

Productive December for EIOPA

di Silvia Dell'Acqua

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Before the Christmas holidays break, EIOPA has published a number of documents, as proof of the productive analysis carried out during the last months. The topics concern:

- [18.12.17] the update of the representative portfolio to calculate the Volatility Adjustment (VA)
- [18.12.17] desired improvements to the Solvency and Financial Condition Reports (SFCR)
- [21.12.17] the use of limitations and exemptions from reporting 2017
- [21.12.17] the use of capital add-ons
- [20.12.17] the use of long term guarantees (LTG) measures

The VA is a measure aimed at mitigating the effect of short-term volatility of bond spreads on the solvency position of insurance companies, which sell products with long-term guarantee options. When the asset values fall because of an increase in their credit spreads, the liabilities are lowered thanks to a higher risk free discounting, obtained increasing the risk free yield curve by the VA. This correcting measure is derived from the spreads of representative portfolio of assets, revised by EIOPA on a yearly basis. The updated portfolios are based on data reported by the European insurance companies to their National Supervisory Authorities (NSAs) as part of their annual supervisory reporting. EIOPA published the updated representative portfolios last 18 December 2017; these data are going to be used for the calculation of the VA at End-March 2018. The next update has been scheduled for the second half of 2018.

Last 18 December 2017 EIOPA published a supervisory statement aimed at improving the future disclosures of SFCRs, which have to be published by the undertakings on a yearly basis. The legally prescribed SFCR covers a wide range of areas (in some cases, it replaced the disclosures on embedded value), but EIOPA believes it should focus on relevant information to evidence the solvency and financial condition of the undertakings. The statement focuses on key findings that EIOPA encourages to put in place, still considering the principle of proportionality:

- consider needs and capabilities of different types of stakeholders when deciding upon the content and language style: the summary is mainly addressed to policyholders, while the remaining sections to analysis/investors

- the summary should include a minimum common content (such as business model and strategy, underwriting and investment performance, key risks, system of governance, solvency ratio with and without VA/MA, SCR, MCR, EOF classified by tiers, ...)
- even when embedded in an annex to the SFCR, parts of the Quantitative Reporting Templates (QRT) should be reported in the narrative to help the reader
- include information regarding the process for performing the ORSA
- structure in a better way the analysis of the risk sensitivity to different stressed scenarios (e.g. methods used, underlying assumptions, future management actions, impact as an amount of the SCR and as a percentage of the overall SCR ratio, interpretation of the results)
- provide details on methods and main assumptions used to evaluate Assets, Liabilities, Technical Provisions (e.g. specific approach to investment valuations, treatment of deferred taxes, uncertainties underlying the assumptions)
- provide additional information regarding the Own Funds (OF), such as the explanation of their items (e.g. extent to which they are available or subordinated, their durations) and the movements over the reporting period and looking forward.

Insurance undertakings are subject to annual and quarterly reporting, but according to the SII directive the NCAs may exempt or limit the submission of the Quantitative Reporting Templates (QRTs), based, among others, on criteria on market shares, size and SCR ratio; EIOPA has verified to which extent this option has been adopted, publishing a report last 21 December 2017. The main outcomes of the assessment are:

- none of the NSAs has exceeded the national market share thresholds (the number of exemptions varies significantly from 0% to over 15%), 21 NCAs have even decided not to let the undertakings use the possibility
- YE16 — 134 undertakings and 8 groups from 5 Member States were exempted from annually reporting item by item templates, representing 0.4% of the European Economic Area (EEA) Non Life market share and 0.5% of the Life market share
- 1Q17 - 703 undertakings and 21 groups from 10 Member states were exempted from quarterly reporting, representing 4.8% of the EEA Non Life market share and 2.5% of the Life market share

To detect and follow-up on potential inconsistent applications of supervisory powers across Member States, EIOPA has analyzed the application of capital add-ons by the NCAs, extracting the

relevant information from the QRT. The NCAs have the possibility to set capital add-on in case of significant deviations regarding:

- the risk profile within the Standard Formula (SF)/ Internal Model (IM) calculation
- the system of governance
- the risk profile when applying the VA/Matching Adjustment (MA)/transitional measures.

There is a large variance in the amount of the capital add-ons which have been imposed: 2 are worth more than 1 billion euro, 3 are between 100 and 700 million and the remaining 19 are below 100 million; relative to the SCR amount, the size of capital add-ons varies between 2% and 85%. As a testimony of the size and complexity of the UK market, 15 capital add-ons were imposed to solo undertakings and 4 at group level; 2 were set in France and Norway, 1 in Ireland. The capital add-ons are balanced between the Life and Non-Life market.

All the 24 capital add-ons were set because of significant deviations regarding the risk profile when compared to the assumption adopted in the SF (22) and IM (2).

