



Consolidated **ANNUAL ACTIVITY REPORT 2019**



#PENSIONS #INSURANCE

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**CONSOLIDATED
ANNUAL ACTIVITY REPORT
2019**

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ANALYSIS AND ASSESSMENT OF THE CONSOLIDATED ANNUAL ACTIVITY REPORT 2019 BY THE BOARD OF SUPERVISORS

EIOPA's Board of Supervisors (BoS) takes note of the Consolidated Annual Activity Report (CAAR) 2019, submitted by the Authorising Officer in accordance with Article 48(1) of the Financial Regulation (FR) applicable to EIOPA. Analysing and assessing the CAAR 2019 BoS has made the following observations:

- › The report contains a comprehensive and thorough account of the activities carried out by EIOPA in the implementation of its mandate and programme of work during 2019. EIOPA has met its obligations under Article 48(1), providing a detailed account of the results achieved in relation to the objectives set in the Annual Work Programme 2019, financial and management information, as well as the risks related to the organisational activities and measures taken to address them.
- › BoS acknowledges the continued challenges EIOPA faces in terms of efficient use of its resources and welcomes EIOPA's efforts to prioritize in order to deal with a demanding workload. BoS also welcomes EIOPA's continued effort to re-allocate its resources from establishing regulation to overseeing its consistent implementation, recognising the need to maintain sufficient levels of staff in regulatory roles based on ongoing demand for this work.
- › BoS welcomes EIOPA's efforts to embody environmental, sustainability and governance considerations in the regulatory frameworks for insurance and pensions. BoS also welcomes EIOPA's work in digitalisation and cyber, particularly in establishing a supervisory approach that supports the benefits of digitalisation while maintaining protection for consumers.
- › BoS welcomes the significant contribution EIOPA has made in the field of consumer protection with its strategy for conduct of business supervision and welcomes changes to EIOPA's regulation that will strengthen EIOPA's contribution in this field. BoS also welcomes the Authority's work to ensure the consistent implementation the Insurance Distribution Directive.
- › BoS welcomes EIOPA's continued contribution to building an effective and consistent level of supervision across the EU. In particular, BoS welcomes the ongoing focus on cross-border business, particularly with regards to EIOPA's cross-border cooperation platforms, for which changes to EIOPA's regulation will strengthen its mandate. BoS supports EIOPA's supervisory convergence plans and acknowledges the comprehensive set of objectives and activities established in these plans to achieve supervisory convergence.
- › BoS welcomes EIOPA's continued preparations for the review of Solvency II including the review of the Long Term Guarantees. BoS also welcomes the Review of Reporting and Disclosure Commission Implementing Regulations following amendment of Delegated Regulation and regulatory feedback loop.
- › BoS, acknowledging the multiple and potentially damaging consequences of the UK's withdrawal from the EU (Brexit), and welcomes EIOPA's ongoing preparations for addressing those within its mandate and those pertaining to its operations.
- › BoS welcomes EIOPA's continued monitoring and analysis of vulnerabilities in the market and financial stability risks. In particular, BoS acknowledges EIOPA's efforts to publish its quarterly risk dashboard and half-yearly financial stability report, along with increasing the availability of statistics on the market in 2019. BoS also welcomes EIOPA's pensions stress test, which focused on the key risks the sector faces.
- › BoS welcomes EIOPA's efforts to prepare for its new tasks and powers stemming from changes to its regulation following the review of the European Supervisory Authorities and the Pan-European Personal Pensions product (PEPP).

- BoS welcomes the way in which EIOPA followed up on the discussions of the BoS Strategy Day, particularly with respect to the themes of EIOPA's strategic approach to financial stability and SupTech (supervisory technology).
- BoS notes the positive results of successful management of the Authority's tasks and resources, indicated by the extremely high rate of delivery of products and services as planned or within a minor delay, as well as the targets met in terms of EIOPA's key performance indicators on management of its financial resources.
- BoS notes EIOPA's diligent response to findings from the European Court of Auditors, the Internal Audit Service and the Authority's Quality Control Committee and supports EIOPA's efforts in its transparent implementation of the respective recommendations.
- BoS considers that EIOPA is running effectively and efficiently and is delivering the expected products and services to high standards of quality.

Gabriel Bernardino

Chairman of the Board of Supervisors

FOREWORD BY THE CHAIRMAN

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

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

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

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



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

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

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

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

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

Climate change dominated the news in 2019. Our work in this area included an Opinion on how to integrate climate-related risks in Solvency II and, for the first time, an assessment of environmental, social and governance exposures in the occupational pensions stress test. In the transition to a green economy, we firmly believe that insurers play a stew-

ardship role in contributing to climate change adaptation and mitigation, through their investment and underwriting activities. As long-term investors, pension funds too can play a similar role.

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

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

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

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

Gabriel Bernardino

FOREWORD BY THE EXECUTIVE DIRECTOR

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

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



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

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

EIOPA welcomed the adoption of the legislative proposal for a pan-European personal pension product (PEPP) and immediately started work on preparing supporting regulation to ensure proper implementation of PEPP. EIOPA also began work on the new processes and IT solutions required to register products and oversee national supervision.

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

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

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

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

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

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

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

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

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

Fausto Parente

EXECUTIVE SUMMARY

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

Driving forward conduct of business supervision and regulation

EIOPA is mandated through its Regulation to take a leading role in promoting transparency, simplicity and fairness across the internal market. Building a sound regulatory framework is essential to this.

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

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

A thematic review into consumer protection issues in travel insurance revealed that some business models carry heightened conduct risks, including remuneration structures based on very high commissions, often resulting in consumer detriment. As a result of this review, EIOPA issued a warning to insurers and insurance intermediaries to tack high commissions related to travel insurance products.

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

Leading convergence towards high-quality prudential supervision

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

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

In the context of the implementation of the Institutions for Occupational Retirement Provisions – IORP II Directive, EIOPA focused its work on achieving proportional and relevant application of IORP II throughout Europe. EIOPA also worked on the development of model pension benefit statements to help members get a better idea of their pension pot and the income they could receive retired.

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

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

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

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

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

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

Strengthening the financial stability of the insurance and occupational pensions sectors

EIOPA continued to identify trends and potential risks and vulnerabilities that could have an adverse effect on the pension and insurance sectors across Europe. As part of this work, throughout the course of this year, EIOPA published insurance and occupational pension statistics, including the second Annual Insurance Overview, the risk dashboard on a quarterly basis and the financial stability report twice a year. A key challenge continues to be the prolonged low yield environment.

In 2019, EIOPA also conducted a stress test on the occupational pensions sector. The findings showed that the adverse scenario applied for the test would wipe off almost one quarter of the value of investment assets of the sample, leading to substantial benefit reductions.

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

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

Cross-cutting themes

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

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

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

Delivering the mandate effectively and efficiently

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

INTRODUCTION

Across Europe, people rely on insurance policies and pension funds to protect them from risks and to ensure an adequate standard of living in retirement.

A well-functioning insurance and pensions market therefore not only brings peace of mind to citizens, but also underpins a strong and resilient economy.

The role of the supervisor is to ensure that markets function well, consumers are protected and the industry is able to withstand shocks.

As a European Supervisory Authority, the European Insurance and Occupational Pensions Authority (EIOPA, or the Authority) is at the heart of insurance and pension supervision in Europe.

EIOPA's overarching mission is to contribute to the stability and effectiveness of the financial system for the benefit of Europe's economy, businesses and citizens. Its main tasks are to enhance supervisory convergence, strengthen consumer protection and preserve financial stability in the field of insurance and pensions.

EIOPA works closely with national competent authorities (NCAs) to fulfil its mandate and activities set out in its annual work programme.

THE AUTHORITY'S STRATEGIC OBJECTIVES FOR 2019 WERE:

- › Driving forward conduct of business regulation and supervision
- › Leading convergence towards high-quality prudential supervision throughout the EU
- › Strengthen the financial stability of the insurance and occupational pension sectors
- › Delivering EIOPA's mandate effectively and efficiently
- › In addition, EIOPA worked on the following cross-cutting priorities:
 - › Sustainable finance, including climate change
 - › InsurTech, including Big Data and cyber risk

DRIVING FORWARD CONDUCT OF BUSINESS SUPERVISION AND REGULATION

EIOPA continues to implement its comprehensive risk-based and preventative framework for conduct of business supervision to further strengthen the protection of policyholders and beneficiaries.

During 2019, EIOPA also took steps to further implement a smart regulatory framework.

DEVELOPING AND STRENGTHENING THE REGULATORY FRAMEWORK FOR THE PROTECTION OF CONSUMERS

EIOPA is mandated through its Regulation to take a leading role in promoting transparency, simplicity and fairness across the internal market. A central tool to achieve this is building a sound regulatory framework.

In the context of the Insurance Distribution Directive (IDD), EIOPA worked on a number of deliverables, including the provision of technical advice to the European Commission on incorporating sustainability risks in Level 2 delegated acts and an examination of general good rules.

IDD: GENERAL GOOD RULES

EIOPA examined different national general good provisions, published by competent authorities both in terms of their level of accessibility in the context of what constitutes 'appropriate publication' under the IDD, but also carried out a thematic analysis of the different national rules to assess the extent to which they impact on the proper functioning of the IDD and the internal market.

General good rules are provisions which are part of the legal system of the host Member State. The basic principle underlying the general good in the insurance sector is that an insurance undertaking or an insurance intermediary operating under the respective arrangements laid down by Solvency II or the Insurance Distribution Directive (IDD) is obliged to adapt its activities to the host Member State rules if the measures enforced against it serve the general good, irrespective of whether it carries on those activities through freedom of establishment (namely, as a branch) or under the freedom to provide services.

EIOPA is of the view that a number of follow-up actions are needed to ensure that general good rules are published appropriately and applied in a manner that ensures the proper functioning of the IDD and the internal market.

»» Read more about the General Good Rules: <https://europa.eu/!VW88hr>

DEVELOPING AND STRENGTHENING A COMPREHENSIVE RISK-BASED AND PREVENTIVE FRAMEWORK FOR APPROPRIATE CONDUCT OF BUSINESS SUPERVISION

In 2019, EIOPA significantly strengthened its work on conduct of business supervision, paying closer attention to how insurers do business and how this is supervised.

In line with the approach set out in the updated conduct of business strategy, EIOPA initiated visits to national conduct authorities to gain a better understanding of national conduct authority practices, to bring an external perspective and challenge where necessary. In 2019, EIOPA carried out 6 conduct country visits.

EIOPA also continued to carry out market monitoring activities, notably through its annual consumer trends report, as a key activity to identify emerging risks and ar-

reas of potential harm for consumers. Where EIOPA sees patterns that could result in harm for consumers, further investigation takes place using different tools, such as thematic reviews.

MARKET MONITORING

Market monitoring of consumer trends in 2019 showed that digitalisation remains a broadly noteworthy trend, showing that financial innovation can bring benefits for both insurers and consumers, so long as they are adequately designed and properly implemented.

CONSUMER TRENDS REPORT 2019

The key findings from the Consumer Trends Report 2019 highlighted that:

- › Transparency and disclosure of information to consumers has overall improved;
- › The digitalisation of the insurance sector continues showing potential for improving the consumer experience and brings new opportunities for insurers;
- › However, areas that could cause potential consumer detriment continue being reported, with possible risks for consumers across the product lifecycle;
- › Particular concerns relate to unit-linked, credit life/credit protection and add-on insurance products as well as claims management in motor insurance.

›› Read more: <https://europa.eu/!Vc96Xq>



The exercise also showed that conduct issues related to unit-linked, credit life/credit protection insurance and add-on insurance products have become more prevalent. Claims management in motor insurance, in particular in some markets, also remains an area of concern. As a follow up to this, EIOPA has launched a comprehensive thematic review on mortgage life and other credit protection insurance sold through banks in early 2020, to gather evidence on areas of potential consumer detriment.

For pensions, with life expectancy increasing, there is growing strain on the decumulation phase. To address this, changes and innovation, such as life cycling or delayed retirement, are taking place.

In early 2019, EIOPA published its first Report on Costs and Past Performance of insurance and pension products following a request of the European Commission to the European Supervisory Authorities (ESAs) to periodically

report on costs and past performance of retail investment, insurance and pension products.

The report provided aggregate data on the costs of insurance-based investment products (IBIPs) across the European Union as well as for certain similar personal pension products (PPPs) and set out the net performance for the period between 2013 and 2017. The report showed that costs vary depending on the type of product, premium, risk

category and jurisdiction. Variations in asset management costs related to different risk categories are a major factor.

The report concluded that due to the differences between products, there are significant challenges with comparing performance, for example in view of the values of guarantees, the impact of smoothing mechanisms and terminal bonuses of profit participation products, and the impact of risk and volatility. A second report was published in April 2020.

CONSUMER PROTECTION ISSUES IN TRAVEL INSURANCE: A THEMATIC REVIEW

Travel insurance is mostly a ‘small-ticket’ business, but it can be critical for consumers, since the impact of insufficient cover or denied claims – in particular for medical expenses while travelling – can be extensive at the individual level.

Through its thematic review, EIOPA concluded that systematic failings in the travel insurance market as a whole were not identified, and travel insurance products remain valuable for consumers. However some business models carry heightened conduct risks, including remuneration structures based on very high commissions. This leads to consumer detriment.

The review also revealed that:

- Although the average commissions in travel insurance are around 24% of the gross written premium (GWP), there are insurers that pay extremely high commissions to distributors, in some cases significantly more than 50% of the premium.
- The average claims ratio is 40% of the GWP and there is limited difference regardless of the distribution channel. However, there are very wide variations in these ratios; some insurers have claims ratios below 20% of the GWP. These are a strong indicator of potential low value for consumers.



CONSUMER PROTECTION
ISSUES IN TRAVEL
INSURANCE:
A THEMATIC REVIEW

<https://eiopa.europa.eu/>



As a result of this thematic review on travel insurance, EIOPA issued in October 2019 a warning to insurers and insurance intermediaries to tackle high commissions for travel insurance products.

ON THE RISE (2019): INTERNATIONAL TOURISM

8.4%

Increase in the number of International arrivals to Europe in 2017 against a global average of 7%

48%

Outbound tourism from European nations in 2017

1.5 Billion

Number of trips made by EU residents in 2017

62%

EU residents made at least one personal trip in 2017

➤➤ Read more: <https://europa.eu/lyk74Gq>

LEADING CONVERGENCE TOWARDS HIGH-QUALITY PRUDENTIAL SUPERVISION

EIOPA's work to lead convergence towards high-quality prudential supervision is divided into three key areas: a sound, smart and robust regulatory framework, enhancing the use and quality of supervisory information, and improving the quality and consistency of supervision.

ENABLING SUPERVISORY CONVERGENCE WITH A SOUND, SMART AND ROBUST REGULATORY FRAMEWORK RESPONSIVE TO MARKET DEVELOPMENTS

SUPPORTING THE CONVERGENT AND CONSISTENT APPLICATION OF SOLVENCY II

In 2019, EIOPA dedicated considerable effort both to the support the convergent and consistent application of Solvency II and to ensure the effective 2020 review.

As part of this work, EIOPA regularly reported on different aspects of Solvency II. These reports include:

- Annual report on the use of capital add-ons under Solvency II
- Annual report on the use of limitations and exemptions from reporting under Solvency II (published January 2020)
- Annual report on the use of impact of long-term guarantee measures and measures on equity risk

Opinion on sustainability in Solvency II

In response to a request from the European Commission, in September 2019, EIOPA published an Opinion on sustainability and Solvency II, addressing the integration of climate-related risks in Solvency II.

