

# Annual Report 2015

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# Analysis and Assessment of the Annual Activity Report 2015 by the Board of Supervisors

EIOPA's Board of Supervisors (BoS) takes note of the Annual Activity Report (AAR) 2015, submitted by the Authorising Officer in accordance with Article 47(1) of the Financial Regulation (FR) applicable to EIOPA. Analysing and assessing the AAR 2015 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 2015. 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 2015, 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 notes the continued effective preparations of EIOPA in anticipation of the application of Solvency II, including the final set of Technical Standards and Guidelines supporting implementation of the regulatory framework in which National Competent Authorities and Undertakings will operate and in implementing its own internal structures, processes and systems to fulfil its role under the directive.
- BoS acknowledges EIOPA's important contribution to regulatory developments in relation to occupational pensions and the Authority's positive contribution in the domain of personal pensions.
- BoS notes the important contribution EIOPA made to the regulatory framework for consumer protection, and welcomes its efforts to develop a comprehensive risk-based and preventative framework for conduct of business supervision.
- BoS notes the continuous focus from EIOPA management to build a sustainable organization with high level of expertise and ongoing training.
- BoS notes the positive results of successful management of the Authority's tasks and resources, indicated by:
  - The positive rate of 99% delivery of products and services 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 run effectively and efficiently and delivering the expected products and services to sufficiently high standards of quality.

Gabriel Bernardino  
Chair of the Board of Supervisors

# Foreword by the Chairman

The year 2015 – our fifth year – was a historical one for EIOPA. We completed the regulatory phase of the new risk-based supervisory regime Solvency II that entered into force on 1 January 2016. The Solvency II project started around 15 years ago, long before EIOPA was founded. But since its start EIOPA played a significant role to bring the regulatory phase to a successful end. Not just in 2015 but during the past five years, EIOPA has grown into an entity with a strong voice and a driving force in regulatory convergence.

In the course of 2015, EIOPA prepared the ground to shift its strategic focus from regulation to supervision and to take over the new – supervisory – functions. One of EIOPA's key objectives is to ensure supervisory convergence across Europe. The current Annual Report provides a detailed overview of tools and projects EIOPA used to safeguard the application of EU law and to guarantee a level playing field as well as to prevent regulatory arbitrage in the internal market.

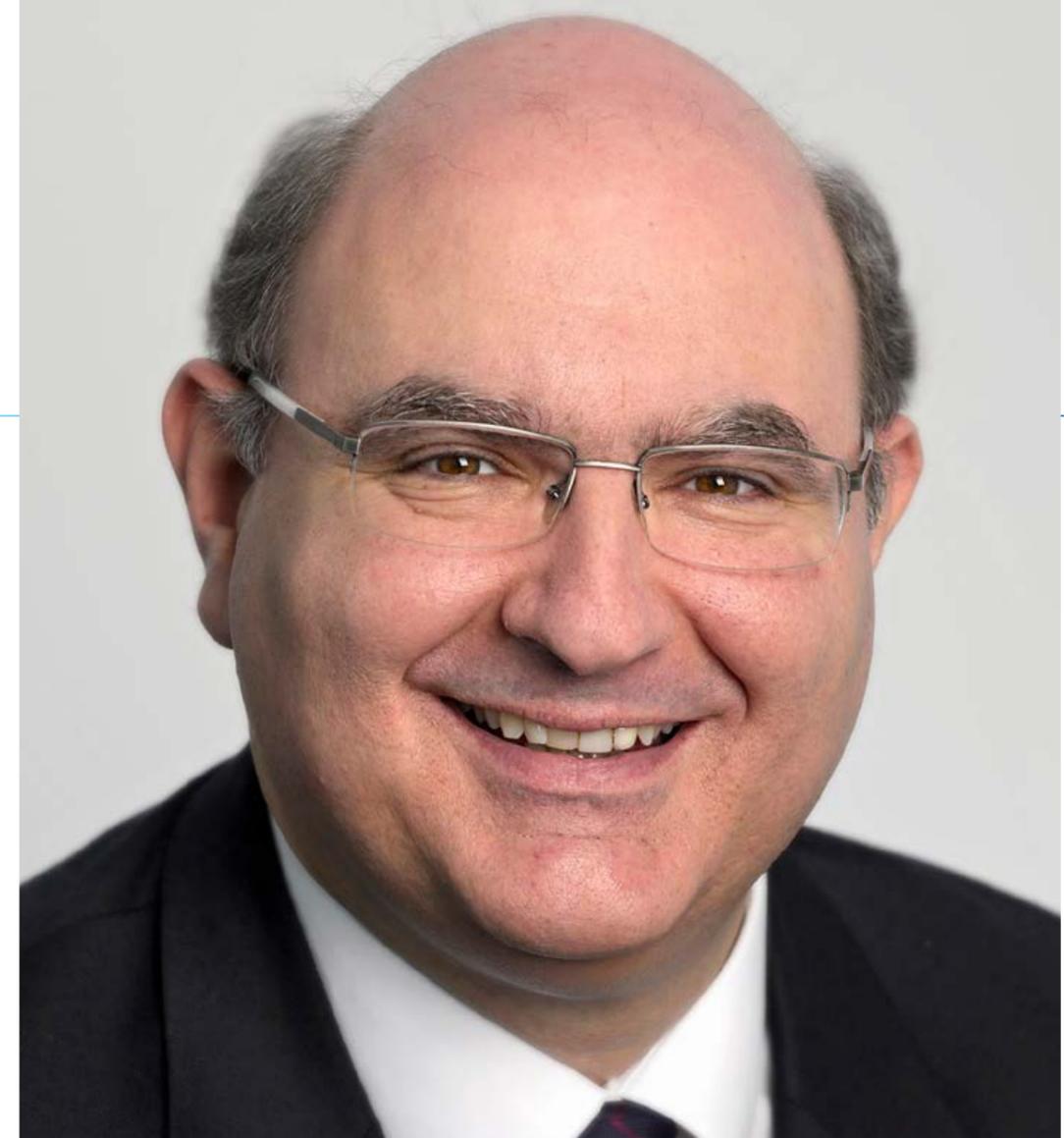
Like in the previous years, consumer protection remained our guiding principle. In 2015, EIOPA developed a strategic approach towards preventive consumer protection and presented different deliverables all with a common purpose: to incentivise companies to place consumers in the heart of their business as well as identify and tackle in a timely manner the emerging risks for consumers. In the coming five years we will continue our efforts to safeguard a similar level of protection to all policyholders and beneficiaries in the EU.

For EIOPA's work in the pensions' area, the year 2015 was remarkable. We conducted the first in the history of the European supervision EU-wide stress test for occupational pensions. This exercise resulted in an ever comprehensive picture of the heterogeneous European occupational pensions' landscape, which is very instrumental for pensions' supervisors.

In 2015, in line with its mandate to support financial stability in the European markets, EIOPA continued producing bi-annual financial stability reports, quarterly risk dashboards as well as actively contributed to the discussions within the European Systemic Risk Board (ESRB).

By intensively participating in the work of the International Association of Insurance Supervisors (IAIS) and several international supervisory and regulatory fora, EIOPA has strengthened the European supervisory position in the international arena.

The credit of these achievements goes to the entire EIOPA team and to the colleagues from the National Supervisory Authorities (NSAs). Without their unparalleled expertise, their enthusiasm in working for Europe, their strong and continuous commitment also in stressful times, EIOPA would have simply not been able to deliver on its responsibilities.



I would also like to thank the members of EIOPA's Board of Supervisors and Management Board for their support, steering and advice, which helped EIOPA to achieve its goals. Together we will continue to build a truly European supervisory culture that thanks to its risk-based forward-looking approach promotes financial stability, mitigates possible disruptions in the market and ensures the similar level of protection for insurance policyholders, pension scheme members and beneficiaries as well as other consumers of financial products.

A handwritten signature in blue ink, which appears to read 'G. Bernardino'. The signature is stylized and fluid.

Gabriel Bernardino

# Foreword by the Executive Director

The year 2015 became a real quality check for EIOPA's management and governance system. Due to the given budget reduction by 7.6% EIOPA undertook a severe strategy-driven reprioritisation exercise including reallocation of human resources and funds. This allowed EIOPA to deliver high quality work and to meet the objectives of its Work Programme 2015.

By the end of the year, EIOPA reached a 99.97% implementation rate for its budget of EUR 20.2 mln. The remaining 0.03% of the budget implementation cover services and products ordered in 2015 but invoiced only in 2016.

Last year EIOPA experienced a high turnover of staff (14%). Despite that, the number of experts and managers in EIOPA increased from 134 in December 2014 to 137 in December 2015.

Good progress has been achieved with regard to business continuity: EIOPA incorporated into its governance important tools such as a business continuity strategy, business impact analysis and IT contingency plans.

EIOPA also improved its risk management by introducing a formalised risk management process where all the staff members take the responsibility of escalating potential threats via their respective line managers.

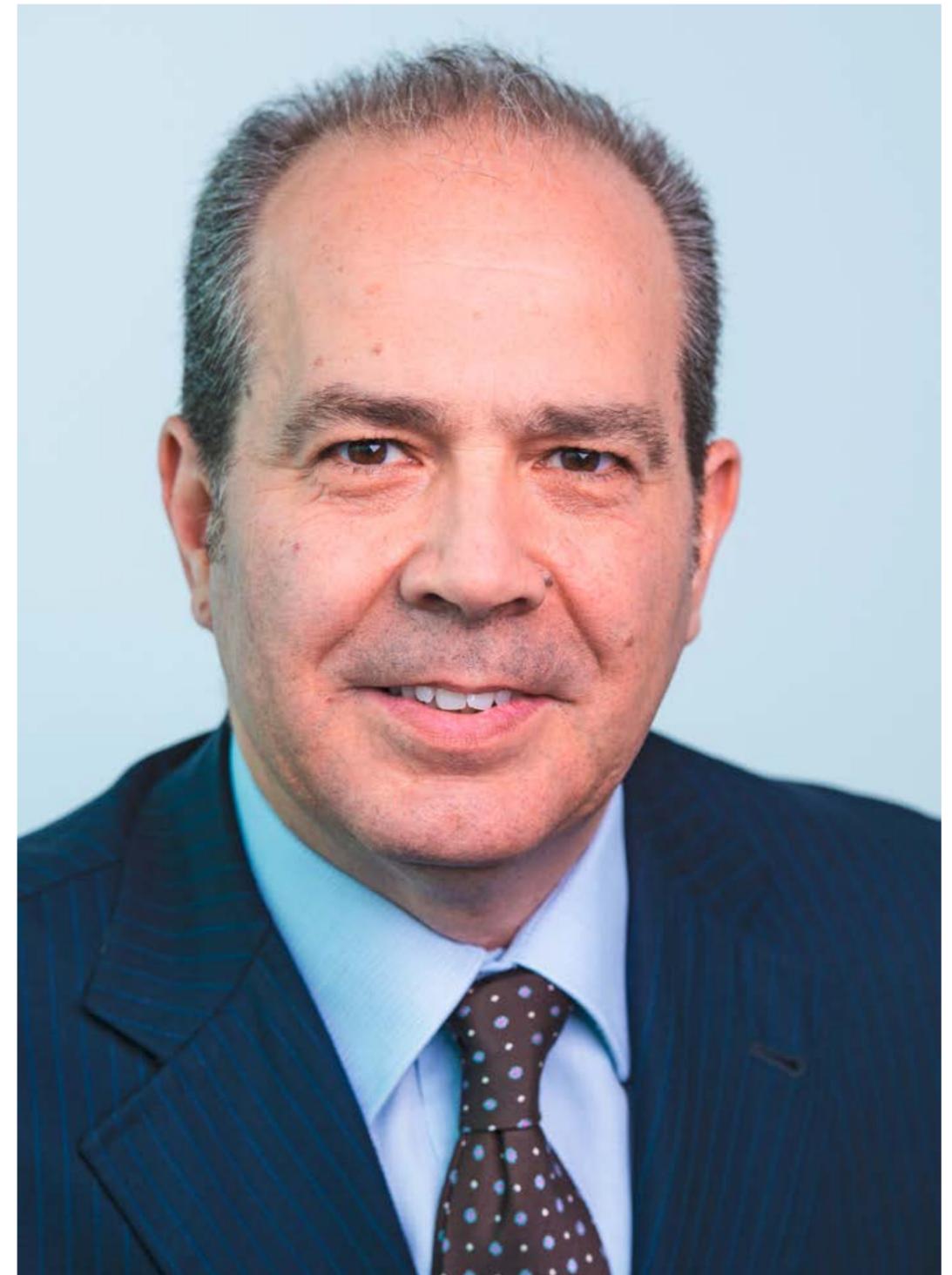
In 2015, EIOPA's Internal Control Standards (ICS) were reviewed to align them with ICS of the European Commission.

In order to reinforce its leadership, EIOPA has engaged all line managers in a full 360 degree feedback exercise with insightful results at individual, peer and corporate level. Furthermore, an active information campaign was conducted internally in order to embed EIOPA's values throughout the institution and, thus, reinforce its working culture.

The coming years will be crucial for EIOPA in managing, adopting and fostering the given new tasks and challenges to continue successfully the work on the road of supervisory convergence. At EIOPA, we will continue with the same spirit to further build up EIOPA as a strong inclusive supervisory authority with a clear focus on the interests of EU citizens and consumers.



Fausto Parente



# Executive Summary

Insurance and occupational pensions fulfil an important role in the economy. With assets worth more than two thirds of EU GDP<sup>1</sup> insurance is a significant element of the financial sector, contributing to economic growth and financial stability by taking on risks and mobilising savings. Occupational pensions are equally important as in addition to their contribution to the economy, they protect against the risk of poverty in retirement. EIOPA was set up in 2011 as an independent European Supervisory Authority with core responsibilities 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 Annual Report 2015 outlines the Authority's main achievements and provides information on EIOPA's management of the resources allocated to it in order to meet its objectives.

EIOPA's Annual Report 2015 outlines the Authority's main achievements across its goals to:

- strengthen consumer protection;
- deliver quality and timely regulation;
- ensure convergence, consistency and quality of supervision;
- support financial stability; and
- develop as a modern and competent authority.

The Annual Report also provides information on EIOPA's management of the resources allocated to it in order to meet these goals.



<sup>1</sup> Approximately 70% in 2014 – Source: Eurostat and EIOPA EU/EEA (re)insurance statistics <https://eiopa.europa.eu/financial-stability-crisis-prevention/financial-stability/statistics>

## INFORMATION BOX: Top five achievements in 2015

- Finalisation of the Insurance Single Rulebook: production of the 2nd set of Solvency II Implementing Technical Standards (ITS) and Guidelines (GLs).
- Conduct supervision: Establishment of the new strategic approach for a comprehensive risk-based and preventative framework for conduct of business supervision and the first thematic review on mobile phone insurance.
- Implementation of the process and methodology for the monthly release of the Risk Free Rate required under Solvency II.
- Pan-European personal pension product (PEPP): EIOPA's concept outlined in its consultation paper for the requirements for the creation of a PEPP.
- Balance sheet review and stress test of Romania's insurance sector.

## To strengthen consumer protection

In consumer protection a major development has been the adoption of a new **strategic approach for a comprehensive risk-based and preventative framework for conduct of business supervision**. A central tool in addressing conduct of business risks at an EU level, it will be built on a solid understanding of consumer behaviour, proportionality and timely anticipation of emerging conduct risks and prevention of consumer detriment across the Union. **'Thematic reviews'** are a central element to the strategy and a pilot was carried out and concluded with the Mobile Phone Insurance analysis. Progressing EIOPA's capability to apply its **product intervention powers for insurance-based investment products**, in 2015 EIOPA established the indicators determining whether action by the Authority is necessary.

EIOPA's work to tackle conflict of interest in direct and intermediate sales of insurance-based investment products was advanced with its Technical Advice to the Commission providing policy recommendations for identification and management of the issue. EIOPA has led the cross-sectoral work on developing a **Key Information Document (KID)** mandated by the packaged retail and insurance-based investment products (PRIIPs) Regulation. Two public consultations were concluded in the first half of 2015, one for identifying optimal templates representing information in a consumer friendly manner and the other for calculating measures of product risks, performance and costs. The templates for the KID have also been tested with consumers. In addition, a public

# Executive Summary

consultation on the text of the draft Regulatory Technical Standards on PRIIPS Key Information Documents was launched in the autumn of 2015. In the domain of occupational pensions, EIOPA produced **reports on information provided in terms of costs and charges of Institutions for Occupational Retirement Provision (IORPs)** during the pre-enrolment and ongoing stages and investment options for defined contribution (DC) scheme members highlighting issues to be addressed to ensure effective decision-making for their retirement plan.

## To deliver quality and timely regulation

The key achievement of EIOPA since its establishment was the finalisation of the **Insurance Single Rulebook in 2015. Production of the 2<sup>nd</sup> set of Solvency II Implementing Technical Standards (ITS) and Guidelines (GLs)** necessary for consistent and convergent application of the Directive from January 2016 onwards concluded the Solvency II regulatory agenda of the Authority. Following delivery, focus shifted to preparing for monitoring implementation and the further fostering of supervisory consistency.

