



ANNUAL REPORT 2018

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European Insurance and
Occupational Pensions Authority

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ABBREVIATIONS

AAE	Actuarial Association of Europe
AIP	Annual implementation plan
AMICE	Association of Mutual Insurers and Insurance Cooperatives in Europe
AMSB	Administrative management or supervisory board
ATD	Access to documents
AWP	Annual work programme
BFI	Berufsförderungsinstitut/vocational training institute
BIPAR	Bureau international des producteurs d'assurances et de réassurances/ European Federation of Insurance Intermediaries
BoS	Board of Supervisors
CDD	Customer due diligence
CSDB	Centralised securities database
DB	Defined benefit
DGB	Deutscher Gewerkschaftsbund/German Trade Union Confederation
DNB	De Nederlandsche Bank
DVA	Dynamic volatility adjustment
EBA	European Banking Authority
ECA	European Court of Auditors
ECAI	External credit-assessment institutions
ECB	European Central Bank
EEA	European Economic Area
EFTA	European Free Trade Association
EIOPA	European Insurance and Occupational Pensions Authority
EMIR	European market infrastructure regulation
ESAs	European Supervisory Authorities
ESFS	European System of Financial Supervisors
ESG	Environmental, social and governance
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
EU	European Union

FCA	Financial Conduct Authority (UK)
FoS	Freedom of services/freedom to provide service
FSB	Financial Stability Board
FSC	Financial Supervision Commission
FX	Foreign exchange
HR	Human resources
IAIS	International Association of Insurance Supervisors
IAS	Internal Audit Service
ICS	Internal Control Standards
IDD	Insurance Distribution Directive
IORP(s)	Institution(s) for occupational retirement provision
IPID	Insurance product information document
IRSG	Insurance and Reinsurance Stakeholder Group
IT	Information technology
ITS	Implementing technical standards
KPI	Key performance indicators
MB	Management Board
MoU	Memorandum of understanding
NCA	National competent authority
NGO	Non-governmental organisation
OPSG	Occupational Pensions Stakeholder Group
OTC	Over the counter
PEPP	Pan-European personal pension product
PG(s)	Project group(s)
POG	Product oversight and governance
PPI	Payment protection insurance
RFR	Risk-free interest rates
RTS	Regulatory technical standards
SC	Steering committees
SCR	Solvency capital requirement
SRP	Supervisory review process
UFR	Ultimate forward rate
UK	United Kingdom
US	United States
VA	Volatility adjustment

ANALYSIS AND ASSESSMENT OF THE CONSOLIDATED ANNUAL ACTIVITY REPORT 2018 BY THE BOARD OF SUPERVISORS

EIOPA's Board of Supervisors (BoS) takes note of the Consolidated Annual Activity Report (CAAR) 2018, submitted by the Authorising Officer in accordance with Article 47(1) of the Financial Regulation (FR) applicable to EIOPA. Analysing and assessing the CAAR 2018 BoS has made the following observations:

- › The report contains a comprehensive and thorough account of the activities carried out by EIOPA in the implementation of its mandate and programme of work during 2018. EIOPA has met its obligations under Article 47(1), providing a detailed account of the results achieved in relation to the objectives set in the Annual Work Programme 2018, financial and management information, as well as the risks related to the organisational activities and measures taken to address them.
- › BoS acknowledges the continued challenges EIOPA faces in terms of its constrained resources to manage a demanding workload and welcomes EIOPA's efforts to prioritize in order to deal with this challenging situation. BoS also welcomes EIOPA's continued effort to re-allocate its resources from establishing regulation to overseeing its consistent implementation, recognising the need to maintain sufficient levels of staff in regulatory roles based on ongoing demand for this work.
- › BoS welcomes the way in which EIOPA followed up on the discussions of the BoS Strategy Day, particularly with respect to the themes of Sustainable Finance and supervisory convergence.
- › BoS welcomes the significant contribution EIOPA has made in the field of consumer protection with its further implementation of the strategy for conduct of business supervision, including conduct-focused visits to national competent authorities (NCAs), and the Authority's work to ensure the consistent implementation the Insurance Distribution Directive.
- › BoS welcomes EIOPA's continued contribution to building an effective and consistent level of supervision across the EU. In particular, BoS welcomes the renewed focus on cross-border business and the further roll out of EIOPA's cross-border cooperation platforms to enhance stronger and more timely cooperation between NCAs in relevant cases. BoS supports EIOPA's supervisory convergence plans and acknowledges the comprehensive set of objectives and activities established in these plans to achieve supervisory convergence.

- › BoS welcomes EIOPA's continued preparations for the review of Solvency II including the review of the Solvency Capital Requirement in 2018. BoS also welcomes the further advancement of a single framework for the reporting of occupational pension information and recognises the benefits for monitoring the pensions market.
- › BoS, acknowledging the multiple and potentially damaging consequences of the UK's withdrawal from the EU, welcomes EIOPA's opinions addressed to national competent authorities on the issues related to the solvency position of insurers and information to be disclosed to customers on the impact of Brexit. BoS also welcomes EIOPA's own internal contingency planning to ensure it as an organisation is ready to deal with the implications of Brexit.
- › BoS welcomes EIOPA's continued monitoring and analysis of vulnerabilities in the market and financial stability risks. In particular, BoS acknowledges EIOPA's efforts to publish its quarterly risk dashboard and half-yearly financial stability report, along with increasing the availability of statistics on the market in 2018. BoS also welcomes EIOPA's insurance stress test, which focused on the key risks the sector faces.
- › BoS notes the positive results of successful management of the Authority's tasks and resources, indicated by the extremely high rate of delivery of products and services as planned or within a minor delay, as well as the targets met in terms of EIOPA's key performance indicators on management of its financial resources.
- › BoS notes EIOPA's diligent response to findings from the European Court of Auditors, the Internal Audit Service and the Authority's Quality Control Committee and supports EIOPA's efforts in its transparent implementation of the respective recommendations. BoS welcomes in particular, EIOPA's efforts to address the recommendations of the European Court of Auditor's (ECA) Special report No 29/2018. ECA concluded that "EIOPA made an important contribution to supervision and stability in the insurance sector", however, that EIOPA faced limitations in terms of the architecture of the supervision system and scarcity of resources. As a result, much still needs to be done by EIOPA, legislators and NCAs to achieve supervisory convergence, i.e. a level playing field for insurance businesses operating across EU Member States and for their customers.
- › BoS considers that EIOPA is running effectively and efficiently and is delivering the expected products and services to high standards of quality.

Gabriel Bernardino

Chair of the Board of Supervisors

GABRIEL BERNARDINO



FOREWORD BY THE CHAIRMAN

It gives me great pleasure to present our activities and achievements from 2018. Throughout the year, we remained committed to delivering our mandate to better protect consumers, through high quality and consistent supervision and safeguarding financial stability.

We did so in an environment of constant change. As such, we had to remain alert to fast-paced developments in the area of technology, the growth in cyber risks, increasing volumes of cross-border business and a stronger spotlight on sustainable finance. As with other areas of our work, our role is to consider the implications of these issues for regulators, supervisors, providers and consumers. This means that we must be prepared to review our regulations, our areas of intervention and the tools.

A case in point is the review of Solvency II. In 2018, we completed the first stage of our work. The next stage of work, undertaken in 2019, will again be an evolution rather than revolution, and will again serve to ensure that this landmark regulation better supports the stakeholders it serves.

Our 2018/19 supervisory convergence plan has, at its core, tasks related to the implementation of a common supervisory culture and development of new supervisory tools. It also has the identification of risks to the internal market, such as issues related to cross-border business, and emerging risks as areas of priority. In both cases, EIOPA continues to play a leading role in setting out a pan-European approach to supervision: one that is not only forward-looking, preventive and proactive, but also challenging, sceptical, engaged and conclusive.

Identifying trends, risks and vulnerabilities is an essential element of our financial stability work. In 2018, we published key reports related to cyber insurance, the causes and early identification of failure or near misses in insurance, the development of a macro-prudential framework for insurance, and our first annual insurance overview. In our insurance stress test we included a natural catastrophe scenario as well as a questionnaire related to cyber insurance.

In the field of consumer protection, we updated our conduct of business strategy to reflect changes to the regulatory landscape and developed a framework for conduct risk assessment. Both of these activities will help supervisors to identify areas of consumer detriment and mitigate associated risks at an earlier stage. We also took steps to ensure that consumers remain protected from risks associated with the United Kingdom's decision to leave the European Union.

Looking ahead, we must be prepared for both challenges and opportunities. In this regard, I am firmly convinced that EIOPA will play a vital role in ensuring that the insurance and pensions sectors remain robust and resilient in the face of challenges in particular, from digital technology, cyber risk and climate change. These challenges will also bring opportunities and it is imperative that, as supervisors, we enable consumers to benefit from innovation while remaining protected. To that end, we will continue to contribute to the European Commission's financial services agenda and in particular the FinTech and sustainable finance action plans.

