

EIOPA in 2021: more staff, more responsibilities

Interview with Fausto Parente, Executive Director of EIOPA, conducted by Chris Cundy, Insurance ERM



SPEECH

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The European Insurance and Occupational Pensions Authority (Eiopa) has grown steadily since it was officially established in 2011, but the next few years marks a considerable step up in its budget, staffing and responsibilities.

The authority holds an unusual position in the oversight of insurers and pension schemes in the European Economic Area (EEA). It is not a regulator: the European Commission gets to put the rules before Parliament and Council, which are then implemented by national governments. Nor is it a supervisor – that role falls to national authorities. But it has a significant influence in developing insurance and pensions rules, and has growing roles in overseeing pan-EEA risks and resolving cross-border issues, while fulfilling its strategic goals of consumer

protection and financial stability.

In September, Eiopa published its [Single Programming Document 2021-2023 / Annual Work Programme for 2021](#), in which it details its activities in an ever-broadening remit, including digitalisation, sustainability and supporting the post-pandemic economic recovery. The programme shows how Eiopa's annual budget will rise to almost €33m (\$39m) in 2021, from just over €27m in 2019, and staffing levels will increase to 209, from 163 in 2019.

In charge of running Eiopa day-to-day is executive director Fausto Parente. In this Q&A, he discusses the extent of those growing responsibilities and the top items on next year's agenda.

Q: The programming document adds new priorities and expands on many of Eiopa's existing responsibilities. But only two items have been deprioritised (tools and techniques for Eiopa's work in financial stability; and participation in international forums). How are you responding to that challenge?

A: We are quite ambitious in our work planning! But this year, and in the coming years, we need to pay attention to the pandemic crisis. We want to set up mitigating measures and contribute to the recovery of the European economy; this will be our main focus.

This is on top of our other priorities – digitalisation, sustainable finance, consistent and high-quality supervision – that were already there and are now gaining more importance.

For the time being, we have seen the insurance and pension sectors have been resilient to the crisis. But the longer it lasts, the more concerns may arise, so it's key for us to monitor the implications and see if there is a need to act.

In terms of helping relaunch the European economy, for example, we hope in the coming year the first pan-European personal pension product will be launched. That will be an important step in reinforcing the capital markets and also the capacity of people to save for retirement.

We are also helping create a true single market with the enhanced cooperation

platforms, which will ensure good quality supervision of undertakings with cross-border activity.

We have been given approximately 35 new people and some additional budget. In addition to our staff, we also benefit from the expertise coming from the national supervisory authorities that have an important contribution to our work. This from one side enlarges our capacity to develop important projects, and from the other is also beneficial in general for the good cooperation within the supervisory community.

This is also why we haven't deprioritised many of the tasks. But as you have also mentioned we do have important topics we decided to put on hold. For example, we have limited the developments of new tools and techniques for the work in financial stability, such as introducing more methodological improvements, and we have also reduced our participation in international forums.

However, implementing this increase in staff will take time, especially as the pandemic has delayed some recruitments.

And new challenges will be coming our way. For example, in late September, the European Commission announced its draft regulation on digital operating resilience for the EU financial services sector, which might bring additional tasks for the three European supervisory authorities (ESAs).

Q: How has the pandemic changed your operations? And how are you planning to return to "normal"?

As with many organisations, the way of working has changed overnight. Our important decision-making body, the Board of Supervisors meetings, but also others, were held as physical meetings several times a year; now everything is happening via videoconference.

At the moment, staff who prefer to be in the office are coming back in. We have about 25% in the office now.

It was important for us that teleworking was not deteriorating the quality of our work, and I can say all-in-all, it is working. Our internal meetings are more frequent, shorter and more concise.

In the summer, we surveyed our staff and about 85% said they were satisfied with their working experience.

Still, we need to improve the work-life balance, as there is a blurring line between private and working hours when you are working from home. We are also paying more attention to the sense of belonging and team spirit by listening to colleagues, organising "coffee talks" etc.

But thinking about the future, I think we will return to a "new normal" or hopefully a "better normal". Before the crisis, we wanted to become more environmentally friendly and this crisis has shown us what we can do better, for example travel less. A physical presence will be necessary, but has to be rethought.

Q: What kinds of new technologies are you investigating to improve Eiopa's work and/or make it more efficient? Is there an opportunity to share those technologies and tools with national supervisors or the other ESAs?

