



eiopa

EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

Annual Report 2016

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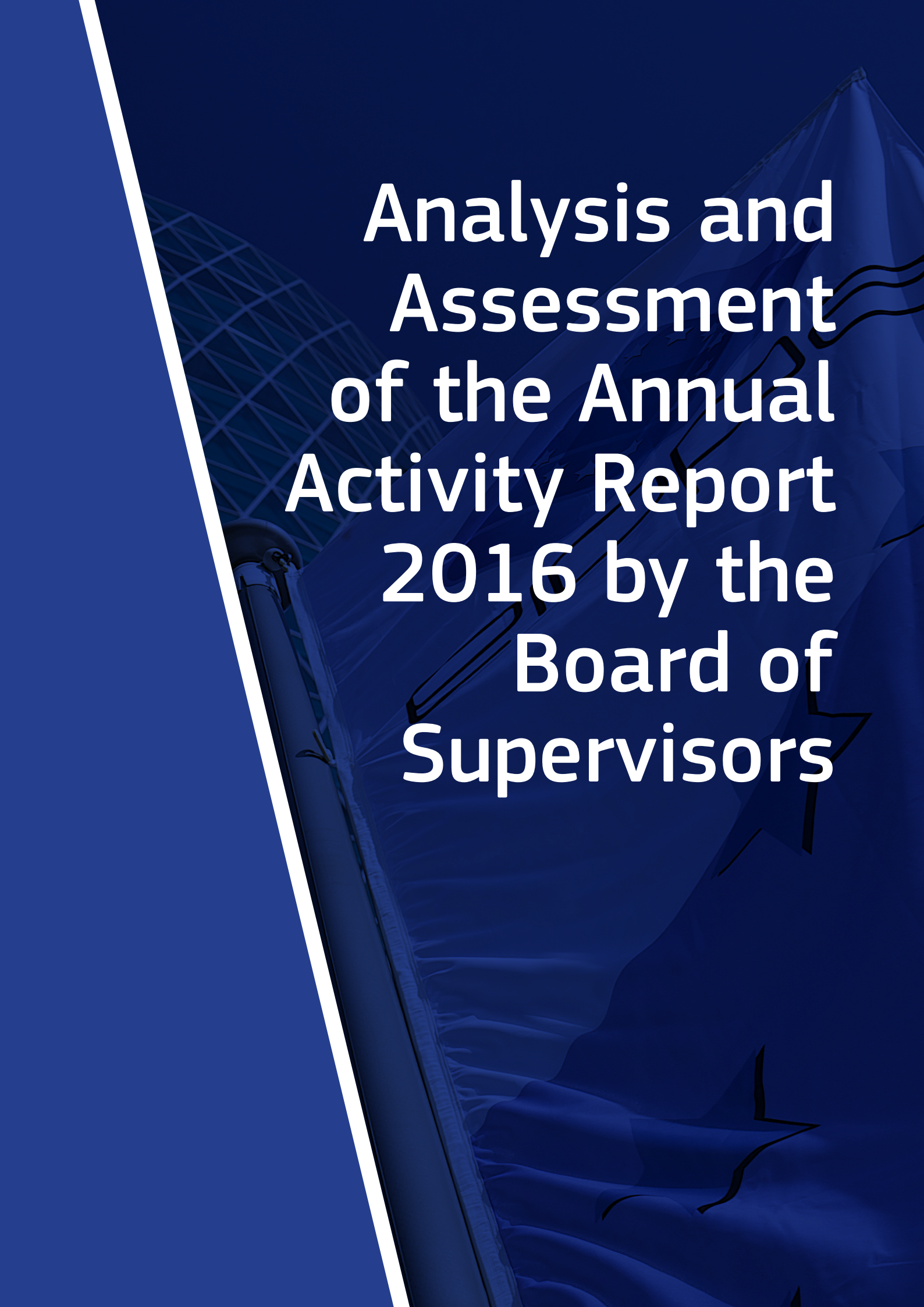
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The background is a deep blue color. On the left side, there is a white diagonal line. In the upper left, a portion of a geodesic dome structure is visible. On the right side, a flag with a blue field and a white star is partially visible. The text is centered in the upper half of the image.

Analysis and Assessment of the Annual Activity Report 2016 by the Board of Supervisors

EIOPA's Board of Supervisors (BoS) takes note of the Consolidated Annual Activity Report (CAAR) 2016, submitted by the Authorising Officer in accordance with Article 47(1) of the Financial Regulation (FR) applicable to EIOPA. Analysing and assessing the CAAR 2016 BoS has made the following observations:

- The report contains a comprehensive and thorough account of the activities carried out by EIOPA in the implementation of its mandate and programme of work during 2016. EIOPA has met its obligations under Article 47(1), providing a detailed account of the results achieved in relation to the objectives set in the Work Programme 2016, financial and management information, as well as the risks related to the organisational activities and measures taken to address them.
- BoS acknowledges the challenges EIOPA faces in terms of its constrained resources in the face of a demanding workload and welcomes EIOPA efforts to manage this challenging situation.
- BoS welcomes the way in which EIOPA has noted and followed up on the discussions of the BoS Strategy Day across the themes of macro and micro-prudential perspectives in the insurance and occupational pensions markets; supervisory convergence; and supervisory culture.
- BoS welcomes the positive contribution EIOPA has made in the field of consumer protection, in particular, with the establishment of the strategy for conduct of business supervision and the Authority's activities related to the Insurance Distribution Directive.
- BoS notes the successful start of application of Solvency II in January 2016 and EIOPA's initiatives on the collection of reporting data. BoS also welcomes the work undertaken to review the Standard Capital Requirement and report on Long-Term Guarantees.
- BoS welcomes EIOPA's focus on supervisory convergence and notes EIOPA's active involvement in specific projects such as the Balance Sheet Review exercise of the Bulgarian market.
- BoS welcomes the progress EIOPA is making in analysing and reporting on vulnerabilities and financial stability risks and notes the growing stakeholder awareness and confidence in EIOPA's stress test exercises.
- BoS notes the positive results of successful management of the Authority's tasks and resources, indicated by the extremely high rate of delivery of products and services as planned or within a minor and tolerable delay reported by EIOPA; and the targets met in terms of EIOPA's key performance indicators on management of its financial resources.
- BoS notes EIOPA's diligent response to findings from the European Court of Auditors, the Internal Audit Service and the Authority's Quality Control Committee and supports EIOPA's efforts in its transparent implementation of the recommendations.
- BoS considers that EIOPA is running effectively and efficiently and delivering the expected products and services to sufficiently high standards of quality.

Gabriel Bernardino

Chairman of the Board of Supervisors

Foreword from the Chairman



To ensure sound and effective supervision of the insurance and pensions sectors, EIOPA strongly believes in a holistic and integrated approach towards European prudential and conduct supervision and over the past years, EIOPA has worked hard to fulfil its mandate in the form of high quality regulation, technical advice and supervision at the European Union level. The year 2016 was no exception and this report provides in-depth information on our activities and achievements during the past year, underlining the Authority's commitment to establish a common European supervisory culture with consistent supervisory practices across the European Union

In 2016, EIOPA developed and deployed tools and projects to enhance supervisory convergence, to safeguard financial stability and to reinforce consumer protection for policyholders and beneficiaries in the European Union. In addition to the extensive tasks associated with Solvency II, such as the secure collection and storage of data, EIOPA initiated the monthly calculation and publication of risk-free rates and, for the first time, published a report on long-term guarantee measures. EIOPA conducted an EU-wide insurance stress test, developed its macro-prudential approach to the low interest rate environment in Solvency II, published its annual report on consumer trends and provided advice to the European Commission on issues including the development of a Pan-European Personal Pension product (PEPP) and, with the Joint Committee, the Key Information Documents for Packaged Retail and Insurance-based Investment Products (PRIIPS).

Regarding Occupational Pensions, EIOPA's Opinion on a Common Framework for Risk Assessment and Transparency, proposed a way forward to deal with the long-term sustainability of pension promises and encouraged timely adjustments.

The implementation of EIOPA's comprehensive plan towards supervisory convergence was done through further developments on the Handbook of good supervisory practices, working on consistency reports on the treatment of certain material issues

in internal models and performing visits to the National Supervisory Authorities, providing independent feedback, challenging supervisory practices and supporting improvements in national supervision through exercises such as the conduct of Balance Sheet Reviews. An increased focus was also put on supervisory practices related to cross-border business.

The Authority will build on these achievements in 2017 as we consolidate our position as a credible supervisory authority, by prioritising the convergence of supervisory practices and playing a role in advancing the European Commission's agenda in areas such as the Capital Markets Union. EIOPA must remain ready to respond to the evolving political and business environment, in particular increasing digitalisation and the growing use of big data. EIOPA must ensure that it keeps pace with these developments to react effectively to the opportunities and challenges that innovation brings, so consumers benefit but remain protected.

To achieve our goals, we rely on a wide range of partners and stakeholders. I would like to take this opportunity to thank our colleagues from the national supervisory authorities for their continued cooperation and openness over the past year. I would also like to thank EIOPA's Board of Supervisors and Management Board for their strategic commitment. Building a strong European supervisory culture will not happen overnight but, working together, we are committed to bringing positive change for the benefit of European consumers.

Gabriel Bernardino



Foreword from the Executive Director



Looking back on 2016, I am pleased to be able to say that EIOPA achieved its strategic objective of operating as a responsible, competent and professional organisation.

As always, striving to deliver to a high standard is an essential element of the way we work. As an organisation, we are continuously identifying opportunities to increase our efficiency and the quality of output.

In 2016, this included a review of EIOPA's organisational structure to ensure that we were working as effectively as possible and that our resources were best arranged to deliver our work programme. The resulting new structure, which came into effect at the end of 2016, reflected the change in EIOPA's strategy from regulation to supervision and took into consideration practical experience from the previous five years. The changes better aligned staff to organisational priorities and will enable EIOPA to achieve its strategic objectives more effectively, in particular as a result of enhanced coordination and more efficient working within the organisation.

Management of resources, both human and financial, remain a priority for EIOPA. At the end of 2016, 95.7% of establishment plan posts were filled, against a total of 139 posts. The Authority conducted 26 recruitment campaigns throughout the year but attracting and retaining talented staff continues to be a challenge. Looking to the future, in 2016, EIOPA undertook substantial work in the development of a competency framework, to identify the supervisory competences required that

will facilitate the Authority's growing focus on supervision.

EIOPA's operating budget for 2016 was EUR 21,762,500 and in its execution, EIOPA applies all principles and standards of sound financial management. I am pleased to say that, by the end of 2016, the budget implementation rate was 99.68% for commitment appropriations.

Looking ahead, the changing political landscape and evolving business environment suggest that EIOPA will need to be ready to actively respond to changing priorities or new tasks. A strong organisational culture will help us to do so, and I am proud to acknowledge the way in which EIOPA staff work according to the Authority's six values (efficiency, independence, integrity, responsibility, team spirit, and transparency). Through our shared understanding of these values, we will be able, as an organisation, successfully to respond to future challenges together, so that we can continue to work towards our overall goal of strengthening consumer protection and financial stability for the benefit of Europe's economy, its business and, above all, its citizens.

Fausto Parente



INFORMATION BOX

Top achievements in 2016

Key Information Documents (KIDs)

The regulatory technical standards (RTS) on the KID for Packaged Retail and Insurance-based Investment Products (PRIIPs) is a milestone in improving the transparency of investment products through simple and comparable information across the banking, insurance and securities sectors. Now, for the first time, consumers can easily compare different products and make informed investment decisions fitting their particular needs.

Launch of an EU-wide thematic review of market conduct among insurance companies operating in the unit-linked life insurance market

Thematic reviews are a key tool in EIOPA's strategy for conduct of business supervision, targeting specific financial activities or products where initial evidence suggests potential consumer detriment might be occurring. The review launched in 2016 focused on identifying potential sources of consumer detriment stemming from the relationships between insurers and providers of asset management services. This thematic review marks an important step in the effective roll-out and implementation of EIOPA's strategy towards a comprehensive risk-based and preventive framework for the conduct of business supervision.

Advice on the identification and calibration of infrastructure investments risk categories

Investments in infrastructure could be very important for the insurance business. However infrastructure projects can be complex and require specific risk management expertise. EIOPA therefore suggested a more granular approach and the creation of a separate asset class under the Solvency II standard formula for investments in infrastructure projects. The proposed approach meaningfully reduces risk charges for qualifying infrastructure project investments in equity and debt.

Advice on the development of an EU Single Market for personal pension products (PPP)

EIOPA's advice in response to a request from the European Commission, provided important input into the debate on how personal pensions can contribute to meeting the needs for the provision of adequate retirement incomes and to foster increased long-term investment for providers of such products. Due to the highly divergent market for personal pension products in the European Economic Area (EEA), only a prudentially sound, second regime product that is demonstrably trustworthy, transparent and cost effective can successfully overcome hurdles and inefficiencies of cross-border business and offerings.

EIOPA's readiness for Solvency II reporting

The Solvency II Directive sets out reporting requirements and a role for EIOPA in securely collecting and managing this data. In 2016, EIOPA received the first set of full reporting data, a major milestone in the Solvency II project. To achieve this, EIOPA created common reporting templates and tools to support undertakings in fulfilling their reporting obligations. EIOPA also established a fully functioning central repository of insurance data, which will become the most comprehensive and authoritative database on insurance undertakings. This data will be analysed and reported on to feedback to National Competent Authorities (NCAs) and provide added value.

Monthly production of risk free rates and symmetric adjustment of the equity capital risk

Key components of the Solvency II framework will now be calculated consistently across the European Union (EU) and are replicable for (re)insurance companies with EIOPA's monthly publication of this information.

First annual Report on Long-Term Guarantees Measures (LTG) and Measures on Equity Risk

For the first time EIOPA presented a report on the use and impact of long-term guarantees measures and the measures on equity risks on the financial position of European insurers. The results of this stocktaking exercise confirmed a significant impact of these measures on the financial position of insurers whilst indicating that the measures work as intended, including on financial stability as demonstrated by EIOPA 2016 Insurance Stress Test.

Launch of the Asset Quality Review and Balance Sheet Review of pensions and insurance business in Bulgaria

EIOPA's role was fundamental in launching a comprehensive assessment of the resilience of both sectors in Bulgaria, resulting in enhanced credibility and consumer confidence. Providing in-depth sector expertise and knowledge, EIOPA co-chaired the steering committee and steered the technical elements of the work including taking a lead on the development of the methodology for the exercise.

EIOPA Insurance Stress Test 2016

EIOPA conducted its EU-wide stress test to assess insurers' vulnerabilities and resilience to severe adverse market developments based on a common analytical framework. The results confirmed the significant challenges for the European insurance sector triggered by the current macro-economic environment. Conducted after the implementation of Solvency II, a 'high-resolution' picture of the vulnerabilities of the sector requiring particular supervisory attention was provided. EIOPA will closely monitor the implementation of the recommendations by the National Competent Authorities in order to ensure a coordinated response to situations that may pose a threat to the viability of the supervised entity and, collectively, to the system as a whole.

Discussion Paper on Potential Harmonisation of Recovery and Resolution Frameworks for Insurers

EIOPA provided a snapshot of the current fragmented landscape, paving the way for a harmonised recovery and resolution framework by proposing the essential building blocks. This framework could be an important step and a key milestone towards a more robust and stable insurance market for the benefit of policyholders.

Opinion to EU Institutions on a Common Framework for Risk Assessment and Transparency for institutions for occupational retirement provision (IORP)

This Opinion presents a major step forward towards realistic, risk-sensitive information on the financial situation of pension funds. EIOPA's recommendations to modernise the European regulation of pension funds aim at supporting the occupational pensions sector to meet its current and future challenges.

Introduction



Insurance fulfils an important role in the society. When it functions well, it takes on risk and contributes to economic growth and financial stability, ultimately bringing greater financial security to citizens. With assets worth around two thirds of EU Gross Domestic Product (GDP) (73% in 2015)¹, the EU insurance sector is a significant part of the financial sector. And with liabilities comprising one third of European households' wealth, consumers depend on aspects of the insurance sector for their future income. Equally, occupational pensions are crucial to ensure that older people are protected from the risk of poverty in retirement. With assets worth around 25% of EU GDP², and much more in some countries, pension fund assets are growing rapidly and are increasingly providing a source of investment to financial markets.

EIOPA was set up in January 2011 as a result of reforms of the supervisory structure in the financial sector of the EU. EIOPA is an independent European Union advisory body to the European Parliament, the Council of the European Union and the European Commission. Its core responsibilities are to support the stability of the financial system, ensure the transparency of markets and financial products, and protect policyholders, and pension scheme members and beneficiaries.

EIOPA's mission is to protect the public interest by contributing to the short, medium and long-term stability and effectiveness of the financial system, for the Union economy, its citizens and businesses. This mission is pursued by promoting a sound regulatory framework and consistent supervisory practices in order to protect the rights of policyholders, pension scheme members and beneficiaries and contribute to the public confidence in the European Union's insurance and occupational pensions sectors.

EIOPA is one of three European Supervisory Authorities that comprise an important element of the European System of Financial Supervisors (ESFS), an integrated network of national and European supervisory authorities that provides the necessary links between the macro and microprudential levels, leaving day-to-day supervision to the national level.

This Annual Report details the Authority's main achievements in 2016 across its main activities:

- to strengthen the protection of consumers;
- to improve the functioning of the EU internal market in the field of pensions and insurance;
- to strengthen the financial stability of the insurance and occupational pensions sectors; and
- EIOPA to be a responsible, competent and professional organisation.

¹ Source: Eurostat and EIOPA EU/EEA (re) insurance statistics <https://eiopa.europa.eu/financial-stability-crisis-prevention/financial-stability/statistics>

² Source: <https://eiopa.europa.eu/financial-stability-crisis-prevention/financial-stability/statistics>

Main Achievements³

3 See Annex XI for list all EIOPA Opinions and Reports published in 2016

Strategic Objective 1: to strengthen the protection of consumers

Develop and strengthen the regulatory framework for the benefit of protection of consumers

Preparatory Guidelines on Product Oversight and Governance (POG) arrangements

To provide early guidance and support to National Competent Authorities and market participants for the implementation of the Insurance Distribution Directive (IDD) in 2018, EIOPA issued Preparatory Guidelines on product oversight and governance (POG) arrangements by insurance undertakings and insurance distributors in April 2016. These guidelines ensure that supervisors will engage early with the boards and senior managers in industry to make sure that product governance requirements are in place, prior to 2018. This early engagement is essential to engender the cultural change required from industry to place consumer interests at the heart of their businesses. The preparatory guidelines further minimise the risks of consumer detriment and mis-selling of insurance products by ensuring that products are designed with

clear customer needs in mind, undergo a company internal approval process, and are sold to customers within defined target markets.