The introduction of the pan-European personal pension product is a great opportunity for consumers to have a new portable retirement savings option. We look forward to seeing this become a reality and playing our part in creating a quality and trusted product that will benefit so many European consumers.

We are grateful to the outgoing Members of the European Parliament for their support of our work. I would also like to thank our Board of Supervisors and Management Board for their commitment and constructive engagement over the past year. The same is true of members of our two stakeholder groups and colleagues from national competent authorities and fellow European Supervisory Authorities. Our work is much richer because of your involvement.

We carry out our work so that consumers can carry out their lives safe in the knowledge that they are protected and can rely on the policies that they have purchased and the pension funds they have paid into. Our role is to take on the challenges and seize the opportunities that our work brings to continue to improve the lives of consumers in the field of insurance and pensions. It is a role that we are eager to fulfil.

FAUSTO PARENTE



FOREWORD BY THE EXECUTIVE DIRECTOR

Delivering our strategic objectives and fulfilling our mandate requires us to have high-quality and effective systems, processes and, above all, staff in place. In 2018, we continued our efforts to make use of technology to create a safe, secure and satisfying working environment for staff.

A resilient information technology infrastructure is essential to our work, in particular for the collection of data and in 2018, the Authority managed 14 Solvency II data collection deadlines effectively. In this context, EIOPA upgraded its central repository and data analysis platforms. In 2018, EIOPA also commenced a project to migrate its data centre, to be concluded in 2019.

Facilitating cooperation is important to ensure that we can work effectively both within the organisation and with colleagues in national competent authorities and as a means to foster efficiency, EIOPA sought to increase the use of e-tools where possible. A key achievement in 2018 was the successful introduction of e-workflows for finance and budget. In addition, a project to implement a newer e-HR system is now in progress. Electronic tools and new technology have also to good use to improve internal cooperation and communication. The implementation of a new documentation management systems was completed in 2018, as was the implementation of a new videoconferencing capability.

As a pan-European supervisor, a key objective is to foster a common approach to supervision. Training and sharing of good practice is fundamental to our approach and in 2018, more than 1,500 people attended one of our many events. In addition, we welcomed over 400 people to our annual conference, which touched on important aspects of our work including supervisory convergence, cyber insurance and sustainable finance. Our work must also be visible to be effective. Our website is our main communication channel and to present our work in a more up-to-date and user-friendly manner, in 2018, we initiated a project to upgrade our online presence. The website, to be launched in 2020, will provide users with greater functionality and incorporate an improved question and answer tool.

Where possible, we aim to consult with a wide selection of stakeholders to inform our work. In 2018, we renewed our stakeholder groups and in our selection we achieved better gender and geographic balance as well as a stronger representation from consumers and from beneficiaries.

Attracting and retaining the right staff is also essential to our ability to deliver our mandate. In 2018, we continued with activities to build the capacity of our staff through the development of specific competencies and through a variety of learning and development opportunities. Our staff engagement survey, conducted in 2018, indicated a high level of engagement of staff.

In terms of management of resources, EIOPA conducts its operations in full compliance with EU regulations, working in an open and transparent manner. In 2018, the Authority's operating budget, as approved by the Board Supervisors was EUR 25 million and through effective budget management, EIOPA had achieved an implementation rate for commitments of 100%.

As part of our accountability, we are the subject of annual audits by the European Court of Auditors, the European Commission's Internal Audit Service and our own internal auditor. In 2018, we welcomed the conclusion of the European Court of Auditors that we make an important contribution to supervision and financial stability in the insurance sector.

Our goal is to remain an efficient and effective organisation as we continue to address our four strategic objectives, and the corresponding tasks resulting from our rigorous planning process. As in previous years, we will remain flexible to respond to new priorities, as they emerge. Looking ahead, this will include putting in place the outcomes of the review of the European Supervisory Authorities, as well as remaining ready to respond to new priorities.

In conclusion, I would like to thank EIOPA's staff, the Management Board and Board of Supervisors for all their work throughout the year. I look forward to a fruitful cooperation in the coming year as we continue our work to build a stronger insurance and pensions sector in Europe, for the benefit of beneficiaries and policyholders.

EXECUTIVE SUMMARY

In 2018, the European Insurance and Occupational Pensions Authority (EIOPA) continued to play an essential role in strengthening supervision of the European insurance and pensions sectors.

The European Court of Auditors who concluded that EIOPA makes an 'important contribution to a common supervisory culture and financial stability in the insurance sector' evidenced this.

EIOPA worked closely with national authorities, European institutions and other stakeholders to fulfil the strategic objectives set out in its work programme for 2018.

STRENGTHENING CONSUMER PROTECTION

In 2018, EIOPA reviewed and updated its conduct of business strategy. The updated strategy reflects changes to the regulatory landscape, in particular since the implementation of the Insurance Distribution Directive (IDD), and places renewed emphasis on driving supervisory convergence and further enhancing market monitoring and conduct risk assessment, to build practical and proportionate supervisory capacities across Europe.

EIOPA also continued to identify those insurance and pension trends that affect consumers. The increasing use of digital technology is by far the most persistent trend and EIOPA will continue its work in this area.

In its framework for conduct risk assessment, EIOPA identified the drivers of conduct risk throughout all stages of the product lifecycle and the implications of these in the emergence of consumer detriment.

In 2018, EIOPA continued its work to ensure the consistent implementation of the Insurance Distribution Directive through the development of guidelines, draft regulatory technical standards and an evaluation of the structure of the insurance intermediaries market in Europe.

STRENGTHENING SUPERVISORY CONVERGENCE

Contributing to a high-level of effective and consistent supervision is at the heart of EIOPA's mandate. A consistent approach to supervision is becoming increasingly important given the growing amount of cross-border business.

In April 2018, EIOPA published its supervisory convergence plan for 2018 and 2019, with a focus on the implementation of Solvency II. Priority areas include the development of common supervisory tools and benchmarks, enhancing the supervision of cross-border business and the supervision of emerging risks.

Throughout the year, EIOPA carried out a number of activities in the field of oversight and supervisory convergence. These included conducting and concluding peer reviews, participating in colleges of supervisors to improve supervision of cross-border groups and providing tailored support and feedback to national competent authorities (NCAs). EIOPA also organised a number of training activities to help build capacity among national supervisors.

EIOPA continued to make use of its cross-border cooperation platforms to enhance stronger and more timely cooperation between NCAs, thereby enabling a quicker identification and assessment of risks connected to cross-border business. Through these platforms, EIOPA is able to provide concrete supervisory recommendations and steer coordinated corrective actions where necessary.

In the field of internal models, EIOPA published its first comparative study on market and credit risk modelling.

While EIOPA continues to evolve into a supervisory-focused organisation, the Authority continued to provide its expertise on issues related to regulation.

In insurance, a significant piece of work related to the review of Solvency II. EIOPA provided advice to the European Commission on the review of the Solvency Capital Requirement based on an in-depth analysis of 29 different

elements. The advice focused on increasing proportionality, removing unjustified constraints to financing and removing technical inconsistencies.

In the field of pensions, EIOPA defined a single framework for the reporting of occupational pension information to facilitate reporting processes and enable better monitoring of market developments and analysis of the occupational pensions market.

In the context of the Institutions for Occupational Retirement Provision Directive (IORP II), EIOPA published a decision, replacing the Budapest Protocol, outlining how NCAs can cooperate and exchange information on cross-border business issues.

EIOPA also concluded its research into the best ways for IORP providers to provide information to consumers in the form of a pension benefit statement. EIOPA will continue this work in 2019.

PRESERVING FINANCIAL STABILITY

In 2018, EIOPA worked to identify trends, potential risks and vulnerabilities that could have a negative effect on the pension and insurance sectors across Europe.

In this context, EIOPA conducted a stress test of the European insurance sector, assessing three severe but plausible scenarios, including a natural catastrophe scenario. In total, 42 European (re)insurance groups participated representing a market coverage of around 75% based on total consolidated assets. The results confirmed that, overall, there is significant sensitivity to market shocks combined with specific shocks relevant for the European insurance sector. To increase transparency in order to reinforce market discipline and in line with recommendations from the European Court of Auditors, participating groups were requested to disclose individual results. On release of the results, four participating groups consented to publication of their own results.

The increased availability of Solvency II data enabled EIOPA to increase coverage of its statistics and in June, the Authority published further insight into the assets of solo (re)insurance undertakings at country level. EIOPA also published its first annual European Insurance Overview, providing relevant and easily accessible data at European level.

To broaden the debate on issues related to financial stability in the insurance and pensions sector, EIOPA conducted research and published findings on a number of relevant topics. This included a series of publications on the development of a macroprudential framework for insurance; an analysis of the causes and early identification of failure or near misses in insurance, and a study on cyber insurance.

Regular publications included the risk dashboard (on a quarterly basis) and the Financial Stability Report (in June and December).

CROSS-CUTTING THEMES

EIOPA conducted activities related to digital technology, or InsurTech, as well as sustainable finance in 2018. Both of these areas are considered cross-cutting themes as they require expertise from across the organization. For both, EIOPA engaged in close dialogue with a range of stakeholders and market participants, including through roundtables and surveys.

