



Enhancing the effectiveness of Supervisory Colleges

July 2015



CRO FORUM

Foreword:

Letter to Sandra Desson – CRO Forum study on supervisory colleges – 5 June 2015

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Note: The bulk of this paper was written in February; however, the foreword reflects the subsequent study for June 2015

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5 June 2015

Dear Ms Desson,

CRO Forum study on Supervisory Colleges

Thank you for the opportunity to discuss with both the EIOPA team and the committee of Insurance Group Supervisors (IGSC) on the developments for Supervisory Colleges. This letter is seeking to respond to the feedback from the Group Supervisors on the call on the 20 February 2015 as context and positioning for the study carried out last year by the CRO Forum. We have to date not published any of our findings, but would like to do so shortly in order to be transparent, but we understand the desire that it is appropriately contextualised. The attached covering note is how we intended to position our paper.

We are very mindful that this is not a “one off” exercise but part of ongoing sharing of practices and we are looking forward to the discussion during the next IGSC meeting (hosted by EIOPA) on 24 June in Frankfurt. In response to the February call, we have sought to clarify the historical context of our paper and bring out the practical examples which we continue to hear from our members. For the avoidance of doubt, we agree that the guidelines issued by EIOPA are aligned with the key principles which we saw from our survey last October and hopefully our survey will be useful additional support in this regard. However, the one central theme which we continue to experience relates to the decision making process in the context of Solvency II internal model approval. We are not suggesting that there needs to be changes to EIOPA’s role in this regard, but we would like to understand what more we can do as companies to give Group Supervisors the confidence to finalise an outcome at Group level when the consultation process amongst College participants still has differing views.

At the meeting on 24 June, the CRO Forum will be represented by Sue Kean, CRO, Old Mutual plc;
Tobias Buecheler, Head of Supervision and regulation, Allianz and Leo Mallet, Prudential Affairs, Scor

We look forward to the discussions.

Kind regards,



Renzo Avesani
Chairman, CRO Forum

Introduction to a paper by the CRO Forum survey on the role and functioning of Supervisory Colleges.

In the summer 2014, the CRO Forum established a working group to consider good practices in the functioning of Supervisory Colleges. Colleges are an important tool for group supervision and the purpose of the study was to identify how different firms approached Colleges and to share experiences of their operation. In order to get more insights two surveys were conducted specifically focussing on purpose and operation of the College, collaboration and feedback and the role of EIOPA. We found that most Groups devoted significant investment of time and senior resource to support the work of Colleges, that these were seen as a very important tool for building trust and cooperation between solo and Group Supervisors and for providing a platform for the firm to engage collectively with the supervisors to set the overall context for the Group's strategy and risk management. What was very marked, however, was the degree of variation in experiences which even appeared to vary within country as well as between the countries. There was also a significant difference in approach where the College is a mechanism for information sharing and collaboration and where it is being used as part of the formal consultation process to reach decisions under Solvency II Internal Model Approval.

In the Autumn 2014, the CRO Forum summarised the findings from the survey into a paper and drew six basic themes for effective collaboration between the Group Supervisors, companies and EIOPA.

Key themes:

- Clearly defined vision
- Effective and controlled information sharing and coordinated exercise of supervisory responsibilities
- Written clarity on decision making
- Collaboration amongst members and EIOPA
- Timely, consistent and formal feedback mechanisms to the Group
- The role of EIOPA in the context of Solvency II

The paper is now published for transparency but it should be noted that aspects of the paper have since been over taken by events when EIOPA published final guidelines in October 2014 relating to the operation of Colleges. We were pleased to note that the key themes we noted from our survey are largely embodied in the guidelines (which had been independently developed by the Insurance Group Supervisors Committee and EIOPA). We still feel there is value in sharing our survey results and the paper providing this context of timing is understood. We also consider that this will serve as a helpful starting benchmark from which to carry out a further survey later this year to measure progress since the Guidelines have been issued.

We are very comforted that the key themes we noted from our survey study were largely embodied in the guidelines which were issued in October by EIOPA. This will take time to embed in practice. We continue to see many good examples where Colleges are effective at sharing information and helping to build trust and collaboration between individual supervisors, and this is particularly the case where there are regional Groups such as Africa or Latin American which have different approaches to Europe where there is good interaction and coordination with the overall Group Supervisor.

However, where the College is required to "make decisions" under the Solvency II internal model or reporting, this is still not working in practice in many cases. We quote some examples below

where there have been late adjustments to process, divergence between solo and Group approaches or prolonged delays and uncertainty. We appreciate that some of these examples are difficult technical areas and that timing has been difficult as all parties have been working on these topics in parallel with the IMAP process. We also recognise that EIOPA has subsequently issued guidance on some of these topics. The point we are trying to illustrate here is that this is not something which requires more written guidance material in our view. We recognise that technical interpretations will need to continue to evolve. However, we believe that the Group Supervisor has an important role to play in guiding the College processes during this time. We believe there should be more encouragement and practical support for the Group Supervisor to have the confidence to be empowered to have the final say on Group-wide decisions.

Practical examples: IMAP and Solvency II related reporting

Example 1: A large Group which has been engaged for 4-5 years in the pre-approval process for IMAP received feedback very late and close to the deadline from one solo supervisor which pushed the timetable for approval beyond the original agreed deadline changed the basis of the previous agreed work-plan and created significant regulatory uncertainty. Other Groups have experienced similar issues where issues were raised on technical topics very late in the process even though the basis had been shared with the regulators for some time (for example deferred taxes and non transferability of Own Funds).