Consultation paper on draft technical advice to the European Commission on possible delegated acts concerning the Insurance Distribution Directive (IDD)

The Insurance Distribution Directive (IDD) is a significant milestone in strengthening consumer protection in Europe. EIOPA developed draft advice to the Commission on possible delegated acts concerning the IDD. EIOPA considers it of utmost importance that the interests of consumers are taken into account throughout the product lifecycle, that third party payments, such as commissions, do not have a detrimental impact on the quality of services rendered to customers and that products sold are suitable and appropriate for the individual customer. The advice is a substantial step forward in promoting a framework for better governance, suitability and accessibility of insurance products for consumers, across the internal market. Valuable feedback from different stakeholders during the extensive public consultation was used to ensure that the advice provided was sound, fit for purpose and proportionate.

INFORMATION BOX

During 2016, EIOPA issued the following Guidelines:

- **Preparatory Guidelines on product oversight and governance arrangements by insurance undertakings and insurance distributors (POG Guidelines); and**
- **Guidelines on the supervision of branches of third-country insurance undertakings.**

The replies received to the POG Guidelines show that all NCAs comply or intend to comply with these Guidelines by the date of transposition of the Insurance Distribution Directive (23 February 2018). The replies indicate that 5 NCAs comply with the Guidelines and have incorporated them into their supervisory frameworks, while the remaining 19 NCAs either intend to comply or provided a mixture of comply and intend to replies.

With respect to the Guidelines on the supervision of branches of third-country insurance undertakings, all NCAs provided a reply and the replies reported show that all NCAs comply or intend to comply with these Guidelines.

Full detail of replies have been published on our website under the following link <https://eiopa.europa.eu/regulation-supervision/guidelines>

Online survey on the empowerment to develop Guidelines in Article 30(7), IDD

The IDD includes a requirement for EIOPA to 'develop Guidelines for the assessment of insurance based investment products (IBIPs) that incorporate a structure which makes it difficult for the customer to understand the risks involved' (Article 30(7), IDD). The deadline for the publication of the final Guidelines is 23 August 2017. As a first step, EIOPA sought the views and input of stakeholders via an online survey on the scope of the potential Guidelines and the types of IBIPs. EIOPA will continue to involve stakeholders at various stages during the development of the Guidelines. This has included the launch of a public consultation at the beginning of 2017, following the preparation of draft policy proposals.

Consultation paper on draft Implementing Technical Standards (ITS) standardising the presentation format of the Insurance Product Information Document (IPID)

To ensure customers are appropriately informed of their rights and obligations with respect to non-life insurance products, EIOPA is working to establish a standardised presentation format for relevant pre-sales information which distributors must provide to customers. The draft Implementing Technical Standards (ITS) on insurance product information document (IPID) aims to provide in a few pages all the relevant information a potential customer needs to make an informed decision, in intuitive and reader friendly formats. The draft ITS will deliver some specific benefits. Notably, the simple Q&A format enhances understanding of key features of non-life products. The trend for online sales is also taken into account, with IPID presentation requirements designed to not conflict with future digital developments in the insurance market. Furthermore, the limitation to two sides of A4 (unless the

need to use three can be demonstrated) enhances to level of standardisation and comparability.

In preparation of the draft ITS, EIOPA engaged in extensive consumer testing to ensure the standards documents fulfil requirements both in presentation and design. The consumer testing was carried out in two phases. During the first phase, views and preferences of consumers were sought on five different designs. This was done through focus groups held in four countries (DE, ES, RO and UK), to ensure a varied geographical representation of the EU. In the second phase, three designs (two slightly adapted designs from the first phase and one design combining positive aspects from other first phase designs) were tested among a large number of consumers in the same four countries using an online questionnaire. This was followed up by a public consultation on the draft ITS and template from 1 August to 24 October 2016. EIOPA's Insurance and Reinsurance Stakeholders Group also submitted a formal Opinion.

Xxxxx Insurance

Insurance Product Information Document

Company: <Name> Insurance Company Product: <Name> Policy

[Statement that complete pre-contractual and contractual information on the product is provided in other documents]

What is this type of insurance?

[Description of Insurance]

What is insured?

- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx
- ✓ Xxxxxx

What is not insured?

- ✗ Xxxxxx
- ✗ Xxxxxx
- ✗ Xxxxxx
- ✗ Xxxxxx
- ✗ Xxxxxx

Are there any restrictions on cover?

- ! Xxxxxx
- ! Xxxxxx
- ! Xxxxxx
- ! Xxxxxx
- ! Xxxxxx

Where am I covered?

- ✓ Xxxxxx

What are my obligations?

- Xxxxxx
- Xxxxxx
- Xxxxxx
- Xxxxxx

When and how do I pay?

- Xxxxxx

When does the cover start and end?

- Xxxxxx

How do I cancel the contract?

- Xxxxxx

Consumer testing was an essential step in ensuring that insurance product information documents meet consumer needs

Technical Standards (RTS) on the content and presentation of the KIDs for – Packaged Retail and Insurance-based Investment Products (PRIIPs)

The Regulation on Key Information Documents (KIDs) for Packaged Retail and Insurance-based Investment Products is a milestone in improving the transparency of investment products through simple and comparable information across the banking, insurance and securities sectors. They are an innovative and pioneering new approach to risk, performance and cost disclosures that lays a strong foundation for the future. Now, for the first time, consumers can easily compare different products and make informed investment decisions fitting their particular needs.

EIOPA led work by the three European Supervisory Authorities (ESAs), which managed successfully to transform high-level EU legislative principles into a set of practical cross-sectoral rules. This included three detailed consultations and work with a specific consultative expert group. The ESAs jointly adopted the resulting detailed rules in April 2016. These were also endorsed without substantive change by the European Commission. However the European Parliament objected to certain details in the RTS in the autumn, leading the European Commission to propose a small number of amendments, and an extension of the deadline for the KID implementation until 1 January 2018. EIOPA led work at the ESAs to consider the amendments, though given the six week timeline for these considerations it was not possible to arrive at a consensual view across the ESA's decision-making bodies. Nevertheless, there was a general consensus during the discussions within the European Supervisory Authorities' Boards that the amendments to the performance scenarios proposed by the Commission raised comprehension issues and may be misleading.

Packaged Retail and Insurance-based Investment Products (PRIIPs) guidance (Level III)

Having delivered the technical standards on Packaged Retail and Insurance-based Investment Products (PRIIPs) RTSs to the Commission in March 2016, EIOPA focused next on ensuring both National Competent Authorities and industry were sufficiently prepared and that there would be consistent implementation to promote supervisory convergence. EIOPA, together with the other ESAs, initiated a PRIIPs Questions & Answers process to capture and address relevant stakeholder questions. Many questions were gathered, and some provisional conclusions were shared with stakeholders through a workshop held jointly with the European Commission in Brussels in July. While there remained uncertainty over the final content of the RTS through the remainder of the year, EIOPA and the other ESAs continued work on guidance material, in view of many questions and calls for clarification as to how to apply the RTS for the KIDs to the extremely wide range of products available across the EU. The Questions & Answers will be published once the final RTS have been adopted.

Develop and strengthen a comprehensive risk-based and preventive framework for conduct of business supervision that serves as basis for appropriate supervisory action

Strategy for Conduct of Business Supervision

Conduct of business supervision is an area of considerable divergence across Member States and EIOPA achieved a major milestone in advancing convergence by adopting in January a strategy towards a common risk-based and preventive framework for conduct of business supervision. The strategy sets out how EIOPA and National Competent Authorities will

address conduct of business risk. Key to the strategy is 'smart regulation': grounded in a sound understanding of actual consumer behaviour focussing on what works and what does not work in practice, while being robustly risk-based by routinely identifying the scale and depth of issues. Overall the aim is towards more forward looking conduct of business supervision, which prevents consumer detriment by identifying and tackling risks while they are emerging.

Thematic reviews

EIOPA's strategy for conduct of business supervision highlights the use of thematic reviews as an effective tool. These target specific financial activities or products where initial evidence suggests potential consumer detriment might be arising, or where barriers to the effective delivery of good consumer outcomes could be emerging. A thematic review allows a 'deep dive' on issues to bring to light further evidence on the scale and nature of problems, as a prelude to further targeted regulatory or supervisory action as needed.

EIOPA's Consumer Trends Reports have highlighted the relations between insurers and asset managers in the unit-linked market as one possible source of consumer detriment. To gain a deeper understanding, in July 2016, EIOPA launched an EU-wide thematic review of market conduct among insurance companies operating in the unit-linked life insurance market. The aim was to identify potential sources of consumer detriment stemming from the relationships between insurers and providers of asset management services. In particular, it focused on how remuneration paid by asset managers to insurers could influence their choice of investments and how this could impact policyholders, and the scale of any such impacts. The review covered 60% of each national market in terms of both gross written premiums and assets of unit-linked funds, and first results are expected at the beginning of 2017. This thematic review was an important step in the effective roll-out and implementation of EIOPA's strategy towards a comprehensive risk-based and preventive framework for conduct of business supervision.

INFORMATION BOX

Consumer Trends Report

EIOPA identified the following current major trends reshaping the European insurance sector and having significant impact on the business models of insurers:

- Continuous introduction of new life insurance products with reduced or no guarantees as a result of the persistent low interest rate environment
- Increased development of tailored and personalised products triggered by Big Data and advanced consumer analytics, with a potential negative impact on the availability and affordability of insurance for some consumers
- Improved insurers' relationships with consumers due to tailored sales offers through mobile phone applications
- Increased presence of Insurtech start-ups via very frequent cooperation agreements with established insurers
- Decreased motor insurance complaints in a majority of European countries and increased travel and household insurance complaints in several European countries

The European pensions sector is affected by a combination of trends detected in the previous years and new trends such as:

- Continued shift from Defined Benefit schemes to Defined Contribution where risks are borne by consumers
- Liberalised pay-out phase introduced in several European countries resulting in the provision of new decumulation options to members and policyholders
- A moderate increase in the number of members and policyholders in occupational and personal pensions schemes in most of the European countries
- Lack of advice on pensions matters to pension scheme members and policyholders
- Slow but steady penetration of digital technologies into the European pensions sector

Fifth Annual Consumer Trends Report

To identify and track emerging risks of consumer detriment in the insurance and pensions sectors, EIOPA published its fifth Annual Consumer Trends Report. An important emerging trend that was highlighted this year was on the use of innovative customer analytics and so-called 'Big Data', whereby insurers develop more customised products and new segmentation and pricing techniques. While this trend may be positive for consumers, it could also give rise to new consumer protection issues. Despite recognising the benefits of the digital era, EIOPA will follow very closely the potential threats for consumers such as the availability and affordability of insurance for some consumers. Taking into account the magnitude and speed of the changes due to digitalisation and Big Data in the insurance and pension sectors, the report clarified that there would be a need to develop balanced regulatory and supervisory approaches on this issue to best protect consumers whilst also supporting innovation.

Retail Risk Indicators – methodology

With the support of the Actuarial Association of Europe (AAE), EIOPA developed indicators for identifying the risk of conduct or potential conduct issues leading to consumer detriment. The indicators make use of Solvency II data and support the identification of specific areas for further and more detailed investigation. Early results from their use are positive, with correlations found with existing trends identified in the annual Consumer Trends Reports, justifying further work to deepen the indicators, develop new ones, and make them more precise. The retail risk indicators supplement the Consumer Trends Reports by allowing for the use of more real-time data, so action can be taken more swiftly where heightened risks of consumer detriment are identified.

Strategic Objective 2: to improve the functioning of the EU internal market in the field of pensions and insurance

Leading the development of a sound and prudent regulatory framework

Finalising Solvency II regulatory framework

As of 1 January 2016, Solvency II, the new risk-based European supervisory framework for insurance became applicable. EIOPA had a central role in ensuring the timely application by finalising the required guidelines and implementing technical standards (ITS) during 2015. In 2016 EIOPA issued draft implementing technical standards on procedures for the application of the transitional measure for the calculation of the equity risk sub-module ('the equity transitional'). The draft ITS sets out the procedures for the application of the standard parameters for equities that the undertaking purchased on or before 1st January 2016. EIOPA also provided draft amendments to ITS on the templates for the submission of information to the supervisory authorities. The changes reflected the amendments to the Commission Delegated Regulation on Solvency II, introducing tailored treatments to insurers' investments in infrastructure, in the European Long-Term Investment Funds (ELTIFs) and in equities traded through multilateral trading platforms. This is intended to allow for the collection of meaningful information for supervisory purposes while ensuring the smallest impact possible on the implementation efforts of industry and National Competent Authorities. EIOPA also issued guidelines on facilitating an effective dialogue between supervisors and statutory auditors.

At the same time, via the Joint Committee⁴ EIOPA finalised a regulatory technical standard on margin requirements under the European Market Infrastructure Regulation (EMIR) and an implementing technical standard on the mapping of ECAIs' credit assessment under Article 136(1) and (3) of Regulation (EU) No 575/2013 (Capital Requirements Regulation - CRR) which mapped the ratings provided by external credit assessment institutions (ECAIs) to the credit quality steps established under Solvency II.

Advice on the identification and calibration of infrastructure investments risk categories

Investments in infrastructure could be very important for the insurance business because, due to their long-term nature, they may be a good fit to match long-term liabilities while also increasing portfolio diversification. However, infrastructure projects can be very complex and require specific risk management expertise. In its Advice on the identification and calibration of infrastructure investments risk categories, EIOPA suggested a more granular approach and the creation of a separate asset class under Solvency II standard formula for investments in infrastructure projects. This new asset class seeks to capture the opportunity infrastructure presents, whilst recognising the complex and heterogeneous nature of such investments. The proposed approach meaningfully reduces risk charges for qualifying infrastructure project investments in equity and debt. At the same time EIOPA proposes robust risk management requirements including active monitoring of exposures to infrastructure projects as well as sound stress testing of their cash flows.

⁴ The Joint Committee is a forum with the objective of strengthening cooperation between the three European Supervisory Authorities (ESAs). Through the Joint Committee, the three ESAs coordinate their supervisory activities in the scope of their respective responsibilities regularly and closely and ensure consistency in their practices.

Advice to the European Commission on the identification and calibration of infrastructure corporates

EIOPA's Advice on the identification and calibration of infrastructure corporates was developed in response to the European Commission request to elaborate EIOPA's proposed new asset class for investments in infrastructure projects. After having carefully analysed the evidence available, EIOPA proposed a risk-based enhancement of the Solvency II asset class for high-quality infrastructure investments regarding infrastructure corporates. Where the risks are properly managed, EIOPA's proposals will help insurers to match their long-term liabilities, to increase their portfolio diversification, and thereby better protect policy holders and support the strategic objective of building the EU Capital Markets Union.

Scheduled reviews of Solvency II

As a maximum harmonisation framework for the whole EU it is important that Solvency II is subject to ongoing but proportional review. Two areas were foreseen for review from the outset: the solvency capital requirement and the measures known as the long term guarantees. Regarding the former, at the end of 2016, EIOPA issued a discussion paper on the review of specific items in the Solvency II Delegated Regulation. This covered most aspects of the solvency capital requirement (SCR) as requested by the Commission, including where appropriate a more proportionate approach. The review of the SCR standard formula marked the first phase of the Solvency II review process and EIOPA actively called upon stakeholders to share evidence-based information and necessary, justified changes. EIOPA was particularly interested in concrete proposals to achieve the objective of more simplicity and proportionality whilst reflecting risk-sensitivity of the system and avoiding pro-cyclicality.

In respect of the long term guarantees, EIOPA issued the first annual Report on Long-Term Guarantees Measures (LTG) and Measures on Equity Risk as required by Solvency II on the application of these measures. For the first time EIOPA presented the use and impact of long-term guarantees measures and the measures on equity risks on the financial position of European insurers. The results of this stocktaking exercise confirmed a significant impact of these measures on the financial position of insurers whilst indicating that the measures work as intended, including on financial stability as demonstrated by EIOPA 2016 Insurance Stress Test.

EIOPA joins the Multilateral Memorandum of Understanding (MMoU) on Cooperation and Information Exchange

As a member of the International Association of Insurance Supervisors (IAIS), EIOPA continuously contributes to the development of sound and robust international supervisory standards. EIOPA became a signatory to the International Association of Insurance Supervisors (IAIS) MMoU on Cooperation and Information Exchange. This agreement strengthens the Authority's ability to work co-operatively with other supervisory bodies and to monitor large cross-border insurers. Such cooperation is critically important to foster effective supervision, to enhance financial stability and to protect European consumers.

EIOPA signs Memorandum of Understanding (MoU) with China's CIRC

In June, EIOPA and the China Insurance Regulatory Commission (CIRC) signed a MoU as a basis for enhanced cooperation and to achieve in particular the following objectives: (i) to build a practical framework for exchange of supervisory information; (ii) to update each other on the developments in the regulatory and supervisory frameworks for insurance

and private pensions; and (iii) to increase mutual understanding of the Chinese (C-ROSS) and European (Solvency II) supervisory regimes for insurance.

Consultation on an international capital standard at International Association of Insurance Supervisors

EIOPA continues to play an important role supporting the EU position in the development by the International Association of Insurance Supervisors (IAIS) of its international capital standards (ICS). The benefits of internationalisation require trust and common standards, of which the ICS are a crucial component. The overarching goal remains for Solvency II to become a practical implementation of the international standard, and that the first iteration of the ICS shows convergence towards a common standard.

Advice on the development of an EU Single Market for personal pension products (PPP)

In the current environment with challenges of an aging population and the sustainability of public finances, it is important to consider how personal pensions can contribute to meeting the needs for the provision of adequate retirement incomes and to foster increased long-term investment of providers of such products. EIOPA's Advice on the development of an EU Single Market for personal pension products (PPP), issued in response to a request from the European Commission, provides an important input into the debate. The advice considers the two main options with evidence-based policy analysis: (i) to introduce a Pan-European Personal Pension Product (PEPP) via a so called 'second regime'; or (ii) to harmonise existing national frameworks for personal pensions products. Due to the highly divergent market for personal pension products in the EEA, only a prudentially sound, second regime product that is demonstrably trustworthy, transparent and cost effective can success-

fully overcome hurdles and inefficiencies of cross-border business and offerings. If standardised, yet flexible in some aspects, PEPP will be capable of making an important difference to the efficiency of an EU Single Market for personal pensions and of changing the market dynamics of retirement savings. In this respect, EIOPA sees an important role for PEPP to contribute to the development of the EU Capital Markets Union, attracting more retirement savings and fostering the supply of long-term capital.

To maintain and develop a common supervisory reporting and data framework

Solvency II Reporting

EIOPA developed the Solvency II XBRL taxonomy to establish a systematised description of all the Solvency II reporting requirements and ensure harmonised reporting. XBRL (eXtensible Business Reporting Language) is an IT language for the electronic preparation, exchange and analysis of business information. To ensure stable and predictable implementation of reporting requirements for undertakings and National Competent Authorities, EIOPA also published the Governance of Taxonomy Releases and Schedule 2017. Together, they define the process of publishing taxonomy releases and the order in which they will be released. The latest taxonomy version, published in 2016, captured the changes introduced by the amendment to the ITS on the templates for the submission of information to the supervisory authorities linked to investments in infrastructure projects, which was implemented in time for fourth quarter and annual reporting for 2016.