Following a cross-sectorial review on the use of Big Data (published in March 2018 by the Joint Committee of the European Supervisory Authorities), EIOPA released a call for evidence on the use of Big Data, in particular in the motor and health insurance sectors. This evidence was used to provide an analysis on the potential benefits and risks of Big Data, with the results published in a thematic review in April 2019.

EIOPA published its sustainable finance action plan, which addresses the need for a cross-sectoral and cross-pillar approach to sustainable finance. Actions include providing support to the European Commission in the development of a taxonomy.

BREXIT

Throughout the year, EIOPA paid close attention to developments regarding the United Kingdom's decision to leave the European Union. With a view to minimising risk to business and to consumers, in particular to avoid interruption of service, EIOPA issued two opinions to national competent authorities. These covered issues related to the solvency position of insurers and information to be disclosed to customers on the impact of Brexit.

A RESPONSIBLE, COMPETENT AND PROFESSIONAL ORGANIZATION

Over the past year, EIOPA has continued to evolve its organisational structure to ensure that it operates as effectively and efficiently as possible.

STAKEHOLDER ENGAGEMENT

Where possible, EIOPA seeks the input of a wide range of stakeholders to inform its work, in particular through its two stakeholder groups (Insurance and Reinsurance Stakeholder Group, or IRSG, and Occupational Pensions Stakeholder Group, or OPSG), but also through events, surveys and consultations.

In 2018, following an open call, EIOPA appointed new members to both of its stakeholder groups. In its selection, EIOPA aimed for balance in terms of gender, geography and different types of stakeholder. In particular, EIOPA strengthened representation from consumers and from beneficiaries.

EIOPA held its annual conference in November 2018, attracting some 400 participants. The theme of the con-

ference was 'Insurance and pensions: Securing the future' and covered issues related to supervisory convergence, sustainable finance and cyber insurance.

EIOPA also regularly engages with the European institutions, including the European Parliament and the European Court of Auditors.

LOOKING AHEAD

In 2019, EIOPA will build on its work as a core pillar of the European supervisory framework.

The organisation remains ready for change and ready to take on any new tasks, notably those associated with the review of the European Supervisory Authorities and the outcome of trilogue discussions on the pan-European personal pension product.

EIOPA will also continue to monitor closely issues related to Brexit.

In 2019, as in previous years, EIOPA remains committed to fulfilling its mandate to strengthen supervisory convergence in the insurance and pension sector across Europe, benefitting the economy, businesses and consumers.



INTRODUCTION

Insurance and pensions fulfil an important role in society. When they function well, they take on risks and contribute to economic growth and financial stability, ultimately bringing greater financial security to citizens. With assets worth 70% of EU Gross Domestic Product (GDP),⁽¹⁾ the EU insurance sector is a significant part of the financial sector. With liabilities comprising one third of European households' wealth, consumers depend on parts of the insurance sector for their security and future income. Equally, occupational pensions are crucial to ensure that older people are protected from the risk of poverty in retirement. With assets worth around 24% of EU GDP ⁽²⁾ – and much more in some countries – pension fund assets are growing rapidly and increasingly provide a source of investment to financial markets.

The European Insurance and Occupational Pensions Authority (EIOPA or the Authority) is a decentralised agency of the European Union (EU) with the overarching mission to contribute to the stability and effectiveness of the financial system for the benefit of Europe's economy, businesses and citizens. Its main tasks are to enhance supervisory convergence, strengthen consumer protection and preserve financial stability in the field of insurance and pensions.

Achieving these goals depends on close cooperation with national competent authorities (NCAs), as well as regular consultation with stakeholders, notably consumer organisations and industry representatives, to ensure that the Authority's work meets the need of the people that it serves.

EIOPA's areas of action and annual priorities are established through a rigorous planning process. Its programme of work and budget are adopted by EIOPA's Board of Supervisors and approved by the European Parliament and the European Council.

This report details the main achievements of the Authority's achievements in 2018.

INFORMATION BOX



STRATEGIC PRIORITIES

The Authority's strategic priorities for 2018 were to:

- Strengthen the protection of consumers
- Improve the functioning of the EU internal market in the field of pensions and insurance
- Strengthen the financial stability of the insurance and occupational pension sectors
- Be a responsible, competent and professional organisation.

⁽¹⁾ Data from Q3 2018, source: <https://eiopa.europa.eu/financial-stability-crisis-prevention/financial-stability/statistics>

⁽²⁾ Data from 2017, source: <https://eiopa.europa.eu/financial-stability-crisis-prevention/financial-stability/statistics>

ACHIEVEMENTS IN 2018

STRENGTHENING THE PROTECTION OF CONSUMERS

In the field of consumer protection, EIOPA aims to enhance the confidence of consumers in insurance and pension providers and products. This is done through ensuring that regulation is in place to protect consumers from possible harm that could arise from, for example, poor disclosures to consumers and poor selling practices.

Actions in this field range from monitoring the implementation of regulation, such as the Insurance Distribution Directive (IDD), providing advice to the European Commission and ensuring that consumers have access to fair, clear, and not misleading information so that they can make informed choices about insurance products.

AN UPDATED CONDUCT OF BUSINESS STRATEGY

Conduct of business supervision is an integral part of the consumer protection mandate and in April 2018 EIOPA published its updated conduct of business supervision strategy. Through this strategy, EIOPA will support NCAs with tools and expertise to ensure a high degree of consistency and quality of conduct of business supervision. The updated strategy maintains existing tools, such as thematic reviews, trends reports, enhanced market monitoring and retail risk indicators, and includes new activities to drive practical supervisory convergence. These include country visits to NCAs and supporting the exchange of information between NCAs.

CONSUMER TRENDS

Understanding trends is fundamental in identifying emerging risks and areas of potential harm for consumers.

In December 2018, EIOPA published its seventh annual report into trends in the European insurance and pension sectors that affect consumers. The report highlighted the continued increase of technology-led innovations. Such innovations mostly concern the non-life sector, in particular the most common products such as motor, household, accident and health insurance. Innovations in terms of distribution channels and usage of telematics, have been the dominant trends in motor insurance products. In health insurance, however, Big Data has not yet had such a systemic penetration. This is likely to change going forward as it could offer reduced costs and help in identifying, assessing and insuring new types of risks. At the same time, however, it could lead to the potential exclusion of some consumer segments, price-discrimination, and competition issues. With consumers generating more and more data and using connected devices, cyber risk concerns are increasing. Adequate cyber risk insurance products could address these protection needs.



◀ Read the Seventh Consumer Trends Report in full here: <https://europa.eu/WY79Pq>

INFORMATION BOX



FRAMEWORK FOR CONDUCT RISK ASSESSMENT

In 2018, EIOPA's Board of Supervisors approved a framework for assessing conduct risk through the product lifecycle (published in February 2019). The framework identifies drivers of conduct risk throughout all stages of the product lifecycle and the implications of these in the emergence of consumer detriment. It sets a common supervisory language and hence ensures more supervisory convergence.

In particular, the framework is intended to support NCAs identifying conduct and consumer protection risks, both sufficiently early and clearly to allow for effective conduct supervision, further enhancing market monitoring and conduct risk assessment and driving forward practical supervisory convergence. Ultimately, it should facilitate EIOPA and NCAs to become more proactive and intervene earlier, focusing on the drivers of consumer detriment.

The framework covers the following areas of risk:

- Business model and management risks – risks arising from how insurers structure, drive and manage their business and from relationships with other entities in the value-chain;
- Manufacturing risks – risks arising from how products are manufactured by insurers before being marketed and how they are targeted to customers;
- Delivery risks – risks arising from how products are brought to market and from the interaction between customers and insurers or intermediaries at the point of sale;

- Product management risks – risks arising after the sale of the insurance product relating to how products are managed and how insurers or intermediaries interact with and service customers until all obligations under the contract have ceased.

In the future, EIOPA will conduct further work on linking the identified conduct risks with the tools for assessing their impact and supervisory importance, leveraging readily available data as far as possible.



◀ Read the report in full here: <https://europa.eu/IWY79Pq>

CONSISTENT IMPLEMENTATION OF THE INSURANCE DISTRIBUTION DIRECTIVE (IDD)

Over the past year, EIOPA has contributed to the consistent implementation of the IDD. In January 2018, following a consultation with stakeholders, EIOPA published guidelines on complex insurance-based investment products (IBIPs) with the goal of minimising risks to consumers that could arise from mis-selling of products. The Guidelines include criteria to identify product features difficult for the customer to understand and set a framework to allow for 'execution-only' sales of products, where an assessment of the suitability or appropriateness of an insurance based investment product (IBIP) for the customer does not need to be carried out by the insurance intermediary or insurance undertaking as part of the sales process.

EIOPA also developed draft Regulatory Technical Standards adapting base Euro amounts for personal indemnity insurance and financial capacity for insurance intermediaries.

