amice
FOR MUTUAL BENEFIT

News
dec 15

Hilde Vernaillen
President

At this time of year, we would normally be focussed on wrapping up business before the year end, and hopefully looking forward to the festive season with family and friends. This year, we find ourselves distracted by events around us which could become overwhelming.

Dear colleagues,

The refugee crisis has been on our minds for months as we wonder how our societies can help all those fleeing the war zones. And of course, more recently, the attacks in Paris and the security situation in Brussels have affected the way we live our lives on a daily basis. Unfortunately these issues are out of our scope of action as insurers. However, another important area currently on the political agenda with the COP21 conference taking place in Paris as we go to press is climate change - and here we can have an impact.

As individual businesses, we have a responsibility to reduce our environmental footprint and many of us have strategies in place to reduce the emissions of our office buildings, to renovate older offices or build ecologically friendly new offices, to use renewable energies and less paper. We encourage our staff to use public transport, share cars or take a bike to work.

As insurers, we feel the effects of climate change through an increase in, and changing patterns of, extreme weather events. We have to ensure that our models adapt to the changing climate in order to guarantee the sustainability of our businesses. And we have to ensure that our policies meet the changing needs of policyholders.

As insurers with a long-term, responsible focus, some of AMICE's members have developed insurance products to encourage the adoption of sustainable behaviour by their policyholders: for solar panels, low energy consumption buildings, or low emission cars, for example. Others include a focus on climate change in their strategic plans and are working with public authorities to reduce climate risks in their countries and with their customers to help them adapt. And many are signatories to the UN principles for responsible investments.

As mutuals and cooperatives, whatever we do as businesses or employers, as insurers or as investors, we have a particular responsibility to our members, to securing their future – as the overriding theme of next year's AMICE Congress reminds us.

Despite, or perhaps because of, the seriousness of our environment, I would like to wish you all a Merry Christmas and Happy New Year.

Hilde Vernaillen

In this issue

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Interview with Manuela Zweimueller, EIOPA's Head of Regulations

1. Gabriel Bernardino mentioned, at the last EIOPA Conference, that it should be possible to have a Solvency II regime which is simpler. What actions is EIOPA planning to undertake to ensure that a simplified regime is put in place?

EIOPA will closely monitor the application and the implementation of the new framework and will enter into the so-called "ex-post assessment" of the Solvency II regulation. We will assess the different approaches, identify possible gaps as well as redundancies, revise the rules and introduce any relevant changes. Our revision will be based on three principles:

- To be alert to any possible unintended consequences that might occur during the implementation.
- To pay close attention to proportionality as one of the fundamental elements of the regime.
- And finally, to make an effort in order to reduce complexity. We do not strive to have more, we prefer to have less.

We have started already with the relevant preparations, which we will continue throughout 2016, and this task is included in EIOPA's Work Programme for 2017.

EIOPA/Frankfurt am Main

2. EIOPA's main objective is to move from regulation to supervision and to ensure convergence among supervisory practices across different Member States. How will this have an impact on the way firms are being supervised in the future?

Indeed, EIOPA's main strategic focus for the upcoming years is supervisory convergence. Why is supervisory convergence so important? Because it is essential for three fundamental objectives:

- To ensure the consistent application of EU regulation.
- To guarantee a level playing field and to prevent regulatory arbitrage in the internal market.
- To safeguard a similar level of protection for all policyholders and beneficiaries in the European Union.

Solvency II implementation is driving supervisory convergence in the EU Member States. The National Competent Authorities need to be part of this collective effort to develop a European supervisory culture. Convergence is a journey and implies change and moving away from the status quo. EIOPA plays a key role in this context and provides a clear direction in a rapidly changing landscape.

In the current environment, EIOPA has a unique position by being able to analyse the different practices and approaches and to bring them to a common level across the European Union.

The power to bring the supervisors together to discuss the way they are carrying out their supervision should not at all be underestimated!

3. How will EIOPA ensure that the aim of further convergence is achieved whilst allowing national supervisory authorities enough flexibility to treat different situations differently?

First of all I would like to underline that EIOPA does not intend to replace national supervisors. We have different roles and responsibilities. The day-to-day supervision is under the remit of national supervisory authorities.

EIOPA's task and strategic focus in the coming years is to develop a common European supervisory culture, a risk-based culture that:

- Aims to ensure strong but fair supervision;
- Is based on a forward looking approach to risks;
- Prioritises the dialogue with market participants to better understand their business models, strategies and underlying risks;
- Promotes early enough awareness and supervisory action with the aim of protecting policyholders and mitigating possible market disruptions.