The Tool for Undertakings (T4U) enables companies without the knowledge and resources to perform a basic implementation in XBRL of Solvency II harmonised quantitative reporting. EIOPA's final re-

lease of the T4U was made in 2016 and developed with the aim of assisting small and medium sized companies in creating, editing and validating XBRL documents.

Central Repository ready to receive Solvency II data

The information EIOPA receives under Solvency II is stored in its Central Repository, a comprehensive and secure database of information used in the full range of the Authority's work (e.g. supervisory convergence, financial stability, crisis management, regulatory developments, etc.). In anticipation of the first round of Quantitative Reporting Templates (QRT) required for full Solvency II reporting, EIOPA finalised work to ensure it was ready to securely manage the data. The first deadlines for National Competent Authority reporting to EIOPA were successfully met in June with EIOPA's systems operating as required and satisfactory overall rates on timeliness and completeness from the National Competent Authorities. The data EIOPA holds will benefit National Competent Authorities by supporting benchmarking, allowing them to assess the soundness of undertakings operating in their jurisdictions when compared to the EU average. Colleges of supervisors will also have access to data on groups operating within the EU. Through the services EIOPA provides in data management and analysis, quality and granularity is enhanced. In addition, costs are reduced as it is not necessary for each National Competent Authority to develop its own tools, systems and indices.

Business Intelligence

EIOPA's Business Intelligence tool was successfully developed and implemented in 2016. The first reports were produced to meet the requirements as defined by a workstream set-up to engage National Competent Authorities and establish where EIOPA's data and analysis could add value to their work (Added Value of Analytics (AVA)). Following the Board of Supervisors' approval, the first reports

were ready to be disseminated to National Competent Authorities in February 2017. Reports and indicators were made available to support the EIOPA's internal work prior to 2017, and were the basis of input into discussions on EIOPA's work with its Board of Supervisors.

Monthly production of risk free rates and symmetric adjustment of the equity capital risk

With the monthly production of the risk-free interest rates (RFR) and the symmetric adjustment of the equity capital risk (also known as the Equity Dampener), key components of the Solvency II framework are calculated consistently across the Union and are replicable for (re)insurance companies. Full production of technical information on the RFR for valuing insurance liabilities, including the associated components such as the volatility adjustment, and the full production of the symmetric adjustment of the equity capital charge have been ongoing since January 2016 (following a preparatory phase launched in 2015). An external reviewer has assessed the accuracy and replicability of EIOPA's RFR model and the robustness of the RFR calculation process, including under stress conditions. Most of the recommendations to improve the internal controls and automate the RFR Production Process were implemented during 2016.

An important technical parameter used in the calculation of the RFR for long-term obligations is the ultimate forward rate (UFR). EIOPA started work on the methodology to update the ultimate forward rate with a public consultation on a proposal for a methodology which ran between April and July 2016. A more comprehensive analysis of the impact of changes to the UFR was conducted between December 2016 and January 2017.

Leading in convergence to consistent and high-quality supervision

Tailored support and feedback to ensure consistent application of Solvency II

EIOPA works with National Competent Authorities (NCAs) to promote a consistent approach in the application of Solvency II based on good practice and a solid understanding of existing challenges and inconsistencies. During 2016, EIOPA carried out 10 bilateral reviews at NCAs. Since the creation of EIOPA's Supervisory Oversight Team, visits have been made to all national authorities, giving EIOPA a comprehensive picture of Solvency II implementation across the Member States. The feedback EIOPA provides is based on real observation and comparisons between National Competent Authorities and directly supports implementation of regulation and improving the quality of supervision where it is needed.

Launching of the Asset Quality Review and Balance Sheet Review of pensions and insurance business in Bulgaria

Following the successful conclusion of the balance sheet review of the Romanian Insurance Market, EIOPA was requested to participate in the asset quality and balance sheet reviews of the Bulgarian pensions and insurance sectors. The aim of the exercise was to provide a comprehensive assessment of the resilience of both sectors in Bulgaria and enhance their credibility and consumer confidence. The reviews are part of the National Reform Programme (NRP) agreed between the European Commission and the Bulgarian government.

Providing in-depth sector expertise and knowledge, EIOPA co-chaired the steering committee together with the Bulgarian Authority (FSC) and alongside the European Commission, the Bulgarian Ministry of Finance, the national central

bank of Bulgaria and the European Securities and Markets Authority (ESMA). Throughout 2016, EIOPA had a key role in steering the technical elements of the work and was instrumental in the development of the methodology for the exercise and selecting both the independent external reviewers (auditors) and project manager. The exercise concluded in the first quarter of 2017 and represented an important milestone in achieving greater transparency and enhancing the trust of consumers.

Colleges develop further towards a continuous platform for supervision of cross-border groups

EIOPA staff participates in colleges of supervisors, which oversee international insurance groups. In 2016, EIOPA participated in 90 college meetings (including crisis management meetings for cross-border groups). Providing a clear basis for practical and operational cooperation within colleges of supervisors, EIOPA also facilitated the signing of ninety-five Co-ordination Arrangements for Colleges. The Agreements are essential for college functioning, setting out the information on subsidiaries to be exchanged amongst college members and roles and responsibilities including in emergency situations.

As a response to the new challenges resulting from the introduction of the new risk-based Solvency II framework, the strategy for colleges was reviewed and revised. The Colleges Strategy 2016-2019 reflects the joint collective effort of National Competent Authorities and EIOPA to focus on the content of group supervision. Given the available resources, risk-based choices will be made about EIOPA's engagement in colleges either on an ongoing basis, or in certain time intervals, or where EIOPA in principle will not engage. A number of criteria have been defined to determine EIOPA's focal areas of attention depending on the impact of a group's failure from a European-perspective taking into account scale, market position, dimension of risk exposure, complexity of organisation and operations and quality of supervision.

Internal models

EIOPA provides specific support in the highly technical area of internal models. EIOPA supported National Competent Authorities to reach joint decisions on the application of internal models, establishing a shared view on their assessment. While Day 1 internal model approvals were a major milestone in the enhanced cooperation of group supervisors, and

INFORMATION BOX

Outcome of the independent assessment of the Bulgarian insurance market and all universal, professional and voluntary pension funds in Bulgaria (published in February 2017).

The Insurance Balance Sheet Review shows an aggregated Solvency Capital Requirement (SCR) ratio of 154% and an aggregated Minimum Capital Requirement (MCR) ratio of 308% for solo entities before the impact of consistency procedures. After the consistency check, the ratios increase to 157% and 313% respectively. In total, 13 undertakings did not meet either the SCR and/or MCR ratio of 100%. Some 7 undertakings undertook subsequent measures to cover the capital deficit.

In line with the agreed follow-up actions published by the FSC on 15 February 2017, the undertakings with capital shortfalls will have to submit action plans to the FSC for the implementation of remedial actions.

The Pension Funds Asset Review identified an aggregated adjustment before consistency assessment of around 0.3% of the total assets of the pension insurance companies. These adjustments result from the revaluation of financial instruments and investment properties according to the national legal framework. The Review also included an assessment of risks not fully captured by the legal framework, which were the basis for the recommendation of expanding the related parties' definitions in the current law.

the culmination of several years of development in internal model processes by EIOPA, the focus has now shifted to on-going supervision of the approved models. As after approval, the on-going appropriateness of internal models has to be reviewed at regular intervals.

The Authority also directly supports National Competent Authorities in dealing with the application of internal models. In 2016, EIOPA participated in 10 internal model reviews. EIOPA also stood ready to support the approval or model change process for cross-border group internal models, where currently 11 National Competent Authorities act as a group supervisor, including preparing for being called upon to fulfil its mediation role.

To address areas of potential inconsistency and create a level playing field for Internal Models, EIOPA also ran three internal model consistency projects to assess consistency in key areas of internal models: modelling of sovereign risk, dynamic volatility adjustment and benchmarking of market and credit risk model calibrations. Moreover, a non-life underwriting risk comparative study project was launched.

Peer reviews

In 2016 EIOPA completed a peer review on supervisory practices regarding Freedom to Provide Services for insurance companies. The review made recommendations to National Competent Authorities to improve the current cooperation between National Competent Authorities at the different stages of the supervisory process, namely prior to the authorisation of the undertaking and during its on-going supervision. This includes at least a consistent approach regarding the identification of risks linked to Freedom of Service activities, a meaningful data collection for Freedom of Service business and the competences to handle complaints.

The peer review on the Statement of Investment Policy Principles for Institu-

tions for Occupational Retirement Provision (IORPs) was also completed, recommending best practices to improve the effectiveness, consistency and quality of supervisory outcomes when verifying the suitability of IORPs' investment policy. The diverse application of the Statement of Investment Policy Principles in the conduct of supervision across Europe confirms the need for greater European supervisory convergence already in the early stage of implementing the IORP II Directive.

EIOPA also launched a peer review on the application of the proportionality principle in governance requirements regarding key functions for insurance companies.

Work is also being undertaken to launch a further review on the Supervisory practices with respect to the application of the Prudent Person Rules for IORPs. Whilst undertaking this work, EIOPA's Review Panel has also developed a handbook for the consistent application of the methodology.

Supervisory review process handbook

Through the Supervisory Review Process (SRP) Handbook, EIOPA helps National Competent Authorities reach a common approach to supervision in specific and important areas where there is the potential for divergence. With this aim, in 2016, EIOPA delivered chapters on life technical provisions, own risk and solvency assessment and Scope of group and scope of group supervision.

EIOPA also developed a chapter on internal models for handbook. To facilitate information sharing with National Competent Authorities, a new website for the Expert Network on Internal Models was introduced.

EIOPA Opinions

The Authority also produces Opinions to ensure requirements in regulation, otherwise open to interpretation, are understood in a common way. In its Opinion on group solvency calculation in the context of equivalence, EIOPA clarified the approach to third countries capital requirement for the calculation of solvency positions and the assessment of the availability of third-country undertakings' eligible own funds. In a further Opinion on the application of a combination of methods to the group solvency calculation, EIOPA clarified how the combination of methods should be applied for the calculation of the group solvency.

The Authority also produced an Opinion on disclosure of information related to the use of transitional measures in the calculation of technical provisions. The objective of this Opinion was to clarify expectations of National Competent Authorities on the disclosure of information in the Solvency and Financial Condition

Report (SFCR) regarding the use of the transitional measures, in particular considering the impact of the methodology used for the decrease of the transitional measure. The Opinion clarifies that in view of complying with the principles of public disclosure and with Chapter XII of Title I of Commission Delegated Regulation (EU) 2015/35, the SFCR, group SFCR or single SFCR should contain the information necessary to reflect the estimated impact of the decrease of the portion of the adjustment performed on the first day of the next financial year in the technical provisions, Minimum Capital Requirement, Solvency Capital Requirement and Eligible own funds to cover the capital requirements.

Training and events enhancing supervisory skills

In 2016 the Authority delivered twelve sectoral training courses addressing skill and knowledge needs identified through engagement with National Competent Authorities. The highest level of interest

INFORMATION BOX

Sectoral Training and Events Programme in 2016

Sectoral seminars and workshops	Location	Dates	Participant number
3rd Consumer Trends Webinar	online	09.03.2016	16
Solvency II workshop with analysts on public disclosure	Frankfurt	09.03.2016	68
Stress Test workshop with industry	Frankfurt	13.04.2016	48
2nd Solvency II workshop with analysts on public disclosure	London	12.05.2016	60
Tool for Undertakings: Meet-the-market event	Frankfurt	30.05.2016	70
Online webinar on Insurance Stress Test: Post-launch information for NCAs	online	01.06.2016	48
Supervisory Aspects of Motor Insurance	Frankfurt	21.06.2016	47
Online webinar on Insurance Stress Test: Data submission and validation	online	30.06.2016	39
6th Group Supervisors' Days (workshop)	Frankfurt	7-8.09.2016	52
Risk Based Supervision in practice	Ohrid	6-7.10.2016	64
Seminar on the Supervisory Review Process of Internal Models	Frankfurt	09.11.2016	50
Advanced Seminar on Quantitative Techniques in Financial Stability	Frankfurt	8-9.12.2016	59
Sectoral public events	Location	Dates	Participant number
Solvency II "Ready, Steady, Go" - public event	Frankfurt	10.03.2016	145
Public Hearing on IDD	Frankfurt	23.09.2016	160
6th Annual Conference	Frankfurt	18.10.2016	339
Public Event of the EU-U.S. Insurance Project	Frankfurt	19.10.2016	116

was in topics such as the Solvency II Disclosure Analysts workshops for industry, which was requested to be repeated, the Risk Based Supervision in practice and the Advanced Seminar on Quantitative Techniques in Financial Stability.

EIOPA also delivered four sectoral public events providing an excellent opportunity for industry and supervisors to exchange ideas. Furthermore, they allowed EIOPA to communicate its work and achievements and to trigger debates on current and forthcoming topics. Reflecting interest in participating in such discussions, EIOPA attracted a high number of stakeholders to its public events in 2016.

In 2016, with the objective of further developing a common supervisory culture, the European Supervisory Authorities offered three cross-sectoral trainings and events.

Breaches of Union Law

EIOPA has the power to investigate alleged breaches or non-application of Union law by National Competent Authorities. EIOPA may start an investigation upon its own initiative or following a request from a National Competent Authority, the European Parliament, the Council, the European Commission or the stakeholder groups. In 2016, EIOPA registered three inquiries requesting EIOPA to consider a breach of Union law investigation. In each case EIOPA carried out a careful assessment based on the information received from the complainant and also

taking into consideration the view of the competent authority concerned. By the end of the year three requests (one is from 2014) were closed on the ground of non-admissibility – the grievance being outside EIOPA's scope of action or because the grievance was not founded. Two cases are still ongoing.

EIOPA is committed to consider and, if required, actively use the breach of Union law procedure in view of strengthening compliance with Union laws within the supervisory community.

Strategic Objective 3: to strengthen the financial stability of the insurance and occupational pensions sectors

Identify, assess, monitor, report and mitigate risks and threats to the financial stability of the European insurance and pensions sectors

EIOPA Financial Stability Reports

An important milestone for the insurance sector was reached in 2016 with the application of Solvency II. The new regulatory regime increases risk-based awareness. EIOPA's first Financial Stability Report employing Solvency II data, showed how, with the access to a more comprehensive set of data, the analysis

INFORMATION BOX

Cross-sectoral Training and Events Programme in 2016

Cross-sectoral seminars and workshops	Date	Location	Leading ESA	Participant number
Role of colleges of supervisors in sectoral, group and conglomerates supervision - cross sectoral seminar	12-13.05.2016	Berlin	EIOPA	50
Impact Assessment in practice	09.06.2016	Frankfurt	EIOPA	37
Cross-sectoral public events	Date	Location	Leading ESA	Participant number
Joint ESAs Consumer Protection Day 2016	16.09.2016	Paris	ESMA	335

of financial stability risks in the European insurance and pensions sector could be enhanced. The report indicated an extremely challenging macro-economic and financial environment with persistent low interest rates. Risks corresponding to low yields and a potential 'double-hit' scenario, creating a situation where the value of assets decreases whilst the value of liabilities increases, necessitate robust risk management practices by industry. The two main risks (low yields and "double-hit") were also the focus of EIOPA's Insurance Stress Test 2016.

With Solvency II the risk culture in the insurance sector has been significantly reinforced. However, prudential regimes in the IORPs sector are not sufficiently risk-sensitive. EIOPA in its recent Opinion on the common framework for risk assessment and increased transparency for pension funds recommended actions for improvements.

In order to further support analytical work and research that could be beneficial for identification, monitoring and assessment of risks relevant for the European insurance and pension sectors, EIOPA has continued to publish thematic articles dealing with different topics in its financial stability reports. In 2016, topics included the impact of mergers and acquisition or the monetary policy interventions on insurers, and possible approaches to long term interest rate update were included. These articles were intended to raise the level of interest in academia on relevant topics with a view to improve future cooperation among supervisors and academia.

Macroprudential policy in insurance

The discussion around the need to supplement the microprudential approach with one on a macroprudential level has gained relevance in the last years. In order to contribute to this discussion, EIOPA published a report on a potential macroprudential approach to the low interest

rate environment in the Solvency II context. In the report, EIOPA proposes three objectives to be targeted by authorities as well as a set of instruments that are either part or fully compatible with Solvency II. EIOPA will continue working on macroprudential policy in insurance in the coming years. A dedicated project group was set up under the remit of the Risk and Financial Stability Committee to develop an EIOPA policy stance on the topic. The project group will also analyse potential macroprudential tools or measures to be considered as part of the Solvency II Review.

Recovery and resolution

EIOPA initiated relevant work in the field of recovery and resolution, which resulted in the publication of a Discussion Paper on Potential Harmonisation of Recovery and Resolution Frameworks for Insurers. EIOPA provided a snapshot of the current fragmented landscape paving the way towards a harmonised recovery and resolution framework by proposing the essential building blocks. This framework was an important step and a key milestone towards a more robust and stable insurance market for the benefit of policyholders. In the discussion paper, EIOPA recommends a minimum degree of harmonisation applied in a proportionate manner with the objectives of avoiding fragmentation and facilitating cross-border cooperation and coordination, providing the European Union Member States the flexibility to address any specificities of their national insurance market. Stakeholder feedback will enable EIOPA to further develop the proposed framework, which is particularly relevant in fragile market environments, like the current low interest rate environment.

Opinion on a common framework for risk assessment and transparency in occupational pensions

To establish a common framework for risk assessment with heightened transparen-

cy, EIOPA issued an Opinion to EU Institutions on a Common Framework for Risk Assessment and Transparency for IORPs. This Opinion was directed to the European Institutions and presents a major step forward towards realistic, risk-sensitive information on the financial situation of pension funds. EIOPA's recommendations to modernise the European regulation of pension funds aim at supporting the occupational pensions sector to meet its current and future challenges.

EIOPA advises introducing a European framework for risk assessment and transparency for IORPs based on common valuation rules and a standardised risk assessment, while refraining from suggesting harmonising capital or funding requirements for IORPs at this point in time. The framework applies to all IORPs providing occupational pension schemes in which risks are shared to differing degrees between the sponsor, plan members and the institution itself. IORPs providing pure DC schemes, in which risks are directly and fully borne by the plan members, are not within the scope.

EIOPA's recommendations for pension funds to calculate the impact of common, pre-defined stress scenarios on the common framework's balance sheet have the potential to contribute to the sustainability of occupational pension promises and the protection of members and beneficiaries. Relevant transparent disclosure will trigger a dialogue on the long-term sustainability of occupational pension promises and encourage timely adjustments. As such, EIOPA's recommendations contribute to the protection of pension scheme members and beneficiaries and to a fair distribution of shortfalls between generations.