In July 2018, EIOPA published the first set of Questions & Answers (Q&As) providing practical guidance on the application of the Insurance Distribution Directive (IDD) and its implementing regulations and thereby promoting supervisory convergence. The Q&As relate to the product oversight and governance requirements distribution of IBIPs, as well as conflicts of interest and the suitability and appropriateness assessments. EIOPA will continue to address and subsequently publish the answers to further questions.

As foreseen in IDD, EIOPA published in December 2018 a report on the evaluation of the structure of insurance intermediaries markets in Europe. This report provides an overview of the intermediaries markets in Europe up to 31 December 2017, relating to data for the period from 2013 to 2017. The evaluation confirms that the European insurance intermediaries market is characterised by a very wide diversity of local distribution channels and different definitions adopted at the national level.

In accordance with the IDD, EIOPA is initiating preparatory work on a report on the application of the IDD. The report will gather more detailed information on the experiences of NCAs in applying the Directive. In this context, EIOPA will identify possible ways to improve the quality and comparability of data on insurance intermediaries across the European markets.

SUPERVISING CROSS-BORDER BUSINESS

In 2018, EIOPA worked on a number of activities to reinforce cooperation between NCAs in the supervision of cross-border business.

Decision on the cooperation of NCAs with regard to the supervision of cross-border insurance distribution activities of insurance undertakings and intermediaries

This Decision entered into force on 1 October 2018, replacing the former Luxembourg Protocol. The decision stems from the IDD regulatory framework and the recent supervisory experience with cross-border insurance distribution. It enhances the exchange of all relevant information, enabling NCAs to fulfil their supervisory tasks and to protect customer interests. The Decision is an important step to ensure well-functioning, risk-based and preventive supervision of the insurance market throughout the European Union.

Opinion on non-life cross border insurance business of a long-term nature and its supervision

This Opinion, published in December 2018, aims to ensure the appropriate application of the legal requirements and consistent supervisory practices with regards to the calculation of technical provisions and quantitative information on non-life long-term business with distinctive features or a high degree of local specificities. It is designed to address specific evidence that not all market players properly and prudently calculate technical provisions appropriately, thereby jeopardising policyholders in the host country.

Long-term non-life insurance business operating across borders is typically uncertain. Such business requires both, the knowledge of the local market specificities and the actuarial skills for the calculation of the technical provisions and the management of the activity. Experience has shown that these activities attract players that do not possess the required knowledge and skills, potentially leading to localised under-pricing and under-reserving to the detriment of policyholders.

In particular, following some real cases (e.g. under-reserving) which called for an harmonised action, EIOPA communicated some expectations in relation to

the complexity of long-term non-life business carried out by undertakings by the freedom of establishment or freedom to provide services (cross-border business).

STRENGTHENING SUPERVISORY CONVERGENCE

EIOPA actively promotes a common supervisory culture and consistent supervisory practices across Europe to ensure a high, effective and consistent level of supervision, safeguarding a similar level of protection for policyholders and beneficiaries.

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

EIOPA addresses supervisory convergence from different perspectives, depending on the issue and risks at stake. In particular, EIOPA uses the following building blocks to underpin its work:

- Establishing common benchmarks for supervisory practices
- Reviewing existing practices by NCAs and the market and
- Making use of EIOPA's own oversight work.

IN FOCUS



SUPERVISORY CONVERGENCE PLAN

In 2018, EIOPA set out its supervisory convergence plan for the next two years. The plan focuses on the implementation of Solvency II and conduct of business supervision with three priority areas:

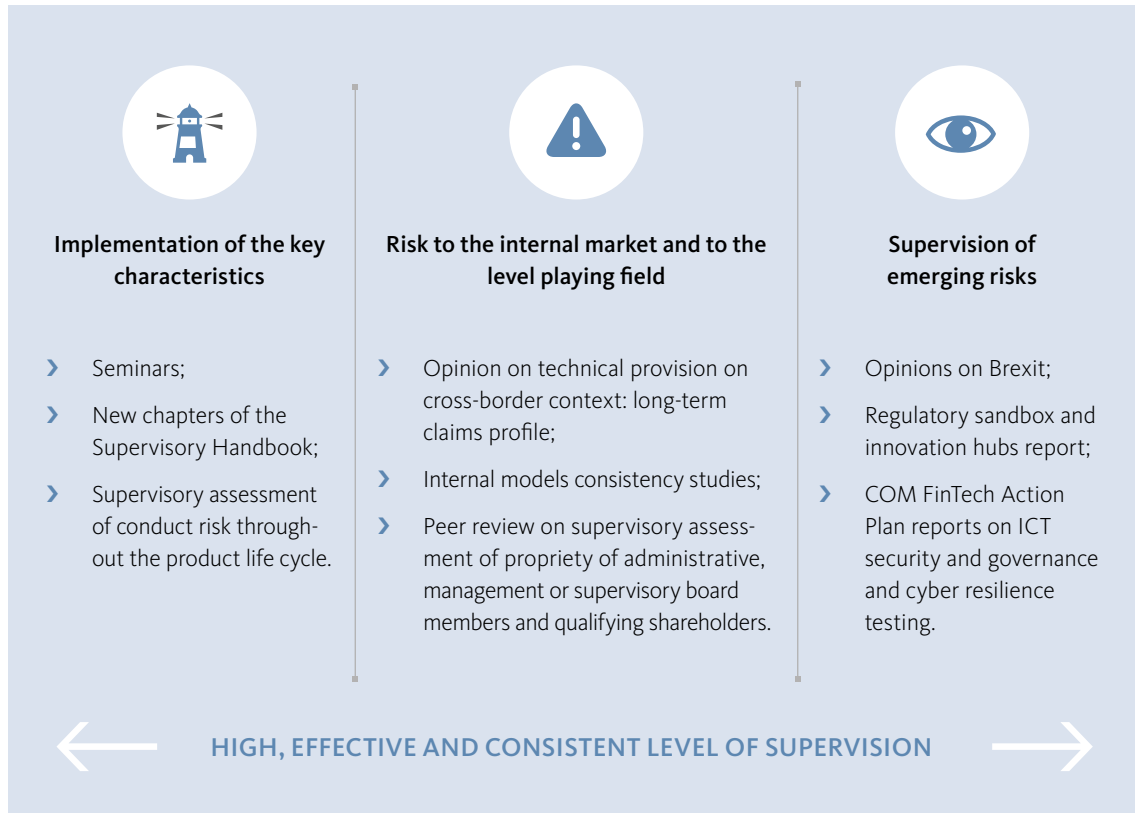
- Developing common supervisory tools and benchmarks, including the application of proportionality, the supervision of internal models and the supervisory assessment of conduct risks;
- Enhancing the supervision of cross-border business, focusing on the calculation of technical provisions and their sufficiency, the detection of unsustainable business models and the supervisory assessment of fitness and propriety; and

- Supervising emerging risks, including the supervisory practices on IT resilience and cyber risks, the usage of Big Data and Brexit.



^ Read more about 2018 supervisory activities here: <https://europa.eu/Inf79Gw>

Figure 1 – Supervisory convergence activities in 2018



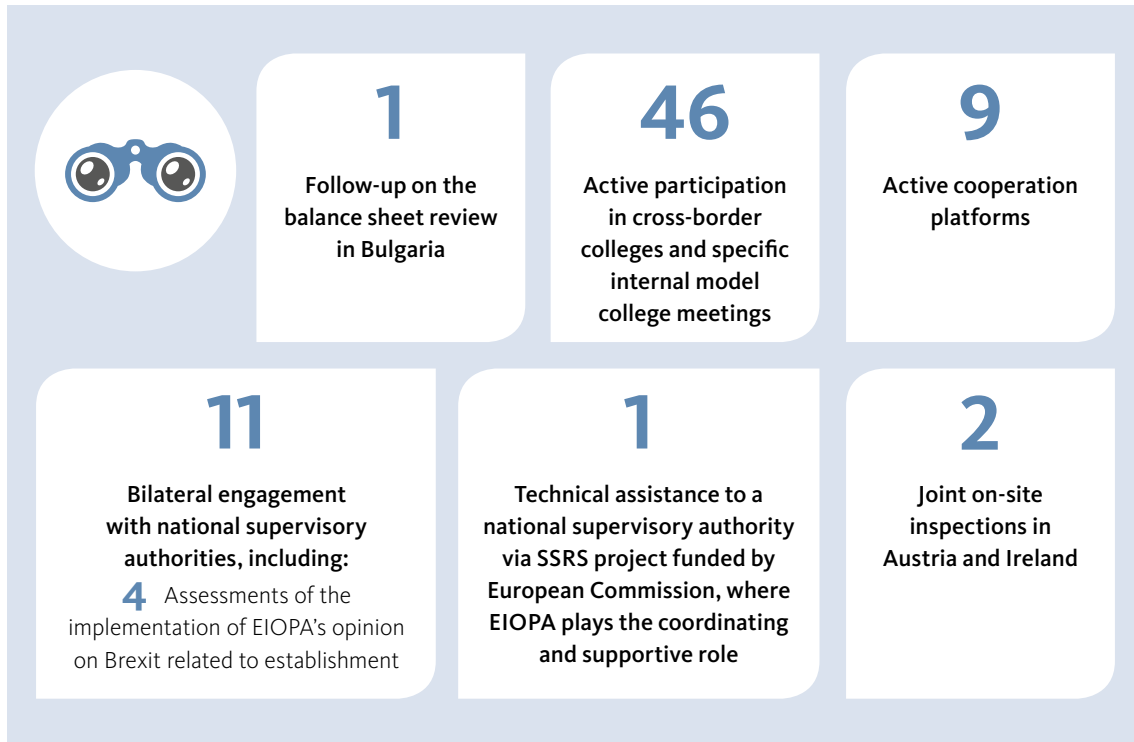
Accordingly, EIOPA has developed a set of tools to support supervisory convergence and to build the capacity of national supervisors to conduct effective supervision. This includes a range of training activities for supervisors.

