College of Supervisors and group-wide IMAP requires active co-operation and co-ordination between Supervisors – however, this is hampered by practical issues

- Role of Supervisors prior to Solvency II largely focused on protection of local policyholder
- This was further complicated by the changing/unclear Solvency II requirements/framework with respect to Supervisor co-ordination…
- …and aggravated by the impact of the Financial Market Crisis on individual markets…
- …resulting in limited co-ordination between Supervisors with respect to the pre-application process and the College of Supervisors (one country one vote)
- In addition, the establishment of EIOPA further complicated the situation (escalation option from College)
1. Timing of pre-application process quite different depending on individual Supervisor

- Key Supervisors started the Internal Model pre-application process already in late 2009 – BaFin taking the co-ordination role for the Group pre-application while others focused on local companies.
- Majority of Supervisors „hopped onto the Group pre-application train“ in 2010 and subsequently started their local processes.
- Individual „laggards“ have started to contact our local companies only very recently/or not yet and were typically not present during the Group pre-application process.

2. Review approach very different between Supervisors

- Review approach largely depending on available resources and skill-set of individual Supervisor.
- Key Supervisors with a combination of on-site reviews and desktop focus.
- Some Supervisors very restrictive regarding model implementation after year-end 2011 despite ongoing S II calibration discussions as well as different framework under S II IMAP (there is no prior „cut-off“ data for model improvements).
4. Stark contrast in scale of resources between Supervisors

- Only few European Supervisors are able to provide significant resources for pre-application process
- Especially expert resources are very scarce
- Majority of Supervisors is approaching our companies with 2-4 dedicated staff

4. Varying experience and technical expertise between Supervisors

- Especially dedicated technical experts for Internal Models as well as senior experts with relevant experience regarding Pillar II seem to be very scarce
- However, from an undertaking’s point of view- especially for a principles based approach like S II - relevant experience and expertise of Supervisors is a key prerequisite for an efficient and effective pre-application process
Significant differences between Supervisors in all dimensions

- The shown profiles are not necessarily consistent – e.g. Supervisors with an on-site approach might be challenged by limited resources etc.

Implications of Financial Crisis

- The Financial Crisis resulted in a few Supervisors changing their regulation approach significantly
- In combination with the new and evolving Solvency II requirements...
- …this resulted in a partially erratic and unpredictable approach to Supervision in individual markets...
- …with potential adverse implications for the Group process due to the set-up of the College of Supervisors (need for agreement otherwise escalation option to EIOPA)
Further issues/challenges

- Relevant language for IMAP
- Exact IMAP scope / documents required
- Exact role of EIOPA going forward
- Role of College for ongoing Model approval

Questions or comments?