="list-style-type: none"> ■ Introduce Capital surcharge for systemic risk (separate Pillar 2 tool). ■ Restrict dividend distributions and share buy-backs ■ Define concentration thresholds for local action ■ EIOPA to introduce guidelines to further specify the measures (eg. on scope, details, procedures or other criteria)
Recovery and resolution	<p>Bad, because EIOPA's proposals are not risk-based and not proportionate, regarding the definition of the scope of pre-emptive recovery and resolution plans (based on an objective of cover of national markets). Moreover, some unnecessary and overly intrusive powers for NSAs and the resolution authorities are proposed, as well as resolution measures that go beyond the global holistic framework.</p>		
	<p>Resolution</p> <ul style="list-style-type: none"> ■ Acceptable powers for national "resolution authorities": <ul style="list-style-type: none"> ■ Withdraw authorisation ■ Put all/part of contracts into run-off ■ Temporary suspension of surrendering rights 	<p>Resolution</p> <ul style="list-style-type: none"> ■ MS to officially designate an administrative resolution authority (inconsistent with FSB guidance) ■ Set out objectives of resolution in the framework: <ul style="list-style-type: none"> ■ Policyholder protection 	<p>Preventive measures</p> <ul style="list-style-type: none"> ■ The scope of pre-emptive recovery planning points to coverage of a very significant share of the national market: ■ further work to determine the market coverage ■ New powers for NSAs: <ul style="list-style-type: none"> ■ More explicit requirements on extensive supervisory dialogue: regular meetings,

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	<ul style="list-style-type: none"> ■ Traditional resolution tools (portfolio transfer and run-off) to be prioritised ■ Cross-border cooperation and coordination arrangements for crisis situations – based on existing arrangements with leading role for EIOPA to ensure proper functioning <p>Triggers</p> <ul style="list-style-type: none"> ■ Non-compliance with SCR is an appropriate trigger for entry into recovery 	<ul style="list-style-type: none"> ■ Financial stability: prevent contagion ■ Financial stability: ensure continuity of undertakings whose disruption may be harmful ■ Protection of public funds ■ 	<p>undue intrusion in day-to-day management</p> <ul style="list-style-type: none"> ■ Require additional or more frequent reporting ■ Limit variable remuneration and bonuses <ul style="list-style-type: none"> ■ Cross-border business considered twice as risk factor (in interconnectedness and per se) <p>Resolution</p> <ul style="list-style-type: none"> ■ The scope of pre-emptive resolution plans points to a coverage of a very significant share of the national market: <ul style="list-style-type: none"> ■ further work to determine the market coverage ■ smaller than for recovery planning ■ based on “critical functions that are material for the financial system or the real economy” ■ criteria: guidelines to be developed by EIOPA ■ Other resolution tools (beyond run-off and portfolio transfer), such as: <ul style="list-style-type: none"> ■ Prohibit payment of variable remuneration (including distribution of the deferred part allocated in the past) ■ Sell or transfer shares, assets and liabilities of the undertaking <p>Triggers</p>

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			<ul style="list-style-type: none"> ■ Introduction of supplementary preventive measures before the SCR is breached ■ Entry into resolution when undertaking is likely to be no longer viable (ie. before breach of MCR)
IGS	<p>Bad, because EIOPA advises that all MS should have a national IGS and recommends minimum harmonisation of national IGSs at EU level. The EIOPA proposals allow for some flexibility at MS level and includes a number of points in line raised in our response.</p>		
	<ul style="list-style-type: none"> ■ Legal structure of the schemes left to the discretion of MS. ■ Appropriate target level for funding of IGSs should be defined across MS and accompanied by a suitable transition period to avoid major disruptions to the industry. ■ Disclosure requirements in accordance with the requirements set out in Article 8(3)(e) of the PRIIPs Regulation. ■ Introduction of upper limits to the annual contributions made by an individual insurer or from the industry as a whole. ■ Proportionate disclosure requirements and not be used as a marketing tool. 	<ul style="list-style-type: none"> ■ Geographical coverage of national IGSs harmonised based on the home-country principle to align with supervision, but we suggested having the host have a role. ■ Covers natural persons but also included micro-sized legal entities (ie policyholders and beneficiaries ■ IGS funding on the basis of ex-ante contributions. Choice of funding mechanism should be left to member states discretion. 	<ul style="list-style-type: none"> ■ All Member States should have a national IGS in place. ■ IGSs to cover specific life and specific non-life policies (claims and contract related protection) – flexibility at MS level to identify policies covered . ■ Coverage level -MS to guarantee up to 100% of a certain amount (eg €100k) for selected eligible policies associated to social hardship. ■ No level playing field with IORPs as IGS for occupational pensions under Solvency II.
Other topics			
Other transitionals	<p>Good, because EIOPA proposes no change</p> <ul style="list-style-type: none"> ■ No change to existing transitionals, which will naturally end by end 2022. 		

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Fit & proper requirements	<p>Bad, because EIOPA proposes unnecessary changes to Pillar 2 requirements, beyond the scope of the call for advice, weakening:</p> <ul style="list-style-type: none"> ■ the responsibility of the AMSB for fit & proper requirements ■ the home-country NSA in cross-border context 		
			<ul style="list-style-type: none"> ■ Placing the responsibility of the fit & proper requirements with the NSA rather than with the AMSB ■ Possibility to require a joint assessment in the context of cross-border business: undermines the home-NSA principle and may create additional administrative burden

NOT FOR DISTRIBUTION