

# Annual Report 2011



**eiopa**

EUROPEAN INSURANCE  
AND OCCUPATIONAL PENSIONS AUTHORITY

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# Foreword by the Chairman

This is the first Annual Report covering our activities as the European Insurance and Occupational Pensions Authority (EIOPA).

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

The year 2011 was a challenging one. We had to establish our structure, recruit new staff and put together our internal rules, processes and procedures. Despite the challenges, we were able to deliver a very ambitious programme of measures, covering all areas assigned to the Authority by the EIOPA Regulation.

On the regulatory front, we launched a number of important public consultations to facilitate insurance undertakings' preparatory work for Solvency II in areas such as Own Risk and Solvency Assessment (ORSA) and supervisory reporting and public disclosure. In addition, we put out to public consultation EIOPA's advice to the European Commission on the review of the directive on the activities and supervision of institutions for occupational retirement provision (IORP Directive), setting the scene for improving risk-based supervision in the IORP sector.

In the area of consumer protection and financial innovation, we launched public consultations on a good practices report analysing issues related to the sale of variable annuities and required disclosures, and also on a set of guidelines and a best practices report on the handling of complaints by insurance undertakings. We also published a report on financial literacy and education initiatives by competent authorities.

On the supervisory side, we made our participation in the Colleges of Supervisors a priority; we contributed to more consistent practice, set out an annual action plan and monitored its implementation.

EIOPA was also active in the area of financial stability. The Authority assessed the resilience of the EU insurance sector to major shocks through the EU-wide stress test exercise and contributed to the discussions and analysis of the European Systemic Risk Board (ESRB).

On the international front, we provided final advice to the European Commission on the Solvency II equivalence assessment of the Swiss, Bermudan and Japanese supervisory systems, and by playing an active part in the work of the International Association of Insurance Supervisors (IAIS), we started contributing to the development of robust international supervisory standards.

Of major importance was EIOPA's involvement with the Insurance and Reinsurance Stakeholder Group and the Occupational Pensions Stakeholder Group. The exchange of views among and the opinions from the Stakeholder Groups were essential for the progress of EIOPA's activities.



I am convinced that in a few years' time the setting up of the European Supervisory Authorities will be recognised as one of the most fundamental reforms in the European financial sector issuing from the financial crisis. The potential benefits from the creation of a single rule book are enormous, both for the industry and for consumers.

Furthermore, I believe that the convergence of supervisory practices is as important as the single rule book. By ensuring that day-to-day supervisory oversight of financial institutions is done within a consistent framework, we can effectively contribute to an increased level of protection of policyholders and beneficiaries in the European Union. The single market requires it, and EIOPA is committed to deliver it.

As Jean Monnet once said, 'Cooperation between nations, while essential, cannot alone meet our problem. What must be sought is a fusion of the interests of the European peoples and not merely another effort to maintain the equilibrium of those interests'.

Our vision is to build EIOPA as a modern, competent and professional organisation, working independently, effectively and efficiently towards the creation of a common European supervisory culture.

I want to thank all EIOPA members and their staff for their efforts towards this goal. The continuous commitment and cooperation of the members of the Board of Supervisors and Management Board was of the utmost importance in fulfilling our mission and vision.

The most significant element in EIOPA's success is our people. It is their knowledge, experience and dedication that allow us to fulfil our mandate and respond to an increasingly demanding environment. My sincere thanks to all EIOPA employees for their hard work and continuous commitment to our values of independence, responsibility, integrity, transparency, efficiency and team spirit.

Together, we will build a truly European supervisory culture; a culture that promotes stability, enhances transparency and fosters consumer protection.

A handwritten signature in blue ink, which appears to read 'G. Bernardino'.

Gabriel Bernardino

# Foreword by the Executive Director

The year 2011 was a historical one for us as a newly created European body, part of the European System of Financial Supervision (ESFS), the European Insurance and Occupational Pensions Authority (EIOPA).

Not only had EIOPA to take over all the functions of its predecessor CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors), but it was also assigned additional tasks by its founding Regulation establishing a European Supervisory Authority (EIOPA): new tasks, coming with enhanced powers, demanding from us more transparency and accountability, to which EIOPA is fully committed. But new tasks and powers that would allow us to do something special: make a difference, for the benefit of European consumers and markets.

EIOPA's tasks, responsibilities and scope of action are wide-ranging. It was therefore essential to define strategic choices in each of the different areas of work, and to ensure tangible outcomes oriented to make the aforementioned difference. EIOPA's strategic objectives for the coming years are listed in the summary of this Annual Report.

As an integral part of the ESFS, EIOPA considers cross-sector consistency with the other European supervisory authorities, in particular through the Joint Committee, to be an essential ingredient for its success. That is why joint work, cooperation and regular exchange of information with its sister organisations (the European Banking Authority – EBA, the European Securities and Markets Authority – ESMA), the European Systemic Risk Board (ESRB) and other EU bodies remains a strong commitment for EIOPA.

Turning to organisational issues, EIOPA had to comply both with its new tasks, as well as with the structural changes needed in order to become a European Authority. Therefore, during this year we almost doubled our team and further developed our IT infrastructure. I am proud to say that such change has been undertaken whilst at the same time keeping the old family spirit that all the colleagues working with EIOPA shared from day one.



All these and EIOPA's many other activities and achievements are summarised in the Annual Report 2011, which we are pleased to present to the public, sharing the ways in which EIOPA is making a difference and providing added value to Europe and its citizens.

I would like to underline that EIOPA's smooth transition from CEIOPS and its efficient work have only been possible thanks to the remarkable dedication, professionalism and team spirit of its staff members, to whom I would like to express my deep gratitude.

I would also like to thank, on a personal basis, Mr. Olivier Salles, who was the interim executive director of EIOPA until my appointment. With his outstanding work, he has been an essential part of the successful story we can share with the European citizens, patient enough to guide us through the adaptation to the new framework, wise enough to understand the peculiarities of the Financial Sector in which EIOPA operates.

So much has been done, so much still to be done. I cannot think of a better way to finalise and summarise our work than this one. Nor can I think of a better place to work, as it is a privilege working for Europe together with such a dedicated team. Thank you

A handwritten signature in blue ink, which appears to be 'Carlos Montalvo', written over a horizontal line.

Carlos Montalvo

# Summary



## Summary

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

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

# Summary

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## 1. Solvency II

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

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

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

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

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

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

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





## 2. Occupational pensions

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

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

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

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

## 3. Consumer protection and financial innovation

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

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

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

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



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

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

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

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

#### 5. Financial stability

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

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

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

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

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

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

### External communication

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

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

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

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

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

### Organisational developments

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

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

### Strategic goals for the coming years

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

On regulation, the Authority shall:

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



On oversight, the Authority shall:

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

On consumer protection, the Authority shall:

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

On financial stability, the Authority shall:

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

In the field of external relations, the Authority shall:

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

## Chapter I **EIOPA Overview**

### 1.1 Introduction

The European Insurance and Occupational Pensions Authority (EIOPA) was established as a result of the reforms of the structure of supervision of the financial sector of the European Union (EU) that followed the financial crisis of 2007, as the crisis demonstrated that the pre-existing 3L3 Committees (CEIOPS, CEBS and CESR) had reached their limit.

Before and during the financial crises of 2007 and 2008, the European Parliament called for a move towards greater European supervisory integration in order to ensure a true level playing field for all players at the level of the European Union and to reflect the increasing integration of the financial markets of the EU. In response to the global financial crisis, the European Commission tasked a High Level Group (Committee of Wise Men), chaired by Mr Jacques de Larosière, to consider how the European supervisory arrangements could be strengthened, both to better protect EU citizens and to rebuild trust in the financial system. Among its many conclusions, the Group stressed that supervisory arrangements should not only concentrate on the supervision of individual firms, but also place emphasis on the stability of the financial system as whole.

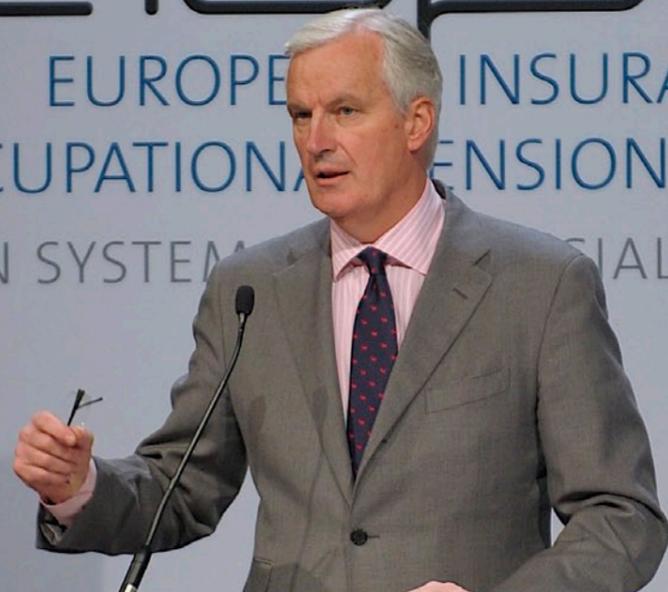
Following the recommendations of the Committee of Wise Men, the European Commission initiated a reform, which was supported by the European Council and the European Parliament.

As a result, the supervisory framework was strengthened to mitigate the risk and severity of future financial crises. EIOPA is part of a **European System of Financial Supervision (ESFS)**, the purpose of which is to ensure supervision of the EU financial system.

The ESFS comprises the three **European Supervisory Authorities (ESAs)**: the European Banking Authority (EBA), based in London, the European Securities and Markets Authority (ESMA), based in Paris, and EIOPA, based in Frankfurt, as well as the European Systemic Risk Board (ESRB), based in Frankfurt, and the competent or supervisory authorities in the EU Member States as specified in the legislation establishing the three ESAs.

# eioopa

EUROPEAN INSURANCE  
AND OCCUPATIONAL PENSIONS AUTHORITY  
EUROPEAN SYSTEM OF FINANCIAL SUPERVISION



EIOPA's main goals are:

- to better protect consumers, thus rebuilding trust in the financial system;
- to ensure a high, effective and consistent level of regulation and supervision, taking account of the varying interests of all Member States and the different nature of the financial institutions;
- to achieve a greater harmonisation and coherent application of the rules applicable to the financial institutions & markets across the European Union;
- to strengthen oversight of cross-border groups;
- to promote a coordinated European Union supervisory response.

EIOPA's core responsibilities are to support the stability of the financial system, ensure the transparency of markets and financial products and protect policyholders, pension scheme members and beneficiaries. EIOPA is commissioned to monitor and identify trends, potential risks and vulnerabilities at the micro-prudential level, across borders and across sectors.

EIOPA is an independent advisory body to the European Parliament, the Council of the European Union and the European Commission.

To account for the specific conditions in the national markets and the nature of the financial institutions, the **European System of Financial Supervision** is 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. EIOPA is governed by its Board of Supervisors, whose members are the heads of the relevant national authorities in the field of insurance and IORPs in each Member State. The European Union's national supervisory authorities are a source of expertise and information in the field of insurance and IORPs.

## 1.2 Board of Supervisors

EIOPA's main decision-making body is the Board of Supervisors. It is composed of EIOPA's Chairperson, voting members and permanent representatives, non-voting members and observers. The Executive Director of EIOPA may participate in the meetings of the Board of Supervisors without the right to vote.

Voting members are the heads of the national authority responsible for the supervision of insurance and IORPs in each European Union Member State. In Member States where there are separate authorities responsible for the two sectors, these authorities have agreed on who will be the voting member. The other supervisory authority participates as permanent representative at all levels of EIOPA, with equal rights and obligations except the right to vote. At the end of 2011, the Board of Supervisors consisted of 27 voting members and 8 permanent representatives. Observers come from non-EU Member States of the European Economic Area (Iceland, Lichtenstein and Norway).

Non-voting members of the Board of Supervisors are the European Commission, the European Systemic Risk Board (ESRB), the European Banking Authority (EBA), and the European Securities and Markets Authority (ESMA).

The main tasks of the Board of Supervisors are to:

- appoint the Chairperson of EIOPA and the alternate, the Executive Director of EIOPA and the Chairs of Working Groups;
- elect the members of the Management Board;
- appoint the members of the Stakeholder Groups, make public their opinions and advice, and the results of their consultations;
- guide the work of EIOPA;
- adopt, inter alia, opinions, draft technical standards, guidelines and recommendations, and issue advice;
- adopt the annual reports on EIOPA's activities;
- adopt the annual and multi-annual EIOPA work programmes;
- adopt the budget;
- exercise disciplinary authority over the Chairperson and the Executive Director; and
- adopt and make public EIOPA rules of procedure covering the Chairperson, the Executive Director, the code of conduct and legal instruments of EIOPA, the rules of procedure of the Board of Supervisors and those for the independent mediation panel.

In the first year of its existence, the Board of Supervisors met six times. At the beginning of the year, the Board of Supervisors appointed the Chairperson and his alternate, the Executive Director and the Management Board. During the meetings, the Board of Supervisors adopted its rules of procedure and those for EIOPA.

The Board of Supervisors discussed the importance of implementing Solvency II according to the scheduled timeline, adopted the budget and drafted the work programme for 2012. The Board decided on the specifications for the 2011 EU-wide stress test in the insurance sector and agreed to improve its practice continuously in relation to future stress tests, in cooperation with other European Supervisory Authorities (ESAs) and with public consultation. Furthermore, EIOPA's vision and strategic orientation on crisis management, financial stability and consumer protection were defined in the light of the latest developments concerning European insurance and IORPs. The Board of Supervisors also approved the decision to become a full member of two international associations: the International Association of Insurance Supervisors (IAIS) and the International Organisation of Pensions Supervisors (IOPS).

(See Annex III List of EIOPA's Board of Supervisors members and observers).

### 1.3 Management Board

The Management Board ensures that EIOPA carries out its mission and performs the tasks assigned to it. It is composed of EIOPA's Chairperson and six other members of the Board of Supervisors, elected by and from among the voting members of the Board of Supervisors. The Executive Director of EIOPA participates in the meetings of the Management Board without the right to vote. The meetings are also attended by a representative of the European Commission, who has a right to vote only on issues relating to the budget.

In addition to the Chairperson, each member of the Management Board may have an alternate, who may replace him in his absence.

The Management Board meets at least five times a year, before every meeting of the Board of Supervisors, and as often as it deems necessary.

The term of mandate of the Management Board's members is two and a half years, which can be renewed once.

The main tasks of the Management Board as laid down in the EIOPA Regulation are:

- to propose, for adoption by the Board of Supervisors, EIOPA's annual and multi-annual work programmes;
- to exercise its budgetary powers;
- to adopt EIOPA's staff policy plan;
- to appoint and remove the members of the Board of Appeal.



The members of the Management Board act independently and objectively in the sole interest of the EU as a whole. They may neither seek nor take instructions from the EU institutions or bodies, from any government of a Member State or from any other public or private body.

In 2011, the Management Board met seven times. During these meetings its members received updates on all of EIOPA's initiatives and activities in the areas of insurance, IORPs, consumer protection, financial innovation, financial stability and international relations. The agenda of these meetings included consideration of such documents as EIOPA's mission statement; Rules of Procedure of the Management Board; EIOPA's Rules on Professional Secrecy and Confidentiality; Decision on the Code of Good Administrative Behaviour; Decision on anti-fraud measures.

The Management Board members discussed such issues as documentation of management processes and procedures at EIOPA; EIOPA's Internal Processing Rules; the mandates, priorities and structure of EIOPA Working Groups; the exchange of statistical data between the European Central Bank (ECB) and EIOPA; international relations and EIOPA's representation on the boards of various financial organisations; creation of the Quality Control Committee and its mandate; Rules on the Breach of European Union Law.

On the picture above from the left: Matthew Elderfield, Central Bank of Ireland, Ireland; Victor Rod, Alternate Chairperson of EIOPA, Commissariat aux Assurances, Luxembourg; Gabriel Bernardino, Chairman of EIOPA; Hector Sants, Financial Services Authority, the UK; Flavia Mazzarella, Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo, Italy; Jan Parner, Finantilsynet, Denmark; Damian Jaworski, Polish Financial Supervision Authority, Poland; Peter Braumüller, Austrian Financial Market Authority, Austria.

#### 1.4 Board of Appeal

Articles 58 and 59 of the EBA, EIOPA and ESMA regulations provide for the establishment of a joint Board of Appeal of the three ESAs. The Board is responsible for deciding on appeals against certain individual decisions of the Authorities. Its decisions can themselves be appealed before the Court of Justice of the European Union.

The Board of Appeal is composed of six members and six alternates, who are individuals of a high repute with a proven record of relevant knowledge and professional experience in the fields of banking, insurance, IORPs, securities markets or other financial services. Current staff of the competent authorities, or other national, or Union institutions involved in the activities of the Authorities are excluded from the joint Board.

The ESAs are bound by the decisions of the Board of Appeal. The Board of Appeal has sufficient legal expertise to provide expert legal advice on the legality of the way in which the ESAs exercise their powers.

The Board of Appeal members appointed by the ESAs cannot be removed during their term of office unless they have been found guilty of serious misconduct. The term of office of Board of Appeal members is five years and may be extended once.

In 2011 EBA, ESMA and EIOPA respectively, appointed the members and alternates to their **joint Board of Appeal**, following a public call for expressions of interest published in the Official Journal of the European Union on 19 January 2011 (C17/2), and after consultation with the ESAs' Board of Supervisors.

The inaugural Board of Appeal meeting took place in December 2011, where the Board of Appeal had a preliminary discussion on their Rules of Procedure.

The members and alternates of the joint Board of Appeal are:

**EBA** William Blair (Member, UK), High Court Judge, Queen's Bench Division

Giuseppe Godano (Alternate, IT), Retired, formerly lecturer, International and EU law, Universities of Rome and Cassino

Katalin Mero (Member, HU), Associate professor, Department of Finance and Accounting, International Business School, Budapest

Pat McArdle (Alternate, IE), Adviser to the Independent Review Panel on the Irish Department of Finance

**ESMA** Arthur Docters van Leeuwen (Member, NL), Chairman of Advisory Board, Independent Risk Solutions; formerly Chairman of the Committee of European Securities Regulators and of the Netherlands Authority for Financial Markets

Juan Fernandez-Armesto (Member, ES), Arbitrator, formerly Chairman of the Spanish Securities and Exchange Commission

Gerard Rameix (Alternate, FR), Mediator for Credit to Enterprises

Lars Afrell (Alternate, SE), Senior Vice President, Swedish Securities Dealers Association

**EIOPA** Noel Guibert (Member, FR), Retired, formerly International Director of the Autorité de Contrôle des Assurances et des Mutuelles

Anna Konstantinou (Alternate, GR), Legal Adviser and General Director of the Motor Insurers' Bureau of Greece

Beata Maria Mrozowska (Member, PL), Legal Counsel, Hogan Lovells

Bob Wessels (Alternate, NL), Professor of International Insolvency Law, Leiden University



### 1.5 Stakeholder Groups

EIOPA Stakeholder Groups were established to facilitate consultation with EIOPA stakeholders in areas relevant to the Authority's tasks. EIOPA's two Stakeholder Groups, the **Insurance and Reinsurance Stakeholder Group (IRSG)** and **Occupational Pensions Stakeholder Group (OPSG)**, have close dialogue with representatives from the industry, consumers and academics.

The main tasks of the Stakeholder Groups are to:

- advise EIOPA on actions taken in accordance with the EIOPA Regulation concerning regulatory technical standards and implementing technical standards;
- advise EIOPA on measures taken in accordance with the EIOPA Regulation concerning guidelines and recommendations, insofar as these do not concern individual financial institutions; and
- advise and assist EIOPA in assessing the potential impact of the proposed draft regulatory and implementing technical standards, guidelines and recommendations, insofar as these do not concern individual financial institutions.