While Solvency II is well equipped to accommodate sustainability risks and factors, climate change brings considerable challenges to the valuation of assets and liabilities, underwriting and investment decisions and risk measurement.

In its Opinion, EIOPA called on (re)insurers to implement measures linked with climate change-related risks, especially in view of a substantial impact to their business strategy. Consequently, EIOPA stresses the importance of scenario analysis in the undertakings' risk management.

To increase the European market and citizens' resilience to climate change, (re)insurers should consider the impact of their underwriting practices on the environment. Consistently with actuarial risk-based principles, (re)insurance should contribute to adaptation to and mitigation of climate change. A relevant example is "impact underwriting", which includes the development of new insurance products, adjustments in the design and pricing of the products and the engagement with public authorities without disregard for actuarial risk-based principles of risk selection and pricing.

EIOPA's overall goal is to secure a resilient industry in a sustainable environment for the benefit of consumers. The stewardship role of (re)insurers in contributing to climate change adaptation and mitigation is getting increasingly important. The Opinion outlines how (re)insurers can contribute to identifying, measuring and managing risks arising from climate change, through their investment and underwriting activities.

2020 REVIEW OF SOLVENCY II

The introduction of Solvency II in January 2016 was a milestone. The Directive signalled a shift to a more risk-based approach to insurance supervision. Since its implementation, the insurance industry has better aligned its capital to the risks it runs. Insurers use a risk-based approach to assess and mitigate risks, so they can better price risk. Insurers have also significantly strengthened their governance models and their risk management capacity putting a number of key functions in place and ensuring that boards consider risk and capital factors in strategic decision-making. Furthermore, the data reporting under Solvency II provided supervisors and market participant's unprecedented insight into critical market data. Overall EIOPA's assessment is that the Solvency II framework is very effective and worked well.

The 2020 review is an opportunity:

- › To ensure that the regime continues to be fit for purpose by being capable to reflect the evolution of the market conditions;
- › To fine tune the regime to ensure that it is more proportionate to the scale and complexity of risks insured by different types of insurers and creates better conditions for insurers to develop new sound business models; and
- › To complete the EU regulatory toolbox by introducing a macro prudential dimension and a minimum harmonisation regarding recovery and resolution and insurance guarantee schemes.

At the request of the European Commission requested, EIOPA has performed a review of Solvency II across 19 different areas, which can be broadly divided into three parts:

- › Long-term guarantee measures and measures on equity risk;
- › The introduction of new regulatory tools to Solvency II on macro prudential issues, recovery and resolution, and insurance guarantee schemes; and
- › Revisions to the existing Solvency II framework based on the supervisory experience during the first years of its application, in particular to improve on the proportionate and consistent application of its requirements.

EIOPA's proposed approach has been that of evolution rather than revolution. The fundamentals of Solvency II are not in question. Instead, EIOPA's approach will be both evidence-based and consultative, taking into consideration the financial and economic environment and the insurance market landscape.

EIOPA launched a public consultation in October 2019 to gather evidence on different elements of advice. As a next step, EIOPA will conduct a holistic impact assessment, prior to submitting its Opinion to the European Commission.

Leading the development of a sound a prudent regulatory framework for pensions

In the context of the implementation of the Institutions for Occupational Retirement Provisions – IORP II Directive, EIOPA focused its work on achieving proportionate and relevant application of IORP II throughout Europe, and on the development of model pension benefit statements

In July 2019, EIOPA published four Opinions to assist NCAs in the implementation of the Institutions for Occupational Retirement Provisions (IORP) II Directive:

- › Opinion on the use of governance and risk assessment documents in the supervision of Institutions for Occupational Retirement Provisions (IORPs)

- › Opinion on the practical implementation of the common framework for risk assessment and transparency for IORPs
- › Opinion on the supervision of the management of operational risks faced by IORPs
- › Opinion on the supervision of the management of environment, social and governance risks faced by IORPs

These Opinions lay the foundation for the convergence of supervisory practices in the area of pension funds' own risk assessment to ensure sound risk management for the better protection of pension scheme members and beneficiaries and the alignment with society's sustainability goals.

PENSION BENEFIT STATEMENTS: PROVISION OF TRANSPARENT, TIMELY AND CLEAR INFORMATION

The IORP II Directive on the activities and supervision of institutions for occupational retirement provision (IORPs) requires IORPs to provide its members with an annual statement - or Pension Benefit Statement.

In 2019, EIOPA built on the good practices identified in its reports on the Pension Benefit Statement: Guidance and *Principles based on current best practices and Other information to be provided to prospective and current members: Guidance and principles based on current practices* to develop user-friendly model Pension Benefit Statements.

A good pension benefit statement follows these principles:

- › The statement should be based on a behavioural approach to help members make informed decisions about their retirement savings;
- › Statements should be attractive and easy-to-read; and
- › Statements should use layers to help guide members through the information.

The model statements – available for use by industry – will help pension fund members get a better idea of their pension pot, the income they could receive when they retire and therefore help them to make more informed decision when saving for retirement.

The image displays four sample Pension Benefit Statements (PBS) from different countries: Ireland, United Kingdom, France, and Germany. Each statement is designed to be user-friendly and transparent, following the principles outlined in the text. The statements include sections for member details, current pension pot, retirement scenarios, and future projections. The Irish statement shows a total pension pot of €17,710 and a retirement income of €2,000 per year. The UK statement shows a total pension pot of £18,000 and a retirement income of £2,000 per year. The French statement shows a total pension pot of €17,710 and a retirement income of €2,000 per year. The German statement shows a total pension pot of €17,710 and a retirement income of €2,000 per year.

›› Read more about Pension Benefit Statements: <https://europa.eu/InX36FP>

PAN-EUROPEAN PERSONAL PENSION PRODUCT (PEPP)

Supporting citizens to save for retirement is fundamental to closing the pensions gap. It is imperative therefore that citizens have access to smart, digital-first products that meet the needs of today's consumers.

EIOPA therefore welcomed the political agreement reached in February 2019 by the European Parliament and the Member States on the proposal for a Pan-European Personal Pension Product, the PEPP. The agreement and subsequent Regulation was a key milestone in providing sustainable pensions and addressing the ever growing pensions gap in Europe.



Empowered by the Commission, in 2019 EIOPA started to develop a number of specific PEPP technical deliverables, in line with the PEPP Regulation. These deliverables relate to:

- The content of the PEPP key information document (KID) and PEPP Benefit Statement specifying rules to determine the assumptions on pension benefit projections;
- The information specifying the details of the presentation of the information in the PEPP KID as well as
- The Basic PEPP specifying the types of costs and fees,
- Risk-mitigation techniques specifying the minimum criteria that the risk-mitigation techniques have to satisfy.

INTERNATIONAL RELATIONS

EIOPA takes a proactive approach to international relations and is mandated through its Regulation to reach out to third countries to address key global issues in the supervision of insurance and pensions.

In the context of the International Association of Insurance Supervisors (IAIS), EIOPA welcomed the adoption in November 2019 of the first global frameworks for supervision of internationally active insurance groups, including an Insurance Capital Standard Version 2.0, and for the mitigation of systemic risk in the insurance sector.

In 2019, EIOPA also co-organised together with the Goethe University and World Bank, the 6th Global Insurance Supervision conference in Frankfurt.

ENHANCING THE USE AND QUALITY OF SUPERVISORY INFORMATION THROUGH EFFICIENT STANDARDISED EXCHANGE MECHANISMS, CENTRALISED QUALITY CHECKS AND THE TIMELY PROVISION OF BUSINESS INTELLIGENCE

Throughout 2019, EIOPA continued to calculate and publish key information fundamental to the effective application of Solvency II. This included the monthly publication of the risk-free rate and equity dampener.

During the year, EIOPA also worked to enhance the quality and use of prudential and financial stability data on insurance and pensions.

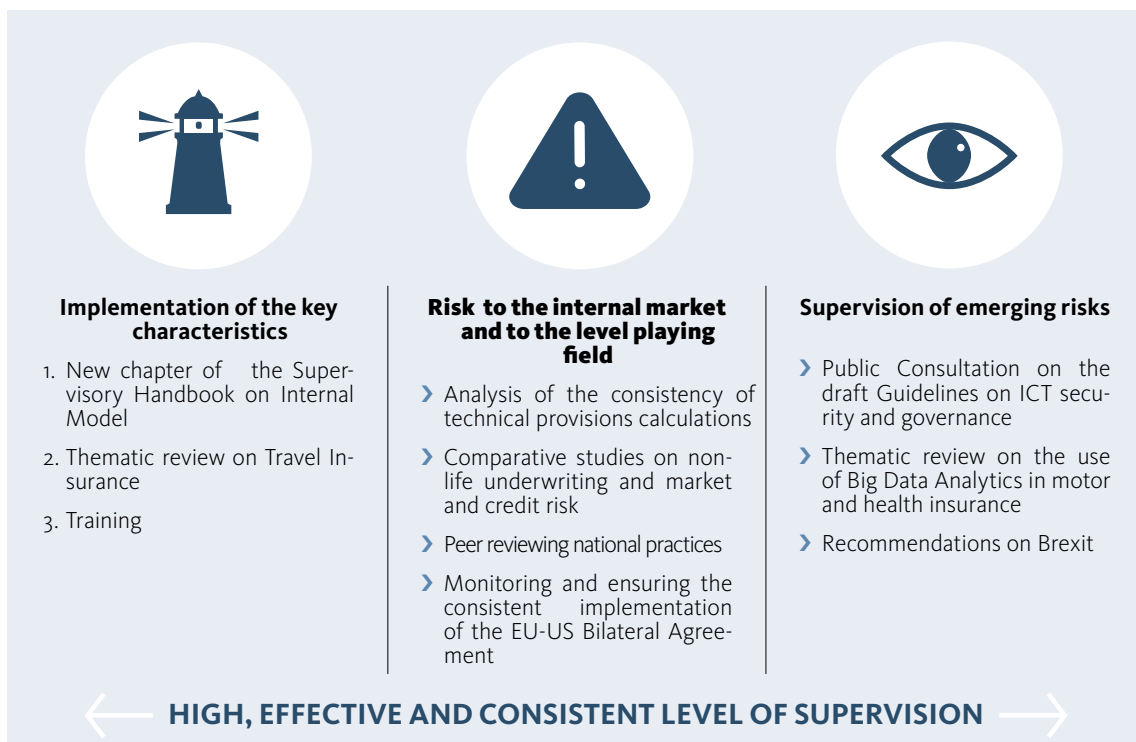
The Authority also prioritised security, availability and efficiency measures for core infrastructure and tools for knowledge management and coordination and collaboration at European level.

IMPROVING QUALITY AND CONSISTENCY OF SUPERVISION TO CONTRIBUTE TO A LEVEL PLAYING FIELD IN THE INSURANCE AND PENSIONS MARKETS

Promoting supervisory convergence requires close cooperation with national supervisory authorities to develop a common supervisory culture that underpins convergence of supervisory practices, including a common interpretation of the laws and regulations.

In 2019, EIOPA continue to build and enhance a common supervisory culture and promote consistent supervisory practices, with the following priorities:

- › Practical implementation of the key characteristics of the common supervisory culture and further development of supervisory tools;
- › Risks to the internal market and to the level playing field which may lead to supervisory arbitrage;
- › Supervision of emerging risks.



SUPERVISORY CONVERGENCE PLAN

In 2019, EIOPA reported on its supervisory activities in 2018 and set out its priorities for the coming year. The plan focuses on the implementation of Solvency II and conduct of business supervision with three priority areas:

- Developing common supervisory tools and benchmarks, including the application of proportionality, the supervision of internal models and the supervisory assessment of conduct risks;
- Enhancing the supervision of cross-border business, focusing on the calculation of technical provisions and their sufficiency, the detection of unsustainable business models and the supervisory assessment of fitness and propriety; and
- Supervising emerging risks, including the supervisory practices on IT resilience and cyber risks, the usage of Big Data and Brexit.

In the context of EIOPA's oversight work, priorities include:

- Supporting the supervisory capacity of NCAs;
- Focus on cross-border activities; and
- Monitoring the implementation of Brexit opinions and equivalence decisions.

Using a wide range of tools, EIOPA worked closely with NCAs to achieve high-quality supervision across Europe. A full record of EIOPA's activities in this field is available in the Report on supervisory activities in 2019.

Internal models

EIOPA continued to work with national supervisors to promote convergence on internal models. This included the development of a prototype dashboard for supervisors to support local supervisory tasks and activities, supplemented by a common tool to follow up developments of internal models.

EIOPA also produced internal model statistics, providing national supervisors with a comprehensive overview of internal model users in the European market.

EIOPA also conducted two studies related to internal models:

- Non-life comparative study
- Market and credit risk comparative study.

Supervision of data and IT-related risks, including cyber risk

In the context of good practices related to the supervision of data management and data quality, EIOPA and the European Central Bank published guidance to NCAs on common minimum standards for data.

EIOPA also developed guidelines on information and communication technology security and governance to create a cyber resilience baseline across Member States.

Withdrawal of the United Kingdom from the European Union

Throughout 2019 EIOPA continued to play close attention to the developments and potential impact of the United Kingdom's withdrawal from the European Union (Brexit).

Following Opinions published in 2017 and 2018, EIOPA issued recommendations in February 2019 on the treatment of cross-border business from residual contracts after the withdrawal date.

In particular, EIOPA continued to closely monitor the developments and compliance with opinions and recommendations and, in October 2019, published the responses from NCAs on their compliance, intention to comply or non-compliance with the recommendations set out in EIOPA's Recommendation for the insurance sector in light of the United Kingdom withdrawing from the European Union.

Peer reviews

To foster convergence and strengthen consistency in the outcome of supervisory actions, EIOPA conducts peer re–views on specific activities of NCAs, based on an agreed methodology and with experts from NCAs acting as reviewers. The results of the peer reviews are documented and published.

In 2019, EIOPA followed up on past peer reviews accomplished between 2014 and 2016 (Peer Review on the NCAs' Governance of Colleges, Peer Review on Freedom to Provide Services, Peer Review on the pre-application of Internal Models (follow-up)) to identify the progress made in the implementation of selected recommended actions that are still topical and relate to for reviews conducted between 2014 and 2016 on Solvency II related issues.

EIOPA also worked on two additional peer reviews, whose results are expected to be published for publication in 2020, on the following topics:

- The regular supervisory report; and
- Decision on the collaboration insurance supervisory authorities.

Own independent assessment

EIOPA conducts own assessment work in close cooperation with NCAs to enhance supervisory convergence and to increase the quality, effectiveness and efficiency of national supervision.

In 2019, work focused on:

- Supporting the supervisory capacity of NCAs mainly through bilateral engagements and follow up on previous recommendations, as well as technical support;
- Emphasising prudential and conduct related issues in the markets and cross-border activities through colleges, internal models assistance, group supervisor collaboration and specific cooperation platforms;
- Monitoring the implementation of Brexit opinions and equivalence decision.

An overview of these activities is as follows:

- **Colleges of supervisors.** In 2019, EIOPA actively engaged with 53 colleges of supervisors, including 6 internal model specific college meetings, 4 financial conglomerate college meetings and 4 college meetings in third countries.
- **Joint on-site inspections.** In 2019, EIOPA participated in 7 joint on-site inspections led by supervisory authorities in Austria, France, Germany, Italy, Poland, the United Kingdom and United Kingdom overseas territories (Gibraltar).

