

**FOLLOW-UP REPORT  
ON PEER REVIEW  
OF KEY FUNCTIONS:  
SUPERVISORY PRACTICES  
AND APPLICATION IN  
ASSESSING KEY FUNCTIONS**



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European Insurance and  
Occupational Pensions Authority

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This document represents the views of the members of EIOPA's Consultative Expert Group on Digital Ethics in insurance. The members named in this document support the overall AI governance framework put forward in this report, although they do not necessarily agree with every single statement in the document. EIOPA has created and supported the work of this stakeholder group, but the views included in this report do not necessarily represent the position of EIOPA.

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## EXECUTIVE SUMMARY

### *Methodology*

This report describes to what extent the National Competent Authorities (NCAs) have implemented the recommended actions addressed to them as a result of the peer review on the supervisory practices for the application of the proportionality principle in governance requirements regarding [key functions](#) performed in 2018. In addition, it addresses the monitoring of how the best practices, as identified in that past peer review, have been taken into consideration, implemented or further developed by the NCAs.

Peer reviews assess the application by NCAs represented in EIOPA's Board of Supervisors (BoS) of EU directives, regulations, technical standards, EIOPA guidelines and recommendations and supervisory practices.

Following finalisation of the peer review, EIOPA undertakes a follow-up pursuant to [Article 30\(6\) of Regulation \(EU\) No 1094/2010<sup>1</sup> \(EIOPA Regulation\) two years after the publication of the peer review report](#) to monitor the fulfilment of the issued recommended actions.<sup>2</sup> The follow-up procedure assesses if and how the recommended actions have been implemented by NCAs; this strengthens convergence and enhances the quality of supervision. The follow-up report includes an assessment of, but is not limited to, the adequacy and effectiveness of the actions undertaken by the NCAs that are subject to the peer review in response to the follow-up measures of the peer review report.

This follow-up exercise is based on EIOPA's Methodology<sup>3</sup>. However, certain parts of the process have been slightly amended by the Note on the Peer Review Governance (EIOPA-BoS-20/001) to reflect [the changes in Article 30 of the EIOPA Regulation](#) regarding the governance and process of conducting peer reviews.

The underlying report identifies the progress made, up to January 2021, against the recommended actions of the peer review on supervisory practices for the application of the proportionality principle in governance requirements regarding key functions.

Results of the peer reviews and follow-up peer reviews are published on the [EIOPA website](#).

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<sup>1</sup> The Authority shall undertake a follow-up report two years after the publication of the peer review report. The follow-up report shall be prepared by the peer review committee and adopted by the Board of Supervisors in accordance with Article 44(3a). When drafting that report, the peer review committee shall consult the Management Board in order to maintain consistency with other follow-up reports. The follow-up report shall include an assessment of, but shall not be limited to, the adequacy and effectiveness of the actions undertaken by the competent authorities that are subject to the peer review in response to the follow-up measures of the peer review report.

<sup>2</sup> See also the "Two Year Peer Review Work plan" published in the EIOPA website together with the annual work programme and Single Programme Document (SPD 2021-2023).

<sup>3</sup> See [EIOPA Methodology for the conduct of ad hoc peer reviews](#), which will be updated by the end of 2021, in accordance to changes to EIOPA Regulation.

### Main findings

Based on the findings of this exercise, EIOPA concludes that twelve NCAs have fully implemented their **recommended actions** and six NCAs have partially implemented those recommended actions addressed to them.

The following table shows the outcome according to the area of recommended actions. The indicated numbers and percentages refer to the recommended actions per area and not to NCAs. For recommended action per NCA please see details in chapter 4 'NCA Progress Reports regarding recommended actions'.

Area of recommended actions	Fulfilled	Partially fulfilled
Supervisory approach of NCAs (7)	EL, ES, IS, PL, CY, PT (86%, 6/7)	BG (14%, 1/7)
Combinations of key function holders (5)	CZ, DK, EE, PT (80%, 4/5)	SK (20%, 1/5)
Combinations of the internal audit key function with other key functions (5)	DK, EE, LU, PT (80%, 4/5)	BG (20%, 1/5)
Combinations of key function holders and AMSB members (6)	CZ, LU, PT (50%, 3/6)	BE, BG, SK (50%, 3/6)
Combinations of key functions with operational tasks (4)	EE, MT (50%, 2/4)	BG, SK (50%, 2/4)
Subordination of key functions (5)	EL (20%, 1/5)	BE, EE, NO, SK (80%, 4/5)
Fitness of key function holders (3)	LU, PT (67%, 2/3)	NL (33%, 1/3)
Outsourcing (3)	FI, SI (67%, 2/3)	BG (33%, 1/3)
<b>Total (38)</b>	<b>24 (63%)</b>	<b>14 (37%)</b>

In order to implement the recommended action in the area of **supervisory approach of NCAs**, NCAs have developed or amended their national internal supervisory guidance or supervisory internal guidelines including the guidance for on-site inspections. Some NCAs have changed the registration for notifications of key function holders with regards to content and technical option for submission; other NCAs have implemented/amended their internal data collection or documentation tools which allows for a better overview and analysis of information received by supervised undertakings.

Thematic market surveys have been used in order to collect relevant information in the area of supervisory approach and in the area of **combinations of key function holders**.

The analysis of national supervision of **combinations of the internal audit key function with other key functions** shows that supervisory dialogue at European level may need further consideration in order to address the required additional supervisory tools for the monitoring and supervisory challenge with regard to the internal audit function compared to the supervision of other key functions according to Article 271 of the Delegated Regulation.

In order to implement the recommended actions in the area of **combinations of key function holders and AMSB members**, some NCAs have amended their national regulatory framework or their published supervisory guidelines ("soft law"); in general, all NCAs have applied more supervisory focus to those combinations than monitored during the peer review in 2017-2018.

Recommended actions regarding **combinations of key functions with operational tasks** and **subordination of key functions** have been addressed by different measures, mainly by changes in the supervisory approach or in supervisory resource allocation. It needs to be noted that public disclosure of supervisory expectations or enhanced supervisory dialogue with undertakings plays an important role in the supervision of those cases.

The supervision of the **fitness of key function holders** has been strengthened by all NCAs which have received recommended actions in this area.

Amendments to the notification process and to the supervisory approach have been the main measures applied in the area of **outsourcing**.

Chapter 3 „Key findings per area of recommended action“ gives further details about what measures NCAs have applied in order to fulfil the recommended action in each area, whereas chapter 4 „NCA Progress Reports regarding recommended actions“ lists per NCA the recommended action(s) received, the progress made and the outcome of the implementation status.

The peer review has also monitored four **best practices** which have been analysed in this follow-up concerning whether NCAs used those identified best practices in order to develop their national supervisory approach.

Regarding the **structured proportionate supervisory approach**, EIOPA acknowledges that further work at both national and European level by EIOPA is needed in order to achieve a consistent supervisory approach on how the principle of proportionality is applied.

A **supervisory panel** or internal escalation process was monitored as an effective supervisory tool or supervisory internal procedure which is already implemented by the majority of NCAs.

All NCAs assess the **combination of key function holder with AMSB members**, but in most cases, the resource-intensive supervision of AMSB minutes is only applied to high-risk undertakings.

All NCAs have **regular meetings with key function holders**, with various frequencies and motives. EIOPA acknowledges that further supervisory work is needed in order to address how the principle of proportionality influences the frequency of those interactions with undertakings.

Details on best practices and their implementation by NCAs can be found in chapter 5 „Best practices“.

#### *Follow-up and next steps*

Six NCAs with partially fulfilled recommended actions, are expected to inform EIOPA, within six months of the approval of the follow-up report, about the implementation of the recommended action. This will then close the cycle of this peer review.

After the closing of the peer review cycle, EIOPA will use a risk-based approach to monitor NCAs' full or partial implementation of their recommended actions and will report on progress to the BoS.

A summary of the findings, as well as any further progress will be included in EIOPA's Supervisory Activities Report.



# 1. INTRODUCTION

Following up on peer reviews, and more specifically making sure the issued recommended actions have been implemented, is an integral part of EIOPA's supervisory role as it fosters supervisory convergence. Indeed, according to Article 30(6) of the EIOPA Regulation, "the Authority shall undertake a follow-up report after two years of the publication of the peer review report. The follow-up report shall be prepared by the peer review committee and adopted by the Board of Supervisors in accordance with Article 44(4). When drafting that report, the peer review committee shall consult the Management Board in order to maintain consistency with other follow-up reports."

## 1.1 METHODOLOGY

In line with EIOPA's Peer Review Governance for the conduct of peer reviews the "peer review committees (PRC) are responsible for conducting the peer reviews and preparing follow-up reports." In doing so "the PRC will prepare the peer review report, including the reasoned main findings and follow-up measures, as well as the follow-up reports for discussion and decision by the Board of Supervisors."

The follow-up report consists of individual progress reports that, on a named basis, identify the progress made against the recommended actions.

The follow-up was conducted through collection of the NCAs' self-assessments. The report has been compiled from data submitted by NCAs responding to customised (i.e. country-specific) questionnaires issued by EIOPA according to the recommended action addressed to the NCA. Where deemed necessary, and in order to better assess the self-assessment submitted, additional information has been requested. In some cases, calls between members of the ad hoc PRC and the NCA have been set up.

The best practices identified in the original peer review were also part of the assessment and therefore the questionnaire.

The follow-up was conducted by the ad hoc PRC chaired by an EIOPA staff member. The ad hoc PRC was comprised of experts on the supervision of undertakings' governance and key functions from Austria, Italy, France, Slovakia and EIOPA.

## 2. SCOPE, REFERENCE PERIOD AND ASSESSMENT CRITERIA

The peer review to be followed up was the peer review on supervisory practices for the application of the proportionality principle in governance requirements regarding key functions (2018).

- combinations of key functions with operational tasks;
- subordination of a key function holder to another key function holder or head of operational department;
- outsourcing.

The followed-up *recommended actions* identified in the peer review and addressed to NCAs can be found in Annex 1.

All NCAs to which recommended actions had been addressed have been part of this follow-up exercise. While the four best practices identified in the 2018 review continue to be recommended practice for all NCAs, the main objective of this follow-up exercise was to look at NCAs' progress on implementing actions specifically recommended to them.

The areas for which the recommended actions have been identified are:

- supervisory approach of NCAs;
- combinations of key function holders;
- combinations of key function holders and AMSB members;

*List of best practices:*

Identified best practices
<p>When NCAs adopt a structured proportionate approach based on the nature, scale and complexity of the business of the insurer regarding their supervisory assessment of key function holders and combination of key function holders at the time of initial notification and on an ongoing basis. The best practice also includes supervisory documentation and consistent and uniform data submission requirements (for example, an electronic data submission system for key function holder notification).</p> <p>This practice had been identified in the Netherlands.</p>
<p>When an NCA has a supervisory panel set up internally which discusses and advises supervisors about complex issues regarding the application of the proportionality principle in governance requirements regarding key functions.</p> <p>This practice had been identified in the Netherlands.</p>
<p>When assessing the combination of key function holder with AMSB member, EIOPA considers the following as best practice for NCAs:</p> <ul style="list-style-type: none"> <li>• To publicly disclose the NCA's expectations that controlling key functions should generally not be combined with operational functions, for example, with the membership of the AMSB. Where those cases occur, NCAs should clearly communicate their expectation that the undertaking ensures that it is aware of possible conflicts of interest arising from such a combination and manages them effectively.</li> <li>• To require from insurers that main responsibilities as a member of the AMSB do not lead to a conflict of interest with the tasks as a key function holder.</li> <li>• To assess whether the other AMSB members challenge the key function holder also being an AMSB member.</li> </ul> <p>This practice had been identified in Lithuania.</p>
<p>When NCAs apply a risk-based approach for the ongoing supervision that enables them to ensure the fulfilment of fitness requirements of key function holders at all times by holding meetings with key function holders on a regular scheduled basis as part of an NCA's work plan (annual review plan). The topics for discussion for those meetings can vary, depending, for example, on actual events and current topics.</p> <p>This practice had been identified in Ireland.</p>

*Assessment criteria*

The follow-up assessed **whether the recommended actions have been addressed and what activities in the organisational, regulatory and/or supervisory context have been undertaken** to fulfil the recommended action based on the following:

- Relied on the quality of answers, evidence and explanations provided and their relevance as summarised by the NCAs.
- In several cases the NCAs were asked for some documentation or a more precise description. In doing so, the team ensured there was a clear understanding of every NCA's position; if further clarification was deemed necessary the team members requested clarification from respondents (e.g. by email or phone call).
- A final quality check was conducted by EIOPA staff to compare the information available in EIOPA from the oversight activities.

As the reference period of this follow-up exercise lasted until December 2020, all activities of the NCAs completed by January 2021 have been taken into account. Although in the original report there was no specific

implementation deadline for the recommended actions, it is assumed that the period of two years after the publication of the peer review report is considered sufficient for the implementation of the recommended actions.

