



EIOPA-18/843
28/11/2018

Summary of Conclusions

Joint meeting of EIOPA's Board of Supervisors and Stakeholder Groups Members

28 November 2018, Radisson Blu Hotel in Frankfurt

Attending:

List of Participants:

IRSG: Greg Van Elsen (Chairperson), Michaela Koller (Vice Chairperson), Alin Iacob, Benoît Hugonin, Miranda Hendriks-Muijs, Liisa Halme, Stephanie Morton, Monica Calu, Martin Baumgärtel, Stefan Materne, Torun Reinhammar, Anthony O'Riordan, Tomas Kybartas, Pierpaolo Marano, Dirk Ulbricht, Roger Laeven, Paul Fox, Typhaine Beaupérin, Alexandre Caget, Lauri Saraste, Giampaolo Petri, Juan Ramón Plá, Tito Rodrigues, Jana Herboczková, Guillaume Prache.

OPSG: Bernard Delbecque (Chairperson), Aleksandra Mączyńska (Vice Chairperson), Falco Valkenburg (Vice Chairperson), Moses Azzopardi, Valdemar Duarte, Senka Fekeža Klemen, Bruno Gabellieri, Christian Gülich, Olav Jones, Kęstutis Kupšys Philippe Seidel, Fieke van der Lecq, Ann-Marie Wancke Widemar, Hans van Meerten, Sibylle Reichert, Christian Lemaire, Philip Neyt, Stefan Nellshen, Jerry Moriarty, Flavia Micilotta, Elisa Luciano, John Maher, John O'Quigley, Catalin Oroviceanu.

EIOPA BoS members: Per Baertelsen (DK), Henk Becquaert (BE), Peter Braumüller (AT), Gorazd Čibej (SI), Alberto Corinti (IT), Sylvia Cronin (IE), Mary-Cecile Duchon (FR), Frank Grund (DE), Dieter Hendrickx (BE), Alexander Imhof (LI), Raluca Taliuc (RO), Damian Jaworski (PL), Jiří Kalivoda (CZ), Zuzana Kardošová (SK), Teija Korpiaho (FI), Andres Kurgpõld (EE), Asa Larson (SE), Hana Marčíková (CZ), Dina Mikelsona (LV), Koppány Nagy (HU), Ambrogio Rinaldi (IT), David Rule (UK), Mindaugas Šalčius (LT), Ioanna Seliniotaki (GR), Zuzana Silberová (CZ).

Commission (COM): Nico Spiegel (DG FISMA)

EIOPA: Gabriel Bernardino (Chairperson), Fausto Parente (Executive Director), Susanne Rosenbaum (Head of Corporate Affairs Department), Manuela Zweimüller (Head of Policy Department), Justin Wray (Head of Insurance Policy Unit and Deputy Head of Policy Department), David Cowan, Tim Shakesby, Timothy Walters, Edward Samsom, Giulia Conforti, Ursula Bordas, Kai Kosik and Florian Ouillades.

1. Opening remarks

EIOPA, IRSG and OPSG Chairpersons welcomed the Stakeholder Groups (SHGs) and Board of Supervisors Members to the first Joint meeting under the mandate of the current Stakeholder Groups. The EIOPA Chairperson presented the format of discussions and the three topics, that were were selected for their strategic relevance and cross-cutting dimension. He encouraged all participants to contribute actively to the discussions and stressed the role of this forum for shaping EIOPA's mind set.

2. Approval of the draft agenda

The agenda was approved.

3. EIOPA strategic outlook for 2019

The EIOPA Chairperson gave an outlook on EIOPA's work in 2019. EIOPA will strive to deliver its mandate effectively in line with its strategic objectives on:

- Driving forward conduct of business regulation and supervision;
- Leading convergence towards high-quality prudential supervision throughout the EU,
- Strengthening the financial stability of the insurance and occupational pensions sectors.

Two main cross-cutting themes will also drive the Authority's agenda: Sustainable Finance and Digitalisation. The Review of the European Supervisory Authorities, Brexit, and the pan-European personal pension product (PEPP) may require extensive work next year although EIOPA's involvement is still unclear.

On digitalisation, work on the impact of "PensionsTech" has yet to be explored at some point in the future. However, EIOPA did look at the shift toward digital communications for occupational pensions and the use of mobile applications in pensions. The ESAs will focus next year, to respond to the Commission's FinTech Action Plan, on mapping supervisory

practices across financial sectors around Information and communications technology (ICT) security and governance requirements, as well as the enforcement of management of emerging risks such as ICT risk.

