



SUMMARY ANNUAL ACTIVITY REPORT 2019



eiopa

European Insurance and
Occupational Pensions Authority

#PENSIONS #INSURANCE

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Manuscript completed in June 2020

1st edition

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Luxembourg: Publications Office of the European Union, 2020

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PDF ISBN 978-92-9473-242-2 ISSN 2529-5934 doi: 10.2854/49314 EI-EI-AD-20-001-EN-N

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ANNUAL ACTIVITY REPORT 2019 IN NUMBERS

BUDGET



EUR 27.1 mill.

60% from Member State authorities
40% from the EC

Defined ratio from The European Free
Trade Association (EFTA) States



303 products & services in work programme
91% delivered as planned
100% of ear-marked funds (commitments)
implemented

STRESS TEST in OCCUPATIONAL PENSION SECTOR

included an assessment of environmental, social and govern-
ance (ESG) exposures

19 Countries
60% of National DB
50% of National DC sectors
176 IORPs



EIOPA PUBLISHED

6 Opinions
2 Recommendations
28 Reports
3 Guidelines
15 Public consultations



Key publications

Consumer Trends Report

Consumer Protection
Issues in Travel Insurance

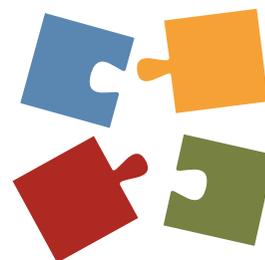
Big Data Analytics in Motor and
Health Insurance

User-friendly model Pension
Benefit Statements

225 Speaking engagements
198 Visits to EIOPA
395 Annual Conference guests



ENGAGED WITH 53 COLLEGES OF SUPERVISORS



7 Joint on-site inspections
22 National supervisory authorities
involved with actively
8 Bilateral engagements with national
supervisory authorities
Technical assistance to Croatia

FOREWORD BY THE CHAIRMAN

I am pleased to present this record of EIOPA's achievements in 2019.

As part of our mission to foster a common approach to supervision, we have used a range of supervisory tools, such as our cooperation platforms which we have used to address unsustainable cross-border business models.

Over the past year, we have also strengthened our work on conduct of business supervision so that consumers are protected from poor business practices. Such has been the case with travel insurance. Through our thematic review, we identified certain business models carrying heightened risk, giving rise to significant supervisory concerns. We therefore issued a warning to insurers and insurance intermediaries to tackle high commissions for travel insurance products.

Through our continuing consumer trends work, we have identified four areas requiring further attention: life insurance sold together with mortgages (a focus for us in 2020); unit-linked products; add-on insurance; and claims handling in motor insurance.



The persistent low interest rate environment continued to cause challenges for insurers and pension funds. In the area of insurance, we are addressing this as part of our review of Solvency II. Overall, the Solvency II framework is effective and works well. We therefore see the outcome of the review as evolution rather than revolution. Beyond the necessary adjustment of the interest rate risk calibration, we aim for a balanced impact of its proposals. One important area of focus is proportionality and EIOPA has put forward proposals aiming at a substantial reduction of reporting requirements to undertakings with a low risk profile.

The low interest rate environment also presents challenges to savers. In 2019, we continued to work on model Pension Benefit Statements that will help IORPs to provide clear and information to pension scheme members, thereby enabling members to take better informed decisions about their retirement savings.

To better support private savers in achieving their retirement goals, we must also look at the demand side, in particular in the context of Capital Markets Union. In 2019, we began work on the he technical standards and technical advice for the implementation of the pan-European Personal Pension Product (PEPP) and it is our view that simple, portable, digital-first products like PEPP can play a vital role in helping people save for their retirement.

While digitalisation brings many opportunities to consumers, it is not without risk. Our thematic review on the use of big data analytics in motor and health insurance highlighted issues linked to fairness and ethics. EIOPA is examining this in more detail through its consultative expert group to assist us in the development of principles of digital responsibility in insurance.

Digitalisation also gives rise to an increasing number of cyber attacks. In 2019, EIOPA further explored the cyber insurance market in Europe through a dialogue with industry.

Climate change dominated the news in 2019. Our work in this area included an Opinion on how to integrate climate-related risks in Solvency II and, for the first time, an assessment of environmental, social and governance exposures in

the occupational pensions stress test. In the transition to a green economy, we firmly believe that insurers play a stewardship role in contributing to climate change adaptation and mitigation, through their investment and underwriting activities. As long-term investors, pension funds too can play a similar role.

While natural catastrophes and cyber security are two very different types of risk, they have commonalities: they pay little attention to borders and have the potential to cause severe and costly disruption to households, businesses and the financial system. To address these global challenges, EIOPA believes that we – supervisors, industry and public authorities – must act together. A concerted approach will result in a stronger more successful response.

Our achievements in 2019 were also the result of continued support from and cooperation with our Board of Supervisors and European institutions, as well as our ongoing dialogue with consumers, industry and other stakeholders through our Stakeholder Groups and our consultative approaches and in this respect, I look forward to a continuing cooperation so that we can fulfil our mandate.