The Authority also prepared to fulfil a further important task under Solvency II, which is the monthly release of the **Risk Free Rate**. The risk-free interest rate structure and its adjustments determine, to a large degree, the value of technical provisions undertakings have to set up for their insurance and reinsurance obligations and consequently the amount of available capital to cover the Solvency Capital Requirement.

EIOPA also contributed to the European Commission's consideration of **the role of insurance in infrastructure investments**, putting forward robust criteria to identify eligible infrastructure projects. The risk charges for investing in qualifying infrastructure projects have been carefully calibrated to the respective risks leading to a different treatment. To benefit from this treatment insurers will need to conduct adequate due diligence as part of an effective risk management of this complex and heterogeneous asset class. 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 and provide a basis for sustainable growth for the wider economy.

EIOPA has also been active on the international stage and through its contribution to the work of the International Association of Insurance Supervisors (IAIS) in terms of making progress in the development of a **basic capital requirement (BCR), higher loss absorbency capital requirement (HLA) and international capital standards (ICS)** all supporting creating a level playing field internationally.

Progress continued on the regulatory developments on the occupational pension side with **Institutions for Occupational Retirement Provision (IORP) II**. In the domain of personal pensions, EIOPA made considerable progress delivering on the Call for Advice (approved by EIOPA's BoS in January 2016) and developing a concept for a **pan-European personal pension product (PEPP)**, providing the basis of a 2<sup>nd</sup> regime. This work has potential to change the dynamic of the market for personal pensions in the EU and thus to materially contribute to the Capital Markets Union. The market development report and the first **EU-wide register on IORPs** provide a better overview of the pensions landscape in the EU.

## To ensure convergence, consistency and quality of supervision

EIOPA's efforts to further strengthen the quality and consistency of supervision throughout the EU are delivered through bilateral engagement and challenging feedback to National Competent Authorities, active participation in Colleges of Supervisors, along with providing tools and advice on the use of Internal Models, training and setting up the infrastructure and systems to collect and share information.

In 2015 EIOPA's Supervisory Team conducted **19 bilateral visits** to National Competent Authorities, providing feedback on the preparations for application of Solvency II, national practices for the risk assessment framework and supervisory practices and priorities. Through this engagement National Competent Authorities were supported in resolving identified barriers to developing a common supervisory culture as supported by Solvency II. The team also co-chaired the steering committee managing the **balance sheet review and stress test of Romania's insurance sector**, representing more than 80% of the Romanian market. Both exercises were completed in July 2015 with the publication of a report identifying significant adjustments to the balance sheets and corresponding prudential ratios of a number of insurance undertakings, followed by a number of supervisory measures. This exercise proved to be credible and is fundamental to enhance consumer protection and confidence in the Romanian insurance sector.

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EIOPA's continued active **participation and coordination in Colleges** supported improved consistency in the functioning and discussions of Colleges. The EIOPA Colleges Team coordinated the signing of Coordination Agreements by all Colleges in 2015. The Coordination Agreements set out the requirements for information to be exchanged and established roles and responsibilities of members.

For a common supervisory approach towards the assessment of the solvency positions of insurance groups operating in 'equivalent' countries, EIOPA published an **Opinion on group solvency calculation in the context of equivalence**. The Opinion identifies a number of supervisory practices related to the assessment of availability of eligible own funds at group level and aims to secure uniform procedures and consistent practices. In the field of Internal Models, EIOPA also delivered a timely **Opinion on the preparation of Internal Model application** addressing three areas where differences would lead to inconsistent modelling of risks. The main recommendation of the Opinion is that NCAs should require the risks related to Sovereign Exposures to be appropriately taken into account in internal models. EIOPA also delivered **21 training seminars** on important topics, identified in consultation with National Competent Authorities as priority areas for preparing to apply Solvency II.

EIOPA continued its work on the **Supervisory Handbook** with the objective to build an array of good supervisory practices on different areas of Solvency II. Recommendations were prepared in 2015 for the establishment of supervisors' risk assessment frameworks and their supervision of key areas including governance, own risks and solvency assessment (ORSA), investment policy, life and non-life provisioning, group supervision and internal models.

On the basis of EIOPA's work to harmonise reporting requirements under Solvency II, the infrastructure to collect, manage, process and share information was established. The **1<sup>st</sup> collection of annual solo and group reports** took place under the preparatory regime by **EIOPA's Central Repository**. Further releases of the **reporting taxonomies now allow for full Solvency II reporting** and meet the additional requirements of the European Central Bank, ensuring information is provided in the correct format and reducing the burden on National Competent Authorities and industry. With the aim of further reducing the reporting burden, especially for small and medium sized enterprises, EIOPA has also developed the **Tool for Undertakings (T4U)** with an estimated uptake of 1,200 undertakings throughout the EU.

## To support financial stability

EIOPA further developed its techniques and tools to better make use of the available information to inform decision-making on emerging developments and risks in the markets in support of financial supervision. Preventative supervision is based on anticipating risks and ensuring action is taken in advance to mitigate or eliminate them and EIOPA continues to deliver its core products (e.g. Financial Stability Report and Risk Dashboard) to ensure key decision makers have a comprehensive overview of risks and vulnerabilities. In 2015 the insurance sector increasingly used EIOPA's products as key references in judging risks.

In accordance with its Regulation, EIOPA also performed the first EU-wide **Stress Test for Occupational Pensions**. The aim was to achieve a comprehensive picture of the heterogeneous European occupational pensions' landscape, test resilience of defined benefits (DB) and hybrid pension schemes against adverse market scenarios and increased life expectancy, identify potential vulnerabilities of defined contribution (DC) schemes and reveal areas requiring further supervisory focus. Seventeen European Economic Area countries with a material occupational pensions sector, which is over EUR 500 million in assets, participated in the exercise. The results revealed a prolonged period of low interest rates will pose significant future challenges to the resilience of defined benefit Institutions for Occupational Retirement Provision (See information box).

**INFORMATION BOX:** Results of the first EU Stress Test for Occupational Pensions:

- A prolonged period of low interest rates will pose significant future challenges to the resilience of defined benefit Institutions for Occupational Retirement Provision (IORPs).
- IORPs are relatively more resilient to an increase in longevity than to market adverse scenarios.
- Absorption of these shocks depends heavily on the time element for realising liabilities and the mitigation and recovery mechanisms in place in each country.
- The results of the severe stress scenarios applied reveal a number of risks and vulnerabilities that deserve proper attention from IORPs and supervisors.

# Executive Summary

In the insurance sector, continued low interest rates, even dropping below the 2014 Stress Test scenario, have increased the urgency of supervisory actions and need for preparedness to deal with crisis situations. In response, EIOPA has **actively followed up the stress test recommendations** by engaging with the National Competent Authorities, focussing on country specific and group specific outcomes of the stress test and increasing the preparations for crisis management. EIOPA also published an **Opinion on Sound Principles for Crisis Prevention, Management and Resolution Preparedness of National Competent Authorities**. To ensure consistency and adequacy of changes in Crisis Prevention, Management and Resolution Frameworks, EIOPA developed 14 principles that National Competent Authorities are expected to take into account. This Opinion contributes to the creation of a solid and convergent system for preventing and managing financial crises in the EU.





## Introduction

### EIOPA

Insurance fulfils an important role in the economy by taking on risks and mobilising savings. It contributes to economic growth and financial stability if it functions well. With assets worth more than two thirds of EU Gross Domestic Product (GDP) (about 70% in 2014)<sup>1</sup>, 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 the insurance sector for their future income. Equally, occupational pensions are crucial to ensure that older people are protected against the risk of poverty in retirement and can enjoy a living standard in line with the rest of the population. With assets worth over 25% of EU GDP, and much more in some countries, pension fund assets are growing rapidly and are increasingly providing a source of investment to financial markets.



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

The European Insurance and Occupational Pensions Authority (EIOPA) was set up in January 2011 as a result of reforms of the supervisory structure in the financial sector of the European Union (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 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 micro prudential levels, leaving day-to-day supervision to the national level.

This Annual Report details the Authority's main achievements in 2015 across its main areas of activity, defined in terms of its strategic goals (SG).

**INFORMATION BOX:** EIOPA's Strategic Goals in 2015:

- to ensure transparency, simplicity, accessibility and fairness across the internal market for consumers;
- to lead the development of sound and prudent regulations supporting the EU internal market;
- to improve the quality, efficiency and consistency of the supervision of EU insurers and occupational pensions;
- to identify, assess, mitigate and manage risks and threats to the financial stability of the insurance and occupational pensions sectors; and
- to act as a modern, competent and professional organisation, with effective governance arrangements, efficient processes and a positive reputation.

## Main Achievements<sup>2</sup>

### Strategic Goal 1: to ensure transparency, simplicity, accessibility and fairness across the internal market for consumer

#### Conduct of business supervision

In the domain of consumer protection, EIOPA adopted a new strategic approach to developing a **comprehensive risk-based and preventive framework for conduct of business supervision**, which plays a central role in how EIOPA addresses conduct of business risk. A key principle of the framework is 'smart regulation', meaning it takes consumers' behaviour into account; is proportionate by reflecting evidence of what works and what does not work; is risk-based by robustly identifying the scale and depth of issues; and looks forward in terms of anticipating consumer detriment in a preventive manner by identifying and tackling emerging risks for consumers.

**INFORMATION BOX:** The tools used to implement the comprehensive framework are:

- Annual Consumer Trends Report providing a snapshot of existing and emerging cases of consumer detriment in the insurance and pensions markets;
- Deep and effective market monitoring both for general and product intervention purposes in accordance with the EIOPA Regulation and the Packaged retail and insurance-based investment products (PRIIPs) Regulation;
- Thematic Reviews applied to target a specific financial activity causing consumer detriment or creating a barrier to the effective functioning of a retail market and delivering good consumer outcomes. They allow investigation by EIOPA into a specific risk, leading to a deeper analysis than through normal tools; and
- Retail Risk Indicators such as claims ratios, combined ratios, commission levels and lapses/surrender ratios providing a holistic approach, seeking to cover different products or practices of the insurance sector at the same time and in recurring intervals.

<sup>2</sup> See Annex XI for list all EIOPA Opinions and Reports published in 2015

EIOPA's **Fourth Consumer Trends Report** provided an overview of trends in EU Member States that have led or may lead in the future to consumer detriment in the insurance and pensions markets. The Report provides a valuable basis for EIOPA to identify, prioritise and develop targeted policy proposals. The report highlighted risks relating to advertising and sales information, sales incentives, miss-selling in particular of unit-linked life insurance, incomplete and complex information on costs and charges, inappropriate claims handling, extensive cross-selling and unnecessary add-ons.

#### **INFORMATION BOX:** Consumer Trends Report

Main new and emerging trends:

- Advanced analytics of consumers' characteristics and "Big Data" allow products to be better adapted to the needs of consumers. At the same time, certain privacy concerns and segmentation strategies need to be carefully monitored.
- More efficient management of potential conflicts of interest is needed. This trend is heightened by the increasing complexity of some insurance products.
- Training and professional competence requirements need to improve for insurance intermediaries to protect consumers' interests. The forthcoming Insurance Distribution Directive will introduce important reforms in this respect.

Trends detected in the previous year's remain significant:

- Further digitalisation of the insurance sector offers more opportunities, but at the same time may create new consumer protection concerns.
- Consumers do not always receive sufficiently clear and understandable information about their insurance coverage.
- Supply of and demand for unit-linked life insurance products is increasing in the context of the low interest rate environment, but consumers often have difficulties to understand the risks, level of guarantees, costs/charges and other characteristics of these products.
- Issues related to the management of claims, in particular in the motor insurance sector, continue to be a main source of consumer complaints.
- Low levels of consumer financial literacy remain challenging, and the levels vary significantly across Europe.

In addition to the activities under the new strategy for conduct of business supervision, EIOPA has continued to enhance sustainability, strengthening governance and ensuring full transparency and disclosure of insurance and pension products across Europe.

#### **Enhancing sustainability**

Following successful conclusion of a public consultation on EIOPA's **product intervention powers for insurance-based investment products**, the Authority has determined the indicators according to which the market will be monitored and the criteria on which action will be initiated. To ensure a proportionate response, this is based on significant investor protection concerns, threats to the orderly functioning and integrity of financial markets, and to the stability of the financial system of the Union or at least one Member State. Going forward, cross-sectoral co-ordination between the three European Supervisory Authorities in exercising these powers will be crucial.

Transferability of pension rights is fundamental to ensure the mobility of workers, enhancing the internal market, as well as benefitting competition within borders. EIOPA, therefore, produced a **report highlighting existing rules and practices that facilitate (cross-border) transfers** of vested supplementary pension rights and the main impediments to (cross-border) transfers of supplementary pension rights and Good Practices for overcoming these impediments.

#### **Strengthening governance**

**Product oversight and governance (POG) arrangements** refer to internal processes, functions and strategies of manufacturers in their system of governance aimed at designing and bringing products to the market, and monitoring and reviewing them over their life cycle, as well as for distributors. EIOPA consulted on preparatory guidelines intended to prevent miss-selling of insurance products due to poor product design and to establish consistent, efficient and effective supervisory practices within the Member States with respect to internal POG arrangements by manufacturers and distributors of insurance products. Key areas include comprehensive POG policies, product testing, consideration of appropriate target markets and appropriate distribution channels. EIOPA's preparatory POG guidelines are aligned with the European Supervisory Authorities' Joint Committee's high level principles in this area. The POG preparatory guidelines are aimed at bridging a gap until the Insurance Distribution Directive comes into force containing relevant provisions, and therefore ensure a cross-sectoral level playing field.

EIOPA delivered **Technical Advice to the Commission on Conflicts of Interest in direct and intermediated sales of insurance-based investment products**, within the context of the revision of the Insurance Mediation Directive by Markets in Financial Instruments Directive (MiFID) II. This Advice establishes policy recommendations regarding the identification of conflicts of interest, appropriate measures to manage them and reflections on third party payments (inducements).

## Promoting transparency and disclosure

Addressing overly complex, ambiguous and difficult to compare information on the risks, rewards and costs of different investment products, EIOPA is leading cross-sectoral work on developing a **Key Information Document (KID)** mandated by the packaged retail and insurance-based investment products (PRIIPs) Regulation. Two public consultations were concluded in the first half of 2015, one for identifying optimal templates for representing the information in a consumer friendly manner and the other for calculating measures of product risks, performance and costs. The templates for the KID have also been tested with consumers, in conjunction with the European Commission. In addition, a public consultation on the text of the draft Regulatory Technical Standards on PRIIPs Key Information Documents was launched in the autumn of 2015, allowing the final draft to be submitted to the Commission in April 2016.

The Authority published a **report on costs and charges of Institutions for Occupational Retirement Provision (IORPs)**, outlining currently available information provided to (future) IORP members during the pre-enrolment and ongoing stages. A **report on Investment options for occupational Defined Contribution (DC) scheme members** was released in January 2015. Initially mapping available choices that members of occupational DC pension schemes have in the European context regarding investment in their retirement plan, the report highlights the main issues national supervisors strive to address to ensure effective investment decision-making in the interest of members, working towards ensuring adequate levels of pension income.

In response to the growing use of digital channels by consumers to access insurance markets, EIOPA issued an **Opinion on sales via the Internet of insurance and pension products**. The Opinion highlights to National Competent Authorities the need to monitor the activities of online distributors and ensure they comply with a duty of advice, if such a duty exists in national law or when sales are so promoted.

For the specific product of **Mobile Phone Insurance (MPI)**, EIOPA has issued a report recalling that whilst MPI can provide European consumers with useful coverage for mobile phones, there are potential 'gaps' that could exist between consumer expectations and what insurers actually offer. In this respect the Report highlights a number of risks in the selling practices such as a lack of clarity about what is covered by the contract, that it can be an undisclosed purchase when consumers are opening a bank account or buying a credit card and commission rates are high (average of 40% of premium). The report provides several recommendations on how to best enhance the protection of consumers for such products.

## Strategic Goal 2: lead the development of sound and prudent regulations supporting the EU internal market

### Solvency II Regulatory Work: Delivering the Single Rulebook for insurance

EIOPA continued to play a major role in the development, preparation and implementation of Solvency II throughout the time period covered and submitted all required draft **Implementing Technical Standards (ITS)** to the European Commission and published relevant **Guidelines** setting out supervisory expectations for Solvency II. This marked the end of an intense regulatory phase. All standards and guidelines were subject to public consultation and a thorough assessment of their potential impact. The high quality delivery of the standards allowed for the timely adoption by the Commission without substantive amendments.