The self-assessment on the follow-up on the peer review of key functions was launched on 18 December 2020 with a deadline for submitting responses by 28 January 2021.

*Means of communication*

The joint survey consisted of self-assessment questionnaires addressed to 30 NCAs in 30 Member States (including EEA), out of which 18 NCAs received a self-assessment questionnaire regarding the implementation of individual recommended actions. The questionnaires were tailor-made for each supervisory authority, mentioning the specific recommended action and/or best practice. During the assessment by peers, 14 NCAs were asked to submit additional information; often relevant chapters of the national supervisory handbook or actual cases of supervisory application were submitted. The ad hoc PRC conducted conference calls with six NCAs in order to clarify certain open points for the final outcome of the result.

### 3. KEY FINDINGS PER AREA OF RECOMMENDED ACTION

The following chapter gives a European overview of how the areas of recommended action of the peer review report have been implemented by NCAs. This overview does not analyse whether recommended actions have been (partially) fulfilled or not by NCAs; the focus is on the actual supervisory measures taken in order to address recommended actions.

For detailed information on each NCA's action and measures taken, including the outcome of the follow-up analysis by EIOPA, please refer to chapter 4 "NCA progress reports regarding recommended actions".

#### 3.1 SUPERVISORY APPROACH OF NCAS

Seven countries (BG, CY, EL, ES, IS, PL, PT) were addressed in the peer review with recommended action concerning their supervisory approach on supervision of key functions. All seven NCAs have taken action in the context of their supervisory approach, mainly in the area of:

- developing or amending their internal supervisory guidance or supervisory internal guidelines (BG, EL, ES, PL, PT);
- amending their approach for on-site inspections (BG, CY, EL, IS);
- developing or amending the registration form for notifications by key function holders (CY, ES, IS, PT);
- amending their supervisory data collection tool for information on key functions (ES, PT); and
- conducting a market survey or desk analysis in order to gain further supervisory information (ES, IS).

In addition to those changes in the supervisory context, the national regulatory framework is subject to change in two countries (BG, PT), providing a legal basis for the NCA to amend their supervisory approach accordingly.

Organisational changes, in particular reorganisation of the NCA and its departments or units, have been implemented by two NCAs (BG, PL). One NCA (PT) has improved its supervisory approach by involving supervisory teams with different backgrounds / areas of expertise.

#### 3.2 COMBINATIONS OF KEY FUNCTION HOLDERS

Three NCAs (CZ, DK, EE) have been addressed with recommended actions in the peer review regarding their supervisory approach for combinations of key function holders. All NCAs have introduced changes in the supervisory context in order to fulfil the recommended action, namely all have amended or further developed their supervisory internal guidance for supervision of key functions during off-site and on-site inspections.

In addition, one country (DK) had conducted a thematic market examination based on supervisory data and will publicly disclose the outcome of this analysis throughout 2021. Another country (CZ) monitors combinations of key functions in its national market on a continuous basis.

Only one country (EE) made changes in the organisational context by reorganising its supervisory resource allocation in order to enhance its supervision of key functions.

#### 3.3 COMBINATIONS OF THE INTERNAL AUDIT KEY FUNCTION WITH OTHER KEY FUNCTIONS

Recommended actions with regard to this topic area have been addressed to two countries (DK, EE). These NCAs apply the same supervisory approach for the supervision of the internal audit key function as for other key functions

with regard to combinations. This outcome could lead to the conclusion that Article 271 of Commission Delegated Regulation EU (2015/35) does not require any additional supervisory measure or tool for the supervisory monitoring and supervisory challenging with regard to the internal audit function compared to the supervision of other key functions. However, a greater focus by NCAs on the internal audit key function was monitored.

### 3.4 COMBINATIONS OF KEY FUNCTION HOLDERS AND AMSB MEMBERS

Recommended actions have been addressed to six countries in this area (BE, BG, LU, CZ, PT, SK). In order to implement those recommended actions, four NCAs (BE, BG, LU, PT) have amended their national regulatory framework to address the issue or even to prohibit combinations of key function holders and AMSB membership. In some instances, these regulatory changes extend notification requirements for key function holders, requiring additional information on how conflicts of interest will be managed where such combinations are proposed.

Three NCAs have amended their organisational structure (BG, PT, SK), reallocating supervisory resources or using multidisciplinary teams for the supervision of key functions.

Five NCAs (BE, BG, LU, CZ, PT) have amended their supervisory approach and expectation, paying greater attention to combinations of key function holders with AMSB membership on a regular or case-by-case basis.

It needs to be noted that for the combinations of key function holders and AMSB members, the approval by two NCAs (BE, PT) is needed, which requires the key function holder to notify the supervisor in advance of taking up their position in the insurance undertaking.

### 3.5 COMBINATIONS OF KEY FUNCTIONS WITH OPERATIONAL TASKS

The peer review report elaborates on conflicts of interest that may arise where the key function holder, as the third line of defence in the undertaking's system of governance, is also

performing operational tasks. Four NCAs (BG, MT, SK, EE) have been addressed with recommended action in this area.

Two NCAs have taken regulatory action in order to fulfil the recommended action (BG, MT).

Three NCAs (BG, SK, EE) have restructured their internal resource allocation; one NCA (MT) has introduced a new IT tool as a (technical) organisational change in order for key function holders to submit relevant information directly into the supervisory database.

Three NCAs (BG, MT, EE) have amended their supervisory approach, with one NCA (MT) disclosing best practices on structures and tasks of key functions by circulars which have been published on its website.

### 3.6 SUBORDINATION OF KEY FUNCTIONS

The area of subordination of one key function to another key function has been addressed to five NCAs (BE, EE, EL, NO, SK) in the peer review.

All NCAs have implemented changes in their supervisory approach or their national supervisory handbook in order to implement the recommended action.

One NCA (EL) has conducted a market survey in order to gain information on how many key functions are subordinated to another key function before amending its supervisory approach.

### 3.7 FITNESS OF KEY FUNCTION HOLDERS

Recommended actions regarding the fitness of key function holders were addressed to three countries (LU, NL, PT). Two countries' national regulatory frameworks (NL, PT) have been changed in order to implement the recommended action.

All NCAs have amended their supervisory approach during off-site and on-site inspections and have publicly disclosed their supervisory expectations, or will do so, in order to ensure that key function holders possess the

relevant knowledge and fitness at notification stage and on an ongoing basis.

One NCA (PT) assessed all key function holders with regard to their ongoing fitness throughout the last three years.

### **3.8 OUTSOURCING**

Two NCAs (BG, FI) received peer review recommendations to amend their supervisory approaches on

outsourced key functions. Both NCAs have amended their regulatory frameworks to include new notification processes.

In addition, both NCAs have introduced organisational changes; one (FI) nominated one supervisor as the process owner for escalated outsourcing requests. This action was introduced in order to ensure a consistent and coherent supervisory approach.

A market survey was conducted by one NCA (FI), which disclosed the results in a public report.

## 4. NCA PROGRESS REPORTS REGARDING RECOMMENDED ACTIONS

The following chapter describes the individual follow-up per country and how the relevant NCA has implemented the recommended action of the peer review on supervisory practices for the application of the proportionality principle in governance requirements regarding key functions. Thirty-eight recommended actions were addressed to 18 NCAs. For an overview of all recommended actions see Annex 1.

The outcome of the assessment is categorised into “fulfilled”, “partially fulfilled” or “not fulfilled”. Those actions taken by NCAs for which full implementation is still outstanding by January 2021 are categorised as “partially fulfilled” when the progress of the work has been considered advanced.

### 4.1 BELGIUM

Recommended action	Progress made	Outcome
<p>NBB should:</p> <p>a) pay specific attention to the risk management function holder and verify that the holder is effectively able to accomplish his responsibilities in an objective and independent manner.</p> <p>b) verify that appropriate internal procedures, especially in significant insurers, are properly implemented in order to avoid conflicts of interests.</p> <p>c) assess whether combinations of key functions (including combinations with AMSB members) and subordinations of key functions fulfil the necessary conditions relating to their independence in the insurer's organisational structure.</p>	<p>NBB's supervisory guidelines (“Overarching circular on system of governance”) have been changed, including requirements and safeguards in points a), b) and c).</p> <p>The national Belgian law of 2016 concerning the statute and control on insurance and reinsurance companies is subject to change, with finalisation expected for 2021.</p> <p>The organisational measures taken after the peer review (specific points of attention included in the work programme for the on-site inspections) and the exercise carried out in 2020 to assess and list undertakings with combinations of chief risk officer / risk management function holder with another function are in line with the recommended action.</p>	Partially fulfilled

#### *Main findings*

In the current Belgian regulatory framework the position of the risk management function holder coincides with one of the members of the management committee. In order to ensure the independence of the risk management function holder, the “Overarching circular on system of governance” envisages that “the head of the risk management function” be “a member of the management committee with no functions other than this responsibility” and that “the company must ensure that this does not compromise the independence of the risk management function”.

National law allows the risk management function, actuarial and compliance function to come under the responsibility (hierarchical responsibility) of the chief risk officer (member of the management committee) insofar as these three functions (i) are exercised separately from each other and (ii) this does not give rise to any conflicts of interest.

There are also provisions for the distribution of tasks between the members of the management committee. They should be distributed in a way that ensures a strict separation between risk management function and investment/commercial (underwriting) functions and allows the assignment of the internal audit function

to a member of the management committee who is not responsible for the commercial function (underwriting) but combines this function with operational functions that generate less risks.

Without prejudice to the specific characteristics of the position of the chief risk officer, the persons responsible for the control functions are, in principle, at a level in the organisation chart below the management committee and report hierarchically to a management committee member, with a direct reporting line to the board of directors.

The Overarching circular sets the conditions for the organisational independence of all the key functions in case of combinations and subordinations in addition to general requirements which ensure that:

- the management committee has an appropriate segregation between the functions that manage the company's business and those that supervise it;
- for the four control functions the persons responsible for independent control functions shall have access to the board of directors;
- the persons performing the control functions shall be independent from the company's business units and operational functions.

NBB also provided documentation of the work programme for the on-site assignments regarding governance issues which represents guidance to facilitate the analysis during the inspections. With regard to the assessment of the independence of the risk management function holder in the position of a member of the management body, attention is given to whether the risk control function could deliver an unbiased and independent risk analysis; has direct access to the management body in its supervisory function; can report, where necessary, directly to the management body in its supervisory function; regularly takes part in meetings of the management body in its supervisory function or the risk committee and presents the risk view.

Moreover, NBB provided examples of observations made during on-site inspections regarding key functions. Regarding the risk management function holder, some of the observations were focused on independence, resources and direct reporting to the board of directors.

### Conclusions

The analysis of the documentation shows sufficient safeguards are in place to ensure the independence of the key function holders, in particular of the risk management function holder, both in a regulatory and supervisory context.

NBB informed EIOPA that "it is intended to change the national Belgian law of 13 March 2016 concerning the statute and control on insurance and reinsurance companies ('Belgian law'), in order to delete the obligation for the risk management function holder to be part of the management committee and board of directors. The draft law which introduces this change is currently being discussed with the government and is expected to be implemented in the course of 2021<sup>4</sup>. The supervisory guidelines will be adapted accordingly".

Given the above, the recommendation can be deemed fulfilled once the change in the legislation is implemented and the obligation for the risk management function holder to be part of the management committee/board of directors is removed. EIOPA welcomes the fact that NBB is considering changing its supervisory guidance following the new national law in the course of 2021.

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<sup>4</sup> NBB informed EIOPA that the Belgian Parliament has approved the new version of the Law on 27 May 2021. This will be considered in the follow-up to this report, as the development has taken place outside the reference period.



