



SUMMARY OF THE ANNUAL REPORT 2021

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European Insurance and
Occupational Pensions Authority

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PETRA HIELKEMA



FOREWORD BY THE CHAIRPERSON

It gives me great pleasure to present this record of EIOPA's activities in 2021.

Once again, in 2021, the pandemic played a leading role with vaccinations and virus-variants making appearances – the former welcome, the latter not. Given that the insurance and occupational pensions sectors had weathered the pandemic relatively well, the focus in 2021 was both on supporting the recovery and monitoring for lasting effects of the crisis, notably inflation.

Consumer protection is a priority for EIOPA and in this area, EIOPA responded to concerns surrounding some unit-linked product with a framework to address value for money. For many savers, unit-linked products can play an important role and this framework will help to make sure that products are developed, marketed and sold with consumer needs in mind and that consumers have access to appropriate advice and information to help them make informed decisions when purchasing products.

EIOPA used its tools to coordinate with national authorities to address areas where conduct of business shortcomings related to cross-border business were apparent. It has become clear that to reduce detriment to consumers, a review of powers granted to EIOPA in this area may be needed.

In the area of pensions, EIOPA welcomed the entry into force of the regulation for a pan-European Personal Pension Product (PEPP) and in submitting two pieces of advice to the European Commission in the area of pensions – on dashboards and tracking systems – further steps were taken to address pension gaps.

The two areas of sustainable finance and digitalisation continued to dominate the agenda, not only for EIOPA, but also for national authorities and the insurance and occupational pensions sectors. In these areas, EIOPA maintained its focus on supporting the sectors and the supervisory community manage the transition to the green and digital economy.

Fit-for-purpose regulation is the foundation upon which effective supervision is built and in this regard, EIOPA broadly welcomed the proposals of the European Commission on the review of Solvency II and continues to support the review process.

Looking ahead, the uncertainty continues, notably as a result of Russia's unprovoked and unjustified military aggression against Ukraine. EIOPA stands with all European institutions in solidarity with the people of Ukraine. While the direct impact of the invasion on the insurance and occupational pensions sectors is low, EIOPA will continue to monitor the landscape closely for effects on the stability of the insurance and pensions sector in Europe. EIOPA will also pay close attention to the effects of rapid increases to the cost of living.

To deliver on its ambitious mandate, EIOPA requires a skilled and agile staff and I look forward to playing my role in fostering a diverse and inclusive organisation that enables all staff members to deliver to their full potential. In this way, as an organisation, we will be able to continue to support the sector adapt to future challenges.

On a personal note, on taking up my position as Chairperson in September 2021, I was welcomed by a committed, knowledgeable and enthusiastic staff who made my first days so much easier. I also very much appreciate the support of my colleagues at the Board and at our sister European Supervisory Authorities and look forward to a future of good cooperation and joint success.

I will reserve special thanks to Gabriel Bernardino whose mandate as Chair ended on 28 February 2021. During his tenure, he placed EIOPA at the heart of insurance and pensions supervision in Europe and I look forward to continuing his legacy building on his achievements. I also extend particular thanks to Peter Braumüller for admirably embracing his role as Vice-Chair and leading the organisation after Gabriel's departure.

Insurance and occupational pensions continue to play a vital role in the lives of every citizen in Europe and in turn EIOPA will play its role in fostering thriving sectors that support citizens and society.

FAUSTO PARENTE



FOREWORD BY THE EXECUTIVE DIRECTOR

The year 2021 was marked again with uncertainty. We started the year working from home, the pandemic continued to influence our strategic objectives and we continued to focus on its impact on the insurance and pensions sectors, with a view to preserving stability and support economic recovery.

EIOPA was able to deliver its work programme for the year, exceeding the target for the majority of key performance indicators.

We continued with our strategy for efficiency gains, based on four components:

- › resource planning and prioritisation;
- › data and IT strategy and digital solutions;
- › business process review, service optimisation and capitalising on shared services; and
- › integrated talent management.

EIOPA grew as an organisation and welcomed new staff, taking the total number of staff (including seconded national experts) to 193 at the end of 2021, up from 185 at the end of the preceding year. In addition, there was a further increase in the percentage of staff dedicated to core business.

Throughout the year, the Authority undertook an effective and responsible use of resources. The operating budget in 2019 was EUR 32.9 million and over the course of the year the budget implementation rate for commitments was 99.44% and 81.18% for payments made.

EIOPA is committed to improving its environmental performance and lowering the impact of its operations on the environment. In 2021 we have been working on the implementation of the EU Eco-Management and Audit Scheme (EMAS). A statement on environmental management is included in this report.