EIOPA Insurance Stress Test 2016

To assess insurers' vulnerabilities and resilience to severe adverse market developments based on a common analytical framework, EIOPA conducted its EU-wide stress test for the European insurance

sector. The exercise assessed insurers' vulnerabilities and resilience to two severe market developments: A prolonged low yield environment and a 'double-hit' scenario. The 'low-for-long' scenario reproduced a situation of entrenched secular stagnation driving down yields at all maturities for a long period of time, while the 'double-hit' scenario reflected a sudden increase in risk premia combined with the low yield environment. The severity of the scenarios went beyond the Solvency II capital requirements.

In the first vulnerability assessment conducted after the implementation of the Solvency II regulatory framework, participating undertakings calculated the impact of these severe stress scenarios on their balance sheets with reference to 1 January 2016. The exercise involved 236 insurance undertakings at the solo level from 30 European countries, with market coverage of 77% in terms of the relevant business (life technical provisions excluding health and unit linked) and included medium- and small-sized undertakings. The impact of both stress scenarios was of similar magnitude in terms of the reduction of the average assets over liabilities ratio, however not equally spread among undertakings or national markets. The different levels of vulnerabilities identified corresponded to the different market characteristics and/or balance sheet structures.

The results of the 2016 stress test confirmed the significant challenges for the European insurance sector triggered by the current macro-economic environment. The 2016 stress test, conducted for the first time since the implementation of the Solvency II framework, provided a 'high-resolution' picture of the vulnerabilities of the sector requiring particular supervisory attention. EIOPA will closely monitor the implementation of the recommendations by the National Competent Authorities in order to ensure a coordinated response to situations that may pose a threat to the viability of the supervised entity and, collectively, to the system as a whole.

Strategic Objective 4: EIOPA to be a responsible, competent and professional organisation

Effective and efficient internal functioning built upon strong culture, proper governance and skilled and committed people

Building EIOPA's legal and technical expertise and culture

In support of its efforts to build its legal and technical expertise and achieve its vision to be a credible supervisory authority, EIOPA has launched a project to develop a competency framework for its staff. The framework establishes the core competencies based on the skills and knowledge required for each area of EIOPA's work e.g. supervisory convergence and quality. This will provide the basis for a more strategic and needs based analysis of resourcing needs (training, internal mobility and recruitment) and strengthen performance management of staff. EIOPA is also cooperating with the network of

EU agencies to ensure our approach is consistent and allowing for efficiencies in the development of common competencies where appropriate. These efforts will help the Authority in changing its focus from regulation to enhancing supervision. This will also offer up efficiencies and improve cooperation within EIOPA.

To strengthen the common culture and shared values, EIOPA has also run an exercise to further discuss and interpret its six core values. Through a series of workshops, which successfully raised interest across the Authority a discussion was opened up and valuable input in terms of how EIOPA and its staff believes it should operate to maintain the moral authority so essential to its work. This work has been undertaken in addition to the ongoing operational HR work, including running twenty-six recruitment campaigns between January and December.

Efficient management of EIOPA financial resources

EIOPA is committed to running its administrative processes in an as efficient manner as possible. In this vein it has been one of the first EU agencies to launch a project delivering an e-procurement

INFORMATION BOX

Results of the EU wide Insurance Stress Test:

- On the baseline (pre-stress), results indicated that on an aggregated level undertakings were adequately capitalised from a Solvency II perspective with an overall Solvency Capital Requirement (SCR) ratio of 196%. More than 70% of the participants had SCR coverage above 160%. Only two undertakings, representing 0.02% of the total assets in the sample, had a SCR ratio below 100%. The overall SCR ratio falls to 136% (32 undertakings below 100% representing 26% of the total assets) if all Long-Term-Guarantee (LTG) and transitional measures are excluded. The quality of own funds was generally high with Tier 1 unrestricted own funds accounting for 90% of the total.
- The impact of both stress scenarios is of similar magnitude in terms of the reduction of the average assets over liabilities ratio (approximately 2% points), however not equally spread among undertakings or national markets. The different identified levels of vulnerabilities were corresponding to the different market characteristics and/or balance sheet structures.
- The 'double-hit' has a negative impact on the undertakings balance sheets of close to EUR 160 billion (-28.9% of the total excess of assets over liabilities) with more than 40% of the sample losing more than a third of their excess of assets over liabilities. In the absence of LTG and transitional measures, such impact would apply to almost 70% of the sample.
- The 'low-for-long' resulted in a fall in the excess of assets over liabilities of about EUR 100 billion and undertakings representing 16% of the sample would lose more than a third of their excess of assets over liabilities (25% if LTG and transitional measures are absent).

solution. Article 111 of the European Commission's Financial Regulation places emphasis on developing e-solutions in the area of procurement and EIOPA quickly took advantage of an available DG Digit framework to implement one. The solution provides a more efficient and transparent procurement process benefiting both EIOPA and its potential suppliers. It will be easier and more efficient to launch and run procurements and ensure information is collected and managed appropriately throughout.

The year 2016 also marked the first phase of the move to open office. A quarter of EIOPA's staff now works in an open office environment. This was needed to accommodate the increase of staff within the existing premises and allowed for a more efficient usage of office space as well as a reduction of building related costs.

Restructure of EIOPA

With the twin aims of moving EIOPA towards its ambition to be a credible supervisory authority and to enhance efficiencies by capitalising synergies across its different departments, a restructure exercise was launched in 2016. This was a well-timed exercise following the application of Solvency II in January 2016 and the evolution of EIOPA's role from the production of regulation to the support and monitoring of its consistent application. The exercise rationalised the levels of management and delivered a structure that more closely aligns to EIOPA's strategic objectives and major areas of work. This offered the benefits of improving efficiency and delegation in decision-making and bringing together different areas of the Authority that cooperate closely on work.

Cross Sectoral Work with the Joint Committee

In 2016, the Joint Committee continued to provide a forum for cross-sector coordination and exchange of information across the three European Supervisory Authorities (ESAs). Under the chairmanship of EIOPA, the Joint Committee focused in particular on consumer protection and cross-sectoral risk assessments. In order to increase the visibility of the Joint Committee, a new website was set up with a dedicated domain name where deliverables about the Joint Committee are centrally published⁵. To further promote the work of the Joint Committee and to celebrate its 5th anniversary a booklet⁶ ("Towards European Supervisory Convergence") was also published highlighting the Joint Committee's mission, its objectives and tasks, as well as its strategic outlook.

I Consumer Protection and Financial Innovation

ESAs focus on consumer protection – PRIIPs milestone

In the area of consumer protection, the Joint Committee reached a significant milestone by submitting draft Regulatory Technical Standards (RTS) on key information documents (KIDs) for packaged retail and insurance-based investment products (PRIIPs)⁷, at the beginning of April, to the European Commission for endorsement. The proposed KIDs provide retail investors, for the first time across the EU, with simple and comparable information on investment products in the banking, insurance and securities sectors. The three page document will increase the transparency and comparability of information about the risks, performance and costs of these products. The new rules contribute

⁵ <https://esas-joint-committee.europa.eu/>

⁶ Insert link to the JC website once uploaded in due course

⁷ Regulation (EU) No 1286/2014 of the European Parliament and of the Council

to enhance confidence and strengthen the protection of European consumers.

The Commission endorsed the draft RTS in June 2016. However, during the following scrutiny period, the European Parliament rejected them. In order to address the concerns expressed by the Parliament, the European Commission set out its intention to amend the RTS. The ESAs discussed the proposed amendments to the draft RTS and presented a joint Opinion to the three Boards of Supervisors covering all amendments in the RTS. However the three ESAs could not provide an agreed joint Opinion on the amended draft RTS to the Commission.

ESAs report on automation in financial advice

The Joint Committee finalised its work on the automation of financial advice which focuses on the characteristics of automated financial advice tools and potential benefits and risks associated with increasing automation of financial advice for consumers and financial institutions and published a comprehensive report in December 2016. As the proliferation of automated advice is still at an early stage, it is less likely, at present, for some of the

risks to materialise in a way that creates widespread detriment to consumers or undermines the confidence of market participants. For these reasons, the ESAs have concluded not to develop additional joint cross-sectoral requirements specific to this particular innovation. However this topic will continue to be monitored.

ESAs work on Big Data

In December, the Joint Committee launched a three month public consultation on the potential benefits and risks of Big Data to better understand what the Big Data phenomenon means for consumers, the financial industry and regulators, and to determine whether any further regulatory or supervisory actions may be needed. Big Data can bring a number of benefits to both financial firms and consumers. Better analytics mean firms can profile customers in order to personalise products and services, enhance their own internal processes and improve their fraud detection capabilities. At the same time, the ESAs also considered potential risks associated with “Big Data”, such as access issues for consumers being classified as undesirable due to firms’ abilities to undertake more granular analyses.



In December 2016, the Joint Committee launched a public consultation on the use of big data

4th Joint Consumer Protection Day

The ESAs held their 4th Joint Consumer Protection Day on 16 September which was hosted by ESMA in Paris with Olivier Guersent, DG FISMA's Director-General as keynote speaker. The main topics discussed were a truly European market for retail financial services, Big Data in the financial sector, and the supervision of consumer protection requirements in the EU: the expectations towards the ESAs in respect of product oversight and governance, remuneration, and PRIIPS. The event, which was livestreamed, attracted a wide range of consumer representatives, academics, legal and financial consultants, national supervisors, experts from the EU institutions and financial services industry.

II Joint Risks and Vulnerabilities assessment

ESAs assessment of cross-sectoral risks

The Joint Committee produced two bi-annual cross-sectoral reports which identified key risks and vulnerabilities in the EU financial system. The reports were submitted at the Spring and Autumn 2016 meetings of the Economic and Financial Committee of the Council (EFC-FST), shared with the European Systemic Risk Board (ESRB) and subsequently published on the Joint Committee website. They provided an overview of the main cross-sectoral risks identified in the EU financial system and recommended policy actions to mitigate them. The main risks identified over the past year included the low growth and low yield environment and its potential effects on financial institutions' profitability and asset quality. Further concerns relate to the interconnectedness in the EU financial system. The EU financial system is also vulnerable to more immediate risks such as the result

of the UK referendum on EU membership which has added political and legal uncertainties.

III Anti-Money Laundering

ESAs work on anti-money laundering and counter-terrorist financing

The Joint Committee continued its work on anti-money laundering and counter-terrorist financing, focusing on the ESAs regulatory mandates under both the fourth Anti-Money Laundering Directive and the Anti-Money Laundering Regulation. In December, the Joint Committee published its final Guidelines on the characteristics of a risk based approach to anti-money laundering and terrorist financing supervision and the steps to be taken when conducting supervision on a risk-sensitive basis. They define the characteristics of a risk-based approach to anti-money laundering/countering the financing of terrorism (AML/CFT) supervision and set out what Competent Authorities should do to ensure that their allocation of supervisory resources is proportionate to the level of money laundering and terrorist financing risk associated with credit and financial institutions in their sector.

IV Financial Conglomerates

ESAs work on supervision of Financial Conglomerates

The Joint Committee published its updated annual list of identified Financial Conglomerates in December 2016 which shows 79 financial conglomerates with the head of the group in an EU/EEA country, one with the head of group in Bermuda, one with the head of the group in Switzerland, and two with the head of the group in the United States.

The Joint Committee also submitted its response to the Commission's public

consultation on the evaluation of the Financial Conglomerates Directive in the context of the Commission Regulatory Fitness and Performance Programme. The Joint Committee believes that an appropriate supplementary supervision of financial conglomerates – most of them being large financial groups active in different financial sectors and often across borders – remains very important. The Joint Committee encourages the Commission to increase consistency between the sectoral rules and the supplementary conglomerates supervision.

V Further cross-sectoral work to enhance supervisory convergence

ESAs work on acquisitions and increases of holdings in the financial sector

The Joint Committee finalised its work on the review of the joint Guidelines on the prudential assessment of acquisitions and increases of qualifying holdings in the banking, insurance and securities sectors, which aimed to ensure a common, uniform and consistent application of the Directive on acquisitions and increase of holdings in the financial sector. The revised Guidelines⁸, which were published in December, replace the previous Guidelines adopted in 2008. They provide further clarity on some key concepts, such as indirect holdings, persons acting in concert and decision to acquire. They ensure a consistent interpretation of time limits by clarifying when the competent authority should provide an acknowledgement of receipt of the notification regarding the acquisitions of a qualify-

ing holding in a financial institution. The Guidelines further clarify certain matters relevant to the assessment of an acquisition, such as the financial soundness of the proposed acquirer and suspicions of money laundering or terrorist financing. The joint Guidelines shall be applicable as of 1 October 2017.

ESAs joint report on reducing reliance on credit ratings

In December 2016, the Joint Committee published its report on good supervisory practices for reducing sole and mechanistic reliance on credit ratings. The report is directed at the nationally appointed Sectoral Competent Authorities (SCAs) for a wide range of financial institutions, such as credit institutions, investment firms, asset management companies and insurance undertakings. The report's purpose is to ensure cross sectoral consistency in the implementation of elements of the CRA Regulation regarding overreliance on credit ratings. To achieve this, the report recommends a common framework of non-binding good supervisory practices for SCAs.

VI Board of Appeal of the ESAs

The ESAs continued to provide operational and secretarial support to the Board of Appeal. The Board of Appeal held its annual meeting in July at the EIOPA premises in Frankfurt and decided on one appeal case in January 2016. Furthermore the majority of Board of Appeal Members were re-appointed for a second term and the recruitment procedure for new members has been launched and will be finalised in 2017.

⁸ [https://esas-joint-committee.europa.eu/Publications/Guidelines/JC%20GL%202016%2001%20\(Joint%20Guidelines%20on%20prudential%20assessment%20of%20acquisitions%20and%20increases%20of%20qualifying%20holdings%20-%20Final\).pdf](https://esas-joint-committee.europa.eu/Publications/Guidelines/JC%20GL%202016%2001%20(Joint%20Guidelines%20on%20prudential%20assessment%20of%20acquisitions%20and%20increases%20of%20qualifying%20holdings%20-%20Final).pdf)



Management



The Board of Supervisors adopted on 2 December 2015 the budget 2016 for a total amount of EUR 21,762,500.

The authority is financed to 60% by contributions from national competent authorities of the Member States competent for the supervision of financial institutions and to 40% by a subsidy from the European Commission. The 40-60% ratio was respected not taking into account the requirement for national public authorities and EFTA states to cover 60 % of the total costs related to the pension contributions of staff working at EIOPA.

In 2016 EUR 12,955,499.01 of the 2016 budget stemmed from contributions by Member States, EUR 367,428.37 from EFTA countries and EUR 8,122,000.00 from the Commission. The European Commission repaid the 2014 budgetary surplus of EUR 339,389.00 as part of the budget. Other in-

come of EUR 17,460.26 received included interest earned.

The initial allocation of these funds to the budget titles was for Title I (staff expenditure) EUR 14,258,975, for Title II (administrative expenditure) EUR 3,627,300 and for Title III (operational expenditure) EUR 3,876,225.

The table below provides the budget implementation of the 2016 voted budget.

In addition, a total of 15 budget transfer operations were executed to accommodate budgetary needs.

In 2016, 94.55% of credits carried forward from 2015 to 2016 have been consumed. The carry forward concerns services and products ordered in 2015, which were billed in 2016 (C8). The following table shows the overview per budget title:

EIOPA – budget implementation 2016

Title	Approved budget EUR	Amending budget EUR	Transfer EUR	Final	Committed	Paid	Carry-forward
Title I – Staff	14,258,975.00	0.00	-472,036.39	13,786,938.61	13,750,028.71	13,405,887.89	344,140.82
Title II – Admin	3,627,300.00	0.00	115,155.14	3,742,455.14	3,739,641.79	3,021,325.29	718,316.50
Title III – Operation	3,876,225.00	0.00	356,881.25	4,233,106.25	4,203,639.69	2,934,637.12	1,269,002.57
Total	21,762,500.00	0.00	0.00	21,762,500.00	21,693,310.19	19,361,850.30	2,331,459.89

In 2016 EIOPA achieved an implementation rate of 99.68% for commitment appropriations, 88.97% for payment appropriations and carried forward 10.71% of the budget to 2017 for services and goods, which were ordered in 2016, but will be finalised and paid in 2017.

EIOPA carry-forward implementation 2015-2016

Description	2015 Budget final amount EUR	Carry-forward 2015 to 2016 amounts EUR	% Carry-forward	Paid amounts EUR	% Paid
Title I Staff Expenditure	498,164.19	409,424.80	82.19%	409,424.80	82.19%
Title II Infrastructure And Administrative Expenditure	468,572.48	436,874.85	93.24%	436,874.85	93.24%
Title III Operating Expenditure	2,315,462.76	2,257,111.31	97.48%	2,257,111.31	97.48%
Total	3,282,199.43	3,103,410.96	94.55%	3,103,410.96	94.55%

The average payment time for 1,781 payments in 2016 was 11.61 days. A total of 15 payments exceeded the legal time limit (however, no late payment interest had to be paid).

In 2016 the procurement team has processed over 100 different procedures and managed more than 160 specific contracts and purchase orders. Besides that more than 100 different types of contracts have been signed and managed.

Human Resources Management

In 2016 EIOPA ran 26 recruitment campaigns and filled at the end of the year 95.7% of the Establishment Plan positions. Although still high, the Establishment Plan completion rate is for the second year lower than the targeted 100%. This is mainly caused by the high turnover rate of EIOPA staff, unsuccessful recruitment campaigns and non-acceptance of contract offers by selected candidates. The high cost of housing in Frankfurt and alternative European bodies offering more lucrative contracts when compared to EIOPA, such as the ECB and the Single Supervisory Mechanism, make it challenging for the Authority to recruit and retain the required qualified staff.

In light of the revised HR Implementing Rules adopted throughout the year, further revision of the relevant HR processes has been carried out to adjust them whenever necessary to make them more efficient.

Substantial work has been done in the development of EIOPA Competency Framework. This year the focus has been twofold: 1) developing the supervisory competencies to facilitate the shift from regulation to supervision and, together with the Inter-Agency Competency Framework Working Group, 2) developing core competencies based on common values for all EU Agencies and competencies for some of the horizontal functions.

In order to enhance the supervisory approach, increase the efficiency of the processes and quality of the output, EIOPA

has undertaken its first re-organisation implemented as from 1 November 2016.

Assessment of audit results during the reporting year

EIOPA is audited every year by its external auditor, the European Court of Auditors (ECA). In addition, an independent external auditor verifies the income, expenditure and financial position of EIOPA. Taking into consideration the external auditor's work, ECA issues a Statement of Assurance as to the reliability of the accounts and the legality and regularity of the transactions underlying them. Each year at least two audit missions on the preceding financial year take place to prove evidence of that statement. In 2016, the European Court of Auditors did not raise major findings over the financial 2015 accounts.

EIOPA is also audited by its Internal Auditor, the Commission's Internal Audit Service (IAS). The IAS performed in 2016 an audit on EIOPA's 'Oversight Capability'. Further to this audit an action plan was developed by EIOPA and adopted by the Management Board to address all recommendations made by the IAS, none of which are categorised as critical or very important. These actions are currently being implemented.