Example 2: The Group supervisor took the view that not all sovereign debt could be considered to be risk free whereas some solo supervisors took a different view. This situation was eventually resolved through a differential approach being agreed between solo and Group capital, but resulted in final approval extending beyond the initial envisaged deadline.

Example 3: One Group has experienced a number of examples where there is lack of alignment between the different regulators in terms of reporting. For example some regulators required ORSA process for local entities to be re-performed for Q4 numbers even though the overall Ggroup ORSA is based on Q3 numbers, with the appropriate level of internal governance for consistency. In other cases, where EIOPA guidance for the Volatility Adjuster was published in February, part way through the reporting process, and the Group could demonstrate the difference was not material, some local regulators still requested local entities to reproduce the numbers.

Example 4: One Group was engaged in a pre-application process on a Group and local basis and clarified all outstanding issues beforehand. After receiving initial confirmation that the application was compliant, a different supervisor raised a last minute technical issue. Further correspondence was exchanged and a meeting with all of the supervisors was required to mitigate the issues. If the information had been shared between the supervisors at an earlier stage the issues could have been clarified beforehand.

There is also a positive in this example, in that a formal College event was helpful in mitigating the issue.

In addition some Groups are still experiencing limited feedback from College meetings.

Examples from other regimes

In addition to the positive examples of firms in the Solvency II regime it became clear in the survey that the Swiss framework for supervisory colleges works well. We are aware from discussions with EIOPA that other member states within Europe also have a long track record, but we highlight the Swiss example to illustrate how far Colleges can evolve where all parties are able to

devote significant time and resource to Colleges without the immediate pressures of IMAP. The Colleges work well due to the strong and effective role of the group supervisor and long term planning. Both supervisors and Groups prepare for College meetings, in which highly qualified and senior employees participate. The goals and objectives of the meeting are clear for everyone and held at least annually. There is interaction between Groups and Colleges, including in setting the agenda, and last but not least there is sufficient time allocated to the Group during the College meeting.

In conclusion, the importance of effective functioning of Colleges as a tool to build trust and cooperation is well understood. The guidelines issued by EIOPA have been helpful in codifying good practice. The CRO Forum paper includes many of these practices, but with an additional focus on good practices for firms. However, there is still scope for improvement primarily on decision making, feedback and the role of the Group Supervisor. Whilst some of this can be achieved by firms being more proactive in their engagement with the Colleges, it is clear that this is something which will need cooperation from all the parties involved. In particular, we believe that it is important that the Group Supervisor is given sufficient respect and empowerment to enable Group-wide decisions to be reached. In order to see whether improvements are made the CRO Forum working group on Supervisory Colleges is planning to perform a new survey in September 2015 in order to see the evolution of Supervisory Colleges and his effectiveness.

CRO Forum working group on Colleges, 5 June 2015

1 Executive summary

In recent years, there have been substantial changes in the approach to supervision of insurance Groups. There has been much debate on Group capital requirements and risk management and reporting obligations. However, Group supervision is not only about capital, but also the supervisory process. Colleges are a key element of Group Supervision and their practice has evolved in recent years.

In October 2014, EIOPA published approved guidelines on the Operational Functioning of Colleges¹ as part of the development of Solvency II. At the same time, the International Association of Insurance Supervisors approved its Application Paper on Supervisory Colleges².

In mid 2014, the CRO forum established a working group to consider the practitioners' perspective in order to provide feedback to supervisors, pan-regulatory bodies and other Groups on how Colleges could be more effective. The working group carried out a survey of the CRO Forum members. The findings of that survey are set out in this paper.

The central conclusions are that Colleges are a tool to build trust, facilitate an efficient flow of information and ensure good supervisory cooperation and coordination. Under Solvency II rules, Colleges are a tool to facilitate decision making concerning the supervision of a Group, but are not a decision making body. However, Group Supervisors often take decisions after due consultation and discussion with the College.

Our survey has shown that there are strong cultural differences within Europe as to how the Group Supervisor operates Colleges and in light of these differences we recommend some core principles of good practice to improve the consistency of the way Colleges operate in practice. These are:

1. Supervisory Colleges should have a **clearly defined vision**. Objectives, roles, responsibilities and functions of the Group, members of the College (Group Supervisor and legal entity supervisors) and EIOPA should be clearly defined. Appropriate staff from all stakeholders should consistently attend the College meetings.
2. Supervisory Colleges should meet regularly (at least annually) in line with an agreed work plan which is shared with the members of the College as well as the Group, to ensure more **effective and controlled information sharing and coordination of supervisory responsibilities**. Appropriate information on agenda items and presentations by the Group to the College should be formally shared. Information requests to the Group should be coordinated by the Group Supervisor and every effort made to ensure a streamlined process. Duplication of supervisory activities by members of the College is inefficient and should be avoided.
3. There should be **written clarity around decision making** recognising that in most cases, the College is a tool to facilitate consistent decision making between supervisors and aid the Group Supervisor, but is not a decision maker per se. A College's desire for consensus should not be used as a means to significantly delay reaching a final decision.
4. Supervisory Colleges should **promote collaboration amongst the members and EIOPA**, supported where necessary with formal memoranda of understanding for supervisors outside the EEA.