The Stakeholder Groups may submit opinions and advice on any issue relating to the tasks of EIOPA, with particular focus on the areas listed above and on those which follow below. Thus they may:

- request EIOPA, as appropriate, to investigate the alleged breach or non-application of European Union law;
- contribute to EIOPA's efforts to establish a European common supervisory culture and consistent supervisory practices;
- advise EIOPA on its peer review activity; and
- contribute to EIOPA's assessment of market developments.

### 1.5.1 Establishment of EIOPA Stakeholder Groups

On 26 November 2010, EIOPA's predecessor (CEIOPS) issued a public call for expressions of interest and invited interested parties to apply for membership of the Stakeholder Groups. Approximately 100 applications from high-level experts were received for each Stakeholder Group.

The composition of the two Stakeholder Groups is based on legal requirements as defined in the EIOPA Regulation. In addition, EIOPA aimed for outstanding professional expertise and appropriate geographical and gender balance to achieve the best available representation of stakeholders across the European Union.

The members of the Stakeholder Groups were appointed by EIOPA's Board of Supervisors in its meeting of 25 February 2011. At the end of 2011, the EIOPA Stakeholder Groups had the following composition:

- IRSG: ten industry representatives, five consumers, eight users of insurance and reinsurance services, two trade union representatives and five independent academics.
- OPSG: ten industry representatives, three beneficiaries and consumers, five professional users, seven employee/employer representatives and five independent academics.

As of May 2011, the EIOPA Stakeholder Groups had elected the following Chairpersons/Vice-Chairs from their membership:

- IRSG: Chairperson – Michaela Koller (industry representative), Vice-Chair – Ann Kay Blair (consumer representative)
- OPSG: Chairperson – Christianne Verhaegen (industry representative), Vice-Chair – Benne van Popta (industry representative)

#### 1.5.2 Meetings in 2011

The IRSG held five regular meetings in Frankfurt during 2011 as follows (with an indication as to the main topics on the agenda):

- 23 March 2011, inaugural meeting.
- 31 May 2011, approval of IRSG Rules of Procedure and selection of IRSG Chairperson/Vice-Chair.
- 13 September 2011, Solvency II, consumer protection, equivalence reports.
- 19 October 2011 (joint meeting with EIOPA's Board of Supervisors and the OPSG).
- 12 December 2011, Solvency II reporting and Own Risk and Solvency Assessment (ORSA), long-term guarantees, consumer protection (guidelines on complaint handling), financial innovation (best practices report – selling of variable annuities), work programme for 2012.

The OPSG held seven meetings in Frankfurt in 2011:

- 23 March 2011, inaugural meeting.
- 31 May 2011, approval of OPSG Rules of Procedure and selection of OPSG Chairperson/Vice-Chair; exchange of views on obstacles to cross-border activity of IORPs and on defined contribution (DC) schemes.
- 20 July 2011, EIOPA's first consultation document on advice to the European Commission on the review of the IORP Directive – first debate on scope, prudential regulation, outsourcing, internal control system. Information by EIOPA on ongoing work about solvency matters and information to members.
- 19 October 2011, two-hour meeting with exchange of views on scope, cross-border activity, prudential regulation and social and labour law, general governance requirements, and fit and proper tests.
- 19 October 2011 (joint meeting with EIOPA's Board of Supervisors and the IRSG).
- 22 November 2011, EIOPA's second consultation document on advice to the European Commission on the review of the IORP Directive: quantitative requirements (inter alia, holistic balance sheet, valuation, pro-cyclicality), investment rules, information to members and beneficiaries, supervision and governance.
- 19 December 2011, approval of OPSG opinion on EIOPA's second consultation on the advice to the European Commission on the review of the IORP Directive.

### Consumer focus

EIOPA has delivered on its commitment at establishment of the Authority to ensure adequate involvement of consumer representatives in its regulatory work. Consumer representatives from both the IRSG and OPSG attended a meeting of the EIOPA Consumer Protection and Financial Innovation Committee and were heavily involved in the two largest public events that were organised by EIOPA in 2011 (EIOPA Conference – 16 November 2011 and EIOPA Consumer Strategy Day – 6 December 2011).

#### 1.5.3 Overview of EIOPA Stakeholder Groups' achievements in 2011

Throughout 2011, the two EIOPA Stakeholder Groups covered a wide range of topics relevant to EIOPA's work in the following areas:

- Solvency II – this is a standing item on the agendas of IRSG meetings as the topic is of the highest relevance for both EIOPA and its stakeholders; In 2011 EIOPA launched consultation on reporting and ORSA. As the consultation began in November 2011, the establishment of two dedicated technical working groups was agreed upon at the 12 December meeting of the IRSG.

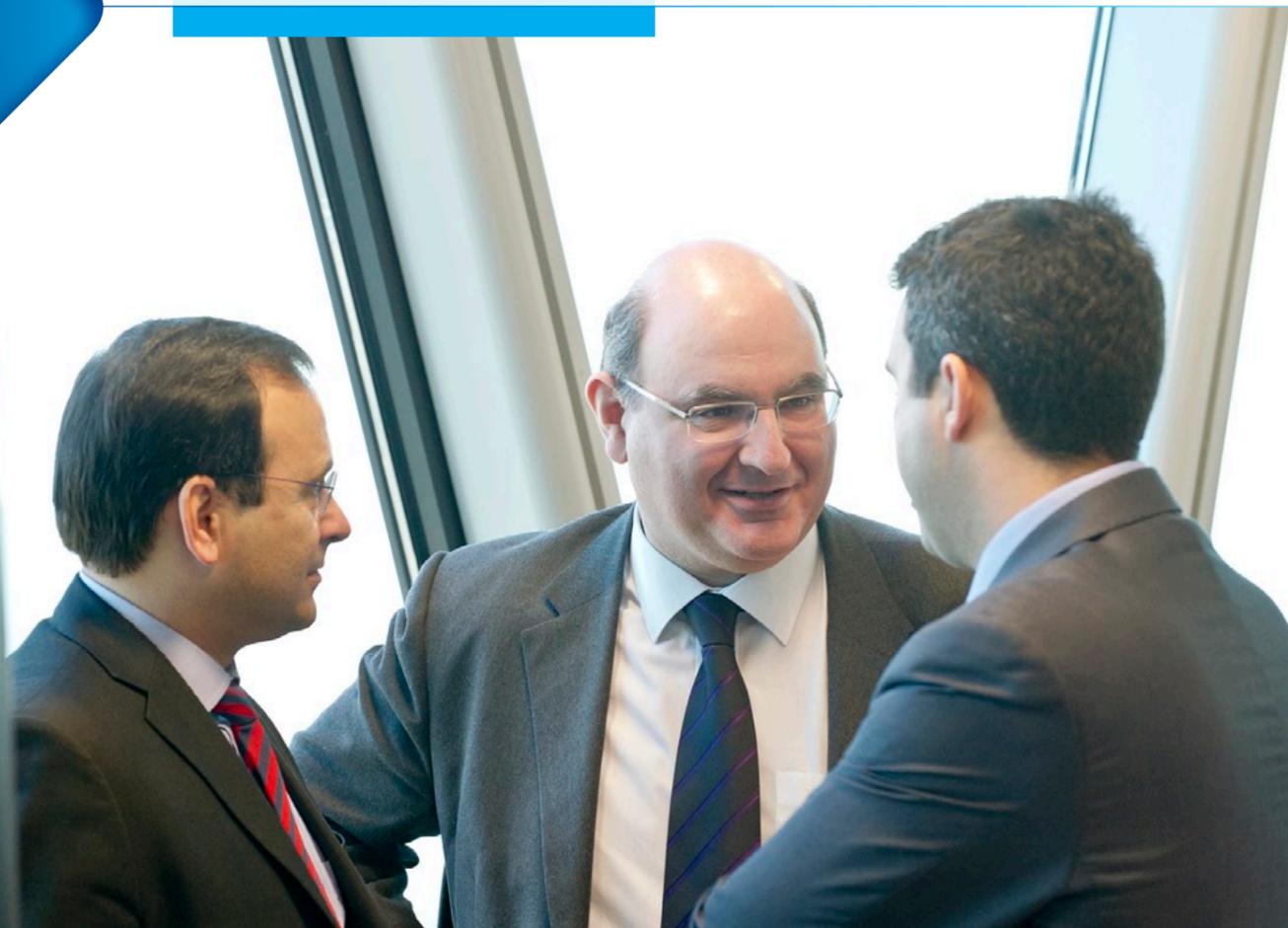
The IRSG opinions on the two consultation papers were scheduled for delivery at the beginning of 2012.

- Financial stability – a standing item on the agendas of IRSG meetings throughout 2011, directly reflecting the close monitoring of EIOPA actions/work on financial stability issues and EIOPA collaboration with the ESRB;
- Revision of the IORP Directive – a key area of focus for the OPSG. Four meetings were dedicated to discussing EIOPA consultation papers about the response to the Commission's Call for Advice on the revision of the IORP Directive. A steering group was set up at the OPSG meeting of 20 July 2011 to support the drafting process at OPSG level.

At its meeting of 19 December 2011, the OPSG adopted its opinion<sup>2</sup> and delivered it to EIOPA on 23 December 2011 as the opinion of the relevant Stakeholder Group. The wider public consultation ended on 2 January 2012.

- EIOPA's consumer protection priorities include financial innovation, good disclosure and selling practices for variable annuities; consumer trends; implications of the judgment on 'Test-Achats'; complaint handling; financial education and literacy initiatives and an assessment of the current situation; IMD revision, etc.

<sup>2</sup> <https://eiopa.europa.eu/about-eiopa/organisation/stakeholder-groups/index.html>



#### 1.5.4 EIOPA technical support to the two Stakeholder Groups

EIOPA provides interested third parties with access to documents on its website. This includes information on meeting agendas, meeting conclusions and action points, meeting presentations. Furthermore, EIOPA's website has information on the biographies of the Chairpersons and Vice-Chairs of both Stakeholder Groups.

Throughout 2011, EIOPA provided technical support to the Stakeholder Groups, their Chairpersons and Vice-Chairs. EIOPA supported the groups in the organisation of meeting facilities, preparation of meeting agendas, circulation of background materials and minutes, and ensured that adequate compensation was provided to representatives of selected categories (consumers, trade unions/employee representatives and academics). EIOPA also coordinated the preparation and timely delivery of Stakeholder Groups' opinions by organising meetings and teleconferences, collating comments, providing appropriate templates, overseeing the voting procedure, and finally publishing the Stakeholder Groups' opinions.

(See Annex III Overview of EIOPA Stakeholder Groups membership)



### 1.6. Working Groups

Working Groups are one of EIOPA's main vehicles to carry out its technical work and prepare draft instruments for adoption by the Board of Supervisors. The activities of the Working Groups are divided among Committees, Task Forces and Panels. Committees and Panels are expected to be permanent, and their mandates are defined in such a manner that their existence is not dependent on the completion of specific tasks. On the other hand, Task Forces perform short-term tasks or deal with a specific output, and they are disbanded once the tasks or the output are completed.

In 2011, EIOPA's Working Groups were active in the following areas: policy and regulation, oversight, financial stability, consumer protection, equivalence, corporate support, and quality control.

Various activities were completed in connection with the need for a new European regulatory framework.

### 1.6.1 Management Board Working Groups

#### Quality Control Committee (QCC)

In 2011, the Quality Control Committee (QCC) drew up EIOPA's ethics rules, evaluated the accuracy, efficiency and transparency of governance rules in place at EIOPA, and made recommendations for updates and improvements to the Management Board.

### 1.6.2 Policy Working Groups

The majority of Policy Working Groups dealt with insurance and reinsurance-related issues, in particular Solvency II. Two other Working Groups in the policy area dealt with IORPs (IORP Directive) and equivalence-related issues.

#### Solvency II Working Groups

The Solvency II project is completely reshaping the supervisory and regulatory framework for insurance and reinsurance companies, bringing a modern risk oriented, economic and principle based set of rules. One of the main tasks for EIOPA in the coming years is to prepare the new supervisory regime for insurance and reinsurance undertakings and particularly to conduct all the necessary work for implementation of the EU Directive on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II).

During 2011, the Solvency II Working Groups developed draft standards and guidelines which are likely to be required by the Omnibus II Directive, and which EIOPA considers as essential for ensuring the existence of convergent supervisory practices from Solvency II's first day of entry into force. Pre-consultations with selected stakeholders were held as part of the continuous informal discussion with stakeholders while awaiting confirmation of the formal legal basis for public consultation on the standards. Each Working Group contributed to EIOPA's training programme for supervisors and, where relevant, Working Groups were involved in the discussions conducted by the European Commission on implementing measures. Working Groups contributed to those areas of each other's work that required a cross-working group perspective, such as governance or reporting.

#### Insurance Groups Supervision Committee (IGSC)

The Insurance Groups Supervision Committee (IGSC) focused on developing draft technical standards and guidelines for the convergent implementation of Solvency II in the areas of group solvency calculations, intra-group transactions and risk concentration, the cooperation and exchange of information in Colleges, and the treatment of third-country branches.

#### Financial Requirements Committee (FinReq)

The Financial Requirements Committee (FinReq) focused on developing draft technical standards and guidelines for the convergent implementation of Solvency II in the areas of own funds, technical provisions, and the standard formula for capital requirements, including the use of undertaking-specific parameters. FinReq contributed to the development of calibration factors for non-life underwriting risk and catastrophe risk.

#### Internal Governance Supervisory Review and Reporting Committee (IGSRR)

The Internal Governance, Supervisory Review and Reporting Committee (IGSRR) focused on developing draft technical standards and guidelines for the convergent implementation of Solvency II in the areas of system of governance, including Own Risk and Solvency Assessment (ORSA), transparency and accountability of supervisory authorities, public disclosure and supervisory reporting, and valuation of assets and liabilities (other than technical provisions).

Public consultation on the ORSA guidelines and reporting and disclosure requirements was launched at the end of 2011.

IGSRR also started working on guidelines for external audit, the supervisory review process, capital add-ons, and the extension of the recovery period in the exceptional fall in financial markets. IGSRR prepared EIOPA's contribution to the International Financial Reporting Standard (IFRS) setting process and to the EU endorsement process.

### **Internal Models Committee (IntMod)**

The Internal Models Committee (IntMod) focused on developing draft technical standards and guidelines for the convergent implementation of Solvency II in the areas of tests and standards for full and partial internal models, requirements for the approval process, and the policy for introducing changes to the model.

In order to increase supervisory convergence and to prepare industry and supervisors for the use of internal models under Solvency II, IntMod implemented initiatives for enhancing supervisory consistency across Europe in the pre-application process for internal models, and for ensuring adequate cooperation between supervisors when assessing internal models. These initiatives involved practical meetings between operational supervisors and training activities.

### **Task Force on Expected Profits arising from Future Premiums (EPIFP)**

This task force was created to develop a common understanding of the element of expected profits included in future premiums (EPIFP) so as to advise the Commission on the drafting of implementing measures after the fifth quantitative impact study (QIS5). It was composed of representatives of industry, the European Commission and EIOPA members and discussed possible ways of harmonising the calculation of EPIFP under Solvency II. EIOPA submitted a report to the European Commission which ultimately only represented the views of its own members.

### **Occupational Pensions Committee (OPC)**

The main focus of the Occupational Pensions Committee (OPC) work between April 2011 and the end of the year was developing EIOPA's advice to the European Commission on the review of the IORP Directive in response to the Call for Advice.

Beyond this, OPC own initiative projects in 2011 included the publication of a number of survey-based reports as follows:

- 'Report on reporting requirements to supervisory authorities for IORPs'
- 'Report on market developments 2011'
- Two reports on risks relating to members of defined contribution pension schemes (risks faced by members and mechanisms mitigating those risks)
- 'Report on pre-enrolment information' as part of a wider OPC mandate on Packaged Retail Investment Products (PRIIPs) and pensions

Other inputs included a contribution to a report on the European Systemic Risk Board (ESRB) data requirements in respect of IORPs.

### Equivalence Committee

In January 2011, the Equivalence Committee was set up with its main task being to respond to requests from the European Commission for final advice, after full consultation, on the equivalence of third countries' supervisory systems.

On 26 October 2011, upon request of the European Commission, EIOPA delivered its final advice, after full consultation, on the Solvency II equivalence assessments of the supervisory systems in the following countries:

- Switzerland,
- Bermuda and
- Japan.

The supervisory systems of Switzerland and Bermuda were assessed with reference to reinsurance, inclusion of the third country undertaking in the group solvency calculation and group supervision, while the supervisory system of Japan was assessed only with reference to reinsurance.

The equivalence assessment was based on respective questionnaires filled in by the relevant supervisory authorities (Swiss Financial Supervisory Authority – FINMA; Bermuda Monetary Authority – BMA; and the Japan Financial Services Authority – JFSA), followed by a desk-based analysis using EIOPA's methodology, and onsite visits by EIOPA experts to each of the three countries.

### 1.6.3 Regulatory Working Groups

#### Committee on Consumer Protection and Financial Innovation (CCPFI)

In 2011, the Committee on Consumer Protection and Financial Innovation (CCPFI) supported EIOPA in fulfilling the requirement laid down in its Regulation of taking a 'leading role' in the area of consumer protection and financial innovation, as follows:

- preparing 'Guidelines on Complaints-Handling by Insurance Undertakings' and "Report on Best Practices by Insurance Undertakings in handling complaints".
- preparing the 'Report identifying Good Practices for Disclosure and Selling of Variable Annuities'.
- finalising the 'Report on Financial Literacy and Education Initiatives by Competent Authorities'.
- collecting data on consumer trends among its members so as to prepare an initial overview, analysing and reporting on those trends.
- carrying out an extensive survey of sanctions (both criminal and administrative) provided for in national laws for violations of IMD provisions.

### **Task Force on Insurance Guarantee Schemes (TF-IGS)**

This task force met in the course of 2011 to prepare the report on the cross-border cooperation mechanisms between IGs in the EU. In accordance with EIOPA's mandate to contribute to assessing the need for a European network of IGs that is adequately funded and sufficiently harmonised, the report was EIOPA's input to the European Commission's policy-making on IGs. It summarised the findings from a mapping exercise of the existing mechanisms on cross-border cooperation between the IGs of Member States, and provided general recommendations to the European Commission in the area of cooperation between IGs and with their supervisors.



### **1.6.4 Oversight Working Groups**

#### **Review Panel**

At the beginning of 2011, the Review Panel, using the experience and lessons learned from its first peer review exercise completed in 2010, reviewed the methodology for peer reviews in line with the EIOPA Regulation. In the middle of the year, the Review Panel started work on three peer review projects on supervisory practices for pre-application of internal models, supervision of branches of EEA insurance undertakings, and supervision of IORPs. These peer reviews are due to be completed in 2012.

#### **Task Force on Crisis Management**

In 2011 a Task Force on Crisis Management was established to develop EIOPA's structures for crisis prevention, management and resolution. In December 2011, this task force delivered a comprehensive, decision-making framework that was endorsed by the Board of Supervisors. This framework sets out in detail the processes that EIOPA will follow in discharging its crisis pre-emption and crisis management responsibilities under the EIOPA Regulation.

### 1.6.5 Financial Stability Working Groups

#### Financial Stability Committee (FSC)

The Financial Stability Committee (FSC) focused on monitoring and analysing developments in the insurance and IORPs sectors. This included in particular the impact of sovereign debt situation in some European countries and also that of other events such as natural catastrophes, including the impact of the Japanese earthquake in March 2011 and the subsequent devastating tsunami.

