

**Comments Template on  
Consultation Paper on EIOPA's first set of advice to the European  
Commission on specific items in the Solvency II Delegated Regulation**

**Deadline  
31 August 2017  
23:59 CET**

Name of Company:	Association of Financial Mutuals	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ Do <b>not</b> change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool</li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, <u>in Word Format</u>, to <a href="mailto:CP-17-004@eiopa.europa.eu">CP-17-004@eiopa.europa.eu</a></b></p> <p><b>Our IT tool does not allow processing of any other formats.</b></p> <p><b><u>The numbering of the reference refers to the sections</u></b> of the consultation paper on EIOPA's first set of advice to the European Commission on specific items in the Solvency II Delegated Regulation. Please indicate to which paragraph(s) your comment refers to.</p>		
<b>Reference</b>	<b>Comment</b>	
General Comment	The Association of Financial Mutuals (AFM) represents insurance and healthcare providers that are owned by their customers, or which are established to serve a defined community (on a not for profit basis). Between them, mutual insurers manage the savings, pensions, protection and healthcare needs of over 30 million people in the UK	

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	<p>and Ireland, collect annual premium income of £16.4 billion, and employ nearly 30,000 staff<sup>1</sup>.</p> <p>The nature of their ownership and the consequently lower prices, higher returns or better service that typically results, make mutuals accessible and attractive to consumers, and have been recognised by Parliament as worthy of continued support and promotion. In particular, in the UK the FCA and PRA are required to analyse whether new rules impose any significantly different consequences for mutual businesses.</p> <p>We welcome this consultation, and the restatement by EIOPA of its commitment to ensuring it takes a proportionate approach to the regime for insurers, and looks for possible simplifications in the SCR standard formula. AFM members are largely smaller insurers, and the costs of implementing Solvency 2 have represented a significant burden in recent years.</p>	
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2.1	We support the proposals put forward by our sister European trade body, AMICE: that there is no need to compute the model error when applying simplification, and for a simplification for non-life lapse risk.	
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<sup>1</sup> ICMIF, <http://www.icmif.org/global-mutual-market-share-2013>

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2.4.3		
2.4.4	We are comfortable with the proposed corrections.	
3.1	<p>AFM met with the largest ECAs in early 2016, to explain that the interest which mutual insurers had in ratings data was limited purely to the need to provide the data as part of their regulatory returns : this data offers no commercial value for mutual organisations, and as AFM members outsource their fund management, the ratings can already be accessed by the relevant manager.</p> <p>The ECA's largely accepted this argument, and made amendments to their general charging structure for UK mutuals to reflect the narrow use of the data by mutuals, and to reflect the fees already derived from fund managers. This has helped make the fees and licenses position much more proportionate, and we have suggested that agencies adopt the same approach in other jurisdictions.</p> <p>Our guidance to members also suggests that in many cases, it would only be necessary to derive ratings data from one ECA- where the market coverage is high, and where they have sufficient capital reserves to accept that some of their portfolio might not have been rated by that one agency. This does not appear to have caused any complications.</p>	
3.2		
3.3	<p>Whilst we recognise and support the work of AMICE to identify alternatives to the use of ECA's, we are finding the current arrangements, as described in paragraph 3.1 above to be workable and cost effective. Indeed, many of our members have benefited from an agreement by some agencies to not charge the mutual insurer for ratings data, where the use is limited solely to regulatory reporting, and where the fund manager already has licences in place.</p> <p>Our continued discussions with some of the agencies indicate they are keen to copy across the approach adopted for UK mutuals to other small insurers in Europe.</p> <p>The shortcomings of alternative approaches is that they will become a proxy for the work</p>	

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	produced by rating agencies, and may not be as reliable, and based on our own experience will add greater cost to small organisations.	
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3.4.3	We agree with the approach proposed and suggest a threshold of 80% coverage by one ECAI should efficiently help to reduce overreliance on too many ECAI's assessments.	
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