¹ https://eiopa.europa.eu/Publications/Consultations/EIOPA-BoS-14-146_Final-Report-on-CP-14-010-GL_Op_Funct_Coll.pdf

² <http://iaisweb.org/index.cfm?event=openFile&nodeId=34551>

5. There should be timely, **consistent and formal feedback mechanisms to the Group** on decisions taken, key risk and vulnerabilities viewed by the supervisory bodies, views on Group risk management practices (positive as well as exceptions) and supervisory actions.
6. The **role of EIOPA in the context of Solvency II** should be to monitor the performance of Insurance Group Supervisors, to encourage harmonisation of good practices of Colleges in a Solvency II context in order to improve effectiveness of Colleges and ensure a consistent interpretation of Solvency II.

The findings of the working group have also informed the CRO Forum's responses to the public consultations on EIOPA's guidelines and the IAIS's application paper on Colleges. The CRO Forum's working group also had the opportunity to meet with representatives of EIOPA's Colleges team to discuss EIOPA's guidelines and to outline the CRO Forum's work.

The CRO Forum is supportive of EIOPA's ongoing work on Colleges, especially on clarifying decision making processes through the coordination arrangements, though it is too early to determine if this will address all the issues CRO Forum members highlighted in the survey. By setting out these findings and suggestions for core principles, the CRO Forum hopes that there can be more clarity by the end of this year as Colleges plan decisions ahead of Solvency II go live on 1 January 2016.

2 Introduction

The development of Supervisory Colleges

Following the 2008 financial crisis, a series of key initiatives was undertaken to reform international financial regulation and supervision. In particular, steps were taken to enhance supervision; and effective Supervisory Colleges play a key role in this.

The Solvency II Directive defines the Supervisory Colleges as “a permanent but flexible structure for cooperation, coordination and facilitation of decision making concerning the supervision of a Group.”³

Supervisory Colleges facilitate the exchange of information and co-ordination of supervisory activity among the regulatory authorities responsible for the supervision of various components of cross-border Groups. The College does not have many decision making powers but is an important component of effective cross border supervisory oversight.

The impact of future regulation on the role of Supervisory Colleges

Future regulation such as Solvency II, The Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) and policy measures for Globally Systemically Important Insurers (G-SIIs) will change the role of Supervisory Colleges. The G20 has also re-emphasised the significance of Colleges following the financial crisis.

In our view, the aspiration is for an end state where one national supervisory authority (NSA) assumes responsibility for all aspects of Group Supervision globally and cross-sector, a Group Supervisor (or Group-wide Supervisor - GWS). We see many legal and practical obstacles to this end state and we consider that this paper could provide a basis for overcoming some of these issues, by stressing the important role played by the GWS.

Our study – a practitioners’ perspective

In April 2014, the CRO Forum set up a working group, comprised of representatives from 12 CRO Forum companies, to assess the operational functioning of Supervisory Colleges. Members of the working group are some of the largest EEA and Swiss headquartered cross-border Groups.

We have carried out this study to complement the work of the global supervisors and provide a practitioners’ perspective on the operation of Supervisory Colleges. The results of the study have been confirmed by the CRO Forum's wider membership.

³ Article 212 (1)(e) of Directive 2009/138/EC.

Purpose of this paper

The aim of this paper is to identify principles for good practice not just for ourselves as companies engaging with Colleges, but also for supervisors and other key participants such as EIOPA. Our survey has shown evidence of differences in the functioning of Supervisory Colleges such as:

- Level of engagement and collaboration;
- Feedback mechanisms with the Groups;
- Impact of changes in supervisory teams;
- Differences in local cultures and practices;
- Consideration of cross sector implications;
- Engagement on Recovery and Resolution plans; and

With this paper we aim to contribute to a more consistent approach in practice for both supervisors and for us as Groups.

We have commented on the draft guidelines by EIOPA and the IAIS's Application paper on Colleges developed during 2014, highlighting the importance of the role of the Group Supervisor and the need for Group involvement in Colleges.

The new regulatory frameworks are well articulated and guidelines should lead to less variability in the operations of Colleges for Groups. This paper aims to provide practical guidelines for "good practice in Supervisory Colleges" directed at both insurance Groups and their supervisors.

Our practical insights are directed to foster consistency in the implementation of Solvency II and to lead to more uniformity in the operation of Colleges globally.

Summary of key principles for enhancing the effectiveness of Supervisory Colleges

Our work concluded the following key principles for enhancing the effectiveness of Supervisory Colleges. Each of these is discussed in more detail in the sections below.

Principle 1: Clearly defined vision

Supervisory Colleges should have a clearly defined vision. Objectives, roles, responsibilities and functions of the Group, members of the College (Group Supervisor and legal entity supervisors) and EIOPA should be clearly defined. Appropriate staff from all stakeholders should consistently attend the College meetings.

Principle 2: Effective and controlled information sharing and coordinated exercise of supervisory responsibilities

Supervisory Colleges should meet regularly (at least annually) in line with an agreed work plan which is shared with members of the College as well as the Group, to ensure more effective and controlled information sharing and coordination of supervisory responsibilities.

Appropriate information on agenda items and presentations by the Group to the College should be formally shared. Information requests to the Group should be coordinated by the Group Supervisor and every effort made to ensure a streamlined process. Duplication of supervisory activities by members of the College is inefficient and should be avoided.

Principle 3: Written clarity on decision making

There should be written clarity on decision making recognising that, in most cases, the College is a tool to facilitate consistent decision making between supervisors and aid the Group Supervisor, but is not a decision maker per se. A College’s desire for consensus should not be used to significantly delay reaching a final decision.

Principle 4: Collaboration amongst members and EIOPA

Supervisory Colleges should promote collaboration among members and EIOPA, supported where necessary with formal memoranda of understanding for supervisors outside the EEA.