**INFORMATION BOX:** In 2015 EIOPA issued the following Guidelines on Solvency II:

- Guidelines on Pillar 1 including valuation of technical provisions; own funds; and solvency capital requirement;
- Guidelines on group solvency;
- Guidelines on the use of internal models;
- Guidelines on operational functioning of colleges;
- Guidelines on the methodology for equivalence assessments by national supervisory authorities under Solvency II;
- Guidelines on supervisory review process;
- Guidelines on reporting and public disclosure;
- Guidelines on financial stability reporting;
- Guidelines on the methods for determining the market shares for reporting;
- Guidelines on recognition and valuation of assets and liabilities others than technical provisions;
- Guidelines on the system of governance;



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- Guidelines on own risk solvency assessment (ORSA);
- Guidelines on the implementation of the long term guarantee measures;
- Guidelines on the extension of the recovery period in exceptional adverse situations, and
- Guidelines on the exchange of information within colleges.

EIOPA considers that the replies received reflect that the objectives of the Guidelines on Solvency II are fulfilled by all the competent authorities.

The Financial Supervisory Commission (BG), BaFin (DE) and the Autorité de Contrôle Prudentiel et de Résolution (FR) confirmed overall compliance with the Guidelines on Solvency II, but they also reported non-compliance with one or more individual guidelines.

The compliance and non-compliance replies of the competent authorities will feed into the future assessment of EIOPA for areas where priority action would be needed in order to promote supervisory convergence in the course of the implementation and application of Solvency II.

**Infrastructure investments** are gaining political importance as possible contributors to the Capital Market Union and thus to EU economic growth, and insurers could be an important source of funding due to their necessity to match their long-term nature of their liabilities with suitable assets. Following a Call for Advice from the European Commission, EIOPA analysed the possibility for a more granular treatment of infrastructure investments within Solvency II and submitted its advice to the European Commission in September. EIOPA provided definitions and criteria for identifying qualifying infrastructure debt and equity investments in infrastructure projects, and gave advice on the calibration of solvency requirements for qualifying investments as well as relevant additional risk management provisions. The Commission adapted its Delegated Regulation and asked EIOPA to further investigate the treatment for a large scope of investment: investments in infrastructure corporates. EIOPA will aim to deliver its Advice on this in June 2016.

**INFORMATION BOX:** 2<sup>nd</sup> Set Solvency II Implementing Technical Standards (ITS) delivered to the Commission 2015:

- **Pillar I ITS:** List of regional governments and local authorities; Index for the equity dampener; Currency shock for currencies pegged to the EURO; and Standard deviations for health insurance obligations subject to health risk equalisation systems.
- **Pillar II ITS:** Procedures when assessing external credit assessments; Supervisory transparency and accountability; and Capital add-ons.
- **Pillar II ITS:** Templates for the submission of information to the supervisory authorities; Procedures, formats and templates of the Solvency and Financial Condition Report; and Exchange of information on a systematic basis within colleges.

### Solvency II Implementation in EIOPA

In 2015 EIOPA initiated a dedicated Solvency II Implementation Programme across the Authority to ensure the most effective and efficient application of EIOPA resources, and a sound coordination of projects aiming to implement processes and tools in EIOPA to operate under Solvency II. This includes the establishment of the central data repository aiming to collect the information reported by National Competent Authorities through the quantitative reporting templates, or the initiation of the SCR review and Long Term Guarantees reviews aimed at collecting evidence on future regulatory review initiatives for which EIOPA expects to deliver advice to the Commission in the next 2-5 years.

Other projects are the implementation of a collaboration tool for colleges aiming to secure the exchange of information between supervisors in a college, the taxonomy for the reporting of data under Solvency II and the tools for facilitating reporting by undertakings, solutions for business intelligence aiming at the analysis of data reported under Solvency II. EIOPA will be in a unique position of having information on developments in the insurance sector from a European perspective. This unique position will be used to the advantage of National Competent Authorities by providing additional input and new insights. EIOPA also established a Questions and Answers process on Solvency II: since its launch in April 2015, 532 questions had been answered.

EIOPA began the publication of the relevant **risk free interest rate term structures for Solvency II and of related components including the volatility adjustment** in 2015 as a preparatory step ahead of the full implementation of Solvency II in 2016. Insurance and reinsurance undertakings needed to prepare for the introduction of Solvency II, and the availability of the Technical Information at this stage facilitated that preparation. This information is a key input for the assessment of the (re)insurance companies' solvency and financial position. The use of the relevant harmonised risk free interest rate term structures will ensure the consistent calculation of technical provisions by (re)insurance companies throughout the European Union. During 2015 an external review of the technical information found that EIOPA's coding and its technical documentation were aligned and met the legislative requirements. It also confirmed that the full replicability of the calculations is given and that the processes are solid and robust whilst needing to be fully embed into EIOPA's governance. To further support for preparations for Solvency II EIOPA also began the publication of the Equity Dampener in 2015 – an important factor linked to the equity risk.

### **Equivalence and International Capital Standards**

The development of Solvency II has already been a catalyst for an international movement towards risk-based regulation and supervision and the Solvency II Equivalence process has been instrumental in this regard. EIOPA has revised its earlier reports of the full **equivalence of the insurance frameworks** of Bermuda, Japan and Switzerland and completed assessments of Brazil and Canada. Professional secrecy assessments of several EU accession candidates were undertaken and six were concluded.

Internationally, the existence of diverse supervisory frameworks demands increased joint work on mutual understanding and towards greater comparability. EIOPA played a leading role coordinating the EU position in the development by the International Association of Insurance Supervisors (IAIS) of its **basic capital requirement (BCR), higher loss absorbency capital requirement (HLA) and international capital standards (ICS)**. Substantial progress on the ICS framework on a technical level was achieved, following 1<sup>st</sup> Public Consultation and 2<sup>nd</sup> Field Testing exercise. Discussion is now covering Valuation, Capital Resources and a full-fledged Standard Method Capital Requirement. Following successful completion of the Basic Capital Requirement framework in 2014 substantial work was developed throughout 2015 to finalise the Higher Loss Absorbency framework by October.

Furthermore EIOPA strengthened its influence in the IAIS Globally-Systemically Important Insurers (G-SII) related discussions (Non-Traditional Non-Insurance (NTNI) and G-SII Designation) and consolidated its role as the coordinator of EU positions in the IAIS as well as the relevance of the International Relations Network.

### **Pensions regulation**

Following a Call for Advice (CfA) issued by the Commission on the development of a EU Single Market for Personal Pension Products (PPP), EIOPA further developed the idea of a "2<sup>nd</sup> regime" for a pan-European personal pension product (referred to here as a PEPP) and issued its **consultation paper outlining proposals for the requirements for the creation of a PEPP in July 2015**. The EIOPA Consultation Paper states that a harmonised legal framework for PEPPs has the potential to deliver a truly integrated and competitive European internal market. This framework will ensure a level playing field between providers; remove existing barriers to cross-border business and facilitate cross-border offering of PEPPs to consumers and a multi-pillar approach to pension saving. EIOPA believes that a simple, transparent, cost-effective and trustworthy product will be crucial to encouraging citizens to save for their retirement. The Call for Advice also covered personal pensions (PP) more widely in terms of possible gaps in the governance requirements and/or supervisory regimes for PP providers, together with possible alternatives for harmonising the existing acquis. The final Advice was published in February 2016.

Based on the progress achieved in 2015, the final advice on PEPP and consultation on the remaining elements around PP were ready for publication in February 2016.

In addition, EIOPA published the first **EU-wide register of IORPs** as well as updating its existing pensions database. The annual assessment of the number and nature of cross-border IORPs was enhanced and presented in its regularly published **market development report**. This provided a comprehensive overview of the European occupational pensions' landscape including the amount of assets under management. With long-term stable numbers of only around 74 cross-border IORPs and less than 1.5% of the IORPs' and Art. 4 ring-fenced funds' total assets on a cross-border basis, the creation of a true internal market for occupational pension schemes remains an ambitious goal for the future.

EIOPA continued to develop its **Opinion on the use of the holistic balance sheet** as a risk management tool, which it will deliver in April 2016, based on evidence gathered in a quantitative assessment during the summer of 2015.

## Strategic Goal 3: to improve the quality, efficiency and consistency of the supervision of EU insurers and occupational pensions

### Supervisory convergence

EIOPA is mandated to enhance the quality and consistency of national supervision, strengthen oversight of cross-border groups and help national supervisors to deliver effective supervision. In 2015, EIOPA adopted a multi-annual Oversight Strategy with the following objectives:

- to achieve a convergent approach to supervision across the EU in order to bring a level playing field, and tackle supervisory arbitrage;
- to ensure a consistent implementation of European regulatory and supervisory frameworks;
- to increase the quality of supervision in the EU, including contributing to an appropriate supervision of undertakings within the EU; and finally
- to increase the overall efficiency of the supervisory system by promoting effective exchange of information and developing high quality supervisory tools.

Engagement with national supervisors, giving challenging feedback and developing relevant tools is central to the approach taken to fulfil these goals. In 2015 EIOPA's Supervisory Team conducted **19 bilateral visits** to National Competent Authorities, providing tailored feedback on the preparations for application of Solvency II as well as on national practices for the risk assessment framework. Through these visits, a better understanding of different supervisory practices and priorities was gained and National Competent Authorities were supported in resolving identified barriers to developing a common supervisory culture as supported by Solvency II.

EIOPA's Supervisory Oversight Team has also played a leading role in a joint project with the Romanian Financial Supervision Authority (ASF) and the European Commission to undertake a **balance sheet review and stress test of the Romanian insurance industry**. The exercise, of which the final report was published in July 2015, covered 80% of the Romanian insurance market and provided a valuable assessment of the health of the industry in Romania, strengthening the viability of and confidence in this sector. The exercise concluded that a number of Romanian insurance undertakings need to take swift action to strengthen their financial and solvency positions and be ready for the application of Solvency II.

For a common supervisory approach towards the assessment of the solvency positions of insurance groups operating in 'equivalent' countries, EIOPA published an **Opinion on group solvency calculation in the context of equivalence**. The Opinion identifies a number of supervisory practices related to the assessment of availability of eligible own funds at group level and aims

to secure uniform procedures and consistent practices. In the field of **Internal Models**, EIOPA's **centre of expertise** provides the support, advice and tools for a coherent approach to issues that arise in Internal Models. **EIOPA's Centre also prepared an EIOPA Opinion on the preparation for Internal Model applications**. The opinion focused on three areas where existing different approaches would lead to inconsistent modelling of some risks used in undertakings internal models for the calculation of the Standard Capital Requirements. The areas were: the modelling of Sovereign Exposures; the practical preparation of the application in the absence of some related formal decisions; and the use of comparative studies as a complementary tool in the analysis of internal models. By addressing these issues, EIOPA mitigated potential harm to the joint decision making processes for group internal models, enhanced convergence across Member States, and reduced the potential for diverging interpretations across the insurance market.

EIOPA's Colleges Team maintained its active participation in the supervision of cross-border groups, providing expert advice and feedback on good practices to colleges of supervisors. The **regular participation in colleges** is a central tool for monitoring and addressing the practical issues colleges and individual National Competent Authorities experience in their preparations for Solvency II implementation. A key achievement in the 1<sup>st</sup> quarter of 2015 has been the signing of **coordination agreements for colleges**. These agreements constitute a practical foundation for effective coordination in the supervision of cross-border groups and provide clarity on roles and responsibilities of members and information to be exchanged.

In 2015 EIOPA completed the work on the Peer Review on National Competent Authorities' Governance regarding Colleges Participation, the Peer Review on supervisory practices for freedom to provide services (FoS) and the Peer Review on supervisory practices for joint on-site visits. EIOPA also launched a Peer Review on supervisory practices in respect of article 12 of Directive 2003/41/EC ('Statement of investment policy principles') which served, together with the peer review on FoS as pilots to enhance the efficiency of the methodology. In addition, the methodology for peer reviews was revised to optimise the reviews particularly with regards to overall duration and robustness of recommendations issued.

EIOPA has continued building its **Supervisory Handbook** to support the application of risk-based supervision by recommending good supervisory practices. This should enable supervisors to implement processes and particular methods in order to effectively challenge undertakings on the management of their business under Solvency II. In the last year, EIOPA has been preparing and providing such recommendations for the establishment of supervisors' risk assessment frameworks and their supervision of key areas including governance, own risks and solvency assessment (ORSA), investment policy, life and non-life provisioning, group supervision and internal models.

EIOPA also received and assessed its first notifications on the application of the temporary exemption from some European Market Infrastructure Regulation (EMIR) requirements for pension scheme arrangements.

### Sectoral and cross-sectoral training

Sectoral and cross-sectoral training is a key element for EIOPA to reach its strategic goals and to strengthen the supervisory culture across the Union.

The topics that were covered aligned with the regulatory and supervisory objectives of EIOPA, preparing for the application of Solvency II together with targeting the convergence of supervisory practices, financial stability, occupational pensions and consumer protection.

Due to the budget cut in 2015, the training and events activities suffered 54% budget reduction, thus EIOPA:

- lowered the total number of training and events including those hosted by National Competent Authorities; and
- could not support any competent authorities with temporary financial difficulties by the reimbursement of travel and accommodation expenses to seminar participants from such authorities.

As a result, the 2015 EIOPA Training & Events Programme included a total of 21 activities instead of the originally planned 23: 5 sectoral seminars, 5 sectoral workshops, for the first time 2 sectoral webinars, 2 cross-sectoral seminars, (in the following together referred to as training activities), 5 sectoral public events and 2 cross-sectoral public events. A total of 1,911 participants attended the training activities and public events.

The online seminars (webinars) facilitated the delivery of the pension stress test and the validation process in particular and were well received. Webinars are very cost effective and work well especially for technical training.

Additionally, EIOPA produced five short video files for training and external communication purposes<sup>3</sup>. Their focus is to communicate EIOPA's projects in the field of Solvency II (SII in a nutshell: general intro and disclosure) and consumer protection (SMART regulation and good practices on information to consumers; Key Information Documents on PRIIPS and the Insurance Distribution Directive) to larger audiences.

<sup>3</sup> Link to video files: <https://eiopa.europa.eu/regulation-supervision/common-supervisory-culture/training-events>

#### INFORMATION BOX: Sectoral Training and Events Programme in 2015

Sectoral seminars and workshops	Location	Dates	Number of participants
International Relations Network Day	Frankfurt	27 Jan	19
2 <sup>nd</sup> Consumer Trends Workshop	Frankfurt	10 Feb	20
SII Risk free rate	Frankfurt	23 Apr	51
Webinar on Pensions Stress Test	N/A	16 June	24
Group Supervisors Days	Frankfurt	23-24 June	53
Tool for Undertakings (workshop for industry)	Frankfurt	8 July	77
Seminar on Solvency II Reporting Data Collection	Frankfurt	9-10 July	47
Seminar on equivalence assessment by NCAs, consequences of equivalence on group supervision and practical examples of group solvency calculations	Frankfurt	16-17 July	34
2 <sup>nd</sup> Webinar on Pensions Stress Test	N/A	12 August	16
Risk Based Supervision in Practice	Vienna	22-23 Sep	72
Advanced Seminar on Quantitative Techniques in Financial Stability	Frankfurt	5-6 Oct	61
Occupational Pensions Seminar (focus on defined contribution)	Frankfurt	21 Oct	66

Sectoral public events	Location	Dates	Number of participants
Pensions Stress Test and Quantitative Assessment: launch event	Frankfurt	19 May	89
Public Hearing on EIOPA CP on the identification and calibration of infrastructure investment risk categories	Frankfurt	4 Sep	68
Introducing a Standardised Pan-European Personal Pension Product (Public Event)	Frankfurt	7 Sep	131
Conference on Global Insurance Supervision (GIS)	Frankfurt	8-9 Sep	145
EIOPA Conference	Frankfurt	18 Nov	342



Public events provide an excellent opportunity for exchange of views between industry, consumers and academia and supervisors. They enable EIOPA to inform the public about its key directions and achievements and trigger debates on current and forthcoming topics. Although the average number of attendees per public event reflects a slight decrease compared to 2014, the number of public events increased this year (7 compared to 5 in 2014) in line with the annual work programme and deliverables (e.g. Infrastructure, PEPP, Pensions Stress Test and KID for PRIIPs). Reflecting the high degree of demand compared to limited capacity, EIOPA was required to maintain an extensive waiting lists and regretfully declined many registrations.

In 2015, with the objective of further developing a common supervisory culture, the European Supervisory Authorities offered in total four cross-sectoral trainings and events. The reason for the decrease compared to previous years is that ESMA cancelled its training programme.

**INFORMATION BOX:** Cross-sectoral Training and Events Programme in 2015

Cross-sectoral seminars and workshops	Date	Location	Leading ESA	Host	Number of participants
Group Supervision and Colleges of Supervisors	7-8 May	Berlin	EIOPA	Deutsche Bundesbank	44
Supervisory Handbooks in Insurance and Banking	14-15 December	Frankfurt	EIOPA	EIOPA	71

Cross-sectoral public events	Date	Location	Leading ESA	Host	Number of participants
Joint ESAs Consumer Protection Day 2015	3 June	Frankfurt	EIOPA	EIOPA	301
Public Event on the KID (Key Information Document) for PRIIPs (Packaged Retail and Insurance Investment Products)	9 Dec	Frankfurt	EIOPA	EIOPA	180

### 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 Commission or the stakeholder groups. In 2015, EIOPA registered two 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 four requests (two running over 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. One case from 2014 is 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.