- **Cooperation platforms.** These continue to prove to be a valuable tool in ensuring valuable and timely cooperation between home and host supervisory authorities. By the end of 2019, were active with the involvement of 22 national supervisory authorities.
- **Bilateral engagement with national supervisors.** In 2019, EIOPA carried out 8 bilateral engagements with national supervisory authorities in the following countries: Bulgaria, Cyprus, Denmark, Ireland, Poland, Portugal, Romania and Switzerland.
- **Technical assistance.** EIOPA provides technical support in the area of risk based supervision to the insurance sector for the Croatian Financial Services Supervisor Agency, in the context of the structural reform support service of the European Commission. Specifically, EIOPA supports the Croatian authority with the development of new internal methodologies and tools adapted to the supervision of the Croatian insurance market under the Solvency II environment.

STRENGTHENING THE FINANCIAL STABILITY OF THE INSURANCE AND OCCUPATIONAL PENSIONS SECTORS

As part of EIOPA's mandate to safeguard financial stability, EIOPA works to identify trends, potential risks and vulnerabilities that could have a negative effect on the pension and insurance sectors across Europe. This includes the analysis of emerging risks, stress testing and regular reporting.

EIOPA publishes insurance and occupational pension statistics, a risk dashboard on a quarterly basis and a financial stability report twice a year. At the end of 2019, EIOPA identified the following as key risks to the financial stability of the insurance and pensions sectors in Europe.

- The key challenge is the prolonged low yield environment and this risk intensified over the course of

the year, putting pressure on both solvency positions and long-term profitability.

- The combination of a weakening economic outlook, concerns over debt sustainability and stretched valuations across financial markets could also give rise to a sudden reassessment of risk premia.
- The interconnectedness with banks and home-bias in investments remain high for European insurers and could lead to potential spillovers of risks from other sectors.
- Emerging cyber and climate change related risks continue to demand attention from insurers, pension funds and supervisors.

CYBER RISK FOR INSURERS – CHALLENGES AND OPPORTUNITIES

The increasing frequency and sophistication of cyber attacks, fast digital transformation and the increased use of Big Data and cloud computing make insurers increasingly susceptible to cyber threats. This calls for a sound cyber resilience framework for insurers.

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

In Brief
Cyber risks for insurers

Main findings Cyber attacks are happening more often and more frequently. There is a need for:

- A sound cyber resilience framework for insurance
- Common and harmonised standards for cyber incident reporting to facilitate cyber risk measurement and sound underwriting
- Improved transparency on cyber coverage to assess and address non-affirmative cyber exposures and potential accumulation risk and potential accumulation risk

Assessing cyber insurance

How do insurance companies assess cyber threats? Top 3 types of cyber incidents by frequency, cost and effects. Cyber risks in operational risk management. How companies analyse cyber incidents.

Cyber insurance is a rapidly growing industry Gross written premiums in EUR million

2017	172 EUR Million	increase of 72%	2018	295 EUR Million
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246 Amount of cyber insurance written within standalone products (EUR Million)

49 Cyber endorsement for traditional policies (EUR Million)

Data and sample
The data used in this report is based on the responses from a large (re)insurance group across 12 European countries to a EIOPA questionnaire on cyber risk, representing a market coverage of around 70% of total consolidated EEA insurance assets. The participating countries are Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Spain, Sweden and United Kingdom. Read more: <https://europa.eu/!Th38Jc>

The report findings confirm the need for a sound cyber resilience framework for insurers and identified the key challenges faced by the cyber underwriters.

In particular, clear, comprehensive and common requirements on the governance of cybersecurity as part of operational resilience would help ensure the safe provision of insurance services. This would include a consistent set of definitions and terminology on cyber risks to enable a more structured and focused dialogue between the industry, supervisors and policymakers, which could further enhance the cyber resilience of the insurance sector. Ultimately, further actions to strengthen the resilience of the insurance sector against cyber vulnerabilities are essential, in particular considering the dynamic nature of cyber threats.

Building on this, EIOPA issued its cyber underwriting strategy in February 2020.

➤➤ Read more: <https://europa.eu/!Th38Jc>



INSURANCE GUARANTEE SCHEMES

EIOPA is of the view that every Member State should have a national guarantee scheme in place for the protection of policyholders in the event of a failure of an insurer, which should meet a minimum set of harmonised features. The exact legal structure of the schemes should be left to the discretion of Member States.

In July 2019 EIOPA launched a consultation on its Advice on the harmonisation of national insurance guarantee schemes across the Member States of the European Union. EIOPA called for the establishment of a European network of national insurance guarantee schemes, which are sufficiently harmonised, based on the home-country principle, and adequately funded. At the same time, it is

essential to take properly into account the proportionality principle to avoid excessive burdens on insurers. In this context, a flexible approach as regards the legal structure and set-up of the schemes is important.

The public consultation ended on 18 October 2019 and currently EIOPA's advice is being drafted and the final Advice will be included in the 2020 Solvency II Review Opinion.

2019 OCCUPATIONAL PENSIONS STRESS TEST

EIOPA concluded its stress test of the European occupational pension sector in December 2019.

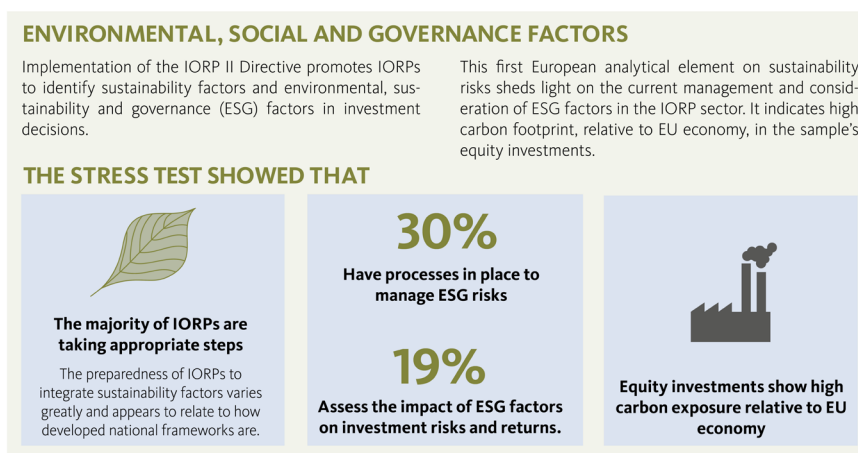
This exercise provided important and relevant insights into the resilience and potential vulnerabilities of the European occupational pension sector.

For the first time, a European stress test included an assessment of environmental, social and governance (ESG) exposures. The core assessment refers to the direct impact of a stressed market scenario on the sustainability and funding of Defined Benefit (DB) pension funds and on the projected future retirement income of members of Defined Contribution (DC) pension funds.

In its 2019 exercise, EIOPA applied an adverse market scenario, characterised by a sudden reassessment of risk premia and shocks to interest rates on short maturities, resulting in increased yields and widening of cred-

The key findings are outlined below.

- The adverse scenario would wipe off almost one quarter of the investment assets' values in the sample, totalling EUR 270 billion.
- Market risks under the adverse scenario would lead to substantial benefit reductions and increase of sponsor support.
- Extended cash flow analysis shows timing of expected impact is high in the first years on sponsors, while the effects of benefit reductions would drag on for decades should the short-term effects become permanent.
- The first European analytical element on sustainability risks sheds light on the current management and consideration of ESG factors in the IORP sector: indicates high carbon footprint, relative to EU economy, in the sample's equity investments.
- A majority of IORPs indicate consideration of ESG factors, yet less than 20% of the IORPs in the sample currently assess the impact of ESG factors on risks and return.



it spreads. That adverse market scenario was applied to the end-2018 'baseline' balance sheet of a representative sample of European Economic Area (EEA) institutions for occupational retirement provision (IORPs). In the baseline, those IORPs were underfunded by EUR 41 billion on aggregate, which translates into 4% of their liabilities, according to the common methodology.

In total, 19 countries participated in the exercise, covering more than 60% of the national DB and 50% of the national DC sectors in terms of assets – in most countries. In total 176 IORPs participated, thereof 99 DB IORPs and 77 DC IORPs.

EIOPA will follow-up on the findings and analyse in more depth the investment behaviour of IORPs, in particular in the persistently ultra-low and negative interest rate environment. To do so, EIOPA will make use of the significantly improved pension reporting from 2020. Going forward, EIOPA wants to further improve its analytical tool set for stress testing IORPs, extending the horizontal approach and with that assessing the common exposures and vulnerabilities of the DB and DC sectors together

➤➤ Read more: <https://europa.eu/!Un98Ky>

CROSS-CUTTING THEMES

SUSTAINABLE FINANCE AND CLIMATE CHANGE

For EIOPA, sustainability is an area of significant strategic importance. Consequently, EIOPA strongly supports the European Commission's Sustainable Finance Action Plan including the aim to integrate sustainability considerations into the prudential and conduct framework for insurers, reinsurers and insurance distributors.

Insurers and pension funds have a powerful role in mitigating the impact of climate change. As large investors, insurers and pension funds are also well-placed to engage with business and play an important role in a gradual transition to a more sustainable and resilient economy and it is becoming increasingly clear that insurers and pension fund providers hold one of the keys to solving the climate challenge that we are facing.

Along with other institutional investors, they can play a stewardship role in contributing to climate change adaptation and mitigation. Insurers can also contribute by considering the impact of underwriting activities on the environment.

EIOPA is also paying close attention to the protection gap. Given the more frequent and more severe natural catastrophes as a result of climate change, there is a widening protection gap for natural catastrophes in order to assess the impact of a widening of the gap on households, businesses and the financial system.

There is a strong need for concerted action. Insurers, working together with public authorities, can contribute to mitigate to and adapt to climate change risks. There is also the need to share information so that commonly available data on natural catastrophes in Europe can be used to inform policy decisions. In sharing data related to exposure, vulnerability and economic loss, there is the potential to develop an open ecosystem to foster innovation in modelling and risk transfer solutions through insurance and capital markets.

INSURTECH, DIGITALISATION AND CYBER RESILIENCE

The use of digital technology and Big Data Analytics continues to bring opportunities to consumers, in terms of lower cost products and more tailored products. However, there is an ongoing risk that the granular approach to data usage or the misuse of data will exclude the most vulnerable consumers.

EIOPA conducted significant work in different aspects of digital finance, including outsourcing to the cloud, artificial intelligence and Big Data with the aim of promoting supervisory convergence, facilitating a level playing field based on the principle of proportionality and pursuing a technology-neutral approach to financial innovation.

BIG DATA ANALYTICS IN MOTOR AND HEALTH INSURANCE: A THEMATIC REVIEW

Data processing has historically been at the very core of insurance undertakings' business models, which are strongly rooted in data-led statistical analysis.

Following a cross-sectorial review on the use of Big Data published in March 2018 by the Joint Committee of the European Supervisory Authorities (ESAs), EIOPA launched a call for evidence on the use of Big Data to complete a thematic review.

The review, published in April 2019, revealed a strong trend towards increasingly data-driven business models throughout the insurance value chain. Traditional data sources such as demographic data or exposure data are increasingly combined with new sources, such as online and telematics data for increasingly tailored products and services and more accurate risk assessments.

The review also found that the increased granularity of risk assessment is not yet causing exclusion for high-risk consumers but the impact of Big Data Analytics is expected to increase in the future. There is also a strong need to address issues with the fairness of the use of Big Data Analytics and with the accuracy and explainability of 'black box' algorithms.



» Read more: <https://europa.eu/!QB36CG>

PRINCIPLES OF DIGITAL RESPONSIBILITY IN INSURANCE

As a follow-up of its recent thematic review on the use of Big Data Analytics (BDA) in motor and health insurance, EIOPA established in September 2019 a consultative expert group to assist the Authority in the development of digital responsibility principles in insurance.

The thematic review concluded that there are many opportunities arising from BDA and digitalisation more broadly, but also some risks that need to be further addressed. For this reason, digital responsibility principles will address the use of new business models, technologies and data sources in insurance from the perspective of fairness and taking into account ethical considerations. While the expert group is expected to cover different areas of the insurance value chain, specific focus will be given to pricing and underwriting, given their specific importance in the insurance sector.

The expert group is acting as a sounding board for EIOPA in other related policy initiatives in the area of InsurTech, for instance by supporting EIOPA in promoting a sound governance framework around the use of BDA tools such as artificial intelligence and machine learning.

» Read more: <https://europa.eu/!DK34Cr>

ENGAGING WITH STAKEHOLDERS

EIOPA relies on a constructive and continuous engagement with stakeholders, in particular consumer organisations and industry representatives. In line with its mandate, EIOPA regularly engages with its two stakeholder groups (insurance and reinsurance, and occupational pensions) on a wide range of issues.

To better engage with stakeholders on a particular subject, EIOPA regularly organises roundtable events.

In addition, EIOPA regularly engages with consumer groups, industry, students and academics through speaking engagements and visits. In total, EIOPA staff conducted 225 speaking engagements and engaged in 198 visits.

A record of visitors and meetings is published on the Authority's website.

INSURANCE AND PENSIONS: LEADING THE FUTURE – ANNUAL CONFERENCE 2019

How can insurance and occupational funds play a leadership role in ensuring a safe and secure future for consumers? This was the central question for a wide range of keynote speakers and panelists at EIOPA's 2019 conference.

In the opening address, Gabriel Bernardino highlighted the responsibility of insurers and pension providers to take a stewardship role. Mr Bernardino also outlined how insurers, pension fund providers, regulators and supervisors could make a positive difference for consumers: by making sure that guarantees made in the past are delivered despite the low for long interest rate environment; by adjusting and alleviating the burden of the current regulatory regimes to incentivise simpler, more transparent and cost effective products; and by embracing innovation and new technologies while preserving a high level of consumer protection.



Oliver Bäte, Chief Executive Officer and Chairman of the Management Board, Allianz SE, Andreas Brandstetter, President, Insurance Europe and Chairman of the Management Board and CEO, UNIQA Insurance Group, Thomas Buberl, Chief Executive Officer, AXA and Christian Mumenthaler, Chief Executive Officer, Swiss Re took part in a conversation, reflecting on the insurance sector today and looking ahead to the future of insurance

In a keynote speech, Frank Eldersen, Chairman of the Network for Greening the Financial System (NGFS) and Executive Board Member of De Nederlandsche Bank explained how climate change impacts insurance companies and pension funds. He also described the efforts the different parties in the field have taken, in order to discuss whether these efforts are enough.

Rowan Douglas, Head of Capital Science and Policy Practice, Willis Towers Watson, then introduced a discussion on the role of the insurance and pensions sectors in climate change. Bronwyn Claire, Senior Programme Manager, ClimateWise, Cambridge Institute for Sustainability Leadership (CISL) spoke about the challenges on using climate-related data in the insurance industry and the need of testing the robustness of the models. Stephanie Morton, Climate Finance Lawyer, Climate Programme of ClientEarth, underscored how to manage the climate-related risk, emphasising that it is time to turn legal framework into tangible actions and that regulators will play a critical role on delivering that. Eugenie Molyneux, Chief Risk Officer Commercial Insurance, Zurich Insurance Group spoke about the transition to a low carbon economy and the pathway for the real economy. It is critical that there are services offered to customers so that they can understand the risks they will be facing in the future. Allan Polack, Group Chief Executive Officer, PFA - Pension, Forsikringsaktieselskab, spoke about the need to align regulation, consumer expectations and climate change.

Solvency II was the subject of the conference's third expert panel, moderated by William Hawkins, Co-head of European Research (Insurance), Keefe, Bruyette & Woods.