Since the beginning, we have cooperated with national supervisors, European agencies and the European Commission on technologies, and this will be more the case as no-one can cope with such fast developments by themselves. Examples of such cooperation are shared IT services, data centres and online conferences.

In February, we published a supervisory technology (suptech) strategy, where we are already working closely with national supervisors to understand how these developments can help and be integrated into supervisory work.

There are many areas, but let me mention some: as an example, we are developing blockchain technology to improve the way the Eiopa register is maintained and linked with national registers.

For our initiative on cross-border supervision, we will need a system for undertakings to notify the host authority and Eiopa, and explain why the

undertaking is fit and proper to perform cross-border activity. Technology can help us put this system in place in the most efficient manner possible.

Q: One of the workstreams for 2021 is on shared resilience solutions. How will Eiopa be contributing to the development of pandemic risk pools and similar initiatives?

The idea of setting up a shared resilience solution was already on our mind when thinking about some of the natural catastrophes in the past, and how climate change might impact society. Then the Covid crisis came, and we sped up our thinking.

Our July paper on shared resilience solutions has started a debate on the best way to deal with major systemic risk events. We are analysing the inputs we received and continuing to talk to stakeholders. The idea of setting up a shared resilience solution was already on our mind. One area we have already decided to elaborate is how the capital markets can help reinsure the risks taken by insurers. But our board still has to define the next steps, whether that is an opinion to EU institutions, or a concrete package for how to cope with future systemic risk.

In any case, we will contribute to any European Commission initiatives in this area: it fits well with the sustainable economic recovery plan of the Commission, and goes hand-in-hand with the green, digital and more resilient society that we consider as our future target.

Q: Racial discrimination, diversity and inclusion have become a major issue this year. How is Eiopa contributing to a fair society?

We started work last year on digital ethics and plan to finalise this early next year. We want to come up with some principles on how to deal ethically with data, because we know that technological development can be beneficial for everybody, but if you have bias in the system, you may end up discriminating instead of being more inclusive.

Another point I wanted to mention is that inclusiveness and diversity contributes to a strong organisation and a more robust, better performing sector.

Eiopa itself has almost an equal split between female (51%) and male (49%) staff, and we currently have 26 different nationalities represented. We were quite well balanced in the senior management team, but a couple of our female managers have left recently, so we need to rebalance for the future.

It's important to make sure women see they have a career here. Therefore, we encourage in our vacancy notices for managerial positions female candidates to apply. We want to see more women in insurance, especially those in senior roles.

Q: Is Eiopa ready for Brexit? And how do you see your future relationship with the UK playing out?

Our UK colleagues were always a valuable member of our governance and we regret the choice to leave. But we are ready, and we will continue to cooperate. My motto is always the same: for the benefit of consumers, the supervisors need to cooperate while the commercial players need to compete.

The supervisory dialogue is set up. We have a quarterly discussion and have set up more granular, technical dialogues as well. We need to treat the UK as a third country, but I am sure we will have a continued dialogue and good supervisory cooperation.

Q: One of the largest increases in staffing (seven full-time equivalent roles) is planned in the area of cross-border cooperation platforms. How is Eiopa's work expanding in this area?

It's part of our strategic objective to enhance the quality of prudential supervision and ensure an equal level of protection for policyholders in any country, which is key for the single market.

We still have different authorities with different supervisory approaches throughout Europe, and Eiopa is in a unique position to help all our members converge to higher standards of supervision. For these purposes, the cooperation platforms were set up a while ago, to achieve mutual agreement between members, and this has now been made part of Eiopa's regulation.

So, what is our role here? When cross-border undertakings enter into difficulties – as we saw recently with Elite and Gefion – there is a need for the home and host

supervisors to work together, and this can be done easier under the aegis of Eiopa. We can close the gap between the different priorities of the supervisors and take a European perspective over the supervision that needs to be put in place.

We have had 12 cooperation platforms in the last year, and seven are active at the moment. About 10% of the business in Europe is done through a cross-border activity, which shows that we are talking about an important part of the market.

Q: How is the recruitment for the new Chair, to replace Gabriel Bernardino, going?

A: I am not directly involved in the process - as executive director I do not get to choose the Chair! But there is a process in place, I understand the selection panel is interviewing candidates and a shortlist of three or four candidates will be sent to the European Parliament and European Council in November.