### Harmonised reporting requirements

Another major delivery made by EIOPA under Solvency II is the harmonisation of the reporting requirements by (re)insurance undertakings and groups across Europe. This reduces the reporting burden for the industry, especially for cross-border groups, and creates a sound basis for consistent risk-based supervisory analysis within the EU. EIOPA’s **Implementing Technical Standards on the submission of information to the supervisory authorities** establish the templates for the submission of information and ensures an adequate level of granularity for proper implementation of risk-based supervision.

The Authority’s **information technology capability development** programme has focused on delivering the tools to ensure high quality data as required under Solvency II is collected, managed and analysed efficiently, reducing the burden for the reporting institutions and National Competent Authorities. These complex and challenging developments have been delivered despite limited resources available to EIOPA in the field of Information Technology and information management.

In July and August, EIOPA's **Central Repository** successfully collected the first data on annual solo and group reports. **Taxonomy releases** for the preparatory phase of Solvency II as well as for full Solvency II were successfully delivered, which are necessary for National Competent Authorities to provide the required information in the correct format. Constructive cooperation with the European Central Bank (ECB) has led to the alignment of most of their data requirements to the templates defined by EIOPA, with the exception of a small set of data requirements (the ECB "add-ons"), thereby avoiding costly duplication of data requirements for the industry. EIOPA has added these ECB add-ons to its taxonomy, providing a single data format for data collection from the perspective of the undertaking, hereby greatly improving efficiency.

Support was also provided to National Competent Authorities and undertakings in meeting the Solvency II reporting requirements by developing tools and procedures for reporting. The first releases of the **Tool for Undertakings (T4U)** were published, comprising the reporting templates. The T4U aims to ensure a smooth transition to Solvency II, which is particularly relevant for Small and Medium-sized Enterprises. It has been estimated that approximately 1,200 undertakings will be using the T4U.



## Strategic Goal 4: to identify, assess, mitigate and manage risks and threats to the financial stability of the insurance and occupational pensions sectors

Preventative supervision is based on anticipating risks and ensuring action is taken in advance to mitigate or eliminate them. EIOPA continually monitors and assesses risks to the stability of and vulnerabilities within the insurance and occupational pensions sectors and broader financial stability, with a view to facilitate or coordinate supervisory action. The Authority's core tools (e.g. Risk Dashboard and Financial Stability Report) inform key stakeholders, e.g. the European Systemic Risk Board (ESRB), the European Parliament and the European Council. In this field, EIOPA remains an important contributor to ESRB working groups, with ever more close cooperation initiated on a number of topics in 2015 including the assessment of appropriate tools for macro prudential supervision in the insurance sector and active participation in the task force on low interest rates.

### Risks and vulnerabilities assessment

During 2015 EIOPA performed the first **EU-wide IORP Stress Test**. The objective of the exercise was to test resilience of defined benefits (DB) and hybrid pension schemes against adverse market scenarios and increased life expectancy. A satellite module on defined contribution (DC) schemes was also run, aiming at assessing the impact of stress test scenarios on the expected benefits of members. The current level of heterogeneity is very high among countries. To be able to compare the stress test results and assess the impact of shocks on financial stability at EU level it was beneficial to include a harmonised/common approach towards valuation of assets and liabilities that is more market consistent.

The results of the applied severe stress scenarios showed a significant increase in the deficits of assets over liabilities, revealing a number of risks and vulnerabilities that deserve proper attention from IORPs and supervisors. Of course one needs to be cautious of the fact that while the market-consistent valuation methods give a more realistic view of the prospective vulnerabilities, it is important to consider that payments and outflows of pension liabilities are very long-term in nature, allowing for substantial recovery periods and adjustment mechanisms. For the purposes of stress testing, further work is needed on the appropriate toolkit for such exercises along with a harmonised and market-sensitive approach towards valuation of assets and liabilities. In addition, a deeper understanding of the impact of the tensions in the pensions sector on financial markets and the real economy should be a subject for relevant follow-up work.

In the insurance sector, low yields and a resultant subsequent reinvestment risk (i.e. impossibility to re-invest with the same return) remain the main vulnerability, especially for life insurers. The current low interest rate environment puts pressure on the profitability of companies, potentially leading them into a 'search for yields' behaviour. At the same time, the upcoming Solvency II regime will bring better alignment of risk and capital management, and the compliance with its requirements is expected to increase the resilience of the European insurance industry. In line with its mandate to preserve financial stability in the European Union, EIOPA started preparations for the launch in 2016 of the third EU-wide stress test for insurers. Taking into account the current macroeconomic and market conditions, this exercise will focus on two adverse scenarios, namely: the prolonged low yield environment and the 'double-hit' scenario. This assessment of vulnerabilities further adds to the transparency of the sector, complementing the expected Solvency II disclosure requirements.

### Market analyses

EIOPA's **Financial Stability Report (FSR)** provides comprehensive economic analysis of risks and vulnerabilities. During 2015 the FSR gained greater visibility and is increasingly being used as a reference for the risks of the insurance sector. The report concludes that in the long run Quantitative Easing may create favourable conditions for insurers and pension funds by stimulating economic growth. However, in the short-term, Quantitative Easing puts an additional pressure on insurance and pension business by further lowering the risk-free rate. The low yield environment together with the potential risk reversal scenario triggered by geopolitical risks remain the main concern ('double-hit' scenario).

Under its remit for Crisis Prevention and Management, EIOPA has further enhanced discussion and **information sharing on risks**, a process for **regular risk review** and **consideration of action** on a regular basis has been introduced. Within an environment of increased risk for a 'double hit' stress scenario this process has generated several work streams aiming at improving crisis preparedness.

The continued low interest rate environment, with rates dropping even below the stress test scenario of 2014, have increased the urgency of supervisory actions and increased preparedness to deal with crisis situations in the upcoming period. The underlying weaknesses of the system have been largely obscured from sight under the Solvency I regime, which possibly contributed to business models adjusting too slowly to changed economic realities. These factors, together with the financial crisis, have aggravated vulnerable conditions for parts of the European insurance sector. To respond to those challenges, EIOPA has actively followed up the stress test recommendations through the year by engaging with the National Competent Authorities, focussing on country specific and group specific outcomes of the stress test and increasing the preparations for crisis management.

EIOPA also published an **Opinion on Sound Principles for Crisis Prevention, Management and Resolution Preparedness of National Competent Authorities**. The Opinion is a follow-up to a survey that EIOPA carried out in 2013 in order to obtain a better understanding of the current approaches and practices across the European Union. In order to ensure consistency and adequacy of changes in National Competent Authority crisis prevention, management and resolution frameworks, EIOPA developed 14 principles that National Competent Authorities are expected to take into account. This Opinion contributes to the creation of a solid and convergent system for preventing and managing financial crises in the EU and EIOPA will engage in a follow-up exercise with the National Competent Authorities to explore what actions have been taken in light of the Opinion.

EIOPA's **Globally Systemically Important Insurers (G-SII) Forum** continued playing an important role in facilitating coordination and cooperation among G-SII group supervisors. Focus has turned also towards recovery and resolution work through participation in corresponding international fora and increasing knowledge of the root causes of insurers' failures and the best measures for preventing or resolving them.



## **Strategic Goal 5: EIOPA to act as a modern, competent and professional organisation, with effective governance arrangements, efficient processes and a positive reputation**

EIOPA embarked on a wide-ranging review of its strategy in 2015. This was a timely exercise in advance of the major milestone of the application of Solvency II in January 2016 and marks the need for the Authority to refocus from regulation to supervision. Led by its Chair, EIOPA's senior management created a new vision for EIOPA to become a credible supervisory authority. The Management Board and Board of Supervisors were then consulted on a new set of strategic objectives and planning priorities for 2016-2020. These take effect with regards to the Multi-Annual Work Programme 2017-2019 and Annual Work Programme 2017.

EIOPA continued to strengthen its governance arrangements and related internal processes. The organisation took measures to manage its tasks and resources to deliver the demanding programme of work in as effective and efficient manner as possible. This has included the establishment of the Solvency II Programme Board and implementation of new tools and techniques to better inform and involve EIOPA's management at all levels in decision-making regarding work, resources and risks.

In terms of financial management, EIOPA exceeded many of its targets: budget implementation rate for commitment appropriations (target 96%, actual 99.97%), implementation rate of payments (target 80%, actual 83.75%) and implementation rate of carry-forward commitments (target 96%, actual 96.77%).

EIOPA was also able to maintain high levels of service in terms of its IT infrastructure with availability of over 99.99%. And IT support for the data centre infrastructure, helpdesk, extranet and intranet services, providing a solid basis for the IT Programme including the Central Repository and T4U to succeed. A key focus for 2015 reflecting the heightened amount of secure information the Authority will receive has been security. EIOPA has worked to embed security principles within its IT related projects, including RFR and stress tests, and vulnerability assessments carried out together with the Computer Security Incident Response Team of the EU Institutions. The Authority was also able to provide an adequate, safe and secure work environment for its staff. Office management and reception welcomed over 4,500 meeting participants. The travel office processed more than 550 missions.

## **Cross Sectoral Work with the Joint Committee**

In 2015 the Joint Committee continued its work as a forum for cross-sector coordination and exchange of information between the ESAs. Under the chairmanship of ESMA, the Joint Committee focused in particular on consumer protection and cross-sectoral risk assessment. In addition, the ESAs have also made significant progress in those areas of the Single Rulebook which require cooperation across the banking, insurance and markets sectors, such as credit rating mappings, securitisation and anti-money laundering.

### **ESAs promote consumer protection**

In the area of consumer protection, the work focused on the regulatory mandate on the development of draft Regulatory Technical Standards (RTS) pursuant to the Regulation (EU) No 1286/2014 on Key Information Documents (KID) for Packaged Retail Investment and Insurance-based products (PRIIPs). The Joint Committee published in June 2015 a technical Discussion Paper and in November a comprehensive Consultation Paper. The latter addressed the presentation and content of the KID, including methodologies for the calculation and presentation of risks, rewards and costs within the document, as well as the conditions for fulfilling the requirement to provide the KID in good time. It also addressed the review and revision of the KIDs. The KID will help retail investors in the EU better understand and compare PRIIPs across the EU.

The ESAs continued their policy work on Cross-Selling practices. In view of legal issues, the ESAs decided to abstain from issuing joint guidelines on Cross-Selling practices and to inform the Commission about the issues encountered. Nonetheless, the joint work carried out paved the way for the adoption of ESMA guidelines as required by the revised Markets in Financial Instruments Directive (MiFID II).

In 2015 the ESAs started work on the automation of financial advice which focuses on the characteristics of automated financial advice tools; potential benefits and risks associated with increasing automation of financial advice for consumers and financial institutions. In December 2015 a Discussion Paper was launched for public consultation to assess possible actions to harness the potential benefits of this innovation and mitigate its risks.

In addition, the ESAs held their 3rd Joint Consumer Protection Day on 3 June 2015 hosted by EIOPA in Frankfurt with Commissioner Jonathan Hill as key note speaker. The event attracted over 300 consumer representatives, academics, legal and financial consultants, national supervisors, experts from the EU institutions and financial services industry (banking, securities, insurance and pensions).

### **ESAs' analysis of cross-sectoral risks**

The Joint Committee produced two bi-annual cross-sectoral reports which focused on the identification of key risks and vulnerabilities in the EU financial system. The reports were submitted at the April and August 2015 meetings of the Economic and Financial Committee of the Council (EFC-FST) and also to the ESRB, and subsequently published on the ESAs' websites. They provided an overview of the main cross-sectoral risks identified in the EU financial system and recommended concrete policy actions to mitigate them. The main risks identified over the past year included weak economic growth in the EU, low interest rates environment, high volatility of financial markets, decreasing structural market liquidity and low profitability of financial institutions.

### **ESAs' work on anti-money laundering and counter-terrorist financing**

The ESAs continued their work on anti-money laundering and counter-terrorist financing and the Joint Committee focused on the ESAs' regulatory mandates under both the new fourth Anti-Money Laundering Directive and the Anti-Money Laundering Regulation.

In the second half of 2015, the Joint Committee consulted on guidelines on risk-based anti-money laundering and counter-terrorist financing supervision, on guidelines on simplified and enhanced customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions. Both guidelines provide competent authorities and credit and financial institutions with a common understanding of the risk-based approach to anti-money laundering and counter-terrorist financing and how it should be managed. They are therefore central to the EU's anti-money laundering and counter-terrorist financing regime.

### **ESAs' report on securitisation regulatory framework**

On the topic of securitisation, the Joint Committee completed the work started in 2014 and published a comprehensive report on the disclosure requirements and obligations relating to due diligence, supervisory reporting and retention rules in existing EU law on structured finance instruments. The report, published in May 2015, identified inconsistencies in the existing Level 1 and Level 2 regulation, and proposed recommendations to address these. The report also served as the ESAs' response to the public consultation launched by the European Commission in the context of the Capital Markets Union project.

### **Mapping of ECAIs' credit assessments**

The Joint Committee developed and finalised the joint draft Implementing Technical Standards (ITS) on the mapping of External Credit Assessment Institutions (ECAIs)' credit assessments under the CRR and the Solvency II Directive. The draft ITS specify for all ECAIs the correspondence ('mapping') between the risk weights and credit assessments (via credit quality steps), as well as the factors and benchmarks that should be taken into account to determine this correspondence. The draft ITS is accompanied by 26 ECAIs' mapping reports, containing an explanation of how the ITS principles have been employed in each ECAI case to produce the mapping. The draft ITS were submitted to the European Commission in November 2015.

### **ESAs work on supervision of financial conglomerates**

The Joint Committee published its updated annual list of identified Financial Conglomerates in December 2015. The list shows 78 financial conglomerates with the head of the group in an EU/EEA country, one with the head of the group in Australia, one with the head of the group in Switzerland, and two with the head of the group in the United States.

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

The Joint Committee has continued its review of the joint guidelines on the prudential assessment of acquisitions and increases of qualifying holdings in the financial sector. The European Commission requested the ESAs to review the Guidelines from 2008 in order to ensure a common, uniform and consistent application of the Directive on acquisitions and increase of holdings in the financial sector (2007/44/EC). A public consultation paper was published in July 2015 for a three months period.

### **ESAs assess the initial margin models under EMIR**

In early 2015, the ESAs started to assess the compliance of the different initial margin models to the requirements of the draft joint RTS under EMIR and the BCBS-IOSCO framework, and to give some clarification on the supervisory expectations on the models provided to the developers, in order to improve the models. In June 2015, the ESAs launched a second consultation on draft RTS outlining the framework of EMIR with regard to those over-the-counter (OTC) derivative transactions that will not be subject to central clearing.

### **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 September at the ESMA premises in Paris, decided on one appeal case in 2015 and progressed on another one lodged in Autumn 2015.

## Management

In its meeting of 29 and 30 January 2015, the EIOPA Board of Supervisors adopted the initial budget 2015 with a total of € 19 947 500 which was amended in September 2015 to come to a final total of € 20 212 701.

As set out in the EIOPA founding regulation, the authority is financed to 60% by contributions from national public authorities of the Member States competent for the supervision of financial institutions and to 40% by a subsidy from the European Commission. € 11 638 264.13 of the 2015 budget stemmed from contributions by Member States, € 330 462.37 from EFTA countries and € 7 979 151.00 from the Commission. The European Commission also repaid the 2013 budgetary surplus equal to € 227 055.00 as part of the budget. Other income of € 37 768.14, including interest earned, added up to the amended budget of € 20 212 700.64.

The allocation of these funds to the budget titles was for Title I (staff expenditure) € 12 112 262.48, for Title II (administrative expenditure) € 2 997 055.16 and for Title III (operational expenditure) € 5 103 383.00.

The table below illustrates the budget implementation of the 2015 voted budget.



## EIOPA – budget implementation 2015

Title	Approved budget €	Amending budget €	Transfer €	Final	Committed	Paid	Carry-forward
<b>Title I – Staff</b>	12 430 000		- 317 738	12 112 262	12 111 097 (99.99%)	11 613 005 (95.88%)	498 092 (4.11%)
<b>Title II – Admin</b>	3 306 500	29 292	- 338 737	2 997 055	2 992 631 (99.85%)	2 524 058 (84.22%)	468 572 (15.63%)
<b>Title III – Operation</b>	4 211 000	235 909	656 474	5 103 383	5 101 900 (99.97%)	2 792 061 (54.71%)	2 309 838 (45.26%)
<b>Total</b>	<b>19 947 500</b>	<b>265 201</b>		<b>20 212 701</b>	<b>20 205 628 (99.97%)</b>	<b>16 929 125 (83.75%)</b>	<b>3 276 503 (16.21%)</b>

In 2015, EIOPA reached a 99.97% budget implementation rate for commitment appropriations. The payment execution rate has been 83.75%. The carry-forward was duly justified and intended to finance the progressing implementation of the Title III IT programs, which have a multiyear dimension, to cover services/products ordered in 2015 but not billed/invoiced at the end of the year.