Last 20 December 2017 EIOPA published a report on the impact of the LTG measures (a set of measures introduced in the Solvency II directive to ensure an appropriate treatment of insurance product that entail long term guarantees). Those discussed below, applicable on optional basis are:

- Volatility Adjustment (VA) and Matching adjustments (MA)
- Transitional on technical provisions (TTP)
- Duration-based equity risk module (DBER)
- Transitional on the risk-free rate (TRFR)

The aggregated amount of Technical Provisions (TP) of insurance and reinsurance undertakings applying for at least one of these optional measures is 74% of the whole TP of the EEA: more specifically, the VA is used by 66%, the TTP by 25%, the MA by 15%, while DBER and TRFR are used by a negligible share of market participants. Removing the possibility of applying MA, VA, TFR and TTP typically results in an increase of the TP, in a decrease in the OF and in an increase in the SCR and MCR. At EEA level, the removal of those measures is worth for a decrease of the SCR ratio by 69% (from 217% to 148%) and in an increase of the Solvency capital requirements of 73 billion euros.

Long-term guarantees are included in several types of insurance products, and their use is widespread in Europe (being their most significant occurrence in traditional life with profit products); as a trend, their availability is mainly stable or decreasing across EEA, with a shift to unit-linked, pure protection or hybrid products, a decreasing level of financial guarantees included in the contracts or a decreasing duration of the guarantees. In general, the NSAs did not related the trend to the design of the LTG measures but to the low interest rate environment, the increasing cost of guarantees and taxation regulation.

EMIR: Consultazione ESMA sulle linee guida per l'applicazione delle disposizioni anticicliche da parte delle controparti centrali

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L'ESMA ha avviato una consultazione pubblica avente ad oggetto la definizione di una serie di linee guida volte a chiarire l'attuazione delle disposizioni anticicliche da parte delle controparti centrali (CPP) ai sensi del regolamento EMIR.

Il Regolamento EMIR richiede alle controparti centrali di monitorare e contabilizzare gli effetti prociclici dei margini e rendere note le proprie prassi di gestione del rischio, inclusi i modelli utilizzati per il calcolo dei margini. Le controparti centrali devono anche attuare misure di margin anti-procicliche.

Le linee guida sono indirizzate alle autorità nazionali competenti che controllano le CCP autorizzate ai sensi del Regolamento EMIR e cercano di promuovere un'applicazione coerente e uniforme della disciplina in tema di:

- monitoraggio della prociclicità del margine;
- attuazione di politiche di margini non procicliche;
- trasparenza per facilitare la prevedibilità dei margini.

La consultazione avrà termine il 28 febbraio 2018.

Comunicato stampa Documento di consultazione

IVASS: avviate 2 consultazioni regolamentari

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L'IVASS ha avviato la pubblica consultazione dei seguenti Provvedimenti:

- Provvedimento recante modifiche al Regolamento IVASS n. 9 del 19 maggio 2015 e al Provvedimento IVASS n. 35 del 19 giugno 2015. Le modifiche proposte sono determinate dalla necessità di adeguare la normativa secondaria e la disciplina tecnica della Banca Dati degli Attestati di Rischio all'esigenza di valutare correttamente la sinistrosità dell'assicurato, tenuto conto anche dei sinistri pagati fuori dal periodo di osservazione, oppure pagati dopo la scadenza del contratto, laddove, alla scadenza del contratto, l'assicurato abbia cambiato compagnia (c.d. sinistri tardivi). Con l'introduzione delle norme proposte sarà, pertanto, possibile rilevare e valorizzare i sinistri, ai fini tariffari, indipendentemente dalla data di pagamento; finalità evidentemente anti-elusive e antifrode a beneficio degli assicurati realmente virtuosi. La consultazione avrà termine il 24 febbraio 2018.

- Provvedimento recante criteri di individuazione e regole evolutive della classe di merito di conversione universale di cui all'art. 3 del Regolamento IVASS n. 9 del 19 maggio 2015 (Dematerializzazione dell'attestato di rischio). Le norme proposte chiariscono una serie di dubbi interpretativi della normativa vigente, che determinavano disparità di trattamento nei confronti degli assicurati delle diverse compagnie, e introducono nuovi benefici a favore di talune categorie di consumatori/assicurati, in precedenza trascurate.

La consultazione avrà termine il 24 febbraio 2018.

Documento di consultazione 1 Documento di consultazione 2

NPL: Pubblicati i templates EBA per l'informativa agli investitori

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L'Autorità Bancaria Europea (European Banking Authority - EBA) ha pubblicato i templates che le banche potranno utilizzare - su base volontaria - per dare informazioni sui propri crediti deteriorati agli investitori che siano interessati ad acquistarli. I templates sono stati sviluppati dall'EBA su richiesta del Consiglio UE, in modo da promuovere la standardizzazione e la comparabilità a livello UE dei dati sui crediti deteriorati e quindi favorire lo sviluppo del mercato di questi attivi.

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