In December 2016 the IAS also visited EIOPA to undertake a risk assessment of the Agency's processes. The outcome of this risk assessment will lead to a new audit strategy for EIOPA for the period 2017-2019.

Follow up of audit plans, audits and recommendations

EIOPA has put in place arrangements to ensure that all recommendations made by the IAS, the ECA and the Discharge Authority are timely and adequately ad-

dressed through dedicated action plans and this within the agreed deadlines or in case no specific target date is specified the latest within twelve months after the communication of the recommendation (internal EIOPA KPI). At the end of 2016 no critical or very important actions were still open from previous years. One action, classified as 'non-critical' or 'not very important' passed the implementation time of twelve months. It relates to budget management and in particular to the relatively high level of budget carry-over of EIOPA's budget in the past years. However, the execution rates of EIOPA's carried-over budget are very high and in addition the amount of budget that has been carried-forward from 2016 to 2017 was limited and meeting the relevant KPIs. EIOPA is therefore confident that the open action will be formally closed during the next audit engagement.



Internal Control System



Risk Management

A risk is defined as ‘an uncertain event or set of events that, should it occur, would have an effect on the achievement of (an) objective(s)’.⁹ To manage such risks, EIOPA has initiated an approach to systematically identify, assess and then plan and if required, implement responses to potential risk events. Such events can originate from within the Authority or be driven by external forces e.g. changes in priorities and agendas at the political level. The likelihood of an event occurring and the impact of its consequences for an objective should it occur will vary. This variance is discussed in terms of ‘risk exposure’. Based on the level of exposure, particularly if the impact would be negative, EIOPA considers steps to prevent the event from happening (if within its power), avoid it or mitigate the negative consequences. Staff at all levels of the authority are asked to consider risks in terms of their work, assess them using a standardised scale and then consider appropriate and proportionate responses, escalating material risks to management when needed.

Corporate Risk Management Process

The aim of the process is to provide management with an overview of the aggregated risks and in particular to allow management to focus on those with a potential material impact on the commitments of the Authority as defined in its Work Programme and wider operations; and offer responses to mitigate and overcome risks as they occur. Such a picture is essential, and will aid management as they oversee implementation of an ambitious Work Programme.

EIOPA’s risk management process has been developed in line with the Commission’s Internal Control Standard No. 6 ‘Risk Management Process’, which states a yearly

assessment of risk is a basic requirement of the annual business planning process.

Risk Overview 2016

There are different ways to classify risks. EIOPA has chosen to focus on six key areas in which risks impact on EIOPA and its work:

- planning, processes and systems;
- people and organisation;
- legal and regulatory aspects;
- external environment;
- communication and information; and
- reputational.

Planning, Processes and Systems: as a consequence of the developing responsibilities and duties imposed on EIOPA by different legislation and regulation, new tasks have been incorporated into the Authority’s work programme. The allocation of additional budget and staff to EIOPA has not matched these new tasks e.g. those stemming from the Omnibus II Directive. The Risk Free Rate project, Annual Report to Parliament on Long Term Guarantees and EIOPA’s role in the Extension of the Recovery Period are highly technical and resource intensive additional tasks and EIOPA is undertaking them without adequate additional resources.

The need to meet additional demands for this unplanned work arising in-year whilst still maintaining quality and timely delivery of planned work presents a major risk. In 2014, 2015 and 2016 a number of planned products had to be dropped, de-scoped or delayed into the following year as a result. To mitigate this risk EIOPA has implemented improvements in its approach to planning and management of work. This includes more accurate resource planning, a change management process for dealing with unplanned demands and re-prioritisation of projects. However, these measures would not fully compensate the lack of new resources and there remains substantial risk in this area with potential impacts across the Authority and its work.

⁹ OGC (2007) Management of Risk: Guidance for Practitioners

People and Organisation: for the previous three years EIOPA has not received the requested allocation of staff. This shortfall has been exacerbated with the need to recruit staff from a limited and highly contested pool of technical expertise.

Key processes and systems have been placed at risk as a result of resource constraints, particularly in specific technical areas such as information technology. Improved resource planning and management of additional tasks provides some mitigation, but as with the previous risk, there remain substantial challenges with multiple impacts across the Authority and its work.

Legal and Regulatory Aspects: as an EU body, EIOPA must operate within a specific legal framework (e.g. HR, Budget, Procurement) designed for much larger institutions, implementing the standards set out for it by the Commission with limited resources, non-compliance with those standards is a potential risk. If EIOPA does not meet the legal requirements and standards, its operations and reputation will be seriously undermined. To mitigate this risk, EIOPA works in close cooperation with the Internal Audit Service of the European Commission and European Court of Auditors, to ensure it is adhering to the standards laid down for it.

EIOPA's Legal Instruments (Technical Standards, Guidelines and Opinions) must also conform to predefined high standards. EIOPA's reputation and operational activities may be undermined, with considerable additional work and time to be invested should the quality and legal basis of EIOPA's Legal Instruments be questioned. In the context of already attenuated resources, this will place considerable burden on the Authority.

Thanks to the effectiveness of EIOPA's internal processes for legal quality control, this risk in terms of its Instruments has never materialised. However, EIOPA's limited legal services have been under considerable pressure in previous years,

working to tight deadlines and dealing with topics from across the Authority's broad scope of mandate. EIOPA has strengthened its Legal Team with additional staff to ensure sufficient resources are assigned to the task of legal quality control on its Instruments.

External Environment: EIOPA continues to invest effort into building trust with its Members and other stakeholders by ensuring it works under full accountability, with transparent positions and rationale; clear rules, procedures and governance; common understandings and agreement on strategic orientation and objectives.

There also exists a potential lack of alignment between the interests of the industry and of consumers with regard to the risk-based regulatory framework. EIOPA endeavours to balance these interests during discussions on regulation by enabling consumers to adequately bring across their views in the various fora e.g. consumer representatives expenses for attending are reimbursed and specific events are run such as the dedicated consumer day. Furthermore, by ensuring all EIOPA technical standards, guidelines, advice etc. undergo appropriate impact assessments, identifying the impacts on both industry and on policyholders/members, the Authority maintains a focus on consumer interests.

Reporting of data is fundamental to delivery of EIOPA's mandated tasks. Reliance on data from external sources (e.g. National Competent Authorities and market data providers) means the potential for delays and/or the provision of misleading data presents a severe risk. The validity of EIOPA's analysis, statistics and conclusions can all be undermined. To mitigate this, EIOPA has established detailed reporting requirements for Solvency II data and various processes and tools have been implemented in the approach and means of collecting data. To mitigate this, EIOPA has established detailed reporting requirements for Solvency II data in collaboration with National Competent Authorities

Communication and information: this risk predominately focuses on lack of awareness in the stakeholder community of key developments or issues and managing stakeholder expectations. Moreover, technical failures of communication systems could lead to a blackout and make communication difficult or impossible for a certain time period. To ensure state-of-the-art stakeholder communication, EIOPA defined a communications strategy and will be investing in enhancing the Authority's ability to engage on key issues.

Reputational: the reputational risk has been alluded to in some of the previous categories, this includes potential rejection by the Commission of technical/ implementing standard and failing on the discharge of the Authority. As EIOPA's continued operational success is dependent on its good reputation with its stakeholder community, this risk is therefore considered in its own right. EIOPA ensures that risks across all other categories are sufficiently considered in terms of reputational harms. This is then factored into the assessment of the negative impact of a risk and if it were to materialises and mitigation also considers effort to reduce damage to reputation.

Compliance and effectiveness of Internal Control Standards

EIOPA's Internal Control Standards (ICS) are based on the ICS of the European Commission. They are approved by the Management Board and implemented within the organisation by the Executive Director through the adoption of detailed implementing rules and related procedures. By the end of 2016 all ICS were duly implemented. Two internal reviews of the implementation of the ICS took place in 2016 by the Internal Control function and have led to process adjustments where relevant.

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Management Assurance



The building blocks of management assurance at EIOPA consist of several core elements. These are rooted in implementation of the Internal Control Standards and continued strong management oversight of both operational and horizontal activities, and adherence to principles such as sound financial management. Regular reviews by EIOPA's Internal Control Coordinator and audits of EIOPA by the Internal Audit Service, European Court of Auditors, the Quality Control Committee and audit firms provide impartial and thorough reviews of these measures, and are a further element of management assurance. With this framework in place, EIOPA is confident there are no significant weaknesses that would create reservations or impact on the validity on the Declaration of Assurance on the subsequent page.



Declaration of Assurance



I, the undersigned,

Fausto Parente, Executive Director of EIOPA, in my capacity as Authorising Officer,

- declare that the information contained in this Consolidated Annual Activity Report 2016 gives a true and fair view;
- state that I have reasonable assurance that the resources assigned to the activities described in this report were used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures in place are effective, efficient and provide the necessary guarantees concerning the legality and regularity of the underlying transactions.
- the progress and follow-up of risk management activities;
- the results of ex post evaluations and the monitoring activities of EIOPA's activities;
- the recommendations of the Internal Audit Service, the accompanying action plans and their follow-up; and,
- the lessons learnt from the reports of the Court of Auditors for the years prior to the year of this declaration.

This reasonable assurance is based on my own judgement and on the information at my disposal as presented in this report, including:

I confirm that I am not aware of anything not reported here which could harm the interests of the authority.

Fausto Parente



The background of the slide is a dark blue image. On the left, a white diagonal line runs from the top-left corner towards the bottom. Behind the text, there is a faint image of a flag with stars and stripes, and a dome-like structure with a grid pattern.

Annex I: Core Business Statistics

Product and Services Overview

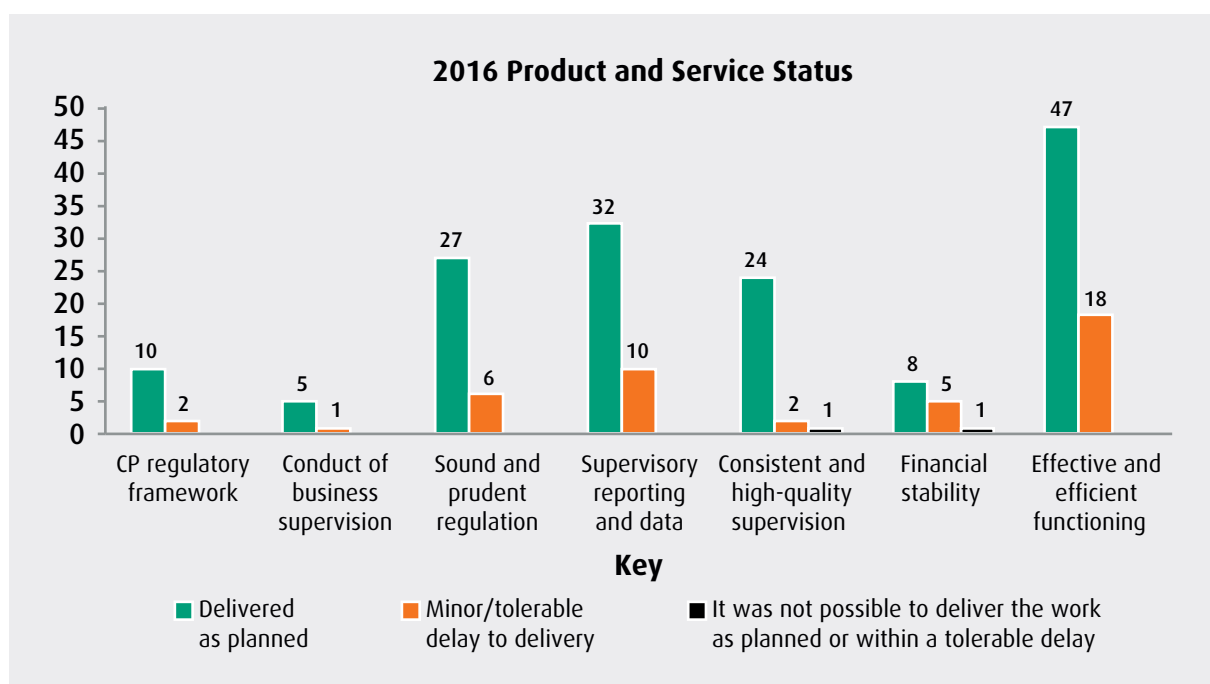
EIOPA monitors delivery of its annual work programmes (AWP) through the development of an Annual Implementation Plan (AIP). For each product and service in its AWP, specific milestones are planned, the involvement of different departments and horizontal functions is specified and risks are recorded. Throughout the year EIOPA's management is informed of the status of this work and decides on changes such as the introduction of new work or de-laying and de-prioritising existing tasks. The status of the products and services by December 2016, as recorded in the AIP, provides the basis for the data in the chart below.

In 2016 EIOPA successfully delivered 153 products and services according to plan. A further 44 were or are to be delivered with a slight, but agreed, delay with reasons such as resource constraints or external factors leading to these slight deviations from the original plan. A further two products experienced serious challenges. In the field of Internal Models EIOPA did not make the expected progress with its preliminary investigation into possible IMOGAPIs (Internal Model

On-Going Appropriateness Indicators). Although some high-level indicators were developed, further work on the interpretation and availability and comparability of data is needed. The second area that experienced challenges is related to work on the improved analytical framework for the insurance sector. As a result of issues with the quality of Solvency II data submitted to EIOPA in 2016, it was not possible to achieve the hoped for progress in further developing and improving the analytical framework. Despite this, much was achieved with the development of a new methodology for EIOPA's Risk Dashboard Based on Solvency II data.

Allocation of Resources

In 2016, EIOPA re-focused its efforts on its strategic vision to be a credible supervisory authority. Reflecting this, the biggest operational areas of allocation of EIOPA's human resources in 2016 were the support of consistent and high-quality supervision (32% of staff) and in building a common supervisory reporting and data framework (26% of staff). Compared to 2015, where 28% of operational staff were allocated to regulatory tasks, in 2016, the figure declined to 15% indicating the shift from regulation to super-



vision following the final production of technical standards and guidelines before application of Solvency II in January 2016.

Key Performance Indicators

Key Performance Indicators (KPIs) are an important tool for monitoring EIOPA's performance in relation to its defined strategic ambition. In 2016, EIOPA set targets for twenty indicators across its five strategic objectives. Fourteen of the twenty targets were either met or superseded by EIOPA's performance in 2016. For a further five, although EIOPA did not hit the target, it came close – an explanation will be provided in the following paragraphs. EIOPA was unfortunately not able to report on one KPI as the data was not available.

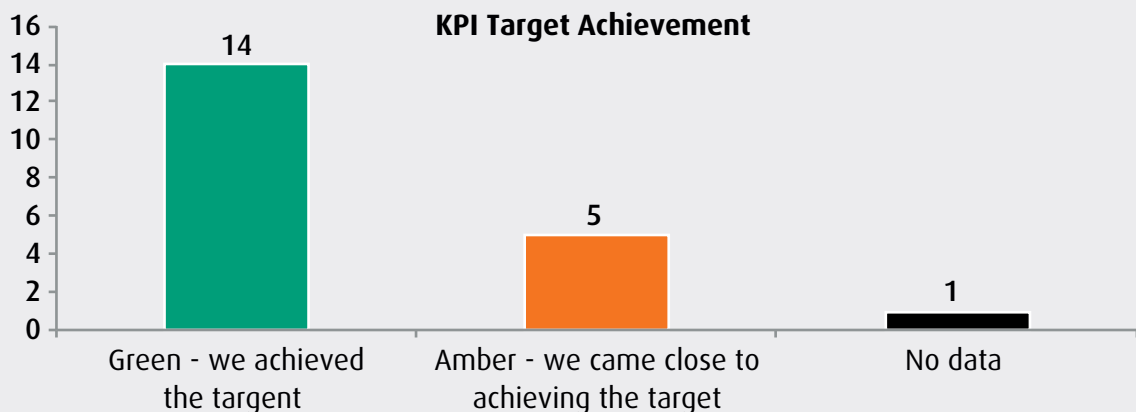
Consumer Protection

Three KPIs were defined to measure EIOPA's performance in the field of consumer protection. The first focuses on the importance of consumer awareness of their rights and obligations – enhancing this being a key element of EIOPA's strategy. This is measured by the media attention on these topics, which is judged by the number of press interviews given by EIOPA's management in which they are discussed. EIOPA's target for this was exceeded with 9 such interviews given. The second KPI focuses on the level of EIOPA's contribution to regulatory developments in the field of consumer protection and reports raising awareness of specific issues with the potential to risk consumer detriment. EIOPA met its target here delivering six EIOPA such specific Instruments or reports. To capture the response focus of

Allocated human resources by operational activity



KPI Target Achievement



EIOPA's preventative conduct of business strategy, EIOPA's third consumer protection KPI provides a target for the number of priority issues related to governance, suitability and accessibility identified via consumer trends reporting in the previous three years that have been addressed with an EIOPA Instrument. The target of five priority issues was met, with Instruments delivered to address important developing topics including internet sales and digitisation.

Regulation

The Commission provides EIOPA with stringent criteria for the high technical, quality and legal standards of its regulation, which in turn provides the basis for EIOPA's KPIs in relation to the production of policy. EIOPA's target of having no legal instruments and no impact assessments rejected by the Commission on these grounds was achieved. The third KPI of stakeholders not identifying any missing material components of the Risk Free Rate processes being reviewed in 2016 was also met with EIOPA not receiving any alerts of material omissions.

For its KPI on equivalence, EIOPA only came close to its 90% target for the number of accepted assessments/analysis in relation to requests. Three of four requests were indeed delivered within the deadline. It was only possible to finalise the fourth after the deadline, because of issues with the completeness and lack of translation of the information provided by the third country for the assessment.

Supervisory convergence

The improved functioning of colleges of supervisors, in which EIOPA is an activate participant, provides the basis of the first achieved KPI related to supervisory convergence. This is evidenced by the lack of mediation in relation to college joint decisions in 2016. The second KPI target for 68% of National Competent Authorities involved in supervising the application of Internal Models using Internal Model

tools from EIOPA was superseded, with a specific survey by EIOPA indicating that the actual proportion was 100%. EIOPA also met its target of ten for the number of Supervisory Oversight Team visits to National Competent Authorities to support preparation and implementation of solvency II.

EIOPA had two KPIs for its training programme, which were the number of events held and the level of participation. For the first, the target was twenty and EIOPA was only able to deliver 19. This was the result of serious staffing constraints in EIOPA's Training and Events Team. Despite just missing out on the target of the number of courses, EIOPA comfortably exceeded its target for the level of participation (1,100 participants) with a total for 2016 of 1,803.

Financial Stability

EIOPA set itself targets for the production of both its Quarterly Risk Dashboard and its biennial Financial Stability Report and EIOPA was able to deliver these products within the stipulated timeframe of 80 days after close of the quarter and 110 days after close of the half-year respectively.