## 4.2 BULGARIA

Recommended action	Progress made	Outcome
<p>Regarding the combinations of key function holders (also internal audit functions holders) and combination with operational tasks:</p> <p>FSC should implement both assessment at the time of notification and ongoing supervision of combination cases (between key function holders and between key function holders performing operational tasks – which appears not yet to be monitored), in order to increase the awareness of market practices; this includes to:</p> <p>a) increase the monitoring process in case of combinations of key function holders and key function holders with operational tasks. This improvement would allow the FSC to have a better knowledge of the number of combinations in its market and assess these adequately.</p> <p>b) verify that the key function holder fulfil the necessary conditions with regard to their propriety, fitness and independence in the insurer’s organisational structure.</p> <p>Regarding the combinations of key function holders and AMSB members and with operational tasks, FSC should:</p> <p>a) commence the assessment for their supervised insurers regarding key functions, ensuring that all supervisory skills required to fulfil this task are available. Furthermore, the FSC should - as a matter of priority - request all supervised insurers to implement procedures to avoid conflict of interest.</p> <p>b) introduce a complete assessment on whether and how Solvency II requirements, especially according those listed in to Articles 41 and 42 of the Solvency II Directive, are implemented by all supervised insurers in your market that fall under the scope of Solvency II.</p> <p>c) implement a full assessment whether and how the required level of independence of key functions within the insurers’ organisational structure is fulfilled in case of combinations of key functions (including combinations with AMSB members).</p> <p>Regarding outsourcing, FSC should:</p> <p>a) apply EIOPA’s Guideline 14 on system of governance in a proportionate manner as well as Article 49(1) (2) of the Solvency II Directive and Article 74 of the Commission Delegated Regulation EU (2015/35) for all insurers that fall under the scope of the Solvency II Directive, by requiring these insurers to designate a person with overall responsibility for the outsourced key function(s);</p> <p>b) assess the fitness and propriety of the designated person as required by Article 42 of the Solvency II Directive.</p>	<p>The Draft Ordinance on the System of Governance of the Insurance and Reinsurance Undertakings has been developed by FSC. This draft ordinance will be subject to public consultation and is expected to be adopted and in force as national secondary legislation by mid-2021.</p> <p>The organisational change is the creation of two units: Off-site Supervision of Insurers and Insurance Groups, and On-site Inspections.</p> <p>FSC’s risk-based supervisory handbook gives guidance on the requirements for the system of governance of insurers including general requirements regarding key functions, their obligations and responsibilities as well as the scope and frequency of the periodic review of information on key functions. The supervisory handbook currently used by FSC will be subject to change once the Draft Ordinance on the System of Governance is finalised and in force. The authorisation for outsourcing of key functions is subject to preliminary assessment by the Preliminary Regulatory Regimes Unit. The Draft Ordinance follows EIOPA’s Guideline 14 on system of governance on outsourcing of key functions.</p>	<p>Partially fulfilled</p>

*Main findings*

FSC was recommended to develop adequate supervisory procedures and criteria to assess governance requirements regarding key functions in a risk-based supervisory framework, including the application of the principle of proportionality as well as assessment at the time of notification and ongoing supervision of combination cases of key function holders. FSC was also recommended to request all supervised insurers to implement procedures to avoid conflicts of interest when setting up their structure for key functions. In the field of outsourcing FSC was recommended to assess the fitness and propriety of the designated person as required by Article 42 of the Solvency II Directive and EIOPA Guideline 14 on system of governance.

A Draft Ordinance on the System of Governance of the Insurance and Reinsurance Undertakings has been developed by FSC, subject to public consultation, and is expected to be adopted by mid-2021. Once final, the Ordinance becomes secondary legislation. This Draft Ordinance includes FSC’s supervisory expectations towards their supervised insurers and will lead to changes in FSC’s supervisory handbook after its finalisation. The content of this Draft Ordinance, as sent for public consultation to the Bulgarian insurance market, follows the recommended actions from the peer review. EIOPA would welcome the Draft Ordinance not being subject to major changes regarding content and applicability for the supervision of key functions.

Regarding organisational changes, FSC clarified that by Order No 305/11.12.2020 the Insurance Supervision Division consists of two headquarters:

1. Insurance Supervision Directorate which comprises four units: Off-site Supervision of Insurers and Insurance Groups, On-site Inspections, Market Conduct, Enforcement; and
2. Regulatory Regimes of Insurance Supervision Directorate.

The annual off-site risk assessment by FSC of all insurers includes quantitative and qualitative analysis/indicators of the system of governance (including key function holders), and is carried out by two employees on a full-time equivalent (FTE) basis. For the On-site Inspections unit two employees on an FTE basis are responsible for the detailed assessment of the system of governance. These organisational changes are welcome for the fulfilment of the recommended action.

*Conclusions*

As the Draft Ordinance on the System of Governance of the Insurance and Reinsurance Undertakings and its impact on FSC’s supervisory handbook are not final by the time of this follow-up review, the recommended actions are considered partially fulfilled. The initiative taken by FSC regarding the current draft content of the Draft Ordinance is welcomed.

**4.3 CYPRUS**

Recommended action	Progress made	Outcome
<p>ICCS should:</p> <p>a) adopt more structured, risk-based and proportionate supervisory procedures and criteria, in relation to the assessment of key functions, taking into account the application of the principle of proportionality according to Article 29 of the Solvency II Directive;</p> <p>b) improve the process of dissemination of information gathered and the work done for each supervised insurer; this could be achieved for example through the appointment of an alternate supervisor for each insurer, who will have a thorough knowledge of all open issues concerning the insurer.</p>	<p>ICCS follows a structured approach regarding the developed notification form for key function holders.</p> <p>ICCS applies a uniform procedure in relation to the assessment of key functions.</p> <p>This includes the preparation of internal memos and a discussion with the second supervisor assigned for the supervision of each undertaking. Since 2020 ICCS has enhanced the conduct of interviews with prospective key function holders in the assessment process.</p> <p>ICCS applies the principle of proportionality in a general way using quantitative criteria from undertakings’ reported data.</p>	<p>Fulfilled</p>

*Main findings*

The additional documents submitted are multiple and show a more structured approach regarding the notification of key functions. Due to the small market, ICCS prefers interviews with the key function holder for the ongoing supervision of key functions.

Though no supervisory handbook was developed and ICCS's expectations regarding undertakings' governance including key functions were not published, more coherence is achieved during day-to-day supervision by the preparation of internal memos, the use of an internal database and discussion on a structured basis with the second supervisor assigned for the supervision of each undertaking.

The application of the principle of proportionality takes into account the amount of assets under management and the business model of the insurer. Combinations of key functions are generally not accepted by the NCA, only for small undertakings applying the principle of proportionality.

*Conclusions*

EIOPA deems the recommended action as fulfilled by ICCS, welcoming the more structured approach towards supervision of key functions. ICCS is invited to further develop its supervisory approach with regard to the application of the principle of proportionality, taking into account the Solvency II review and specificities of its national insurance market.

#### 4.4 CZECH REPUBLIC

Recommended action	Progress made	Outcome
In situations where the actuarial function supports or performs tasks which are in the remit of the work of the risk management function, NCAs should assess conflicts of interest.	CNB elaborated an internal methodological guideline (internal supervisory handbook) on key functions, which includes objectives on the assessment of conflicts of interest and application of the principle of proportionality.	Fulfilled
<p>CNB should:</p> <ul style="list-style-type: none"> <li>a) pay specific attention to the risk management function holder and verify that the holder is effectively able to accomplish its responsibilities in an objective and independent manner and therefore is in principle not a member of the AMSB;</li> <li>b) verify that appropriate internal procedures, especially in significant insurers, are properly implemented in order to avoid conflicts of interests; and</li> <li>c) take into account the principle of proportionality when assessing the combination of risk management function holder and membership of the AMSB.</li> </ul>	<p>CNB's internal handbook on key functions addresses the relation between the AMSB and key functions including:</p> <ul style="list-style-type: none"> <li>a) the independence of the risk management function holder;</li> <li>b) conflicts of interest; and</li> <li>c) the principle of proportionality when assessing the combination of risk management function holder and AMSB member.</li> </ul>	Fulfilled

*Main findings*

Since 2018 CNB has developed and issued an internal handbook on the supervision of key functions addressing the recommended actions. For stakeholders, a Supervisory Statement on the assessment of trustworthiness and competence was published at end-2020 in order to disclose CNB's supervisory expectations.

The examples and actual cases provided by CNB show implementation of the recommended action within the

assessment of the separation of key functions (preventing an overlap or combination of key functions while applying the principle of proportionality).

*Conclusions*

EIOPA concludes that there was sufficient information (internal guideline, communication on supervisory expectation, internal handbook, actual cases) to consider that both recommended actions have been fulfilled.

## 4.5 DENMARK

Recommended action	Progress made	Outcome
<p>DFSA should:</p> <p>a) Gather information from insurers how frequent combinations occur in its market. Depending on the result, develop internal guidance or external communication on the criteria for combining several key functions.</p> <p>b) Assess whether and how Solvency II requirements are implemented by all insurers which are in the scope of the Solvency II Directive, and whether combinations of key functions fulfil the necessary conditions with regard to their independence in the insurer's organisational structure.</p>	<p>In December 2020, DFSA launched an in-depth thematic off-site market examination on governance, including fitness, effectiveness and proper functioning of key functions. The final report is expected to be published in Q3-Q4 2021. Furthermore, DFSA continues to gather information through on-site inspections and off-site examinations. As an example of an off-site examination, DFSA makes yearly risk evaluating reports on all insurance undertakings where all governance systems are reviewed. When assessing insurance undertakings' governance systems, including fitness and proper functioning of key function holders, DFSA uses internal guidelines.</p>	Fulfilled

### Main findings

With regard to the recommended action DFSA has provided details of the thematic market examination regarding governance systems and the internal guidelines regarding assessment of combinations of key functions. DFSA uses a case-by-case approach when examining combinations of key functions. When applying the principle of proportionality, DFSA takes into account the nature, scale and complexity of each insurance undertaking and thereby ensures that rules are applied with necessary adjustments for small undertakings with simple business models and uncomplicated products.

Some benchmark criteria are defined by the authority:

#### – Combinations of key function holders

When applying the principle of proportionality with regard to the combination of key function holders, DFSA will place emphasis on the nature, scale and complexity of the undertaking. As a starting point all life insurance undertakings are deemed high-risk based on the nature, scale and complexity of these undertakings, thus combinations of key function holders are not allowed in principle. Combinations of key function holders may be allowed in low-risk non-life insurance undertakings based on the principle of proportionality.

#### – Combinations of key function holders and ASMB members

Combinations of key function holders and AMSB members are not allowed in large undertakings, undertakings

with a complex business model and undertakings with complex products.

Combinations of key function holders and AMSB members may be allowed by DFSA under certain circumstances. Using a case-by-case approach the DFSA may allow such combinations in small non-complex undertakings. The concrete assessment is based on the risk profile of the relevant undertaking and with special focus on prevention of conflicts of interest, segregation of functions and whether the other AMSB members challenge the key function holder also being an AMSB member.

#### – Combinations regarding internal audit function holders

Combinations between the internal audit function holder and other key functions as well as combinations between the internal audit function holder and operational tasks are allowed, but subject to the strict requirements of Article 271 of Commission Delegated Regulation EU (2015/35). DFSA assess such situations on a case-by-case basis.

DFSA does not consider it a real possibility to make the above-mentioned combinations in practice and no such combinations are present in the market. DFSA does, however, allow the internal audit key function holder to be combined with the internal audit in the accounting area or internal audit manager.

### Conclusions

The recommended action on supervisory information gathering about the frequency of combinations

in the market is fulfilled due to the in-depth thematic off-site market examination on governance launched in December 2020. Publication of the final report is expected during 2021.

DFSA may find the need to further develop or adjust the existing internal guidelines on the basis of the responses provided by the insurance undertakings when the insurance undertakings respond to the market examination on governance, launched in December 2020. DFSA may

also find the need to make use of external communication such as publishing supervisory expectations when the insurance undertakings respond to the market examination on governance.

Even though no follow-up action is requested for fulfilled recommended actions, EIOPA would welcome DFSA sharing the public link for the final report on the thematic off-site market examination on governance, expected to be published during Q3-Q4 2021, with EIOPA.

## 4.6 ESTONIA

Recommended action	Progress made	Outcome
<p>EFSA should, in order to improve the awareness of its market:</p> <p>a) implement an assessment of cases of combination between key function holders and between key function holders and operational tasks, both at the time of notification and during ongoing supervision. Thanks to this improvement, EFSA could be better informed how frequent combinations occur in its market.</p> <p>b) assess whether key functions fulfil the necessary conditions with regard to their fitness and independence requirements in the insurer's organisational structure.</p>	<p>EFSA has established a cross-sectoral new Corporate Governance Department in order to enhance inter alia supervision of key functions. Public guidance was disclosed in 2018 on fit and proper requirements applicable to key function holders.</p> <p>EFSA conducted multiple on-site inspections including governance and key functions.</p>	Fulfilled
<p>EFSA should take the necessary measures to guarantee that a direct reporting line of the "subordinated" key function holder to the AMSB is established and that there is no undue influence on that key function holder.</p>	<p>EFSA follows the guidance of EIOPA's supervisory review process handbook for the supervision of governance and key functions. EFSA published guidance and supervisory expectations on assessment of key function holders. Regarding the reporting line to the AMSB by key functions and subordination of key functions, no reference was found in the public supervisory statement.</p>	Partially fulfilled

### Main findings

EFSA has implemented some changes via its organisation and the newly dedicated Corporate Governance Department (specifically dedicated to the conduct of supervision over internal governance of market participants), in order to enhance the supervision of governance structures including key functions. In addition, in 2018 guidance on fit and proper requirements was published, including statements with regard to conflicts of interest and independence requirements for key functions.

Regarding the second recommended action (b), EFSA has monitored and assessed situations through RSR (supervisory reporting), the SRP (supervisory review process) and more deeply during on-site inspections. Annual meetings with key function holders are conducted. EFSA reviews AMSB meeting minutes at least biannually, and in the case of more high-risk undertakings, even quarterly.

In the published guidance on fit and proper requirements, no supervisory statement was found with regard to a direct reporting line of the "subordinated" key functions to the AMSB and EFSA's supervisory expectation that there is no undue influence on that key function holder.