Åsa Larson, Executive Director, Finansinspektionen, provided a brief reflection on the regime as a whole as an introduction to a discussion, underscoring the necessity of the 2020 review to ensure that the regime remains relevant and fit for the future.



Michaela Koller, Director General, Insurance Europe outlined three benefits of Solvency II – a more harmonised regime, better protection for consumers, better apportioning of risks – and three areas for improvement in the context of the review – the measurement and calibration of long-term business, reporting, and proportionality. Paweł Surówka, Chief Executive Officer, PZU SA reflected that Solvency II had helped insurers to become more forward-thinking and an evolution to the review is welcomed, but more does not necessarily mean better. The review should therefore take into consideration what has worked well and has resulted in added value. Tony O’Riordan, Chief Financial Officer and Director, New Ireland Assurance and Chair of Insurance Committee, Actuarial Association of Europe, emphasised the need for Solvency II to continue to benefit consumers, in particular in terms of consistency in the way that the regime is applied cross-border. Didier Millerot, Head of Insurance and Pensions Unit, European Commission reiterated that the review process was beginning and that consultation is an important part of the process. The aim is to keep the regime relevant and this means not only looking at the regime from a technical perspective, but also making sure that the evolved regime supports the role of insurance companies in the green economy.

Supervision from a global perspective was the theme of the final keynote speech as Victoria Saporta, Executive Committee Chair, International Association of Insurance Supervisors (IAIS), gave an overview of the recent achievements of the IAIS, notably the adoption of the first global frameworks for supervision of internationally active insurance groups and mitigation of systemic risk in the insurance sector. Ms Saporta praised the shared commitment of insurance supervisors to work together and establish common minimum standards. Ms Saporta also outlined the future agenda of the IAIS.

The event concluded with closing remarks from Executive Director Fausto Parente, who underlined the valuable role that insurance and pensions play in society.

JOINT COMMITTEE

In 2019, the Joint Committee under the chairmanship of EIOPA, continued to have a central role for the coordination and exchange of information between the European Supervisory Authorities (ESAs), the European Commission and the European Systemic Risk Board. Progress continued on work on other important cross-sectoral areas such as enhancing consumer protection, monitoring financial innovation and cyber security, and combatting money laundering and terrorist financing. The ESAs continued in their preparation for the withdrawal of the UK from the EU (Brexit).

SAFEGUARDING CONSUMER PROTECTION ACROSS FINANCIAL SERVICES AND MONITORING FINANCIAL INNOVATION

Consumer protection and financial innovation figured once again prominently on the Joint Committee's agenda. In February 2019, the ESAs published their final recommendations following a consultation on targeted amendments to the Delegated Regulation covering the rules for the Key Information Document (KID) for Packaged Retail and Insurance-based Investment Products (PRIIPs). Having taken into account the feedback received and considering in particular the implications of a possible decision by the European Co-legislators to defer the application of the KID by certain types of investment funds beyond 2020, the ESAs decided to not propose targeted amendments at that stage and to initiate a more comprehensive revision of the PRIIPs Delegated Regulation. To this end, the ESAs contributed to a consumer testing exercise conducted by the European Commission and a public consultation on the PRIIPs KID was launched in October 2019. The feedback to the consultation and results of the consumer testing exercise will be taken into account when final proposals are published in 2020.

Furthermore, the ESAs issued a Supervisory Statement regarding the PRIIPs KID performance scenarios to promote consistent approaches and improve the protection of retail investors prior to the conclusion of the ongoing PRIIPs review. In accordance with the PRIIPs Regulation, competent authorities shall report to the ESAs on administrative sanc-

tions or measures that they impose under the Regulation and the ESAs shall publish this information in their Annual Report. Since the implementation of PRIIPs at the start of 2018 (covering 2018 and 2019), no administrative sanctions or measures have been reported to the ESAs.

In July 2019, the Joint Committee published a Report on the cross-border supervision of retail financial services. In this report, the ESAs identified the main issues that NCAs face when supervising financial institutions that provide cross-border retail financial services within the EU and made recommendations to both NCAs and EU institutions on how to address them.

The 7th Joint ESAs Consumer Protection Day 2019 took place end of June in Dublin, Ireland. The focus of the well-attended event was on i) the ESAs and their financial education mandate – which way forward? ii) the PRIIPs 2019 review: challenges and opportunities ahead; and iii) the integration of consumers' sustainability preferences in the distribution of financial products.

ESAS COMMENCE WORK ON ENHANCING SUSTAINABLE FINANCE DISCLOSURES

The Regulation on sustainability related disclosures in the financial services sector (SFDR) sets out environmental, social and governance (ESG) disclosure requirements for a broad range of financial market participants, financial advisers and financial products. The SFDR empowers the ESAs to deliver, through the JC, six technical standards, of which five are due by the end of 2020. These technical standards will cover both adverse impact reporting at entity level and pre-contractual, website and periodic product disclosure. Against this background, the JC SC CPFI decided to set up a new sub-group (SG) on ESG disclosures in order to develop these draft technical standards. This group has progressed towards developing a draft consultation paper for consultation in 2020 in view of finalisation by the end of 2020.

CROSS-SECTORAL RISKS AND OVERSEEING MARKET DEVELOPMENTS AND VULNERABILITIES

The Joint Committee continued as an important forum for discussions on market developments and in-depth analysis of emerging risks, identifying the main areas of supervisory concern across the EU in its bi-annual cross-sectoral risk reports.

The Spring Risk Report highlighted several risks as potential sources of instability, namely a sudden repricing of risk premia as witnessed by the spike in volatility and associated market corrections; continued uncertainties around the terms of the UK's withdrawal from the EU; and Cyber-attacks. The Report also reiterated the ESAs' warning to retail investors investing in virtual currencies and raised awareness for risks related to climate change and the transition to a lower-carbon economy.

In Autumn Risk Report, the Joint Committee highlighted the risk of persistently low interest rates, which continue to put pressure on the profitability and returns of financial institutions, and caused a return of search for yield behaviour. The report further highlighted the need for a transition to a more sustainable economy and the need to include environmental, social and governance (ESG) related risks, leading to possible challenges to the viability of business models with high exposures to climate sensitive sectors. Finally, the Report continued to encourage institutions to prepare contingency plans for Brexit.

ANTI-MONEY LAUNDERING / COUNTERING THE FINANCING OF TERRORISM (AML/CFT)

The focus of the Joint Committee in the area of Anti Money Laundering (AML) and Countering the Financing of Terrorism (CFT) was on the implementation of the Council's AML Action Plan published in December 2018. The Council Action Plan put an emphasis on the enhancement of supervisory cooperation between AML/CFT supervisors and also between AML/CFT and prudential supervisors. Thus, the Joint Committee took forward the work on developing own-initiative guidelines on supervisory cooperation, which were published in December 2019. With these guidelines, the ESAs have developed a formal framework for supervisors to cooperate and exchange in-

formation in respect of firms operating on a cross border basis within AML/CFT colleges.

Furthermore, in October 2019 the Joint Committee issued its second Joint Opinion on the ML/TF risks affecting the EU financial sector. Drawing on data and information provided by national AML/CFT competent authorities, the ESAs found that the monitoring of transactions and suspicious transactions reporting still raise concerns, particularly in sectors where a financial institution's business model is based on frequent transactions. This Opinion aims to develop better understanding of ML/TF risks within the EU and therefore strengthening the EU's defences against these risks.

In addition, the ESAs continued its review of the Risk Factors Guidelines, which was necessary in order to ensure that these guidelines are brought in line with the 5th AMLD (which had to be transposed by the Member States by 10 January 2020) and to address risk factors in sectors that were not yet covered by these guidelines. The consultation on the amended guidelines commenced in February 2020.

Finally, following the ESAs review and changes introduced to the ESAs Regulations, as of January 2020 the EBA became the responsible ESA for AML/CFT matters. While the work related to AML/CFT is no longer within the scope of the Joint Committee, the EIOPA and ESMA will remain closely involved in the AML/CFT work related to their respective sectors.

MONITORING OF FINANCIAL CONGLOMERATES

In 2019, the Joint Committee published its annual list of Financial Conglomerates showing 77 financial conglomerates located with the head of group in the EU/EEA area, one financial conglomerate with the head of group in Switzerland, one in Bermuda, and one in the United States. In addition, the Joint Committee published a consultation paper on a proposed draft technical standard for reporting templates for conglomerates on intra-group transactions and risk concentration.

INNOVATION AND FINTECH

Under the umbrella of the Joint Committee, the ESAs set up the “European Forum for Innovation Facilitators (EFIF), following the publication in January 2019 of the Joint ESA report on regulatory sandboxes and innovation hubs. The report identified a need for action to promote greater coordination and cooperation between innovation facilitators to support the scaling up of FinTech across the single market. The EFIF provides a platform for supervisors to meet regularly to share experiences from engagement with firms through innovation facilitators (regulatory sandboxes and innovation hubs), to share technological expertise, and to reach common views on the regulatory treatment of innovative products, services and business models, overall boosting bilateral and multilateral coordination.

Furthermore, in April 2019, the ESAs published two pieces of Joint Advice in response to requests made by the European Commission in its FinTech Action Plan. One on legislative improvements relating to Information and Communication Technology (ICT) risk management requirements and another one on a coherent cyber resilience-testing framework. The ESAs’ objective is, that every relevant entity should be subject to clear general requirements on governance of ICT, including cybersecurity, to ensure the safe provision of regulated services.

COORDINATION ON SECURITISATION

In 2019, the new JC Securitisation Committee began its work in aiding EU competent authorities to coordinate their duties under the Securitisation Regulation by serving as a forum to discuss practical/operational issues related to their supervision and enforcement duties, thereby ensuring cross-sectoral consistency and promoting supervisory best practices.

OTHER RELEVANT CROSS SECTORAL JOINT COMMITTEE WORK

In May 2019, the Joint Committee published a second amendment to the technical standard on the mapping of credit assessments of External Credit Assessment Institutions (ECAIs) for credit risk under the Capital Requirements Regulation (CRR). The amendment reflects the outcome of a monitoring exercise on the adequacy of existing mappings. The technical standard on the mapping of ECAIs under Solvency II was consulted upon in 2019 and will be published in the first quarter of 2020.

In November 2019, the Joint Committee published the final report with draft RTS proposing to amend the Commission Delegated Regulation on the risk mitigation techniques for OTC derivatives not cleared by a CCP (bilateral margin requirements) under the European Market Infrastructure Regulation (EMIR). The draft RTS propose, in the context of UK’s withdrawal from the EU (Brexit), to introduce a limited exemption in order to facilitate the novation of certain OTC derivative contracts to EU counterparties during a specific time-window. The amendments would only apply if the UK leaves the EU without the conclusion of a withdrawal agreement – a no deal scenario. The draft RTS complemented the similar proposal published by ESMA on 8 November with respect to the clearing obligation.

BOARD OF APPEAL

The ESAs provided secretarial support to the Board of Appeal. In 2019, there were two appeal cases, one brought against ESMA and another brought against EBA.

In March 2019, the Board of appeal issued its Decision on the appeals brought by four Swedish banks against decisions of the Board of Supervisors of ESMA. The ESMA Board of Supervisors found that the Credit Rating Agencies Regulation (CRAR) had been negligently infringed by the banks by including “shadow ratings” in their credit research reports. It adopted supervisory measures in the form of public notices and fines of EUR 495,000 on each bank. In deciding the appeals, and in summary, the Board of Appeal upheld the decision of the ESMA’s Board of Supervisors on the central question, which was whether the banks’ credit research reports fell within CRAR, but held that the banks (which had voluntarily desisted during the course of ESMA’s investigation) had not acted negligently.

In October 2019, the Board of Appeal published another decision in the appeal by the credit rating agency Creditreform AG against the European Banking Authority. The German credit rating agency Creditreform AG appealed challenging the adoption by the Joint Committee of certain draft implementing technical standards proposed for endorsement by the European Commission. The Board of Appeal dismissed the appeal as inadmissible, in accordance with settled case law of the Court of Justice of the European Union (CJEU) finding that acts having a preparatory nature, like the draft implementing technical standards, are not subject to an autonomous judicial or quasi-judicial review but are subject to review through a check of the legitimacy of the final act adopted by the European Commission.

MANAGEMENT

MANAGEMENT BOARD

The Management Board (MB) ensures that EIOPA carries out its mission and performs the tasks assigned to it. It is composed of EIOPA's Chairman and six other members of the Board of Supervisors, elected by and from among the Voting Members of the Board of Supervisors. The Alternate Chairman and the Executive Director of EIOPA

participate in the meetings of the Management Board without the right to vote. In accordance with EIOPA's regulation, the Executive Director also has an important role preparing the work of the Management Board. The meetings are also attended by a representative of the European Commission, who has a right to vote only on budget issues. The term of office of members of the Management Board is two and a half years, and it can be renewed once.

MANAGEMENT BOARD MEMBERS DECEMBER 2019

- Gabriel Bernardino – EIOPA Chair
- Zuzana Silberova – Czech National Bank, Czech Republic
- Frank Grund - BaFin-Bundesanstalt für Finanzdienstleistungsaufsicht, Germany
- Olaf Sleijpen - De Nederlandsche Bank (DNB), The Netherlands
- Jean Hilgers – Nationale Bank van België, Belgium
- Patrick Montagner - Autorité de Contrôle Prudentiel et de Résolution, France
- Sergio Álvarez Camiña - Ministerio de Economía y Empresa, Spain



The Management Board meets at least five times a year, always before every regular meeting of the Board of Supervisors, and as often as it deems necessary. In 2019, the Management Board met five times. The Management Board played a key strategic role in planning, budget and assurance, and steered the revisions of EIOPA's Annual Work Programmes and development of the Draft Single Programming Document 2021-2023. During 2019, it was necessary for EIOPA to factor into its programming documents the new tasks, powers and resources allocated to it following the review of the ESAs and with regards to PEPP. The Management Board made a valued contribution throughout the process of revising EIOPA's planning and in the consultation on the adaptations to EIOPA's rules of procedure. To support the Management Board's role monitoring the budget planning process and allocation of human and financial resources, it received regular updates on EIOPA's tasks and activities.

MAJOR DEVELOPMENTS

Following the conclusion of political negotiations for two Commission legislative proposals with implications for EIOPA's mandate, the Authority began work preparing to assume new tasks, powers and resources. For PEPP this means drafting the necessary supporting regulation to ensure proper implementation and beginning work on the new processes and IT solutions required for EIOPA to register products and oversee national supervision. The second proposal related to the review of the ESAs and touches upon multiple areas of the Authority's work from supervisory convergence and digitalisation through to new requirements related to transparency and the governance of EIOPA. With many of the new tasks and powers applying as of 2020, EIOPA began amending rules of procedure and drafting working instructions to accommodate the changes during the last quarter of 2019. A specific programme was also launched to ensure the proper management and efficient delivery of changes to processes and the implementation of new IT solutions.

The UK's planned withdrawal from the EU (Brexit) was a further development that EIOPA monitored throughout 2019. During the course of the year, a number of planned dates for the UK's departure passed without the UK leaving. For each, EIOPA stood ready to respond operationally and adapt its own internal processes to reflect the UK's new status.

BUDGETARY AND FINANCIAL MANAGEMENT

On 21 December 2018, the Board of Supervisors adopted the 2019 budget for a total of EUR 29,495,967. As a consequence of the delay in the adoption of the European Supervisory Authorities (ESAs) review the Board of Supervisors adopted on the 24 September 2019 an amendment of the budget for a total amount of EUR 27,138,027.61. The below text will only refer to the amended budget.

