



EIOPA-BoS-18/062
12 02 2018

Decision of the Board of Supervisors on the annual market and credit risk modelling comparative study

The Board of Supervisors of the European Insurance and Occupational Pensions Authority,

Having regard to Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC¹,

Having regard to Directive (EU) No 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)², in particular Article 122(4) thereof,

Whereas:

(1) In accordance with Article 35 of Regulation (EU) No 1094/2010, competent authorities are required to provide EIOPA with all necessary information to carry out the duties assigned to it,

(2) EIOPA issued an Opinion addressed to the competent authorities on the preparation for internal model applications³. In this Opinion, EIOPA highlighted the importance of the use of comparative studies as a complementary tool in the analysis of internal models,

(3) Competent authorities recognise the value of performing annual comparative studies on the modelling of market and credit risks by insurance and reinsurance undertakings, in coordination with EIOPA, in the context of the Solvency Capital Requirement calculation,

¹ OJ L 331, 15.12.2010, p. 48.

² OJ L 335, 17.12.2009, p.1.

³ [EIOPA Opinion on the preparation of internal models applications](#) (EIOPA-BoS-15-083)

- (4) The comparative studies also help at fostering consistent supervisory assessments on market and credit risk in the context of the Supervisory Review Process,
- (5) This Decision aims at ensuring the consistent and regular collection of information in order to allow the performance of such comparative studies,

Has adopted this Decision:

Article 1 - Scope

- (1) Undertakings with a significant exposure to assets denominated in Euro and an approved internal model covering market and credit risk shall take part in the study. The competent authorities, following consultation with EIOPA, may have discretion to determine whether an undertaking's Euro denominated assets represent a significant exposure. Where several undertakings use a group internal model, only the group undertaking shall take part in the study. In case the group does not take part, then individual undertakings could take part.
- (2) The competent authorities, following consultation with EIOPA, may have discretion to determine the scope of the study by extending or limiting the scope of the default data request.

Article 2 - Features of the study

- (1) In order to compare market and credit risk model outputs for a set of realistic asset portfolios, the comprehensive set of realistic asset portfolios shall reflect typical asset risk profiles of European insurance undertakings. The set shall be rich enough to construct specific asset portfolios, e.g. by country.
- (2) The study shall explore the causes for the presumed variability of outcomes by analysing additional information such as individual risk charges, e.g. individual asset classes such as fixed income, equity, etc.
- (3) The data request and modelling approach analysis shall provide valuable supporting tools to the competent authorities for the Supervisory Review Process (SRP) on internal models, *inter alia* for monitoring the development of models and their calibration over time and for assessing model changes.

Article 3 - Process

- (1) The competent authorities shall inform undertakings which shall take part in the study. An undertaking which participates in the study shall provide the information described in the data request by the indicated deadline to the competent authority concerned.
- (2) The competent authorities shall transmit the data received from undertakings to EIOPA. EIOPA shall make the data available for the EIOPA Project Group, which is responsible for the analysis. The storage and access to this data shall be subject to EIOPA's professional secrecy and confidentiality rules.
- (3) The findings and conclusions shall be discussed and adopted by the Board of Supervisors by the end of the year. Individual feedback shall be provided to the participating undertakings by the competent authorities together with potential recommendations or follow-up actions.

(4) The conclusions of the study approved by the Board of Supervisors shall be published within one year following the end of the data collection, in an anonymized form to avoid the identification of individual participants.

Article 4 - Format and frequency

(1) The study shall be annual, starting from year-end 2017.

(2) The format and specifications of the requested data for the relevant year-end are detailed in the corresponding data request. It includes the submission deadline.

(3) These specifications in the data request are expected to remain stable to a large extent. However, EIOPA may apply changes to the data request aiming to continuously improve the study and reflect new developments. Changes shall be highlighted compared to the previous exercise.

Article 5 – Entry into force

This Decision shall enter into force on the day following its adoption.

Done at Frankfurt am Main on the 12th of February 2018.