For this reason the second recommended action is considered to be partially fulfilled.

EFSA follows EIOPA’s supervisory handbook for their supervision of key functions.

*Conclusions*

EIOPA concluded that there were sufficient elements (guidance, organisational change in the authority, on-site inspections) to consider that the first recommended

action was implemented, but that further action should be taken to ensure the existence of a direct reporting line from the key function holder to the AMSB in the case of subordinated key functions. EIOPA welcomes further evidence regarding EFSA’s supervisory approach for subordinated key functions in undertakings’ governance structure, for example supervisory measures applied in specific cases or EFSA’s internal guidance on this topic in order to demonstrate its challenging and conclusive supervisory approach.

## 4.7 FINLAND

Recommended action	Progress made	Outcome
<p>FIN-FSA should:</p> <p>a) Assess and challenge insurers regarding their outsourcing practices on a risk-based approach. Outsourcing can put additional operational risks to insurers which need to be monitored and managed according to the Solvency II legal framework. In order to achieve a better overview of outsourcing cases and practices applied by insurers in the national market FIN-FSA is encouraged to perform a survey regarding outsourcing.</p> <p>b) Assess the application of Article 49 of the Solvency II Directive and Article 274 of the Commission Delegated Regulation EU (2015/35) by outsourcing insurers which are in the scope of Solvency II.</p>	<p>In 2017 FIN-FSA conducted a review for life and non-life undertakings regarding outsourcing (self-assessment by undertakings). The general findings were disclosed and in addition individual feedback including supervisory request for changes given.</p> <p>With regard to the regulatory context, FIN-FSA added new binding regulation in November 2019 regarding the notification process for fit and proper requirements which apply as well to any outsourced key function.</p> <p>In addition FIN-FSA conducted several organisational changes regarding supervision of outsourced key functions and internal supervisory guidance was developed.</p>	<p>Fulfilled</p>

*Main findings*

For its supervision of outsourcing requirements, FIN-FSA was recommended to assess and challenge insurers regarding their practices in a risk-based approach. In addition FIN-FSA was encouraged to perform a survey regarding outsourcing, which was conducted in 2017 with its general findings publicly disclosed in 2018. EIOPA welcomes those public statements and in addition the fact that FIN-FSA has discussed individual findings on a case-by-case basis.

In November 2019 FIN-FSA added new binding regulation regarding the notification process for fit and proper requirements. The same provisions are applied to key function holders, and also to any outsourced key function. At the same time FIN-FSA updated the fit and proper notification form including detailed instructions on how to fill in the form.

FIN-FSA’s internal supervisory handbook was further developed regarding the handling of notifications for outsourced key functions and their supervision. As an

organisational change, FIN-FSA has appointed one of the senior supervisors as a process owner of the internal process regarding assessment of outsourcing notifications. This has improved the knowledge of regulations and created consistency in the supervision.

*Conclusions*

EIOPA welcomes all changes introduced by FIN-FSA in its regulatory, organisational and supervisory context, and considers the recommended action as fulfilled.

**4.8 GREECE**

Recommended action	Progress made	Outcome
<p>Bank of Greece should:</p> <p>a) further challenge insurers especially for those cases where the governance structure could give rise to operational risks;</p> <p>b) assess whether and how requirements of Solvency II, especially according to Articles 258(1)(g)(5) and 268(1) of Commission Delegated Regulation EU (2015/35), are implemented by all insurers which are in the scope of Solvency II, and also assess whether combinations of key functions and subordinations of key functions fulfil the necessary conditions with regard to their independence in the insurer's organisational structure.</p>	<p>Bank of Greece has further developed its supervisory handbook of methodology and process on the supervision of governance requirements.</p> <p>A thematic review took place during 2018 focusing on governance requirements, especially on the application of Article 258(1)(g)(5) and 268(1) of Regulation 2015/35, as well as on any combinations of key functions or key functions being headed by a person with operational duties.</p>	<p>Fulfilled</p>
<p>Bank of Greece should:</p> <p>a) develop a more holistic risk-based approach with regard to governance requirements of Solvency II and especially with regard to key functions;</p> <p>b) develop an enhanced supervisory approach towards insurers' underlying governance structures regarding key functions in order to strengthen the risk-based supervision;</p> <p>c) develop adequate supervisory procedures and criteria to assess governance requirements regarding key functions in a risk-based supervisory framework including the application of the principle of proportionality according to Article 29 of the Solvency II Directive.</p>	<p>The supervisory handbook developed by Bank of Greece contains provisions on the supervision of proportionality and sets qualitative criteria for the application of proportionality and included supervisory judgment. An escalation process in the Supervisory Department of Bank of Greece is in place in order to ensure a consistent approach of supervisory judgment regarding proportionality.</p>	<p>Fulfilled</p>

*Main findings*

Bank of Greece has developed its supervisory handbook giving guidance for off-site and on-site inspections on an ongoing basis. In the case of subordination of key function holders to another key function holder or head of an operational department, the handbook includes a dedicated section where combinations of key functions and conflicts of interest are dealt with (when such cases are identified, e.g. the supervisor has to review the written policies).

In addition, a thematic review was conducted in 2018, focusing on combinations of key functions, key functions

and operational duties, and fitness of key function holders. Bank of Greece supervisory expectations were delivered in public speeches and individually during ongoing supervisory dialogues.

*Conclusions*

EIOPA concluded that there were sufficient information and tools (supervisory handbook, communications, examples) to consider that both recommended actions had been fulfilled.

## 4.9 ICELAND

Recommended action	Progress made	Outcome
<p>The FME shall require all (re)insurers to have in place an effective system of governance which provides for sound and prudent management of the business. This includes having in place an appropriate structure of key functions and appointed holders for all key functions. That system shall at least include an adequate transparent organisational structure with a clear allocation and appropriate segregation of responsibilities. It shall include compliance with the requirements laid down in Articles 42 to 49 of the Solvency II Directive, but also the requirements laid down in the Commission Delegated Regulation EU (2015/35) (a.o. Articles 258 and 268) and the EIOPA Guidelines on the system of governance (a.o. GL 5).</p> <p>The FME should develop adequate supervisory procedures and criteria to assess governance requirements regarding key functions in a risk-based supervisory framework including the application of the principle of proportionality according to Article 29 of the Solvency II Directive.</p>	<p>At the end of 2018, all Icelandic undertakings had appointed their key function holders for all key functions following supervisory dialogue.</p> <p>FME routinely meets with key function holders, the board of directors and the CEO of the insurance undertakings, to discuss inter alia the system of governance and the operations of key functions. In addition, off-site inspections on the risk management, the actuarial function and the compliance function are conducted. All undertakings which outsource key functions have nominated a key function holder within the undertaking for the overview of outsourced activities.</p> <p>FME has updated its internal supervisory guidance / handbook regarding the system of governance and key functions.</p>	Fulfilled

*Main findings*

FME was asked to require all (re)insurers to have in place an effective system of governance which provides for sound and prudent management of the business as well as develop adequate supervisory procedures and criteria to assess governance requirements regarding key functions in a risk-based supervisory framework.

EIOPA understands that this supervisory approach had started at the time of the original peer review, but had not been fully implemented for the reference date of the original peer review. It is welcomed that all changes regarding the organisational and supervisory context have been

implemented taking into account the high percentage of outsourced key functions, especially for internal audit, in the national market.

*Conclusions*

EIOPA considers the recommended action to be fulfilled. However, regarding off-site inspections for the internal audit key function, which is in almost all cases outsourced in the Icelandic insurance market, EIOPA would welcome FME including those assessments in its supervisory approach.



## 4.10 LUXEMBOURG

Recommended action	Progress made	Outcome
CAA to take proper supervisory measures in order to ensure that all insurers are compliant with the Solvency II system of governance rules. This especially applies to Article 271 of the Commission Delegated Regulation EU (2015/35) which explicitly clarifies that 'The persons carrying out the internal audit function shall not assume any responsibility for any other function'. Therefore the internal audit function holder must not be combined with operational functions.	<p>A circular as a new form for notification was sent to all supervised undertakings addressing board members, licensed managers and other key function holders including information on combinations of key functions with operational tasks.</p> <p>As a general rule, CAA does not allow the internal audit function to be combined with other key functions or with operational tasks except in undertakings to which proportionality applies.</p>	Fulfilled
<p>CAA should:</p> <p>a) first carry out a deeper assessment of (such) applications, including a deeper investigation of possible conflicts of interest and mitigating measures in the cases of combinations of key function holders with executive AMSB members and then take consistent actions;</p> <p>b) develop adequate supervisory procedures and criteria to assess governance requirements regarding key functions in a risk-based supervisory framework including the application of the principle of proportionality.</p>	<p>CAA already adopted its practice regarding applications of key function holders (and combinations). If non-compliance is identified through on-site inspections adequate measures are taken.</p> <p>Furthermore, a circular letter has been drafted (and will be published by end-July 2021) by CAA introducing new forms for the notification of key function holders including questions regarding other activities carried out.</p> <p>As a supervisory procedure regarding incompatibilities between functions held by one person, CAA in particular states that the key function holder should not be an executive director or an executive member of the board.</p>	Fulfilled
CAA to carry out fitness assessment also for the key function holders other than actuarial function holders.	<p>CAA has developed internal procedures for the control of fit and proper requirements including specific supervisory expectations regarding years of experience for key function holders.</p> <p>Internal escalation and peer process is given: fitness of the new key function holder is discussed with supervisors of companies with a similar risk profile in order to benchmark the outcome and finally with the head of department (for the life or non-life and reinsurance department within CAA).</p>	Fulfilled

### Main findings

The improvements reflect the recommended actions and include the regulatory context (development of a circular letter), the organisational context and supervisory action. With these amendments the requested effect is fulfilled, as especially the addressed combinations (AMSB and key function holders) were reduced in a risk-based manner:

19 combinations of key functions currently remain in the national market due to the application of the proportionality principle. The proportionality is measured in volume of written premiums. CAA expects that 5 of these 19 cases could be resolved during the second quarter of 2021 following the outcome of CAA's supervisory dialogues with those undertakings.

For new notifications of key function holders, the supervisory controls by CAA have been tightened since 2018. For new key function holders in significant undertakings, CAA draws up a summary sheet including a fitness assessment. If there is any doubt, the fitness of the new key function holder is discussed with supervisors of companies with a similar risk profile (in order to benchmark the results) and finally with the head of department (life or non-life and reinsurance department) for a convergent and consistent approach.

Furthermore, CAA will communicate its newly developed internal procedure in July 2021 with the drafted circular letter to be published.

*Conclusions*

EIOPA deems the recommended actions fulfilled and implemented in the supervisory activities and procedures of CAA. Even though no follow-up action is requested for fulfilled recommended actions, EIOPA would welcome CAA sharing the public link for the circular letter, which is for publication in July 2021, with EIOPA.

### 4.11 MALTA

Recommended action	Progress made	Outcome
<p>MFSA should:</p> <p>a) further investigate the cases of insurers on a risk-based basis where key function holders accumulate operational tasks in order to avoid conflicts of interest;</p> <p>b) assess whether and how Solvency II requirements, especially according to Articles 258(1)(g)(5) and 268(1) of the Delegated Regulation EU (2015/35), are implemented by all insurers which are in the scope of the Solvency II Directive, and whether combinations of key functions (including combinations with operational tasks) fulfil the necessary conditions with regard to their independence in the insurer’s organisational structure.</p>	<p>In January 2017, the MFSA issued a circular highlighting the requirement for regulated entities to conduct an appropriate assessment in all instances prior to proposing the appointment of individual key function holders.</p> <p>Another circular, published in October 2018, introduced an online Licence Holder Corporate Profile as a web-based application which can be accessed by all the individuals/entities licensed by MFSA. The application provides licence holders with the possibility to review and update their individual profile if necessary.</p> <p>Another circular, published in November 2018, introduced the supervisory expectation that any new appointment of a key function holder requires the submission of an online Personal Questionnaire (“PQ”). In June 2020, a circular required that all licensed key function holders prepare a self-analysis submitted in a standardised form. This form includes e.g. an updated organisational chart clearly indicating reporting lines, possible conflicts of interest and how such conflicts will be mitigated by the undertaking.</p> <p>As a desk-top review, MFSA has enhanced its process by developing a new “System of Governance” profile sheet to capture further details including involvements of all directors of an insurance undertaking, its key function holders and individuals responsible for critical and important functions as well as individuals responsible for the oversight of outsourced functions of one undertaking.</p> <p>MFSA has also enhanced the application process by conducting interviews with proposed individuals, taking a risk-based approach.</p>	<p>Fulfilled</p>

*Main findings*

MFSA issued several circulars, which is welcomed, in order to improve governance standards and supervision regarding fit and proper requirements for key function holders. According to these circulars the topic of conflicts of interest also has to be addressed by insurance companies for those cases where key functions are combined or subordinated.