NCA's of the Member States (responsible for the supervision of financial institutions) contribute to the financing of EIOPA with 60% of the total budget. The European Commission (COM) funds EIOPA's budget with 40%^[1]. The European Free Trade Association (EFTA) States fund EIOPA with a defined ratio^[2] that supplements the NCA's contributions. In addition, NCA's and EFTA Member States cover 60% of the total pension contributions for EIOPA staff.

EIOPA's 2019 budget included the following contributions: EUR 16,583,567.54 from NCA's, EUR 471,124.07 from EFTA countries, and EUR 10,083,336 from COM. COM repaid the 2017 budgetary surplus of EUR 69,102 as part of the 2019 budget.

The initial and amended adopted 2019 budget of EIOPA can be viewed in table 1. A total of seven budget transfer operations were executed to accommodate budgetary needs throughout 2019.

1 Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32010R1094&from=EN>

2 Decision of the EEA Joint Committee No 201/2016 of 30 September 2016 <http://www.efta.int/media/documents/legal-texts/eea/other-legal-documents/adopted-joint-committee-decisions/2016%20-%20English/201-2016.pdf>

Table 1: Budget implementation 2019 from initial and amendment adopted budget by titles

Title and description	Initial budget 2019 €	Amended budget 2019 €	Final budget €	Committed €	Paid €	Carry forward €
Title I - Staff expenditure	19,115,200.00	18,173,094.16	18,579,578.45	18,579,578.45	16,907,237.76	1,672,340.69
Title II - Administrative Expenditure	3,568,000.00	3,298,136.64	3,237,959.53	3,237,959.53	2,601,877.86	636,081.67
Title III - Operational Expenditure	6,812,767.00	5,666,796.81	5,320,489.63	5,320,489.63	3,728,239.03	1,592,250.60
TOTAL	29,495,967.00	27,138,027.61	27,138,027.61	27,138,027.61	23,237,354.65	3,900,672.96

EIOPA implemented 100% of its commitment appropriations and 85.63% of its payment appropriations. 14.37% of commitment appropriations was carried forward to 2020. The carry forward concerns services and products ordered in 2019, which will be invoiced and paid in 2020. EIOPA only uses non-differentiated appropriations.

In 2019, 95.03% of the credits carried forward from 2018 were consumed. The carry forward concerns services and products ordered in 2018 which were invoiced and paid in 2019. More information on the carry forward can be viewed in table 2.

Table 2: Carry forward implementation 2018-2019

Budget line description	Final Budget 2018	Carry forward amount in € from 2018 to 2019	% Carry forward	Paid amounts €	% Carry forward versus the total budget
Title I - Staff expenditure	17,213,573.82	1,642,126.55	9.54%	1,585,590.45	96.56%
Title II - Administrative Expenditure	3,355,565.05	662,151.43	19.73%	638,680.81	96.46%
Title III - Operational Expenditure	4,637,869.13	1,367,246.58	29.48%	1,264,945.54	92.52%
TOTAL	25,207,008.00	3,671,524.56	14.57%	3,489,216.80	95.03%

EIOPA did not incur any late payments in 2019.

In 2019, EIOPA managed successfully three open tender procedures, three negotiated procedures without publication of a contract notice; three negotiated procedures for middle value contracts and two negotiated procedures for a low value contract. In addition, 20 negotiated procedures for very low value contracts (single tenders) and two payments against invoice were completed. Furthermore, 14 direct and framework contracts were concluded; 154 specific contracts and order forms (under existing framework contracts); 20 purchase orders; 20 memoranda of understanding and service level agreements; one price revision (under a framework contract) and 41 amendments of existing contracts were signed.

HUMAN RESOURCES MANAGEMENT

During 2019, EIOPA continued with the implementation of the Competency Framework and its integration in the various people management processes, in particular in recruitment, learning, and development. The framework helps the organisation in coordinating EIOPA's overall business strategy and the accompanying required profiles and positions as well as other supporting HR processes. The following competencies were also developed in 2019: policy, conduct of business policy, risks and financial stability, communication and corporate support competencies (in line with the Corporate Support Department Business Partnership strategy).

The HR Unit continued in 2019 its close cooperation with the Management Team regarding the alignment and consistency of application of the various talent and performance management processes. Thus, enhancing the people management approach and facilitating a working climate where people and teams can excel. Dedicated workshops were held for managers and team leaders, and information sessions for staff took place. The action plan from the Staff Engagement Survey has been widely completed. EIOPA had a prudent approach with respect to the possible budgetary impact of Brexit; thus postponed filling some of the posts. The latter translated at the end of the year with 98% of fulfilment of the Establishment Plan (2 posts remained vacant).

EIOPA is replacing the current e-HR management system Allegro with SYSPER, which is utilised by the European Commission and various other EU Agencies. SYSPER will offer benefits to the organisation, such as more efficiency and strengthened compliance. The full roll-out to EIOPA staff is planned for the second half of 2020.

During 2019 EIOPA adopted several HR Implementing Rules and Model Decisions further strengthening the HR legal framework (overview in Annex IV).

With regard to the results of the screening/benchmarking exercise the main finding is the reduction of the overheads and the increase of staff dedicated to core business (overview in Annex IV).

STRATEGY FOR ACHIEVING EFFICIENCY GAINS

Automation and streamlining processes: EIOPA has increased the efficiency across its functions, particularly in administrative processes through the implementation of e-solutions to reduce numbers of staff required to deliver tasks.

Procurement: The Authority has also engaged with the other ESAs in areas such as procurement to achieve economies of scale.

Opportunities related to IT: EIOPA has embarked on several joint initiatives and will continue to do so. To name a few examples:

- EIOPA decided to mirror the European Securities and Markets Authority's approach for collecting reporting information (the ESMA hub);
- the European Banking Authority and EIOPA have shared the same data centre supplier for 7 years and moved to the inter-agency cloud service in close collaboration in 2019;
- EIOPA is currently transferring its HR systems to the Commission's SYSPER platform and its travel system to MIPS after having used Accrual Based Accounting successfully for many years;
- EIOPA has recently begun reviewing its data collection and analysis capabilities and is actively investigating synergies with European institutions.

In this context, it is worth noting that the recently approved IT Strategy 2019-2023 calls for collaboration and interoperability as its first IT principle. This includes fostering close partnerships with counterparts in the NCAs and the EU institutions to align requirements and implementation, actively promoting synergies between the ESAs and taking informed decisions on which systems can be shared.

FOLLOW-UP OF AUDITS AND EVALUATIONS

EIOPA has put in place arrangements to ensure that all recommendations made by the Internal Audit Service (IAS) of the European Commission, European Court of Auditors (ECA) and the Discharge Authority are timely and adequately addressed through dedicated action plans and this within the agreed deadlines or in case no specific target date is specified the latest within twelve months after the communication of the recommendation (internal EIOPA KPI).

Internal Audit Service

EIOPA is audited by its Internal Auditor, the Commission's Internal Audit Service. In 2016 IAS executed a Risk Assessment that formed the basis for defining the IAS Strategic Internal Audit Plan 2017-2019 for EIOPA. This Strategic Internal Audit Plan includes the following prospective topics, subject to annual review and possible changes:

Stress tests;

- Management of risk-free interest rate;
- Oversight tools in the consumer protection area;
- HR management and ethics;
- Procurement and contract management; and
- Data management and IT security.

Following the Strategic Internal Audit Plan, the IAS started in 2019 a comprehensive audit on the Oversight tools in the consumer protection area. The objective of the audit is to assess the design and the effectiveness and efficiency of the management and control systems put in place by EIOPA to manage and implement its activities and actions related to the protection of consumers from unfair business conduct by insurance and pensions sector service providers and, in particular, the oversight tools to monitor and detect any such conduct and behaviour. The outcome of this audit and consequent action plan will be available by the end of 2020.

Also in 2019 EIOPA continued to implement the remaining recommendations from the Stress Test Audit (2017). The audit was formally closed by the IAS in October, confirming that EIOPA addressed all the recommendation made.

In September 2019, the IAS issued the final report for the 2018 audit on HR management and ethics, which had one critical and five important recommendations.

EIOPA started immediately the implementation of the agreed action plan. The successful implementation of the critical recommendation ("Staff appraisal and reclassification") and one important ("Declarations of interest") before the end of 2019 has been confirmed by the IAS.

At the end of 2019 four recommendations were still open, none of these rated as critical or very important. They relate to improving i) the recruitment process; ii) the practice for individual objective setting; iii) the procedures for teleworking and special leave; iv) the declarations of potential conflicts of interest. All these recommendations are under implementation.

EUROPEAN COURT OF AUDITORS

EIOPA is audited every year by the European Court of Auditors. The audit provides a Statement of Assurance regarding the reliability of the accounts of the Agency and the legality and regularity of the transactions underlying them. In addition, an independent external auditor verifies the income, expenditure and financial position of EIOPA.

The ECA audit over the financial 2019 accounts started in September and currently the desk review is ongoing. The final report is expected during the second quarter of 2020.

In terms of implementation of measures addressing findings from previous years, EIOPA finalised the reporting year without having any open action.

FOLLOW-UP ON DISCHARGE

On 26 March 2019, the European Parliament granted EIOPA the Discharge 2017 and approved the closure of its annual accounts ((2018/2203(DEC)). Regarding the follow-up of the observations made by the EP in the Discharge 2016 (2017/2172(DEC)), EIOPA informed the Discharge Authority on 27.08.2018 (EIOPA-18/562) about measures taken to address the remarks related to:

- Procurement and staff policy and
- Prevention and management of conflicts of interest, transparency and democracy



ENVIRONMENTAL MANAGEMENT

EIOPA aims to improve its environmental performance and lower the impact of its operations on the environment. In line with the European Court of Auditors' recommendation to all EU institutions and bodies, the Authority is implementing EMAS. With the assistance of external consultants, an environmental aspects register detailing EIOPA's key environmental impacts has been established and an initial action plan has been created. The development and implementation of EIOPA's environmental management system is ongoing. In 2020, the Authority plans to formally adopt its environmental policy, finalise the establishment of its environmental management system and start running related management processes in alignment with EMAS standards. The registration for EMAS certification is indicatively planned for 2021.

MANAGEMENT ASSESSMENT

The Authority has adopted a set of internal control principles, based on international good practices, aimed to ensure the achievement of operational and administrative objectives. The financial regulation requires that the organizational structure and the internal control systems used for the implementation of the budget are set up in accordance with these principles. EIOPA has assessed the internal control systems during the reporting year and has

concluded that the internal control principles are implemented and function as intended.

In addition, EIOPA has systematically examined the available control results and indicators, as well as the observations and recommendations issued by the Internal Audit Service, the European Court of Auditors, and the Quality Control Committee and audit firms. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives.

Overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. With this framework in place, EIOPA is confident there are no significant weaknesses that would create reservations or impact on the validity on the Declaration of Assurance.

The building blocks of management assurance at EIOPA consist of several core elements. These are rooted in the implementation of the Internal Control Standards and continued strong management oversight of both operational and horizontal activities, and adherence to principles such as sound financial management. Regular reviews by EIOPA's Internal Control Coordinator and audits of EIOPA by the Internal Audit Service, European Court of Auditors provide impartial and thorough reviews of these measures, and are a further element of management assurance.

INTERNAL CONTROL SYSTEM

EFFECTIVENESS OF INTERNAL CONTROL FRAMEWORK (ICF)

EIOPA's current Internal Control Framework was adopted by the Management Board in November 2018 and is applicable since January 2019. The framework consists of five internal control components and 17 principles which are further developed in 49 characteristics following an assessment conducted in 2019 (see section on assessment of effectiveness).

CORPORATE RISK MANAGEMENT

Major Risk Areas

During the course of 2019, EIOPA identified, monitored and took measures to mitigate or negate the effects of the following risks:

- High degree of uncertainty in the external political, economic and legislative environment – including in relation to EIOPA's new tasks and powers and the consequences of the UK's decision to leave the EU;
- Ongoing resourcing challenges, including the allocation of new tasks and powers without sufficient staff and budget to deliver – EIOPA has already undertaken taken steps to make more efficient its process to free up resources and re-allocate staff based on its priorities (in particular supervisory convergence). In undertaking many of its tasks EIOPA runs considerable legal risks if it does not deliver its mandate in a legally robust manner and it is essential sufficient staff are allocated to these areas.

To mitigate the impacts of these risks, EIOPA continues to apply transparent prioritisation to the many competing demands it faces, with ongoing engagement with its Management Board and Board of Supervisors to ensure its growth adds value to their work. EIOPA will also continue to seek out efficiencies and re-deploy its staff to reduce the effects of resource gaps. This effort is however limited by the continued demand across all EIOPA's area of work, including major workstreams in support of reviews of key regulation relevant to EIOPA's mandate.

Risk management process

EIOPA's risk management process is intended to systematically identify and assess potential risk events and then plan and, if required, implement responses to them. Such events can originate from within the Authority or be driven by external forces. The likelihood of an event occurring and the impact of its consequences on an objective should it occur will vary. This variance is discussed in terms of risk exposure.

The aim of the process is to provide the management with an overview of the aggregated risks, and in particular to allow the management to focus on those with a potential material impact on its work programme and wider operations, and to offer responses to mitigate and overcome risks as they occur. Based on the level of negative exposure, EIOPA considers steps to prevent the event from happening (if within its power), avoid it or mitigate the negative consequences. Staff at all levels of the Authority are asked to consider risks in their work, assess them using a standardised scale and then consider appropriate and proportionate responses, escalating material risks to management when needed. Such an approach is essential, and will aid the management as it oversees implementation of an ambitious work programme.

EIOPA's risk management process is in line with internal control principle No 7, which defines how risks should be managed to assure the achievement of the institutional objectives.

Anti-Fraud

In 2015, EIOPA launched its first anti-fraud strategy, with objectives for:

- Preventing suspicious incidents from occurring through strong process and fostering an anti-fraud culture;
- Identifying irregularities and supporting investigations by the appropriate authorities;
- Recovering lost resources, mitigating risks and providing an appropriate response for those found to have perpetrated an act of fraud; and
- Applying lessons learnt from any case to help harden processes against fraud and to ensure EIOPA staff are aware of the consequences of committing fraud.

Since launching its strategy, EIOPA has implemented rules and measures to address ethics and conflicts of interest. It has automated a number of key administrative processes ensuring enhanced managerial oversight. Presentations to staff have also raised awareness of fraud risks and of individual staff obligations for reporting. Finally, a decision on whistleblowing has been adopted by EIOPA's Management Board with channels put in place for staff to report their concerns.

Going forward, EIOPA will reassess the risks of fraud it faces and define a new strategy that ensures EIOPA's processes and culture challenge fraudulent behaviour, that it has systems in place to identify irregularities and any identified perpetrators of fraud are robustly dealt with and where possible, lost finance and any other resources are reclaimed.

ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL FRAMEWORK (ICF)

EIOPA's internal control evaluation and monitoring cycle includes both ongoing (continuous) and annual (periodical) assessments. In 2019 the Internal Control function ran the first annual assessment of the entire system under the new internal control framework. The conclusion of this assessment was that all the components and principles are implemented and function as intended.

In reference to the continuous monitoring, the following control activities were performed during the reporting year and the results were integrated in the overall assessment:

- › ABAC (EIOPA's financial system) verification of access rights;
- › Ex-post verification of financial transactions;
- › Ex-post verification of HR operations;
- › Management and reporting of the exceptions and non-compliances;
- › Sensitive functions assessment; and
- › Monitoring of action plans resulting from the audits.