Principle 5: Timely, consistent and formal feedback mechanisms to the Group

There should be timely, consistent and formal feedback mechanisms to the Group on decisions taken, key risk and vulnerabilities viewed by the supervisory bodies, views on Group risk management practices (positive as well as exceptions) and supervisory actions.

Principle 6: The role of EIOPA in the context of Solvency II

The role of EIOPA in the context of Solvency II should be to monitor the performance of insurance Group Supervisors, to encourage harmonisation of good practices of Colleges in a Solvency II context in order to improve effectiveness of Colleges and ensure a consistent interpretation of Solvency II.

Cross Sectoral consistency

The operational functioning of Supervisory Colleges is also a topic on which banking supervisors are engaged. The CRO Forum encourages cross-sectoral consistency in this area, which is particularly relevant for those Groups that are financial conglomerates.

In June 2014, the Basel Committee on banking supervision, issued guidance on principles for effective Colleges. The principles suggested in this paper largely align with the Basel Committee's views.

| Basel Committee on Banking Supervision Principle | CRO Forum Principle |
|---|---|
| College Objectives | College vision , objectives and structure |
| College Structures | College vision , objectives and structure |
| Information Sharing | Information Sharing |
| Communication Channels | Feedback mechanisms |
| Collaborative Work | Collaboration |
| Interaction with the Institution | Feedback mechanisms |
| Crisis preparedness | - |

Table 1: Comparison between the Basel and CRO Forum principles

In December 2014 the European Banking Authority (EBA) published 'Implementing Technical Standards' (ITS) on joint decisions related to the approval of internal models⁴.

The CRO Forum sees merit in considering a similarly structured and documented approach to joint decision making for the approval of internal models in a Solvency II context. In particular recognising that failure to reach a joint decision within the appropriate timeframe is in effect a decision by default.

⁴ The ITS specify the joint decision process to be followed by supervisors when deciding on whether to grant permissions to institutions to use the internal-ratings based approach (IRB) for credit risk, the internal model method for counterparty risk (IMM), the advanced measurement approach for operational risk (AMA) and the internal models for market risk. They also detail the joint decision process for the approval of material model extensions or changes.

3 Our approach, findings and suggested principles for Colleges

To assess the operational functioning of Supervisory Colleges, the working group considered the following sources of information to gain insight into CRO Forum members' experiences of working with Supervisory Colleges across Europe:

1. Surveys of CRO Forum members;
2. Meetings of members of the CRO Forum Colleges working group to calibrate the survey findings.

3.1 Survey

The working group designed a survey, including questions around themes that recurred in the working groups' discussions on Supervisory Colleges.

The survey was circulated among members of the CRO Forum in two stages:

- Firstly, the survey in Annex I was sent to the members of the working group. The results of this survey allowed for early discussion of results amongst the working group and helped shape the second survey.
- Secondly, the second survey in Annex II was sent to all CROs who are members of the CRO Forum, of which 18 completed the survey.

Observations

The most striking observation is that whilst in theory the roles and responsibilities of Colleges appear to be well articulated, the practical application varies across Europe. A number of good practices were observed; as well as less good practices. There was no particular pattern to this variation which indicated the importance of individual supervisors, particularly the Group Supervisor, in making Colleges work effectively.

When discussing the results of the survey we followed the outline of the surveys⁵, and our detailed observations are included in the sections below:

- a) Purpose of Colleges
- b) Operation of Colleges
- c) Collaboration and feedback
- d) The role of EIOPA
- e) General observations

3.2 Purpose of Colleges

Vision and objectives

For (94%) of CRO Forum members it is clear what the task of the College is in the Solvency II context. However, only 50% of respondents indicated that Colleges understand their role, function and responsibilities suggesting a discrepancy between the expectations of the undertaking of what the College should do and its actual workings.

⁵ See Annexes I and II.

Roles and responsibilities

It became clear from our discussions and survey results that a clear vision of the Group Supervisor improves the effectiveness of the College. The responsibilities between Group and legal entity supervisors can be improved for the Internal Models Approval Process (IMAP) in general.

Collaboration and information sharing

Respondents indicated that they see a number of benefits from the operation of Supervisory Colleges. For instance, they believe the College is a useful forum for discussion between supervisors of different jurisdictions and regions and also the Group. As a result of College discussions, companies saw increased knowledge of, for instance, the wider Group among national supervisors and increased awareness of the Group on key topics for supervisors. Another important benefit of Supervisory Colleges is that they allow all involved supervisors to align views and coordinate supervisory actions.

Principle 1: Clearly defined vision

Supervisory Colleges should have a clearly defined vision. Objectives, roles, responsibilities and functions of the Group, members of the College (Group Supervisor and legal entity supervisors) and EIOPA should be clearly defined. Appropriate staff from all of these stakeholders should consistently attend the College meetings.

3.3 Operation of Colleges

Frequency of meetings

The survey included a number of questions which relate to the interaction between the Group and the Group Supervisor around the organization of the College meeting. Most Colleges meet once a year (83%), but the question was raised whether this frequency will be sufficient once Solvency II is in force. A smaller group of respondents indicated that a frequency of once a quarter (17%) is common practice already. Regardless of the frequency of physical meetings, the CRO Forum sees the College as a continuous forum for discussion and collaboration, which should also take place in between College meetings.

Consistency and seniority of representatives attending College meetings

More than half of the respondents to the survey indicated that supervisors attending the College meeting tend to change every year. The working group conducting the survey did not regard this as positive in terms of fostering trust amongst supervisors and ensuring continuity of understanding.