EIOPA executed during the financial year 2015 a total number of 26 transfers to accommodate budgetary needs. Two of these transfers required prior approval by the Management Board as they exceeded the limit set out in article 27.2 (over 10% from one title to another) of the EIOPA Financial Regulation.

In 2015, 96.77% of the credits of carry-forwarded from 2014 (C8) have been consumed. The following table shows the overview per budget title:

## EIOPA carry-forward implementation 2014-2015

Description	2014 Budget final amount	Carry-forward 2014 to 2015 amounts €	% Carry-forward	Paid amounts €	% Paid
<b>Title I – Staff Expenditure</b>	10 985 944	304 982	2.78%	290 475	95.24%
<b>Title II Infrastructure And Administrative Expenditure</b>	3 512 640	609 356	17.35%	567 774	93.18%
<b>Title III Operating Expenditure</b>	7 097 121	4 689 500	66.08%	4 564 446	97.33%
<b>Total</b>	<b>21 595 705</b>	<b>5 603 838</b>	<b>25.95%</b>	<b>5 422 695</b>	<b>96.77%</b>

In 2015, EIOPA can also report some income from internal assigned revenue equal to € 17 597.24, stemming mainly from reimbursements for travel expenditure. The funds are allocated to the original budget position. The consumption is low for commitments and payments so that the total carry over is € 17 487.71 (€ 11 951.27 unused budget appropriations and € 5 536.44 commitments).

In 2014, EIOPA carried over to 2015 budget appropriations of € 9 722.10 from internal assigned revenue out of which consumption reached 64%.

The internal KPI of 96% for carry-forward implementation has been met. The unspent amount mostly relates to running costs, such as electricity and telecommunication to cover the last months and the balance of 2014. On operational budget two specific contracts related to XBRL software development were not used to the extent initially foreseen.

The average payment time, out of 1924 payments executed in 2015, has been 10.38 days. A total of 8 suppliers' payments have exceeded the legal time limit of 30 days where for two of them, interests on late payment were paid for a total of € 673.46.

In 2015 the procurement team has managed in total 122 new specific contracts/orders under existing Framework Contracts and has completed 81 negotiated tender procedures with minimum 1 supplier, 3 with minimum 3 suppliers, 4 open tender procedures and 10 exceptional negotiated procedures without publication of a contract notice in the Official Journal.

## Human Resources Management

In 2015 EIOPA ran 26 recruitment campaigns and filled at the end of year 95.6% of the Establishment Plan positions. Although still high, the Establishment Plan completion rate is for the first year lower than the targeted 100%. This is mainly caused by a 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 the lack of financial attractiveness of EIOPA compared to other European bodies, 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, a revision of the relevant HR processes has been carried out to adjust them whenever necessary to make them more efficient.



Following the outcome of the 1<sup>st</sup> Staff Engagement Survey of 2014, and in order to enhance the people management approach, EIOPA has engaged its line managers in a full 360 degree feedback exercise with insightful results and development at individual, peer and corporate level. Furthermore, a deep and extended exercise has also taken place involving colleagues from all levels to embed EIOPA values throughout the institution as part of our working culture.

The procedure for the election of the new Executive Director has been successfully managed and can be used as good practice for similar future elections at the European Supervisory Authorities.

### **Assessment of audit results during the reporting year**

EIOPA is audited every year by its external auditor, the European Court of Auditors (ECA). This audit provides 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 2015, the European Court of Auditors did not raise major findings over the financial 2014 accounts.

EIOPA is also audited by its Internal Auditor, the Commission's Internal Audit Service (IAS). In 2012 the IAS defined an audit strategy for EIOPA regarding the period 2013-2015, including a short list of prospective future audit topics. As a result of this strategy, the IAS performed in 2015 an audit on 'Promoting colleges of supervisors and building a common supervisory culture in EIOPA'. Further to the audit report 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.

### **Follow up of audit plans, audits and recommendations**

EIOPA has put in place arrangements to ensure that all recommendations made by the Internal Audit Service, the European Court of Auditors and the Discharge Authority are timely and adequately addressed through dedicated action plans and this the latest within twelve months (internal EIOPA KPI). At the end of 2015 no critical or very important actions were still open from previous years. Three actions however, all classified as 'non-critical' or 'not very important' passed the implementation time of twelve months and relate to (1) the relatively high level of budget carry-over for Title III of EIOPA's budget (this is due to the multi-annual IT investments to build EIOPA's information management capability; as this capability will be widely established in 2016 the percentage of carry-overs will be normalised as of 2016), (2) the finalisation of the internal procedures related to Document Management (delays have occurred due to the difficulties in recruiting and retaining a qualified document management specialist; EIOPA has in the meantime implemented the necessary procedures) and (3) the completion of Business Continuity solutions (very good progress is made in this area and the necessary business continuity components are implemented in the meantime, including a Business Impact Analysis, a Business Continuity Strategy and IT contingency plans). The formal decision by the Internal Audit Service that the related actions are completely implemented is expected in the first half of 2016.

## EIOPA Internal Control System

### Risk Management

EIOPA works within a formalised risk management process. All staff take on the responsibility of raising risks where they perceive potential threats to the Authority and its operations and escalate via their respective line managers. All risks are recorded in logs which are used at various levels of management to discuss and direct mitigation effort. Risks are categorised based on likelihood and impact, resulting in an overall score for risk exposure. Management attention and effort invested to mitigate are proportionate to the level of exposure. The following provides an overview of the two most prominent risks.

### Key Risks in 2015

#### Compliance and effectiveness of Internal Control Standards

Category	Planning, Processes and Systems/ People and Organisation
<b>Cause</b>	EIOPA continued to experience a disparity between the resources allocated to it and the level of work in 2015. The Authority was also required to absorb a number of additional demands/tasks. With the ongoing shortfall between resources allocated and already planned tasks, the regular absorption of new in-year tasks presents an unsustainable situation.
<b>Consequence</b>	There are multiple challenges sufficiently resourcing tasks where very specialist knowledge and experience is required. This includes key deliverables such as the Risk Free Rate, with massive implications on the market. And where the workload has increased without a commensurate increase in resources to undertake it, risks arise in terms of meeting deadlines and quality criteria. Furthermore, staff motivation and wellbeing risks being severely impacted if this situation is not addressed.
<b>Mitigation</b>	EIOPA continues to strengthen its approach to planning and management of work. More accurate resource planning of tasks provides some mitigation, along with operation of EIOPA's change management processes, which involves the Authority's Management Board when products and services are dropped from the Annual Work Programme. In 2015 the Solvency II Programme was initiated to oversee management and resourcing of some of the most important and at risk areas of the work of the Authority, this has helped in gaining a wider perspective on resource demands and where staff can be re-allocated in response to areas which are key to the Authority.

Category	Legal and Regulatory Aspects
<b>Cause</b>	As an EU body, EIOPA must operate within a rigid legal framework (e.g. HR, Budget, Procurement) that is equally applicable to all EU agencies regardless of their age or size. As a smaller and newer organisation, this presents a disproportionate burden for EIOPA. Persistent resource issues mean EIOPA has difficulties in allocating the resources it wishes to implement the standards, raising the risk of non-compliance. EIOPA's Legal Instruments (Technical Standards, Guidelines and Opinions) must also conform to predefined standards. Based on the acceptance of its Board of Supervisors and the Commission of the regulation produced by EIOPA in 2015, it is clear that a risk in this area has not materialised, however, considerable effort is required to meet the standards.
<b>Consequence</b>	If EIOPA does not meet the legal requirements and standards in terms of management and/or the Legal Instruments it produces, its operations and reputation will be seriously undermined. On the administrative side, this would result in negative audit findings. EIOPA's operational activities will also be undermined, with considerable additional work and time resulting from any questions regarding the quality of EIOPA's Legal Instruments. In the context of already strained resources, this will place considerable burden on the Authority.
<b>Mitigation</b>	EIOPA works in close cooperation with the Internal Audit Service and European Court of Auditors to ensure it is adhering to the standards laid down for it. Due to the effectiveness of EIOPA's internal processes for legal quality control, this risk in terms of its Instruments never materialised. EIOPA's limited legal services were however under considerable pressure supporting delivery of the final set of instruments for Solvency II, working to tight deadlines and dealing with topics from across the Authority's broad scope of mandate. EIOPA is therefore expanding its Legal Team to ensure sufficient resource is assigned to the task of legal quality control on its Instruments.

#### Compliance and effectiveness of Internal Control Standards

In 2015 EIOPA's Internal Control Standards (ICS) were reviewed to align them with ICS of the European Commission. The MB approved these revised ICS in November 2015 and entrusted the Executive Director with the adoption of the detailed implementing rules and related procedures. By the end of 2015 all ICS have been duly implemented, including the two ICS related to the implementation of Document Management procedures and the implementation of the remaining blocks of EIOPA's business continuity capability (formal decision by the Internal Audit Service that the related actions are completely implemented is expected in 2016).

## 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 Annual Activity Report 2015 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.

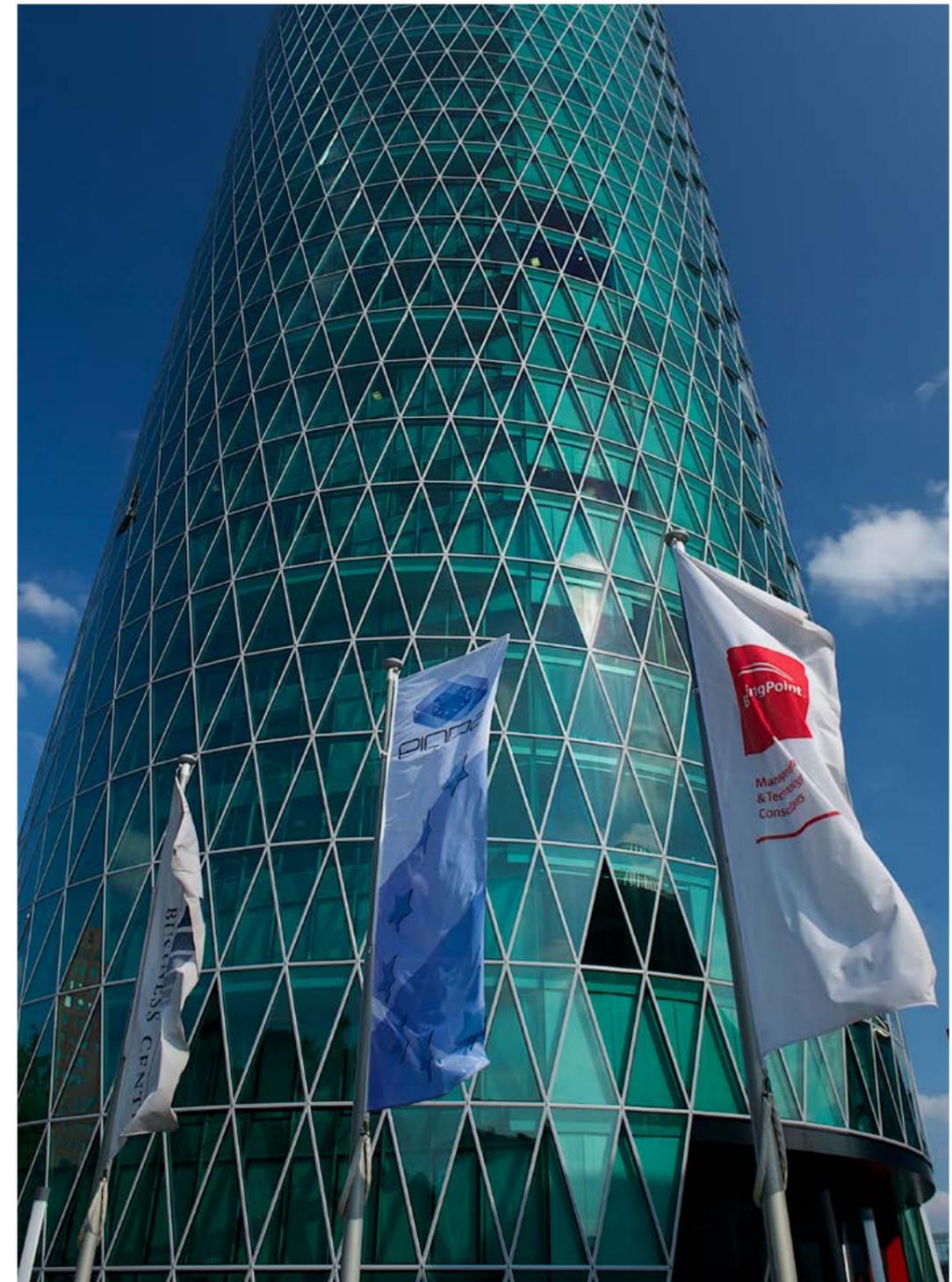
This reasonable assurance is based on my own judgement and on the information at my disposal as presented in this report, including:

- 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.

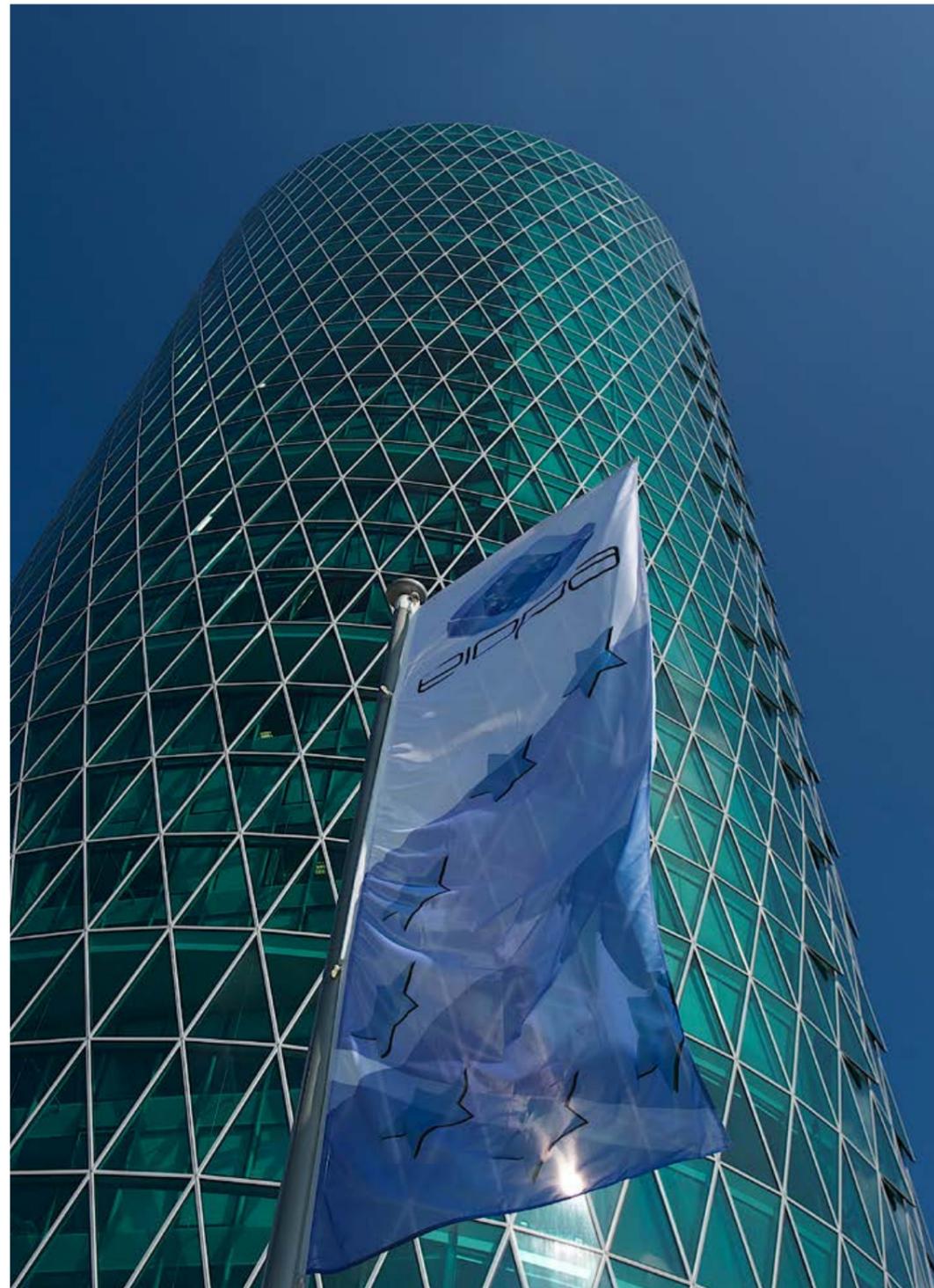
I confirm that I am not aware of anything not reported here which could harm the interests of the authority.