In conclusion, based on the above-mentioned control sources, no significant weakness has been unveiled which could have a material impact as regards the legality and regularity of EIOPA's operations. Therefore, the assessment concluded that the internal control system implemented by the Authority provides sufficient assurance to the adequate management of EIOPA's operations.

STATEMENT OF THE INTERNAL CONTROL COORDINATOR

I declare that I have reported my advice and recommendations on the overall state of internal control in the European Insurance and Occupational Pensions Authority to the Executive Director and to the Management Board.

I hereby certify that the completeness and reliability of management reporting on the state of internal control is to the best of my knowledge, accurate and complete.

[Signed]

Danny Janssen
Internal Control Coordinator

DECLARATION OF ASSURANCE

I, the undersigned,

Fausto Parente, Executive Director of EIOPA, in my capacity as Authorising Officer,

- declare that the information contained in this Consolidated Annual Activity Report 2019 gives a true and fair view;
- state that I have reasonable assurance that the resources assigned to the activities described in this report were used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures in place are effective, efficient and provide the necessary guarantees concerning the legality and regularity of the underlying transactions.

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

- results of the annual internal control self-assessment, including audits recommendations and implementation of the measures to address the weaknesses identified, exceptions management, ex-ante and ex-post controls;
- the progress and follow-up of risk management activities;
- the recommendations of the Internal Audit Service, the accompanying action plans and their follow-up; and,
- the lessons learnt from the reports of the Court of Auditors for the years prior to the year of this declaration.

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

[Signed]

Fausto Parente

ANNEX I: CORE BUSINESS STATISTICS

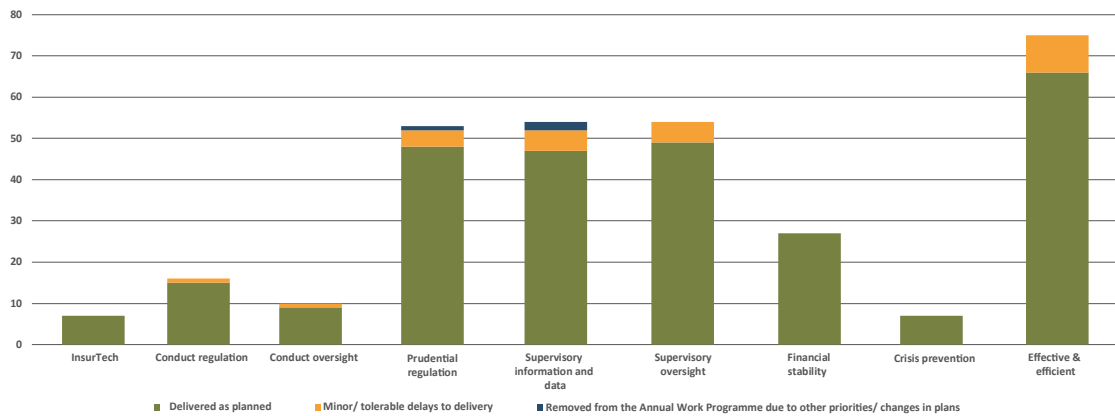
PRODUCT AND SERVICES OVERVIEW

EIOPA monitors delivery of its Annual Work Programmes (AWP) through the development of an Annual Implementation Plan (AIP). For each product and service in its AWP, specific milestones are planned, the involvement of different departments and horizontal functions is specified and risks are recorded. Throughout the year, EIOPA's management is informed of the status of this work and decides on changes such as the introduction of new work or de-laying and de-prioritising existing tasks.

The status of the products and services by December 2019, as recorded in the AIP, provides the basis for the data in the chart below.

no products or services were recorded as red, three were not taken forward. The first was to initiate monitoring of the Budapest Protocol, which was superseded by the work to assess of supervisory practices regarding the prior authorisation of IORPs. The next was the provision of statistics on the risk free rate and equity dampener process, which was de-prioritised in favour of implementing methodological changes and improvement of the data management platform solution. Finally, EIOPA did not launch an audit of the risk free rate and equity dampener processes, choosing instead to launch it in 2020 and following implementation of the developments in 2019.

Delivery of EIOPA's Annual Work Programme 2019

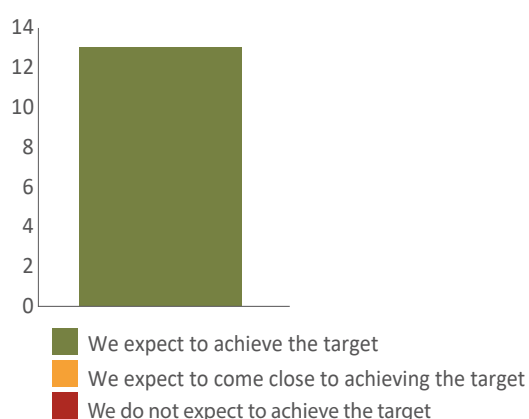


EIOPA ended the year with a work programme including 303 different products and services. The majority of EIOPA's work was delivered as planned and this equates to 275 or 91% of the total. A further 25 experienced minor delays, often as a result of prioritisation of other more pressing demands, dependencies on external parties such as IT service providers and changing requirements that included external developments (e.g. Brexit). Although

KEY PERFORMANCE INDICATORS

Key Performance Indicators (KPIs) are an important tool for monitoring EIOPA's progress in relation to its defined strategic ambition. EIOPA has set thirteen strategic level targets for performance across its seven main areas of work. Of these, EIOPA achieved or surpassed the target for all in 2019.

KPI Target Achievement



The first target for EIOPA's consumer protection work was 20 as an average number of respondents for relevant public consultations on consumer protection topics, which EIOPA exceeded. EIOPA also had a target for 5 national initiatives taking inspiration from its conduct of business deliverables, which it also exceeded in 2019.

Targets for EIOPA's work in support of the prudential regulatory framework were met with respect to the review of Solvency II and the development of the international capital standard by the International Association of Insurance Supervisors. EIOPA also met its target in the domain of the internal market for pensions by promoting a common supervisory culture as well as best and consistent supervisory practices through its opinions and reports in the areas of governance, risk assessment and information to members.

EIOPA met the deadline for all the monthly publications of the risk free rate in 2019. The target maintained on the completeness and coverage of EIOPA's data on insurance undertakings was also met, with EIOPA achieving 98% of the market share covered in reporting for the third quarter of 2019.

Two KPIs are used to monitor the level of engagement and impact of EIOPA's supervisory oversight activities. The first is the number of supervisory or policy actions

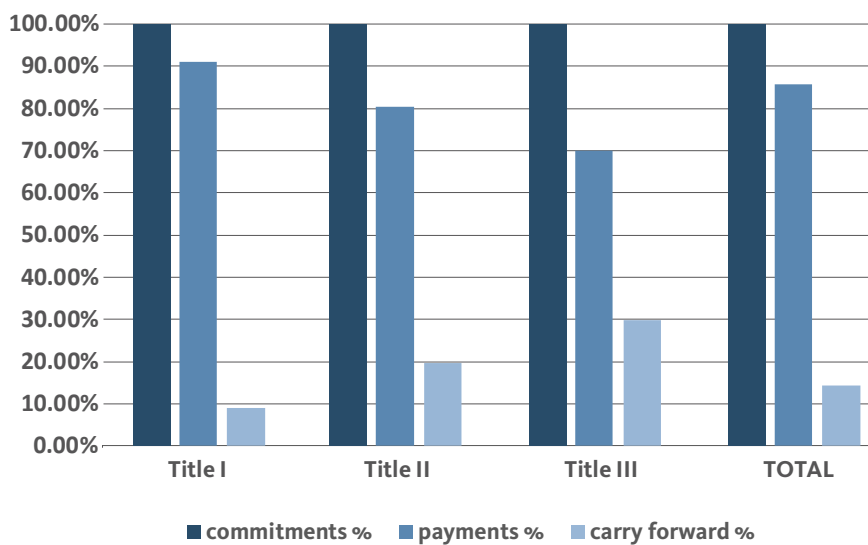
taken by NCAs following observations and feedback from EIOPA's Oversight Unit and the target of 20 in 2019 was met. The second KPI had a target of 25 bi-lateral engagements with NCAs on oversight topics, which EIOPA also met.

For EIOPA's financial stability work, the Authority has a target for the number of citations of EIOPA's products in research journals and publications from other public institutions in the field of financial stability. With seven citations identified in 2019 the target was exceeded. The second KPI is the number of financial stability risks with a material impact, within the agreed scope of the Stress Test, not identified by the exercise materialising within one year of the publish date of the results, and the target of zero was met.

The last two KPIs set targets to assess the management of EIOPA as an organisation. The first is the percentage of audit findings that have been addressed by improvement measures by the agreed deadline, or if no deadline was set, within twelve months of the finding being issued. EIOPA met the target of 100%. The second is for 99% implementation rate for EIOPA's budget, which was also met.

ANNEX II STATISTICS ON FINANCIAL MANAGEMENT

Budget execution 2019: Percentages of commitments and payments executed of budget 2019 and carry-forward of budget 2019 to 2020 per Title

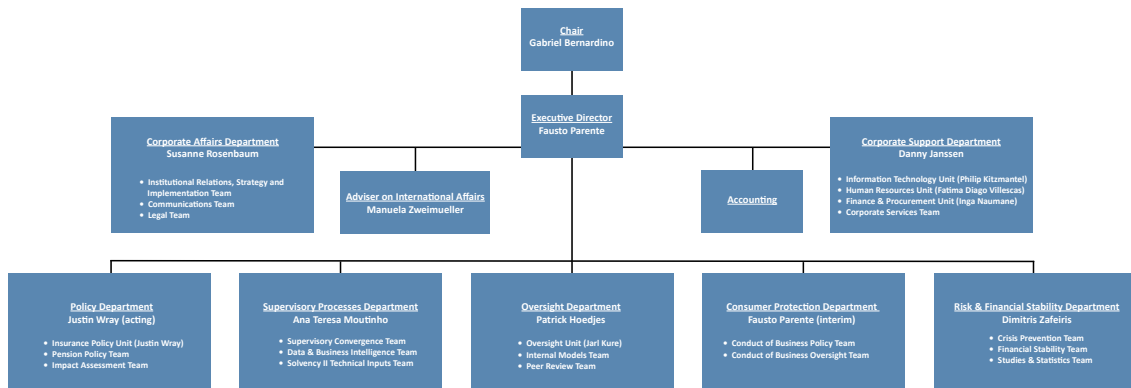


BUDGET TRANSFERS

In 2019 seven budget transfers were authorised in the EIOPA financial system, which is two less than in 2018:

- > Three transfers between budget lines within the same Title;
- > Four transfers from one Title to another within the 10% rule according to Article 26, paragraph 1 (a).

ANNEX III: ORGANISATIONAL CHART 2019



ANNEX IV: ESTABLISHMENT PLAN AND ADDITIONAL INFORMATION ON HUMAN RESOURCES MANAGEMENT

Establishment Plan 2019

2019		
Function group and grade	Final budget ³	Filled as at 31/12/2019
AD 16	1	1
AD 15	1	0
AD 14	2	1
AD 13	5	2
AD 12	11	3
AD 11	14	5
AD 10	14	10
AD 9	19	14
AD 8	12	7
AD 7	14	15
AD 6	8	24
AD 5	0	17
AD total	101	99
AST 11	0	0
AST 10	1	0
AST 9	1	0
AST 8	3	0
AST 7	3	0
AST 6	2	3
AST 5	3	4
AST 4	1	5
AST 3	0	2
AST 2	0	0
AST 1	0	0
AST total	14	14
TOTAL	115	113

Contract Agents	Filled as at: 31.12.2018	Filled as at: 31.12.2019
Total	33	36
Seconded National Experts	18	17

Contract Agents	Filled as at: 31.12.2018	Filled as at: 31.12.2019
Function Group IV	8	9
Function Group III	17	23
Function Group II	8	4
Function Group I	0	0

³ +2 AD (AD10 and AD6) and -2 AST (AST10 and AST6) as approved by EIOPA Board of Supervisors under the flexibility rule.

Entry level for each type of post

Key functions (examples)	Type of contract (official, TA or CA)	Function group, grade of recruitment	Indication whether the function is dedicated to administration support or policy (operational)
CORE FUNCTIONS			
Head of Department	TA	AD 9	Administration support and operational
Head of Unit	TA	AD 9	Administration support and operational
Head of Sector	n/a	n/a	n/a
Senior Officer / Principal Expert	TA	AD 9-11	Administration support and operational
Officer / Senior Expert	TA	AD 7-8	Administration support and operational
Junior Officer / Expert	TA + CA	AD 5-6 + FG IV	Administration support and operational
Senior Assistant	TA + CA	AST 4 + FGIII	Administration support
Junior Assistant	TA + CA	AST 2 + FGII	Administration support
SUPPORT FUNCTIONS			
Head of Administration	TA	AD 12	
Head of Human Resources	TA	AD 9	
Head of Finance	TA	AD 8	
Head of Communication	TA	AD 9	
Head of IT	TA	AD 8	
Senior Officer / Principal Expert	TA	AD 9-11	
Officer / Senior Expert	TA	AD 7-8	
Junior Officer / Expert	TA + CA	AD 5-6 + FGIV	
Webmaster- Editor	CA	FGIV	
Secretary	CA	FGIII	
Mail Clerk	n/a	n/a	
SPECIAL FUNCTIONS			
Data Protection Officer	TA	AD 8	
Accounting Officer	TA	AD 6	
Internal Auditor	n/a	n/a	
Secretary to the Director/Personal Assistant to the Senior Management	TA	AST 3	

Statistics from Job Screening/Benchmarking Exercise

Job Type					
Category	Subcategory	2016	2017	2018	2019
Total Administrative Support and Coordination		15.4%	14.5%	15.2%	13.7%
	Administrative Support	11.2%	10.5%	10.1%	10.7%
	Coordination	4.2%	4%	5.1%	3.0%
Total Operational		75.5%	76.3%	77.2%	78.6%
	Top Level Operational Coordination	4.9%	3.9%	3.2%	2.4%
	Programme Management & Implementation	53.1%	54.7%	62%	63.7%
	Evaluation & Impact Assessment	6.3%	3.9%	0%	0%
	General Operational	11.2%	13.8%	12%	12.5%
Total Neutral		9.1%	9.2%	7.6%	7.7%
Total Finance/Control		9.1%	9.2%	7.6%	7.7%
Total Linguistics		n/a	n/a	n/a	n/a

The descriptions of the categories used in the benchmarking exercise follow below.