Looking ahead, EIOPA will continue to deliver on its mission but in an environment dominated by the Coronavirus outbreak. In this regard, our focus will continue to be on consumer protection and the financial stability of the insurance and pensions sector, in particular so that the sector remains resilient, fair and able to rebound. To achieve this, we will continue to support European Commission initiatives to deliver the European green deal, a Europe fit for the digital age and an economy that works for the people.

In this way, we will ensure that insurance and pensions are at the centre of Europe's sound financial sector that, in turn, is at the service of its citizens.

Gabriel Bernardino

FOREWORD BY THE EXECUTIVE DIRECTOR

Our goal in 2019 was to operate as an efficient and effective organisation in the delivery of our mandated tasks and I am pleased to be able to say that overall we met this goal, achieving all key performance indicators. We delivered to a high standard across all four strategic priorities, as well as the cross-cutting themes of sustainable finance and InsurTech.

A professional, competent and engaged workforce underpins our ability to perform. To support the further development of our human resources, we continued to implement the competency framework and integrate it across various functions and processes. Our organisation grew from 158 to 166 staff members, with close to 80% of staff assigned to core business activities.



Our ability to respond quickly to changing priorities also supports our capacity to deliver. The uncertainty surrounding the United Kingdom's withdrawal from the European Union required the Authority to remain in a constant state of readiness to respond operationally in the event of no political agreement on the future relationship.

In the second half of 2019, following the conclusion of the review of the European Supervisory Authorities, EIOPA reviewed, amended and drafted rules of procedure to ensure readiness to assume new tasks and powers as of January 2020.

EIOPA welcomed the adoption of the legislative proposal for a pan-European personal pension product (PEPP) and immediately started work on preparing

supporting regulation to ensure proper implementation of PEPP. EIOPA also began work on the new processes and IT solutions required to register products and oversee national supervision.

Throughout the year, the Authority undertook an effective and responsible use of resources. The Authority's operating budget in 2019 was EUR 27.1 million and by the end of the year, we had implemented 100% of commitment appropriations and 85.6% of payment appropriations.

EIOPA conducts its operations in full compliance with EU regulations, working in an open and transparent manner. As part of our accountability, we are the subject of annual audits by the European Court of Auditors, the European Commission's Internal Audit Service and our own internal auditor. EIOPA welcomes cooperation with all European institutions and regularly participated in scrutiny meetings at the European Parliament including, in November 2019, a hearing before the European Parliament's Economic and Monetary Affairs Committee.

As part of our continuous drive for efficiency, EIOPA further implemented e-solutions, particularly in administrative processes. Further progress was made in the transition to European Commission systems for human resource management and mission management.

The Authority also worked with other EU agencies in the area of procurement to achieve economies of scale.

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

We 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.

As an organisation, we are committed to operating sustainably and for the first time this report contains a statement on our environmental management. The introduction of e-workflows to reduce paper usage and upgrades to videoconferencing facilities to encourage remote participation in workshops and events are two examples of actions that we took in 2019 to reduce our environmental impact. Both these actions have made our work easier, in particular since we started working from home for a prolonged period in 2020.

Indeed, looking ahead, we will have to adapt our work and ways of working to new challenges: responsibilities stemming from the review of the European Supervisory Authorities; the disruption to the economy caused by the Coronavirus pandemic; and adapting our workplace to the post-Coronavirus environment.

I would like to extend my thanks to EIOPA staff and colleagues from national competent authorities, the Board of Supervisors and Management Board for their valuable contribution to our work. With their continued commitment, I am certain that we will be able to meet the challenges outlined above. In this way, we can continue to foster strong and resilient insurance and occupational pensions sectors in Europe that benefit people, business and economies across Europe.

Fausto Parente

EXECUTIVE SUMMARY

In 2019, EIOPA continued to play an essential role in the supervision of insurance and pensions in Europe, working closely with national authorities, European institutions and other stakeholders to fulfil the strategic objectives set out in its annual work programme for 2019.

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 the context of the Insurance Distribution Directive (IDD), EIOPA worked on a number of deliverables, including an examination of general good rules and the review of the Decision on the cooperation of competent authorities.

In the course of the year, EIOPA significantly strengthened its work on conduct of business supervision. An example of this is the introduction of visits to national supervisory authorities. EIOPA also continued to carry out market monitoring activities, notably through its consumer trends reports.

A thematic review into consumer protection issues in travel insurance revealed that some business models

carry heightened conduct risks, including remuneration structures based on very high commissions, often resulting in consumer detriment. As a result of this review, EIOPA issued a warning to insurers and insurance intermediaries to tackle high commissions related to travel insurance products.

In 2019 EIOPA published its first Report on Costs and Past Performance of insurance and pension products. The report showed that costs vary depending on the type of product, premium, risk category and jurisdiction, but also that due to the differences between products, there are significant challenges with comparing performance.

Leading convergence towards high-quality prudential supervision

Achieving a common European approach to supervision is central to EIOPA's work.

In 2019, EIOPA undertook considerable work as part of the 2020 review of Solvency II. The review will ensure that the landmark regulation remains fit for purpose.