Organisation

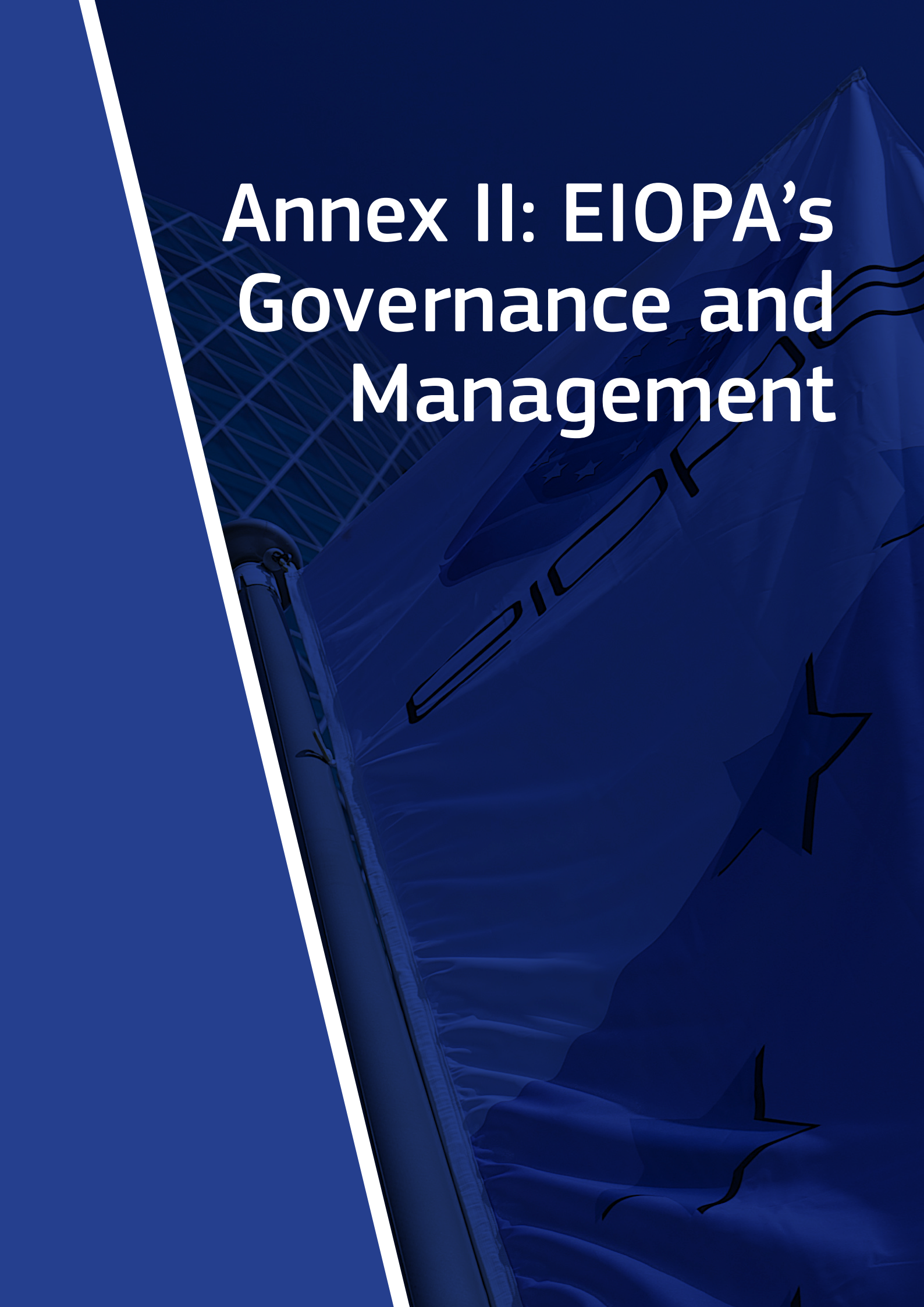
EIOPA takes seriously its responsibility for properly managing the human and financial resources allocated to it. Reflecting this, a number of KPIs are used to monitor the Authority's performance in this important area. For the implementation of EIOPA's 2016 budget (percentage of the approved budget committed), EIOPA surpassed its target, achieving a rate of 99.68%. The target for the percentage of the approved budget used for actual payments was also surpassed with an achieved rate of 88.97%.

EIOPA also sets itself a target for the percentage of audit findings from European Court of Auditors and Internal Audit Service addressed by improvement

measures within twelve months. Unfortunately, EIOPA missed out on its target of 100% by 11%. This was the result of two outstanding actions. The first of which was the related to the promotion of a secure and consistent information exchange through development by EIOPA of shared IT tool. This was not possible to deliver as planned in 2016 because of resource constraints in EIOPA's IT team. The work has however been postponed with a new action agreed with EIOPA's Management Board. The second relates to implementation of measures required for EIOPA to achieve its budget KPIs. The required actions have been taken by EIOPA, however, the process requires formal closure of the finding by the Internal Audit Service, which did not occur before the end of

2016. To monitor performance of human resources management, EIOPA also maintains KPIs in relation to its staff. EIOPA's target of 100% of planned new posts in the Authority's approved establishment plan filled at the end of 2016 was missed by only 4.3%. This can be accounted for by a number of unsuccessful recruitment campaigns, in addition to turn over and an issue preventing EIOPA publishing jobs on the European Personnel Selection Office website. To redress these issues, EIOPA has joined a procurement together with other EU Agencies for publication services. EIOPA is also not able to report on its final KPI overall level of job satisfaction and staff engagement. This is measured through an annual staff survey, which was not conducted in 2016.



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Annex II: EIOPA's Governance and Management

Board of Supervisors

As set out in EIOPA's Founding Regulation, the Board of Supervisors is the main decision-making body of EIOPA. It is composed of EIOPA's Chairperson, the heads of 28 national authorities (Voting Members) and, where there is more than one national authority responsible for supervision, these are represented as Permanent Representatives. In addition, the heads of the three EEA EFTA national authorities (Iceland, Liechtenstein and Norway) are Non-Voting Members and Observers.

The status of Non-Voting Members is granted to the European Commission, the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), and the European Systemic Risk Board (ESRB) and the European Free Trade Association Surveillance Authority (EFTA SA). The Board of Supervisors may grant observer status to heads of national authorities of acceding countries, competent for the supervision of financial institutions. The Board of Supervisors meets at least twice a year and may create internal committees and panels for specific tasks. In 2016, the Board of Supervisors met five times.

Management Board

The Management Board (MB) ensures that EIOPA carries out its mission and performs the tasks assigned to it. It is composed of EIOPA's Chairman and six other members of the Board of Supervisors, elected by and from among the Voting Members of the Board of Supervisors. The Alternate Chairman and the Executive Director of EIOPA participate in the meetings of the Management Board without the right to vote. In accordance with EIOPA's regulation, the Executive Director also has an important role preparing the work of the Management Board. The meetings are also attended by a representative of the European Commission, who has a right to vote only on budget issues. The term of office of members of the Management Board is two and a half years, and it can be renewed once.

The Management Board meets at least five times a year, always before every meeting of the Board of Supervisors, and as often as it deems necessary. In 2016, the Management Board played a key strategic role in EIOPA's management. With a focus on planning, budget and assurance, the Board steered the revision of EIOPA's Annual Work Programme 2017 and development of the Annual Work Programme 2018 and Multi-Annual Work Programme 2017-2019. It also monitored the budget planning process and allocation of human and financial resources. To support this work the Management Board receives updates on EIOPA's tasks and activities on a regular basis.

INFORMATION BOX

Management Board members December 2016:

- Mr Gabriel Bernardino – EIOPA Chairman
- Ms. Julia Cillikova - National Bank of Slovakia, Slovakia
- Mr. Frank Grund - BaFin-Bundesanstalt für Finanzdienstleistungsaufsicht, Germany
- Mr. Misu Negritoiu - Financial Supervisory Authority (ASF), Romania
- Mr. Jean Hilgers – Nationale Bank van België, Belgium
- Ms. Sandrine Lemery - Autorité de Contrôle Prudentiel et de Résolution, France
- Mr. Alberto Corinti - Istituto per la Vigilanza sulle Assicurazioni, Italy



Annex III: Steering Committees, Expert Networks and Working Groups

EIOPA's policy agenda is also delivered through structures established to facilitate cooperation between National Competent Authorities and EIOPA staff. These structures are an important element of the Authority and provide technical input for preparation of documents to be adopted by the Board of Supervisors.

BoS Members agreed at the BOS meeting of December 2015 to implement a new working structure starting with a pilot phase starting in April 2016.

The three key elements of the new working structure are:

- Steering Committees - permanent structures that operate on the basis of a mandate approved by the BoS, with members elected for 2 years from among Members of EIOPA's Board of Supervisors. Their main task will be to steer the projects under their responsibility.
- Project Groups - time-bound substructures of a Steering Committee, operating on the basis of a project plan to execute timely project outcomes.
- Expert Networks - pools of experts from National Competent Authorities and EIOPA staff to discuss and provide information required for particular work streams.

The two piloted Steering Committees (SC) and their Project Groups (PG) are the following:

- Insurance Policy SC – SCR Review PG, Long Term Guarantees Review PG, and Risk Free Rate PG.
- Risks & Financial Stability SC – Risk dashboard PG, Insurance Stress testing PG, Pensions Stress testing PG, Operationalisation of crisis management handbook PG, Recovery & Resolution PG and Insurance Macro-prudential Policy Development PG.

Expert networks are established in the following areas:

- Quantitative Requirements - capital requirements, valuation of assets and li-

abilities including technical provisions and own funds at group and solo level.

- Risk Management - governance and risk management, including ORSA, at solo and group level and group specific issues, incl., colleges.
- Information - supervisory information and public disclosure, external audit and accounting at solo and group level.
- Internal models - internal models approval, supervision and policy on internal models
- Financial Stability – financial stability, crisis prevention and management for the European insurance and occupational pension sectors.

During the pilot period, EIOPA also maintained the previous structure for its Working Groups in the following areas:

- Quality Control Committee (QCC) - assesses the accuracy, efficiency and transparency of internal procedures and processes in accordance with the requirements of the EIOPA Regulation.
- Committee on Consumer Protection and Financial Innovation (CCPFI) - supports EIOPA in fulfilling the requirement laid down in its Regulation of taking a 'leading role' in the area of consumer protection and financial innovation.
- Occupational Pensions Committee (OPC) – providing input on the development of policy in the field of occupational pensions.
- Review Panel - develops methodologies, procedures and tools for conducting peer reviews. Furthermore, its main objective is to conduct peer reviews.
- Information Technology and Data Committee (ITDC) - is mandated to ensure the development of EIOPA's IT business architecture and strategy and in 2015 had a role in Solvency II reporting and securing an important BoS decision on data.

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Annex IV: Stakeholder Groups

EIOPA is also supported by two Stakeholder Groups, established to facilitate consultation with parties in areas relevant to the Authority's tasks and engage in close dialogue with the Authority. The Insurance and Reinsurance Stakeholder Group (IRSG) and the Occupational Pensions Stakeholder Group (OPSG) membership include representatives from the industry, consumers and academia (See Annex VIII).

EIOPA values greatly the contribution of its Stakeholder Groups to its work, and provides them with a preferential channel for information exchange and consultation, whilst ensuring their full independence.

In March 2016 the 2.5 years mandate of the previous Stakeholder Groups expired. New groups were appointed, following a selection campaign launched in September 2015 and finalized in January 2016, with the decision by the EIOPA Board of Supervisors on the new composition. The newly established IRSG and OPSG had their inaugural meetings in April 2016.

The former OPSG was able to deliver in Q1 several opinions on topics tabled by EIOPA, including the IORP Stress Test Report, Communication Tools and Channels for communicating to occupational pension scheme members, automation in financial advice and practices at the decumulation phase for occupational pensions. In addition, they also prepared an Addendum to their own Position Paper on the IORP Directive and an own initiative paper on Cost and Charges. Finally, the

Group compiled an overview of the work carried out through their mandate in the Activity Report 2013-2016¹⁰ and updated the completion of their work-plan until April 2016¹¹.

During 2016 the newly appointed OPSG¹² elected Matti Leppälä (Finland, representing the pensions industry) as the Chair and Bernard Delbecque (Belgium – representing professional associations) as the Vice-Chair. By June, the Group had developed a work plan for the period mid-2016 to mid-2017 and established Subgroups on Occupational Pensions, Consumer Protection and Personal Pensions (See Annex VIII for more detail). In the second half of the year, the Group delivered opinions on the consultation on infrastructure corporates, the Questionnaire on the Consumer Trends Report and the EC led Consultation on Personal Pensions. In the last quarter, a lot of efforts were put in the preparation of the Position Paper regarding the EIOPA Opinion to EU Institutions on a Common Framework for Risk Assessment and Transparency for IORPs.

The IRSG in its previous setting composition delivered till April 2016 several opinions on, amongst others, the Consultation Paper on POG Guidelines for insurance undertakings and insurance distributors, a joint ESAs and the Public Consultation on the Audit Guidelines. Also own imita-

¹⁰ Available on the EIOPA website, Stakeholder Groups, Activity Reports.

¹¹ Available on the EIOPA website, Stakeholder Groups, Occupational Pension SG, Work Plan

¹² With 9 members of the previous OPSG being reappointed.



Occupational Pensions Stakeholder Group.



Insurance and Reinsurance Stakeholder Group.

tive reports were produced on cyber risk, catastrophe risks, and guaranties in life insurance products. Finally, the Group compiled an overview of the work carried out through their mandate in the Activity Report 2013-2016¹³ and updated the completion of their work-plan until April 2016¹⁴.

The newly established IRSG¹⁵ elected Maria Aranzazu Del Valle (Spain – representing the insurance industry) as Chair and Jean Berthon (France – representing consumers) as Vice-Chair. The Group delivered opinions on a number of topics, including on the Consultation Paper UFR, the IAIS Consultation on ICS, the IDD Public Consultation, and the EC Public Consultation - Potential EU Personal Pension Framework.

In November 2016 a Joint meeting was held with EIOPA's Board of Supervisors, which was an excellent opportunity to bring together a variety of perspectives on some key issues and exchange ideas, notably on the following topics: Insurance Information Document (IPID), review of the Solvency Capital Requirements and Pensions Data.

More information, together with the papers produced by the Stakeholder Groups can be found at the website.

¹³ Available on the EIOPA website, Stakeholder Groups, Activity Reports.

¹⁴ Available on the EIOPA website, Stakeholder Groups, IRSG, Work Plan

¹⁵ With 11 members of the previous IRSG being reappointed.

Occupational Pensions Stakeholder Group members December 2016

OPSG			Subgroups			
No	Category	Member	Country	Occupational Pensions	Consumer Protection	Personal Pensions
1	IORPs	Janwillem Bouma	NL	✓		
2		Paul Brice	UK	✓		
3		Francesco Briganti	IT	Lead SG WP Pan EU OC DC Project WP X-border Lead	✓	WP EC cons. PP Lead
4		Lukasz Budzynski	PL	✓		
5		Senka Fekeža Klemen	HR		✓	✓
6		Michaela Koller	DE	✓	✓	✓
7		Matti Leppälä (Chair)	FI			
8		Stefan Nellshen	DE	WS IORP Stress Test Lead		
9		Philip Neyt	BE	✓		
10		Kevin O'Boyle	UK		✓	✓
11	Professional Associations	Charlotta Carlberg	SE	WS Com.Tools Lead	WS Aut.Advice Lead	✓
12		Laure Delahousse	FR	✓	✓	✓
13		Bernard Delbecque (Vice-Chair)	BE	✓	✓	Lead SG
14		Paul Kelly	UK	WS IORP Impl. Lead		
15		Sonia Maffei	IT	✓	✓	✓
16		Falco Valkenburg	NL	WS Risk ass. & Transparency Lead	✓	
17	SME	Alf Alvinussen	NO	✓	✓	✓
18	Employees	Tomas Bern	SE	✓	✓	✓
19		Damien Lagaude	FR	✓		
20		John O'Quigley	IE	✓	✓	✓
21	Beneficiaries	Alexandru Ciuncan	RO		Lead SG WS Cons. Trends Lead	✓
22		Claudia Menne	DE		✓	
23		Marianne Moscoso-Osterkorn	AT	✓	✓	
24		Guillaume Prache	FR		WP Cost & fees Lead	✓
25	Academics	Giuseppe Corvino	IT	WP Fin. Ins. & ALM Lead		
26		Paul Cox	UK	✓	✓	✓
27		Zdeněk Hustak	CZ		✓	✓
28		Raimond Maurer	DE	✓		✓
29		Ján Šebo	SK		✓	✓
30		Fieke van der Lecq	NL	WS Fin.Sta. Lead	✓	