Organisational changes within MFSA support the assessment and ongoing supervision regarding fit and proper requirements including the topic of conflicts of interest. The Insurance and Pensions team within the authority

has been restructured in such a way that the authorisation team and the supervision team have been integrated into one function, reporting to the same head in order to ensure a consistent approach.

The internal reporting processes and supervisory practices were adopted accordingly.

*Conclusions*

With issuing circular letters and adopting the organisational structure and internal processes EIOPA considers the actions taken sufficient to fulfil the recommended action.

**4.12 NETHERLANDS**

Recommended action	Progress made	Outcome
<p>DNB should not only assess propriety for key function holders but assess as well the fitness of key function holders' appointments just after having received the notification of the appointment of the key function holder. The assessment itself can reflect a risk-based approach.</p>	<p>A revised policy rule on fitness was published in January 2020 as an amendment in the Dutch Government Gazette. This rule states the two different points in time for supervisory assessment of key function holders' fitness:</p> <ul style="list-style-type: none"> <li>a) before a policymaker takes office, at the time of an application for a licence or registration, or the proposed appointment of a new policymaker to an enterprise that already has a licence or is registered; and</li> <li>b) after a policymaker has taken office if there are facts and/or circumstances that constitute reasonable grounds.</li> </ul> <p>DNB considers, in a risk-based manner, per application whether the fitness is adequately motivated or a separate fitness assessment is required.</p>	<p>Partially fulfilled</p>

*Main findings*

The recommended action was that DNB should assess the fitness of key function holders just after having received the notification of the appointment of the key function holder and that this assessment itself can reflect a risk-based approach.

EIOPA welcomes the changes in the supervisory context, in particular that those changes are publicly disclosed to market participants in the Dutch Government Gazette.

However, EIOPA considers that the risk-based approach applied to fitness assessments is leading only to very limited assessments rather than risk-based ones. DNB performed only five fitness assessments for key function

holders since 2018, from which one has led to a negative outcome. Such a low number of assessments is not consistent with the spirit of the recommendation.

*Conclusions*

EIOPA welcomes the actions taken by DNB in order to strengthen the supervisory assessment of key function holders' fitness and the publication of its supervisory expectations regarding the fitness of key function holders. EIOPA deems the recommended action as partially fulfilled and would welcome DNB reviewing the criteria for the risk-based approach to result in more assessments than exceptional ones, whereas the intensity of the assessment itself can reflect a risk-based approach applying the principle of proportionality.

### 4.13 NORWAY

Recommended action	Progress made	Outcome
<p>Finanstilsynet should:</p> <p>a) assess whether and how Solvency II requirements, especially according to Articles 258(1)(g)(5) and 268(1) of Commission Delegated Regulation EU (2015/35), are implemented by all insurers which are in the scope of the Solvency II Directive, and whether combinations of key function holders and subordinations of key function holders fulfil the necessary conditions with regard to their independence in the insurer's organisational structure;</p> <p>b) take appropriate actions, in cases of subordination, such that the direct reporting line of the compliance function to the AMSB is being ensured at all times.</p>	<p>Finanstilsynet uses, for direct supervision of undertakings' governance structure including key functions, mainly on-site inspections and meetings with key function holders to assess whether the Solvency II requirements are in place, and to take appropriate actions in cases needed. Inspection reports are publicly available and therefore disclose the expectations of Finanstilsynet with regard to governance structures and key functions.</p>	<p>Partially fulfilled</p>

#### Main findings

Finanstilsynet mainly assesses undertakings' governance including key functions during on-site inspections (e.g. by separate meetings with key function holders). Since 2018, multiple inspections regarding governance have been carried out by Finanstilsynet for life undertakings, fewer for non-life, following a risk-based approach. The quality and convergence of those assessments during on-site inspections is ensured through an internal approval process including the head supervisor, head of section and head of department. Finanstilsynet did not issue any general public statement on supervisory expectations regarding key functions; however, all individual on-site reports are public (separated between life and non-life undertakings); and stakeholders are encouraged to read those reports of peers in order to raise awareness. Finanstilsynet did not organise or conduct similar measures in order to gain a holistic overview of the governance structures for all of its supervised entities.

#### Conclusions

EIOPA considers that the recommended action was partially fulfilled because the authority almost exclusively relies on ongoing supervision and no additional tool or measures were conducted in order to achieve a full supervisory overview of the market and to support the implementation of governance requirements by the majority of supervised entities. For this reason EIOPA would welcome, for example, general statements on supervisory expectations regarding undertakings' system of governance being published and / or a thematic review including all supervised undertakings being conducted by Finanstilsynet. EIOPA understands that consistency of supervision is achieved by the set-up of the internal procedure; however, it would welcome Finanstilsynet developing written internal guidance on the supervision of governance.

### 4.14 POLAND

Recommended action	Progress made	Outcome
<p>KNF to take into account nature, scale and complexity when applying the proportionality principle in general (not only or mainly for insurers with market share up to 1%, as this threshold is too low). Regarding key function holder to also consider other factors such as independence, seniority within organisational structure etc., when assessing combination of key function holders.</p>	<p>An updated methodology for the assessment of key functions was introduced including new and additional criteria for the application of the proportionality principle.</p> <p>Subordination of a key function holder is scrutinised by KNF; as a general rule a key function holder shall not be subordinated to another key function holder.</p>	<p>Fulfilled</p>

*Main findings*

KNF was recommended to take into account nature, scale and complexity when applying the proportionality principle for key functions.

KNF introduced an updated methodology for assessment of key function holders, for which proportionality relates to several factors: the size of the insurer, concentration in the market, impact on the financial sector, in particular the insurance industry, and/or lines of business and undertakings' risks that are significant in terms of value or relate to strategic sectors of the economy. Supervised

entities are classified into four classes according to this risk assessment framework methodology on annual basis.

The methodology also stresses that, as a part of the verification, it should be duly checked whether a key function is combined with the performance of other duties, that may lead to a conflict of interest.

*Conclusions*

EIOPA considers the actions taken by KNF as sufficient and the recommended action as fulfilled.

**4.15 PORTUGAL**

Recommended action	Progress made	Outcome
<p>ASF-PT should: implement adequate supervisory procedures and criteria to ensure that the requirements laid down in the Solvency II Directive are applied in a manner which is proportionate to the nature, scale and complexity of the risks inherent in the business of a(n) (re)insurer (Article 29 of the Solvency II Directive). This especially applies to the proportionality principle laid down in Article 41 of the Solvency II Directive, followed by among others Articles 258 and 268 of Commission Delegated Regulation EU (2015/35).</p>	<p>ASF-PT is finalising the Guidelines on prior evaluation and registration of key functions which constitute both internal and external supervisory guidance (finalisation is foreseen by the first half of 2021) including the application of the principle of proportionality and accumulation of key functions with other key functions, AMSB and operational functions.</p>	<p>Fulfilled</p>
<p>ASF-PT should: a) develop a supervisory approach for the assessment of combinations of key function holders; b) assess whether and how all insurers which are in the scope of the Solvency II Directive have implemented Chapter IX of Commission Delegated Regulation EU (2015/35), especially Article 271(1)(2) with regard to the independence of the internal audit function in the insurer's organisational structure.</p>	<p>The draft ASF-PT Guidelines relate to the cases of combinations of key functions with other key functions, AMSB and operational functions. In the case of the internal audit function holder, ASF-PT requires the entity to provide the evidence that it meets the conditions set in Article 271 of Delegated Regulation, in particular 271(2)(c). ASF-PT confirmed that no cases of non-compliance with the regulation on the independence of the internal audit function holder occurred so far since the key function holder should be authorised by ASF-PT prior to registration.</p>	<p>Fulfilled</p>
<p>ASF-PT should complete a fit and proper assessment for all key function holders according to the requirements of (especially) Articles 42 of the Solvency II Directive and Articles 258(1)(g) and 268(1) of Commission Delegated Regulation EU (2015/35).</p>	<p>ASF-PT issued a regulatory rule which sets out the procedure for the registration with ASF-PT of AMSB members, key function holders, senior managers and other essential functions. It includes a questionnaire on the suitability of the person to be registered. ASF-PT confirmed that no cases of non-compliance with the fit and proper regulation occurred since key function holders should be authorised by ASF-PT prior to registration.</p>	<p>Fulfilled</p>

*Main findings*

ASF-PT is finalising the Guidelines for the evaluation and registration of the regulated function (expected to be finalised in the first half of 2021), which set out the proportionality principle applied to suitability requirements and in relation to accumulation of key functions with other key functions, AMSB and operational functions.

According to these Guidelines, insurers should promote segregation of key functions as much as possible; but combinations of key functions are, under certain conditions, allowed. When ASF-PT assesses an application for registration in cases of combination, particular attention will be paid to several elements such as: the type of accumulations, the tasks specifically assigned, the entity's governance structure, the entity's justification for the accumulation and possible measures to manage the risk of conflicts of interest as well as the time horizon for the accumulation of key functions.

In the case of the combination of key functions, it is up to the undertakings to assess whether accumulation is justified by the principle of proportionality; the greater the degree of accumulation, the more stringent and rigorous the assessment should be. The application of the proportionality principle takes into consideration the dimension/resources of the entity, the nature/complexity of the entity's activity and outsourcing of the function. Moreover, entities should ensure that the holder of the accumulated functions has the necessary qualifications and availability of time and that any conflicts of interest have been identified and managed in advance.

Combinations of functions can be possible on a temporary basis and in scenarios of imminent disruption of the activity of the entity.

ASF-PT has developed a new risk assessment framework based on a specific technical tool that allows the supervised companies to be ranked according to their risk and impact on the market and including an assessment of their system of governance and key functions. This technical tool is used by ASF-PT for the establishment of supervisory priorities and measures to be taken for each insurer and is regularly updated with information gathered from notifications of key function holders, AMSB members, senior managers or other essential functions and on an ongoing basis through supervisory activities (e.g. on-site inspections or assessment of the auditor's annual report).

Regarding the assessment of the fit and proper requirement for key function holders, ASF-PT issued a regulatory rule, which sets out the procedure for the registration of AMSB members, key function holders, senior managers and other essential functions. In 2018, ASF-PT completed its supervisory assessment of the existing positions of key function holders in the market.

*Conclusions*

EIOPA deems the recommended actions fulfilled and implemented in the supervisory activities and procedures of ASF-PT. Even though no follow-up action is requested for fulfilled recommended actions, EIOPA would welcome ASF-PT sharing the public link of the Guidelines, currently in draft, with EIOPA throughout 2021.

## 4.16 SLOVAKIA

Recommended action	Progress made	Outcome
<p>NBS should:</p> <p>a) closely monitor the cases of combinations between key function holders, combinations of key function holders with members of the AMSB and with operational tasks, as well as the cases of subordination;</p> <p>b) develop a supervisory approach for assessing these cases; these combinations shall be accepted only under proportionality aspects and not as a common market practice.</p>	<p>NBS was reorganised during 2020 including changes in the supervisory resource allocation, responsibilities and tasks. Legal requirements are examined under the authorisation procedure of the authority, including the proposed combinations of key function holders and AMSB members, taking into consideration the proportionality principle. These requirements are part of an internal guideline of 2020.</p> <p>NBS provided guidance towards stakeholders regarding its supervisory expectations on competence of the actuarial function on a case-by-case basis, via meetings and exchanges, but did not publish any guideline on this topic at this stage.</p> <p>Additional information is requested from entities on a case-by-case basis regarding changes in undertakings' organisational structure or regarding key function holders or combinations of key functions.</p>	Partially fulfilled

### *Main findings*

The information provided regarding the reorganisation of NBS, which took place during 2020, does explain how the assessment of insurance undertakings has been strengthened, but was not explicitly linked to the recommended action requested by the peer review on key functions concerning supervision of governance aspects.

The published guidance and supervisory expectation on NBS's website provides information on the credibility and competence requirements for the actuarial function. EIOPA acknowledges that NBS has developed internal guidance on the combination of key functions and is considering publishing it during the first half of 2021.

Cases were provided showing NBS's approach on aspects of combinations of key functions with regard to conflicts of interest and resource/time allocation to the different responsibilities and tasks of the key function holder. Due to the size of its insurance market (12 undertakings), NBS has not conducted a general market assessment on how frequently combinations appear, but documents each individual case concerning changes in key function holders in NBS's electronic document management. No on-site inspections regarding governance requirements were conducted during 2020, nor are any planned for 2021.

On the basis of supplementary information, NBS showed that insurance undertakings will not combine key functions without prior discussion/consultation with NBS. Currently there is only one long-lasting combination of key functions in an undertaking applying the principle of proportionality.

### *Conclusions*

EIOPA considers that the recommended action has been partially fulfilled because the information provided indicates that supervisory measures have been put in place to ensure the monitoring and the supervision of insurers' governance structure including key functions. With regard to supervision of combinations of key functions and requesting undertakings to implement sufficient mitigating measures in order to address the arising conflicts of interest, EIOPA encourages NBS to apply more stringent and conclusive supervisory actions. EIOPA would welcome NBS providing further evidence on how the internal supervisory guidance ensures a holistic overview on undertakings' risk arising from governance structures and what supervisory measures need to be applied in such cases. In addition, EIOPA would welcome NBS considering publishing their internal guideline in order to inform market participants of its supervisory expectations towards governance requirements and key functions, and applying those in a challenging and conclusive supervisory manner.