In the context of the implementation of the Institutions for Occupational Retirement Provisions – IORP II Directive, EIOPA focused its work on achieving proportional and relevant application of IORP II throughout Europe. EI-



OPA also worked on the development of model pension benefit statements to help members get a better idea of their pension pot and the income they could receive retired.

In February 2019, political agreement was reached by the European Parliament and Member States on the proposal for a Pan-European Personal Pension Product (PEPP). In light of this, EIOPA started to develop a number of specific PEPP technical deliverables in line with the PEPP Regulation.

On the international front, EIOPA contributed the adoption in November 2019 of the first global frameworks for supervision of internationally active insurance groups, including an Insurance Capital Standard Version 2.0, and for the mitigation of systemic risk in the insurance sector.

During the course of the year, EIOPA continued to build a consistent approach to supervision and promote consistent supervisory practices through the implementation of its supervisory convergence plan. The priority areas were the application of proportionality, the supervision of internal models and the supervision of cross-border business.

EIOPA has set up further cross-border cooperation platforms to enhance stronger and timelier cooperation between national competent authorities (NCAs) on concrete cross-border cases, enabling a quicker identification and assessment of risks in cross-border business.

EIOPA also worked on two additional peer reviews, regarding the regular supervisory report and the cooperation by NCAs in cross-border business.

Throughout 2019 EIOPA continued to play close attention to the developments and potential impact of the United Kingdom's withdrawal from the European Union, calling upon national supervisory authorities to minimise the detriment to insurance policyholders and beneficiaries.

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 second Annual Insurance Overview, the risk dashboard on a quarterly basis and the financial stability report twice a year. A key challenge continues to be the prolonged low yield environment.

In 2019, EIOPA also conducted a stress test on the occupational pensions sector. The findings showed that the adverse scenario applied for the test would wipe off al-

most one quarter of the value of investment assets of the sample, leading to substantial benefit reductions.

For the first time, the stress test included an assessment of environmental, social and governance exposures. The test shed light on the current management and consideration of ESG factors in the occupational pensions sector. Overall, there is a high carbon footprint, relative to the EU economy, in the sample's equity investments. In addition, the majority of participating funds consider ESG factors, yet less than 20% of the sample currently assess the impact of ESG factors on risks and returns.

EIOPA also launched a consultation on the establishment of a European network of national insurance guarantee schemes, which are sufficiently harmonised and adequately funded.

Cross-cutting themes

EIOPA continued its work in the area of sustainable finance. This included supporting the European Commission's Sustainable Finance Action Plan, as well as publishing an Opinion addressing the integration of climate-related risks in Solvency II.

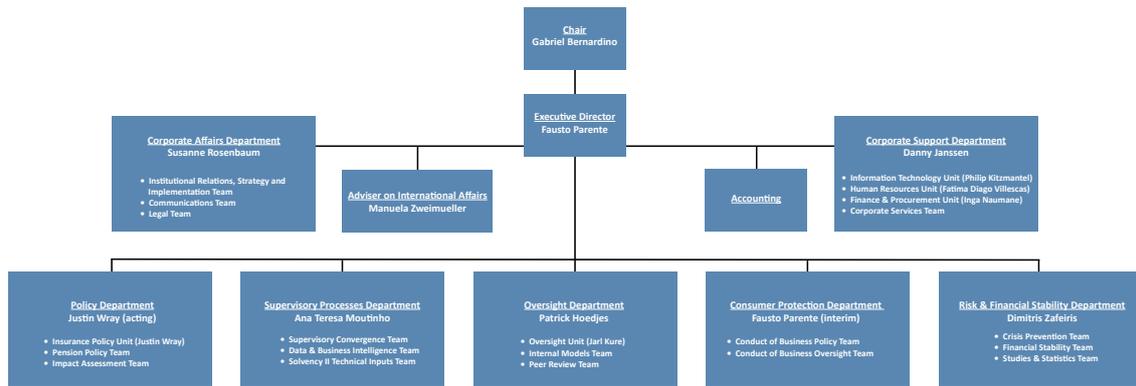
In the areas of insurtech, digitalisation and cyber resilience, EIOPA conducted work in different aspects of digital finance. This included outsourcing to the cloud, artificial intelligent and Big Data, with the aim of promoting supervisory convergence, facilitating a level playing field based on the principle of proportionality and pursuing a technology-neutral approach to financial innovation. In 2019, as a follow-up to the thematic review on the use of Big Data Analytics (BDA) in motor and health insurance, EIOPA established a consultative expert group to assist EIOPA in the development of digital responsibility principles for the insurance sector.

In its report on Cyber risks for insurers, EIOPA found that the digital economy and the advance of technology offer opportunities to cyber underwriters. Appropriate cyber insurance coverage can make a valuable contribution to manage cyber risk faced by businesses and clients. A well-developed cyber insurance market can play a key role in enabling the transformation to the digital economy.

Delivering the mandate effectively and efficiently

In 2019, EIOPA continued to operate as an effective and efficient organisation, while at the same time seeking out further improvements to administrative processes.

ORGANIGRAM



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