Furthermore, the FSC developed a 2011 stress test exercise for the European insurance sector, including a subsequent satellite exercise for a low-yield environment. The FSC also developed and implemented the EIOPA risk dashboard based on quarterly information collected from national supervisors.

The FSC contributed to the work of the cross-sector risk subcommittee of the Joint Committee.

FSC also contributed to the two half-year Financial Stability Reports monitoring both sectors (IORPs and insurance undertakings), which were also submitted to the EU Economic and Financial Committee (EFC) and the ESRB.

### 1.6.6 Corporate support Working Groups

#### Information Technology and Data Committee (ITDC)

In 2011, the IT and Data Committee (ITDC) focused on developing EIOPA's IT and data strategy and, following on from this, it worked on IT specifications and implementation plans.

The IT strategy set out the IT-related goals needed to fulfil EIOPA's mission. The Board of Supervisors adopted the IT and data strategy reports at its October 2011 meeting and mandated EIOPA to implement the IT-related goals set out therein. The Board of Supervisors required the ITDC to produce high-level and outline IT plans and specifications, with particular focus on an EIOPA IT implementation plan.

(See Annex V EIOPA Working Groups)

### 1.7 EIOPA and the EU institutions

The EIOPA Regulation entitles the authority to cooperate in various ways with the institutions and bodies of the European Union (EU).

EIOPA's tasks include providing advice to the EU institutions in the areas of insurance, reinsurance and IORPs regulation and supervision, and related corporate governance, auditing and financial reporting issues. Upon request from the EU institutions, or on its own initiative, EIOPA provides technical opinions to the European Parliament, the Council of the EU and the European Commission.

EIOPA ensures that the requests from these institutions are included in its work programme; to facilitate this, the draft work programme is submitted to the Parliament, Commission and Council each year for their input.

Both on its operational functioning, as well as on its decision-making procedures, EIOPA is bound by the EU rules and general principles on due process and transparency. Already in 2011, EIOPA received a visit by the European Court of Auditors and met with the Internal Audit Services of the European Commission.

At the same time, EIOPA remains an independent body. Members of EIOPA's main decision-making bodies (Board of Supervisors and Management Board) must act independently and objectively in the sole interest of the EU as a whole when carrying out their tasks, and may neither seek nor take instructions from the EU institutions or bodies, any Member State government or any other public or private body. The Member States, EU institutions and bodies, and any other public or private entities may not seek to influence the members of EIOPA's decision-making bodies in the performance of their tasks.

EIOPA is accountable to the European Parliament and the Council of the EU. By 15 June of each year, EIOPA must submit the annual report on its activities to the Parliament, Council, Commission, Court of Auditors and European Economic and Social Committee.

### EIOPA and the Council of the European Union

In 2011, EIOPA contributed to the work of the Council and gave direct input via the participation of EIOPA's Chairperson in the informal ECOFIN meeting held in Wrocław, Poland. EIOPA also participated in the meetings of the Financial Services Committee (FSC) and was invited to attend meetings of the Economic Financial Committee (EFC) in order to discuss issues such as financial market developments, crisis management (e.g. stress testing) and international regulatory dialogues.

### EIOPA and the European Commission

2011 was a year of very close cooperation with the European Commission, both on the technical and operational side.

The Commission has the status of observer in EIOPA's decision-making processes. One representative of the Commission is entitled to participate in the meetings of EIOPA's Board of Supervisors without the right to vote. EIOPA's Management Board meetings may also be attended by one representative of the Commission, who has a right to vote on budget issues only. In addition, during the first half of 2011, before the appointment of EIOPA's Executive Director, an interim executive director from the Commission contributed to ensuring EIOPA's smooth transition from the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), in particular on the administrative side.

The Commission has continued to rely on EIOPA's technical expertise in the field of insurance and IORPs and, furthermore, has increasingly cooperated with EIOPA in other areas foreseen in the Regulation, such as EIOPA's participation in the international regulatory dialogues that the Commission engages in with third countries.



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### **EIOPA and the European Parliament**

EIOPA is accountable to the European Parliament. As a consequence of such accountability, the Parliament invited the Chairperson to report to the ECON Committee on the progress made by EIOPA in the field of its competence. The Executive Director was also invited to report on the transition process to the Committee on Budgetary Control.

In addition to participation in formal hearings, EIOPA pays the highest attention to the requests from the European Parliament, participating in consultations and initiatives, providing its technical expertise in areas of common interest, and inviting relevant MEPs to meetings, seminars and conferences.



## Chapter II **EIOPA's activities**

### 2.1 Insurance

The key insurance project to be delivered by EIOPA remains Solvency II. In 2011 however, important progress was made in other areas of insurance regulation and practices. This included work on the revision of the Insurance Mediation Directive (IMD); variable annuities; the development of insurance guarantee schemes; and discussions on the treatment of financial conglomerates.

#### Solvency II overview

##### Update on Solvency II

- Solvency II is a new regulatory framework providing supervisors with the appropriate tools for assessing the overall solvency of insurance and reinsurance undertakings by quantitative and qualitative means, thus improving understanding and management of these undertakings' risks.
- It is based on three pillars: quantitative requirements (pillar I); governance, risk management and supervisory review (pillar II); and supervisory reporting and public disclosure (pillar III).
- The framework directive was published on 17 December 2009.
- The Omnibus II Directive (see below) is under discussion in the European Parliament and Council of the European Union following the legislative proposal from the European Commission on 19 January 2011.
- Implementing measures have been discussed between the European Commission and Member States since the end of 2009.
- Standards are being drafted by EIOPA to be endorsed by the European Commission.

- Guidelines are being drafted by EIOPA to ensure the convergent application of the regulation.
- Date of entry into force of Solvency II: 1 January 2014.

### 2.1.1 Omnibus II Directive and implementing measures

Following the creation of EIOPA, the Solvency II Directive required revision to reflect the new supervisory structure; these revisions will form part of the Omnibus II Directive (OMDII). OMDII will introduce into the Solvency II Directive the necessary regulatory and supervisory powers for EIOPA to discharge its responsibilities. In addition, OMDII also includes transitional measures allowing gradual implementation of Solvency II. This extension means that the beginning of the regime would be aligned with the end of the financial year for most insurance undertakings.

During 2011 EIOPA continued to provide technical and analytical support to the Commission and gave further input to clarify its previous advice on the development of the implementing measures for Solvency II. While deliberations were taking place in the European Parliament and the Council of the European Union on OMDII, the Commission, Member States and stakeholders also examined the draft implementing measures. Key areas under discussion were the sustainability of long-term insurance guarantees, the volatility of elements in undertakings' solvency balance sheets, and reporting and disclosure requirements.

### 2.1.2 Standards and guidelines

In 2011, EIOPA focused on preparing the final set of regulatory measures, the draft standards and guidelines. Solvency II will be one of the first projects to benefit directly from EIOPA's regulatory powers to draft standards and subsequently to ensure consistent implementation of legislation through binding mediation and oversight of Colleges of Supervisors.

Until there is agreement on the proposals for OMDII Directive, EIOPA will not have complete certainty on the scope of its powers for drafting the standards for Solvency II and the detail of the regulatory provisions which the standards and guidelines are intended to support. Consequently, it was important for EIOPA to monitor the various OMDII proposals and thus identify the standards which the Authority expects it will have to draft before Solvency II enters into force on 1 January 2014. During 2011, EIOPA also identified those areas in which it

is essential to have guidelines in place before the entry into force of Solvency II.

EIOPA is committed to effective consultation and communication with its stakeholders to improve the quality of the regulatory provisions and assist the industry in preparing for the new regime. Subject to the conclusion of the negotiations on OMDII and the implementing measures, EIOPA plans public consultation on the packages of draft standards and guidelines during 2012. In 2011, EIOPA launched official public consultations in two areas in which early discussion with and preparation by the industry are particularly important. These consultations were on the draft standards and guidelines on reporting and disclosure, and on guidelines on Own Risk and Solvency Assessment (ORSA). In other areas, EIOPA continued its informal pre-consultations with selected stakeholders (European Insurance and Reinsurance Federation (CEA), Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE), Chief Risk Officers (CRO) Forum and Chief Financial Officers (CFO) Forum, Groupe Consultatif Actuariel Européen), thus having an ongoing dialogue with the industry ahead of the public consultation.

A number of other initiatives were set up specifically to improve EIOPA's cooperation and exchange of information with its stakeholders. Several task forces completed their work in 2011, which resulted in the publication of the 'Report on the Calibration Factors in the Standard Formula of Solvency II'<sup>3</sup> and the 'Report of the Task Force on Expected Profits arising from Future Premiums'. Finally, following the creation of EIOPA's Insurance and Reinsurance Stakeholder Group, EIOPA actively involved its members in major aspects of Solvency II.

#### Areas in which EIOPA prepared draft standards and guidelines during 2011:

- Solvency capital requirements for standard formula as well as for internal model users; own funds; valuation of technical provisions; valuation of assets and liabilities.
- Group supervision.
- Supervisory transparency and accountability, reporting and disclosure, external audit.
- Governance, ORSA.
- Supervisory review process; capital add-ons; extension of recovery period ('Pillar 2 dampener'); finite reinsurance; special purpose vehicles.

<sup>3</sup> This and all other publications can be viewed on EIOPA's website under 'Publications'

### 2.1.3 Quantitative Impact Study 5

One of the key achievements of EIOPA in 2011 was completion of the report on the Fifth Quantitative Impact Study (QIS5) in March 2011.

The results of the QIS5 exercise were taken into account in discussions on the implementing measures and are being reflected in the drafting of standards and guidelines.

#### The QIS5 exercise

In March 2011, EIOPA delivered to the European Commission a report on the results of the fifth pan-European quantitative impact study organised to inform policymakers on the potential effects of the detailed implementing measures which are being drafted for the Solvency II regulatory framework. More than 2 500 individual undertakings and 160 groups from the 30 members of the European Economic Area participated voluntarily in this simulation exercise, providing detailed quantitative and qualitative inputs on the various elements of the future regulation.

The study confirmed that overall the industry remained well capitalised under the draft provisions and options tested. The study gathered useful input on transitional provisions for discounting, the grandfathering of specific elements of own funds, and the transitional equivalence of third-country regimes, for example. Valuable insight was gained about the characteristics of internal models under development by undertakings, the difficulties in calculating the loss-absorbing capacity of technical provisions and deferred taxes, and the potential impact of the introduction of an illiquidity premium in the valuation of technical provisions. The study also covered the treatment of participations; it gathered information on the relevance of expected profit in future premiums, and on the group solvency assessment under the consolidation and deduction and aggregation methods.

The study results highlighted the areas in which further work would be desirable. This was then initiated by EIOPA as follows: definition of contract boundaries in the valuation of technical provisions; the need to reduce complexity in certain areas; developments in the calibration of catastrophe risk; and the treatment of long-term guarantees in the context of Solvency II. A particular topic – the refinement of factors used in non-life underwriting and health non-similar to life underwriting risk modules – was addressed by specific data collection in the QIS5 exercise. The data were analysed using a methodology drawn up by a task force of supervisors, actuaries and industry representatives. For most business lines, the report published in December 2011 facilitated joint recommendations for amendments of the factors used in the QIS5 exercise.

EIOPA's current and future work on the development of draft technical standards and guidelines for Solvency II will benefit greatly from the lessons learned during the QIS5 exercise, in particular by enhancing the practicability and feasibility of the rules for a single rule book of standards and guidelines to ensure convergent application of the new system.

#### 2.1.4 Standard formula capital requirements

EIOPA prepared draft standards and guidelines on the approval process and data quality for undertaking-specific parameters for solo undertakings and groups; methods for the calculation of undertaking-specific parameters for solo undertakings; the loss-absorbing capacity for deferred taxes and technical provisions; and standard capital requirements for health underwriting risk. Informal pre-consultations will be launched and further draft standards and guidelines developed in 2012.

One key area in which EIOPA delivered further advice to the Commission was the calibration of the non-life underwriting risk module. The advice was based on a European-wide data request to the industry launched in September 2010, and on discussions with industry representatives and the European Commission to consider the most appropriate calibration methodologies. The results of this work were published in December 2011.

In the area of catastrophe risk, following discussions with the industry, EIOPA made its final recommendation on a number of outstanding non-life and health catastrophe risk issues for the implementing measures. In the second half of 2011, EIOPA continued working with industry representatives on zoning and reinsurance standards, as well as on catastrophe risk guidelines.

#### 2.1.5 Technical provisions

Informal pre-consultations were held on actuarial guidelines for the valuation of technical provisions. EIOPA began developing the draft standard on the risk-free interest rate curve and contract boundaries.

For the first time, the European Commission tested in QIS5 a risk-free interest rate term structure which included a so-called illiquidity premium. The term structure was based on an adjusted swap rate, and a new extrapolation method was applied for long maturities. During 2011, discussions continued on adjustments to the risk-free rate following the QIS5 results and on the sustainability of long-term insurance guarantees. EIOPA participated in these discussions organised by the European Commission with Member State and industry representatives. Proposals emerged from Member States and industry on new adjustments, the so-called counter-cyclical premium and the matching premium. These proposals were analysed by EIOPA in the context of developing a standard for the risk-free rate that EIOPA will define and publish. Discussions are expected to continue in 2012.

#### 2.1.6 Valuation of assets and liabilities (excluding technical provisions)

Informal pre-consultations were held on draft standards and guidelines concerning the valuation of assets and liabilities. This included guidelines on the use of mark-to-model techniques and the compatibility of International Financial Reporting Standards (IFRS) with Solvency II. During 2011, EIOPA also contributed to the process of IFRS standard-setting and subsequent EU endorsement of those standards.

### 2.1.7 Reporting and disclosure

In 2011, EIOPA launched a public consultation on its draft guidelines and standards for reporting and disclosure. This marked the end of an ongoing and fruitful process of informal consultation with stakeholders since 2009. Due to the importance of harmonised reporting requirements for the Solvency II project, and also for other areas of EIOPA's work, such as financial stability and the level of preparation that will be required from the industry, one of EIOPA's key aims is to arrive at stable reporting requirements as soon as possible. Further discussions on specific aspects of the reporting templates and the frequency of reports are expected to continue in the first half of 2012.

### 2.1.8 Governance and risk management requirements

Informal pre-consultations were held on standards for governance, including ORSA (the latter issue was also subject to public consultation later on). EIOPA began developing draft standards and guidelines on transparency and accountability of supervisory authorities and the supervisory review process, capital add-ons and extension of the recovery period in deteriorating market conditions as well as on external audit.



### 2.1.9 Own funds

Informal pre-consultations were held on draft standards and guidelines for ancillary own funds and the classification of own funds. Further work was carried out on the treatment of participations and ring-fenced funds.

### 2.1.10 Internal models

Informal pre-consultations were held on draft standards and guidelines for the following: application processes for internal models; policies for changing the model; partial internal models; use tests; expert judgments; probability distribution forecasts (PDF); and consistency between the methodology used for the PDF calculation and the methodology used for valuation of assets and liabilities (e.g. the calculation of technical provisions, approximations for calibrations, profit and loss attributions, validation policy and validation tools, documents and the use of external models).

Following the publication in 2010 of guidelines supporting the pre-application process for internal models, EIOPA monitored the activities of supervisors and industry, using this opportunity to check the day-1 applicability of internal models. This included informal practical meetings of supervisors involved in the pre-application process.

## 2.2 Occupational pensions

The main focus of EIOPA's work on occupational pensions in 2011 was developing EIOPA's response to the Call for Advice from the European Commission on the review of the IORP Directive. A number of survey-based reports on selected areas of implementation of the IORP Directive were started in 2010 to provide a common technical basis for responding to the Call for Advice, and they were completed in 2011, as were a number of additional tasks such as input for EIOPA's submission to the ESRB on data requirements for IORPs.

### 2.2.1 Call for Advice

EIOPA received the Call for Advice from the European Commission on 7 April 2011. The deadline for replies was set for 15 February 2012. Advice was sought on the scope of the IORP Directive, on certain cross-border aspects and on the following three areas:

1. The quantitative requirements that should apply to IORPs and how these should be measured.
2. What the qualitative requirements should be, particularly in respect of the governance of IORPs and their supervision.
3. The information that should be provided on IORPs to members and beneficiaries.

In order to meet the very challenging deadline, work was organised in four sub-groups, all working in parallel but all reporting to the Occupational Pensions Committee (OPC). Groupe Consultatif Actuariel Européen participated in the topics on quantitative requirements and also provided input on the actuarial function. An opinion was also sought from the EIOPA OPSG.

EIOPA held two public consultations on its draft advice. The first, between 8 July 2011 and 15 August 2011 on selected aspects of the Call for Advice, brought 49 replies. The second, between 25 October 2011 and 2 January 2012 on the entire draft advice, brought 170 replies from 14 Member States and 20 European and international organisations, totalling close to 3 000 pages.

The advice was delivered to the European Commission on 15 February 2012 and was published on the same day, together with all the consultation replies and EIOPA's feedback on the comments received<sup>4</sup>.

EIOPA's advice acknowledges the social and labour law context for IORPs and proposes that:

- the scope of the IORP Directive should remain unchanged but that the European Commission should take the legislative initiative if it concludes that the protection offered by national or EU frameworks for pension scheme members outside the IORP Directive is not adequate;
- a risk-based approach should be adopted for the management of IORPs;
- the valuation of assets and liabilities should be done in a market-consistent way;
- all the elements which provide security for members of IORPs should be included via the concept of the 'holistic balance sheet';
- there should be common principles for the governance of IORPs;
- information to members of defined contribution (DC) schemes should include a key information document and an annual statement.

The advice also emphasises the importance of the Quantitative Impact Study (QIS) to be undertaken in 2012 and the importance of proportionality in the IORP context. Certain aspects of its advice are conditional on the outcomes of the QIS.

<sup>4</sup> <https://eiopa.europa.eu/publications/submissions-to-the-ec/index.html>

### 2.2.2 Own initiative reports and surveys

In April 2011, EIOPA published a 'Report on reporting to supervisory authorities in respect of IORPs'<sup>5</sup>. The report analyses differences in reporting requirements among Member States and assesses the extent to which any links exist between reporting requirements and the type of supervisory regime. The main finding of the report is that reporting requirements differ widely across Europe.

July 2011 saw the publication of three reports. The 'Report on market developments 2011' tracks overall activity and developments in the European cross-border IORPs market since the IORP Directive came into force. Considering the growing importance of DC pension provision, the two other reports focus on risks faced by members of DC schemes. The 'Report on risks related to defined contribution pension plan members' maps risks at key stages in the life of participating members, and the 'Report on risk mitigation mechanisms for defined contribution related risks' identifies the various methods used by Member States to mitigate some of the risks.

EIOPA's 'Report on pre-enrolment information to pension plan members' was released in December 2011 to provide background information to EIOPA's draft response to the Call for Advice (then under second public consultation) in respect of information to pension scheme members and beneficiaries. The report also comments on approaches to investment policy, past performance, benefit projections and charges.

### 2.3 Consumer protection and financial innovation

2011 was an intensive year for EIOPA in terms of its work on consumer protection and financial innovation issues, not least because one of EIOPA's objectives is to "enhance customer protection" (Article 1(6)(f), EIOPA Regulation) and it is required to take a "leading role in promoting transparency, simplicity and fairness in the market for consumer financial products or services across the internal market" (Article 9(1)).

<sup>5</sup> This and all other publications can be viewed on EIOPA's website under 'Publications'.

EIOPA transformed the former Committee on Consumer Protection into a Committee on Consumer Protection and Financial Innovation (CCPFI), complying with the requirement to set up a specialised Committee under Article 9(4).