## 4.17 SLOVENIA

Recommended action	Progress made	Outcome
<p>AZN should:</p> <p>establish a plan/deadline for the adoption of EIOPA's Guidelines on system of governance and applying them to all insurers which are in the scope of the Solvency II Directive in a proportionate way. Before implementation at least a risk-based approach by AZN would be welcomed, meaning that this Guideline is applied to insurers reflecting the nature, scale and complexity of their business as well as their impact on the national market.</p>	<p>The measures taken from a regulatory perspective are in line with the recommendation: in 2021 AZN issued a new public document (Position) on key functions, outsourcing of key functions and how the proportionality principle is applied in the system of governance. In addition, in January 2021 AZN published a questionnaire on fitness and propriety of key functions for all supervised undertakings. The supervisory handbook on key functions supervision has been updated according to the Position of 2021.</p>	<p>Fulfilled</p>

### *Main findings*

AZN provided documentation and explained that outsourcing and combinations of key functions (except the combination for the internal audit) are permitted for those undertakings that comply with specific proportionality criteria and measures. This supervisory approach has been introduced and described in the Position issued in 2021. The proportionality criteria are set according to the EIOPA opinion on the Solvency II 2020 review<sup>5</sup> and take into account the outcome of the peer review on key functions.

Regardless of the specific proportionality criteria, outsourcing of key function holders is also allowed for the undertakings that belong to a group, if the holder of the

outsourced key function is employed in one of the companies within this group.

AZN also carried out a structural reorganisation focusing on key functions and adopted several supervisory actions such as: learning experience from other NCAs, review of undertakings' notification, a high-level assessment of the outsourcing cases, regular update of internal evidence on key functions, and conducting a market survey on key function holders' fitness and propriety.

### *Conclusions*

EIOPA considers the recommended action has been implemented.

<sup>5</sup> [https://www.eiopa.europa.eu/content/opinion-2020-review-of-solvency-ii\\_en](https://www.eiopa.europa.eu/content/opinion-2020-review-of-solvency-ii_en)



## 4.18 SPAIN

Recommended action	Progress made	Outcome
<p>DGSFP should:</p> <p>a) develop and implement adequate supervisory procedures and criteria to assess governance requirements regarding key functions in a risk-based supervisory framework including the application of the principle of proportionality according to Article 29 of the Solvency II Directive; this especially applies to the proportionality principle laid down in Article 41 of the Solvency II Directive, followed by among others Article 42 of the Solvency II Directive and Articles 258 and 269 of Commission Delegated Regulations EU (2015/35);</p> <p>b) have an overview of the combinations between key function holders and operational tasks.</p>	<p>DGSFP has developed its supervisory manual/handbook addressing combinations of key functions and the impact on the fitness of key function holder, and how to conduct supervisory desk analyses and on-site inspections with regard to undertakings' governance structures including key functions.</p> <p>DGSFP has set up an internal database with regard to key function holders including information on fitness, propriety and combinations of key functions.</p> <p>DGSFP applies the principle of proportionality in a case-by-case approach taking into account quantitative criteria of supervised undertakings.</p> <p>A market survey was conducted among all supervised insurance undertakings requesting information on combinations of key functions and combinations with operational tasks.</p>	<p>Fulfilled</p>

### Main findings

Detailed information is available for supervisory staff on how to conduct supervision of undertakings' governance structures including key functions. This information touches as well upon combinations of key functions, subordination of key function holders, combinations of key functions and operational tasks, and fitness of key function holders. The principle of proportionality is mentioned in these documents. The cases given show the effective application of the fitness requirements regarding key functions.

The internal database regarding key function holders is welcomed as it supports the fulfilment of supervisory tasks.

DGSFP applies a case-by-case approach for its supervisory activities in the field of governance including key functions taking into account the business volume and business model of supervised entities. This approach towards proportionality is used for the notification process of new key function holders as well as for the supervision of existing key functions.

A survey was conducted across all Spanish insurance undertakings requesting data on key functions, with specific mention of whether any of these key functions were performed simultaneously with another key function or with other management positions. This survey was

helpful for getting a better overview on combinations of key function holders for DGSFP.

### Conclusions

EIOPA identifies enough evidence to consider that the recommended action has been fulfilled by DGSFP and welcomes the authority's activities and dialogue with its national market and within EIOPA on how to further define and apply the principle of proportionality for the supervisory assessment of governance issues.

## 4.19 FOLLOW-UP ON RECOMMENDED ACTIONS

Based on the findings of this exercise, EIOPA concludes that twelve NCAs have fully implemented their recommended actions and six NCAs have partially implemented those recommended actions addressed to them.

The assessments have been based on the answers and evidence submitted by the NCAs and also on the information available at EIOPA.

Regarding the completion of the partially fulfilled recommended actions, all concerned NCAs are expected to

inform EIOPA, within six months from the approval of the follow-up report, about the implementation of the recommended action(s). This will then close the cycle of this peer review.

EIOPA will monitor using a risk-based approach regarding the recommended actions partially fulfilled and report the progress made to the BoS. The monitoring will be carried through either the oversight department or the peer review team.

A summary of the findings as well as any further progress will be included in EIOPA's Supervisory Activities Report.

Area of recommended actions	Fulfilled	Partially fulfilled
Supervisory approach of NCAs (7)	EL, ES, IS, PL, CY, PT (86%, 6/7)	BG (14%, 1/7)
Combinations of key function holders (5)	CZ, DK, EE, PT (80%, 4/5)	SK (20%, 1/5)
Combinations of the internal audit key function with other key functions (5)	DK, EE, LU, PT (80%, 4/5)	BG (20%, 1/5)
Combinations of key function holders and AMSB members (6)	CZ, LU, PT (50%, 3/6)	BE, BG, SK (50%, 3/6)
Combinations of key functions with operational tasks (4)	EE, MT (50%, 2/4)	BG, SK (50%, 2/4)
Subordination of key functions (5)	EL (20%, 1/5)	BE, EE, NO, SK (80%, 4/5)
Fitness of key function holders (3)	LU, PT (67%, 2/3)	NL (33%, 1/3)
Outsourcing (3)	FI, SI (67%, 2/3)	BG (33%, 1/3)
<b>Total (38)</b>	<b>24 (63%)</b>	<b>14 (37%)</b>

## 5. BEST PRACTICES

The four best practices set out in this chapter have been identified in the peer review of key functions. In order to gain knowledge on the use of the identified best practices, all NCAs in the EEA countries have been invited to answer the question concerning best practices during the self-assessment. The follow-up analysis focuses on whether and to what extent those best practices have been taken into consideration, implemented or further developed by NCAs. The outcome of this analysis and the achieved information on the level of consideration and/or implementation of the best practices and reasons for this will be considered by EIOPA when assessing whether and how to include these practices in EIOPA's supervisory review process handbook.

### 5.1 KEY FINDINGS ON BEST PRACTICES

All four best practices as identified in the peer review report have been implemented by NCAs or have inspired NCAs to develop their supervisory approach.

Regarding the first best practice, the structured proportionate supervisory approach, EIOPA acknowledges that all NCAs have a structured approach. However, further supervisory dialogue or exchange of views between NCAs is required in order to achieve a coherent approach with regard to the implementation of the proportionality principle after the finalisation of the Solvency II review. A new chapter in

EIOPA's supervisory handbook on the application of the proportionality principle for the supervision of governance requirements and key functions could be envisaged.

With regard to the second identified best practice, that NCAs are invited to have an internal supervisory panel, EIOPA acknowledges that an escalation process within the NCA including clear procedures and staff involved can be considered sufficient in order to follow the example of the originally identified best practice. Such processes and procedures ensure a consistent and coherent approach for the supervision of key functions. EIOPA should assess how NCAs should implement their internal escalation processes in order to be efficient and effective for coherent supervision. EIOPA will consider in the update of its supervisory handbook to include this topic either as an example or a case study.

EIOPA understands that most NCAs request from their supervised undertakings that the conflict of interests which may arise for the combination of key function holder with AMSB member needs to be addressed and mitigated. This best practice has been identified as the third best practice in the report of the peer review. As such, this part of the identified best practice is implemented by all NCAs. With regard to supervisory activities of AMSB meetings (via desk analysis or via direct monitoring), EIOPA acknowledges the resource burden of those activities and therefore understands that such activities are rather applied to high-risk undertakings or on a case-by-case basis, but not as general supervisory practice.

It is understood that public disclosure by NCAs can be a good supervisory tool in order to convey messages to the market and in order to achieve clarification on supervisory requirements but it is not the only one.

## 5.2 STRUCTURED PROPORTIONATE SUPERVISORY APPROACH

When NCAs adopt a structured proportionate approach based on the nature, scale and complexity of the business of the insurer regarding their supervisory assessment of key function holders and combinations of key function holders at the time of initial notification and on an ongoing basis. The best practice also includes supervisory documentation and consistent and uniform data submission requirements (for example, an electronic data submission system for key function holder notification).

All NCAs stated that they have implemented this best practice.

The analysis of the application of the best practice took into account the two aspects required, namely the adoption of:

- i) a structured proportionate approach to the assessment of key functions at an initial stage during their notification and on an ongoing basis;
- ii) structured supervisory documentation and preferably consistent data submission by stakeholders.

### *Main findings*

Regarding the structured approach to supervisory assessment on key functions, 21 NCAs out of 29 expressly mentioned having a proportionate approach in place. For eight cases no further evidence was provided on how the principle of proportionality is considered during the application of this supervisory approach (CY, EE, EL, ES, LV, NL, PL, SK). Regarding the supervisory assessment on an ongoing basis, it is noted that in 13 cases this ongoing assessment is not directly addressed in the answers given; the information provided relates more to the notification phase of key functions.

Regarding the second aspect of the best practice, most NCAs have in place a specific system for the submission

of information and documentation which includes notification for the key function holders. According to the processes for the supervisory assessment on fit and proper requirements for key function holders, a common practice is the use of standardised application forms or pre-defined questionnaires accompanied by specified individual documentation by key function holders. In one case (CZ), the NCA stated that it does not “aspire to a uniform questionnaire for undertakings as companies set up their own systems of evaluation and requirements based on the nature, scale and complexity of their business”.

An electronic data submission system considered in the best practice as an example to guarantee consistency and uniformity of data for key function holders’ notification is adopted by 19 NCAs, as clearly highlighted in their responses. In two other cases (DE, FI) data submission in electronic form is planned for the near future or the underlying technical platform is under construction. For one case additional data submission will be implemented in 2021 (PT).

### *Conclusions*

The majority of NCAs have adopted a structured proportionate approach for the assessment of information concerning key functions including the supervisory documentation tool and a consistent data submission requirement. However, EIOPA acknowledges that the way in which the best practice has been implemented by each NCA reflects the specificities of the national supervisory model and local market features, based, for example, on the size of the national insurance market or number of its participants or the resource intensity of NCAs. Further work by NCAs for their internal supervisory guidance as well as by EIOPA is needed in order to ensure a consistent approach as to how the principle of proportionality can be applied. EIOPA will consider including this topic in the update of its supervisory handbook for achieving this objective.

## 5.3 SUPERVISORY PANEL

When an NCA has a supervisory panel set up internally which discusses and advises supervisors about complex issues regarding the application of the proportionality principle in governance requirements regarding key functions.

*Main findings*

Though no NCA other than DNB, from which this best practice has been derived during the peer review, has in place the exact same supervisory panel system, most NCAs have similar approaches for escalation of supervisory issues. The approaches identified must ensure both high-quality supervision in governance issues and the application of the principle of proportionality in a coherent way.

Nine NCAs have in place dedicated working groups or divisions especially giving guidance (BE, DE, ES, FI, FR, HU, IT, MT, SE) for the consistent application of the supervisory approach. Five NCAs address governance and proportionality issues in management meetings (AT, CZ, DK, EL, IS). Other NCAs (2) achieve similar effects with staff meetings (CY, LI) or have alternative processes in place (3): written guidance, consultation in complex cases and a panel for high-impact firms (IE, SI) or focus on coherence within the supervision of the non-life or the life market (LU).

A small number of NCAs have not taken similar supervisory action yet – either because the NCA is focusing first on the implementation of the recommended actions of the peer review (BG) or the NCA is still considering (HR, RO) whether or how to implement the best practice. Other NCAs do not see a need for the implementation of the best practice, most of them because of the size of the NCA and its supervised market (EE, LT, LV, NO, PL, PT).