Fausto Parente



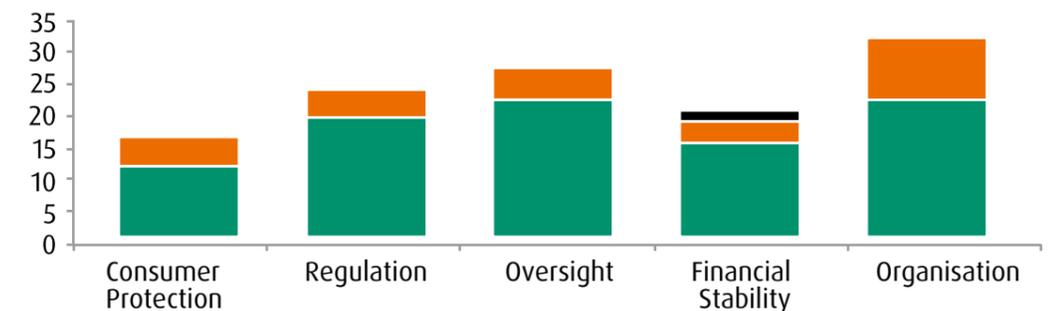
## Core Business Statistics



### Task Overview

EIOPA successfully delivered the overall majority (94) of the 122 either planned or in-year products and services, depicted as green in the chart below. A further 27 (amber) were not delivered as planned, however, will be delivered within acceptable tolerances for time e.g. first quarter of 2016. One task had to be dropped to accommodate new work.

**Status of EIOPA Products and Services in 2015**



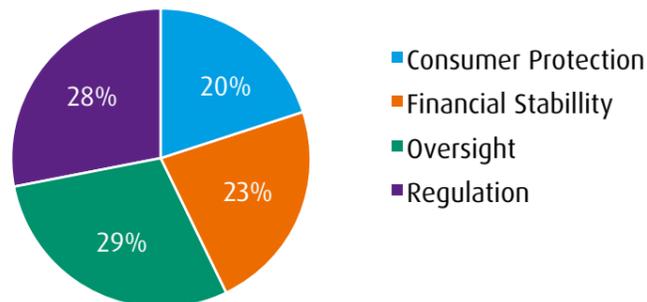
EIOPA took on an additional eight products/services in 2015 arising from unanticipated in-year demands based on changing requirements occurring after the AWP 2015 was finalised. This included the Balance Sheet Reviews of Bulgaria and Romania and technical advice and support to Cypress in respect to the merger of two authorities. And reflecting the nature and severity of the risks identified in the Insurance Stress Test of 2014, EIOPA also undertook some additional work following up on the recommendations to National Competent Authorities. Despite this additional work, EIOPA only dropped one service (black), which was financial stability analysis of Top 30 firms to accommodate these new demands.

### Allocation of Resources

The pie chart on page 58 indicates how EIOPA's staff have been allocated to its operational strategic goals. Compared to 2013, there has been a significant shift from regulatory tasks to those of EIOPA's Oversight role. The delivery of the 2nd set of Solvency II guidelines and technical standards, submitted to the Commission at the end of the second quarter reflects the end of an intense regulatory phase for EIOPA. Following delivery, effort was re-focused on preparation for application of the Directive in January 2016, ensuring EIOPA is ready to provide support and advice with the aim of achieving efficient and convergent application.

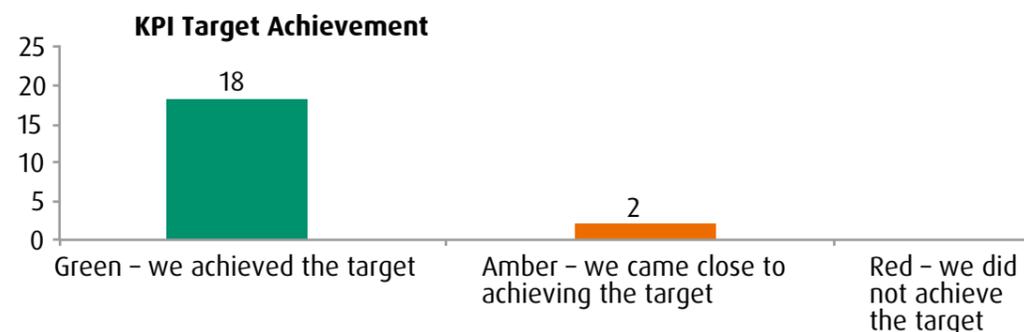
# Core Business Statistics

**Proportion of Allocation of Ressources by Operational Strategic Goal**



The reduction in regulatory tasks and following re-allocation of staff (and additional three staff members in 2015) led to percentage increases in the other areas. The growth in consumer protection reflects the demands of key legislative developments such as PRIIPs and IDD. In addition to this, EIOPA has begun to establish at an EU level a comprehensive risk-based and preventive framework for conduct of business supervision and begun establishing and developing some of the core tools such as thematic reviews. Driven by preparations for application of Solvency II, EIOPA's Oversight work has also expanded, with the Authority increasing its support in key areas such as Colleges of Supervisors, Internal Models and direct support of and advice to National Competent Authorities. The application of Solvency II will also have implications for EIOPA's Financial Stability work as it will result in the increased availability and quality of data which the Authority can analyse. So that EIOPA is in the best position to make use of this data and can add value to National Competent Authorities, additional resources have been allocated to build and implement the supporting infrastructure, processes and tools to effectively and securely collect, manage, process and analyse all the new data.

## Key Performance Indicators



In 2015, EIOPA monitored a total of 20 key performance indicators (KPIs) providing measures contributing to judgement of EIOPA delivering against its strategic ambitions across its five highest level goals. The target was achieved for 18 of its KPIs and nearly achieved for the remaining two.

### Consumer Protection

An important element of consumer protection is the public awareness of consumer rights and obligations. EIOPA can contribute to this by commenting on consumer topics when interviewed by the media and EIOPA achieved its target for number of interviews of its senior management where the topic was mentioned. EIOPA also achieved its target of six instruments addressing improper selling practices and exceeded its target for dealing with governance, suitability and accessibility issues identified in the previous year's Consumer Trends Report.

### Regulation

Representing EIOPA's focus on delivering sound and prudent regulation, success is judged based on the acceptance instruments meet the high technical, quality and legal standards required of regulation and the assessment of its impacts. EIOPA's Board of Supervisors and the European Commission's acceptance provides the target and across these measures, none of EIOPA's instruments have been rejected on technical, quality or legal grounds and no stakeholders have identified material impacts not identified by EIOPA. Similarly, EIOPA measures the number of equivalence assessments/ analyses accepted without technical or legal revisions in proportion to the total number of European Commission or Member State requests. In 2015, EIOPA surpassed its target and achieved 91%, with issues regarding the timely provision of information meeting specific requirements delaying one equivalence gap-analysis regarding Brazil and preventing EIOPA delivering within the deadline and reaching 100%.

### Oversight

Evidence of improved coordination in Colleges' decision making is the first of EIOPA's Oversight KPIs. This was demonstrated by the signing of Coordination Agreements in 2015 and EIOPA's target of 100% of Colleges signing agreements was achieved, providing clarity on roles and responsibilities of members and information to be exchanged. EIOPA surveys National Competent Authorities to assess how many involved in Internal Model applications are using the tools produced by its Centre of Expertise in Internal Models. Results of this survey suggest 100% of National Competent Authorities are using tools produced by EIOPA, which exceeds the original target for 2015 of 68%. EIOPA provides tailored support and advice on consistency and convergence during visits to National Competent Authorities. In 2015, EIOPA aimed at conducting 10 such visits, a target that was almost doubled with the 19 actual visits undertaken.

The Authority also monitors two KPIs in terms of its training and events programme. The first is the number of courses and events delivered, and EIOPA delivered one more than the target of 20. The second is the number of participants attending its courses and events, the target for which was 1,100, whilst 1,911 actually participated.

### 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 exceeded its targets for budget implementation rate for commitment appropriations (99.97% implementation), implementation rate of payments (83.75%) and implementation rate of carry-forward commitments (96.77%). It met its target in terms of level of job satisfaction (66%, EU agency average is 60%). EIOPA was not to achieve its target of 100% fulfilment of its establishment plan, however, came close with 95.6% of positions filled. EIOPA experienced a high turnover of staff in 2015, which impacted on the ability of the Authority's HR team to achieve this target. EIOPA also did not completely fulfil the 100% target for addressing with improvement measures audit findings from the European Court of Auditors and Internal Audit Service within twelve months. It did achieve 93% but had some non-critical areas outstanding e.g. document management where a project in this area was kicked off however attempts to recruit a document management specialist in 2015 failed.



# 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 for the Authority. It is composed of EIOPA's Chairman, the heads of 28 national authorities (Voting Members and Permanent Representatives), Non-Voting Members and Observers.

Iceland, Liechtenstein and Norway represent the non-EU Member States of the European Economic Area, while observer status 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). The Board of Supervisors meets at least twice a year and may create internal committees and panels for specific tasks. In 2015, 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

#### **INFORMATION BOX:** Management Board members December 2015:

- Gabriel Bernardino – EIOPA Chair
- Mr Sergej Simoniti – Agencija za zavarovalni nadzor, Slovenia (from June 2013 to January 2016)
- Mr Jan Parner – Finanstilsynet, Denmark (from June 2013 to January 2016)
- Mr Felix Hufeld – BaFin-Bundesanstalt für Finanzdienstleistungsaufsicht, Germany (from June 2013 to January 2016)
- Mr Alberto Corinti - Istituto per la Vigilanza sulle Assicurazioni, Italy (from March 2014 to September 2016)
- Ms Sandrine Lemery - Autorité de Contrôle Prudentiel et de Résolution, France (from September 2014 to March 2017)
- Mr Jean Hilgers – Nationale Bank van België, Belgium (from January 2015 to July 2017)

Three further members began their terms in December 2015:

- Ms Julia Cillikova - National Bank of Slovakia, Slovakia (from December 2015 to June 2018)
- Mr Frank Grund - BaFin-Bundesanstalt für Finanzdienstleistungsaufsicht, Germany (from December 2015 to June 2018)
- Mr Misu Negritoiu - Financial Supervisory Authority (ASF), Romania (from December 2015 to June 2018)

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. In 2015, the Board of Supervisors met five times.

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 2015, 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 2016 and development of the Annual Work Programme 2017 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.

# Annex III

## Working Groups



The development of EIOPA's policy agenda is also delivered through a number of Working Groups. Comprised of staff from both National Competent Authorities and EIOPA, Working Groups are an important element of the Authority and provide technical input for preparation of documents to be adopted by the Board of Supervisors. In 2015 the Working Groups were instrumental in delivering the second set of guidelines and technical standards for Solvency II. This achievement represented a major milestone in terms of the existing role and function of the Working Groups. Reflecting the new requirements as EIOPA moves from regulation to supervision, the Working Groups will undergo a re-structure to introduce new governance mechanisms and ways of working.

### Management Board Working Groups

- Quality Control Committee (QCC): assesses the accuracy, efficiency and transparency of internal procedures and processes in accordance with the requirements of the EIOPA Regulation.

### Policy Working Groups

#### Insurance and pensions

- Insurance Groups Supervision Committee (IGSC): group supervision for Solvency II.
- Financial Requirements Committee (FinReq): own funds, technical provisions and capital requirements for Solvency II.
- Internal Governance Supervisory Review and Reporting Committee (IGSRR): asset and liability valuation other than technical provisions, governance, own risk and solvency assessment (ORSA), public disclosure and supervisory reporting, external audit of Solvency II publically disclosed information, supervisory review, capital add ons, the extension of the recovery period and the transparency and accountability of the supervisory authorities for Solvency II.
- Internal Models Committee (IMC): internal models for Solvency II.
- Occupational Pensions Committee (OPC): occupational pensions.
- Equivalence Committee (EQC): conducts gap analyses and full equivalence assessments as well as professional secrecy analyses of a number of non-EU countries.
- Task Force on Personal Pensions: personal pensions.
- Task Force on Risk Free Rate: methodology and processes for production of the Risk Free Rate

- Task Force on Infrastructure: EIOPA's contribution to the European Commission's consideration of the role of insurance in infrastructure investments

### Consumer protection and financial innovation

- 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.

### Membership-driven Working Groups

- Review Panel: develops methodologies, procedures and tools for conducting peer reviews. Furthermore, its main objective is to conduct peer reviews.

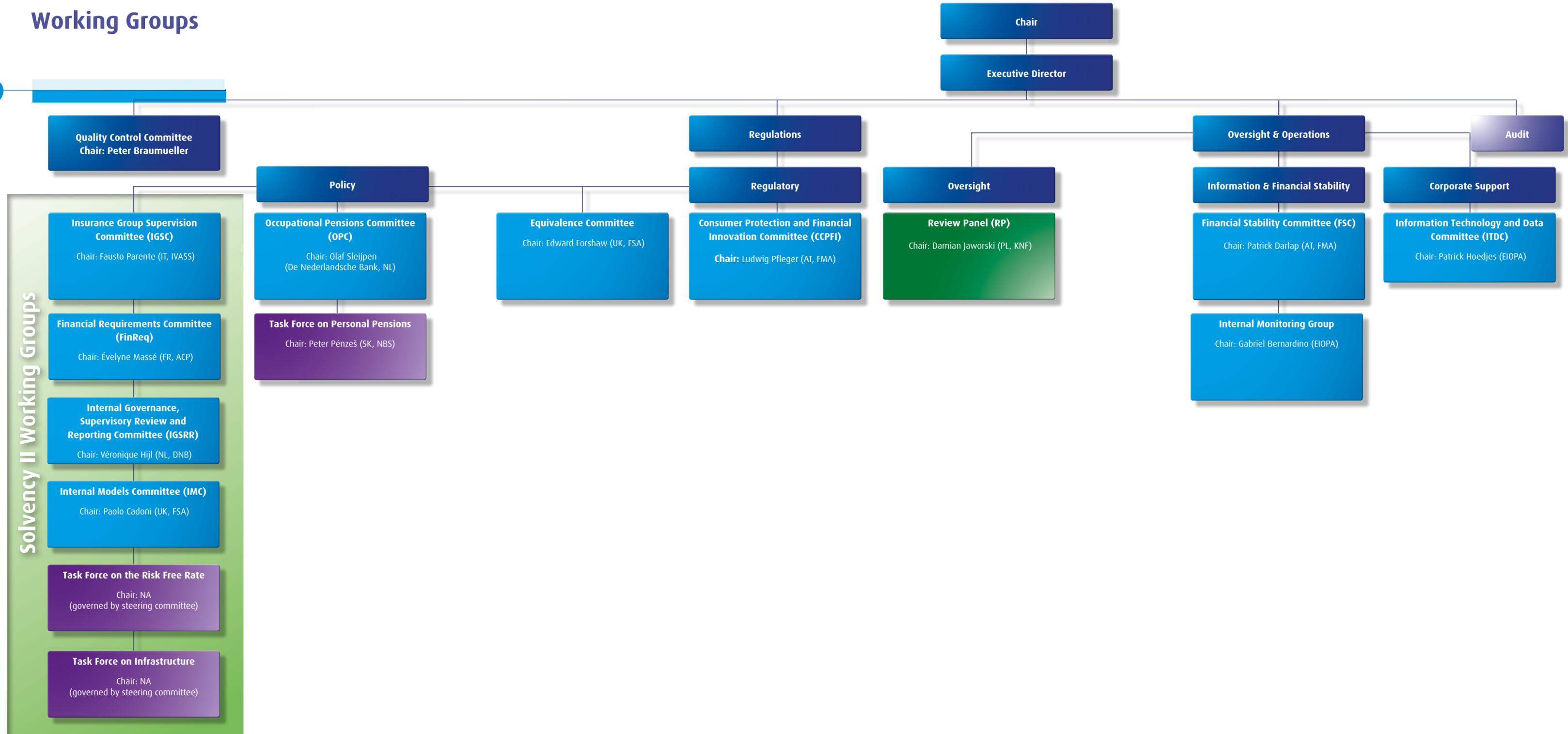
### Information and Financial Stability Committees

- Financial Stability Committee (FSC): supports EIOPA in performing market intelligence functions regarding its supervisory universe, in developing a market surveillance framework to monitor and report on market trends and financial stability-related issues.
- Internal Monitoring Group (IMG): monitors risk concentrations in insurers' balance sheets, and prepares for discussion at the EIOPA Board of Supervisors' meetings on how to deal with the prevailing tensions and market pressures.

### Corporate Support Working Groups

- 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.

# Annex III Working Groups



## Annex IV

# Stakeholder Groups

# IV

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.