DRIVING THE QUALITY, CONSISTENCY AND CONVERGENCE OF SUPERVISION OF INTERNAL MODELS

Internal models approval requires higher supervisory judgment than standard formula regimes, even though NCAs base their decisions on analytical criteria and regulatory requirements and share information within colleges. Differences in supervisory practices regarding the approval of internal models can impair the level playing field and policyholder protection. EIOPA therefore continuously promotes supervisory convergence in the area of internal models. EIOPA conducted the following activities related to internal models in 2018:

- › Development of the ‘Supervisory work plan on internal models’ and ‘Internal model validation standards’ chapters of the Supervisory Handbook
- › Publication of the first set of internal model statistics, providing national supervisors with a comprehensive overview of internal model users in Europe
- › A ‘Non-life comparative study’ which assists supervisors in assessing the calibration of non-life risk modelling for specific lines of business
- › A ‘Market and credit risk comparative study’ with the objective of comparing risk charges for a selection of asset portfolios to be used as a tool for the supervisory review of internal models. Additionally, the study aims to highlight the causes of potential differences between internal models by analysing risk charges for individual asset classes such as fixed income or equity.

Figure 2 – Oversight activities in 2018



SUPERVISING THE EU US COVERED AGREEMENT

In 2018, the project to monitor the consistent implementation of the EU US Bilateral Agreement started. The project is part of the Supervisory Convergence Plan 2018/19 and focusses on reinsurance and collaterals as well as group supervision.

In autumn, a comprehensive survey was launched to collect and analyse member's current supervisory practices and regulation and whether amendments are envisaged, which was confirmed to be the case in some Member States.

PEER REVIEWS

To foster convergence and strengthen consistency in the outcome of supervisory actions, EIOPA conducts peer reviews on specific activities of NCAs, based on an agreed methodology and with experts from NCAs acting as reviewers. The results of the peer reviews are documented and published. For the first time in 2018, the names of national competent authorities and the corresponding ar-

reas of recommended actions were disclosed. During the course of the year, three peer reviews were concluded on:

- The principle of proportionality when assessing key functions in insurance undertakings
- The supervisory assessment of propriety of administrative, management and supervisory board members and qualifying shareholders
- The application of the Prudent Person Rule for the supervision of occupational pension funds (published March 2019)

PARTICIPATION IN COLLEGES OF SUPERVISORS

Participation in colleges of supervisors enables EIOPA to identify inconsistencies in supervisory approaches and to provide group supervisors with recommendations and technical support. EIOPA uses a risk-based approach to determine its engagement with colleges and in 2018 actively engaged with 46 colleges. This engagement represents more than 50% of registered cross-border groups.

COOPERATION PLATFORMS

Established in 2017, cooperation platforms continue to prove a valuable tool to minimise risks associated with cross-border failure. The implementation of these platforms is an example of how EIOPA has been able to better steer cooperation between national supervisors, support their assessment of the impact of cross-border activities and identify preventive measures. For each platform, EIOPA has provided concrete supervisory recommendations to the home supervisor.

By the close of 2018, nine cooperation platforms were operational, involving 19 national competent authorities. Cooperation platforms are active as long as the risks identified might negatively affect policyholders. In most cases, the platforms provided a useful forum for cooperation and information exchange. In two cases, the supervisory intervention led to the liquidation of undertakings.

ENGAGING WITH NATIONAL SUPERVISORS

In the context of its oversight work, EIOPA regularly engages with national supervisors.

📌 Structured bilateral engagements

Through structured bilateral engagements, EIOPA is able to assess supervisory practices at national level and define areas where action is needed to further improve the supervisory framework and supervisory practices. In 2018, EIOPA carried out 11 bilateral engagements, including follow up to engagements from previous years.

📌 Joint on-site inspections

In 2018, EIOPA participated in joint on-site inspections led by Austria and Ireland.

📌 Technical assistance

EIOPA provides on-going technical assistance to national competent authorities to support and strengthen their supervisory capacity, in particular where weaknesses have been identified during bilateral visits or to strengthen the Capital Markets Union.

In 2018, at the request of the European Commission, EIOPA finalised the one-year technical support programme to the Romanian national supervisory authority. This work involved the development of a

comprehensive handbook providing detailed guidance on the supervisory review process under Solvency II, a risk assessment framework, supervisory processes and tools.

MEDIATING AND INVESTIGATING BREACHES OF LAW

In line with its mandate, EIOPA is empowered to resolve disputes between national authorities through mediation. In July 2018, EIOPA issued a mediation opinion regarding the determination of the correct insurance class for statutory risks in France. Both NCAs involved agreed with the conclusions of the Mediation Panel.

EIOPA is also empowered to investigate alleged breaches or non-application of Union law. In 2018 EIOPA conducted three investigations: one at the request of a financial institution and two on the Authority's own initiative. The investigations covered both pension and insurance sectors and were related to the cross-border activity of institutions for occupational retirement provision, market access of third country insurers in the European Union, and the recovery of insurance undertakings. Most of the cases were closed prior to reaching the stage of adoption of recommendations by the BoS due to actions already taken by the NCA.

TRAINING & EVENTS

The 2018 Training & Events Programme included 26 activities: 14 sectoral seminars or workshops, 2 online webinars, 1 cross-sectoral seminar (in the following together referred to as training activities) and 9 public events. The ESAs Joint Consumer Protection Day was organised by EIOPA this year and attracted 215 participants.

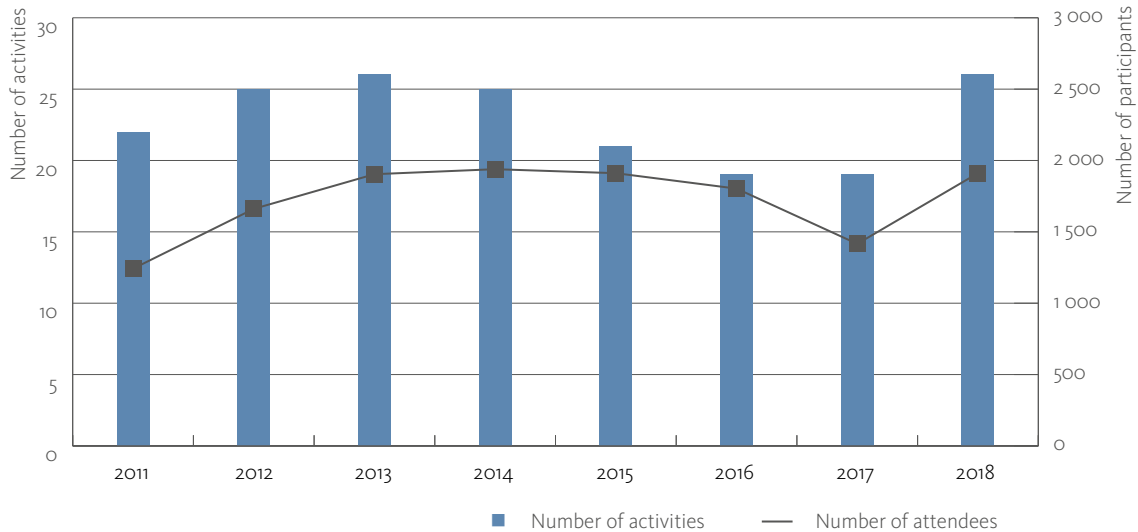
EIOPA continues to attract a very high number of participants to its training activities and stakeholders to its public events.

The majority of training and events were assessed and evaluated through online feedback forms completed by the participants. The average response rate in 2018 was 37%. Results show that on average the seminars are highly valued among participants. EIOPA received 3.62 points out of 4 for organisation in general and 3.29 out of 4 for content in general (average of excellent [4], good [3], fair [2] and poor [1]).