Almost three quarters of respondents indicated that they believed that supervisors of appropriate seniority are attending. This suggests that there is some discrepancy between expectation and practice for some companies.

The role of Groups in the College

Almost all respondents indicated that the Group is present during part of the College meeting. In most cases senior management, in particular the CFO and CRO, are invited to participate. Discussions in the working group revealed that the role of the Group in the College meeting differs. For instance, some Groups mentioned that they have only a limited role in the College meeting, while others, had up to two days dedicated to interaction between the College and themselves. Most respondents indicate that presentations given by the Group are interactive, with sufficient opportunity to respond directly to questions from College members. In addition, the CRO Forum believes that representatives from Groups should be of sufficient seniority within the organization.

The working group discussed that large Colleges with many members may be more difficult to organise and could be less effective and efficient. However, two large Groups mentioned that with sufficient advance planning and a strong Group Supervisor, larger Colleges can be very well organised.

Agenda for College meetings

With regard to agenda setting for the College meeting, around three quarters of respondents indicated that they have the opportunity to provide input to the Group Supervisor. However, this may be limited to the agenda for the Group session of the College meeting. Less than half of the respondents (39%) indicated that the Group Supervisor shares with them the full agenda of the meeting, including the supervisors only session.

The agendas for the College meetings that companies are aware of are similar and usually consist of the following items:

- Strategy
- Business Development
- Outlook
- Internal Models
- Risk Management
- Financial Results

94% of the respondents also replied that Solvency II is a prominent standing agenda item on the agenda.

Preparation for College meetings

Different practices resulted in varying answers to the question of how many man days are needed from the Group's side to prepare for the College meeting. Data collection ahead of College meetings is mostly done by the Group Supervisor. The undertaking is usually represented by the CFOs and CROs who attend part of the meeting. For most companies (67%) the preparation for the College meeting takes more than 10 full days a year. Striking is that nevertheless the interaction between the Group and the Group Supervisor is felt to be limited by 83% of the respondents.

Discussions in the working group further revealed reasons why for large Groups, with an extensive Group session, man days greatly exceed 10 days. This is due to time spent preparing the agenda together with the Group Supervisor, preparing presentations and the presence of a large number of directors, senior management and supervisory relationship managers at the College meeting. Importantly though, members of the working group did consider this time well spent.

Principle 2: Effective and controlled information sharing and coordinated exercise of supervisory responsibilities

Supervisory Colleges should meet regularly (at least annually) in line with an agreed work plan which is shared with the members of the College as well as the Group, to ensure more effective and controlled information sharing and coordination of supervisory responsibilities.

Appropriate information on agenda items and presentations by the Group to the College should be formally shared. Information requests to the Group should be coordinated by the Group Supervisor and every effort made to ensure a streamlined process. Duplication of supervisory activities by members of the College is inefficient and should be avoided.

3.4 Decision making, collaboration and feedback

Decision making

The survey asked questions related to College decision making and cooperation between members.

The decision making process of Colleges could be clearer according to 83% of the respondents. In this regard the working group acknowledged that Colleges, apart from facilitating joint decisions on the Group internal model application under Solvency II, do not have decision making powers and should mainly function as a forum for information sharing, forming shared views and coordinating supervisory tasks. It is also acknowledged that coordination arrangements under Solvency II could provide an opportunity to address the current lack of clarity on the decision making process.

Cooperation

With regard to cooperation respondents were mostly positive about the interaction between the College and the individual supervisors, including conduct supervisors where applicable, and EIOPA. However, as noted below only a third of respondents see evidence of a shared view of Colleges on the Group's financial position and risks. It may also be that in some cases there is a shared view, but this is not communicated to the Group.

Coordination of supervisory tasks

Two thirds of respondents to the survey noted that they had observed improvements in the coordination amongst supervisors following the establishment of Colleges. These results were echoed for respondents whose Colleges are engaged in the (pre-) application process for Solvency II Group internal models. This result is further supported by a similar number of respondents agreeing that their Colleges work collaboratively and effectively with the relevant supervisors of their Group, including conduct regulators and EIOPA. These results are positive and suggest that the benefits of Colleges in terms of building trust amongst supervisors are starting to be realized for some, but not all Groups.

The CRO Forum believes that good coordination of supervisory tasks between supervisors, through a College work plan, which is coordinated with national supervisory work plans, is essential to avoid duplication of supervisory tasks and ensure efficient use of resources both by supervisors and Groups. The survey results suggest that this is often not the case currently. In response to whether there was a clear and timely allocation of responsibilities between Group and legal entity supervisors for Colleges that are engaged in the internal model approval process 61% of respondents answered that this was not the case.

Similarly, in spite of the positive experiences on Colleges improving coordination noted above, respondents were more divided on whether the establishment of Colleges had resulted in more coordinated information requests to regulated entities and Groups with only half indicating that this had been the case.

Consideration of different regulatory regimes

The absence of a shared view on a Group's financial position and risks amongst College members noted above could be due to the fact that many Groups have operations outside Europe which are subject to different regulatory frameworks. This may result in different conclusions on the Group's financial soundness. Several respondents noted this as an area of concern with the way Colleges currently function. This is primarily because different conclusions amongst supervisors are likely to lead to uncoordinated supervisory responses. In such instances, there may be further scope for the Group Supervisor to navigate different regulatory regimes and support a shared understanding of the Group's financial soundness.