During 2015 the OPSG delivered a large number of opinions, including input to the EIOPA Consultation Paper on Further Work on Solvency of IORPs, a response to the EIOPA Report on Good Practices on individual transfers of supplementary occupational pension rights and a response to the EIOPA Consultation Paper on the creation of a standardized Pan-European Personal Pension product (PEPP). The OPSG adopted Position Papers on the European Commission's proposal for an IORP II Directive and on Quantitative Easing. Several position papers were developed in 2015 on a wide range of Consumer Protection topics: advice and education, governance and conflict of interest, and terminology and transparency. Throughout the year the OPSG Sub-Group on Solvency of IORPs has monitored the EIOPA first Stress Test (ST) for the occupational pensions sector.

The IRSG also delivered a large number of opinions. This included responses to the draft second set of Solvency II Implementing Technical Standards (ITS) and Guidelines (GL): a total of 11 ITS, 8 GL and the response to the draft advice on recovery plan and finance scheme. It also contributed to the work on the relevant risk-free interest rate term structure and provided advice on the draft RTS on risk-mitigation techniques for OTC-derivative contracts not cleared by a CCP. In the area of consumer protection, opinions were drafted on the public consultations on the Product Oversight & Governance (POG) Guidelines, the PRIIPs Key Information Documents (KID) and cross-selling. Furthermore, the IRSG took part in the EIOPA roundtable on infrastructure meetings and public consultation. On international level, the IRSG participated in 2 consultations issued by the IAIS, first on the International capital Standards (ICS) and then on Higher Loss Absorbency (HLA) capacity for Global Systemically Important Insurers (G-SIIs).

In December 2015 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 impact of the low interest environment on insurance and pensions and ways and means to increase the visibility and impact of the stakeholder groups in the context of the review of the ESFS.

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

In 2015 EIOPA has initiated the Selection Process for renewing the Stakeholder Groups. Following the EIOPA Board of Supervisors decision in January 2016, the new composition of the Stakeholder Groups, leading to the third mandates of the IRSG and OPSG, is expected to start in April 2016.

Insurance & Reinsurance Stakeholder Group members December 2015									
IRSG Subgroups; L=Lead; TO=Topic Owner									
No	Category	Name	Country	On draft regulation:			Own initiative work:		
				Solvency II - Pillar 1	Solvency II - Pillars 2 & 3	Market Conduct	Ad Hoc Topics	Regulatory Issues	Strategic Areas
1.	Industry	Mr Avesani, Renzo	IT		•				•
2.		Mr Bonnet, Yannick	FR	•	•				•
3.		Mr Carty, Paul	IE			•	TO (IDD)		•
4.		Ms Del valle, Maria Aranzazu	ES	•			TO (PRIIPs)		
5.		Mr Eklund, Jari	FI	•	•				•
6.		<b>Mr Jones, Olav, Vice-Chairman</b>	UK	•			TO (POG, Group Sol. Cal.)		
7.		Mr Koning, Edgar	NL	•			TO (Personal Pensions)		•
8.		Mr Simhandl, Martin	AT	•	•				
9.		Mr Thimrén, Claes*	SE	•	•				
10.		Mr Wemmer, Dieter	DE	•		•			
11.	Professional Associations	Mr Creedon, Seamus	IE	<b>Lead</b>			TO (RFR)		•
12.		Ms Dequae, Marie	BE		<b>Lead</b>	•			TO (Cyber)
13.		Mr Ellenbürger, Frank	DE		•			•	
14.		Ms Olesen, Annette	DK		•		TO (IAIS)	<b>Lead</b>	
15.		Mr Watson, Rick	UK	•			TO (OTC)	•	•
16.	SME	Mr Thomas Keller	DE	•	•		TO (Infrastructure)		•
17.	User	Mr Frizon, Francis	FR			•			•
18.	Consumers	Mr Berthon, Jean	FR				TO (PRIIPs)		•
19.		Mr Herrero, Fernando**	ES			•			•
20.		Mr Ciuncan, Alexandru	RO			<b>Lead</b>		•	•
21.		Ms Baiba Miltovica	LV		•	•			
22.		Ms Strucl, Mojca	SI			•			•
23.	Employees	Ms Więcko-Tułowicka, Małgorzata	PL			•		•	•
24.		Ms Cosma, Andreea	RO			•		•	•
25.		Mr Lagaude, Damien	FR		•	•			•
26.	Academics	Ms Maria Heep-Altiner	DE	•					
27.		Mr Marcin Kawiński	PL	•	•	•			TO (GSP)
28.		Mr Papanikolaou, Ioannis	GR						<b>Lead;</b> TO (CartR)
29.		Mr Savelli, Nino	IT	•				•	
30.		<b>Mr Van Hulle, Karel, Chairman</b>	BE	•	•				

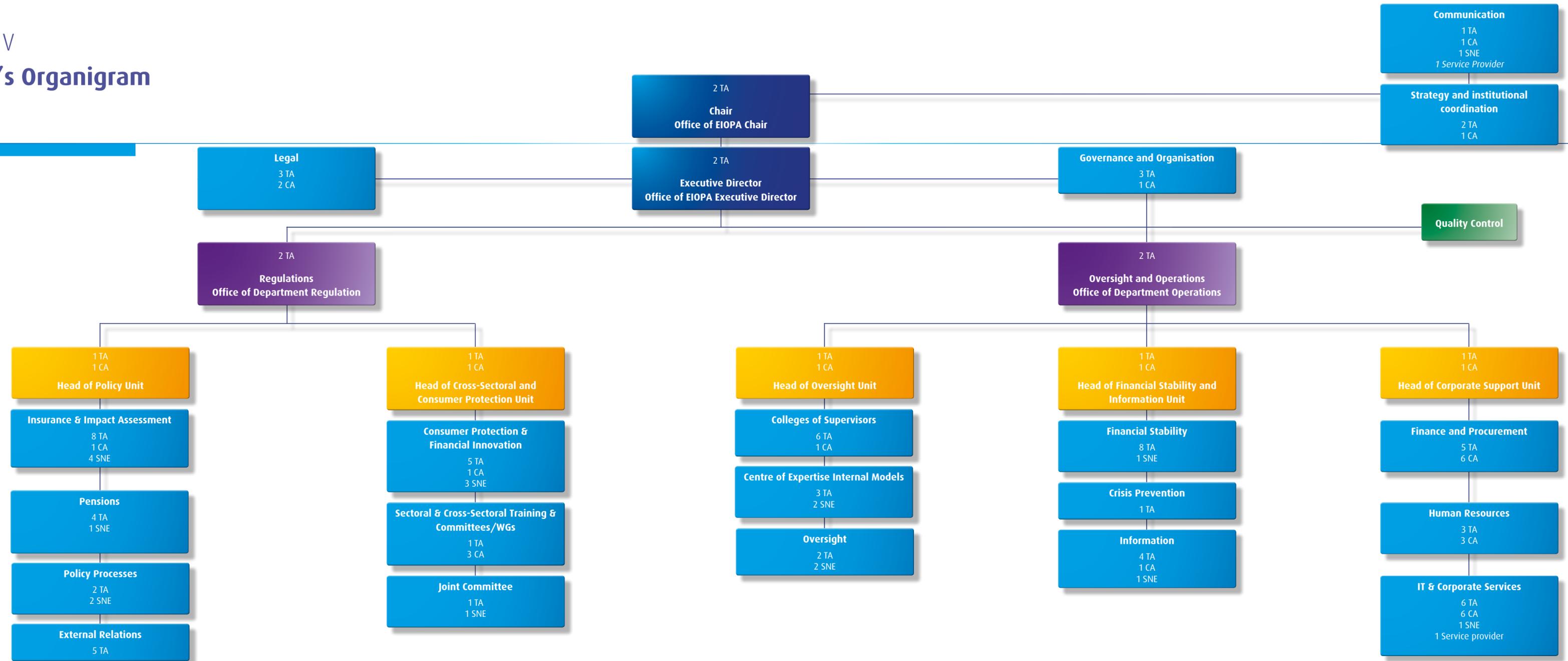
\* Mr Thimrén was appointed in April 2013, following the departure of Mr Gerard Van Olphen, both industry representatives.

\*\* Mr Herrero was appointed January 2015, following the departure in December 2014 of Ms Kay Blair, former

Occupational Pensions Stakeholder Group members December 2015									
OPSG									
No	Category	Name	Country	Subgroups					Ad hoc topics
				Solvency issues IORP II	Occupational DC	Consumer Protection issues			
1.	IORPs	Mr Budzynski, Lukasz	PL						X-border IORPs
2.		Mr Janda, Fritz	AT		•				
3.		Ms Koller, Michaela	DE	•	•	•			Personal Pensions; CMU
4.		Mr Kortleve, Niels	NL	Lead	•				EMIR; Quantitative easing/ low interest
5.		<b>Mr Leppälä, Matti, Vice Chairman</b>	FI			Lead			
6.		Mr Schwind, Joachim	DE	•	•				
7.		Ms Van Peer, Martine	BE	•					
8.		Mr Janwillem Bouma*	NL	•					
9.		Mr Vlaić, Petar	HR		•				
10.		Mr Whalley, Allan	UK	•					
11.	Professional Associations	Ms Carlberg, Charlotta	SE		•	•			
12.		Ms Delahousse, Laure	FR		•	•			
13.		Ms Goldman, Ruth	UK	•			Co-Lead		Individual transfers
14.		<b>Mr Shier, Philip, Chairman</b>	IE	•					
15.	SME	Mr Keller, Thomas	DE	•					
16.	Employees	Mr Bruno Gabellieri	FR		•	•			
17.		Ms Mitreva, Hristina	BU			•			
18.		Mr Taylor, Doug	UK			•	Co-Lead		
19.	Beneficiaries	Ms Verhaegen, Chris	BE		•				Proportionality
20.		Mr Walsh, Neil	IE	•	•				
21.		Ms Moscoso-Osterkorn, Marianne	AT		•	•			
22.		Ms Nygren, Ellen	SE		•				
23.		Mr Prache, Guillaume	FR			•			
24.	Academics	Mr Serban, Marius	RO		•	•			
25.		Mr Struwe, Klaus	DK		•	•			
26.		Mr Floreani, Alberto	IT	•	•				
27.	Academics	Mr Peraita, Manuel	ES		•	•			
28.		Mr Marano, Pierpaolo	IT		•	•			
29.		Mr Šebo, Ján	SK		•	•			
30.		Ms Seganti, Federica	IT		•				

\* Mr Bouma membership started in March 2015, following the departure of Mr Benne Van Popta, former OPSG Chair, both IORPs representatives

# Annex V EIOPA's Organigram



Total of EIOPA in 2015	137*
Temporary Agents	86
Contract Agents	32
Seconded National Experts	19
Service Provider	2

\* 4 TA have signed their contracts; starting date is set in 2016

## Annex VI

### EIOPA's Establishment Plan 2015

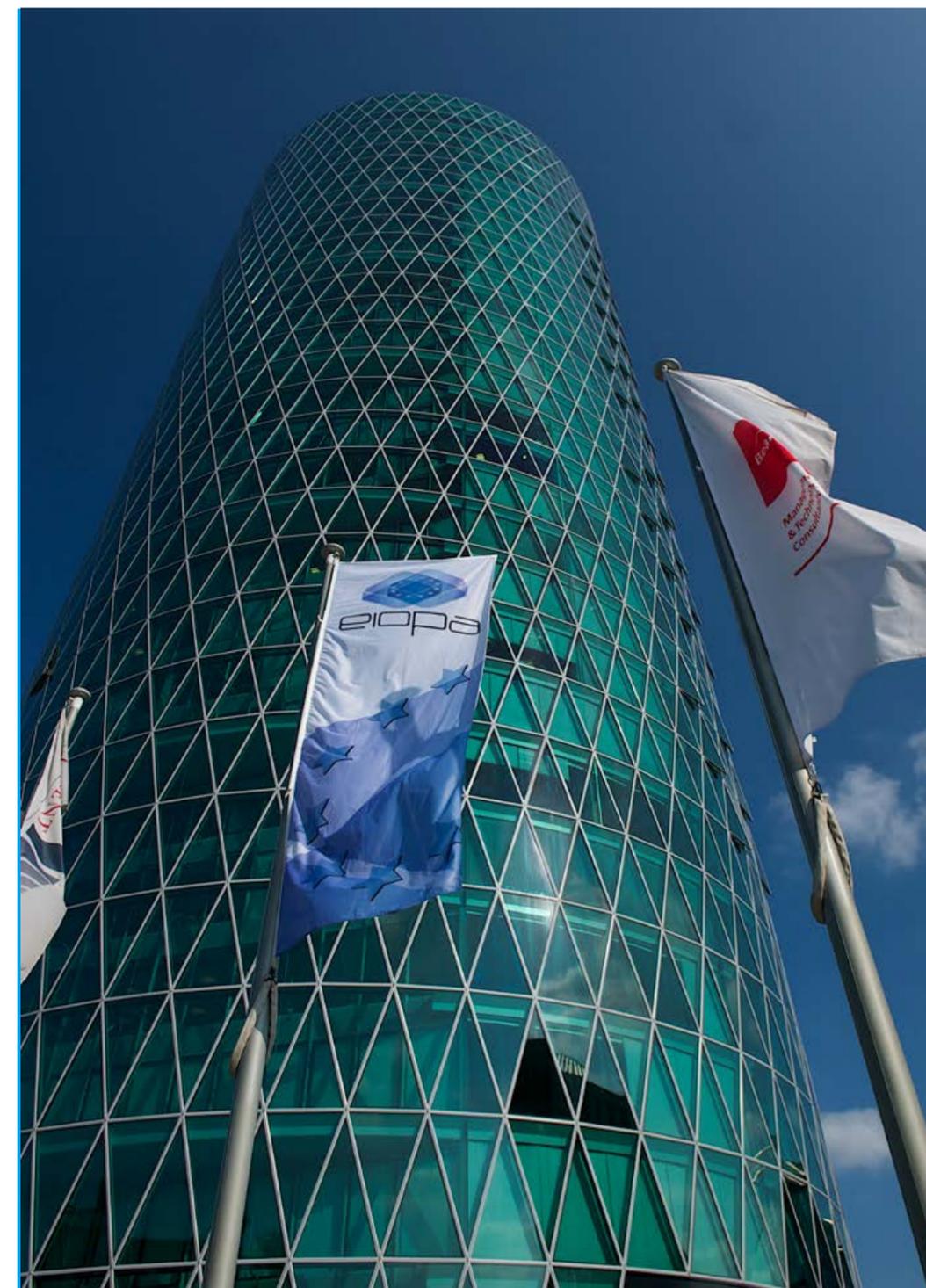
(Temporary Agents) and Figures for Contract Agents and Seconded National Experts

VI

Function group and grade	2015	
	Final budget	Filled as at 31/12/2015
AD 16	0	0
AD 15	1	1
AD 14	1	1
AD 13	3	3
AD 12	5	5
AD 11	7	7
AD 10	8	8
AD 9	8 (+1)	9
AD 8	11	11
AD 7	12	10
AD 6	9	9
AD 5	10	9
AD total	75 (+1)	73
AST 11	0	0
AST 10	0	0
AST 9	1	1
AST 8	1	1
AST 7	1	1
AST 6	3 (+1)	4
AST 5	1 (+1)	2
AST 4	3	2
AST 3	3 (-1)	2
AST 2	2 (-2)	0
AST 1	0	0
AST total	15 (-1)	13
<b>TOTAL</b>	<b>90</b>	<b>86</b>

Contract Agents	Filled as at: 31.12.2015	Filled as at: 31.12.2014
Function Group IV	9	11
Function Group III	5	3
Function Group II	18	19
Function Group I	0	0
<b>Total</b>	<b>32</b>	<b>33</b>

Seconded National Experts	19	14
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## Annex VII

### Entry level for each type of post

VII

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)
<b>CORE FUNCTIONS</b>			
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
<b>SUPPORT FUNCTIONS</b>			
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	
<b>SPECIAL FUNCTIONS</b>			
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

VIII

Job Type (sub) category	2014	2015
Administrative Support and Coordination	13.6%	14.6%
Administrative Support	10.9%	9.0%
Coordination	2.7%	5.6%
Operational	76.9%	75.7%
Top Level Operational Coordination	6.8%	4.2%
Programme Management & Implementation	53.7%	44.4%
Evaluation & Impact Assessment	3.4%	6.9%
General Operational	12.9%	20.1%
Neutral	9.5%	9.7%
Finance/Control	9.5%	9.7%
Linguistics	n/a	n/a



# Annex IX

## Annual Accounts

IX

### EIOPA's Financial Performance in 2015

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) n°966/2012 of the European Parliament and of the Council of 25 October 2012 and its rules of application, as well as the accounting rules referred to in article 143 of Regulation (EU, Euroatom) No 966/2012.

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 2015, EIOPA only used non-differentiated appropriations. The EIOPA revenue was generated by contributions of the national supervisory authorities of the Member States and EFTA countries as well as a subsidy from the European Commission plus other income reaching a total of € 20,570,328.35. Expenditure evaluation was determined by the consumption of commitment appropriations with a total of € 20,229,447.03 out of which appropriations paid represented € 16,929,124.72 for fresh credits and € 6,171.61 for internal assigned revenue. Appropriations carried over to 2016 of € 3,294,150.70 made up to the total expenditure. Cancelled appropriations from the prior-year carry over as well as appropriations available from 2014 internal assigned revenue and adjustments made for foreign exchange rate differences increased the budget result leading to a total of € 526,218.16 in 2015.