Given that the EU Member States have very different supervisory histories this will be a challenging task. But again, convergence is a journey and implies change and moving away from the status quo. It is fundamental to ensure a level playing field between different companies and a common level of protection for policyholders and beneficiaries in the European Union. To reach these goals, EIOPA has specific targeted tools such as:

- Participation in the colleges of supervisors;
- The Centre of Expertise in the internal model;
- The Supervisory Oversight Team, conducting bilateral visits to the national authorities.

EIOPA is also developing a Supervisory Handbook to build an array of good supervisory practices in the different areas of Solvency II. We encourage the National Supervisory Authorities to adequately implement these good practices in their supervisory processes.

4. The industry is concerned about the delay in the final publication by the European Commission of the reporting package in all official languages which is key for SMEs to be able to start preparations. What is your opinion on this issue?

Thanks to the Solvency II Preparatory Phase from 2013 to 2015, which EIOPA initiated, the firms had the time to set up the relevant structures, to get familiar with new requirements, to start the process of enhanced communication with supervisors and in general to use this interim period as a "warm-up" for Solvency II implementation from 1 January 2016 onwards.

EIOPA also communicated at an early stage that the July 2015 Final Report on the reporting package could be used for implementation. The relevant Implementing Technical Standard (ITS) was published at the beginning of December and there was no change in the reporting package introduced by the European Commission. This, together with the publication of the taxonomy in October 2015 and the publication by the Commission of the reporting package in all official languages at the beginning of December 2015, should allow a timely implementation.

5. The industry had requested flexibility with regards to the first submission of information foreseen in May 2016. Has EIOPA considered this possibility?

On the one hand, EIOPA is confident that those firms that in the last years were doing their "homework" during the Solvency II Preparatory Phase will be able to comply with the new reporting requirements.

On the other hand, EIOPA wishes to encourage companies to put all the necessary efforts into delivering good quality data for their first submission. All parties alike – EIOPA, national supervisors and firms - are currently taking their last steps to meet this requirement. We are all sitting in the same boat!

In addition, it should not be forgotten that the scope of the "day 1" reporting and quarterly reporting, which represent the first submissions, is reduced compared to the scope of the annual reporting and focus on core information.

EIOPA is aware that the list of assets in particular is raising some concerns in relation to the completeness and accuracy of the information but we trust that firms have made good use of the preparatory phase to improve their processes and that on this basis there will be no material problems in the submission of this information.

6. The European Commission adopted a new set of Delegated Acts on 30 September 2015 which create a separate infrastructure asset class. Are you confident that it is attractive for insurers to invest in such assets taking into account all the requirements?

We are happy that the European Commission took EIOPA's advice as a basis for the decision to treat infrastructure investments in a more granular way. The new calibrations will certainly make it easier for insurers to invest in high quality infrastructure.

But there is another and even more important issue which should not be forgotten. Infrastructure projects can be very complex and require specific risk management expertise. EIOPA therefore proposed robust risk management requirements. Insurers should establish written procedures to monitor the performance of their exposures and regularly perform stress tests on the cash flows and collateral values supporting the infrastructure project. It is crucial to have adequate due diligence prior to the investment. If insurers comply with these requirements, the new calibrations will very well reflect the risk profile of high-quality infrastructure projects.

Advocacy | Updates

Regulatory Affairs

On 1 October, the **Regulatory Affairs working group** held its meeting at Folksam in Stockholm with 23 participants from four countries and one non-member mutual. Following the Advocacy Commission Chair Patrik Schinzel's presentation of the Board's view regarding the heat map, participants discussed the revised map which was further simplified and now reflects all areas of advocacy. A representative from the Swedish Ministry of Finance briefed the members on the outcome of the trilogue agreement on the Insurance Distribution Directive and the next steps. Daniel Eriksson, Head of Products at Folksam, made a presentation on consumer protection and mutuality. The Working Group also discussed recent developments in the areas of governance, data protection, the social economy, EMS, IBER and the Commission Action Plan on Capital Markets Union (CMU). The next meetings of the Regulatory Affairs working group will take place on 3 February and 26 April 2016 in Brussels.

In addition to the announcement of the CMU Action Plan, the European Commission launched a call for evidence on the EU regulatory framework for financial services on 30 September. The objective of the consultation is to gather empirical evidence and to identify unnecessary regulatory burdens, inconsistencies and gaps in the existing financial services legislation. Members were invited to join a specific **CMU taskforce** to identify common issues and prepare AMICE's response to this consultation.

The IAIS adopted a revised Insurance Core Principle on **Corporate Governance** (ICP 7) during its Annual General Meeting in Marrakech on 12 November. The Secretariat prepared a comparative table which outlines the outcome of the revised text in view of AMICE's comments submitted in August. One of our main achievements is that the explanatory passage on mutuals and cooperatives has been maintained.