Overview training and events provided to NCAs in 2018

No.	Date	Title	Location	Attendees
1	15-16 Feb	Advanced Seminar on Quantitative Techniques in Financial Stability	EIOPA	57
2	21-Mar	IORP Stress Test closing event	EIOPA	37
3	12-Apr	Public Event on Reporting and Disclosure	EIOPA	29
4	16-Apr	2018 Insurance Stress Test workshop on consultation with stakeholders	EIOPA	27
5	17-18 Apr	SRP Handbook - Pillar I Seminar	EIOPA	43
6	14-May	2018 Insurance Stress Test Launch event	EIOPA	57
7	25-May	Online webinar on 2018 Insurance Stress Test	online	41
8	29-May	Workshop with NCAs on practical implementation of PRIIPs	EIOPA	57
9	01-Jun	InsurTech Roundtable	EIOPA	39
10	20-Jun	Roundtable on Sustainability	EIOPA	57
11	21-22 June	SRP Handbook - Pillar II Seminar	EIOPA	58
12	22-Jun	Joint ESAs Consumer Protection Day	Lisbon	215
13	26-Jun	Solvency II public disclosures – what you need to know	EIOPA	32
14	11-Jul	Online webinar on 2018 Insurance Stress Test: Data submission and validation	online	35
15	20-21 Sept	Risk-based supervision seminar	Albania	70
16	18-19 Oct	Supervisory Skills Training	EIOPA	18
17	25-26 Oct	Recovery and Resolution	Netherlands	183
18	30-31 Oct	The use of data for risk based supervision: Sharing knowledge, experience and tooling	Slovenia	69
19	5-6 Nov	Workshop with NCAs on practical implementation of IDD	EIOPA	63
20	10-Nov	EU-US Project public event	Luxembourg	84
21	16-Nov	Public Event on Reporting and Disclosure	EIOPA	59
22	20-Nov	8th Annual EIOPA Conference	Frankfurt	408
23	22-Nov	2018 Insurance Stress Test Public Event	EIOPA	51
24	29-Nov	Loss absorbing capacity of deferred taxes	EIOPA	51
25	06-Dec	Workshop on Risk-based COB supervision	EIOPA	41
26	14-Dec	Illiquid Liabilities Roundtable	EIOPA	30
Total number of attendees:				1 911

Trainings and events from 2011 to 2018



SOUND REGULATION IN AN EVOLVING LANDSCAPE

Regulation is only effective for as long as it remains relevant. While EIOPA is evolving into a supervisory-focused organisation, it pays close attention to how regulation is applied and how effective it remains, with a view to reinforcing cross-sectoral consistency and improving fairness and transparency and with a focus on better and smart regulation.

INSURANCE

SOLVENCY II REVIEW

Since the successful implementation of Solvency II Directive in 2016, EIOPA played an important role in monitoring its consistent implementation and during 2018 was able to provide valuable input into preparations for its review.

EIOPA provided advice to the European Commission on the review of the Solvency Capital Requirement based on an in-depth analysis of 29 different elements of the Standard Formula. The advice focused on increasing proportionality, removing unjustified constraints to financing the economy and removing technical inconsistencies.

EIOPA proposed further simplifications and reduced the burden to insurers by:

- Further simplifying calculations for a number of sub-modules of the Solvency Capital Requirement (SCR) such as natural, man-made and health catastrophes, in particular fire risk and mass accident;
- Simplifying the use of external credit ratings in the calculation of the SCR (an issue especially relevant for small insurers);
- Reducing the burden of the treatment of look-through to underlying investments;
- Developing simplifications in the assessment of lapse and counterparty default risks;
- Recommending the use of undertaking specific parameters for reinsurance stop-loss treaties.

Furthermore, one of the major technical inconsistencies found related to the calculation of interest rate risk, which did not capture very low or even negative interest rates.

EIOPA recommended to adjust the methodology using a method already adopted by internal model users and, given the material impact on capital requirements, suggested to implement it gradually over three years.

EIOPA also carried out an analysis of the loss-absorbing capacity of deferred taxes practices. In face of the evi-

dence of wide diversity, especially concerning the projection of future profits, EIOPA proposed a set of key principles that will ensure greater convergence and level playing field, while maintaining a certain degree of flexibility.

Finally, EIOPA analysed the treatment and the evidence available on unrated debt and unlisted equity and proposed criteria for a more granular treatment, namely with the use of financial ratios.

In some areas, the analysis of recent developments did not provide for sufficient reasons to change. This is, for example, the case of mortality and longevity risks and the cost of capital in the calculation of the risk margin. The evolution of financial markets does not justify a change in the cost of capital: the decrease in interest rates has not lead to a decrease in the cost of raising equity.

IN FOCUS

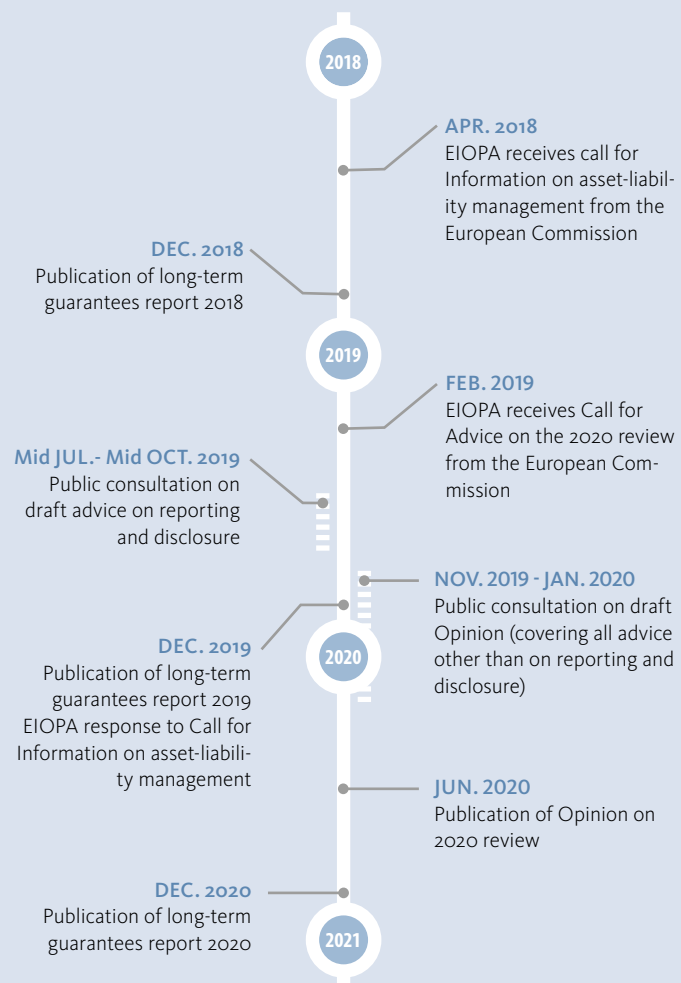


SOLVENCY II REVIEW

The Solvency II Directive calls for a review of the framework to make sure that it remains an effective tool to manage risk. The following aspects have been identified for review:

- Long-term guarantee measures and measures on equity risk
- Methods, assumptions and standard parameters used when calculating the Solvency Capital Requirement
- Member State rules and supervisory authority practices regarding the calculation of the Minimum Capital Requirement
- Group supervision and capital management within a group of insurance or reinsurance undertakings

Solvency II review timeline



REPORTING ON THE IMPLEMENTATION OF SOLVENCY II

In 2018, EIOPA published a number of reports related to different aspects of Solvency II.

➤ Report on group supervision and capital management

In response to a European Commission's request for information, EIOPA submitted its Report on Group Supervision and Capital Management of (Re)Insurance Undertakings and specific topics related to Freedom to Provide Services (FoS) and Freedom of Establishment (FoE) under the Solvency II Directive. The report concluded that overall the Solvency II Group supervision regime was operating satisfactorily. The tools developed by EIOPA to further strengthen group supervision and supervision of cross-border issues contributed to further convergence of practices of NCAs' supervisory practices. The report also highlighted a number of gaps in the regulatory framework, including issues related to the application of Solvency II requirements for determining scope of insurance groups subject to Solvency II group supervision, the application of certain of these provisions governing the calculation of group solvency in particular where several methods are used, the definition and supervision of intra-group transactions, or the application of governance requirements at group level. Further, EIOPA's report emphasised that effective supervision of insurance groups will benefit from a harmonised approach on a number of areas, for example, early intervention, recovery and resolution and the assessment of group own funds.

➤ Second annual report on the use of capital add-ons under Solvency II

In December 2018, EIOPA published its second annual report on the use of capital add-ons by NCAs according to Article 52 of Solvency II. The objective was to contribute to a higher degree of supervisory convergence in the use of capital add-ons between supervisory authorities and to highlight any concerns regarding the capital add-ons framework. In general, the capital add-on appears to be a good and positive measure to adjust the Solvency Capital Requirement to the risks of the undertaking, when the application of other measures, for example the development of an internal model, is not adequate.

➤ Third annual report on the use of limitations and exemptions from reporting under Solvency II

This report, published in December 2018, addresses the proportionality principle on the reporting requirements, from which the limitations and exemptions on reporting – as foreseen in Article 35 of the Solvency II Directive – are just one of the existing proportionality tools. Reporting requirements also reflect a natural embedded proportionality and in addition, risk-based thresholds were included in the reporting Implementing Technical Standard (ITS).