EIOPA will help drive a gradual transition in the field of sustainable finance. EIOPA's recent public consultation is an important building block to embed sustainability into the own assessments of market participants..

Consumer Protection topics such as the implementation of the Key Information Documents for PRIIPs Insurance Distribution Directive will continue to play a major role. From a Supervisory Convergence perspective, attention will be paid to apply proportionality to supervisory practices and to improve the tools such as the Supervisory Handbook and Reporting and Disclosure. Guidance will be sought regarding supervision of remuneration principles.

The Chairperson stressed the Authority's fundamental objectives for policyholder protection and market stability as follows: a resilient insurance and pensions industry should be able to provide products and services with a fair outcome for consumers.

4. Stakeholder Group Update

The IRSG and OPSG Chairpersons presented their advice recently delivered by each Stakeholder Groups (see list [here](#) for both Groups) and provided an overview on the areas of upcoming work detailed in the IRSG and OPSG Working Plans.

The Insurance and Reinsurance Stakeholder Group delivered advice on travel insurance, Insurance Guarantee Schemes, Solvency II System of Governance. Looking ahead, the Group will advise on various topics such as sustainable finance, the Insurance Distribution Directive, on potential governance issues and other prudential and supervision work: the Insurance Stress Test or Supervisory Convergence Plan.

The Occupational Pensions Stakeholder Group delivered advice on IORP II implementation (Information Documents) and Supervisory Convergence (proportionality aspects). In the next two years consumer protection and financial stability will be high on the OPSG agenda. Advice is planned on how to provide valuable information to consumers, and contribute to the development of the "Level 2" framework the Pan-European Personal Pensions, Cost and Past Performance of Personal Pension Products, Annual Trends Reports. Special attention will also be given to the forthcoming Pensions Stress Test. Many OPSG members have also expressed a strong interest in working on sustainable finance issues.

The EIOPA Chairperson encouraged the two groups to work jointly on topics of common interest under the steering of the Chairpersons of the Stakeholder Groups. It was confirmed that the IRSG and the OPSG will continue to be involved at an early stage wherever possible regarding EIOPA's position in international fora such as the Insurance Capital Standard (ICS). A discussion followed on the differences in the regulatory framework for insurance and pensions of the Ultimate Forward Rate, leading in practice to regulatory arbitrage.

5. Sustainable Finance

A Board of Supervisors' Member introduced the topic, setting out EIOPA's objectives in relation to sustainable finance, and highlighting the need for insurers and pension funds to develop a long term sustainable approach. EIOPA staff detailed the ongoing call for advice on Sustainable Finance (see link to presentation [here](#)) and looked forward to gathering stakeholders' views e.g. on how to best consider the potential long-term impact of investment decisions on sustainability factors. Overall, EIOPA's intention was that sustainability issues should move from being niche to being mainstream.

The discussion that followed was prompted by introductory remarks from Stakeholder Group Members. One Member highlighted for instance that in practical terms it can be difficult to judge what is sustainable, for example in relation to nuclear power. Further remarks included:

- That “sustainability” had a wide basis – from for example climate change to tackling corruption.
- Whether there was a trade-off between the sustainability of an investment and its level of return.
- There was a distinction between Environmental, Social and Governance (ESG) risks that are financially material and those that are not. Moreover, insurers and pension funds are already required to take account of financially material sustainability risks. It is less clear to what extent they are currently required to take into account non-financial sustainability risks.
- It is not necessarily optimal to distinguish between sustainability risks and other risks.
- Regarding consumer preferences, there should be transparency on any trade-offs; the sustainability of default funds in particular would become of increasing importance.
- An exclusionary approach e.g. no coal investments would only partially contribute to sustainability
- There was diversity in the extent to which sustainability issues were emphasised in different member states of the EU
- The fiduciary duty was interpreted by those who ran pension schemes as to maximise returns in order to pay pensions and not to “save the planet”.

