

Annual Report 2011

Summary (ENG)



eiopa

EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

Summary



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The year 2011 marked the start of EIOPA's work as a European Supervisory Authority. EIOPA's main priorities in 2011 were in the following areas:

1. Solvency II
2. Occupational pensions
3. Consumer protection and financial innovation
4. Colleges of Supervisors and cross-border crisis management and resolution
5. Financial stability

Summary

1. Solvency II

In 2011, EIOPA focused on preparing the final set of regulatory measures for Solvency II, the draft standards and guidelines.

One of the main achievements of EIOPA in 2011 was the report on the Fifth Quantitative Impact Study (QIS5) summarising the potential impact of the detailed implementing measures to be drafted for the Solvency II regulatory framework. QIS5 has been the most ambitious and comprehensive impact study ever carried out in the financial sector, with the direct involvement of more than 2500 entities and 100 supervisors from member states and EIOPA, working together for almost a full year.

EIOPA launched official public consultations in 2011 in two areas in which early discussion with and preparation by the industry are particularly important. These consultations were on the draft standards and guidelines on reporting and disclosure, and on guidelines on Own Risk and Solvency Assessment (ORSA).

At the end of 2011, EIOPA submitted additional advice to the European Commission on the calibration of the non-life underwriting risk module. In the area of catastrophe risk, EIOPA made its final recommendation for the implementing measures on a number of outstanding non-life and health catastrophe risk issues.

Several task forces concluded their work in 2011, resulting in the publication of the following reports: 'Calibration of the Premium and Reserve Risk Factors in the Standard Formula of Solvency II'¹ and the 'Report of the Task Force on Expected Profits arising from Future Premiums'.

Finally, since the creation of EIOPA's Insurance and Reinsurance Stakeholder Group, EIOPA has benefited from their expertise and wide range of views and interests, and actively involved its members in major aspects of Solvency II.

¹This and other publications can be viewed on EIOPA's website under 'Publications'.





2. Occupational pensions

The main focus of EIOPA's work on occupational pensions in 2011 was developing EIOPA's response to the Call for Advice from the European Commission on the review of Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision (IORP Directive).

The work on the Call for Advice was organised in four sub-groups, all working in parallel, but all reporting to the Occupational Pensions Committee (OPC).

In 2011, EIOPA also completed number of survey-based reports on reporting requirements, risks related to DC schemes and pre-enrolment information. These surveys were conducted to provide a common technical basis for responding to the Call for Advice. During 2011, EIOPA carried out two public consultations on its draft advice. The first between 8 July 2011 and 15 August 2011 on selected aspects of the Call for Advice. The second, between 25 October 2011 and 2 January 2012 on the entire draft advice.

EIOPA also submitted during the year 2011 its input to the ESRB on data requirements for IORP and published its recurrent report on market developments.

3. Consumer protection and financial innovation

EIOPA has considered, from day one, consumer protection as a cornerstone of its work and an area where a difference has to be made, and EIOPA has been proactive in the area of consumer protection and financial innovation.

In the course of 2011, the Authority prepared 'The Proposal for Guidelines on Complaints-Handling by Insurance Undertakings', the Report on Best Practices by Insurance Undertakings in handling complaints" and finalised a 'Report on Financial Literacy and Education Initiatives by Competent Authorities'. EIOPA also collected data on consumer trends among its members to prepare an initial overview, analysing and reporting on those trends.

The Authority also provided relevant input to the European Commission's revision of the Insurance Mediation Directive (IMD) by carrying out an extensive survey of sanctions (both criminal and administrative) provided for in national laws for violations of IMD provisions.

External commitment, including benefiting from the expert input of EIOPA's two Stakeholder Groups and holding EIOPA's first 'Consumer Strategy Day', was also crucial to EIOPA achieving its goals in 2011.



4. Colleges of Supervisors and cross-border crisis management and resolution

EIOPA's tasks go beyond pure regulatory work, and include concrete oversight responsibilities, including an enhanced role as members of the different colleges of supervisors.

The overall strategic target of EIOPA's College work is to consolidate the position of the European Economic Area (EEA) supervisory community vis-à-vis insurance groups operating across borders for the benefit of both group and solo supervision. In 2011, around 89 insurance groups with cross-border undertakings were registered in the EEA. During the year, Colleges of Supervisors having at least one actual meeting or teleconference were organised for 69 groups. A total of 14 national supervisory authorities acted as group supervisors to organise the events. During the setup phase in the first year after its establishment, EIOPA attended College meetings and/or teleconferences of 55 groups.