EIOPA realised a budget execution rate of 99.97% in 2015 for commitments and a lower payment implementation rate of 83.75%. The carry forward rate of commitment appropriations was 16.21%.

### 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.

In 2015, the result is € 887,644.22 and lower than in the previous year. This is the result of a balancing effect. On the one hand EIOPA fully used the reserves accumulated in 2014 as a result of the high carry overs for services delivered in 2015. On the other hand, in 2015 EIOPA received all budgetary contributions from Member States, EFTA countries and the Commission, with a few exceptions only, including those pending from 2014, which increased the reserves.

The 2014 Financial Statements are restated to account for the prior-year benefits related to the free and discounted use of office space occupied by EIOPA. Under accrual accounting such benefits are distributed across the entire rental term and income is recognised on a straight-line basis in line with EU Accounting Rules.

EIOPA – Statement of Financial Performance	2015	2014	2014 (restated)
European Union contribution	7,679,987.84	8,526,341.11	8,526,341.11
Other operating revenue	12,022,603.28	12,858,946.55	12,858,946.55
<b>TOTAL OPERATING REVENUE</b>	<b>19,702,591.12</b>	<b>21,385,287.66</b>	<b>21,385,287.66</b>
<b>Administrative expenses</b>	<b>-14,623,879.60</b>	<b>-13,683,824.24</b>	<b>-14,000,168.32</b>
All Staff expenses	-9,496,850.17	-8,870,611.92	-8,870,611.92
Fixed asset related expenses	-724,109.46	-464,808.88	-464,808.88
Other administrative expenses	-4,402,919.97	-4,348,403.44	-4,664,747.52
<b>Operational expenses</b>	<b>-4,149,175.36</b>	<b>-3,922,513.84</b>	<b>-3,922,513.84</b>
Other operational expenses	-4,149,175.36	-3,922,513.84	-3,922,513.84
<b>TOTAL OPERATING EXPENSES</b>	<b>-18,773,054.96</b>	<b>-17,606,338.08</b>	<b>-17,922,682.16</b>
<b>SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES</b>	<b>929,536.16</b>	<b>3,778,949.58</b>	<b>3,462,605.50</b>
Financial revenues	0.00	0.00	0.00
Financial expenses	-41,891.94	-18,091.75	-18,091.75
<b>SURPLUS/ (DEFICIT) FROM NON OPERATING ACTIVITIES</b>	<b>-41,891.94</b>	<b>-18,091.75</b>	<b>-18,091.75</b>
<b>SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES</b>	<b>887,644.22</b>	<b>3,760,857.83</b>	<b>3,444,513.75</b>
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>887,644.22</b>	<b>3,760,857.83</b>	<b>3,444,513.75</b>

### EIOPA - Balance Sheet- Assets

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

EIOPA – Balance Sheet – Liabilities	31.12.2015	31.12.2014
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
<b>Intangible assets</b>	<b>6,219,983.38</b>	<b>2,875,847.04</b>
<b>Property, plant and equipment</b>	<b>1,555,733.14</b>	<b>1,420,602.17</b>
Land and buildings		0.00
Plant and equipment		0.00
Computer hardware	98,743.59	134,202.00
Furniture and vehicles	261,636.13	274,626.82
Other fixtures and fittings	1,195,353.42	856,265.01
Property, plant and equipment under construction	0.00	155,508.34
<b>Long-term receivables and recoverables</b>	<b>0.00</b>	<b>0.00</b>
Long-term receivables and recoverables	0.00	0.00
Long-term receivables and recoverables with consolidated EC entities	0.00	0.00
<b>TOTAL NON CURRENT ASSETS</b>	<b>7,775,716.52</b>	<b>4,296,449.21</b>
<b>CURRENT ASSETS</b>		
<b>Short-term receivables</b>	<b>1,579,807.56</b>	<b>1,235,637.65</b>
Current receivables	1,034,183.10	1,003,543.41
Sundry receivables	16,940.03	35,218.35
Pre-paid expenses	0.00	0.00
Deferred charges and accrued income	528,684.43	196,875.89
<b>Short-term pre-financing</b>		<b>0.00</b>
Short-term pre-financing		0.00
<b>Cash and cash equivalents</b>	<b>2,689,817.51</b>	<b>5,322,700.15</b>
<b>TOTAL CURRENT ASSETS</b>	<b>4,269,625.07</b>	<b>6,558,337.80</b>
<b>TOTAL</b>	<b>12,045,341.59</b>	<b>10,854,787.01</b>

### EIOPA - Balance Sheet- Liabilities

EIOPA – Balance Sheet – Liabilities	31.12.2015	31.12.2014	31.12.2014 (restated) *
<b>LIABILITIES</b>			
<b>CAPITAL</b>	<b>8,165,381.43</b>	<b>8,281,456.82</b>	<b>7,277,737.21</b>
<b>Accumulated surplus/deficit</b>	<b>7,277,737.21</b>	<b>4,520,598.99</b>	<b>3,833,223.46</b>
<b>Economic result for the year - profit+ /loss-</b>	887,644.22	3,760,857.83	3,444,513.75
<b>TOTAL</b>	<b>8,165,381.43</b>	<b>8,281,456.82</b>	<b>7,277,737.21</b>
<b>NON-CURRENT LIABILITIES</b>	<b>1,776,797.28</b>	<b>0.00</b>	<b>1,086,941.11</b>
Provisions for risks and charges	609,543.32	0.00	161,880.54
Accrued charges and deferred income	1,167,253.96	0.00	925,060.57
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,776,797.28</b>	<b>0.00</b>	<b>1,086,941.11</b>
<b>CURRENT LIABILITIES</b>	<b>2,103,162.88</b>	<b>2,573,330.19</b>	<b>2,490,108.69</b>
<b>Provisions for risks and charges</b>	<b>0.00</b>	<b>161,880.54</b>	<b>0.00</b>
<b>Accounts payable</b>	<b>2,103,162.88</b>	<b>2,411,449.65</b>	<b>2,490,108.69</b>
Current payables	59,536.62	44,985.85	44,985.85
Sundry payables	14,158.68	13,916.83	13,916.83
Accrued charges and deferred income	1,503,031.80	2,010,992.39	2,089,651.43
Accrued charges with consolidated EU entities	217.62	2,165.33	2,165.33
Accounts payable with consolidated EU entities	526,218.16	339,389.25	339,389.25
<i>Pre-financing received from consolidated EU entities</i>	<i>526,218.16</i>	<i>339,389.25</i>	<i>339,389.25</i>
<i>Other accounts payable against consolidated EU entities</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,103,162.88</b>	<b>2,573,330.19</b>	<b>2,490,108.69</b>
<b>TOTAL</b>	<b>12,045,341.59</b>	<b>10,854,787.01</b>	<b>10,854,787.01</b>

### EIOPA - Cash flow Table

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.

EIOPA – Cash flow Table (Indirect Method)	2015	2014	2014 (restated)
<b>Cash Flows from ordinary activities</b>			
<b>Surplus/(deficit) from ordinary activities</b>	<b>887,644.22</b>	<b>3,760,857.83</b>	<b>3,444,513.75</b>
<b>Operating activities</b>			
Amortization (intangible fixed assets) +	284,764.44	155,916.93	155,916.93
Depreciation (tangible fixed assets) +	420,019.79	286,790.30	286,790.30
Increase/(decrease) in long-term provisions for risks and liabilities	447,662.78	0.00	-194,302.75
Increase/(decrease) in short-term provisions for risks and liabilities	0.00	-194,302.75	0.00
(Increase)/decrease in inventories	0.00	0.00	0.00
(Increase)/decrease in long term pre-financing	0.00	0.00	0.00
(Increase)/decrease in short term pre-financing	0.00	0.00	0.00
(Increase)/decrease in long term receivables and recoverables	0.00	0.00	0.00
(Increase)/decrease in Short term Receivables and recoverables	-344,169.91	-321,423.61	-321,423.61
(Increase)/decrease in receivables related to consolidated EU entities	0.00	0.00	0.00
Increase/(decrease) in value reduction for doubtful debts	0.00	0.00	0.00
Increase/(decrease) in long-term financial liabilities	0.00	0.00	0.00
Increase/(decrease) in short-term financial liabilities	0.00	0.00	0.00

EIOPA – Cash flow Table (Indirect Method)	2015	2014	2014 (restated)
Increase/(decrease) in other long-term liabilities	242,193.39	0.00	438,920.77
Increase/(decrease) in other short-term liabilities (accrued charges and deferred income)	-588,567.34	451,083.15	328,506.46
Increase/(decrease) in short-term payables	14,792.62	-208,461.89	-208,461.89
Increase/(decrease) in Liabilities related to consolidated EU entities	186,828.91	90,687.42	90,687.42
Other non-cash movements	0.00	0.00	0.00
<b>Net cash Flow from operating activities</b>	<b>1,551,168.90</b>	<b>4,021,147.38</b>	<b>4,021,147.38</b>

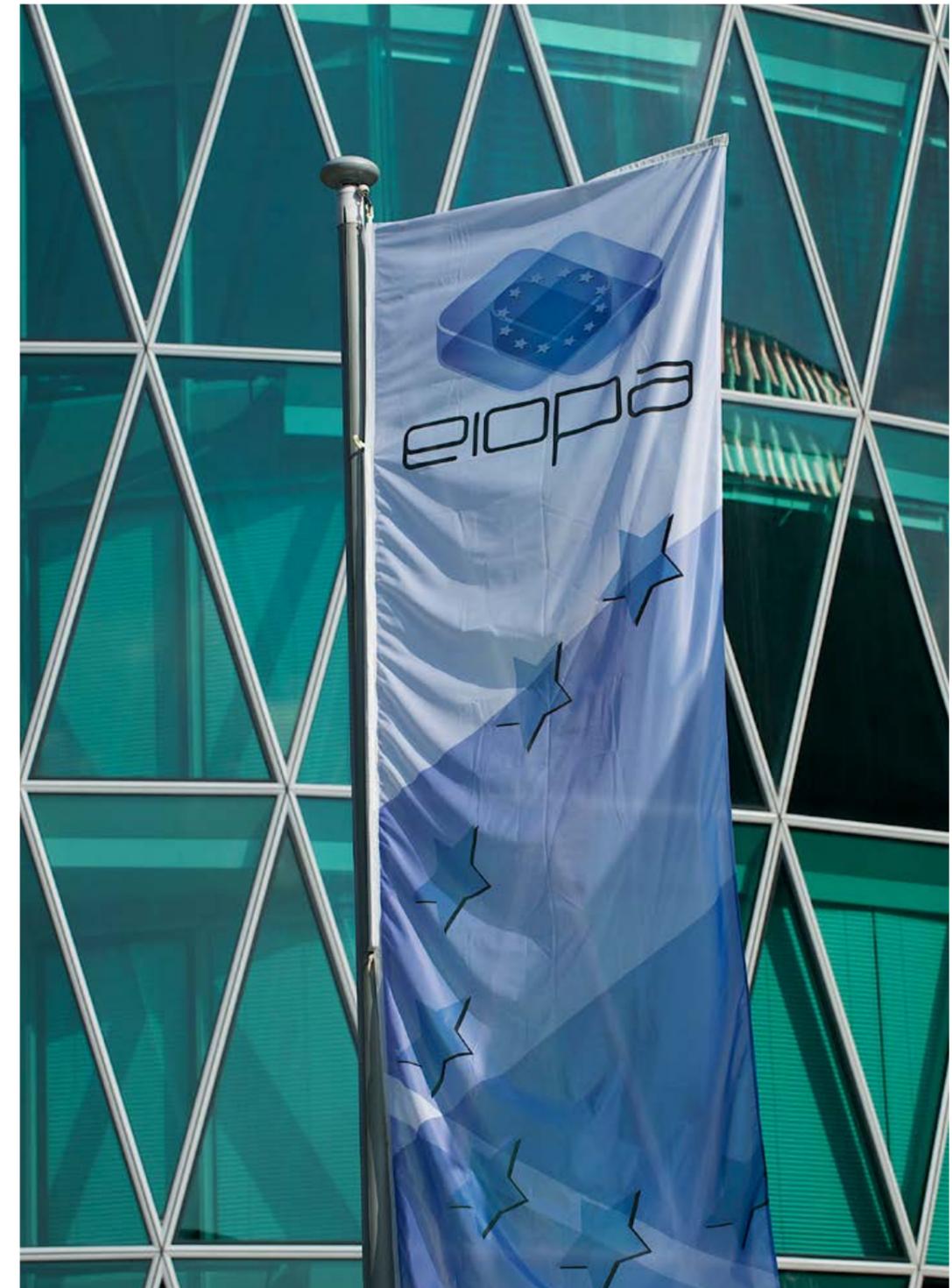
<b>Cash Flows from investing activities</b>			
(Increase)/Decrease in intangible assets and property, plant and equipment	-4,489,511.78	-3,896,910.72	-3,896,910.72
Other proceeds from intangible assets and property, plant and equipment	305,460.24	3,587.86	3,587.86
<b>Net cash flow from investing activities</b>	<b>-4,184,051.54</b>	<b>-3,893,322.86</b>	<b>-3,893,322.86</b>

<b>Increase/(decrease) in Employee benefits</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-2,632,882.64</b>	<b>127,824.52</b>	<b>127,824.52</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5,322,700.15</b>	<b>5,194,875.63</b>	<b>5,194,875.63</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2,689,817.51</b>	<b>5,322,700.15</b>	<b>5,322,700.15</b>

## EIOPA – Statement of Changes in Net Assets

Net assets	Accumulated Surplus / Deficit	Economic result of the year	Net assets (total)
<b>Balance as of 31 December 2014</b>	<b>4,520,598.99</b>	<b>3,760,857.83</b>	<b>8,281,456.82</b>
Other*	-1,003,719.61		-1,003,719.61
Fair value movements			
Movement in Guarantee Fund reserve			
Allocation of the Economic Result of Previous Year	3,760,857.83	-3,760,857.83	0.00
Amounts credited to Member States			
Economic result of the year	0.00	887,644.22	887,644.22
<b>Balance as of 31 December 2015</b>	<b>7,277,737.21</b>	<b>887,644.22</b>	<b>8,165,381.43</b>

\* Other Acc. Surplus / Deficit Eco. result of the year Net assets (total Restatement rent incentives, impact on reserves for 2006-2013 -687,375.53 0.00 -687,375.53 Restatement rent incentives, impact on reserves for 2014 -316,344.08 0.00 -316,344.08 Total Other -1,003,719.61 0.00 -1,003,719.61



# Access to Documents Report 2015

## 1. Initial requests in 2015

NUMBER OF RECEIVED APPLICATIONS AND REQUESTED DOCUMENTS	
Number of requested applications	Number of requested documents
3	3

Outcome of the applications in number of documents	
Full disclosure	2
Partial disclosure <sup>1</sup>	1
Refusal	0
Decision pending	0
No existing/possession of document	0
Document already publicly available	0

## 2. Confirmatory requests in 2015

NUMBER OF RECEIVED APPLICATIONS AND REQUESTED DOCUMENTS	
Number of requested applications	Number of requested documents
0	0

Outcome of the applications in number of documents	
Confirmation	0
Partial revision	0
Full revision	0

<sup>1</sup> Only personal data from the document has been redacted. Otherwise, the whole content of the document was fully disclosed.



## EIOPA Opinions and Reports Published in 2015

XI

Date	Opinion
09.2015	Opinion on the group solvency calculation in the context of equivalence
04.2015	EIOPA Opinion on the preparation for Internal Model applications
02.2015	EIOPA issues an Opinion on sales via the Internet of insurance and pension products
Date	Report
12.2015	EIOPA Fourth Consumer Trends Report
12.2015	Report on Consumer Protection Issues arising from the sale of Mobile Phone Insurance
10.2015	Updated Action Plan 2016 and Way Forward for Colleges of Supervisors
09.2015	Progress report on the equivalence assessment of the Bermudian supervisory system in relation to articles 172, 227 and 260 of the Solvency II Directive
07.2015	2015 Market development report on occupational pensions and cross-border IORPs
07.2015	Final Report on Good Practices on individual transfers of occupational pension rights
05.2015	Report on Staffing and Resource needs for accomplishing the tasks under Solvency II Directive
03.2015	Progress Report on the Follow-up to the Peer Reviews on Pre-application of Internal Models
03.2015	Peer Review on Supervisory Practices in respect of Article 9 of Directive 2003/41/EC ("Conditions of operation") – Final Report
02.2015	Year-end report on Functioning of Colleges and Accomplishments of Action Plan 2014 Annex 1: Accomplishment of EIOPA Action plan 2014 criteria
02.2015	EIOPA Report on Costs and charges of IORPs
01.2015	Final report on investment options for occupational DC scheme members