CCPFI's activities in Consumer Protection and Financial Innovation in 2011 were in particular:

- Preparing Guidelines on Complaints-Handling by Insurance Undertakings and the Report on Best Practices by Insurance Undertakings in handling complaints under Article 16, EIOPA Regulation to fill an existing regulatory gap at EU level and promote convergence of regulatory practice by (i) clarifying the expectations relating to an insurance undertaking's organisation and internal control system as regards complaints management and (ii) giving guidance on the provision of information to consumers and procedures for responding to complaints. The Guidelines are due to be finalised by Q2 2012.
- Finalising a Report on Financial Literacy and Education Initiatives by competent authorities, which was a stock-take of existing structures/processes in Member States to comply with the requirement under Article 9(1), EIOPA Regulation for EIOPA to review and co-ordinate such national initiatives. The Report was published on EIOPA's website on 16 December 2011.
- Collecting data on consumer trends amongst its Members in order to prepare an Initial Overview, analysing and reporting on those trends. Three main trends were identified: (i) Consumer protection issues around Payment Protection Insurance (ii) development of unit-linked life insurance and (iii) increased use of comparison websites by consumers. This initial Overview marked just the beginning of EIOPA's on-going monitoring of consumer trends. The Initial Overview was published on EIOPA's website on 6 February 2012.
- Providing useful input to the Commission's revision of the Insurance Mediation Directive (IMD) by carrying out an extensive survey of national laws providing for sanctions (both criminal and administrative) for violations of the provisions of the IMD. The survey was submitted to the Commission in September 2011 and the Commission's legislative proposal is expected in the second quarter of 2012.

- Focusing on disclosure and selling practices of Variable Annuities. This exercise was informed by the potential of some variable annuities products to achieve outcomes that are not easy for the consumer to understand. Concerning product disclosures, the objective of this work stream has been to identify good practices regarding the product-specific information aimed at providing a proper understanding of the risks assumed by the policyholder in a variable annuity contract. Concerning selling practices, the aim is to look at good practices regarding advice given to customers. The CCPFI set up a Sub-Group to assist it in its work and prepared an initial report. The report was published in the first quarter 2012.
- Participation in the work undertaken under the auspices of the ESRB's Advisory Technical Committee (ATC) on "Retailisation". The "Retailisation Group" looked at how certain risk features are transferred from wholesale markets to retail investors via structured retail products, particularly if they are complex. The focus of the analysis has been on how it impacts the distribution of systemic risk across sectors, focusing on the household channel and the banking channel as the two potential propagation channels.

In 2011, based on the mandate approved by the Management Board, the Task Force on Insurance Guarantee Schemes (TF-IGS) produced the Report on the cross-border cooperation mechanisms between Insurance Guarantee Schemes in the EU. This report analyses and summarises existing cooperation among IGSs in Europe, the US and European Deposit Insurers. It provides recommendations to the future IGS Directive being proposed by the European Commission. The report covered the following:

- areas identified for cooperation including the issue of costs;
- exchange of information with legal certainty, for the purpose of confidentiality;
- the infrastructure for such exchange of information; and
- the need for a mechanism to resolve disputes.

The report was approved by the Board of Supervisors and submitted to the European Commission in August.

In the autumn of 2011, to continue its work to provide input into the Commission's policy-making in this area, work started on the next mandated report on the winding up procedures for insurance undertakings that have become insolvent in the EU. This report will look into the cross-border dimensions of these procedures and also the roles of IGSs and supervisors. The aim is to submit the report to the Commission by the summer of 2012.

EIOPA will continue to facilitate discussions with Member States and provide input to the Commission on IGS until it proposes a draft Directive.

External engagement, including obtaining expert input from our two stakeholder groups and holding a first "Consumer Strategy Day" (referred to in more detail below), was also crucial in EIOPA achieving its goals in 2011. EIOPA aims to be even more proactive and ambitious in this area in the years ahead, allocating more and more resources as the Authority grows, in order to rightly reflect the importance of the topic.



## 2.4 Financial stability

In line with EIOPA's mandate, the common theme of the financial stability initiatives was to identify, at an early stage, trends, potential risks and vulnerabilities stemming from micro and macroeconomic economic developments, and, where necessary, to inform the relevant EU institutions, the other ESAs and the ESRB. This was achieved by specific market monitoring, information sharing and discussions on mitigation measures in the FSC, and by more structural and long-term initiatives such as setting up a risk dashboard and regular financial market monitoring. EIOPA worked in close cooperation with the ESRB, ESMA and EBA on the structural topics, for example, the risk dashboard and the work relating to the monitoring of joint financial market risks covering insurance, IORPs, banks, and design of financial markets. As one example of this fruitful collaboration in 2011, a harmonised, pan-European stress test for the insurance sector was developed in cooperation with the ESRB, ECB and EBA using common methodologies for designing and assessing the effect of various economic scenarios on an institution's financial position.

EIOPA was represented and regularly reported on financial conditions and financial stability in the (re)insurance and IORPs sectors at numerous meetings of the European Council's Financial Services Committee (FSC), the Joint Committee (JC), the Economic and Financial Committee (EFC), including the EFC's Financial Stability Table (EFC-FST), and the ESRB, including its substructures. EIOPA also participated in the IAIS and the discussions about systemically important financial institutions (SIFIs). EIOPA delivered various reports and updates in response to requests from these committees.

At the end of August 2011, EIOPA made contributions to the JC and EFC for the cross-sectoral risk assessment report by investigating the risk components of the insurance business that can systemically influence the stability of the sector and of the whole financial system. EIOPA highlighted the fact that the main sources of vulnerability are indirect spillover effects stemming in particular from sovereign debt problems and other market factors.

EIOPA published its first half-year 'Financial Stability Report' in June 2011 containing an assessment of the economic soundness of the European insurance, reinsurance and IORPs sectors. The second half-year 'Financial Stability Report' was published in December 2011. One of the conclusions of this report stated that 'if policy responses remain unconvincing to financial market participants, the European insurance and IORPs sectors could be severely and adversely affected by the resulting financial and economic reality, resulting in solvency problems of insurers where the sovereign debt crisis negatively impacts balance sheets. No insurance company is shielded from the developments in the real economy, and even with a political resolution to the current crisis, the industry will face challenging headwinds cast by the recessionary economic tendencies observed in most of Europe today.'

During 2011, and in particular as seen above in its Financial Stability Reports, EIOPA highlighted the increasing risks of the sovereign debt crisis in the euro area for the insurance and IORPs sectors. This topic was monitored throughout the year.

In the context of EIOPA's Financial Stability Reports and the commitments for data exchange between EIOPA and the ESRB, EIOPA also began designing a database of current and historical data for IORPs, and insurance and reinsurance undertakings in the European Union.

The timeliness of EIOPA data collection improved considerably by creating a representative sample of insurance groups from which data was collected on a quarterly basis.

EIOPA also began consultations with the industry on a set of data reporting templates necessary for regularly assessing sector risk and monitoring financial developments so as to map the data needs required to achieve the statutory tasks when Solvency II comes into force.

Throughout the year 2011 EIOPA has initiated four bilateral financial stability visits to selected national supervisory authorities in order to better understand and assess national specificities as well as to share the supervisory experiences and priorities.

#### 2.4.1 Participation in the ESRB

EIOPA has joined the ESRB that was established at the same time as EIOPA.

EIOPA is represented in the ESRB General Board by its chairman. The ESRB usually meets four times a year to address current issues. EIOPA has also been an active member of the ESRB Steering Committee that was established in order to assist in the decision-making process of the ESRB. In the activities related to the ESRB Steering Committee EIOPA is represented by its chairman and by the relevant experts.

EIOPA was also taking part in the ESRB Advisory Technical Committee (ATC). Under the aegis of this committee EIOPA has actively participated in a number of more technical subcommittees with the main focus on identifying potential systemically important issues in the sectors of insurance and IORPs. This includes the The Analytical Working Group, The Instrument Working Group, The Low Yield Working Group and The Retailisation Working Group.

Furthermore EIOPA participated in the joint ATC and Advisory Scientific Committee (ASC) expert group dealing with the regulatory treatment of sovereign exposures.

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

#### 2.4.2 Insurance stress test

At the end of March 2011, EIOPA launched the second Europe-wide stress test for the insurance sector, which was followed in mid-August by a satellite exercise assessing the effects of a prolonged period of low interest rates. This satellite exercise is often referred to as the 'low-yield stress test', and while it was planned in conjunction with the core stress test, its launch was postponed to ease the workload of participating undertakings.

In accordance with its regulation, EIOPA shall conduct stress test exercises for the insurance and IORPs sectors at least once a year. The 2011 core and low-yield stress test exercises were to assess the strength of individual institutions and evaluate the overall resilience of the industries to several clearly defined adverse economic and financial market environments. The core stress test was launched in March 2011 based on data as of 31 December 2010, and the aggregated results of the exercise were published in July 2011. Of the 221 insurance and reinsurance groups and undertakings covered, 58 groups and 71 single entities reported results to EIOPA, representing approximately 60% of the whole European insurance market.

The results of the stress test exercise confirmed that the insurance market in Europe as represented by the 129 participating entities is robust and is well prepared for potential future shocks. Data showed that approximately 10% (13) of the groups and undertakings which responded did not meet the minimum capital requirement (MCR) in the adverse scenario. A total of 8% (10) failed to meet the MCR in the inflation scenario. Overall, EIOPA identified the main drivers of the results as adverse developments in equity prices, interest rates and sovereign debt markets. On the liability side, non-life risks were more critical, triggered by increased claims inflation and natural disasters. Risks from sovereign bond exposures were covered separately in a supplementary test and the results showed that approximately 5% (6) of the participating groups and undertakings would not meet the MCR.

The satellite exercise was launched after the EIOPA 2011 core stress test exercise. This was to analyse the risks that European insurers would face in a scenario where interest rates remained low for a prolonged period of time, and to understand the development of insurers' capital positions in adverse economic conditions, as well as to evaluate the overall stability of the insurance market.

It was targeted at those insurers that are exposed to interest-rate sensitive products, since a low-interest scenario would significantly jeopardise the ability of these undertakings to meet the performance guarantees provided in certain insurance contracts.

For this reason, compared to the scope of the core stress test, the sample of reporting undertakings was slightly reduced to 82 in total. Otherwise, the setup of the low-yield stress test was identical to the core test, i.e. valuations were based on Solvency II/QIS5 technical specifications, and the reference date was 31 December 2010.

Based on these results, EIOPA concluded that, on average, the industry would be adversely affected by a prolonged period of low yields. Depending on the particular shape that such a low-yield curve would take and where the low yields were located along the curve, results suggest that 5%-10% of the insurers included in the test would face severe problems in the sense that their solvency ratio would fall below 100%. In addition, an increased number of insurers would see their capital position deteriorate with solvency rates only slightly above the 100% mark, meaning they could become vulnerable to other potential external shocks.



### 2.4.3 Risk dashboard

In October 2011, the EIOPA FSC set up its first (pilot) risk dashboard, in line with the framework of the joint group on the cooperation between the ESAs and the ESRB on systemic risk.

As part of the new European supervisory legislation, EIOPA, the other ESAs and the ESRB are called upon to 'develop a common set of quantitative and qualitative indicators (risk dashboard) to identify and measure systemic risk'. This dashboard should be constructed as a joint effort of the ESAs and the ESRB to give a structured view of risks to the financial sector and thus to facilitate a regular assessment of these risks and possible mitigation policies. It is envisaged that the risk dashboards of the various institutions be discussed at ESRB meetings (General Board and/or Advisory Technical Committee) to assess systemic risk. The two main outputs required are risk vulnerabilities and solvency profitability (meaning the ability to withstand shocks).

A first pilot risk dashboard has been approved by EIOPA but is still in a development phase and needs to be further refined and finalised after completion of the quality control phase.

As far as the methodology is concerned, the EIOPA risk dashboard is based both on public sources (market data) and the confidential quarterly fast-track reporting from the 30 largest European insurance groups and it contains both quantitative and qualitative indicators. Data availability for dashboard purposes is expected to further improve with the introduction of Solvency II reporting from 2014 onwards.

A set of some 50 quantitative indicators form the basis of the risk assessment, and these are mapped into aggregated categories that are also used by the other ESAs. These are macro risk, credit risk, market risk, funding and liquidity risk, profitability and solvency interlinkages and imbalances, and a specific category for insurance risk.

The risk dashboard is then obtained through the mechanical aggregation of these indicators and additional expert judgment which is important for filtering out noise from the data and producing credible risk assessments. The risk dashboard will be shown in the form of a graph with colour coding.

In addition to work on the risk dashboard, EIOPA launched several initiatives during 2011 to improve market monitoring. For example, a daily financial market monitor was launched, and this is now produced and circulated among EIOPA Staff and EIOPA FSC Members. A more comprehensive bi-weekly briefing containing risk assessments and market analysis was also developed, and regular production of this briefing is planned for 2012.

### 2.5 Oversight

During 2011 EIOPA undertook significant work in relation to insurance groups under the current regime (Solvency I), whilst in parallel preparing itself for the Solvency II framework. This has included initiatives to harmonise and streamline group supervision for cross-border groups and enhance co-operation between supervisors within the Colleges of Supervisors.

EIOPA has started to attend the meetings of Colleges of Supervisors since the beginning of 2011, and this has been a vital mechanism for helping supervisors to prepare for the entry into force of Solvency II, in particular with regard to the pre-applications for internal models.

In March EIOPA published its report on the functioning of colleges, and also the targets to be achieved during 2011, as included in EIOPA's 2011 Action Plan for Colleges of Supervisors.

The overall strategic target of EIOPA's College work is to consolidate the position of the EEA supervisory community vis-à-vis the cross-border operating insurance groups for the benefit of both group and solo supervision. The focus is on combining and leveraging the knowledge and forces of the national supervisory authorities in the EEA to form a strong and equal supervisory counterpart to the mostly centrally organised and managed undertakings. In this respect, EIOPA as a member of the Colleges of Supervisors ('Colleges') promotes communication, cooperation, consistency, quality and efficiency in the Colleges.

In 2011, 89 insurance groups with cross-border undertakings were registered in the EEA. During the year, Colleges of Supervisors with at least one physical meeting or teleconference were organised for 69 groups. A total of 14 national supervisory authorities acted as group supervisors to organise the events. Some 6 Colleges were chaired by the Swiss Financial Market Supervisory Authority (FINMA) as group supervisor. During the setup phase in the first year after its establishment, EIOPA attended College meetings and/or teleconferences of 55 groups.



The main conclusions from EIOPA's observation in the Colleges in 2011 are as follows:

- substantial efforts were made by supervisors in preparing, organising and contributing to the College;
- the exchange of the QIS5 and stress test results in most of the Colleges enhanced the quality of the discussions and improved the supervisors' common understanding of the undertakings' risk exposure and solvency position;
- similarly, the discussion of financial conglomerate aspects, where relevant, helped to improve College members' awareness of the financial strength of the groups as a whole;
- concerns or legal constraints in some Member States relating to the exchange of confidential information hampered the scope and quality of discussions in the Colleges;
- differences observed between the Colleges regarding:
  - scope, content and the frequency of information exchange in the Colleges,
  - preparation and focus of presentations and discussions with the firms' representative
 are areas for improvement in implementing an EEA-wide consistent, coherent and effective supervision for cross-border groups;
- the emergency infrastructure test was successfully completed by most of the Colleges;
- the Colleges are making great efforts to prepare for the implementation of the Solvency II Directive, in particular the pre-application process for use of an approved internal model.

### 2.5.1 Participation in Colleges by EIOPA staff

During 2011, five full-time equivalent staff were recruited to constitute EIOPA's College team. A coordinator had been appointed at the beginning of 2011 to prepare a strategy for EIOPA and to kick off EIOPA's participation in the Colleges.

EIOPA staff's commitment to the Colleges focused primarily on the following issues:

- to explain EIOPA's role in the Colleges;
- to gain experience from participating in College meetings for the first year;
- to monitor the collaboration of College members regarding the appropriate information exchange and the discussion of relevant topics in the College;
- to provide input into the agenda and stimulate information exchange within Colleges on stress test results and the dialogue on risk exposure, financial strength and resilience to adverse economic and financial market developments;
- to provide regular updates on the working assumptions in light of the still pending decisions on the Solvency II timelines;
- to act as a link between the Colleges and Solvency II Working Groups and provide practical input into Solvency II policy work.

During 2011, EIOPA staff observed overall significant differences in the level of information exchange. Areas for improvement include in particular a continuous and effective information exchange, as well as discussion and assessment of risks by taking a more prospective view.

EIOPA's Action Plan 2012 for Colleges was established taking into account the experience and conclusions from College work in 2011.

### 2.5.2 Crisis Management

In early 2011, a set of interim procedures for dealing with emergency situations was drawn up by EIOPA in conjunction with the other ESAs. A seconded national expert in crisis management was appointed in March 2011, and work then commenced on the development of a permanent framework for crisis management for EIOPA. Key to this was the development of a strategic policy on crisis management that was presented to the Board of Supervisors in June 2011. The Board of Supervisors recognised the need to put a robust framework in place at an early stage, and an ad hoc Board of Supervisor's task force was created to develop this framework.

In December 2011, the task force delivered a comprehensive, decision-making framework which was endorsed by the Board of Supervisors. This framework sets out in detail the processes that EIOPA will follow in discharging its crisis pre-emption and management responsibilities under the EIOPA Regulation. A small standing group was created, comprising EIOPA members and staff, that will consider on a regular basis whether EIOPA needs to act under the Regulation and what actions it may take. This approach is seen as the most efficient way of carrying out regular monitoring and preparing Board of Supervisors' decisions on crisis management issues.

### 2.6 Common supervisory culture

2011 brought a lot of challenges in the area of training. The adoption of the Commission's regime required a Manual on training, whereas the changing regulatory environment and the delay in related legislation resulted in a number of challenges and modifications in the training programme.

### 2.6.1 The Joint Committee's Manual on Training

In 2011 the ESA Training Officers have developed an updated Manual on Training, which was submitted to the Joint Committee in November 2011. The new version of the Manual, which replaces the previous Manual published in December 2009 by the former Committees, was needed as some information was no longer valid or relevant since the setup of the European Supervisory Authorities.

The objective of the manual is to ensure delivery of a successful European supervisory training programme and to provide practical guidance to the National Competent Authorities (NCAs) for the organisation and hosting of training events.

The other objectives are to:

- Describe in a user friendly manner the operational aspects and logistics of training,
- Align practices among the ESAs for the development of training,
- Provide guidance to the end users at the NCAs responsible for hosting training, and
- Promote an effective exchange of information between the ESAs' Training Officers and their counterparts at the NCAs.

The first part of the Manual includes a description on the establishment and implementation of the annual Training Programme, including the responsibilities of the parties involved in the process. The second part provides an overview of the four stages (Design, Launch, Run, Follow-up) involved in the life cycle of a training event. Finally, the Manual is accompanied by an annex on the financial rules and procedures for hosts of ESA seminars.

The Manual, together with the sector and cross-sector templates on training, has been made available in the restricted area of the ESAs webpages.

### 2.6.2 Organising cross-sector seminars

The ESAs made a joint effort in the development, monitoring and reporting of the Joint Committee training programme. Organisation of the training programmes was highly affected by the transition from the old Level 3 Committees to ESAs. New financial policy, different and stricter procurement regulation, implementation of the new systems affected the training programme.

Due to the difficult economic situation of some member states, all three ESAs decided to provide financial support to the Authorities with financial constraints. The fund, which was used by a few Member States, showed not only the solidarity among the Member States but also ensured, that the financial crisis cannot stop the creation of the common European supervisory culture.