➤ Third annual report on the use and impact of long-term guarantee measures and measures on equity risk

This is a regular report published in accordance with Article 77f(1) of the Solvency II Directive. This year's report also included an analysis on risk management aspects in view of the specific requirements for LTG measures set out in Article 44 and 45 of the Directive as well as an analysis of detailed features and types of guarantees of products with long-term guarantees. This report shows that – as in previous years – most of the measures, in particular the volatility adjustment and the transitional measures on technical provisions are widely used. The average Solvency Capital Requirement (SCR) ratio of undertakings using the voluntary measures is 231 % and would drop to 172 % if the measures were not applied. This confirms the importance of the measures for the financial position of (re)insurance undertakings.

INVESTIGATING ILLIQUID LIABILITIES

The treatment of long-term insurance business remains a hotly debated issue. In particular, it has been discussed whether the risks of long-term insurance business and the associated investments backing those long-term insurance business are adequately reflected. The illiquidity characteristics of liabilities may contribute to the ability of insurers to mitigate short-term volatility by holding assets throughout the duration of the commitments, even in times of market stress. To explore any new evidence on the features of liabilities, especially concerning their illiquidity characteristics, a dedicated EIOPA Project Group on illiquid liabilities was set up with the following main goals:

- To identify criteria of liquidity characteristics for the liabilities and measures for insurers' ability to invest over the long term;

- To explore the link between the characteristics of liabilities and the management of insurers' assets;
- To analyse whether the current treatment in the regulatory regime appropriately addresses the risks associated with the long-term nature of the insurance business.

Following a request for information from the European Commission on asset and liability management, EIOPA launched a request for feedback on illiquid liabilities in autumn and held a roundtable with interested stakeholders in December to discuss the submitted responses on illiquidity measurements and asset liability management practices.

ANALYSIS OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) 17 INSURANCE CONTRACTS

Following the publication of International Financial Reporting Standards (IFRS) 17 Insurance Contracts by the International Accounting Standards Board (IASB), EIOPA assessed its potential effects on financial stability and the European public good, on product design, supply and demand of insurance contracts, and the practical implementation in light of the applicable inputs and processes for Solvency II. EIOPA concluded that the introduction of IFRS 17 can be described as positive paradigm shift compared to its predecessor IFRS 4 Insurance Contracts, bringing increased transparency, comparability and additional insights on insurers' business models. EIOPA, however, noted a few reservations regarding concepts that may affect comparability and relevance of IFRS 17 financial statements.

PENSIONS

EIOPA promotes greater transparency in the European pensions sector. In support of this aim, EIOPA is working to enhance the information available to consumers and supporting pension providers by making clear the expectations, justifications and decisions linked with the information they provide, in particular to prospective members, members and beneficiaries as laid out in Articles 38 – 44 of the EU Directive on the activities and supervision of institutions for occupational retirement provision (IORP II).

REPORT ON THE PENSION BENEFIT STATEMENT: GUIDANCE AND PRINCIPLES-BASED PRACTICES IMPLEMENTING IORP II

The report presents the outcomes of NCA exchanges of views and assessments of current practices for the implementation of the IORP II Pensions Benefit Statement (PBS) requirement. Based on this investigation, several principles have been identified that will facilitate clear understanding and comparability of statements. Two proposals are now in further development: a basic PBS and an advanced PBS (containing more detailed information) to meet the PBS goals. These proposals will, as far as possible, take account of the behavioral approach principle be subject to further consumer testing.

DECISION ON THE CROSS-BORDER COLLABORATION OF NCAS WITH RESPECT TO IORP II DIRECTIVE

This Decision, published in November 2018, replaces the former Budapest Protocol which had to be revised as a result of the new IORP II Directive. The Decision introduces new rules to improve the way occupational pension funds are governed, to enhance information transparency to pension savers and to clarify the procedures for carrying out cross-border transfers and activities. The Decision also describes different situations and possibilities for NCAs to exchange information about cross-border activities in relation to the 'fit and proper' assessment and the outsourcing of key functions, both new provisions of the IORP II Directive in addition to the cross-border transfer.



PRESERVING FINANCIAL STABILITY

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

2018 INSURANCE STRESS TEST

EIOPA published the results of its stress test of the European insurance sector in December 2018. This exercise assessed the participating insurers' resilience to the three severe but plausible scenarios: a yield curve up shock combined with lapse and provisions deficiency shocks; a yield curve down shock combined with longevity stress; and a series of natural catastrophes.

In total, 42 European (re)insurance groups participated representing a market coverage of around 75 % based on total consolidate assets. EIOPA published for the first time the post-stress estimation of the capital position (Solvency Capital Requirement ratio) of major EU (re)insurance groups.

Overall, the stress test confirmed the significant sensitivity to market shocks combined with specific shocks relevant for the European insurance sector. On aggregate, the sector is adequately capitalised to absorb the prescribed shocks. Participating groups demonstrated a high resilience to the series of natural catastrophes tested, showing the importance of the risk transfer mechanisms, namely reinsurance, in place.


An additional objective of this exercise, stemming from recommendations from the European Court of Auditors, was to increase transparency in order to reinforce market discipline by requesting the voluntary disclosure of a list of individual stress test indicators by the participating groups. Since EIOPA does not have the power to impose the disclosure of individual results, participating groups were asked for their voluntary consent to the publication of a list of individual stress test indicators. Only four of the 42 participating groups provided such consent.

RISK DASHBOARD




EIOPA publishes a risk dashboard on a quarterly basis and a financial stability report twice a year. In the December 2018 report, EIOPA concluded:

2018 insurance stress test scenarios

SCENARIOS



3 scenarios, two encompassing a combination of market and insurance specific risks and one natural catastrophe scenario.

1	YIELD CURVE UP		Addresses an abrupt and sizeable repricing of risk premia and a significant increase in lapses and claims inflation. (Market + lapse and provisions deficiency.)
2	YIELD CURVE DOWN		Addresses a prolonged low interest rate environment and higher than expected increase of average life expectancy. (Market and longevity.)
3	NATURAL CATASTROPHE		Countries in Europe are hit in quick succession by four windstorms, two floods and two earthquakes.

- i) the persistent low yield environment remains challenging for insurers and pension funds;
- ii) the risk of a sudden reassessment of risk premia has become more pronounced over recent months amid rising political and policy uncertainty;
- iii) interconnectedness with banks and domestic sovereigns remains high for European insurers, making them susceptible to potential spillovers;
- iv) some European insurers are significantly exposed in their investment portfolios to climate-related risks and real estate.

FINANCIAL STABILITY REPORT

EIOPA published two reports on the financial stability of the insurance and occupational pensions sector in 2018.

In general the persistent low yield environment remains challenging for both the insurance and pension fund sector, which continues to put pressure on profitability and solvency. However, towards the end of the year, as noted in the December report, the risk of a sudden reassessment of risk premia became more pronounced. This is largely due to rising political uncertainty and trade tensions, concerns over debt sustainability and the gradual normalisation of monetary policy. In the short run a sudden increase in yields driven by rising risk premia could significantly affect the financial and solvency position of insurers and pension funds as the investment portfolios could suffer large losses only partly offset by lower liabilities. In this regard, the high degree of interconnectedness with banks and domestic sovereigns of insurers could lead to potential spillovers in case a sudden reassessment of risk premia materialise.

While overall the insurance sector remains adequately capitalised, profitability is under increased pressure in the current low yield environment. The Solvency Capital Requirement ratio for the median company is 225 % for life and 206 % for non-life insurance sector, although significant disparities remain across undertakings and countries.

In the European occupational pension fund sector, total assets increased for the euro area and cover ratios slightly improved. However, the current macroeconomic environment and ongoing low interest rates continue to pose significant challenges to the sector, with the weighted return on assets considerably down in 2017.

ENHANCED INFORMATION AND STATISTICS

EIOPA continuously works to improve the availability and quality of available information and statistics on insurance and pensions.

📌 Solvency II information

For the insurance sector, EIOPA publishes high-quality insurance statistics at both solo and group level. The statistics are based on Solvency II information from regulatory reporting and their regular publication demonstrates EIOPA's commitment to transparency. Over the past year, through the increased availability of Solvency II data EIOPA has been able to increase the coverage of its statistics. In June 2018, for the first time, the Authority published further insight into the assets of solo (re)insurance undertakings at country level.

📌 Decision on EIOPA's regular information requests towards NCAs regarding provision of occupational pensions information

In April 2018, the Authority published its decision regarding the submission of occupational pension information. The decision defined a single framework for the reporting of occupational pension information that facilitates reporting processes. As a result, EIOPA will receive the information required to carry out appropriate monitoring and assessment of market developments, as well as in-depth economic analyses of the occupational pension market. The requirements were developed in close cooperation with the European Central Bank in order to minimise the burden on the industry and will apply as of 2019.

📌 Pensions information taxonomy

In November 2018, EIOPA published the eXtensible Business Reporting Language (XBRL) Taxonomy applicable for reporting of information on IORPs. It provides NCAs with the technical means for the submission to EIOPA of harmonised information of all pension funds in the European Economic Area. Developed in close collaboration with the European Central Bank (ECB), it allows for integrated technical templates and means to report via a single submission both the information required by EIOPA and the ECB.