In some cases issues need to be addressed amongst a sub-set of supervisors. The survey results indicate that currently this is either done through Sub-Colleges or specialized teams that deal with regional issues or specific topics. Respondents to the survey commented that smaller groups of supervisors with a specific scope, for example recovery and resolution plans or crisis management, may be effective. Similarly, specific groups focusing on the approval of Group internal models may also be useful.

Sub-Colleges

In the survey, 44% of members indicated the presence of Sub-Colleges though in most cases only one Sub-College existed. In just under half of the cases, the Group Supervisor is present in meetings of the Sub-College.

Although just over half of the respondents currently see no risk of duplicity because of a sub-college, discussion amongst the working group revealed that there still is a great sense of unease in relation to the possible creation of new Sub-Colleges in the near future.

The CRO Forum does not support the existence or creation of Sub-Colleges, which risk duplication of work both for supervisors and Groups, without adding additional policyholder protection, and may even raise fundamental questions on the role of the Group Supervisor. A College should be led by a single Group Supervisor, which is responsible for the effective and efficient cooperation and coordination between its members.

However, it is recognized that when there is a need for further coordination, for instance on certain topics or between supervisors within a region, specialized teams composed of a sub-set of College members and coordinated by the Group Supervisor can be more effective than a discussion within the overall College. These specialized teams already exist for some Groups.

Feedback after the College meeting

Around two thirds of respondents said they receive feedback on the activities of the College, e.g. the College meeting and that this feedback includes topics which were discussed in the supervisor only session and in between College meetings. In most cases where feedback is provided it is done verbally.

However, 33% of respondents indicated there is no feedback and 39% of respondents indicated that there is no opportunity to discuss the feedback provided. Moreover, in most cases companies do not know what qualitative and quantitative data is shared within the College (67%).

From the survey it became clear that there is no consistent feedback mechanism from supervisors or Colleges as a whole to Groups. The nature, content and the use of feedback are primarily motivated by the personal interpretation of the Group Supervisor rather than being due to regional effects or a well-structured feedback mechanism.

The working group discussed that receiving continuous feedback from the Group Supervisor on the discussions and findings of the College, is essential for Groups to understand and address the supervisors' views and concerns. In that light it noted that there is still opportunity to improve communication and information sharing between Colleges and Groups, for the benefit of both Group and their supervisors. All in all, respondents found that there is not yet a true partnership between Group Supervisors, legal entity supervisors and Groups.

Principle 3: Written clarity around decision making

There should be written clarity around decision making recognising that, in most cases, the College is a tool to facilitate more consistent decision making between supervisors and aid the Group Supervisor, but is not a decision maker per se. A College's desire for consensus should not be used as a means to significantly delay reaching a final decision.

Principle 4: Promote collaboration amongst the members and EIOPA

Supervisory Colleges should promote collaboration among the members and EIOPA, supported where necessary with formal memoranda of understanding for supervisors outside the EEA.

Principle 5: Timely, consistent and formal feedback mechanisms to Groups

There should be timely, consistent and formal feedback mechanisms to the Group on decisions taken, key risk and vulnerabilities viewed by the supervisory bodies, views on Group risk management practices (positive as well as exceptions) and supervisory actions.

3.5 The role of EIOPA

Finally, the survey looked at the role of EIOPA in Colleges led by Group Supervisors in the EU and Switzerland. Although EIOPA's role at Colleges appears to be clear to Groups, and EIOPA's presence at the meetings has been observed, few Groups receive feedback from their Group Supervisor on EIOPA's observations from the College meetings. EIOPA clearly has an important role in promoting consistency and effectiveness of the workings of Colleges for EU headquartered Groups.

3.6 General observations

Our survey also showed examples of good practice, where Colleges are operating effectively because of the strong and effective role of the Group Supervisor and long term planning. Working group members mentioned that in these cases, both supervisors and Groups prepare for College meetings, in which highly qualified and senior employees participate. The goals and objectives of the meeting are clear for everyone and held at least annually. There is interaction between Groups and Colleges, including in setting the agenda, and last but not least there is sufficient time allocated to the Group during the College meeting.

A long-standing experience with Colleges also appeared to be a factor in these positive experiences.

3.7 Meeting with EIOPA

The meeting with EIOPA made clear to the working group that during the past year significant effort was placed on organizing meetings with Group Supervisors. As of 1 January 2011, EIOPA is a member of each Supervisory College.

EIOPA will participate in Colleges as an active member with the following main tasks:

- Contribute to promoting and monitoring the efficient, effective and consistent functioning of Colleges
- Foster coherent application of EU law, Solvency II, among Colleges
- Foster convergence of supervisory best practices, participate in activities of Colleges including on-site examinations, carried out jointly by two or more supervisors
- Ensure a consistent and coherent functioning of Colleges of cross-border Groups across the EU, taking into account systemic risk posed by financial institutions.

Supervisors are responsible for the day-to-day supervision and the setting up of Colleges of supervisors and their functioning. The planning for the upcoming years are found via: <https://eiopa.europa.eu/Pages/Supervision/Insurance/Colleges-of-Supervisors.aspx>.

The CRO Forum considers that EIOPA's work in promoting cooperation between supervisors and a more coordinated approach to the supervision of Groups will help to avoid duplication of tasks. It would also be helpful for EIOPA to promote a clear and harmonized feedback mechanism to inform Groups of the prevailing views of Colleges, thus creating a true partnership between Groups and Colleges, to establish trust and enhance transparency and efficiency. Feedback and further involvement in the College meetings are key for shaping the work plan and smoothing the operations of the Colleges.