As COVID-19 continued to evolve, staff again worked from home for large parts of the year. This was possible thanks to the IT solutions and resources provided to staff. Nonetheless, we continued to adapt our workspace to a hybrid working environment and continued to invest in technology to enable seamless working as we invited colleagues back to the workplace, initially as volunteers. The health and safety of colleagues has been a priority, with physical distancing remaining in place until well into 2022.

While the home-office approach reflected the continuing impact of the pandemic, it also reflected an overall normalisation of hybrid working. As the pandemic risk has receded, we have continued to welcome staff back to the office for a certain number of days per week. At the same time, we recognise that to remain attractive as an employer and to be able to secure the skilled staff that we need to deliver on our objectives, we will need to pay close attention to working conditions, in particular related to the arrangements for hybrid working.

As in previous years, we have benefited from close cooperation with counterparts in national competent authorities and fruitful relations with members of our Management Board and Board of Supervisors.

We have also continued seek input from a wide selection of stakeholders to inform our work, in particular through our stakeholder groups, as well as through consultations and events.

On this occasion, I would like to extend my personal thanks to our former Chair, Gabriel Bernardino, who led the organisation for 10 years and to Peter Braumüller for supporting the organisation in his capacity as Vice-Chair in the period of transition before Petra Hielkema took up her role.

I would also like to thank staff, members of our Board of Supervisors, and my counterparts in the other European Supervisory Authorities and EU agencies for their hard work, commitment and fruitful cooperation. By working together, we can continue to ensure that we make a difference to people, business and economies across Europe.

EXECUTIVE SUMMARY

Throughout the course of 2021, EIOPA continued to play an essential role in the supervision of insurance and pensions in Europe, working closely with national supervisory authorities, European institutions and other stakeholders to fulfil its strategic objectives set out in its annual work programme.

The year of 2021 continued under the influence of COVID-19 pandemic, which reflected on EIOPA's core business activities and on organisational measures put in place towards EIOPA's staff, visitors and Board members. In 2021, EIOPA delivered a demanding Annual Work Programme that included work deprioritised in 2020 due to COVID-19 impact on its work.

In September 2021, Petra Hielkema became EIOPA's Chairperson for a five year mandate.

DRIVING FORWARD CONDUCT OF BUSINESS SUPERVISION AND REGULATION

EIOPA is mandated through its Regulation to take a leading role in promoting transparency, simplicity and fairness across the internal market. Building a sound regulatory framework is essential to this. In this context, together with the other ESAs, EIOPA has developed technical standards which:

- › Seek to combat “greenwashing” of financial products by defining under the Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy Regulation (TR) the way in which financial entities disclose the impact of their investment decisions on sustainability factors and the way in which sustainability information is disclosed in product information to end investors.
- › Seek to make the PRIIPs Key Information Document (KID) more engaging and accessible for retail investors by making targeted improvements to address a number of key regulatory issues that have been identified in connection with the content of the KID.

In the course of the year, EIOPA significantly strengthened its work on conduct of business supervision, using EIOPA's product intervention powers and a range of supervisory and oversight tools – this includes continued consumer trends and market monitoring work, especially of emerging trends, as well as active engagement with and visits to national competent authorities (NCAs) and third-country parties. In 2021, EIOPA also conducted a consultation on a framework to address value for money risk in the European unit-linked market and publish its results.

EIOPA continued to work on cross-border cases with possible detriment to consumers, via the establishment of cross-border cooperation platforms and by using its available tools to coordinate appropriate supervisory actions by NCAs. EIOPA issued in mid-2021 an individual recommendation to an NCA to take supervisory actions against an undertaking which pursues cross-border business in several Member States. In the second half of 2021 EIOPA concluded non-compliance with this recommendation.

This case among others, signals the increasing relevance of the risk that cross-border business may become an issue for consumers if home/host supervision is not effective and properly coordinated. It also highlights the limitations of EIOPA's tools in this regard. Finally EIOPA also, received its first request to initiate an inquiry into specific concerns related to group supervision in a specific Member State. This inquiry is still ongoing.

LEADING CONVERGENCE TOWARDS HIGHQUALITY PRUDENTIAL SUPERVISION

Achieving a common European approach to supervision is central to EIOPA's work. In 2021, EIOPA published the criteria for the independence of supervisory authorities, which is crucial for the legitimacy and credibility of the supervisory process. EIOPA published several tools addressing supervisory convergence in areas such as use of risk mitigation techniques, supervisory practices and expectations in case of breach of the Solvency Capital

Requirement or ORSA in the context of COVID-19. EIOPA continued to publish a number of reports related to different aspects of Solvency II and proposed amendments to the reporting requirements of supervisory and public disclosure documents. Additionally, in 2021 EIOPA published a report on EIOPA's proposal for the implementation of IBOR transitions, seeking to increase the robustness and reliability of financial benchmarks.

EIOPA continues to play its key international role in the context of the International Association of Insurance Supervisors (IAIS) and maintained regular contacts and dialogues with key third country jurisdictions.