Insurance & Reinsurance Stakeholder Group members December 2016

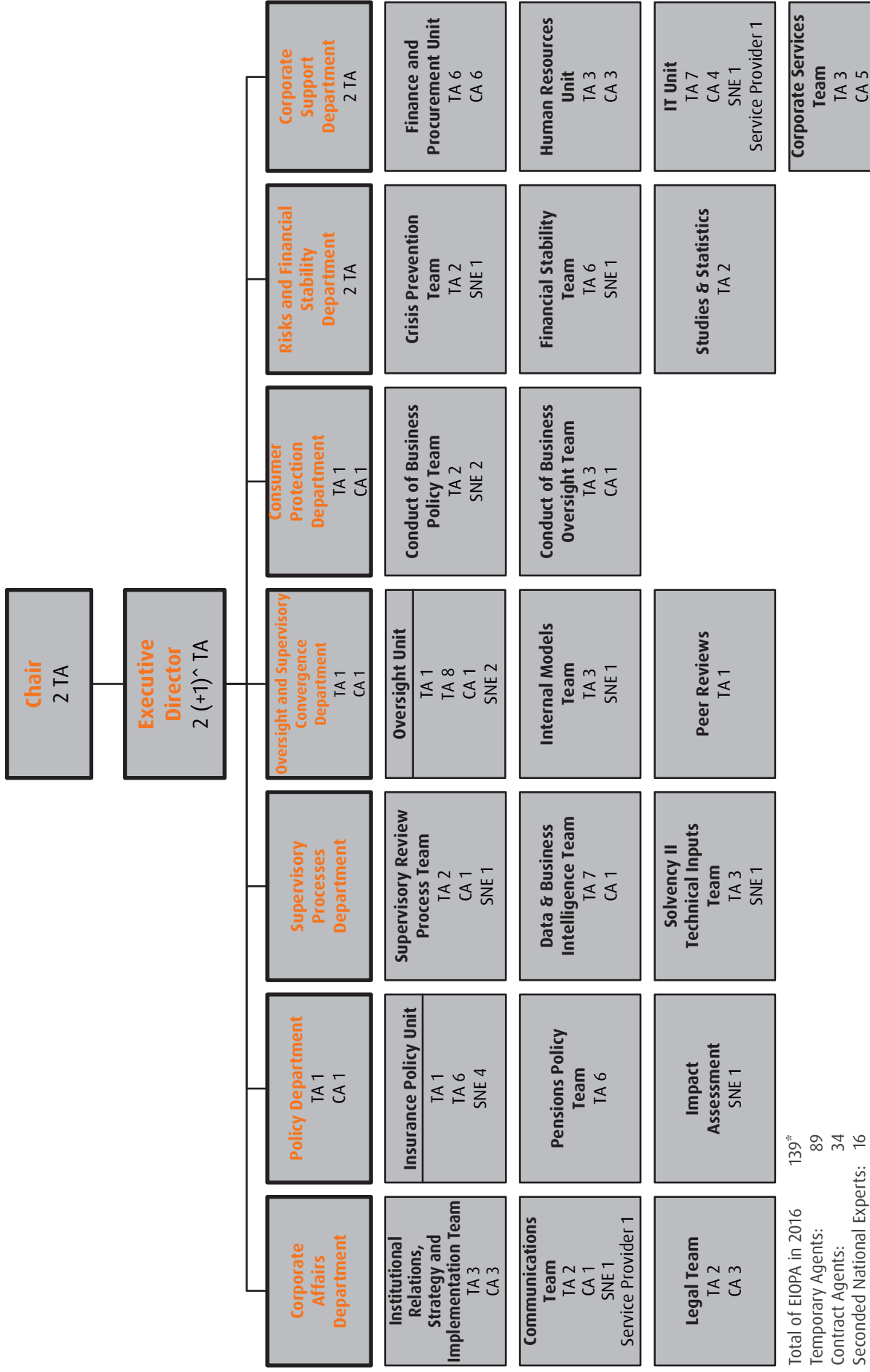
60

IRSG				Subgroups		
No	Category	Name	Country	Solvency	Distribution	Market Conduct
1	Industry	Huub Arendse	NL	✓ WS reviewing Solvency II		
2		Petra Chmelová	SK	✓		
3		Maria Aranzazu Del Valle (Chair)	ES	✓	✓	✓
4		Daniel Eriksson	SE	✓		
5		Hugh Francis	UK	✓ WS reviewing Solvency II, WS IAIS/ICS		
6		Benoît Hugonin	FR	✓ WS Internal Models		
7		Olav Jones	UK	✓ WS Implementation, WS reviewing Solvency II, WS IAIS/ICS	✓	✓
8		Marc Michallet	DE	✓		
9		Juan-Ramón Plá	ES	✓	✓ Lead SG , WS DA Conflicts of interest and Inducements	✓
10		Valter Trevisani	IT		✓	
11	Professional Associations	Marie Gemma Dequae	BE		✓	✓
12		Annette Olesen	DK	✓ WS IAIS/ICS	✓ WS PRIIPs	
13		Anthony O'Riordan	IE	✓ WS Implementation, WS reviewing Solvency II		✓ WS Market conduct supervision
14		Richard Watson	UK	✓		
15		Thomas Keller	DE	✓		
16	SME	Alexandre Caget	FR		✓	
17	User	Rickard Ydrenäs	SE		✓	✓
18	Consumers	Jean Berthon (Vice-Chair)	FR		✓	✓
19		Alexandru Ciuncan	RO	✓	✓ WS ITS IPID, WS DA POG	✓ WS Consumer trends
20		Desislav Danov	BG	✓		✓
21		Teresa Fritz	UK		✓ WS Suitability and Appropriateness	✓ Lead SG
22		Greg Van Elsen	BE		✓	✓
23		Małgorzata Więcko-Tułowicka	PL		✓	✓
24	Employees	Jimmy Johnsson	SE		✓	✓
25	Academics	Teresa Czerwińska	PL	✓		
26		Roger Laeven	NL	✓		
27		Stefan Materne	DE	✓		✓
28		Loriana Pelizzon	IT	✓		✓
29		Ioannis Papanikolaou	EL	✓		
30		Karel Van Hulle	BE	✓ Lead SG , WS Implementation		



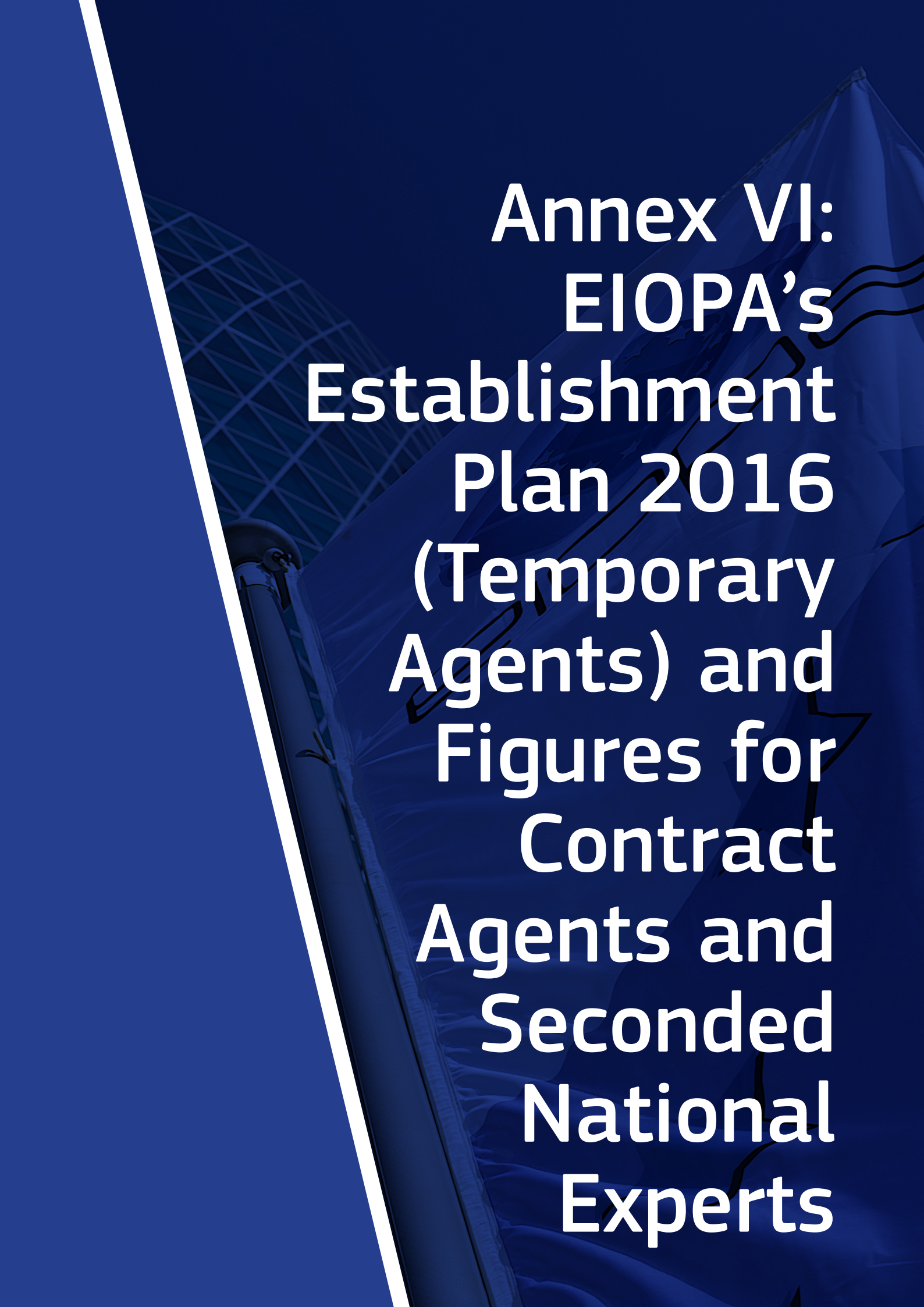


Annex V: EIOPA's Organigram



Total of EIOPA in 2016 139*
 Temporary Agents: 89
 Contract Agents: 34
 Seconded National Experts: 16
 Service Provider: 2

*1 TA signed the contract in 2016 to start in 2017
 ^ increase due to maternity break replacement



Annex VI: EIOPA's Establishment Plan 2016 (Temporary Agents) and Figures for Contract Agents and Seconded National Experts

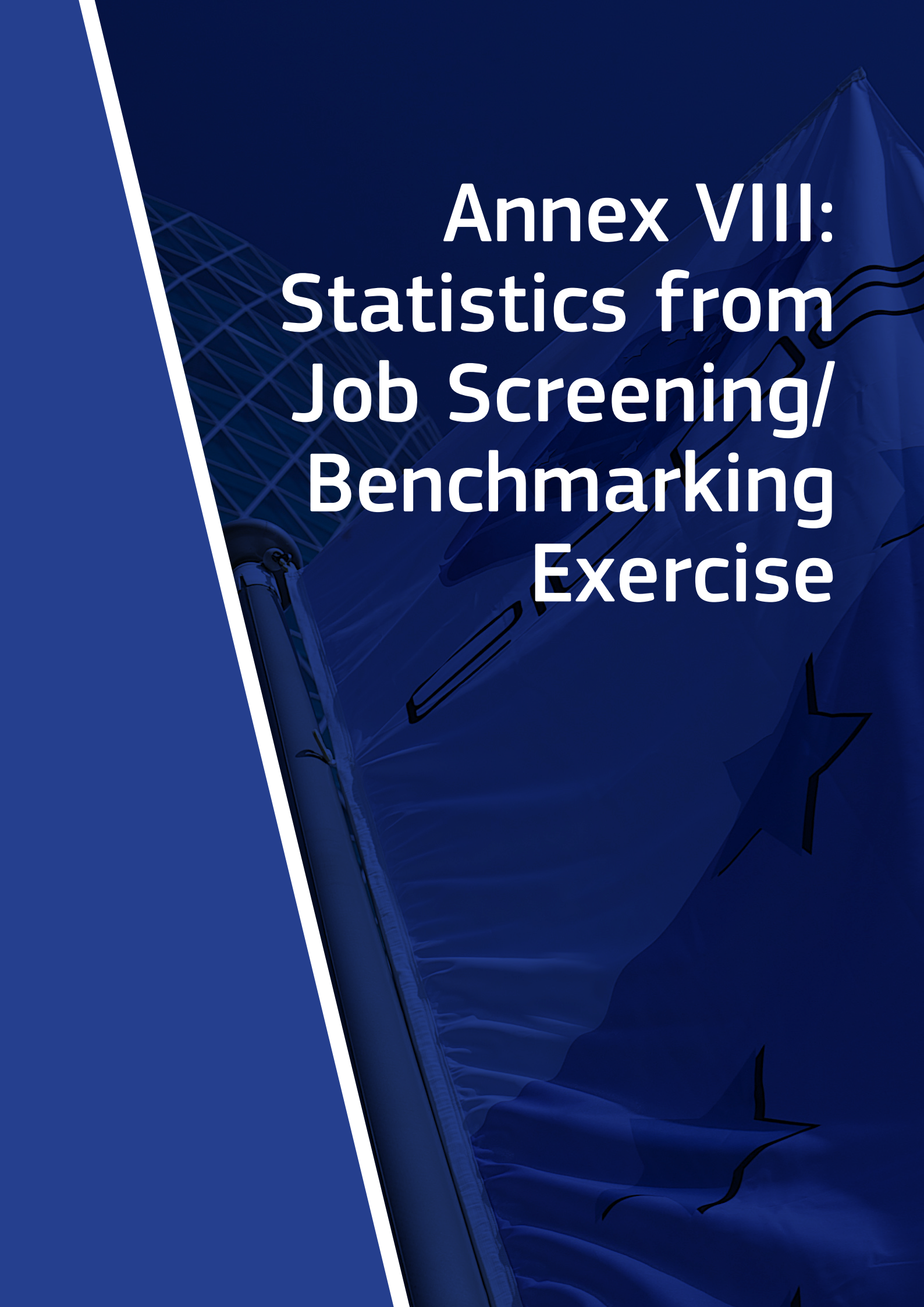
Function group and grade	2016	
	Final budget	Filled as at 31/12/2016
AD 16	1	1
AD 15	1	1
AD 14	1	1
AD 13	3	3
AD 12	6	6
AD 11	9	9
AD 10	9 (+1)	10
AD 9	10	10
AD 8	11	11
AD 7	12	9
AD 6	10	10
AD 5	5	5
AD total	78 (+1)	76
AST 11	0	0
AST 10	1 (-1)	0
AST 9	1	1
AST 8	2	2
AST 7	2	2
AST 6	3	3
AST 5	2	2
AST 4	2	1
AST 3	2	2
AST 2	0	0
AST 1	0	0
AST total	15 (-1)	13
TOTAL	93	89

Contract Agents	Filled as at: 31.12.2016	Filled as at: 31.12.2015
Function Group IV	10	9
Function Group III	8	5
Function Group II	16	18
Function Group I	0	0
Total	34	32
Seconded National Experts	16	19

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Annex VII: Entry level for each type of post

Key functions (examples)	Type of contract (official, TA or CA)	Function group, grade of recruitment	Indication whether the function is dedicated to administration support or policy (operational)
CORE FUNCTIONS			
Head of Department	TA	AD 13	Administration support and operational
Head of Unit	TA	AD 12	Administration support and operational
Head of Sector	n/a	n/a	n/a
Senior Officer / Principal Expert	TA	AD 9-11	Administration support and operational
Officer / Senior Expert	TA	AD 7-8	Administration support and operational
Junior Officer / Expert	TA + CA	AD 5-6 + FG IV	Administration support and operational
Senior Assistant	TA + CA	AST 4 + FGIII	Administration support
Junior Assistant	TA +CA	AST 2 + FGII	Administration support
SUPPORT FUNCTIONS			
Head of Administration	TA	AD 12	
Head of Human Resources	TA	AD 9	
Head of Finance	TA	AD 8	
Head of Communication	TA	AD 9	
Head of IT	TA	AD 8	
Senior Officer / Principal Expert	TA	AD 9-11	
Officer / Senior Expert	TA	AD 7-8	
Junior Officer / Expert	TA + CA	AD 5-6 + FGIV	
Webmaster- Editor	CA	FGIV	
Secretary	CA	FGII	
Mail Clerk	n/a	n/a	
SPECIAL FUNCTIONS			
Data Protection Officer	TA	AD 8	
Accounting Officer	TA	AD 6	
Internal Auditor	n/a	n/a	
Secretary to the Director/Personal Assistant to the Senior Management	TA	AST 3	



Annex VIII: Statistics from Job Screening/ Benchmarking Exercise

Job Type		2014	2015	2016
Category	Subcategory			
Total Administrative Support and Coordination		13.6%	14.6%	15.4%
	Administrative Support	10.9%	9.0%	11.2%
	Coordination	2.7%	5.6%	4.2%
Total Operational		76.9%	75.7%	75.5%
	Top Level Operational Coordination	6.8%	4.2%	4.9%
	Programme Management & Implementation	53.7%	44.4%	53.1%
	Evaluation & Impact Assessment	3.4%	6.9%	6.3%
	General Operational	12.9%	20.1%	11.2%
Total Neutral		9.5%	9.7%	9.1%
Total Finance/Control		9.5%	9.7%	9.1%
Total Linguistics		n/a	n/a	n/a

For reference, please find below the descriptions of the categories used in the benchmarking exercise.

CATEGORIES IN AN ADMINISTRATIVE SUPPORT AND COORDINATION ROLE			
Type/Role	Category	Category Code	Examples (not exhaustive)
Administrative Support (ADM SUP)	Document Management	DOC	Documentation centre and archives
	HR Management	HR	HR Officer, Training assistant... (except payroll and mission reimbursement)
	Information and Communication Technology	ICT	Network administrator, Helpdesk assistant, ... (not directly implementing the mandate of the Agency)
	Internal audit and control	IA	Internal auditor, internal controller (focus on <i>procedures</i>)
	Logistics	LOG	Mail clerk, security officer, receptionist, building management, facilities.
	Head of Resources	RES DIR / HoA	Resources Director, Head of Administration
Coordination (COORD)	Legal advice	LEGAL	DPO, counsellor, legal officer (not directly implementing the Agency's mandate)
	Communication / information	COMM	<i>External</i> communication (not directly implementing the mandate of the Agency), <i>Internal</i> communication to the Agency's own staff goes under HR Frequently web editing / web design
	General coordination	GEN COORD	Inter-institutional contributions

CATEGORIES IN A NEUTRAL ROLE			
Type/Role	Category	Category Code	Examples (not exhaustive)
Neutral	Finance, non-operational procurement and quality management	FIN/CONT	Accounting; finance; procurement and contract management (excluding operational); quality management; payroll; reimbursement of mission costs; internal auditing (with a focus on <i>finance</i>)
	Linguistic	LING	Typically editing, translation of documents.

EXAMPLES OF JOBS IN OPERATIONAL ROLES				
Type /Role	Category	Category code	Typical Job Titles (not exhaustive)	Typical Entities (not exhaustive)
Operational (OPER)	Top Level Operational Co-ordination	T/OP COORD	Executive Director	The AIPN/AHCC and Authorising Officer role (e.g. Director, Executive Director (ED), President...) Besides the secretariat/personal assistant to the ED, coordination and support of the Management Board, other jobs directly linked to the ED ("ED office"...) have to be categorised individually, depending on their specific content.
	Pro-gramme Management & Implementation	PGM M/IMP	Scientific / Technical Project (or Support) Officer, International Aid / Cooperation Officer, Programme Manager (or Officer) - EU policies, Policy Officer, Project Manager – EU policies	Thematic/Scientific Officer, Analyst, Expert, Programme Officer, Project Manager, Studies and research specialist, Data handling, ICT (directly implementing the mandate of the Agency, usually implementing Title 3 of the budget or generating revenues/fees),
	Evaluation & Impact Assessment	EVAL	Evaluation Officer, Policy Officer, Policy Analyst, Statistical Officer, Economic Analyst, Statistical Assistant, Evaluation Assistant	Evaluation, impact analysis; external audit, inspection or supervision of external entities; research assessment, inspection, licensing.
	General operational	GEN OPER	Policy Officer, Policy Co-ordinator, Assistant Policy Officer, Policy Analyst, Economic Analyst, International Relations Officer	Managers of organisational units in operational areas (directly implementing the mandate of the Agency), Support/secretariat of Appeal boards (where foreseen in the Agency mandate), Agency's planning and reporting (annual work plan, annual report); Legal officer (directly implementing the mandate of the Agency)



Annex IX: Annual Accounts¹⁶

¹⁶ Provisional accounts made available in March with final accounts ready in May

EIOPA's Financial Performance in 2016

EIOPA's annual accounts have been established in accordance with EIOPA's Financial Regulation and Implementing Rules adopted by the Management Board, The Financial Regulation (EU, Euratom) no°2015/1929 of the European Parliament and of the Council of 30 October 2015 and its rules of application, as well as the accounting rules referred to in article 143 of Regulation (EU, Euroatom) no°2015/1929.

The accounting system of EIOPA comprises general accounts and budget accounts. These accounts are kept in Euro on the basis of the calendar year. The budget accounts give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle. The general accounts allow for the preparation of the financial statements as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet as at 31 December.

