

Submission and Analysis of Insurance Groups' QIS3 Results

This note is to inform QIS3 participants about the QIS3 reporting *for insurance groups* to the CEIOPS' QIS3 Task Force in order to prepare the analysis of this information.

The insurance groups are in any case required to also send their results to the lead supervisor of the group.

In addition to reporting to the national supervisors, the groups are being asked to report to a centralised database which has been set up for this specific purpose and will allow for a more meaningful processing of the groups' results.

In this note the rationale of this reporting procedure and the features of the process are set out, which aim to overcome analytical and confidentiality challenges which are relevant in the group context and could jeopardise the aims of the QIS, unless resolved.

The default reporting channel (to national supervisors) remains available for groups that do not want to report to the centralised database. The reporting to the database is however **highly recommended** in order to ensure a meaningful outcome of the QIS and optimal representation of individual submissions in CEIOPS' advice during the legislative process for Solvency II.

Industry representatives (CEIOPS stakeholders, such as the CRO Forum) have been approached by CEIOPS and have indicated their willingness to support this important analytical processing.

1. Rationale for a centralised database

A thorough bottom up analysis of QIS3 group submissions, starting from the individual group level, comprising as many participants as possible, is the most appropriate way to extract the necessary quantitative and qualitative answers for the legislative and implementing process of Solvency II.

The reasons for this approach include:

- Group aspects become more important under the Solvency II regime
- Decision makers have to obtain a clear and accurate view on diversification effects
 - at different levels of a group
 - across countries
 - between business lines
- The structure of own funds in groups and the effects under QIS3 deserve comparative analysis

- Transferability issues of capital need to be analysed thoroughly
- The results of the pan-European Cat-risk scenarios need to be compared
- Internal model results will need synoptic consideration
- Country reports might only comprise one or few group companies, making data protection a goal hard if not impossible to achieve
- Statistical analysis can reveal important aspects, especially clustering of typical properties which may be of importance for understanding also cross-border aspects of Solvency II. These important results are hidden when having a two-staged aggregation of results via national group results.

A European reading of the QIS results will enable the reader to detect cross-country commonalities. Results which would not have been considered significant may in the light of cross-border commonalities support a separate treatment of certain aspects. Further to this, any particular situation that would be detected will be subject to thorough discussion with the competent national authority: Thus outliers are flagged and specific situations need not be seen as a dilution of national results but may be analysed as what they are, a recognisable European sub-sample will deserve special consideration.

Discussion will be held with the national supervisor to ensure the correct interpretation of individual group results.

However, confidentiality has to be safeguarded and the expertise of the national supervisors regarding their market and its participants is essential for high quality policy advice.

2. Confidentiality:

The necessity to achieve a deeper understanding of the structure of groups along the different properties of the proposed solvency regime shows that a qualitative improvement in the analysis of the groups' results will be of mutual interest for supervisors and participants in the QIS.

As mentioned before, the industry is aware of this need. AISAM and ACME for example already stated in their assessment of QIS2 (27.11.2006) that deeper knowledge on the volatility of results is needed. They suggested the regrouping of results along a variety of properties. This important feature has to be achieved with the consent of participants to analyse their data in a temporary common analytical framework.

In order to overcome confidentiality concerns, the procedure will be carefully structured along following lines:

The FSC QIS Task Force, set up under the aegis of the CEIOPS, consists of selected supervisors from the Member States of the EEA and relies on the mutual

trust of the CEIOPS members for working towards the goal of an optimal analysis of the effects of the new solvency framework.

The members of this task force are bound by their professional secrecy.

For the analysis of the responses of QIS3 relating to insurance groups, the task force will set up a temporary database to collect the responses.,

The results will be presented to the public in a way that makes any direct or indirect attribution of results to any insurance company or a group thereof impossible for any reader who has no knowledge of any complementary information of the complete and detailed market response overview. The database will be destroyed after its analytical purpose has been fulfilled.

3. Procedure

Submission:

The submission shall be secured by the use of PGP¹, the public key can be obtained from **patrick.darlap@fma.gv.at** from the QIS3 Task Force. The address **patrick.darlap@fma.gv.at** is also the address for submitting the QIS3 group spreadsheets and qualitative questionnaire.

The answers to the qualitative questions should be given in English.

Processing:

The encrypted data will be decoded on an ERACOM-secured and capsuled stand-alone computer which is securely attached in a closed room in the FMA. The key to the room and the password to the computer will be held by different persons. On this computer the database will be set up and analysed, ensuring a four-eye presence in the room also during data processing. These arrangements shall make unauthorised export or copying of data impossible.

Storage:

An encrypted backup copy of the database will be kept in a strongbox in a separate room, strongbox code and encryption code being also held by different persons.

The data will be stored for additional analysis as long as necessary to answer all questions arising during the conduct of QIS3 and destroyed thereafter.

The data will be analysed, first general results be discussed with national supervisors for refinement and insertion of particular insight into specific situations, and the final outcome be approved by CEIOPS if and only when a balanced view on QIS outcome has been achieved and confidentiality of individual participants' data is safeguarded in the final document.

¹ Pretty Good Privacy, a widely used encryption software; confer for example to www.pgp.com