As mentioned above, the **Luxembourg Presidency of the Council** held a major conference "Boosting Social Enterprises in Europe" on 3-4 December. The Secretariat contributed to Social Economy Europe's joint document with specific proposals for the Luxembourg Presidency's roadmap which was the main outcome of that conference.

Furthermore, the AMICE Secretariat provided its comments to the mid-term assessment on **social economy** prepared by the consultancy Optimity advisors for the European Parliament's Internal Market and Consumer Affairs Committee (IMCO). The study will be published by the end of the year.

At the meeting of the Insurance Sectoral **Social Dialogue** Committee on 5 October, participants exchanged views on the demographic challenge, telework in the insurance sector, as well as the impact of digitalisation on the insurance business and employment. A representative from the European Commission's Insurance and Pension Unit, DG FISMA, presented the social and employment related aspects of the Insurance Distribution Directive.

AMICE on Twitter

You can follow AMICE on Twitter: @AMICE_Mutuals

Advocacy | Updates

Solvency II

With less than 15 days to go before Solvency II enters into force on 1 January 2016, some countries may **fail to transpose Solvency II in time**. The European Commission has rebuked Bulgaria, Greece, Luxembourg, Slovenia and Sweden for delays in the transposition of Solvency II into national legislation, and they now have two months to complete the legislative process. Ireland was the latest member state to write the Directive into national law, having published it on 9 November. Romania published the legislation transposing Solvency II on 28 October.

But the legislative activity continues as the European Parliament has decided to extend the scrutiny period of the newly adopted set of Delegated Acts beyond the initial three months. The proposed amendments to the Solvency II implementing rules, which extend the transitional measures to non-listed equity, take into account the specific nature of some long-term investments and allow for a more tailored treatment of investments in infrastructure projects in the standard formula, **will not become fully applicable by 1 January 2016**.

Only last month, the European Commission adopted a **package of ten technical standards, including those on transparency, disclosure and the reporting package**. The texts and quantitative templates are available in all official languages on the European Commission website. Market participants, specialised analysts and policyholders should **interpret correctly the Solvency II disclosure figures** companies are required to publish from 2017. It is fundamental that the market understands that Solvency II adjustments and transitional measures are a legitimate part of the regime. Transitional measures do not distort the firm's solvency position and they are designed to ensure a smooth transition to the new regime, avoiding disruptions in the market.

The introduction of a two tier capital requirement (i.e. MCR and SCR) in Solvency II was designed to provide supervisors with a so-called "supervisory ladder of intervention". However, supervisory authorities in some jurisdictions are requesting firms to hold a solvency ratio above 100% and the SCR is perceived as the hard target. This was the case in the EU-wide 2015 Stress Test where the focus was on the breach of SCR after stress and not the MCR. ***"Nowhere the regulation says you need to be above the 100%.*** *If you go above that, where is it going to stop?"*, Karel Van Hulle the former head of the European Commission's insurance unit and one of the "fathers" of Solvency, pointed out at the last EIOPA Conference.

At the same event, Gabriel Bernardino, chairman of EIOPA, revealed his plans to extend the internal model **requirement to compute the risk on sovereign bond portfolios** to standard formula players. In April 2015, EIOPA had issued an Opinion expressing the view that risks related to sovereign exposures should be appropriately taken into account in internal models. The Solvency II review clause will allow the calibration of different asset classes, including sovereign bonds, to be amended. He favoured, however, an approach towards sovereign risks that was consistent for the entire financial sector, covering banking and insurance, thereby avoiding arbitrage among different sectors.

Lastly, one of the EIOPA's main strategic focuses for the upcoming years is to ensure **supervisory convergence**. Thus, EIOPA has delivered the Implementing Technical Standards and Guidelines covering most relevant areas of the Solvency II framework, it has introduced a Q&A process on the legislation and it has strengthened the oversight activities of the overall supervisory process in the EU. EIOPA is also developing a Supervisory Handbook aiming at building up good supervisory practices across the different areas of Solvency II. AMICE has **called on EIOPA to publish its Supervisory Handbook** to foster an adequate level of transparency and accountability from supervisory authorities.

As Solvency II comes into force in the New Year, the Solvency II working group will focus more on implementation issues: members are invited to contact Silvia Herms to participate.