CATEGORIES IN AN ADMINISTRATIVE SUPPORT AND COORDINATION ROLE

Type/Role	Category	Category Code	Examples (not exhaustive)
Administrative Support (ADM SUP)	Document Management	DOC	Documentation centre and archives
	HR Management	HR	HR Officer, Training assistant... (except payroll and mission reimbursement)
	Information and Communication Technology	ICT	Network administrator, Helpdesk assistant, ... (not directly implementing the mandate of the Agency)
	Internal audit and control	IA	Internal auditor, internal controller (focus on procedures)
	Logistics	LOG	Mail clerk, security officer, receptionist, building management, facilities.
	Head of Resources	RES DIR / HoA	Resources Director, Head of Administration
Coordination (COORD)	Legal advice	LEGAL	DPO, counsellor, legal officer (not directly implementing the Agency's mandate)
	Communication/information	COMM	External communication (not directly implementing the mandate of the Agency), Internal communication to the Agency's own staff goes under HR Frequently web editing / web design
	General coordination	GEN COORD	Inter-institutional contributions

CATEGORIES IN A NEUTRAL ROLE

Type/Role	Category	Category Code	Examples (not exhaustive)
NEUTRAL	Finance, non-operational procurement and quality management	FIN/CONT	Accounting; finance; procurement and contract management (excluding operational); quality management; payroll; reimbursement of mission costs ; internal auditing with (with focus on <i>finance</i>)
	Linguistic	LING	Typically editing, translation of documents

EXAMPLES OF JOBS IN OPERATIONAL ROLES

Type/Role	Category	Category Code	Examples (not exhaustive)	Typical Entities (not exhaustive)
Operational (OPER)	Top Level Operational Co-ordination	T/OP COORD	Executive Director	The AIPN/AHCC and Authorising Officer role (e.g. Director, Executive Director (ED), President...) Besides the secretariat/personal assistant to the ED, coordination and support of the Management Board, other jobs directly linked to the ED ("ED office...") have to be categorised individually, depending on their specific content.
	Pro-gramme Manage-ment & Imple-mentation	PGM M/IMP	Scientific / Technical Project (or Support) Officer, International Aid / Cooperation Officer, Programme Manager (or Officer) - EU policies, Policy Officer, Project Manager – EU policies	Thematic/Scientific Officer, Analyst, Expert, Programme Officer, Project Manager, Studies and research specialist, Data handling, ICT (directly implementing the mandate of the Agency, usually implementing Title 3 of the budget or generating revenues/fees),
	Evalu-ation & Im-pact Assess-ment	EVAL	Evaluation Officer, Policy Officer, Policy Analyst, Statistical Officer, Economic Analyst, Statistical Assistant, Evaluation Assistant	Evaluation, impact analysis; external audit, inspection or supervision of external entities; research assessment, inspection, licensing.
	General opera-tional	GEN OPER	Policy Officer, Policy Co-ordinator, Assistant Policy Officer, Policy Analyst, Economic Analyst, International Relations Officer	Managers of organisational units in operational areas (directly implementing the mandate of the Agency), Support/secretariat of Appeal boards (where foreseen in the Agency mandate), Agency's planning and reporting (annual work plan, annual report); Legal officer (directly implementing the mandate of the Agency)

› HR Implementing Rules

The following HR Implementing Rules were adopted during 2019:

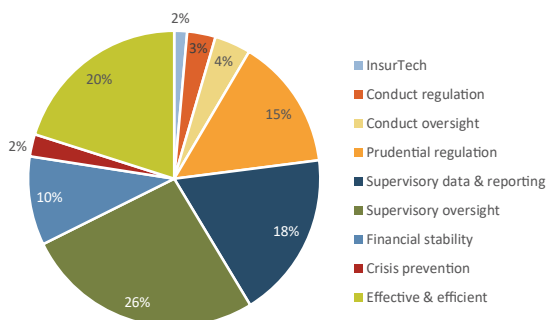
1. MB Decision adopting Implementing Rules laying down guidelines on Whistleblowing (EIOPA-MB-19-025);
2. MB Decision on Engagement of Contract Agents (EIOPA-MB-19-086);
3. MB Decision on Appraisal of Contract Agents (EIOPA-MB-19-087);
4. MB Decision on Learning and Development Strategy (EIOPA-MB-19-088);
5. MB Decision on Types of Post and Post Titles (EIOPA-MB 19-123);
6. MB Decision on Reclassification of Temporary Agents (EIOPA-MB-19-124, adopting COM Model Decision C(2015) 9560);
7. MB Decision on Reclassification of Contract Agents (EIOPA-MB-19-125, adopting COM Model Decision C(2015) 9561).

ANNEX V: ALLOCATION OF RESOURCES BY ACTIVITY

ALLOCATION OF HUMAN RESOURCES

In line with a central recommendation of the European Court of Auditors special report “EIOPA made an important contribution to supervision and stability in the insurance sector, but significant challenges remain”, EIOPA’s human resource allocation in 2019 favoured its work supporting supervisory convergence. This included the activities of conduct of business oversight (4%), supervisory data and reporting (18%) and supervisory oversight (26%). With preparation required for the review of Solvency II in 2020, work monitoring implementation of IDD, PRIIPs and IORP II, and new initiatives on sustainable finance and PEPP, EIOPA needed to maintain sufficient staffing levels for its work on the regulatory frameworks for both conduct (3%) and prudential (15%) matters. Further resources were allocated to identifying, analysing and reporting on risks to financial stability (10%) and crisis prevention and management (2%). The last operational area where EIOPA allocated staff was the cross-cutting theme of InsurTech, making up 2% of available human resources in 2019, EIOPA will continue to grow the allocation to this important area of work. The remaining 20% of staff in 2019 were allocated to tasks including providing legal support, maintaining IT solutions, running EIOPA’s headquarters and management of the Authority itself (staff, finance and tasks).

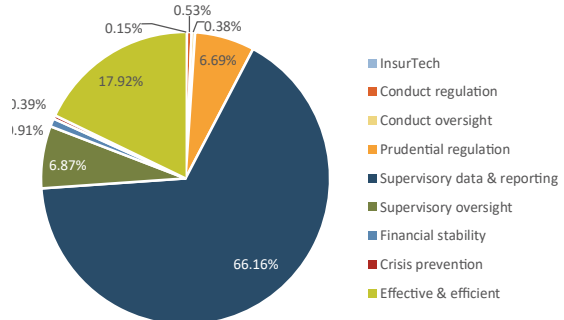
Allocation of EIOPA’s staff by activity 2019



ALLOCATION OF OPERATIONAL BUDGET

Allocation of EIOPA’s operational budget this largely driven by the demand for services and products, with a particular focus on IT solutions in support of its business objectives. The majority of expenditure in 2019 was related to the Authority’s activities improving the availability of supervisory data and information (66.16%). This included maintenance and improvements to EIOPA’s core systems such as the central repository, which had to be updated with respect to changes to the taxonomies for insurance and pensions. In 2019, EIOPA also undertook a data centre transfer and invested in its solutions for managing, analysing and reporting on the data it receives. Operational expenditure for EIOPA’s supervisory oversight work (6.87%) was predominately on missions, including for bi-lateral engagement with NCAs and to attend meetings of colleagues of supervisors. In the area of prudential regulation (6.69%), in addition to operational meetings, EIOPA procured the services of an external provider to undertake consumer testing in support of developments for the implementation of PEPP. A major area of expenditure for EIOPA’s internally focused activity in 2019 was the new website, which, in line with additional requirements for transparency following the review of the ESAs was an important initiative to undertake.

Allocation of EIOPA’s operational budget by activity 2019



ANNEX VI: COMMITTEES AND TASK FORCES

EIOPA's working environment covering various committees and working groups is one of its main tools to carry out its technical work and prepare draft instruments to be adopted by the Board of Supervisors – EIOPA's main decision-making body.

COMMITTEE ON CONSUMER PROTECTION AND FINANCIAL INNOVATION

The Committee on Consumer Protection and Financial Innovation (CCPFI) plays an important role in EIOPA's work in the area of conduct of business regulation and supervision. It is specifically mandated by EIOPA's founding regulation to "bring together all relevant competent authorities and authorities with a view to enhancing consumer protection, achieving a coordinated approach to the regulatory and supervisory treatment of new or innovative financial activities, and providing advice for EIOPA to present to the EU institutions". The Committee facilitates EIOPA in advancing its strategy towards a comprehensive risk-based and preventive framework for conduct of business supervision by:

- Taking a proactive role in intervening early to tackle risks of consumer detriment;
- Building a coordinated understanding of issues that go beyond one national market; and
- Fostering convergence across the EU by promoting a high, effective and consistent level of regulation and supervision, including with regard to data needs.

SUPERVISORY STEERING COMMITTEE

The Supervisory Steering Committee (SSC) contributes to EIOPA's role and tasks with the objective to improve the functioning of the internal market of the EU in the fields of insurance and pensions by strengthening the convergence and quality of supervision. The SSC supports EIOPA in setting the priorities for themes and topics strengthening supervisory convergence and provides a platform for exchange of views and information with regard to the implementation of the Solvency II framework. Furthermore the SSC steers the work on EIOPA tools to

achieve supervisory convergence such as the SRP Guidelines, Supervisory Statements, Internal Model consistency studies, or the Supervisory Review Process Handbook.

RISKS & FINANCIAL STABILITY COMMITTEE

The Risks and Financial Stability Committee (RFSC) contributes to EIOPA's role and tasks related to preserving the stability of the EU insurance and occupational pensions sectors in accordance with the EIOPA Regulation. The RFSC identifies, assesses and prioritizes financial stability risks and focuses on potential adverse developments that could impact the European insurance and occupational pension sectors.

The analyses are based on a wide range of information, including financial stability analysis, financial market analysis, reporting information, as well as market intelligence and other sources. The RFSC shall operate EIOPA's institutional framework to carry out its crisis prevention, management and resolution responsibilities under the EIOPA Regulation.

The RFSC shall transform analytical conclusions into possible policy actions that EIOPA could take within the powers and responsibilities allocated to it under the Regulation. In particular, the RFSC supports a market surveillance and assessment framework to monitor and report on market trends and financial stability related issues, in line with EIOPA's annual work plan, bringing the relevant topics for discussion and decision to the Board of Supervisors.

POLICY STEERING COMMITTEE

The Policy Steering Committee (PSC) contributes to EIOPA's role and tasks relating to the convergence of European prudential legislation in the field of insurance and pensions in accordance with the EIOPA Regulation. The PSC develops and monitors based on evidence, the appropriateness and effectiveness of the regulatory frameworks, and ensures the execution of major projects dealing with EIOPA's regulatory deliverables, including the review of the regulatory framework, the delivery of new regulation and policy as well as the steering on practical matters on the implementation of the relevant EU legal framework.

IT AND DATA COMMITTEE

The Information Technology and Data Committee (ITDC) delivers advice on information technology and the transfer, storage and handling of data in EIOPA.

In particular, the ITDC deals with pan-European IT-related projects derived from EU legislation and any other area where EIOPA Members or EIOPA consider it necessary or useful to work together on IT and data issues. ITDC is a forum to discuss all IT and data issues between EIOPA and Members.

In view of the wide range of issues and aspects arising from InsurTech, the ITF gathers expertise from all the relevant disciplines including consumer protection, financial stability, policy, supervisory oversight, IT, etc. The ITF also liaises with all relevant EIOPA working groups and steering committees as well as with EIOPA's Stakeholder Groups. Moreover, the ITF ensures coordination with the relevant work being developed in the area of InsurTech by the European Commission, the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and other relevant EU and international institutions and bodies.

REVIEW PANEL

To foster convergence and strengthen consistency in the outcome of supervisory actions, EIOPA conducts peer reviews in accordance with Article 30(2) of the EIOPA Regulation on specific activities of NCAs, based on an agreed methodology and with experts from NCAs and EIOPA acting as reviewers. Peer reviews also strengthen the dialogue within and between supervisory authorities and in facilitating sharing of best practices. In 2019 and before the peer reviews were coordinated and overseen by the EIOPA Review Panel, comprising representatives of the NCAs and EIOPA.

INSURTECH TASK FORCE

The InsurTech Task Force (ITF) leads EIOPA's current work relating to issues and aspects arising from InsurTech. In particular, the ITF analyses topics such as cloud computing, new business models, innovation facilitators, licensing requirements and regulatory barriers to financial innovation and the use of Big Data by (re-)insurance undertakings and intermediaries (both incumbents and start-ups). Furthermore, the ITF maps the supervisory initiatives undertaken by the different jurisdictions in the areas of InsurTech, with a view of establishing efficient and effective supervisory practices. The ITF will also concentrate, among other tasks, on Digital Ethics, convergence on supervision of algorithms and explore the benefits and risks arising from the use of blockchain and smart contracts for (re-) insurance and consumers. The ITF will also monitor other developments in the area of financial innovation, including on RegTech and crypto-assets.

ANNEX VII: STAKEHOLDER GROUPS

EIOPA has two independent advisory bodies: the Insurance and Reinsurance Stakeholder Group (IRSG) and the Occupational Pensions Stakeholder Group (OPSG). Both Groups include representatives from the insurance and pensions sectors, consumers and academia. EIOPA welcomes the contribution of the Stakeholder Groups to the work in areas relevant to the Authority's tasks. EIOPA engages in a close dialogue with them and provides extensive administrative support, while ensuring their full independence.

In terms of deliverables, the IRSG provided to EIOPA the following: advice on the Harmonisation of National Insurance Guarantee Schemes, advice on supervisory reporting and public disclosure, advice on EIOPA's opinion on sustainability within Solvency II – and more specifically advice on the integration of sustainability risks and factors in the Delegated Acts under Solvency II and IDD – advice on Systemic Risk and Macroprudential Policy, advice on consumer trends. In addition, the group was asked to give input on a variety of topics such as cloud computing or remuneration policies. Towards the end of the year, Members developed a draft advice on Solvency II 2020 Review.

The OPSG provided to EIOPA the following: advice on EIOPA's Financial Stability Report June 2019, advice on the IORP II supervisory Opinions (Governance and risk assessment), advice on consumer trends, advice on the IORP II Implementation: Pensions Benefit Statement as well as other Information Documents. In addition, the group was asked to give input on a variety of topics such as the technical specifications of the 2019 IORP Stress Test. Towards the end of the year, Members worked to develop advice on Gender gap in pension, cross-border business, and results of the 2019 IORP Stress Test.

Both groups worked together more closely in 2019. For instance, they delivered joint advice on the Pan-European Personal Pension Product (PEPP). The four Stakeholder Groups of the ESAs drafted a joint letter to give their opinion on the Review of the ESAs, which impacts the Stakeholder Groups as of January 2020. IRSG and OPSG members interacted with the Board of Supervisors and Management Board Members throughout the year and more intensively during a yearly Joint BoS and Stakeholder Groups meeting on 26 November. At that meeting, participants discussed the following strategic topics of common interest: PEPP, how to protect savers in a negative interest rate environment, and the role of supervision.

You will find a list of SHGs members on the EIOPA website at: <https://eiopa.europa.eu/about/engaging-stakeholders>.