The survey showed that cultural differences between supervisors had an impact on the functioning of Colleges. In promoting a consistent interpretation of Solvency II by Colleges and Group Supervisors, EIOPA can help to ensure that there is a level playing field between Groups, especially at a time when the approval of internal model has become critical to the efficient functioning of the industry.

The European Commission report on the operation of the European Supervisory Authorities (ESAs) and the European System of Financial Supervision (ESFS) suggested the possibility of extending EIOPA current mandate to cover "a stronger oversight role on internal model validation". While the CRO Forum supports this in principle, any stronger oversight role on internal model validation should not result in additional constraints on the use of internal models which are beyond the Solvency II Directive and Delegated Acts (e.g. early warning indicators).

Principle 6: The role of EIOPA in the context of Solvency II

The role of EIOPA in the context of Solvency II should be to monitor the performance of insurance Group Supervisors, to encourage harmonisation of good practices of Colleges in a Solvency II context in order to improve effectiveness of Colleges and ensure a consistent interpretation of Solvency II.

4 Conclusion

The survey confirms the critical role played by the Group Supervisor in ensuring that the College functions well, fostering trust and reliance amongst supervisors and leads to an enhanced understanding of insurance Groups. A well-functioning College relies on a strong and effective chair with a clear vision and strategy for what the College should achieve over the next year and in the longer term. The experience of Groups whose Colleges have been operating for a number of years indicates that one of the keys to success is a well-organized College with clear and common objectives and multi-year forward planning.

It is important that an open dialogue between members of the College is encouraged and promoted by the Group Supervisor. There should also be a clear feedback loop with the Group to ensure awareness of the prevailing views with the College. This will not only support the Group Supervisor in performing its role in supervising the Group's solvency and financial soundness and its systems of governance and risk management, but also provide important context for legal entity supervision carried out by members of the College.

A constructive and open dialogue between members of the College guided by the Group Supervisor can help to build trust amongst supervisors. This should address concerns and enable reliance on other supervisors for sharing supervisory tasks. The Group Supervisor should look to build strong working relationships with the other members of the College to ensure effective and efficient cooperation and coordination. This is clearly more difficult when there is a frequent turnover of supervisors. Another potential obstacle to greater trust amongst supervisors is the introduction of different types of College membership. For example, Solvency II distinctions between College members and participants could prove counterproductive in terms of fostering closer cooperation and coordination amongst supervisors.

Greater coordination by the Group Supervisor of requests for Group information is one of the main benefits Colleges can deliver from the insurance industry's perspective. This is because better coordinated requests for information will reduce unnecessary regulatory burdens associated with multiple and overlapping requests for Group information. With this in mind, it is useful for Colleges to establish a modus operandi for how information will be exchanged and for legal entity supervisors to be able to obtain relevant Group information directly from the Group Supervisor. It is expected that this will form part of the coordination arrangements agreed amongst supervisors according to EIOPA's guidelines on the Operational Functioning of Colleges. College discussions should be based on Group and legal entity information only and not result in requests for sub-consolidated data.

When making requests to Groups for information to support College meetings, it is helpful for Groups to understand the context of the information request and specifically the questions the College is looking to address. This will ensure that insurance Groups provide the most salient information.

Groups benefit from well-organized Colleges, for example through the avoidance of duplication of or contradictory supervisory actions. Groups should therefore be prepared to dedicate time and resources to Colleges, including on preparation of the Group session, quality presentations by senior managers and supervisory relationship managers facilitating a continuous dialogue.

The CRO Forum considers that its principles can help to inform supervisors of the practical experience of Groups, particularly as they look to implement EIOPA's guidelines on the operational functioning of Colleges. A measure of success will be whether going forward Colleges lead to better coordination of information requests and a shared understanding of Groups' financial soundness.

5 ANNEX I – First Survey

Purpose of the College

1. Is the primary purpose of the College set out accurately, succinctly and completely in the Solvency II Directive, and in general, is it clear to you what the College has been tasked to do?
2. Does the College demonstrate a good understanding of its roles, functions and responsibilities in line with the Directive? Where the College has a role in the internal model approval process, is there a clear and timely allocation of responsibilities between Group and Local supervisors? Is this observed in practice?
3. What benefits does your firm currently see from the College? What are the costs e.g. in terms of time and multiple reporting.
4. What further benefits would your firm like to see from the College?

Operation of the College

5. How often does the College meet face-to-face and is this sufficient to allow the College to discharge its responsibilities properly, with regular touch points to provide a steer in between the face-to-face meetings?
6. What role does your firm have in the College? Who is typically invited to present from the firm and what proportion of the agenda is allocated to interaction with the firm?

Topics covered at the Face-to-Face College Meetings

7. What input does your firm have in setting the agenda and giving important issues priority and the necessary time to debate?
8. What are the main areas/topics covered by the College, are there any areas that should be covered by the College and are not? Specific areas include:
 - a) How are cross-sector implications considered and discussed at the College?
 - b) How are recovery and resolution plans considered and discussed at the College?
 - c) How is Solvency II considered and discussed at the College?
 - d) How is the internal model considered and assessed?
9. If there are any areas/topics that are not covered by the College, are they covered by a different sub-group which reports regularly into the College on these topics? Do the sub-groups report back to the firm in a similar way?

Collaboration and Feedback

10. How does the College provide feedback to your firm on its activities, particularly identifying significant risks or concerns to your firm? Does this include matters discussed between face-to-face College meetings?
11. Does the College regularly exchange the qualitative and quantitative data, which is collected by the group's supervisors/other involved supervisors in the college with your firm?
12. Does the College work collaboratively and effectively with relevant the supervisors in your Group, this includes the Conduct regulators as well as EIOPA? Is there evidence that there is a shared view of your firm's financial position and the risks of your group?