In early 2011, a set of interim procedures for dealing with emergency situations was developed by EIOPA in conjunction with the other ESAs. A seconded national expert in crisis management was appointed in March 2011, and work then commenced on the development of a permanent crisis management framework by EIOPA. Key to this was the development of a strategic policy on crisis management. In the end of 2011 a Task Force on Crisis Management delivered a comprehensive, decision-making framework on crisis pre-emption and crisis management.

5. Financial stability

The common theme of EIOPA's financial stability initiatives in 2011 was to identify, at an early stage, trends, potential risks and vulnerabilities stemming from micro and macroeconomic developments, and, where necessary, to inform the relevant EU institutions. This was achieved by specific and regular market monitoring, information sharing and discussions on mitigating measures in the Financial Stability Committee (FSC). In line with this objective, EIOPA's FSC set up its first (pilot) risk dashboard in October 2011, containing a common set of quantitative and qualitative indicators that help to identify and measure systemic risk. This dashboard is to be developed further as a joint effort of the ESAs and the ESRB.

In the course of 2011 EIOPA has been an active member of the ESRB Steering Committee that was established in order to assist in the decision-making process of the ESRB. EIOPA also was taking part in the ESRB Advisory Technical Committee (ATC) and its technical subcommittees with the main focus on identifying potential systemically important issues in the sectors of insurance and IORPs. Furthermore, EIOPA participated in the joint ATC and Advisory Scientific Committee (ASC) expert group dealing with the regulatory treatment of sovereign exposures.

In 2011, the three ESAs and the ESRB signed a joint "Agreement on the establishment at the ESRB Secretariat of specific confidentiality procedures in order to safeguard information regarding individual financial institutions and information from which individual financial institutions can be identified".

EIOPA also began designing a database of current and historical data for IORPs and insurance and reinsurance undertakings in the European Union.

During 2011, EIOPA conducted harmonised, pan-European core and low-yield stress tests for the insurance sector in cooperation with the ESRB, ECB and EBA.

In June and December 2011, EIOPA published its two semiannual 'Financial Stability Reports' containing an assessment of the economic soundness of the European insurance, reinsurance and IORPs. In December 2011, EIOPA put out for public consultation a set of data reporting templates necessary for regularly assessing sectoral risk and monitoring financial developments once Solvency II enters into force.

External communication

One of EIOPA's new tasks is to foster dialogue and cooperation with supervisors outside the European Union. During 2011, EIOPA was able to strengthen existing relationships, initiate new EIOPA regulatory and supervisory dialogues and contacts, actively engage in the work of international standard-setting, and prepare the ground for welcoming a new EIOPA observer in 2012 – the Croatian Financial Services Supervisory Agency (CFSSA). In addition, the first draft reports on equivalence assessments of three jurisdictions (Switzerland, Bermuda and Japan) were delivered in good time to the European Commission.

EIOPA also continued activities relating to supervisory convergence and culture by offering a well-established training programme. In 2011, 21 cross sector and sector seminars were conducted by EIOPA and other supervisory authorities. In addition, EIOPA organised 3 public events, such as the EIOPA Annual Conference, the international Conference on Transatlantic Insurance Group Supervision and EIOPA's Consumer Strategy Day, which were also open to industry participants and stakeholder associations. More than 1 240 representatives from supervisory authorities and industry attended EIOPA training activities and public events during 2011.

In its public communication activities, EIOPA focused on explaining different technical and legal issues relating to its main fields of activity: insurance, Solvency II, IORPs, consumer protection, financial stability, financial innovation, and clarifying the role of the new European Supervisory Authorities (ESAs). At the end of 2011, EIOPA set up a special email hotline for enquiries from the public.

In 2011, EIOPA management representatives attended 42 conferences, round tables and other public events and delivered 28 speeches and presentations. They also had 34 meetings with industry representatives and international regulatory authorities. The European media have shown an increasing interest in the ESFS, and particularly in EIOPA's activities. EIOPA management granted 35 interviews to a number of media representatives, while 248 media queries were handled by EIOPA Press Office. Among its media relations activities, EIOPA organised four press conferences and briefings, and issued 32 press and web releases.

During 2011, EIOPA prepared 20 reports and submissions on topical issues aimed at a professional audience and EU institutions. In 2011, EIOPA's website had 150 514 individual visitors, 5 048 246 pages were viewed and 40 email alerts were sent to subscribers.

Organisational developments

In terms of organisational issues, recruitment was one of the main areas of work for EIOPA during 2011. On 1 January 2011, EIOPA had 27 staff members; it finished the year with 56 staff members, including some seconded national experts. The management team was also increased by two heads of unit.

The implementation of the different rules linked to the new framework in which EIOPA, as a European Authority, has to operate, was another important milestone, carried forward in parallel to all the aforementioned technical work and without undue interference.