Occupational Pensions Stakeholder Group members

status December 2018

Chair: Bernard Delbecque (Belgium)

Vice-Chairs: Aleksandra Mączyńska (Poland), Falco Valkenburg (Netherlands)

Member's Name	Nationality	Organisation	Representing
Alviniussen, Alf	Norway	Small Treasury Consulting and Investment Company	SMEs
Azzopardi, Moses	Malta	Maltese Association of Pensioners	Beneficiaries
Briganti, Francesco	Italy	Cross Border Benefits Alliance Europe	IORPs
Delbecque, Bernard	Belgium	European Fund and Asset Management Association (EFAMA)	Professional associations
Duarte, Valdemar	Portugal	Ageas Pensões	IORPs
Fekeža Klemen, Senka	Croatia	Erste, Ltd.	IORPs
Gabellieri, Bruno	France	European Association of Paritarian Institutions (AEIP)	Employees
Gómez Fernández, José Carlos	Spain	Spanish Consumer Association (ADICAE)	Beneficiaries
Gulich, Christian	Germany	German Consumer Association (BdV)	Beneficiaries
Jones, Olav	Norway/UK	Insurance Europe	IORPs
Kupšys, Kęstutis	Lithuania	Alliance of Lithuanian Consumer Organizations	Beneficiaries
Lemaire, Christian	France	Amundi Pension Fund	IORPs
Lewis, Sue	UK	The People's Pension	Beneficiaries
Luciano, Elisa	Italy	University of Torino	Academics
Mączyńska, Aleksandra	Poland	Better Finance	Beneficiaries
Maier, John	Ireland	Waterford Institute of Technology	Academics
Micolotta, Flavia	Italy	Luxembourg Green Exchange (FESE)	Professional Associations
Moriarty, Jerry	Ireland	PensionsEurope	IORPs
Nellshen, Stefan	Germany	Bayer-Pensionskasse VVaG	IORPs
Neyt, Philip	Belgium	PensioPlus, Belgian Association of Pension Institutions	IORPs
O'Quigley, John	Ireland	Public Sector Pension Trustee Companies	Employees
Oroviceanu, Cătălin	Romania	Romanian Association of Participants in Pension Funds and Investment Funds	Beneficiaries
Steenbeek, Onno	Netherlands	All Pension Group (APG)	IORPs
Reiner, Michael	Austria	University of Vienna	Academics
Reinhammar, Torun	Sweden	CDP Europe	Professional Associations
Seidel, Philippe	France/Germany	AGE Platform Europe	Beneficiaries
Valkenburg, Falco	Netherlands	Actuarial Association of Europe (AAE)	Professional Associations
van der Lecq, Fieke	Netherlands	Vrije Universiteit Amsterdam	Academics
van Meerten, Hans	Netherlands	University of Utrecht	Academics
Wancke Widemar, Ann-Marie	Sweden	ALECTA	IORPs

Onno Steenbeek replaced Sibylle Reichert in the group.

Insurance & Reinsurance Stakeholder Group members

status December 2019

Chair: Greg Van Elsen (Belgium)**Vice Chair:** Michaela Koller (Germany)

Member's Name	Nationality	Organisation	Representing
Kawiński, Marcin	Poland	Warsaw School of Economics	Academics
Baumgärtel, Martina	Germany	Allianz SE	Industry
Beaupérin, Typhaine	Belgium/France	Federation of European Risk Management Associations (FERMA)	Professional associations
Caget, Alexandre	France	A.C. Expertises	SMEs
Calu, Monica	Romania	Asociatia Consumers United	Consumers
Fox, Paul	UK	Finance Watch	Consumers
Francis, Hugh	UK	Aviva Plc.	Industry
Grabowski, Krzysztof	Poland	Kozminski University Warsaw	Academics
Halme, Liisa	Finland	Union of Insurance Employees in Finland	Employees
Hendriks-Muijs, Miranda	Netherlands	Univé Cooperative	Industry - Cooperative/Mutual
Hirner, Liane	Austria	Vienna Insurance Group (VIG)	Industry
Hugonin, Benoit	France	SCOR Group	Industry - Reinsurance
Jacob, Alin	Romania	Romanian Association of Financial Services Users (AURSF)	Users of (re)insurance services
Koller, Michaela	Germany	Insurance Europe	Industry
Kybartas, Tomas	Lithuania	Alliance of Lithuanian Consumer Organizations	Consumers
Laeven, Roger	Netherlands	University of Amsterdam	Academic
Larnaudie-Eiffel, Xavier	France	CNP Assurances	Industry
Marano, Pierpaolo	Italy	Catholic University of Milan	Academics
Materne, Stefan	Germany	Cologne University of Applied Sciences	Academics
Morton, Stephanie	Netherlands/UK	ClientEarth	Consumers
O'Riordan, Anthony	Ireland	Actuarial Association of Europe (AAE)	Professional associations
Danov, Desislav	Bulgaria	Fintechguardian	Consumers
Plá, Juan-Ramón	Spain	European Federation of Intermediary Associations (BIPAR)	Industry - Intermediaries
Prache, Guillaume	France	Better Finance	Users of (re)insurance services
Reinhammar, Torun	Sweden	CDP Europe	Professional associations
Rodrigues, Tito	Portugal	DECO Proteste Consumer Association	Consumers
Saraste, Lauri	Finland	Local Tapiola	Industry - Cooperative/Mutual
Scaroni, Bruno	Italy	Generali	Industry
Gulich, Christian	Germany	German Consumer Association (BdV)	Consumers
Van Elsen, Greg	Belgium	The European Consumer Organisation (BEUC)	Consumers

Marcin Kawiński replaced Juan Bataller-Grau, Desislav Danov replaced Giampaolo Petri and Christian Gulich replaced Dirk Ulbricht in the group.

ANNEX VIII: ANNUAL ACCOUNTS

FINANCIAL PERFORMANCE IN 2019

EIOPA's annual accounts have been established in accordance with EIOPA's Financial Regulation, Title IX of the Framework Financial Regulation (FFR)⁴, and in accordance with the accounting rules adopted by the European Commission's Accounting Officer. The aforementioned regulations and rules are to be applied by all the institutions and union bodies and adapt the International Public Sector Accounting Standards (and in some cases the International Financial Reporting Standards) to the specific environment of the EU. The reports on the implementation of the budget, instead, continue to be primarily based on movements of cash.

The accounting system of EIOPA comprises general accounts and budget accounts. These accounts are kept in Euro on the basis of the calendar year. The budget accounts give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle. The general accounts allow for the preparation of the financial statements as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet as at 31 December.

Disclaimer:

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

BUDGET RESULT⁵

Budget outturn	N-3	N-2	N-1
	(2017)	(2018)	(2019)
Revenue actually received (+)	24,090,702	25,290,647	26,869,513
Payments made (-)	(21,145,557)	(21,617,667)	(23,320,569)
Carry-over of appropriations (-)	(2,906,330)	(3,749,498)	(3,991,167)
Cancellation of appropriations carried over (+)	127,694	100,017	182,308
Adjustment for carry over of assigned revenue appropriations from previous year (+)	10,503	90,129	80,855
Exchange rate differences (+/-)	(4,073)	(9,385)	(11,673)
Adjustment for negative balance from previous year (-)			
Total	172,939	104,243	(190,733)

EIOPA uses only non-differentiated appropriations. In 2019, the authority was funded by contributions from the NCAs of the Member States and EFTA countries as well as by a subsidy from the European Commission. EIOPA also generated some income from other sources. The total revenue was € 26,869,513. EIOPA's total annual spending from available commitment appropriations reached € 27,311,736. Payments made from the adopted budget represented € 23,237,355,

payments from internal assigned revenue € 83,214 and appropriations carried over to 2020 € 3,991,167. This led to a negative outturn of the financial year equal to € 442,223. Cancelled appropriations from the carry-over of the previous year as well as appropriations available from 2018 internal assigned revenue alleviated the negative effect. Adjustments made for foreign exchange rate differences further increased the result, which reached € 190,733. EIOPA will set-off this negative outturn against future positive results.

The budget implementation rate for commitments was 100% and 86.53% for payments. The ratio of commitments carried forward to the following year achieved 14.37% (14.42% in 2018). Payments made from commitments carried forward in 2018 were high and reached 95.03%.

EIOPA – STATEMENT OF FINANCIAL PERFORMANCE

The financial statements below show all income and charges on accrual basis complying with the accounting rules of COM.

The economic result of the year was equal to € 620,405. The reserves increased to reach a total of € 6,895,068. This is the effect of additional development expenditure capitalised for IT projects launched in 2019. The revision of EIOPA's rental agreement generated revenue as a result of the revalidation and release of long-term liabilities. Current receivables for outstanding annual contributions from the NCAs also increased the result. The reserves bound by the appropriations carried over to 2020 further increased the reserves.

	2019 €	2018 €
European Union contribution	10,187,173	9,421,639
Other operating revenue	18,699,485	15,742,565
TOTAL OPERATING REVENUE	28,886,658	25,164,204
Administrative expenses	-23,516,615	-21,253,304
All Staff expenses	-14,918,845	-13,530,181
Fixed asset related expenses	-2,247,858	-2,228,494
Other administrative expenses	-6,349,912	-5,494,629
Operational expenses	-4,734,317	-4,171,312
Other operational expenses	-4,734,317	-4,171,312
TOTAL OPERATING EXPENSES	-28,250,932	-25,424,616
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	635,726	-260,412
Financial revenues	0	1
Financial expenses	-15,321	-46,746
SURPLUS/ (DEFICIT) FROM NON OPERATING ACTIVITIES	-15,321	-46,745
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES	620,405	-307,157
ECONOMIC RESULT OF THE YEAR	620,405	-307,157

EIOPA - BALANCE SHEET- ASSETS

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

	31.12.2019 €	31.12.2018 €
ASSETS		
NON CURRENT ASSETS		
Intangible assets	2,075,584	2,796,477
Property, plant and equipment	1,290,793	1,028,203
Land and buildings	o	o
Plant and equipment	o	o
Computer hardware	105,823	169,985
Furniture and vehicles	330,228	352,878
Other fixtures and fittings	854,742	505,340
Property, plant and equipment under construction	o	o
Long-term receivables and recoverables	o	o
Long-term receivables and recoverables	o	o
Long-term receivables and recoverables with consolidated EC entities	o	o
TOTAL NON CURRENT ASSETS	3,366,377	3,824,680
CURRENT ASSETS		
Short-term receivables	2,056,364	1,472,879
Current receivables	943,913	320,755
Sundry receivables	48,003	35,511
Pre-paid expenses	o	o
Deferred charges and accrued income	1,012,659	1,116,613
Short-term pre-financing		
Short-term pre-financing	51,789	o
Cash and cash equivalents	3,215,430	3,310,266
TOTAL CURRENT ASSETS	5,271,794	4,783,145
TOTAL	8,638,171	8,607,825

BALANCE SHEET- LIABILITIES

	31.12.2019	31.12.2018
	€	€
LIABILITIES		
CAPITAL	6,895,068	6,274,663
Accumulated surplus/deficit	6,274,663	6,581,820
Economic result for the year - profit+/-loss-	620,405	-307,157
TOTAL	6,895,068	6,274,663
NON-CURRENT LIABILITIES	815,911	1,392,914
Provisions for risks and charges	59,581	602,576
Other financial liabilities	698,946	99,601
Accrued charges and deferred income	57,384	690,737
TOTAL NON-CURRENT LIABILITIES	815,911	1,392,914
CURRENT LIABILITIES	927,192	940,248
Provisions for risks and charges	0	0
Accounts payable	927,192	940,248
Current payables	6,181	1,361
Sundry payables	13,504	13,504
Accrued charges and deferred income	880,417	819,291
Accrued charges with consolidated EU entities	27,090	1,849
Accounts payable with consolidated EU entities	0	104,243
<i>Pre-financing received from consolidated EU entities</i>	0	104,243
TOTAL CURRENT LIABILITIES	927,192	940,248
TOTAL	8,638,171	8,607,825

CASH FLOW TABLE (INDIRECT METHOD)

The cash flow provides a basis to assess the ability of EIOPA to generate cash and cash equivalents, and the needs of the entity to utilise those cash flows. Cash flows are classified by operating, investing and financing activities.

	2019 €	2018 €
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	620,405	307,157
Operating activities		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +	1,686,122	1,864,702
Depreciation (tangible fixed assets) +	561,736	363,792
Increase/(decrease) in long-term provisions for risks and liabilities	-542,995	50,762
Increase/(decrease) in short-term provisions for risks and liabilities	0	0
(Increase)/decrease in inventories	0	0
(Increase)/decrease in long term pre-financing	0	0
(Increase)/decrease in short term pre-financing	-51,789	0
(Increase)/decrease in long term receivables and recoverables	0	0
(Increase)/decrease in Short term Receivables and recoverables	-531,696	-201,274
(Increase)/decrease in receivables related to consolidated EU entities	0	1,393
Increase/(decrease) in value reduction for doubtful debts	0	0
Increase/(decrease) in long-term financial liabilities	599,345	6,733
Increase/(decrease) in short-term financial liabilities	0	0
Increase/(decrease) in other long-term liabilities	-633,353	-176,317
Increase/(decrease) in other short-term liabilities (accrued charges and deferred income)	86,367	-28,783
Increase/(decrease) in short-term payables	4,820	-15,492
Increase/(decrease) in Liabilities related to consolidated EU entities	-104,243	-68,696
Other non-cash movements	0	-20,500
Net cash flow from operating activities	1,694,719	1,469,163
	2019 €	2018 €
Cash Flows from investing activities		
(Increase)/Decrease in intangible assets and property, plant and equipment	-1,789,555	-812,297
Other proceeds from intangible assets and property, plant and equipment	0	0
Net cash flow from investing activities	-1,789,555	-812,297
Increase/(decrease) in Employee benefits	0	0
Net increase/(decrease) in cash and cash equivalents	-94,836	656,866
Cash and cash equivalents at the beginning of the period	3,310,266	2,653,400
Cash and cash equivalents at the end of the period	3,215,430	3,310,266

STATEMENT OF CHANGES IN NET ASSETS

Net assets	Accumulated Surplus / Deficit €	Economic result of the year €	Net assets (total) €
Balance as of 31 December 2018	6,581,820	-307,157	6,274,663
Other	0	0	0
Fair value movements	0	0	0
Movement in Guarantee Fund reserve	0	0	0
Allocation of the Economic Result of Previous Year	-307,157	307,157	0
Amounts credited to Member States	0	0	0
Economic result of the year	0	620,405	620,405
Balance as of 31 December 2019	6,274,663	620,405	6,895,068

ANNEX IX: ENVIRONMENTAL MANAGEMENT

As EIOPA does not own and operate its own building and facilities but instead occupies rented office space, the scope for environmental improvements is comparatively limited. However, the Westhafen Tower in Frankfurt, which houses all of EIOPA's offices, adheres to very advanced sustainability and environmental standards, as accredited by the building's Leadership in Energy and Environmental Design Gold certification. In addition, EIOPA maintains regular exchanges with the landlord to identify and pursue opportunities for the further environmental improvement of the building infrastructure, especially upgrading automation systems for lights, blinds, heating and cooling.

Within the remit of EIOPA's own office, facility and staff policies and processes, the Authority has already implemented several actions to reduce the impact of its administrative operations on the environment, and is pursuing others. Examples include the following:

- › it is reducing paper use by e-workflows for most financial transactions, the planned digitalisation of further work processes and awareness campaigns to change staff behaviour;
- › EIOPA's travel policy encourages staff to use the train for distances of 400 km or less, one way;
- › EIOPA's meeting room and audio-visual facilities have been upgraded to promote and facilitate the increased use of videoconferencing instead of travelling, and additional staff training on the effective use of web conferencing tools is planned;
- › for on-site catering, EIOPA puts increasing emphasis on local produce and offering a greater variety of vegetarian options;
- › EIOPA has adopted a sustainable public procurement approach and has already trained all interested staff;
- › EIOPA also participates in Earth Hour to raise awareness of environmental protection.

ANNEX X: ACCESS TO DOCUMENTS REPORT 2019

INITIAL REQUESTS IN 2019

Number of received applications and of identified documents, as requested⁶

Number of applications	Number of identified documents
9	209

Outcome of the applications in number of documents

Full disclosure	157
Partial disclosure	3
Of all which, documents already publicly available	12
Refusal	49
No existing/possession of document	In 4 instances there were no documents
Decision pending	0

CONFIRMATORY APPLICATIONS IN 2019

Number of confirmatory applications and of identified documents, as requested

Number of requested applications	Number of identified documents
1	0

Outcome of the applications in number of documents

Confirmation	1
Partial revision	0
Full revision	0

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