AMICE Solvency II Seminar in Paris

AMICE's latest seminar Solvency II, Implementation and beyond.... hosted by Mutualité Française in Paris in November brought together more than 85 delegates from 15 European countries, including EIOPA, senior regulators from three European countries, national mutual associations, academics and practitioners from AMICE members. The presentations can be downloaded from the AMICE website. The event was rated as excellent or good by those who answered the evaluation questionnaire.

Accounting

The IASB published last week the Exposure Draft to address the accounting consequences arising from the application of IFRS 9 Financial Instruments (IFRS 9) prior to the application of the new insurance contracts standard with a comment period of 60 days; The IASB will redeliberate the proposals in Q2 2016 and finalise the resulting standard in Q3 2016. The IASB decided to permit the deferral of the effective date of IFRS9 for certain entities. The aim was to address the accounting consequences (accounting mismatches) of applying IFRS 9 before the upcoming IFRS4 standard.

Since 2014 the IASB has been discussing some issues related to the model for non-participating contracts, turning the focus to participating contracts in recent discussions. IASB decided not to pursue the mirroring approach proposed in the exposure draft and which had been supported by AMICE members. The IASB argued that the variable fee approach would address some of our concerns.

As a member of EFRAG, the European Financial Reporting Advisory Group, the Secretariat contributes actively to the discussions and closely follows the negotiations at the IASB.

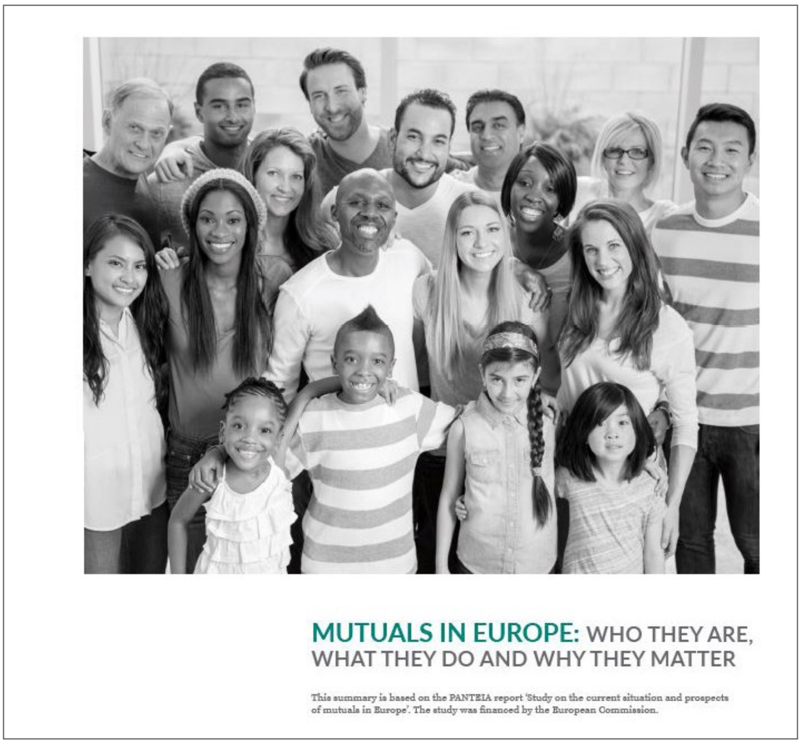
Promotion I Updates

Communications Seminar in Barcelona

The Communications Seminar organised by AMICE in Barcelona on 22-23 October was a great success as shown by the feedback given by participants in the evaluation survey. The 35 participants had the opportunity to learn more from other AMICE members on how to communicate with the press and customers, how to handle crisis communication as well as on how to use social media effectively. Speakers from the media also brought their angle to the discussion by explaining how mutual insurers should talk to the press. Hosts Mutual Médica organised a dinner for participants in the harbour of Barcelona which was an excellent opportunity for members to network and discover the Mediterranean city. All participants indicated in the evaluation survey that they would recommend an AMICE Seminar to their colleagues. The presentations are now available on the AMICE website.

Promoting mutual and cooperative values working group

In November, the Promoting working group met online to discuss the 23 articles received from members for the publication, “Origins of Mutuals”. The group analysed all of them and based on the diversity of stories and countries shortlisted 19 articles for the printed brochure. All articles received will also be published in an electronic version. The group also decided to collect further articles in order to be sure to cover a maximum of countries represented by AMICE. In case you have not yet sent your article, please contact the Secretariat for further information. The launch of the publication is scheduled for spring 2016.



The working group also prepared a communication leaflet on the 2012 European Commission “Study on the current situation and prospects of mutuals in Europe” produced by Panteia. The leaflet was published at the beginning of December and distributed at the Luxembourg Presidency conference, “Boosting Social Enterprises in Europe” in Luxembourg on 3-4 December. AMICE, in collaboration with AIM and Mutualité Française, organised a stand at the Conference in order to present mutuality to the public. Helen Sheppard also participated in the Panel “Involving Individual Savings into Social Economy Enterprises”.