Strategic goals for the coming years

In 2011, EIOPA defined the following strategic choices in each of the different fields of activity.

On regulation, the Authority shall:

- contribute to the EU standard-setting process in the field of insurance and IORPs supervision;
- develop draft binding regulatory and implementing technical standards based on the legislative acts referred to in Article 1(2) of the EIOPA Regulation;
- issue guidelines and recommendations with a view to ensuring the common, uniform and consistent application of EU law and establishing consistent, efficient and effective supervisory practices;
- provide advice for developing an EU risk-based framework in the field of IORPs;
- provide advice for developing an EU framework for crisis prevention, management and resolution appropriate to the nature of the insurance business model;
- provide advice on the EU framework applicable to financial conglomerates through the work of the Joint Committee of the European Supervisory Authorities;
- provide opinions to the EU institutions on the areas of its competence, both on request and on its own initiative;
- contribute to better regulation in the EU by using proper impact assessment methodologies for developing its regulatory work.



On oversight, the Authority shall:

- facilitate and foster the exchange of relevant information and data within the Colleges of Supervisors;
- oversee and enhance the functioning of the Colleges of Supervisors;
- define an overall annual action plan for the Colleges of Supervisors and monitor its implementation;
- establish a common framework for implementing the supervisory review process under Solvency II to foster supervisory convergence;
- develop an operational framework covering cooperation mechanisms between EIOPA and the national supervisory authorities to contribute to the coherent and coordinated crisis management in the European Union;
- review the application by the national supervisory authorities of the relevant regulatory and implementing technical standards, and of the guidelines and recommendations issued by EIOPA;
- organise and conduct peer reviews of the national supervisory authorities' activities in the areas of both insurance and IORPs, to further consolidate consistency in supervisory outcomes.

On consumer protection, the Authority shall:

- foster the protection of policyholders, pension scheme members and beneficiaries by promoting transparency, simplicity and fairness through the development of more standardised and comparable information on product risks and costs, relevant regulatory requirements and complaint handling procedures;
- enhance consumer protection by developing common methodologies for assessing the effect of product characteristics and distribution processes, not only on consumer protection, but also on the financial position of financial institutions;
- issue warnings regarding certain financial activities or temporarily prohibit or restrict them, as appropriate;
- collect, analyse and report on consumer trends by defining and monitoring consumer-specific risks to ensure financial institutions properly take account of risks relating to consumer protection;
- contribute to further sectoral work on the sale and marketing of insurance products and, in a cross-sectoral context through the Joint Committee of the European Supervisory Authorities, on retail investment products, ensuring that the specific characteristics of the insurance sector are properly considered;
- develop minimum standards for training and competence of relevant staff of financial institutions who are in contact with consumers and ensure that conflicts of interest are avoided or mitigated;
- contribute to the financial literacy and education of consumers by providing information on the roles and responsibilities of national supervisors and directing consumers to useful financial education material;
- seek to ensure sufficient empowerment of consumers by supporting the establishment of effective consumer redress procedures, both in financial institutions and in terms of access to competent alternative dispute resolution mechanisms;
- help assess the need for a European network of national insurance guarantee schemes which is adequately funded and sufficiently harmonised.

On financial stability, the Authority shall:

- identify trends, potential risks and vulnerabilities based on the information gathered from the micro-prudential supervision of insurance and IORPs markets;
- develop stress-testing frameworks and conduct these exercises at regular intervals with the purpose of identifying vulnerabilities, testing the market stability and analysing and mitigating any systemic risk events;
- contribute to the cross-sectoral identification of risks and vulnerabilities in the financial system through the work of the Joint Committee of the European Supervisory Authorities;
- develop, in consultation with the ESRB, appropriate criteria to identify and monitor systemic risk;
- monitor, assess and report on developments concerning the stability of financial markets in its area of competence, using both information to the public and that collected from the national supervisory authorities;
- participate in the work of the ESRB to ensure that the specific characteristics of the insurance and IORPs sectors are duly taken into consideration;
- cooperate closely with the ESRB by providing the necessary information for achievement of its tasks and by ensuring there is proper follow-up to warnings and recommendations.

In the field of external relations, the Authority shall:

- develop contacts and enter into administrative arrangements with supervisory authorities, international organisations and the administrations of third countries, within the legal framework of the EIOPA Regulation;
- assess the supervisory regimes of third countries to prepare the equivalence decisions to be taken by the European Commission;
- contribute to the development of sound international standards in the insurance and IORPs sectors;
- reinforce bilateral relations with third countries, namely those subject to equivalence assessments.