*Conclusions*

EIOPA considers that most NCAs have taken organisational actions in order to ensure both high-quality supervision for governance issues and the application of the principle of proportionality in a coherent way. The best practice, as identified in the peer review on key functions, shows the importance of organisational measures in place for a good and coherent application of the proportionality principle and may have inspired some NCAs for their supervisory approach. In fact, many NCAs have dedicated working groups or divisions giving guidance on specific supervisory cases in a similar way to the supervisory panel identified in the best practice. EIOPA invites those NCAs which have not yet implemented a more structured and documented supervisory escalation process to consider the examples identified as inspiration for national development.

## 5.4 ASSESSING THE COMBINATION OF KEY FUNCTION HOLDER WITH AMSB MEMBER

When assessing the combination of key function holder with AMSB member, EIOPA considers the following as best practice for NCAs:

- To publicly disclose the NCA's expectations that controlling key functions should generally not be combined with operational functions, for example with membership of the AMSB. Where those cases occur, NCAs should clearly communicate their expectation that the undertaking ensures that it is aware of possible conflicts of interest arising from such a combination and manages them effectively.
- To require from insurers that the main responsibilities as a member of the AMSB do not lead to a conflict of interest with the tasks as a key function holder.
- To assess whether the other AMSB members challenge the key function holder also being an AMSB member.

*Main findings*

Five NCAs (BG, DK, FR, LI, MT) report that they have fully adopted the best practice, including its three aspects (public disclosure, requirement from insurer, assessment of whether the other AMSB members challenge the key function holder). For two of them (DK, FR), it appears that the best practice was already in place before the publication of the peer review report in 2018.

The large majority of NCAs (18) have partially implemented the best practice (AT, BE, CY, CZ, DE, EE, ES, FI, HU, IE, IS, IT, NL, NO, PL, PT, SE, SK), which means they have not implemented all of its three requirements. The first and second bullet points of the best practice are the most applied by NCAs: public disclosure of the NCA's expectations (for instance through: guidelines, amendments to national law, thematic review, public notice, speeches etc.) and the requirement that the main responsibilities as a member of the AMSB do not lead to a conflict of interest with the tasks as a key function holder (specific national law, internal/external notification requirement for undertakings etc.).

The third bullet point of the best practice (to assess whether the other AMSB members challenge the key function holder also being an AMSB member) is rarely implemented by NCAs, most likely because it is quite a resource consuming supervisory task which involves a close and detailed check of documents and information provided by undertakings, and can take different forms (desk analysis or observation of AMSB meetings). For instance, one NCA (BE), has provisions in its national law requiring that key function holders are challenged by the audit or risk committee of the undertaking and that the supervisor receives a yearly report from the board of directors on the effectiveness of the governance system. Another NCA (MT) reviews board minutes and holds discussions with AMSB members, and another (LI) checks this information during on-site inspections.

Five NCAs (EL, HR, LU, LV, SI) report that they have not implemented the best practice. For one NCA (SI) the best practice is considered not applicable because the national legislation already prohibits the key function holder to also be an AMSB member. Another NCA (HR) explained that such cases of combination have not occurred yet and therefore did not see the need to publicly disclose requirements or supervisory expectations.

#### *Conclusions*

EIOPA took note of the efforts made by most NCAs to implement the first two requirements of the best practice on avoiding and managing conflict of interests.

EIOPA also noted that the third requirement of the best practice – to assess whether the other AMSB members challenge the key function holder also being an AMSB member – was not systematically implemented due to the burden on supervisory resources. EIOPA acknowledges that this supervisory measure is rather applied in a case-by-case approach and for the supervision of high-risk undertakings.

## 5.5 REGULAR MEETINGS WITH KEY FUNCTION HOLDERS

When NCAs apply a risk-based approach to ongoing supervision that enables them to ensure the fulfilment of fitness requirements of key function holders at all times by holding meetings with key function holders on a regular scheduled basis as part of an NCA's work plan (annual review plan). The topics for discussion for those meetings can vary, depending, for example, on actual events and current topics.

Countries were supposed to have annual regular meetings with key function holders of insurance undertakings, applying a risk-based approach to ongoing supervision that enables them to ensure the fulfilment of fitness requirements of key function holders at all times as part of an NCA's annual work plan. The topics for discussion for those meetings can vary, depending, for example, on actual events and current topics.

#### *Main findings*

Three countries (CY, CZ, FI) conduct regular annual supervisory meetings with all supervised undertakings including the key function holders. It is noted that the insurance markets of these countries can be categorised as relatively small markets in European terms.

Nine countries (BE, DK, FR, IT, LI, LU, LV, SE, MT) apply a risk-based approach and conduct annual meetings with some undertakings and their key function holders, but do not have annual regular meetings with all insurance undertakings.

One country (NL) differentiates between a basic supervisory programme or categorisation and a risk-based programme / categorisation of undertakings based on the impact class of that undertaking. The supervisory work plan provides for one or more meetings with key function holders in the basic programme; more meetings with key function holders are scheduled in the risk-based programme based on the risk identification or mitigation plan of each undertaking.

Four countries (IS, HR, HU, SK) have meetings with the management of insurance companies and their key function holders on regular basis, annually, as part of the annual work plan; topics can vary according to actual events.

One country (EE) regularly exchanges written information with the management board and with key function holders of insurance undertakings (for example, minutes of AMSB meetings or audit reports), instead of annual supervisory meetings with undertakings and their key function holders.

Seven countries (BG, EL, LT, NO, PL, PT, RO) do not organise regular annual meetings with undertakings and their key function holders, but the NCAs have direct access to and dialogues with key function holders if need be.

One country (SE) has adopted both a risk-based supervisory approach and full market surveys for supervision on an ongoing basis regarding combinations of key function holders and the fulfilment of fitness requirements for key function holders. For those undertakings classified as high-risk and high-impact undertakings, a specific supervisory plan is scheduled including regular supervisory activities and meetings with the key function holders. Through regular review (twice a year) of the minutes of the undertaking's AMSB, it is ensured that all key function holders are assessed on a regular basis.

Two countries (AT, SI) have regular meetings with key function holders but not with all key function holders

on annual basis. Regular annual meetings with AMSB members are organised in which frequently key function holders are also present (but not on a regular basis) (SI). However, applying a risk-based approach, SI has started to hold regular meetings with the actuarial key function holders of health insurance undertakings. Meetings on a regular basis with the compliance key function holders and the internal audit key function holders have been in place since 2019 (AT). On a case-by-case basis but not on a regular basis, AT conducts meetings with key function holders for the risk management and for the actuarial function.

### *Conclusions*

Most countries applied the best practice or their supervisory practices are in line with it by meeting key function holders on a regular basis as part of their annual supervisory review plan. Topics of the supervisory dialogue can vary, based, for example, on actual events, which for some NCAs leads to a case-by-case approach instead of meetings with all key function holders on an annual basis. In order to achieve a consistent approach and to foster convergence in supervisory measures applied, further work should be done on how the principle of proportionality influences the frequency of interaction with key function holders. This analysis could, for example, be included by updating the existing chapter on key functions in EIOPA's supervisory handbook, which EIOPA will consider when updating the handbook.

## ANNEX 1 – LIST OF RECOMMENDED ACTIONS (PEER REVIEW REPORT NOVEMBER 2018)

MS	NCA	AREA	RECOMMENDED ACTION
BE	NBB	COMBINATIONS OF KEY FUNCTION HOLDERS AND AMSB MEMBERS;  SUBORDINATION OF A KEY FUNCTION HOLDER TO ANOTHER KEY FUNCTION HOLDER OR HEAD OF OPERATIONAL DEPARTMENT	NBB should:  a) pay specific attention to the risk management function holder and verify that the holder is effectively able to accomplish his responsibilities in an objective and independent manner.  b) verify that appropriate internal procedures, especially in significant insurers, are properly implemented in order to avoid conflicts of interests.  c) assess whether combinations of key functions (including combinations with AMSB members) and subordinations of key functions fulfil the necessary conditions relating to their independence in the insurer's organisational structure.
BG	FSC	SUPERVISORY APPROACH OF NCAs	Develop adequate supervisory procedures and criteria to assess governance requirements regarding key functions in a risk-based supervisory framework, including the application of the principle of proportionality according to Article 29 of the Solvency II Directive.
BG	FSC	COMBINATIONS OF KEY FUNCTION HOLDERS (ALSO INTERNAL AUDIT FUNCTION HOLDERS) AND COMBINATION WITH OPERATIONAL TASKS	FSC should implement both assessment at the time of notification and ongoing supervision of combination cases (between key function holders and between key function holders performing operational tasks – which appears not yet to be monitored), in order to increase the awareness of market practices; this includes to:  a) increase the monitoring process in case of combinations of key function holders and key function holders with operational tasks. This improvement would allow the FSC to have a better knowledge of the number of combinations in its market and assess these adequately.  b) verify that the key function holder fulfil the necessary conditions with regard to their propriety, fitness and independence in the insurer's organisational structure.
BG	FSC	COMBINATIONS OF KEY FUNCTION HOLDERS AND AMSB MEMBERS AND WITH OPERATIONAL TASKS	FSC should:  a) commence the assessment for their supervised insurers regarding key functions, ensuring that all supervisory skills required to fulfil this task are available. Furthermore, the FSC should - as a matter of priority - request all supervised insurers to implement procedures to avoid conflict of interest.  b) introduce a complete assessment on whether and how Solvency II requirements, especially according those listed in to Articles 41 and 42 of the Solvency II Directive, are implemented by all supervised insurers in your market- that fall under the scope of the Solvency II Directive.  c) implement a full assessment whether and how the required level of independence of key functions within the insurers' organisational structure is fulfilled in case of combinations of key functions (including combinations with AMSB members).



MS	NCA	AREA	RECOMMENDED ACTION
BG	FSC	OUTSOURCING	<p>FSC should:</p> <p>a) apply EIOPA's Guideline 14 on system of governance in a proportionate manner as well as Article 49(1)(2) of the Solvency II Directive and Article 274 of the Commission Delegated Regulation EU (2015/35) for all insurers that fall under the scope of the Solvency II Directive, by requiring these insurers to designate a person with overall responsibility for the outsourced key function(s).</p> <p>b) assess the fitness and propriety of the designated person as required by Article 42 of the Solvency II Directive.</p>
CY	ICCS	SUPERVISORY APPROACH OF NCAs	<p>ICCS should:</p> <p>a) adopt more structured, risk-based and proportionate supervisory procedures and criteria, in relation to the assessment of key functions, taking into account the application of the principle of proportionality according to Article 29 of the Solvency II Directive.</p> <p>b) improve the process of dissemination of information gathered and the work done for each supervised insurer. This could be achieved for example through the appointment of an alternate supervisor for each insurer, who will have a thorough knowledge of all open issues concerning the insurer.</p>
CZ	CNB	COMBINATIONS WITH KEY FUNCTION HOLDERS	In situations where the actuarial function supports or performs tasks which are in the remit of the work of the risk management function, NCAs should assess conflicts of interest.
CZ	CNB	COMBINATIONS OF KEY FUNCTION HOLDERS WITH AMSB MEMBERS	<p>CNB to:</p> <p>a) pay specific attention to the risk management function holder and verify that the holder is effectively able to accomplish its responsibilities in an objective and independent manner and therefore is in principle not a member of the AMSB,</p> <p>b) verify that appropriate internal procedures, especially in significant insurers, are properly implemented in order to avoid conflicts of interests, and</p> <p>c) take into account the principle of proportionality when assessing the combination of risk management function holder and membership of the AMSB.</p>
DK	DFSA	COMBINATIONS WITH KEY FUNCTION HOLDERS (ALSO INTERNAL AUDIT FUNCTION HOLDERS)	<p>DFSA should:</p> <p>a) gather information from insurers how frequent combinations occur in its market. Depending on the result, develop internal guidance or external communication on the criteria for combining several key functions.</p> <p>b) assess whether and how Solvency II requirements are implemented by all insurers, which are in the scope of the Solvency II Directive, and whether combinations of key functions fulfil the necessary conditions with regard to their independence in the insurer's organisational structure.</p>
EE	EFSA	COMBINATIONS WITH KEY FUNCTION HOLDERS (ALSO INTERNAL AUDIT FUNCTION HOLDERS) AND COMBINATION WITH OPERATIONAL TASKS	<p>EFSA should, in order to improve the awareness of its market:</p> <p>a) implement an assessment of cases of combination between key function holders and between key function holders and operational tasks, both at the time of notification and during ongoing supervision. Thanks to this improvement, EFSA could be better informed how frequent combinations occur in its market.</p> <p>b) assess whether key functions fulfil the necessary conditions with regard to their fitness and independence requirements in the insurer's organisational structure.</p>