The cross-sector training programme for 2011 included 6 following seminars:

No.	Name of the seminar	Date & Location	Host	Number of participants
1	Reducing systemic risks in markets: a new parameter for overseers and supervisors	31 May-1 June, Frankfurt	Bafin -Deutsche Bundesbank, Germany	50
2	Supervisory Colleges: dealing with cross sector aspects in supervisory colleges	21-22 March, Rome	ISVAP, Italy	39
3	New European Regulatory and Supervisory Structure: functioning and impact on national supervisors	7-8 June, Frankfurt	EIOPA	40
4	Operational Risk Management	17 October, Frankfurt	EIOPA	27
5	IT assessment	3-5 October, Madrid	DGSFP, Spain	31
6	Risk assessment	19-21 October, Rome	ISVAP, Italy	57
<b>In Total</b>				<b>244</b>

The effort devoted to train staff of the EU supervisory and regulatory authorities on a cross-sector basis during 2011 allowed for the training of about 250 supervisors, which means further strengthening of our common supervisory culture.

### 2.6.3 Planning the Annual 2012 Training Programme

ESAs' training officers co-operated in the development of the common questionnaire aimed at assessing the demand for training needs in 2012 and to identify volunteers to host and organise seminars. The results of the online questionnaire supported the plan for the Training Programme 2012, which was approved by the Joint Committee and the respective Boards of the ESAs in November-December 2011.

#### 2.6.4 Sector training

EIOPA aims at enhancing convergence of supervisory practices as well as supervisory preparedness. To do so, it has developed an ambitious training program, mainly targeted to supervisors. Beyond this, EIOPA also organized joint training for supervisors and industry representatives, to get better mutual understanding on the different areas of interest of EIOPA.

The total number of sector trainings/seminars in 2011 was 15. The average number of seminar participants was 35, the lowest number being 24 and the highest 48.

The commitment and cooperation of the competent authorities and EIOPA staff was essential for the successful implementation of the training programme for 2011, contributing to the convergence of supervisory practices across Europe.

#### EIOPA sector training 2011

1. 'Financial Stability Issues: lessons learned from the "National measures" during the crisis' – Frankfurt, 1-2 March 2011.
2. 'Presenting with Impact' workshop – Frankfurt, 9-10 March 2011.
3. 'Reporting under Solvency II: implementation challenges and basis for the supervisory review process' – Paris, 28-29 April 2011.
4. 'Supervision under Solvency II: ORSA, Risk Assessment Framework and supervisory review process' – Vilnius, 26-27 May 2011.
5. 'Financial analysis and related tools' – London, 25 May 2011.
6. 'Internal Models' seminar – Helsinki, 9-10 June 2011.
7. 'Technical provisions under Solvency II: how to calculate the best estimate' – Stockholm, 16-17 June 2011.
8. 'Analysis of costs and benefits of regulation' – Rome, 20-21 June 2011.
9. 'Group-wide supervision: capital, risk management, intra-group transactions' – Frankfurt, 11-12 July 2011.
10. 'Presenting with Impact' workshop – Frankfurt, 18-19 July 2011.
11. 'Valuation of the balance sheet under Solvency II: practical analysis of differences and commonalities with EEV, MCEV and IFRS in the valuation of assets, liabilities and technical provisions' – Frankfurt, 6 October 2011.
12. 'Internal Models' seminar (repeat) – Madrid, 17-18 October 2011.
13. 'Website Authorisation Officers Training Day' – Frankfurt, 10 November 2011.
14. 'Occupational Pensions after the Call for Advice and beyond' – Brighton, 10-11 November 2011.
15. 'Solvency II: specific topics in the standard calculation of SCR' – Frankfurt, 7-8 December 2011.

In total EIOPA organised 21 cross-sector and sector trainings in 2011, nine of which were hosted at EIOPA's premises in Frankfurt and two at external venues in Frankfurt. Nine seminars were hosted by the following Authorities:

1. ISVAP – Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo (two seminars were hosted in Rome)
2. ACP – Autorité de Contrôle Prudentiel (Prudential Control Authority), Paris
3. DPK – Lietuvos Respublikos Draudimo Priežiūros Komisija (Insurance Supervisory Commission of the Republic of Lithuania), Vilnius
4. FSA – Financial Services Authority, London
5. FIN-FSA – Finanssivalvonta (Finnish Financial Supervisory Authority), Helsinki
6. FI – Finansinspektionen (Financial Supervisory Authority), Stockholm
7. TPR – The Pensions Regulator, Brighton
8. DGSFP – Dirección General de Seguros y Fondos de Pensiones, Madrid



### 2.6.5 Analysis of participants

EIOPA seminars are mainly targeted at European Insurance and IORPs Supervisors. However, a number of selected events, which we refer to as public events, such as the EIOPA Conference, the public hearing on the fifth Quantitative Impact Study (QIS5), the Transatlantic Insurance Group Supervision (TIGS) Conference and the Consumer Strategy Day were also open to industry participants and stakeholders' associations.

Building on the fruitful bilateral relationships with third-country/non-EEA supervisors and other stakeholders, a number of places at EIOPA events is offered to participants from non-EEA supervisors and other institutions, such as the European Central Bank (ECB) and the European Commission.

During 2011, a total of 1 242 participants attended EIOPA training activities and public events, of which:

1. 633 supervisors from the competent authorities;
2. 430 industry representatives;
3. 86 EIOPA staff members;
4. 29 participants from other institutions: 9 from the ECB, 8 from the Financial Services Commission (FSC, Gibraltar), and participants from the European Systemic Risk Board (ESRB), European Commission, European Parliament, International Association of Insurance Supervisors (IAIS), and the Organisation for Economic Co-operation and Development (OECD), etc.
5. 18 from non-EEA supervisors: 9 from the National Association of Insurance Commissioners (NAIC) + 4 from other US States + 1 from the US Treasury, 2 from the Comisión Nacional de Seguros y Fianzas (CNSF, México), 1 from the Financial Market Supervisory Authority (FINMA, Switzerland), and 1 from the Bermuda Monetary Authority (BMA, Bermuda);

The total number of participants represents a significant increase compared to the total of 1 082 participants attending CEIOPS events in 2010.

If we compare the figures with 2010, although the number of supervisors undergoing training did not change substantially, we welcome the increase in industry participants (455 in 2011 vs 400 in 2010), EIOPA staff (no data for the CEIOPS), and the non-EEA supervisors and participants from other institutions (47 in 2011 vs 24 in 2010).

Chart 1 Number and type of participants 2011

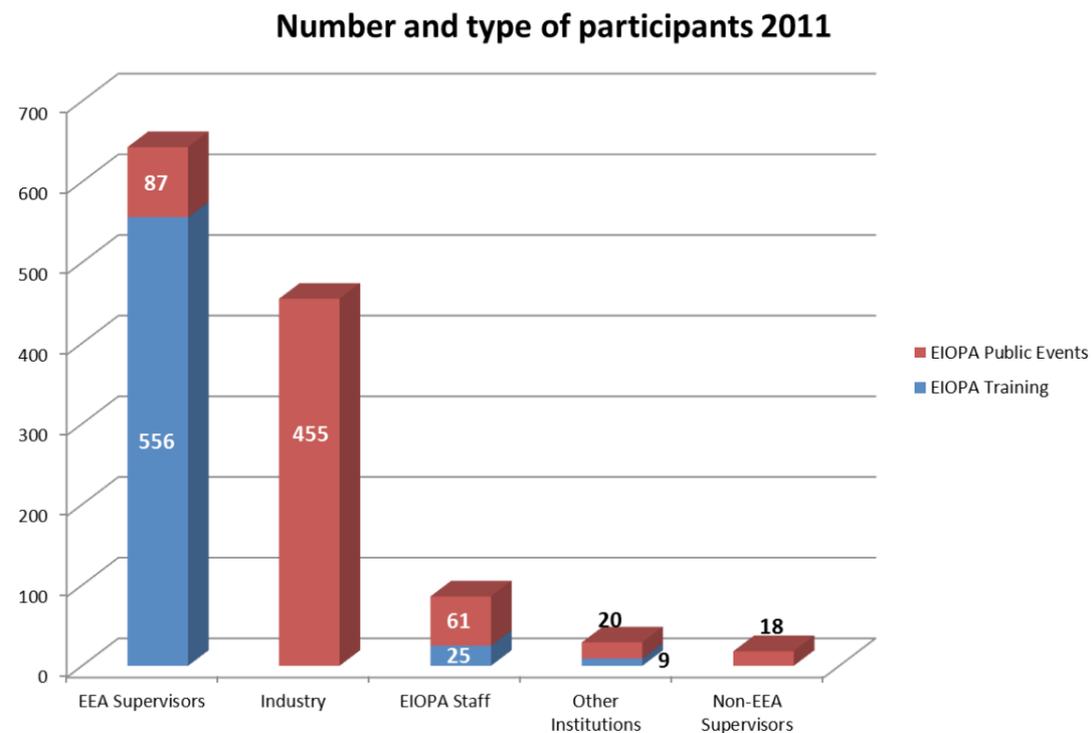
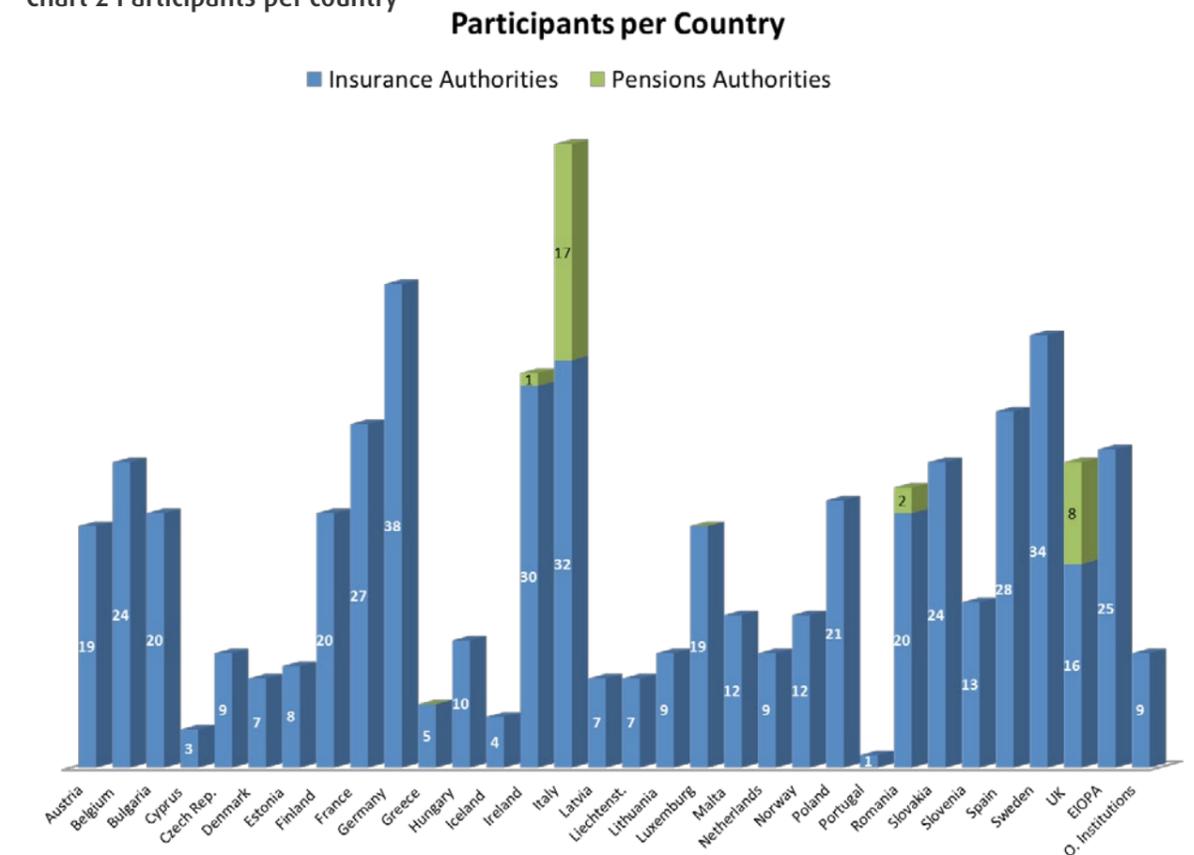


Chart 2 shows the number of participants sent by the competent authorities to take part in training activities in 2011.

Chart 2 Participants per country



The above ranking also shows that not all competent authorities benefit from EIOPA training activities to the same extent. In particular, some countries were not able to send participants to training activities due to budgetary restrictions. This attracted EIOPA's attention, and in August 2011 the Management Board decided to support competent authorities experiencing temporary financial difficulties by extending the reimbursement of travel and accommodation costs to seminar participants from such authorities<sup>6</sup>.

<sup>6</sup> EIOPA-MB-11068 'Financing Decision on Common Supervisory Culture' (31 August 2011).

EIOPA training was developed in collaboration with the national supervisory authorities which, in addition to hosting a large number of the seminars, also contributed via the commitment and goodwill of their national experts. In 2011, a total of 107 supervisory staff provided EIOPA training as speakers.

#### 2.6.6 Assessment of training

In 2011, EIOPA's training programme for 2011 tried to incorporate insofar as possible the ideas from the Convergence Committee set out in the 'Note on the Role of Training in October 2010'<sup>7</sup>.

##### Achievements in 2011 and challenges for 2012

One of the main ideas was to target operational supervisors and to prepare them better for supervision under Solvency II by introducing a **practical approach** (e.g. case studies, use of practical examples) as the preferred training methodology.

As a result, in 2011, 10 out of 15 seminars included one or more of the following:

- Workshop ('Reporting under SII');
- Practical examples + discussion (Internal Models);
- Case studies (Internal Models; Impact Assessment; group-wide supervision; SCR Standard Formula);
- Quizzes (group-wide supervision);
- Practical discussions (Internal Models);
- Break-out sessions/discussions in groups (seminar on occupational pensions);
- Experiences based on real cases (seminar on the Colleges).
- Industry point of view/best practices (Internal Models, Operational Risk).

In all cases, participants found the inclusion of practical exercises and the possibility to participate in general discussions and exchange practical experiences very useful. EIOPA would like to thank all experts who invested their time and energy in organising the practical sessions, as these have proven to be one of the most useful tools for teaching the practical aspects of the new regulatory framework and other areas of work.

Another idea was to provide **in-depth training on specific issues**, especially for Solvency II and preferably over two days, as this was perceived to be the best content/time ratio. In this vein, 12 out of 15 seminars were held in the form of a two-day training session.

It was also proposed that **potential speakers** be encouraged to attend workshops on trainer training, to learn **general soft skills** on training, such as structure, planning and implementation, how to deliver presentations, etc. As a result, two 'Presentation with Impact' workshops were arranged in 2011.

All training activities in 2011 were accompanied by a **social event**, consisting of a guided city tour or another social activity, followed by a networking dinner. These initiatives were very well perceived and helped to establish new contacts and exchange information, opinions and views in a more informal manner. EIOPA would like to thank all hosting Authorities for their active support in the preparation of social activities, thus helping to spread the common supervisory culture across Europe.

<sup>7</sup> CEIOPS-ConCo 32-10 'Note on the Role of Training by EIOPA'.

Participants' feedback is one of the main drivers for understanding the **challenges for 2012**. Their main suggestions may be summarised as follows:

- Less presentations; more break-out sessions/workshops;
- Too many slides for some presentations – leads to time constraints;
- Brief introduction to put the presentation in context;
- More time for practical discussions;
- Target audience – the experience required should be specified in greater detail.

Overall, the goals of EIOPA's training programme for 2011 were successfully accomplished, not only in terms of quantity, but also in terms of quality. This was possible due to the experience gained in providing training to EU supervisors over the last five years, the commitment of the experts in the working groups and of EIOPA's dedicated staff, and the continuous efforts by all to improve the quality of training activities. EIOPA will take on board the experience and lessons learned from the training programme for 2011 with the aim of fulfilling the expectations raised for 2012.





## Chapter III External communication

### 3.1 International relations, regulatory dialogues

The world financial system is witnessing the globalisation of financial services and the increased importance of international standards. In this regard, an important task of the ESAs is to foster dialogue and cooperation with supervisors outside the European Union. In 2011, EIOPA sought to establish greater representation in relevant international organisations and to develop its international relations further, according to a set of common criteria among the three ESAs.

Overall, 2011 was a period of transition with increased activity during the second half of the year when a dedicated person for external and international relations joined EIOPA. With the establishment of a separate External Relations unit, EIOPA was able to strengthen existing relationships, initiate new EIOPA regulatory and supervisory dialogues and contacts, actively engage in the work of international standard setting, and prepare the ground for welcoming a new EIOPA observer in 2012 – the Croatian Financial Services Supervisory Agency (CFSSA). In addition, the first draft reports on equivalence assessments of three jurisdictions (Switzerland, Bermuda and Japan) were delivered in good time to the European Commission.

During 2011, EIOPA maintained its regulatory and supervisory dialogues with the US National Association of Insurance Commissioners (NAIC), the China Insurance Regulatory Commission (CIRC), the Japanese Financial Services Authority (JFSA), and the Latin American Association of Insurance Supervisors (ASSAL). The Authority also initiated contacts with the Brazilian competent supervisory authority for the private insurance sector (SUSEP) in order to establish a regular EU-Brazil dialogue.

EIOPA enhanced its regular exchanges with the US Federal Insurance Office (FIO)<sup>8</sup> in the context of FIO's responsibilities for insurance law harmonisation at US federal level and in the area of international relations. In March and in September 2011, FIO also participated in the EU-US regulatory and supervisory dialogue with NAIC.

In September 2011, EIOPA attended the annual general meeting of the International Association of Insurance Supervisors (IAIS) in Seoul. During this meeting, EIOPA also held bilateral dialogues with NAIC and FIO, CIRC, JFSA, ASSAL and SUSEP. The topics discussed were, inter alia, regulatory and supervisory developments in the respective markets, Solvency II, equivalence assessments, key consumer trends in the European insurance and IORPs sectors, and major initiatives on the international agenda, such as the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) and the systemic relevance of (re) insurance undertakings (under global systemically important financial institutions – G-SIFIs).

EIOPA started attending the European Commission's financial market dialogues, for example those with Switzerland and the USA, and will continue to do so in 2012 on a regular basis. Together with the European Commission, EIOPA received a Chinese delegation to discuss Solvency II as part of the EU-China trade project.

In the light of the equivalence gap analysis planned for 2012, EIOPA prepared for dialogues with the South African Financial Services Board (FSB) and the Mexican supervisor, Comisión Nacional de Seguros y Fianzas (CNSF).

A special event in 2011 was the visit to EIOPA of Japan's Minister of State for Financial Services, Shozaburo Jimi. The purpose of the visit was to discuss financial stability issues, Solvency II, the draft equivalence assessment report for the JFSA (see below), and practical measures by Japan's Ministry of Finance with respect to bank accounts and claims pay-outs after the tsunami earlier in the year.

In the context of Croatia signing the EU Accession Treaty, EIOPA made all the necessary arrangements to grant the CFSSA the status of observer at meetings of EIOPA's Board of Supervisors.

In the course of 2011, EIOPA welcomed to its offices delegations of supervisors from South Korea and Ukraine and the JFSA London office representative. The delegates were given presentations on the tasks and responsibilities of the Authority.

In view of its power to draft regulatory standards and the increased importance of international standards, EIOPA worked to achieve greater representation in relevant international organisations. In 2011, EIOPA became a member of the IAIS and EIOPA's Chairperson was elected to the IAIS Executive Committee as one of the western region representatives. The EIOPA Chairperson is also a member of the IAIS Technical Committee. EIOPA also actively contributed to the IAIS Financial Stability Committee and the Solvency and Actuarial Issues Committee (SSC). In 2011, EIOPA submitted a coordinated opinion with EIOPA members to the first public consultation on the Concept Paper of the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame). Another focus of EIOPA's activities with regard to IAIS is financial stability and in particular the topic of systemic relevance of (re) insurance undertakings (G-SIFIs).