Communications working group

The Communications working group met in Brussels in November to discuss the evaluation of the Barcelona Communications Seminar and the organisation of the Ghent Congress **#MutualValues: securing the future** in June 2016. The working group is working hard to finalise the programme and frequent updates will be included on the Congress website.

The working group also prepared the AMICE Communications Plan 2016 which schedules all communications activities for all AMICE stakeholders. Finally, the group discussed how to ensure effective distribution of the Panteia Study communication document and the Origins of Mutuals.

Assistance I Updates

Corporate Social Responsibility

With a focus on two main themes, **risk management** and climate change, AMICE's CSR working group met at MACIF (Paris) on 16 October. Unipol presented their Reputational and Emerging Risk Observatory which aims to monitor reputation drivers and emerging trends so as to ensure constant alignment between the expectations of stakeholders and the responses of the Group. By including all departments, the project aims to break down silos and ensure that there is a link between all stakeholders, including CSR, and risk management. The ORSE guide to improving risk management methods in insurance by integrating CSR, put together with the help of MACIF, was launched the same day and presented to members.

In the area of **climate change**, Achmea explained their analysis of the potential impact of climate change on the insurance business and how they are now looking at how to convert climate threats into opportunities, for example by using data and actuarial knowledge to enhance clients' resilience at acceptable costs, supporting customers with preventive measures, or reducing risk exposure in the asset management portfolio. MACIF presented the touring exhibition in which they are involved to inform members and the public about climate change and actions they can take in everyday life. Unipol is coordinating a project which aims to contribute to climate change adaptation by transferring know-how and specific instruments to public authorities and SMEs in risk assessment, risk management and disaster recovery, to increase the resilience of industrial urban areas starting in the Turin area.

The working group has scheduled its next meeting for 9 February 2016 on the EU CSR strategy (if published).

Health

AMICE's Health working group met on 15 October and heard from Sygeforsikringen 'Danmark' about the Danish public health system which is tax-financed with most examinations and treatments either free of charge or with a certain out-of-pocket payment. Sygeforsikringen 'Danmark' primarily provides cover for these co-payments for prescription medicines and for dental services to 40% of the Danish population. FNMF presented an update of the study on innovation in health.

The working group will next meet on 10 March 2016 to discuss the Swedish health system and data protection.

Members can download presentations from both working group meetings from the appropriate folder on the AMICE website.

2016 Congress

The 2016 Congress website is now live and open for registrations www.amicegent2016.eu.

Make sure you register before 30 March to get the early bird rate!

AMICE Calendar 2016

- 11 January . . . . On-line . . . . Promoting working group
- 18 January . . . . Brussels . . . . Accounting working group
- 26 January . . . . Brussels . . . . Board
- 26 January . . . . Brussels . . . . Solvency II workshop
- 3 February . . . . Brussels . . . . Regulatory Affairs working group
- 9 February . . . . Brussels . . . . CSR working group
- 15 February . . . . Brussels . . . . Communications working group
- 18 February . . . . Brussels . . . . Executive Committee
- 4 March . . . . Brussels . . . . Solvency II working group
- 10 March . . . . Brussels . . . . Health working group
- 16 March . . . . tbc. . . . . Associations working group
- 22 March . . . . Brussels . . . . Board
- 8 April. . . . . Brussels . . . . Solvency II working group
- 26 April . . . . Brussels . . . . Regulatory Affairs working group
- 20 May . . . . Brussels . . . . Solvency II working group
- 1 June . . . . Ghent . . . . Board
- 2 June . . . . Ghent . . . . General Meeting
- 2-3 June . . . . Ghent . . . . AMICE Congress 2016
- 1 July . . . . Brussels . . . . Solvency II working group

External Events Calendar 2016

- 20 January . . . . Paris . . . . Rendez-vous de l'assurance mutuelle
  ROAM
- 8-9 February . . . . Stockholm. . . . . 4th Edition Nordic Asset Allocation under Solvency II conference
  Marcus evans (Europe) Ltd
  Discount for AMICE members. Please contact the Secretariat
- 25 February . . . . London . . . . The Insurance Summit 2016: Guardians of the Future
  The Economist
  Discount for AMICE members. Please contact the Secretariat
- 25 May . . . . Dublin . . . . 8th International Insurance Conference Insurance Europe
  Insurance Europe
- 6-8 June. . . . . London . . . . Meeting of Reinsurance Officials (MORO)
  ICMIF