13. How are non-European supervisors engaging in the College?
14. How are sub-Colleges run for your firm (this may include information on whether sub-Colleges are run in your Group, who leads them, what is the role of the Group Supervisor)?
15. Is there a risk of multiplicity because of the operation of the sub-college, if yes, please explain why or give examples?

The Role of EIOPA

16. What do you understand the role of EIOPA at the College meetings to be, and do EIOPA participate on a consistent basis?
17. Have you observed EIOPA's participation and have you received any feedback on EIOPA's observations at the College?

General Observations

18. What are the key areas that the College is dealing with that are of most concern to you? Are there sub working groups or sub-colleges? Are these within the European context or do they relate only to non EU businesses?
19. What are the key areas that the College or sub-college should be focusing on? In your view, would the College be able to detect potential serious financial risks in your Group promptly?
20. Are there any other matters that you wish to highlight?

6 ANNEX II – Second Survey

Purpose of the College

1. Is the primary purpose of the College set out accurately, succinctly and completely in the Solvency II Directive?*
2. In general, is it clear to you what the College has been tasked to do?*
3. Does the College demonstrate a good understanding of its roles, functions and responsibilities in line with the Directive?*
4. Where the College has a role in the internal model approval process, is there a clear and timely allocation of responsibilities between Group and Local supervisors?*
5. What benefits do you currently see from the College?
6. What further improvements would your firm like to see from the College?

Operations of the college

7. How often does the College meet face-to-face?*
8. Are there regular touch points to provide a steer in between the face-to-face meetings?*
9. Is this sufficient to allow the College to discharge its responsibilities properly?*
10. Does your firm have a role in the College?*
11. Who is typically invited to present from the firm?
In this question you can also share your experiences about the topics for presentations and whether this is in line with what you want to present. Besides, are there opportunities to present on specific regional topics apart from group issues.
12. What proportion of the agenda is allocated to interaction with the firm?*
13. Are the presentations to the College interactive, with enough time and effort to educate supervisors?*
14. How many man days are spent on preparation and presentation for the College?*
15. Is decision making within the College clear?*
16. Are supervisors attending the College at the right level of seniority and experience, particularly the Group supervisor where decision making may be required?*
17. Is there a large turnover of supervisors attending your College (ie new supervisors every year)?*
18. Do supervisors attending the College struggle with language differences (verbally and in writing)?
19. In your view, does the College function well?*

20. Is the College a true partnership between the firm, the Group supervisor and the local supervisors?*
21. Is data collection before the College coordinated with your firm through the group functions via the group supervisor?*
22. Does data collection give rise to more onsite visits by supervisors to gather information before the College?*
23. Do you experience a more coordinated way of supervision since the establishment of the college:
 - a. In communication between group and group supervisor and subsidiary and subsidiary-supervisor?*
 - b. In information requests at group- and solo level?*
 - c. In the (pre-) application process for the IM?*

Topics covered at the face-to-face meetings

24. Does your firm have input in setting the agenda and giving important issues priority and the necessary time to debate?*
25. What are the main areas/topics covered by the College?*
26. Are there standing agenda items?*
27. If yes, please list the standing agenda items
28. Does full agenda shared include the supervisor only session?*
29. Are cross-sector implications considered and discussed at the College?*
30. Are recovery and resolution plans considered and discussed at the College?*
31. Is Solvency II considered and discussed at the College?*
32. Are any areas/topics that are not covered by the College, covered by a different sub-group which reports regularly into the College on these topics? *
33. Do the sub-groups report back to the firm in a similar way?*
34. Are global requirements taken into account by the College eg IAIS?*

Collaboration and feedback

35. Does the College provide feedback to your firm on its activities, particularly identifying significant risks or concerns to your firm?*
36. Does the College provide feedback to your firm on its activities, particularly identifying significant risks or concerns to your firm?*
37. Does this feedback include matters discussed in between face-to-face College meetings?*
38. Is the feedback limited to the topics presented to the College by your firm?*

39. If feedback is given after the College, is it done so promptly, with an opportunity to discuss if required?*
40. Does the College regularly exchange the qualitative and quantitative data, which is collected by the group's supervisors/other involved supervisors in the college with your firm? *
41. Does the College work collaboratively and effectively with the relevant supervisors in your Group, including the Conduct regulators and EIOPA?*
42. Is there evidence that there is a shared view of your firm's financial position and the risks of your group?*
43. Are there sub colleges run for your firm?*
44. If there are sub-Colleges run for your firm, how many are there?*
45. Is there a risk of multiplicity because of the operation of the sub-college?*
46. Does the lead / group supervisor attend the sub-Colleges?*

The role of EIOPA

47. Do you understand the role of EIOPA at the College meetings?*
48. Do EIOPA participate on a consistent basis?*
49. Have you observed EIOPA's participation?*
50. Have you received any feedback on EIOPA's observations at the College?*

General observations

51. What are the key areas that the College is dealing with that are of most concern to you?
52. Are there sub working groups or sub-colleges? Are these within the European context or do they relate only to non EU businesses? What do you understand a sub group or a sub college to be?
53. What are the key areas that the College or sub-college should be focusing on?
54. Does the college fulfil the expectations you have from the college concept?
55. In your view, would the College be able to detect potential serious financial risks in your Group promptly?
56. Are there any other matters that you wish to highlight?

*Yes/No questions

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