<sup>8</sup> The US Federal Insurance Office comes under the US Treasury Department. It addresses critical gaps in US insurance regulation and aims to expand federal-level knowledge of state-related insurance regulation issues and challenges for state regulators when representing the USA in multinational legal affairs.

The EIOPA Board of Supervisors also decided that EIOPA should apply to become a member of the International Organisation of Pension Supervisors (IOPS). Governing membership in IOPS should be sought in 2012.

In 2011, EIOPA attended an insurance regulation seminar in Chile organised by the OECD. A representative of EIOPA held a presentation at this seminar on Solvency II.

EIOPA's assistance in preparing equivalence decisions pertaining to supervisory regimes in third countries is also part of EIOPA's international activities. This work is led and carried out by the Equivalence Committee. Key deliverables in 2011 were the draft reports on full equivalence assessments of the Swiss and Bermudan supervisory regimes and the Japanese system with regard to reinsurance activities of their insurance undertakings (see section on Working Groups).

### 3.2 Conference on Transatlantic Insurance Group Supervision

On 7-8 September 2011, EIOPA and the US National Association of Insurance Commissioners (NAIC), in collaboration with the Frankfurt-based International Center for Insurance Regulation (ICIR), organised the international Conference on Transatlantic Insurance Group Supervision. The event took place at the Goethe University in Frankfurt and attracted around 65 participants including representatives of the supervisory authorities and insurance executives.

The objective of the conference was to foster the transatlantic dialogue between supervisors and leading professionals in the insurance industry on the subject of Transatlantic Insurance Group Supervision. It was aimed at achieving operational solutions through an in-depth discussion of the major issues in transatlantic group supervision in break-out sessions.

The topics addressed during the event included, amongst others, the key elements of the group-wide supervision framework, the fundamentals regarding ERM from a home and host supervisory perspective, similarities and differences in supervisory practices in different jurisdictions and the main focus of group supervision.

The audience of the event consisted mainly of two groups: representatives of the supervisory authorities and insurance executives.

During the discussions supervisors presented current and emerging practices, as well as their views regarding group supervision and the challenges that transatlantic insurance groups pose to insurance supervisors. The insurance company executives expressed their views on the supervisory frameworks of the United States and Europe, discussed the similarities and differences in group supervision as a result of operating in both jurisdictions, and shared their opinions on where/how convergence in the supervisory approach would be beneficial to both supervisors and the insurance industry.

### 3.3. EIOPA Annual Conference

On 16 November 2011, EIOPA hosted its first Annual Conference during the Euro Finance Week in Frankfurt, continuing the tradition established under CEIOPS. Around 350 experts in the fields of insurance, occupational pensions, consumer protection and financial innovation and media representatives attended the event. The objective of the conference was to provide a forum for an in-depth analysis and high-quality discussion relating to the future of supervision in the European insurance and IORPs sectors.

Three stimulating panel sessions were organised throughout the event.

In Panel I 'Solvency II, bringing views on how Solvency II will work in practice' participants spoke about the future role of Solvency II for insurance undertakings. It was emphasised that it was not the intention of Solvency II for insurers' business to be run by capital formulae alone, but equally by promoting, though not overregulating, risk management and governance mechanisms. The panellists stressed that Solvency II should not amplify the market volatility. Predictability of the supervisory approach was considered important, but at the same time it was acknowledged that supervisors need to be able to exercise their judgment in times of crisis. Proportionality should be a constant factor in the development and application of Solvency II, to ensure that it is appropriate for all undertakings. The participants also shared the opinion that Solvency II provides a good basis for greater market integrity and the supervision of international groups. However, it is not a global standard, and it was felt that greater international convergence would be beneficial.

Panel II 'Occupational Pensions, focusing on the European Commission's planned revision of the IORP Directive' focused on EIOPA's draft response to the European Commission's Call for Advice on the review of the directive on the activities and supervision of institutions for occupational retirement provision (IORP Directive). The draft response was well received. It was stressed that a new IORP Directive should increase the number of pan-European IORPs from its current low level. The participants agreed that governance and information requirements need to be enhanced, especially given the strong trend from defined benefit (DB) towards defined contribution (DC) schemes. EIOPA's announcement to assess the quantitative impact of the holistic balance sheet proposal in 2012 was considered both necessary and welcome.

During Panel III 'Consumer Protection, assessing EIOPA's commitment to take a "leading role" in protecting policyholders, pension scheme members and their beneficiaries', participants discussed the role EIOPA should assume in the area of consumer protection and financial innovation, given its mandate to take a 'leading role'. There was a discussion on forthcoming legislative proposals, such as the Insurance Mediation Directive II (IMDII), packaged retail investment products (PRIIPs) and Insurance Guarantee Schemes (IGS), as well as the relationship between solvency issues and consumer protection. Suggestions were put forward for further work by EIOPA on 'general good' provisions, for example. It was agreed that it was important for supervisors to have a convergent view and supervisory practices, listen to consumers and provide inspiration for harmonised legislation to enhance consumer protection.

EIOPA's first Annual Conference received good media coverage, in particular by the international news agencies and online media.

### 3.4 Consumer Strategy Day

EIOPA's first Consumer Strategy Day took place on 6 December 2011 in Frankfurt. Around 120 participants attended the event. The purpose of the Consumer Strategy Day was to present an update on EIOPA's work in the field of consumer protection and financial innovation, and to give professional stakeholders and consumer protection experts the opportunity to express their own views on these issues in the form of a dialogue between consumer representatives, industry, supervisors and other stakeholders. The event was part of EIOPA's general policy of enhancing transparency and maintaining appropriate accountability towards stakeholders.

The Consumer Strategy Day consisted of three sessions:

#### I. Consumer protection – fostering protection of policyholders and pension fund beneficiaries

During the session, panellists emphasised the importance of promoting transparency, simplicity and fairness for consumers, including the need for financial education enabling consumers to make the right choice about the wide variety and complexity of insurance products on the market. Reference was also made to the importance of managing conflicts of interest appropriately, including dealing with incentive structures which might lead to product bias.

Participants underlined the fact that effective redress mechanisms should be in place to deal with complaints, and that the concept of a 'duty of care' between consumers and financial services providers should be explored. EIOPA should undertake coordinated action to enhance consumer protection by reporting on consumer trends, developing good practices and publishing guidelines and recommendations.

#### II. Tackling new or innovative financial activities – a coordinated approach

Participants discussed the role of financial innovation in retail insurance markets. Financial innovation was seen as beneficial to the extent that it serves to meet consumer demands and needs. In addition to the impact of solvency and macro-prudential issues on consumers, these should also be taken into account in the wider assessment of financial innovation.

#### III. Anti-discrimination and risk assessment

Following the judgment of the European Court of Justice in 'Test-Achats' of March 2011, prohibiting as of 21 December 2012 the use of gender as a risk factor for determining premiums and benefits, the panellists discussed the immediate and further-reaching implications of this ruling on the use of risk factors (including age and disability) in insurance.

A second Consumer Strategy Day is planned for 4 December 2012.

### 3.5 Joint Committee of the three ESAs

#### 3.5.1 Objectives and Scope

The Joint Committee was successfully established on 1 January 2011 to strengthen cooperation between the European Banking Authority (EBA), European Securities and Markets Authority (ESMA) and European Insurance and Occupational Pensions Authority (EIOPA), collectively known as the three European Supervisory Authorities (ESAs).

Through the Joint Committee, the three ESAs cooperate regularly and closely and ensure consistency in their activities. The Joint Committee works in particular in the following areas: supervision of financial conglomerates; accounting and auditing; micro-prudential analyses of cross-sectoral developments; risks and vulnerabilities for financial stability; retail investment products; and measures to combat money laundering.

In addition to being a forum for cooperation, the Joint Committee also plays an important role in the exchange of information with the European Systemic Risk Board (ESRB) and in developing the relationship between the ESRB and the ESAs.



#### 3.5.2 Activities

In 2011, the Joint Committee frequently discussed sector, cross-sectoral and joint risk assessments, plus possible policy options, taking account of market developments.

It established four subcommittees:

- (i) The Subcommittee on Financial Conglomerates prepared the ESAs' response to the European Commission's Call for Advice (in April 2011) as part of the European Union's fundamental review of the Financial Conglomerates Directive (FICOD). This involved assessing the scope of application, internal governance, and supervisory empowerment and sanctions issues contained in the FICOD. In addition, under the Joint Committee section on their respective websites, the EBA, EIOPA and ESMA published a list of groups identified as financial conglomerates and their relevant competent authorities, as required under the FICOD. The Subcommittee on Financial Conglomerates is also developing technical standards relating to the methods of own fund consolidation under the FICOD.
- (ii) The Subcommittee on Cross-Sectoral Developments, Risks and Vulnerabilities produced cross-sectoral risk reports for the meetings of the Economic and Finance Committee – Financial Stability Table (EFC-FST) in March and September 2011, and contributed to the half-yearly ESAs' risk assessment reports submitted to the ESRB.
- (iii) The Subcommittee on Anti-Money Laundering identified discrepancies in Member States' supervisory practices relating to the identification of the ultimate beneficial owner (UBO) and the application of simplified due diligence (SDD) measures under the third Anti-Money Laundering Directive (3AMLD), which may create gaps in the EU's AML/counter terrorist financing (CTF) regime.
- (iv) The Subcommittee on Consumer Protection and Financial Innovation is in the process of being set up to work on cross-sectoral consumer protection and financial innovation issues, such as financial literacy and education initiatives, to ensure consistency across the different financial sectors.

Finally, the Impact Assessment Network was formed to assist the ESAs in their analysis and drafting of technical standards, guidelines and recommendations for consultations.

### 3.6 Media and public relations

In its public and media relations, EIOPA is committed to the principles of transparency, efficiency and simplicity. Being a public body, EIOPA views the protection of the public interest as one of its primary goals. Therefore, EIOPA's objectives are to provide the public with easily accessible information in a timely manner and to enhance the public's understanding of its role, objectives and tools, thus contributing to the credibility of EIOPA and the European System of Financial Supervisors (ESFS) as a whole.

In 2011, EIOPA's communication activities were focused, in particular, on explaining different technical and legal issues relating to its main fields of activity: insurance, Solvency II, IORPs, consumer protection, financial stability, financial innovation, and clarifying the role of the newly established European Supervisory Authorities (ESAs).

EIOPA's public and media relations embrace a wide range of audiences: industry representatives, international regulatory authorities, financial experts and analysts, the media, academics and the general public – with varying levels of knowledge of EIOPA's activities.

In 2011, EIOPA's Chairman and Executive Director had 34 meetings with industry representatives and international regulatory authorities. They participated in the public hearing of the European Parliament's Committee on Economic and Monetary Affairs, attended 42 conferences, round tables and other public events, and delivered 28 speeches and presentations.

In communications with the general public, mass media such as newspapers, magazines, radio and television are very important intermediaries. The European media have shown an increasing interest in the ESFS and particularly in EIOPA's activities. EIOPA's Chairman and Executive Director have endeavoured to accommodate this interest by giving 35 interviews to a number of media representatives, and 248 media queries were handled by EIOPA's press office. Among its media relations activities, EIOPA organised 4 press conferences and briefings and issued 32 press and web releases.

In December 2011, EIOPA created a special email hotline for enquiries from the public concerning requests for information on issues relating to EIOPA's activities, policies and decisions; the hotline processed around 60 enquiries.

In the course of 2011, EIOPA prepared 20 reports and submissions on topical issues aimed at a professional audience and EU institutions. These include its 'Annual Report 2010', 'Report on The Fifth Quantitative Impact Study for Solvency II', the first and second 'Half-Year Financial Stability Reports', 'Report on Financial Literacy and Education Initiatives by Competent Authorities', Report on calibration of risk factors in the standard formula of Solvency II, and 'Report on the Cross-Border Cooperation Mechanisms between Insurance Guarantee Schemes in the EU', etc.

It is important for EIOPA to have a close cooperation with communication and press services of national supervisory authorities (NSAs). Therefore, in 2011, in cooperation with other ESAs EIOPA organised and hosted an annual meeting of the network of the NSAs' press officers.

According to the EIOPA Regulation, one of the Authority's tasks is to publish – and regularly update – information on its website relating to its field of competence in order to ensure that information is easily accessible to the public. All the documents published by EIOPA on its various activities have been published on EIOPA's website. In 2011, the website had 150 514 individual visitors with 465 436 visits, 5 048 246 pages were viewed, 132.65 GB of data were downloaded and 40 web-alerts were sent to subscribers.



## Chapter IV **Organisational development**

### 4.1 Human resources management

On 1 January 2011, EIOPA had 27 members of staff; it finished the year with 56 staff, including some seconded national experts.

There was a great deal of work throughout the year in the area of recruitment. The management team was increased by two new heads of unit, people management skills being essential selection criteria for these positions. A total of 41 recruitment campaigns had been launched by the end of 2011, including some for 2012; for these, 1 496 applications were processed, 10% of candidates were invited for a pre-screening telephone interview, and 8% were invited for onsite interviews and written tests. The volume of applications clearly indicated a large amount of interest in joining EIOPA during its dynamic start-up phase from those in the job market.

The HR implementing rules were developed in cooperation with the European Commission, the EBA and ESMA, adapting EU Staff Regulations to the specific requirements of the newly established EU agencies. It is worth noting that there is close collaboration among the ESAs in HR matters.

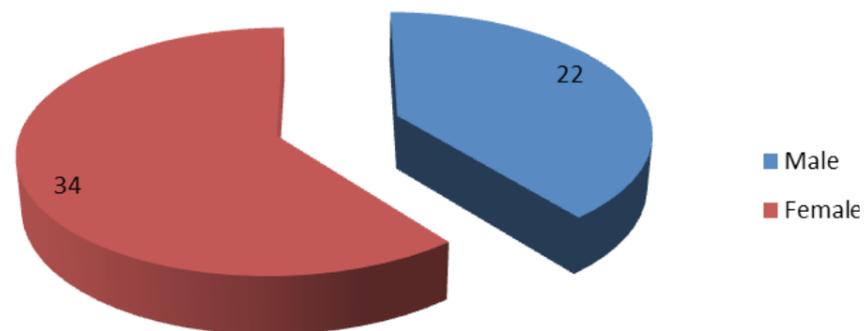
As far as staff development and training are concerned, efforts were made for staff to attend relevant training courses. More work will be required in this area in the coming year. In-house executive coaching was introduced as a development and performance management tool, and it will continue to be used in the future.

In terms of culture and integration, a staff workshop was organised to understand EIOPA's way of working and how staff relate to each other, assess where staff were coming from and predict where they were heading as a team. To facilitate integration at EIOPA, every new colleague joins the mentoring programme in which two different mentors are assigned to him/her (cultural mentor and technical mentor).

A great deal of energy and effort was devoted to close cooperation with the EBA and ESMA, developing and implementing Allegro (an integrated e-HR solution), and enhancing efficiency, transparency and good governance.

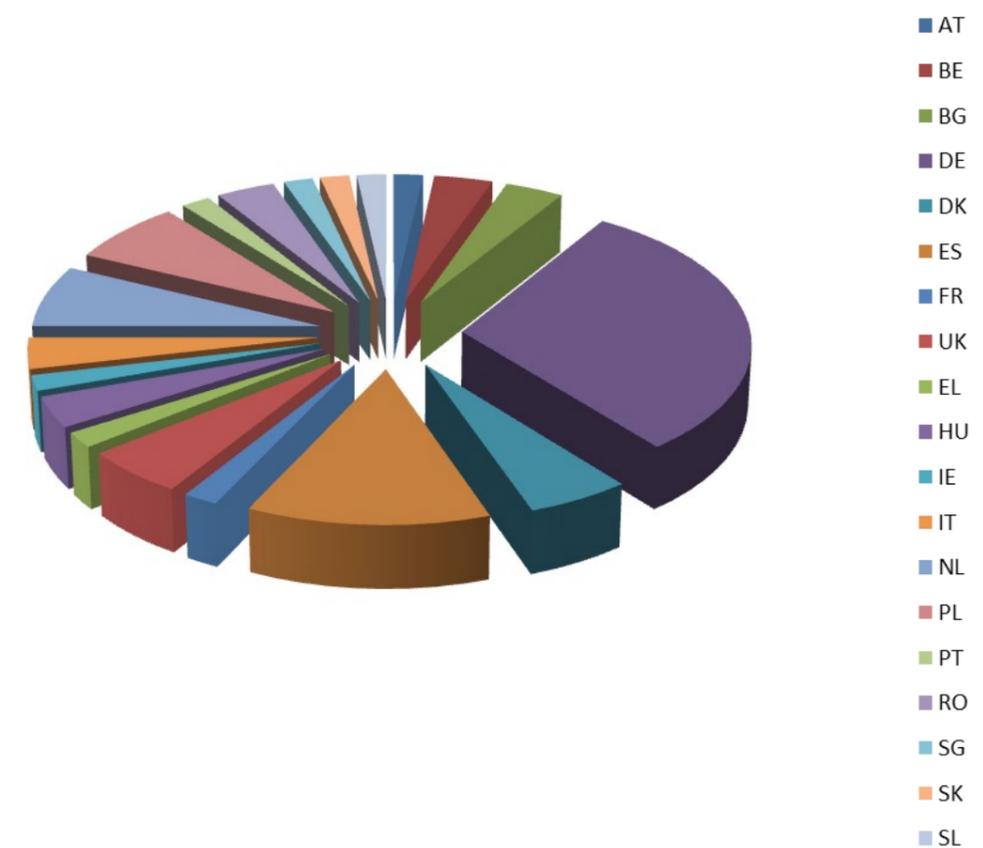
Finally, due to the lack of crèche facilities in Frankfurt, EIOPA worked hard with the City of Frankfurt to set up a crèche for children of EIOPA staff. The crèche will also foster integration with the local community as some places will be reserved for local children.

**Chart 3 Gender breakdown of EIOPA staff in 2011**



**Chart 4 Nationality breakdown of EIOPA staff in 2011**

(A total of 19 nationalities are represented)



#### 4.2 Setting up, Internal functioning and Accounting

The main focus at EIOPA in 2011 was the setting up and the further extension of the Authority. EIOPA was established on 1 January 2011 as the legal successor of the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS). All CEIOPS' assets, liabilities and pending operations of CEIOPS were automatically transferred to EIOPA.

Already in December 2010, the Commission granted EIOPA the status of a "financially independent" Authority with effect as of 1<sup>st</sup> January 2011, reflecting the successful outcome of all the preparatory work requested to and performed by CEIOPS. This was a legal prerequisite for EIOPA to operate and commit on its own behalf.

At its inaugural meeting on 10 January 2011, the EIOPA's Management Board adopted EIOPA's Financial Regulation in order thus to enable EIOPA to execute its mandate as an EU agency.

EIOPA introduced ABAC, the accrual-based accounting system used by the European Commission for the budgetary accounting, on 19 April 2011. During a transition period, from 1 January to 19 April 2011, EIOPA used an Excel-based tool for its budgetary accounting. At the transition date a report was drawn up with commitments and payments.

For the general accounting, EIOPA implemented a system of SAP on 19 April 2011. SAP is the accounting system that is used by the European Commission, and is directly linked to ABAC. Up until this date, EIOPA had used SAGE, the system established by CEIOPS, for the financial accounting. A transition balance was drawn up at the transition date and loaded into ABAC, together with the EIOPA's opening balance.

In September 2011, EIOPA introduced the European Commission's asset registration system of the European Commission (ABAC Assets) to replace the former Excel-based inventory system used by CEIOPS. ABAC Assets is integrated into the EIOPA's accounting system.