Disclaimer:

Please note the annual accounts of EIOPA are provisional at the date of establishment of the Annual Activity Report awaiting observations of the external auditor of EIOPA and the opinion of the EIOPA Management Board.

EIOPA – Budget Result

In 2016, EIOPA only used non-differentiated appropriations. The EIOPA revenue was generated by contributions of the national competent authorities of the Member States and EFTA countries as well as a subsidy from the European Commission plus other income reaching a total of EUR 21,801,776.64. Expenditure evaluation was determined by the consumption of commitment appropriations with a total of EUR 21,721,037.13 of which payments made from the adopted budget represented EUR 19,361,850.30 and from

internal assigned revenue EUR 13,623.95. Appropriations carried over to 2017 were equal to EUR 2,345,562.88 and made up to the total expenditure and resulted in an outturn of the financial year in an amount of EUR 80,739.51. Cancelled appropriations from the prior-year carry over as well as appropriations available from 2015 internal assigned revenue and adjustments made for foreign exchange rate differences increased the budget result leading to a total of EUR 268,134.68.

The budget implementation rate for commitments was 99.68% of the adopted budget and remained high in 2016. Payments executed reached a level of 88.97% and slightly exceeded that reached in 2015. The commitments carried forward to the following year came down to 10.71% (16.21% in 2015) demonstrating EIOPA's stricter budget monitoring. The payment execution rate of commitments carried forward from 2015 reached 94.55%.

EIOPA – Statement of Financial Performance

The financial statements below show all income and charges on accrual basis complying with the accounting rules of the European Commission.

The economic result of the year is negative with EUR -603,401.68. As a consequence the reserves accumulated in previous years decreased and stand at EUR 7,561,978.75 at the date of closure. This mainly finds its reason in high budgetary carry overs from 2015 for services and expenditure inscribed in the accounts in 2016. The recovery of budgetary contributions for such funds was made in 2015 and increased the reserves at that time. Furthermore, non-cash movements such as a high annual amortisation of internally generated intangible assets increased the expenditure after the completion of a 4-year phase of development in 2016 when the assets reached the production phase.

	2016	2015
European Union contribution	8,193,254.32	7,679,987.84
Other operating revenue	13,507,854.58	12,022,603.28
TOTAL OPERATING REVENUE	21,701,108.90	19,702,591.12
Administrative expenses	-18,345,655.66	-14,623,879.60
All Staff expenses	-11,692,984.25	-9,496,850.17
Fixed asset related expenses	-1,896,342.86	-724,109.46
Other administrative expenses	-4,756,328.55	-4,402,919.97
Operational expenses	-3,839,896.78	-4,149,175.36
Other operational expenses	-3,839,896.78	-4,149,175.36
TOTAL OPERATING EXPENSES	-22,185,552.44	-18,773,054.96
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	-484,443.54	929,536.16
Financial revenues	71.35	0.00
Financial expenses	-119,030.49	-41,891.94
SURPLUS/ (DEFICIT) FROM NON OPERATING ACTIVITIES	-118,959.14	-41,891.94
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES	-603,402.68	887,644.22
ECONOMIC RESULT OF THE YEAR	-603,402.68	887,644.22

EIOPA - Balance Sheet- Assets

The balance sheet presents EIOPA's assets and liabilities on a full accrual-basis.

	31.12.2016	31.12.2015
ASSETS		
NON CURRENT ASSETS		
Intangible assets	5,613,240.86	6,219,983.38
Property, plant and equipment	1,525,208.74	1,555,733.14
Land and buildings	0.00	0.00
Plant and equipment	0.00	0.00
Computer hardware	83,550.39	98,743.59
Furniture and vehicles	430,502.13	261,636.13
Other fixtures and fittings	1,011,156.22	1,195,353.42
Property, plant and equipment under construction	0.00	0.00
Long-term receivables and recoverables	0.00	0.00
Long-term receivables and recoverables	0.00	0.00
Long-term receivables and recoverables with consolidated EC entities	0.00	0.00

TOTAL NON CURRENT ASSETS	7,138,449.60	7,775,716.52
CURRENT ASSETS		
Short-term receivables	1,226,942.33	1,579,807.56
Current receivables	294,796.46	1,034,183.10
Sundry receivables	40,075.88	16,940.03
Pre-paid expenses	0.00	0.00
Deferred charges and accrued income	892,069.99	528,684.43
Short-term pre-financing	4,290.00	0.00
Short-term pre-financing	4,290.00	0.00
Cash and cash equivalents	2,129,156.74	2,689,817.51
TOTAL CURRENT ASSETS	3,360,389.07	4,269,625.07
TOTAL	10,498,838.67	12,045,341.59

EIOPA - Balance Sheet- Liabilities

	31.12.2016	31.12.2015
LIABILITIES		
CAPITAL	7,561,978.75	8,165,381.43
Accumulated surplus/deficit	8,165,381.43	7,277,737.21
Economic result for the year - profit+/loss-	-603,402.68	887,644.22
TOTAL	7,561,978.75	8,165,381.43
NON-CURRENT LIABILITIES	1,773,353.26	1,776,797.28
Provisions for risks and charges	628,978.28	609,543.32
Other financial liabilities	86,087.52	0.00
Accrued charges and deferred income	1,058,287.46	1,167,253.96
TOTAL NON-CURRENT LIABILITIES	1,773,353.26	1,776,797.28
CURRENT LIABILITIES	1,163,506.66	2,103,162.88
Provisions for risks and charges	0.00	0.00
Accounts payable	1,163,506.66	2,103,162.88
Current payables	9,223.36	59,536.62
Sundry payables	13,503.62	14,158.68
Accrued charges and deferred income	870,049.84	1,503,031.80
Accrued charges with consolidated EU entities	2,595.16	217.62
Accounts payable with consolidated EU entities	268,134.68	526,218.16
Pre-financing received from consolidated EU entities	268,134.68	526,218.16
Other accounts payable against consolidated EU entities	0.00	0.00
TOTAL CURRENT LIABILITIES	1,163,506.66	2,103,162.88
TOTAL	10,498,838.67	12,045,341.59

EIOPA - Cash flow Table (Indirect Method)

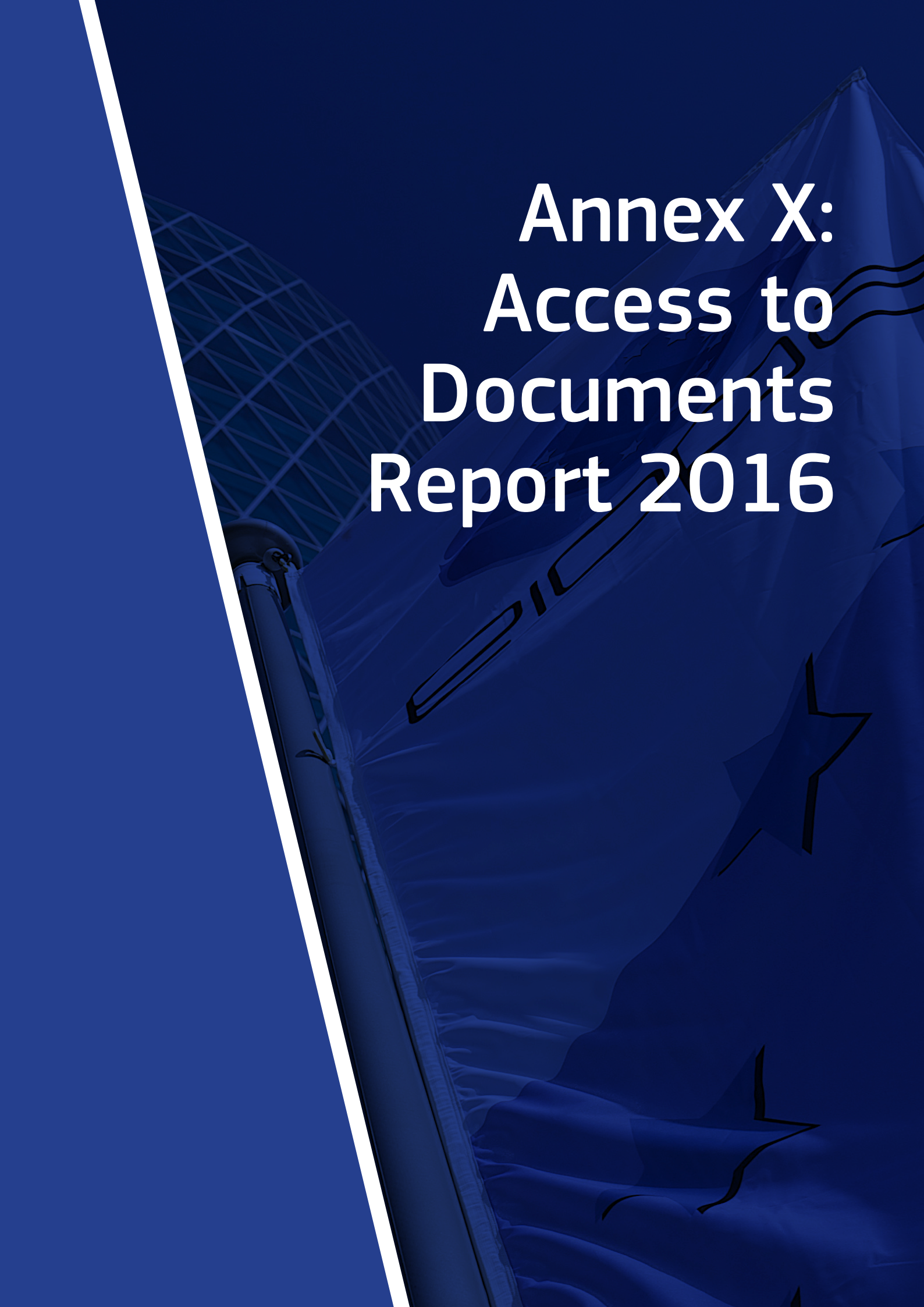
The cash flow provides a basis to assess the ability of EIOPA to generate cash and cash equivalents, and the needs of the

entity to utilise those cash flows. Cash flows are classified by operating, investing and financing activities.

	2016	2015
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	-603,402.68	887,644.22
Operating activities		
Adjustments		
Amortization (intangible fixed assets) +	1,392,605.79	284,764.44
Depreciation (tangible fixed assets) +	485,351.14	420,019.79
Increase/(decrease) in long-term provisions for risks and liabilities	19,434.96	447,662.78
Increase/(decrease) in short-term provisions for risks and liabilities	0.00	0.00
(Increase)/decrease in inventories	0.00	0.00
(Increase)/decrease in long term pre-financing	0.00	0.00
(Increase)/decrease in short term pre-financing	-4,290.00	0.00
(Increase)/decrease in long term receivables and recoverables	0.00	0.00
(Increase)/decrease in Short term Receivables and recoverables	352,992.72	-344,169.91
(Increase)/decrease in receivables related to consolidated EU entities	-127.49	0.00
Increase/(decrease) in value reduction for doubtful debts	0.00	0.00
Increase/(decrease) in long-term financial liabilities	86,087.52	0.00
Increase/(decrease) in short-term financial liabilities	0.00	0.00
Increase/(decrease) in other long-term liabilities	-108,966.50	242,193.39
Increase/(decrease) in other short-term liabilities (accrued charges and deferred income)	-630,604.42	-588,567.34
Increase/(decrease) in short-term payables	-50,968.32	14,792.62
Increase/(decrease) in Liabilities related to consolidated EU entities	-258,083.48	186,828.91
Other non-cash movements	0.00	0.00
Net cash Flow from operating activities	680,029.24	1,551,168.90
Cash Flows from investing activities		
(Increase)/Decrease in intangible assets and property, plant and equipment	-1,240,690.01	-4,489,511.78
Other proceeds from intangible assets and property, plant and equipment	0.00	305,460.24
Net cash flow from investing activities	-1,240,690.01	-4,184,051.54
Increase/(decrease) in Employee benefits		
Net increase/(decrease) in cash and cash equivalents	-560,660.77	-2,632,882.64
Cash and cash equivalents at the beginning of the period	2,689,817.51	5,322,700.15
Cash and cash equivalents at the end of the period	2,129,156.74	2,689,817.51

EIOPA – Statement of Changes in Net Assets

Net assets	Accumulated Surplus / Deficit	Economic result of the year	Net assets (total)
Balance as of 31 December 2015	7,277,737.21	887,644.22	8,165,381.43
Other [*]	0.00	0.00	0.00
Fair value movements	0.00	0.00	0.00
Movement in Guarantee Fund reserve	0.00	0.00	0.00
Allocation of the Economic Result of Previous Year	887,644.22	-887,644.22	0.00
Amounts credited to Member States	0.00	0.00	0.00
Economic result of the year	0.00	- 603,402.68	- 603,402.68
Balance as of 31 December 2016	8,165,381.43	- 603,402.68	7,561,978.75

The background of the cover is a dark blue image. On the left, a white diagonal line runs from the top left towards the bottom. Behind the text, there is a faint, larger-scale image of the European Union flag, showing its characteristic stars and wavy pattern. To the left of the flag, a portion of a geodesic dome structure, similar to the one at the European Parliament, is visible.

Annex X: Access to Documents Report 2016

1. Initial requests in 2016

Number of received applications and requested documents¹⁷

Number of requested applications	Number of [specifically] requested documents
6	10

Outcome of the applications in number of documents¹⁸

Full disclosure	5
Partial disclosure ¹⁹	3
Refusal	2
Decision pending	0
No existing/possession of document	4
Document already publicly available	0

2. Confirmatory requests in 2016

Number of received applications and requested documents

Number of requested applications	Number of requested documents
1	0

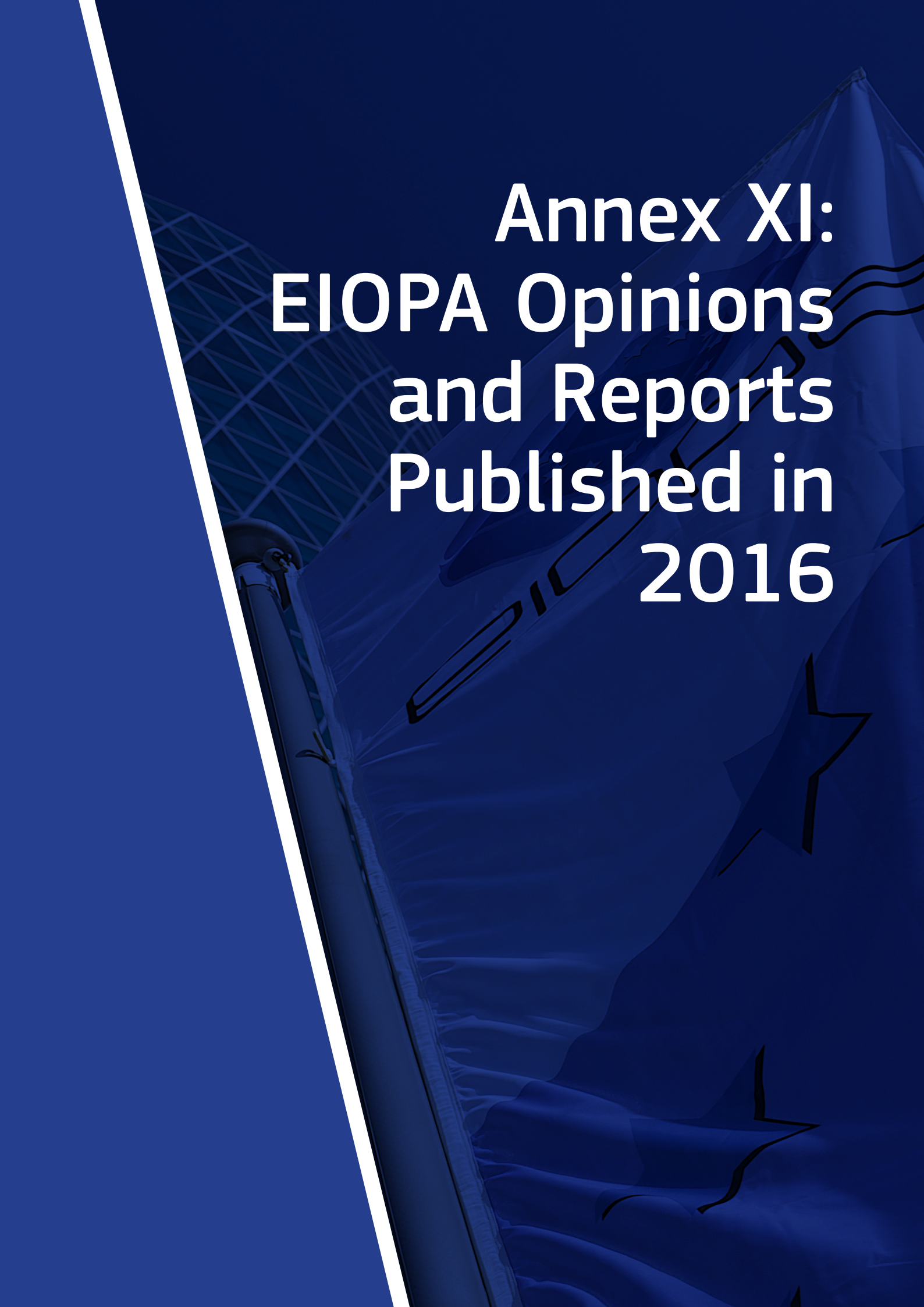
Outcome of the applications in number of documents

Confirmation	0
Partial revision	0
Full revision	1

¹⁷ An Access to Documents (ATD) application containing a general request to any documents relating to a specific subject(s) cannot be quantified in terms of number of requested documents. Such quantification is only possible with regard to an ATD application requesting access to a specific document. Therefore, the figures in this table do not necessarily coincide.

¹⁸ The figures do not necessarily coincide with the figures set out in the first table as a non-quantified ATD application sometimes concerns more than just one document; hence the outcome relating to each document may differ.

¹⁹ Only personal data from the document has been redacted. Otherwise, the whole content of the document was fully disclosed.



Annex XI: EIOPA Opinions and Reports Published in 2016

Date	Opinion
12/2016	Opinion on Disclosure of Information related to the Use of Transitional Measures in the Calculation of Technical Provisions
04/2016	Opinion to EU Institutions on a Common Framework for Risk Assessment and Transparency for IORPs
01/2016	Opinion on the application of a combination of methods to the group solvency calculation

Date	Report
12/2016	Report on Information on the use of limitations and exemptions regarding the submission by insurance and reinsurance undertakings of regular supervisory reporting
12/2016	EIOPA Fifth Consumer Trends Report
09/2016	Peer Review of the Statement of Investment Policy Principles for IORPs Publication of Outcomes
08/2016	Report on Good Practices on Communication Tools and Channels for communicating to occupational pension scheme members
05/2016	Year-end report 2015 on Functioning of Colleges and Accomplishments of Action Plan and Priorities for 2016
04/2016	Final report on the Peer Review on Freedom to Provide Services Publication of Outcomes
01/2016	Peer Reviews on the NCAs' Governance of Colleges