In discussion the following additional points were made:

- The Paris Agreement on climate change was signed by all member states and insurers and pension funds needed to contribute. On the other hand wider measures such as taxation and carbon pricing were needed.
- The importance in the insurance context of the underwriting function.
- That Solvency II already took a risk-based approach
- All agreed on the importance of developing a taxonomy in the area of sustainable finance. Indeed in its absence insurers and pension funds could not be sure whether measures they adopted would be regarded as sustainable. The Commission representative indicated that the timeline to develop a taxonomy on climate-related risk was well on-track.
- That qualitative as well as quantitative measures should be considered, for example via the Own Risk and Solvency Assessment or Own Risk Assessment. There were different views on the extent to which capital requirements should play a role.

6. Cyber risk

A Board of Supervisors’ Member introduced the topic, referring in particular to the double role of insurance undertakings with respect to cyber risks (cyber resilience and cyber underwriting perspective) and also to the fact that pension funds are also a target for cyber-attacks. An OPSG Member briefly addressed the difficulty of measuring the actual size of the exposures to cyber-risks and underlined the increasing costs incurred by cyber-attacks. An IRSG Member introduced a report on “Preparing for cyber insurance” aimed to help organisations to better manage their cybersecurity risks and assess the use of cyber insurance as a mitigating tool. Another IRSG Member introduced the perspective of the market players and the unique position of insurance undertakings: being part of the solution but also addressing the challenges for the industry such as the lack of data.

The following issues were discussed:

- How can the insurance sector effectively contribute to cover cyber risk for the economy, and is there a capacity limit for the market in the EU?
- How to address the lack of data for individual risk assessments but also from an underwriting perspective? Will insurance undertakings have access to data that are now collected under the General Data Protection Regulation (GDPR) and the Directive on security of network and information systems (NIS)?
- What added value may regulation in the area of cybersecurity bring to the insurance market? How to take proportionality into account in the area of pension funds?
- In the area of cyber underwriting, regulation needs to be balanced and practices need to be developed on the basis of the general requirements on risk

management. However, specific reporting will be needed and areas still remain for further understanding, such as for example the reinsurance market for cyber risk.

- Cyber insurance can also be targeted to individual policyholders, not only to companies. Consumer associations highlighted the importance of strong public provisions in tackling cybersecurity concerns.
- In this new era also the supervisors profile and tools will need to adapt to the new technologies and new business areas.
- Finally EIOPA and other regulators such as the EU Agency for Network and Information Security (ENISA) and the European commission should liaise to assess areas for further cooperation.

7. Information Documents

A Board of Supervisors' Member introduced the topic, referring in particular to the experiences in his National Competent Authorities supervising the Key Information Document (KID) for Packaged Retail Investment and Insurance Products (PRIIPs) since January. The discussion focused on the challenges arising from the implementation of the KID, but views were also expressed on other experiences and lessons to be learned regarding other disclosures, such as the Insurance Product Information Document (IPID), the Pension Benefit Statement (PBS) and the upcoming PEPP KID.

The following main themes were discussed:

- While support was expressed for the aims of the PRIIPs KID to improve understanding and comparability of substitutable products, various participants did not consider that it was achieving this aim in practice.
- Concerns were expressed, in particular, regarding the performance projections in the KID; a number of participants supported the inclusion of information on past performance, while others also proposed different changes to the methodology. At the same time, it was noted that the KID had improved transparency, for example regarding ongoing charges.
- The importance of a comprehensive review of PRIIPs was highlighted, including testing of proposals with consumers, and seeking to ensure that the KID is a consumer-friendly document, potentially via reducing the information or length of the KID;
- It was noted that it was important that information documents be provided in appropriate forms both to those that prefer digital distribution and those that have disabilities;
- A number of participants noted the significance of appropriate integration of information documents within the distribution process, including provision of the document sufficiently early in the sales process;
- It was also noted that implementation challenges with the PRIIPs KID were not only related to the regulation, but also to compliance issues on the side of the industry,
- The different challenges related to disclosures for pension products were highlighted, in view of their longer-term perspective and the risks arising from short-term volatility being less relevant.

8. Closing remarks

The EIOPA Executive Director summed up the outcome of the discussions in the three sessions. He called for stakeholders to continue to give critical but constructive feedback to EIOPA. Whereas a common position from all stakeholders was unrealistic prospect, he welcomed the fact that, at least, a common understanding on the issues to tackle could be reached during the day. He was pleased that participants agreed that regulation should not be produced in a rush to achieve sustainable finance goals. The session on cyber risk highlighted many innovative market practices. As far as the communication to beneficiaries and policyholders through information documents is concerned, the balance between regulation and implementation will continue to require full commitment from all parties.