EIOPA's Rules of Procedure, as well as the ones of the Board of Supervisors and the Management Board were adopted in January 2011. Further internal rules on professional secrecy and confidentiality, public access to documents, anti-fraud measures and EIOPA's code of good administrative behavior are in force since early 2011<sup>9</sup>. EIOPA also put in place internal control standards specifying the features of EIOPA's internal control systems and processes.

On the 18<sup>th</sup> of October 2011, EIOPA concluded the signature of its Seat Agreement with its hosting country, Germany.

<sup>9</sup> <https://eiopa.europa.eu/about-eiopa/legal-framework/index.html>

## Annex I EIOPA Financial Statement

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



### EIOPA - Balance Sheet- Assets

	Annex n°	31.12.2011	01.01.2011*
<b>ASSETS</b>			
<b>A. NON CURRENT ASSETS</b>			
<b>Intangible assets</b>	A1	<b>255.559,00</b>	<b>287.137,70</b>
<b>Property, plant and equipment</b>	A2	<b>521.456,61</b>	<b>326.123,39</b>
Land and buildings		0,00	0,00
Plant and equipment		0,00	0,00
Computer hardware		163.780,00	80.690,97
Furniture and vehicles		156.603,00	139.629,11
Other fixtures and fittings		201.073,61	105.803,31
<b>TOTAL NON CURRENT ASSETS</b>		<b>777.015,61</b>	<b>613.261,09</b>
<b>B. CURRENT ASSETS</b>			
<b>Short-term receivables</b>		<b>259.364,22</b>	<b>788.157,02</b>
Current receivables	A8, A9	215.014,95	737.129,39
Sundry receivables	A8	11.930,16	
Other - deferred charges		32.419,11	51.027,63
<b>Cash and cash equivalents</b>	A10	<b>5.973.892,52</b>	<b>3.000.726,51</b>
<b>TOTAL CURRENT ASSETS</b>		<b>6.233.256,74</b>	<b>3.788.883,53</b>
<b>TOTAL</b>		<b>7.010.272,35</b>	<b>4.402.144,62</b>

\* EIOPA Opening Balance

### EIOPA - Balance Sheet- Liabilities

	Annex n°	31.12.2011	01.01.2011*
<b>LIABILITIES</b>			
<b>A. Capital</b>	<b>4</b>	<b>726.959,61</b>	<b>650.279,82</b>
Accumulated surplus/deficit		650.869,24	650.279,82
Economic outturn for the year - profit+/loss-		76.090,37	0,00
<b>B. Minority interest</b>		0,00	0,00
<b>C. NON CURRENT LIABILITIES</b>		0,00	0,00
<b>TOTAL A+B+C</b>		<b>726.959,61</b>	<b>650.279,82</b>
<b>D. CURRENT LIABILITIES</b>		<b>6.283.312,74</b>	<b>3.751.864,80</b>
Provisions for risks and charges	<b>L4</b>	143.536,41	186.224,35
Accounts payable		6.139.776,33	3.565.640,45
Current and sundry payables	<b>L5</b>	2.903.802,28	3.458.310,41
Other			
Accrued charges	<b>L7</b>	379.010,07	107.330,04
Accrued charges with consolidated EU entities	<b>N1</b>	6.927,50	
Accounts payable with consolidated EU entities	<b>R</b>	2.850.036,48	0,00
Pre-financing received from consolidated EU entities		2.804.969,81	0,00
Other accounts payable against consolidated EU entities		45.066,67	0,00
<b>TOTAL D. CURRENT LIABILITIES</b>		<b>6.283.312,74</b>	<b>3.751.864,80</b>
<b>TOTAL</b>		<b>7.010.272,35</b>	<b>4.402.144,62</b>

\* EIOPA Opening Balance

### EIOPA - Economic Outturn Account

	Annex n°	2011
Other operating revenue		6.582.710,19
<b>TOTAL OPERATING REVENUE</b>	<b>E1</b>	<b>6.582.710,19</b>
Administrative expenses	<b>E2, E3</b>	-6.232.805,37
All Staff expenses		-3.500.827,75
Fixed asset related expenses		-183.490,65
Other administrative expenses		-2.548.486,97
Operational expenses	<b>E2</b>	-271.926,70
Other operational expenses		-271.926,70
<b>TOTAL OPERATING EXPENSES</b>		<b>-6.504.732,07</b>
<b>SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES</b>		<b>77.978,12</b>
Financial revenues	<b>E4</b>	0,00
Financial expenses	<b>E5</b>	-1.887,75
<b>SURPLUS/ (DEFICIT) FROM NON OPERATING ACTIVITIES</b>		<b>-1.887,75</b>
<b>SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES</b>		<b>76.090,37</b>
<b>ECONOMIC OUTTURN FOR THE YEAR</b>		<b>76.090,37</b>

### EIOPA - Cash flow Table (Indirect Method)

	2011
<b>Cash Flows from ordinary activities</b>	
<b>Surplus/(deficit) from ordinary activities</b>	<b>76.090,37</b>
<b>Operating activities</b>	
<u>Adjustments</u>	
Amortization (intangible fixed assets) +	89.075,50
Depreciation (tangible fixed assets) +	94.415,15
Increase/(decrease) in Provisions for risks and liabilities*	-42.687,94
Increase/(decrease) in Value reduction for doubtful debts	0,00
(Increase)/decrease in Stock	0,00
(Increase)/decrease in Long term Pre-financing	0,00
(Increase)/decrease in Short term Pre-financing	0,00
(Increase)/decrease in Long term Receivables	0,00
(Increase)/decrease in Short term Receivables*	528.792,80
(Increase)/decrease in Receivables related to consolidated EU entities	0,00
Increase/(decrease) in Other Long term liabilities	0,00
Increase/(decrease) in Accounts payable*	-275.900,60
Increase/(decrease) in Liabilities related to consolidated EU entities*	2.850.036,48
Other non-cash movements	2.751,28
<b>Net cash Flow from operating activities</b>	<b>3.322.573,04</b>

<b>Cash Flows from investing activities</b>	
Increase of tangible and intangible fixed assets (-)	-349.407,03
Proceeds from tangible and intangible fixed assets (+)	
<b>Net cash flow from investing activities</b>	<b>-349.407,03</b>
<b>Increase/(decrease) in Employee benefits</b>	<b>0,00</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2.973.166,01</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3.000.726,51</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>5.973.892,52</b>

\* Delta of values at 31.12.2011 against values at 01.01.2011 of EIOPA Opening Balance

### EIOPA – Statement of Changes in Capital

Net assets	Reserves		Accumulated Surplus / Deficit	Economic result of the year	Net assets (total)
	Fair value reserve	Other reserves			
<b>Balance as of 1 January 2011 (EIOPA Opening Balance)</b>	<b>0,00</b>	<b>0,00</b>	<b>650.279,82</b>	<b>0,00</b>	<b>650.279,82</b>
Other 2)			589,42		589,42
Fair value movements					0,00
Movement in Guarantee Fund reserve					0,00
Allocation of the Economic Result of Previous Year			0,00	0,00	0,00
Amounts credited to Member States					0,00
Economic result of the year				76.090,37	76.090,37
<b>Balance as of 31 December 2011</b>	<b>0,00</b>	<b>0,00</b>	<b>650.869,24</b>	<b>76.090,37</b>	<b>726.959,61</b>

## Annex II EIOPA Work Programme 2012

In 2012 EIOPA will already operate as a fully-fledged European agency, however many of the processes and procedures have to be refined or adapted to the growing organisation and new responsibilities. The Work Programme sets out the goals and deliverables for the second year of operations.



### Regulatory tasks

In 2012, EIOPA will deliver draft implementing and regulatory technical standards as well as guidelines in the different work streams, according to specific needs to complement the principles and regulations issued by the European Commission. The concrete scope and timing of these deliverables depend on the final decision on the Omnibus II Directive (OMDII) as well as on the approval of the final Delegated Acts implementing Solvency II.

In 2012, EIOPA will prepare its final advice to the European Commission on the review of the Directive on the activities and supervision of institutions for occupational retirement provision (IORP Directive). EIOPA will then develop specifications and carry out a targeted quantitative impact study (QIS) exercise in order to support the Commission's proposal for a revised IORP Directive.

EIOPA will contribute to the revision of the Insurance Mediation Directive (IMD), by providing a respective advice to the European Commission.

### Supervisory tasks

EIOPA will continue to participate in the work of Colleges of Supervisors and will specifically promote frequent information exchange and discussion on risks. To promote the exchange of information in a safe and sound manner within Colleges of Supervisors, EIOPA will give priority to its work on the implementation of a common IT solution for the secure exchange of information within Colleges, also in crisis times, with the aim to have the tool ready in 2012.

In the course of 2012 EIOPA will launching three peer reviews on the following topics: supervision of branches of EEA insurance entities, supervisory aspects of the pre-application of internal models and supervisory powers to obtain information and intervention regarding IORPs.



### **Consumer Protection and Financial Innovation**

EIOPA will further develop and pursue its leading role in promoting transparency, simplicity and fairness in the market for consumer financial products and services across the internal market. This will be done by developing more standardised and comparable information about the risks and costs of products, relevant regulatory requirements and complaints-handling procedures.

The CCPFI will continue its monitoring and assessment of new or innovative financial activities, release good practices reports and, where deemed appropriate, make proposals for the adoption of guidelines and recommendations with a view to promoting the safety and soundness of markets and convergence of regulatory practice.

### **Financial Stability**

EIOPA will carry out a harmonised, pan-European stress test for the insurance sector in cooperation with the ESRB, the ECB and EBA.

In autumn 2012 EIOPA will deliver an annual assessment of sector developments, highlighting implications for financial stability, with a provisional report in the spring of 2012, outlining main market trends since the end of 2011.

The Authority will also further develop and monitor a risk dashboard in cooperation with the ESRB and other ESAs.

### **Crisis management**

EIOPA will continue to develop its crisis management framework with the focus on the pre-emption element and analytical tools to be used in decision-making. Later in 2012 a simulation exercise to test the operation of the new framework will be carried out. EIOPA will also contribute to the work of the European Commission in developing crisis management proposals for insurance, along with the work of the IAIS on resolution tools for systemically important insurance undertakings.

### **External Relations**

EIOPA's view is elaborated with the Members' support and set forth in the relevant committees of IAIS. Particular focus will be given to raise EIOPA's voice in the IAIS Executive Committee and to promote the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame). At the same time, EIOPA will continue to develop its international relations by holding regulatory dialogues and maintaining a close contact with third countries including the US, China, Japan and Latin America.

EIOPA will also continue to assist the European Commission in preparing equivalence decisions pertaining to supervisory regimes in third countries by way of producing final, fully consulted upon advice.

### **Joint Committee**

In 2012 the Joint Committee will further develop its work in the sub-committees on financial conglomerates, on cross sector developments, risks and vulnerabilities on anti-money laundering and on consumer protection and financial innovation. The exchange of information with the ESRB will also be further developed.

The detailed Work Programme 2012 can be viewed on EIOPA's website:

<https://eiopa.europa.eu/about-eiopa/work-programme/index.html>

# Annex III

## List of the Members and Observers of the EIOPA Board of Supervisors

### AUSTRIA

FINANZMARKTAUFSICHTSBEHÖRDE  
(FMA)  
Otto-Wagner-Platz 5  
A-1090 Wien  
Tel: (0043) 1 249 59 -0  
Fax: (0043) 1 249 59-5499  
www.fma.gv.at

### BELGIUM

NATIONAL BANK OF BELGIUM (NBB)  
Boulevard de Berlaimont 14  
B-1000 Brussels  
Tel: (0032) 2 221 21 11  
info@nbb.be  
www.nbb.be

Financial Services and Markets Authority  
Rue de Congrès, 12-14  
B-1000 Brussels  
www.fsma.be

### BULGARIA

FINANCIAL SUPERVISION COMMISSION  
33, Shar Planina Street  
BG-1303 Sofia  
Tel: (00359) 2 94 04 999  
Fax: (00359) 2 829 43 24  
www.fsc.bg

### CYPRUS

INSURANCE COMPANIES CONTROL  
SERVICE  
P.O. Box 23364  
CY-1682 Nicosia  
Tel: (00357) 22 60 2980  
Fax: (00357) 22 660135  
insurance@mof.gov.cy  
www.mof.gov.cy

SOCIAL INSURANCE SERVICES  
7 Byron Avenue  
CY-1465 Nicosia  
Tel: (00357) 22 40 16 28  
Fax : (00357) 22 67 29 84  
www.mlsi.gov.cy/sid

### CZECH REPUBLIC

CZECH NATIONAL BANK  
Na P\_ikop\_ 28  
CZ-11503 Praha 1  
Tel: (00420) 224 411 111  
Fax: (00420) 224 412 404  
www.cnb.cz

### DENMARK

FINANSTILSYNET  
Aarhusgade 110  
DK-2100 Copenhagen  
Tel: (0045) 33 55 8282  
Fax : (0045) 33 55 8200  
www.finanstilsynet.dk

### ESTONIA

FINANCIAL SUPERVISION AUTHORITY  
Sakala Street 4  
EE-15030 Tallinn  
Tel: (00372) 66 80 500  
Fax: (00372) 66 80 501  
www.fi.ee

### FINLAND

FIN-FSA  
P.O. Box 103  
FI-00101 Helsinki  
Tel: (00358) 10 831 51  
Fax: (00358) 10 831 5328  
www.fin-fsa.fi

### FRANCE

AUTORITÉ DE CONTRÔLE PRUDENTIEL  
(ACP)  
61, rue Taitbout  
F-75436 Paris Cedex 09  
Tel: (0033) 1 55 50 41 41  
Fax: (0033) 1 55 50 41 50  
www.acp.banque-france.fr

### GERMANY

(BaFin) BUNDESANSTALT FÜR  
FINANZDIENSTLEISTUNGS AUFSICHT  
Graurheindorfer Str. 108, D-53117 Bonn  
Georg-von-Boeselager Str. 25, D-53117  
Tel: (0049) 228 4108 0  
Fax: (0049) 228 4108 1550  
info@bafin.de  
www.bafin.de

### GREECE

DEPARTMENT OF PRIVATE  
INSURANCE SUPERVISION  
(Bank of Greece)  
21 Eleftheriou Venizelou Str.  
GR-10250 Athens  
Tel: (0030) 210 3201111  
Fax: (0030) 210 3205437

HELLENIC  
MINISTRY OF EMPLOYMENT AND SOCIAL  
PROTECTION  
General Secretariat for Social Security  
29 Stadiou Street,  
GR-10110 Athens  
www.ggka.gr

### HUNGARY

PÉNZÜGYI SZERVEZETEK ÁLLAMI FELÜGYELETE  
HUNGARIAN FINANCIAL SUPERVISORY  
AUTHORITY  
Krisztina Körút 39.  
H-1013 Budapest  
Tel: (0036 1) 489 91 00  
Fax: (0036 1) 489 91 02  
www.pszaf.hu

ICELAND  
FINANCIAL SUPERVISORY AUTHORITY  
(Fjármálaeftirliti\_)  
Hofdatun 2  
IS -105 Reukjavík  
Tel: (00354) 520 3700  
Fax: (00354) 520 3727  
www.fme.is  
fme@fme.is

### IRELAND

Central Bank of Ireland  
PO Box 559  
Dame Street  
Dublin 2  
Tel: (00353) 1 224 6000  
Fax: (00353) 1 671 6561  
http://www.centralbank.ie

The PENSIONS BOARD  
Verschoyle House  
28/30 Lower Mount Street  
Dublin 2  
Tel: (00353) 1 613 1900  
Fax: (00353) 1 631 8602  
www.pensionsboard.ie

## Annex III

# List of the Members and Observers of the EIOPA Board of Supervisors

### ITALY

ISTITUTO PER LA VIGILANZA SULLE  
ASSICURAZIONI PRIVATE E DI  
INTERESSE COLLETTIVO (ISVAP)  
(Italian Supervisory Authority  
for Private Insurance Sector)  
Via del Quirinale, 21  
I-00187 Rome  
Tel: (0039) 06 42 13 31  
Fax: (0039) 06 42 13 32 06  
www.isvap.it

COMMISSIONE DI VIGILANZA  
SUI FONDI PENSIONE (COVIP)  
Via in Arcione, 71  
I-00187 Rome  
Tel: (0039) 06 6950 61  
Fax: (0039) 06 6950 6271  
www.covip.it

### LATVIA

FINANCIAL AND CAPITAL  
MARKET COMMISSION  
1 Kungu street  
LV-1050 Riga  
Tel: (00371) 6 777 4800  
Fax: (00371) 6 722 5755  
www.fktk.lv  
e-mail: fktk@fktk.lv

### LIECHTENSTEIN

FINANCIAL MARKET AUTHORITY (FMA)  
Landstrasse 109  
P.O. Box 279  
LI-9490 Vaduz  
Tel: (00423) 236.73 77  
Fax: (00423) 236.73.76  
http://www.fma-li.li

### LITHUANIA

BANK OF LITHUANIA  
Zirmunu str. 151,  
LT-09128 Vilnius  
Tel: (00370) 5 268 0501  
Fax: (00370) 5 261 5665  
www.lb.lt

### LUXEMBOURG

COMMISSARIAT AUX ASSURANCES  
7, boulevard Royal  
L-2449 Luxembourg  
Tel: (00352) 22 69 11 1  
Fax: (00352) 22 69 10  
commassu@commassu.lu  
www.commassu.lu

COMMISSION DE SURVEILLANCE DU  
SECTEUR FINANCIER  
110, route d'Arlon  
L-2991 Luxembourg  
Tel: (00352) 26251-1  
Fax: (00352) 26251-601  
direction@cssf.lu  
www.cssf.lu

### MALTA

MALTA FINANCIAL SERVICES AUTHORITY  
Notabile Road  
Attard  
MALTA BKR 14  
Tel: (00356) 21 44 11 55  
Tel: (00356) 21 44 11 88  
www.mfsa.com.mt

### NETHERLANDS

DE NEDERLANDSCHE BANK  
P.O. Box 98  
NL-1000 AB Amsterdam  
Tel: (0031) 20 524 9111  
Fax: (0031) 20 524 2500  
www.dnb.nl

### NORWAY

FINANSTILSYNET  
The Financial Supervisory Authority  
of Norway  
Postboks 1187 Sentrum  
NO-0107 Oslo  
Tel: (0047) 22 93 98 00  
Fax: (0047) 22 63 02 26  
www.finanstilsynet.no

### POLAND

POLISH FINANCIAL SUPERVISION AUTHORITY  
(KOMISJA NADZORU FINANSOWEGO)  
Pl. Powstancow Warszawy 1  
PL-00950 Warszawa  
Tel: (0048) 22 262-50-00  
Fax: (0048) 22 262-51-11 (95)  
www.knf.gov.pl

### PORTUGAL

INSTITUTO DE SEGUROS DE PORTUGAL  
(Portuguese Insurance and Pension  
Funds Supervisory Authority)  
Avenida da República, 76  
PT-1600-205 Lisboa  
Tel: (00351) 21 790 31 00  
Fax: (00351) 21 793 85 68  
www.isp.pt

### ROMANIA

INSURANCE SUPERVISORY COMMISSION  
Amiral Constantin Balescu Str. 18  
RO-011954 Bucharest 1  
www.csa-isc.ro

ROMANIAN PRIVATE PENSION SYSTEM  
SUPERVISION COMMISSION (CSSPP)  
90-92 Calea \_erban Vod\_, Sector 4  
RO-040213 Bucharest  
Tel.: (0040) 21 330 1035  
Fax: (0040) 21 330 1031  
www.csspp.ro

### SLOVAKIA

NATIONAL BANK OF SLOVAKIA  
Imricha Karvasa 1  
SK-81325 Bratislava  
Tel: (00421) 2 57 87 3301  
Fax: (00421) 2 57 87 3453  
http://www.nbs.sk