On the pensions side, EIOPA issued opinions on risk management of defined contribution pensions and on costs and charges of IORPs, and provided advice to the EU Commission on pension tracking services and dashboards.

In 2021, EIOPA continued with the BI 2.0 programme, which leads the Authority to transform itself into a digital, user-focused and data driven organisation also in its role as regulator and facilitator and providing NCAs with relevant data analysis and data reports. EIOPA continued to improve its business intelligence and data analytics framework while taking advantage of new technological developments and the opportunities they present, thereby sharing knowledge and experiences between EIOPA and NCAs.

Lastly, EIOPA's goal to ensure a high, effective and consistent level of supervision across Europe, thus guaranteeing a similar level of protection of policyholders and beneficiaries across jurisdictions, was promoted by enriching its Supervisory handbook and providing training for supervisors. Additionally, EIOPA conducted one peer reviews on outsourcing and one follow up peer review on key functions.

EIOPA continued to work with national supervisors to promote a level playing field by participating in colleges of supervisors, on-site inspections, cooperation platforms and bilateral engagements, as well as by providing technical assistance, trainings and recommendations. On the use of internal models, EIOPA developed comparative studies, addressing priority areas in relation to Internal Models including public reports.

STRENGTHENING THE FINANCIAL STABILITY OF THE INSURANCE AND OCCUPATIONAL PENSIONS SECTORS

EIOPA continued to identify trends and potential risks and vulnerabilities that could have an adverse effect on the pension and insurance sectors across Europe. As part of this work, throughout the course of this year, EIOPA published insurance and occupational pension statistics, including the risk dashboard on a quarterly basis and the financial stability report twice a year. Additionally, EIOPA developed a European Systemic Risk Assessment Framework (SRAF) to allow the Authority and its members to determine their own view on European insurance market trends and developments and potential systemic risk, and to assist them in the preparation of the IAIS collective discussions.

In 2021, EIOPA also conducted a stress test focused on a prolonged COVID-19 scenario in a “lower for longer” interest rate environment. Despite the grave economic and financial implications of the COVID-19 pandemic, the European insurance industry entered the stress test exercise with a strong level of capitalisation. This robust buffer allowed participants to absorb the shock of the adverse scenario. The findings also showed that the main vulnerabilities for the sector stem from market shocks, and that the insurance industry has tools at its disposal to cope with adverse market and economic effects. Also, the long-term guarantees measures helped absorb part of the severe but plausible shocks. Nevertheless, the stress test also revealed that a section of the market still heavily relies on transitional measures. The liquidity position of participants did not reveal vulnerabilities.

CROSS-CUTTING THEMES

EIOPA continued its work in the area of sustainable finance. EIOPA's work addressed key issues of climate change-related risk for the insurance sector and continued to encourage insurers to play their role of enabling climate change mitigation and adaptation. EIOPA continued to pay close attention to the insurance protection gap, which measures the difference between what is insured and potential economic losses. EIOPA proposed methodological steps which support the need to formalise an approach to re-assess and recalibrate parameters

for the natural catastrophe risk module of the Solvency II standard formula on a regular basis. EIOPA and ECB staff published a thematic article in the EIOPA Financial Stability Report on climate change, catastrophes and the macroeconomic benefits of insurance. Additionally, EIOPA published a paper on measures to improve the insurability of business interruption risk in light of pandemics and submitted to the European Commission its technical advice on key performance indicators under the Taxonomy Regulation. More broadly EIOPA supported the European Commission's Sustainable Finance Agenda.

EIOPA continues to follow closely the growing use of data and digitalisation to identify ways to better protect consumers without hindering innovation. Regarding the digital resilience EIOPA adopted and implemented Guidelines on information and communication technology (ICT) security and governance and focused on preparing the technical work needed for the implementation of the new legislative proposal on digital operational resilience act (DORA).

EIOPA has published its Digital Transformation Strategy to ensure a systematic, balanced and holistic approach to the technological transformation of the European insur-

ance and pensions markets and their supervision that is currently underway. Together with the other ESAs worked on the Final Report answering the European Commission's Call for Advice on digital finance and related issues.

EIOPA continued its engagement with the consultative Expert Group on Digital Ethics in insurance and chaired the European Forum for Innovation Facilitators (EFIF).

DELIVERING THE MANDATE EFFECTIVELY AND EFFICIENTLY

In 2021 in a prolonged COVID-19 remote working context, EIOPA continued to operate as an effective and efficient organisation, while at the same time seeking out further improvements to its administrative processes. In the area of diversity and inclusion, EIOPA has adopted its Diversity and Inclusion Strategy and a detailed Action Plan underpinning EIOPA's vision to be a credible supervisory authority, going well beyond ensuring compliance with non-discrimination and equality rules.

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