<b>MS</b>	<b>NCA</b>	<b>AREA</b>	<b>RECOMMENDED ACTION</b>
EE	EFSA	SUBORDINATION OF A KEY FUNCTION HOLDER TO ANOTHER KEY FUNCTION HOLDER OR HEAD OF OPERATIONAL DEPARTMENT	EFSA should take the necessary measures to guarantee that a direct reporting line of the 'subordinated' key function holder to the AMSB is established and that there is no undue influence on that key function holder.
EL	BoG	SUBORDINATION OF KEY FUNCTION HOLDERS TO ANOTHER KEY FUNCTION HOLDER OR HEAD OF OPERATIONAL DEPARTMENT	Bank of Greece should: <ul style="list-style-type: none"> <li>a) further challenge insurers especially for those cases where the governance structure could give rise of operational risks.</li> <li>b) assess whether and how requirements of Solvency II, especially according to Articles 258(i)(g)(5) and 268(i) of the Commission Delegated Regulation EU (2015/35), are implemented by all insurers, which are in the scope of Solvency II, and also assess whether combinations of key functions and subordinations of key functions fulfil the necessary conditions with regard to their independence in the insurer's organisational structure.</li> </ul>
EL	BoG	SUPERVISORY APPROACH OF NCAs	Bank of Greece should: <ul style="list-style-type: none"> <li>a) develop a more holistic risk-based approach with regard to governance requirements of Solvency II and especially with regard to key functions.</li> <li>b) develop an enhanced supervisory approach towards insurers' underlying governance structures regarding key functions in order to strengthen the risk-based supervision.</li> <li>c) develop adequate supervisory procedures and criteria to assess governance requirements regarding key functions in a risk-based supervisory framework including the application of the principle of proportionality according to Article 29 of the Solvency II Directive.</li> </ul>
ES	DGSFP	SUPERVISORY APPROACH OF NCAs	DGSFP should: <ul style="list-style-type: none"> <li>a) develop and implement adequate supervisory procedures and criteria to assess governance requirements regarding key functions in a risk-based supervisory framework including the application of the principle of proportionality according to Article 29 of the Solvency II Directive; this especially applies to the proportionality principle laid down in Article 41 of the Solvency II Directive, followed by amongst others Article 42 of the Solvency II Directive and the Articles 258 and 269 of the Commission Delegated Regulations EU (2015/35).</li> <li>b) have an overview of the combinations between key function holders and operational tasks.</li> </ul>
FI	FIN-FSA	OUTSOURCING	FIN-FSA should: <ul style="list-style-type: none"> <li>a) assess and challenge insurers regarding their outsourcing practices on a risk-based approach. Outsourcing can put additional operational risks to insurers which need to be monitored and managed according to the Solvency II legal framework. In order to achieve a better overview of outsourcing cases and practices applied by insurers in the national market FIN-FSA is encouraged to perform a survey regarding outsourcing.</li> <li>b) assess the application of Article 49 of the Solvency II Directive and Article 274 of the Commission Delegated Regulation EU (2015/35) by outsourcing insurers which are in the scope of Solvency II.</li> </ul>

MS	NCA	AREA	RECOMMENDED ACTION
IS	FME	SUPERVISORY APPROACH OF NCAs	<p>The FME shall require all (re)insurers to have in place an effective system of governance which provides for sound and prudent management of the business. This includes having in place an appropriate structure of key functions and appointed holders for all key functions. That system shall at least include an adequate transparent organisational structure with a clear allocation and appropriate segregation of responsibilities. It shall include compliance with the requirements laid down in Articles 42 to 49 of the Solvency II Directive, but also the requirements laid down in the Commission Delegated Regulation EU (2015/35) (a.o. Articles 258 and 268) and the EIOPA Guidelines on the system of governance (a.o. GL 5).</p> <p>The FME should develop adequate supervisory procedures and criteria to assess governance requirements regarding key functions in a risk-based supervisory framework including the application of the principle of proportionality according to Article 29 of the Solvency II Directive.</p>
LU	CAA	COMBINATION OF THE INTERNAL AUDIT FUNCTION HOLDER WITH OTHER KEY FUNCTION HOLDERS	<p>CAA to take proper supervisory measures in order to ensure that all insurers are compliant with the Solvency II system of governance rules. This especially applies to Article 271 of the Commission Delegated Regulation EU (2015/35) which explicitly clarifies that 'The persons carrying out the internal audit function shall not assume any responsibility for any other function'. Therefore the internal audit function holder must not be combined with operational functions.</p>
LU	CAA	COMBINATIONS OF KEY FUNCTION HOLDERS AND AMSB MEMBERS	<p>CAA should:</p> <ol style="list-style-type: none"> <li>first carry out a deeper assessment of (such) applications, including a deeper investigation of possible conflicts of interest and mitigating measures in the cases of combinations of key function holders with executive AMSB members and then take consistent actions".</li> <li>develop adequate supervisory procedures and criteria to assess governance requirements regarding key functions in a risk-based supervisory framework including the application of the principle of proportionality.</li> </ol>
LU	CAA	FITNESS OF KEY FUNCTION HOLDERS	<p>CAA to carry out fitness assessment also for the key function holders other than actuarial function holders.</p>
MT	MFSa	COMBINATIONS OF KEY FUNCTION HOLDERS WITH OPERATIONAL TASKS	<p>MFSa should:</p> <ol style="list-style-type: none"> <li>further investigate the cases of insurers on a risk-based basis where key function holders accumulate operational tasks in order to avoid conflicts of interest.</li> <li>assess whether and how Solvency II requirements, especially according to Articles 258(i)(g)(5) and 268(i) of the Delegated Regulation EU (2015/35), are implemented by all insurers, which are in the scope of the Solvency II Directive, and whether combinations of key functions (including combinations with operational tasks) fulfil the necessary conditions with regard to their independence in the insurer's organisational structure.</li> </ol>
NL	DNB	FITNESS OF KEY FUNCTION HOLDERS	<p>DNB should not only assess propriety for key function holders but assess as well the fitness of key function holders' appointments just after having received the notification of the appointment of the key function holder. The assessment itself can reflect a risk-based approach.</p>

MS	NCA	AREA	RECOMMENDED ACTION
NO	Finans-tilsynet	SUBORDINATION OF A KEY FUNCTION HOLDER TO ANOTHER KEY FUNCTION HOLDER OR HEAD OF OPERATIONAL DEPARTMENT	<p>Finanstilsynet should:</p> <p>a) assess whether and how requirements of Solvency II, especially according to Articles 258(1)(g)(5) and 268(1) of the Commission Delegated Regulation EU (2015/35), are implemented by all insurers which are in the scope of the Solvency II Directive, and whether combinations of key function holders and subordinations of key function holders fulfil the necessary conditions with regard to their independence in the insurer's organisational structure.</p> <p>b) take appropriate actions, in cases of subordination, such that the direct reporting line of Compliance to the AMSB is being ensured at all times.</p>
PL	KNF	SUPERVISORY APPROACH OF NCAs	KNF to take into account nature, scale and complexity when applying the proportionality principle in general (not only or mainly for insurers with market share up to 1%, as this threshold is too low). Regarding key function holder to also consider other factors such as independence, seniority within organisational structure etc., when assessing combination of key function holders.
PT	ASF-PT	SUPERVISORY APPROACH OF NCAs	<p>ASF-PT should:</p> <p>implement adequate supervisory procedures and criteria to ensure that the requirements laid down in the Solvency II Directive are applied in a manner which is proportionate to the nature, scale and complexity of the risks inherent in the business of an (re)insurer (Article 29 of the Solvency II Directive). This especially applies to proportionality principle laid down in Article 41 of the Solvency II Directive, followed by amongst others the Articles 258 and 268 of the Commission Delegated Regulation EU (2015/35).</p>
PT	ASF-PT	COMBINATIONS OF KEY FUNCTION HOLDERS (ALSO INTERNAL AUDIT FUNCTION HOLDER) AND COMBINATIONS OF KEY FUNCTION HOLDERS WITH AMSB MEMBERS	<p>ASF-PT should:</p> <p>a) develop a supervisory approach for the assessment of combinations of key function holders.</p> <p>b) assess whether and how all insurers, which are in the scope of the Solvency II Directive, have implemented Chapter IX of the Commission Delegated Regulation EU (2015/35), especially Article 271(1)(2) with regard to the independence of the internal audit function in the insurer's organisational structure.</p>
PT	ASF-PT	FITNESS OF KEY FUNCTION HOLDERS	ASF-PT should complete a fit & proper assessment for all key function holders according to the requirements of (especially) Articles 42 of the Solvency II Directive and Articles 258(1)(g) and 268(1) of the Commission Delegated Regulation EU (2015/35).
SI	AZN	OUTSOURCING	<p>AZN should:</p> <p>establish a plan/deadline for the adoption of the EIOPA's Guidelines on system of governance and applying it to all insurers, which are in the scope of the Solvency II Directive in a proportionate way. Before implementation at least a risk-based approach by AZN would be welcomed meaning that this Guideline is applied for insurers reflecting the nature, scale and complexity of their business as well as their impact on the national market.</p>
SK	NBS	COMBINATIONS OF KEY FUNCTION HOLDERS, COMBINATIONS OF KEY FUNCTION HOLDERS WITH AMSB MEMBERS, COMBINATION WITH OPERATIONAL TASKS AND SUBORDINATION OF KEY FUNCTION HOLDERS TO ANOTHER KEY FUNCTION HOLDER OR HEAD OF OPERATIONAL DEPARTMENT	<p>NBS should:</p> <p>a) closely monitor the cases of combinations between key function holders, combinations of key function holders with members of the AMSB and with operational tasks, as well as the cases of subordination.</p> <p>b) develop a supervisory approach for assessing these cases. These combinations shall be accepted only under proportionality aspects and not as a common market practice.</p>

## ANNEX 2 – COUNTRIES AND NCAS PARTICIPATING IN THIS PEER REVIEW AND THEIR ABBREVIATIONS

Country	Abbreviation	Name of NCA	Abbreviation used in the report (if any)
Austria	<b>AT</b>	Finanzmarktaufsicht	<b>FMA-AT</b>
Belgium	<b>BE</b>	National Bank of Belgium	<b>NBB</b>
Bulgaria	<b>BG</b>	Financial Supervision Commission	<b>FSC</b>
Cyprus	<b>CY</b>	Insurance Companies Control Service	<b>ICCS</b>
Czech Republic	<b>CZ</b>	Czech National Bank	<b>CNB</b>
Germany	<b>DE</b>	Bundesanstalt für Finanzdienstleistungsaufsicht	<b>BaFin</b>
Denmark	<b>DK</b>	Danish Financial Supervisory Authority	<b>DFSA</b>
Estonia	<b>EE</b>	Finantsinspeksioon	<b>EFSA</b>
Greece	<b>EL</b>	Bank of Greece – Department of Private Insurance Supervision	<b>BoG</b>
Spain	<b>ES</b>	Dirección General de Seguros y Fondos de Pensiones – Ministerio de Asuntos Económicos y Transformación Digital	<b>DGSFP</b>
Finland	<b>FI</b>	Financial Supervision Authority	<b>FIN-FSA</b>
France	<b>FR</b>	Autorité de Contrôle Prudentiel et de Résolution	<b>ACPR</b>
Croatia	<b>HR</b>	Hrvatska agencija za nadzor financijskih usluga	<b>HANFA</b>
Hungary	<b>HU</b>	Magyar Nemzeti Bank	<b>MNB</b>
Ireland	<b>IE</b>	Central Bank of Ireland	<b>CBI</b>
Iceland	<b>IS</b>	Fjármálaeftirlitið (Financial Supervisory Authority)	<b>FME</b>
Italy	<b>IT</b>	Istituto per la Vigilanza sulle Assicurazioni	<b>IVASS</b>
Liechtenstein	<b>LI</b>	Finanzmarktaufsicht Liechtenstein	<b>FMA-LI</b>
Lithuania	<b>LT</b>	Lietuvos Bankas (Bank of Lithuania)	<b>BoL</b>
Luxembourg	<b>LU</b>	Commissariat aux Assurances	<b>CAA</b>
Latvia	<b>LV</b>	Financial and Capital Market Commission	<b>FCMC</b>
Malta	<b>MT</b>	Malta Financial Services Authority	<b>MFSA</b>
Netherlands	<b>NL</b>	De Nederlandsche Bank	<b>DNB</b>
Norway	<b>NO</b>	Finanstilsynet	<b>NFSA</b>
Poland	<b>PL</b>	Komisja Nadzoru Finansowego	<b>KNF</b>
Portugal	<b>PT</b>	Autoridade de Supervisão de Seguros e Fundos de Pensões	<b>ASF-PT</b>
Romania	<b>RO</b>	Financial Supervisory Authority	<b>ASF-RO</b>
Sweden	<b>SE</b>	Finansinspektionen (Financial Supervisory Authority)	<b>FI</b>
Slovenia	<b>SI</b>	Insurance Supervision Agency	<b>AZN</b>
Slovakia	<b>SK</b>	National Bank of Slovakia	<b>NBS</b>

## ANNEX 3 – OTHER ABBREVIATIONS AND ACRONYMS USED

The table below includes the acronyms used in this report.

AMSB	Administrative, management or supervisory body
BoS	Board of Supervisors
Commission Delegated Regulation EU (2015/35)	Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
FTE	Full-time equivalent
NCA(s)	National competent authority(-ies)
PRC	Peer Review Committee
Solvency II Directive	Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

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