### SLOVENIA

INSURANCE SUPERVISION AGENCY  
Trg republike 3,  
SLO-1000 Ljubljana  
Tel: (00386) 1 25 28 600  
Fax: (00386) 1 25 28 630  
www.a-zn.si

# Annex III

## List of the Members and Observers of the EIOPA Board of Supervisors

### SPAIN

DIRECCIÓN GENERAL DE SEGUROS  
Y FONDOS DE PENSIONES  
MINISTERIO DE ECONOMÍA Y COMPETITIVIDAD  
Tel: (0034) 91 339 71 00  
Fax: (0034) 91 339 71 13  
Paseo de la Castellana, 44  
E-28046 Madrid  
internacional.dgsfp@minhap.es  
www.dgsfp.meh.es

### SWEDEN

FINANSINSPEKTIONEN  
FINANCIAL SUPERVISORY AUTHORITY  
Tel: (0046) 87 87 8000  
Fax: (0046) 824 1335  
P.O. Box 7821, Brunnsgatan 3  
S-10397 Stockholm  
www.fi.se

### UNITED-KINGDOM

FINANCIAL SERVICES AUTHORITY (FSA)  
25 The North Colonnade  
Canary Wharf  
GB-London E14 5HS  
Tel: (0044) 20 7066 1000  
Fax: (0044) 20 7066 1099  
www.fsa.gov.uk

THE PENSIONS REGULATOR  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW  
Tel: +44 1273 811 800  
www.thepensionsregulator.gov.uk

### EUROPEAN COMMISSION

Direction Générale Marché Intérieur  
Rue de la Loi, 200  
B-1049 Brussels  
Tel: (0032) 2 295 79 54  
Fax: (0032) 2 299 3075

### EBA

European Banking Authority  
Tower 42 (level 18)  
25 Old Broad Street  
London EC2N 1HQ  
Tel: (0044) 207 382 1781  
Fax: (0044) 207 382 1771  
<http://www.eba.europa.eu/>

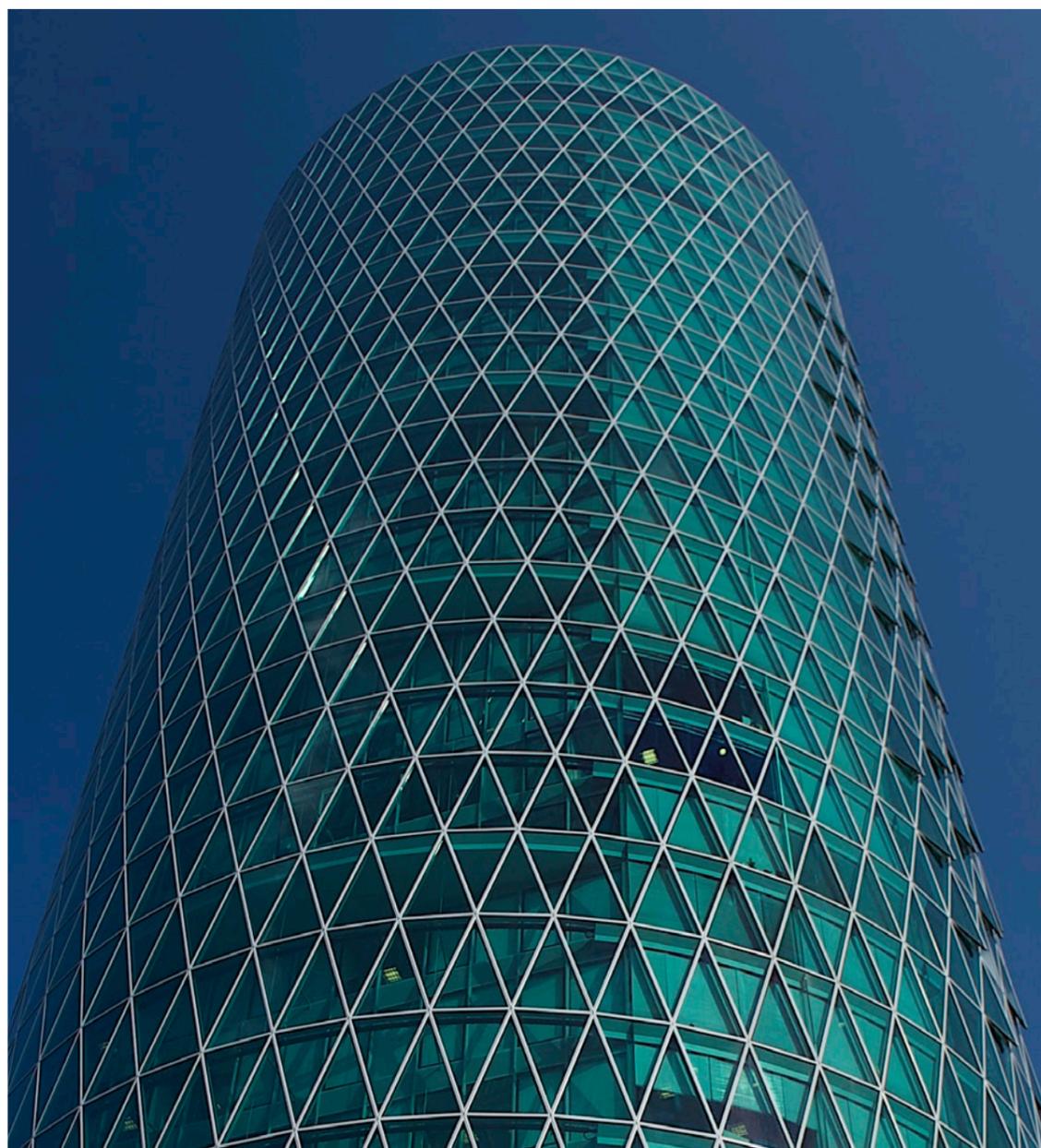
### ESMA

European Securities and Markets Authority  
103, rue de Grenelle  
F-75007 Paris  
Tel: (0033) 158 364 321  
Fax: (0033) 158 364 330  
<http://www.esma.europa.eu/>

### ESRB

European Systemic Risk Board  
Kaiserstrasse 29  
D-60311 Frankfurt am Main  
[www.esrb.europa.eu](http://www.esrb.europa.eu)

## Annex IV Overview of EIOPA Stakeholder Groups membership



EIOPA Insurance and Reinsurance Stakeholder Group (at 31.12.2011)							
No	Category	Name	Country	Subgroups			
				Consumer Protection	Anti-Discrimination	Reporting	ORSA
1.	Industry (insurance undertakings)	Mr. Oliver Bäte	DE	✓			
2.		Mr. Yanick Bonnet	FR				✓
3.		Mr. Paul Carty	IE	✓			
4.		Mr. Hugh Francis	UK			✓	
5.		Ms. Pilar Gonzalez de Frutos	ES				
6.		Mr. Asmo Olavi Kalpala	FI		✓		
7.		Ms. Michaela Koller, Chairperson	DE	✓			
8.		Mr. Jean Christophe Menioux	FR		✓		Lead
9.		Mr. Gerard van Olphen	NL				
10.		Mr. Joachim Wenning	DE				
11.	Consumers	Ms. Ann Kay Blair, Vice-Chairperson	UK	✓			
12.		Mr. Mads Mølgaard Braüner	DK	✓			
13.		Mr. Lars Gatschke	DE	Lead			
14.		Mr. Marcin Kawiński	PL	✓	Lead		✓
15.		Ms. Baiba Miltovica	LV	✓			
16.	Users of insurance and reinsurance services	Mr. Thomas Behar	FR	✓		Lead	✓
17.		Mr. Seamus Creedon	IE		✓		✓
18.		Mr. Guenter Droese	DE	✓			
19.		Mr. Francis Frizon	FR	✓			
20.		Mr. Robert Crawford Jones	UK			✓	
21.		Mr. Jérôme Lecoq	BE				
22.		Ms. Christianne Verhaegen	BE				
23.		Ms. Daniela Weber-Rey	DE				✓
24.	Trade Unions	Mr. Raffaella Infelisi	IT				
25.		Mr. Damien Lagaude	FR	✓			✓
26.	Academics	Ms. Rym Ayadi	Tunisia	✓		✓	✓
27.		Mr. Dario Focarelli	IT				
28.		Mr. Helmut Johannes Gründl	DE	✓			
29.		Ms. Maria Heep-Altiner	DE			✓	✓
30.		Mr. Alexander N. Sadovski	BG	✓	✓		

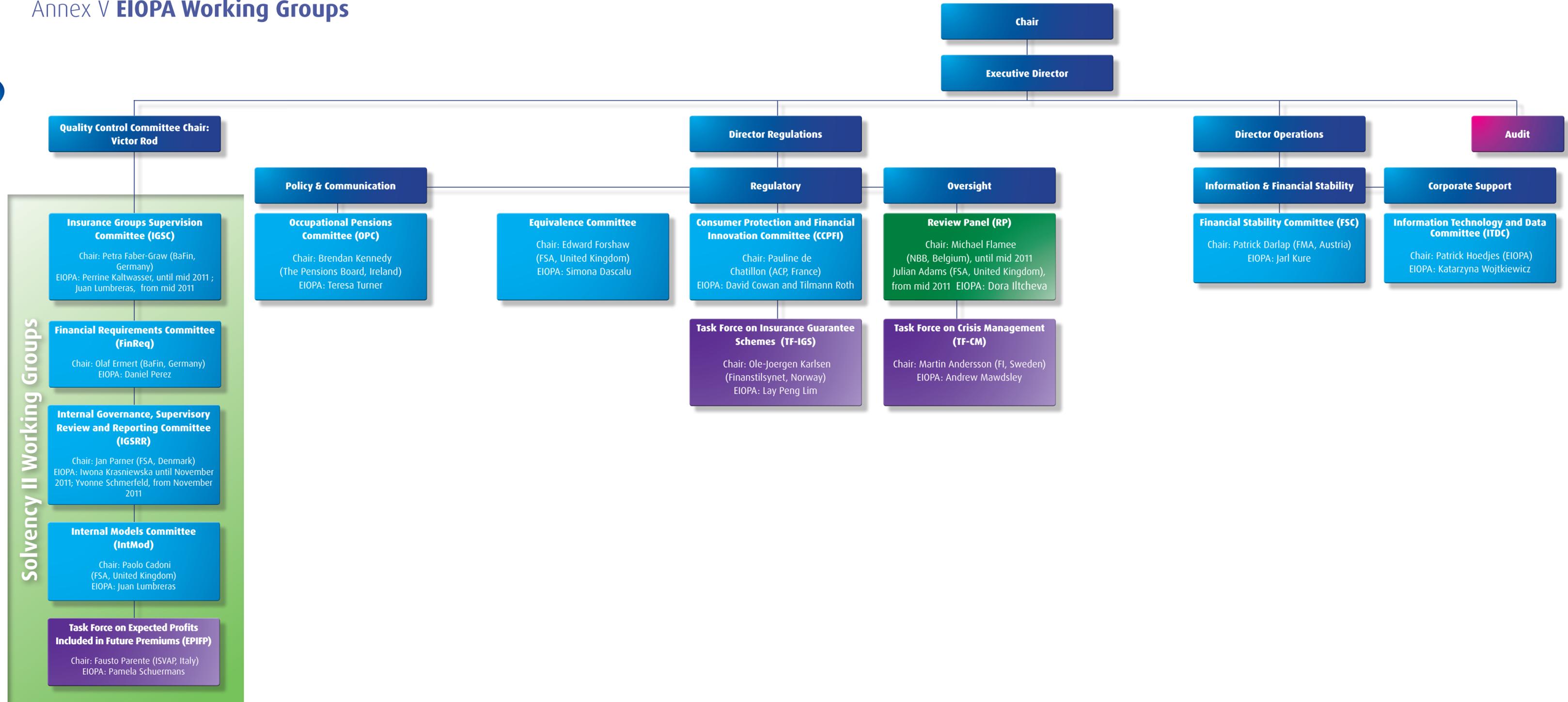
## EIOPA Occupational Stakeholder Group (at 31.12.2011)

No	Category	Name	Country	Steering Group for IORPs for opinion
1.	Industry (IORPs)	Mr. Gabor Borza	HU	
2.		Mr. Fritz Janda	AT	
3.		Mr. Niels Kortleve	NL	✓
4.		Ms. Patricia Plas	BE	
5.		Mr. Joachim Schwind	DE	
6.		Ms. Maria Isabel Semião	PT	
7.		Ms. Martine Van Peer	BE	
8.		Mr. Benne van Popta, Vice-Chairperson	NL	✓
9.		Ms. Christianne Verhaegen, Chairperson	BE	Lead
10.		Mr. Allan Whalley	UK	
11.	Consumers/Beneficiaries	Mr. Marcin Kawiński	PL	
12.		Ms. Baiba Miltovica	LV	
13.		Mr. Klaus Struwe	DK	
14.	Users of occupational pensions services	Ms. Ruth Goldman	UK	✓
15.		Mr. Régis de Laroulliere	FR	
16.		Mr. Philip Shier	IE	✓
17.		Mr. Charles Cronin	UK	
18.	Mr. Frank Ellenbürger	DE		
19.	Employee/Employer representatives	Mr. Henri Lourdelle	FR	
20.		Mr. Otto Farny	AT	
21.		Ms. Naomi Cooke	UK	
22.		Mr. Douglas Taylor	UK	
23.		Mr. Bruno Gabellieri	FR	
24.		Mr. Giuseppe Rocco	IT	✓
25.	Mr. Bernhard Wiesner	DE		
26.	Academics	Mr. Gunnar Andersson	SE	
27.		Mr. Manuel Peraita	ES	
28.		Ms. Frederica Seganti	IT	
29.		Mr. Dariusz Stańko	PL	
30.		Mr. Yves Stevens	BE	



# Annex V EIOPA Working Groups

V



## Annex VI List of abbreviations

VI

<b>3AMLD</b>	Third Anti-Money Laundering Directive
<b>3L3 (Committees)</b>	Three Level 3 Committees
<b>AMICE</b>	Association of Mutual Insurers and Insurance Cooperatives in Europe
<b>AML</b>	3rd Anti-Money Laundering Directive
<b>AMLTF</b>	Anti-Money Laundering Task Force
<b>ASC</b>	Advisory Scientific Committee
<b>ASSAL</b>	Latin American Association of Insurance Supervisors
<b>ATC</b>	Advisory Technical Committee
<b>CCPFI</b>	Committee on Consumer Protection and Financial Innovation
<b>CEA</b>	European Insurance and Reinsurance Federation
<b>CEBS</b>	Committee of European Banking Supervisors
<b>CEIOPS</b>	Committee of European Insurance and Occupational Pensions Supervisors
<b>CESR</b>	Committee of European Securities Regulators
<b>CFO Forum</b>	Chief Financial Officers Forum
<b>CFSSA</b>	Croatian Financial Services Supervisory Agency
<b>CIRC</b>	China Insurance Regulatory Commission
<b>CLD</b>	Consolidated Life Insurance Directive
<b>CNSF</b>	Comision Nacional de Seguros y Fianzas, Mexico
<b>ComFrame</b>	Common Framework for the Supervision of Internationally Active Insurance Groups
<b>CP</b>	Consultation paper
<b>CRD</b>	Capital Requirements Directive
<b>CRO Forum</b>	Chief Risk Officers Forum
<b>CTF</b>	Counter terrorist financing
<b>EBA</b>	European Banking Authority
<b>ECOFIN</b>	Economics and Finance Ministers of the Member States

<b>EEA</b>	European Economic Area
<b>EFC</b>	Economic and Financial Committee
<b>EFCC</b>	The European Financial Conglomerates Committee
<b>EFC-FST</b>	Financial Stability Table of the Economic and Financial Committee
<b>EFRAG</b>	European Financial Reporting Advisory Group
<b>EIOPA</b>	European Insurance and Occupational Pensions Authority
<b>EPIFP</b>	Task Force on expected profits included in future premiums
<b>ESA</b>	European Supervisory Authority
<b>ESFS</b>	European System of Financial Supervision
<b>ESMA</b>	European Securities and Markets Authority
<b>ESRB</b>	European Systemic Risk Board
<b>EU</b>	European Union
<b>FICOD</b>	Financial Conglomerates Directive
<b>FINMA</b>	Swiss Financial Market Supervisory Authority
<b>FinReq</b>	Financial Requirements Committee
<b>FIO</b>	US Federal Insurance Office
<b>FSB</b>	South African Financial Services Board
<b>FSC</b>	Financial Services Committee
<b>FSC</b>	Financial Stability Committee
<b>FST</b>	Financial Stability Table
<b>g-SIFIs</b>	Global systemically important financial institutions
<b>IAIS</b>	International Association of Insurance Supervisors
<b>IASB</b>	International Accounting Standards Board
<b>IFRS</b>	International Financial Reporting Standards
<b>IGS</b>	Insurance Guarantee Schemes

## Annex VI List of abbreviations

VI

<b>IGSC</b>	Insurance Groups Supervision Committee
<b>IGSRR</b>	Internal Governance, Supervisory Review and Reporting Committee
<b>ILS</b>	Insurance Linked Securities
<b>IMD</b>	Insurance Mediation Directive
<b>IntMod</b>	Internal Models Committee
<b>IOPS</b>	International Organisation of Pension Supervisors
<b>IORP</b>	Institution for Occupational Retirement Provision
<b>IORP Directive</b>	Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision
<b>IRSG</b>	Insurance & Reinsurance Stakeholder Group
<b>ITDC</b>	Information Technology and Data Committee
<b>IWCFC</b>	Interim Working Committee on Financial Conglomerates
<b>JCFC</b>	Joint Committee on Financial Conglomerates
<b>JGSR</b>	Joint Group on the cooperation between the ESAs and the ESRB on Systemic Risk
<b>MCR</b>	Minimum Capital Requirement
<b>MiFID</b>	Markets in Financial Instruments Directive (Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC, OJ No. L 145 of 30 April 2004)
<b>MoU</b>	Memorandum of Understanding
<b>NAIC</b>	US National Association of Insurance Commissioners
<b>OMDII</b>	Omnibus II Directive
<b>OPC</b>	Occupational Pensions Committee
<b>OPSG</b>	Occupational Pensions Stakeholder Group
<b>ORSA</b>	Own Risk and Solvency Assessment
<b>PRIP</b>	Packaged Retail Investment Product

<b>QCC</b>	Quality Control Committee
<b>QIS</b>	Quantitative Impact Study
<b>QIS4</b>	Fourth Quantitative Impact Study
<b>QIS5</b>	Fifth Quantitative Impact Study
<b>SCR</b>	Solvency Capital Requirement
<b>SDD</b>	Simplified Due Diligence
<b>SIFIs</b>	Systemically important financial institutions
<b>SPV</b>	Special Purpose Vehicle
<b>SRP</b>	Supervisory Review Process
<b>SSC</b>	Solvency & Actuarial Issues Committee
<b>SUSEP</b>	Brazilian competent supervisory authority for the private insurance sector
<b>TFIG</b>	Task Force on Internal Governance
<b>TF-IGS</b>	Task Force on Insurance Guarantee Schemes
<b>UBO</b>	Ultimate Beneficial Owner
<b>VaR</b>	Value at Risk

## Annex VII

# Declaration of Assurance by the Authorising officer

VII

I, undersigned, Carlos Montalvo, Executive Director of the European Insurance and Occupational Pensions Authority (EIOPA) in my capacity as authorising officer;

Declare that the information contained in this Annual Report 2011 gives a true and fair view ;

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give 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;

Confirm that I am not aware of anything not reported here which could harm the interests of the Authority.

Carlos Montalvo



Frankfurt, 15 June 2012