IN FOCUS



PUBLICATION OF EUROPEAN INSURANCE OVERVIEW 2018

At the end of 2018, EIOPA published its first annual European Insurance Overview report as extension of its statistical services. Based on annually reported Solvency II information, it ensures that the data has a high coverage in all countries and is reported in a consistent manner across the European Economic Area. The report objective is factual and data driven and does not contain analysis or policy messages. It provides highly-relevant and easily-accessible data at the European level.



◀ Read the report in full here: <https://europa.eu/lqF67kc>

CRISIS PREVENTION

In addition to regular financial stability tools, EIOPA undertook a number of additional activities in 2018 related to crisis prevention.

📌 Development of a macroprudential framework for insurance

With the aim of contributing to the overall debate on systemic risk and macroprudential policy, over the last year, EIOPA has published a series of reports that extend the debate to the insurance sector and, more specifically, the characteristics of that sector. These reports cover the following:

- Systemic risk and macroprudential policy in insurance;
- Solvency II tools with macroprudential impact; and
- Other potential macroprudential tools and measures to enhance the current framework.

As a next step, EIOPA will consult on concrete proposals to include macroprudential elements in the upcoming review of Solvency II.

📌 Analysis of the causes and early identification of failures and near misses in insurance

In July 2018, EIOPA published 'Failures and near misses in insurance: Overview of the causes and early identification' as the first in a series aimed at enhancing supervisory knowledge of the prevention and management of insurance failures. The report's findings are based on information contained in EIOPA's database of failures and near misses, covering the period from 1999 to 2016, including sample data of 180 affected insurance undertakings in 31 European countries.

The report focuses on an examination of the causes of failure in insurance, as well as the assessment of the reported early identification signals. It also examines the underlying concepts 'failure' and 'near miss' as well as providing further information on EIOPA's database, established in 2014.

IN FOCUS



UNDERSTANDING CYBER RISK

Increasing digitalisation coupled with a growing number of cyber incidents has made cyber risk a major concern for institutions, individuals and financial markets, leading to a growing demand for cyber insurance.

In August 2018, EIOPA published its report 'Understanding cyber insurance' based on a structured dialogue with insurance companies. Through this dialogue, EIOPA identified a number of issues relevant to the cyber insurance market in Europe.

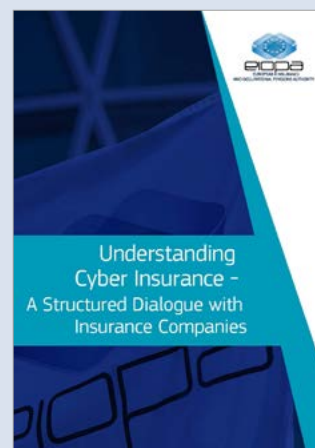
- There is a clear need for a deeper understanding of cyber risk, on both the supply and demand side, for the European cyber insurance industry to develop further. This relates not only to the assessment and treatment of risks in new cyber insurance propositions, but also to an understanding of a client's own needs.
- In terms of products and services, coverage is mainly focused on commercial business. However, interest in cyber insurance for individuals is growing as digital technology permeates more and more aspects of people's lives.
- The cyber insurance industry expects a gradual increase in demand for insurance, mainly driven by new regulation, increased awareness of risks and the increased frequency and severity of cyber attacks.
- Qualitative models are used more frequently than quantitative models to estimate pricing, risk exposure and risk accumulation. A lack of data is a significant obstacle and this limitation might not always allow for the proper estimation and pricing of risks.
- Non-affirmative exposures are a key concern regarding the proper estimation of accumulation of risks.

- The lack of specialised underwriters, data and quantitative tools are key obstacles to the development of the industry and the provision of proper coverage to the economy.
- Regulation may be welcomed by the industry in a moderate fashion, as it could help to address some of the identified challenges notwithstanding the need for compliance with the Solvency II-Directive (2009/138/EU).

In light of these findings, cyber risk has been identified as a priority under the supervision of emerging risks in the supervisory convergence plan for 2018 – 2019. In this context, EIOPA will further develop supervisory practices that seek to assess information system resilience, cyber risk vulnerability and the insurance industry's use of big data.

EIOPA also included a questionnaire on cyber risk in the 2018 stress test exercise.

The topic was also a central part of the discussion at the EU – US Insurance Forum that took place in Luxembourg in November.



◀ Read the report in full here: <https://europa.eu/!qn63wm>

PREPARING FOR BREXIT

The decision of the United Kingdom to leave the European Union has significant implications for insurers and pension providers, supervisors and consumers.

Immediately following the results of the referendum in June 2016, EIOPA started to assess the required steps to minimise risk to business and to consumers. EIOPA follows the developments in the negotiations closely as well as the steps taken by both supervisors and insurers.

In 2018 EIOPA issued two Opinions to insurers and national supervisory authorities on steps to take to avoid interruptions to service and to minimise risk.

➤ **Opinion on the solvency position of insurers in light of the withdrawal of the United Kingdom from the EU**

In this Opinion EIOPA addresses NCAs, calling on them to make sure that insurers address all risks to their solvency position in light of the United Kingdom's decision to leave the EU. In the Opinion, NCAs are requested to assess all risks arising in national markets. In addition, the Opinion sets out 14 areas where the determination of the solvency position of insurers will change.

➤ **Opinion on the disclosure of information to customers about the impact of the withdrawal of the United Kingdom from the European Union**

In this Opinion, EIOPA called upon NCAs to remind insurers of their duty to inform customers in good time about any impact the United Kingdom's departure from the EU will have on existing and new contracts.

In its opinion from 2017, EIOPA urged insurance undertakings to take the necessary steps in good time to ensure the continuity of cross-border insurance contracts between the United Kingdom and the European Economic Area without the United Kingdom (EEA30) following Brexit. In 2018, EIOPA continued to closely monitor the contingency planning of insurance undertakings, and in particular of those from the United Kingdom and Gibraltar with cross-border business in EEA30 countries. In doing so, EIOPA is working with the NCAs to address the residual risk.

CROSS-CUTTING THEMES

INSURTECH

The use of digitalisation and technology-led innovation in insurance (InsurTech) by insurers continues to increase and was once again identified as a major consumer trend in the 2018 Consumer Trends Report.

EIOPA's focus over the past year has been to ensure that financial innovation in existing and evolving business and distribution models does not develop in a manner that causes undue detriment to consumers. In this context, EIOPA consults regularly with industry, digitalisation experts and consumer organisations through regular roundtables. The Authority works in close cooperation with the European Banking Authority and European Securities and

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THEMATIC REVIEW ON BIG DATA

Following a cross-sectorial review on the use of Big Data published in March 2018 by the Joint Committee of the European Supervisory Authorities (ESAs), EIOPA launched a call for evidence on the use of big data to complete a thematic review. The purpose of the review, which has a specific focus on motor and health insurance, is:

- to provide an analysis of the potential benefits and risks of big data;
- to assess new business models and data quality issues arising from big data, including implications for consumers;
- to enhance understanding of new types and sources of data as well as data analytics tools; and
- to identify possible required supervisory and regulatory actions.

The findings from the review were published in April 2019.

Markets Authority, under the auspices of the Joint Committee of the European Supervisory Authorities (Joint Committee). EIOPA also contributes to the European Commission FinTech Action Plan.

SUSTAINABLE FINANCE

In developing its approach to sustainable finance, EIOPA consults closely with stakeholders. This includes roundtables, calls for evidence and calls for experts. In 2018, EIOPA held its first sustainable finance roundtable.

EIOPA aims to strengthen and complement its expertise with regard to the modelling and mitigation of (natural) catastrophe risks and climate change risks as part of EIOPA's work on sustainable finance. In November, EIOPA issued a call for experts to join a Technical Expert Network on Catastrophe Risks.

In 2018, EIOPA became a member of the Sustainable Insurance Forum, a network of supervisors and regulators from around the world working together on sustainability challenges facing the insurance sector.

EIOPA also participates in the European Commission technical expert group on sustainable finance, which will contribute, among others, to the development of a taxonomy of sustainable economic activities.

CONSULTATION ON THE INTEGRATION OF SUSTAINABILITY RISKS AND FACTORS

In October 2018, EIOPA set up a Project Group on Sustainable Finance. In November, EIOPA launched a consultation on a technical advice on possible amendments to the delegated acts under Solvency II and IDD related to the identification and assessment of sustainability risks in the areas of underwriting and investments. According to the advice, insurance undertakings shall take into account the potential long-term impact of investment decisions on sustainability factors (stewardship principle) and where relevant reflect policyholders' environmental, social and governance (ESG) preferences. EIOPA is also developing an Opinion on the integration of sustainability risks into Solvency II. The proposed draft amendments to the IDD aim to ensure that environmental, social and governance preferences are considered in various stages of the product lifecycle for customers seeking insurance products with an ESG profile. Insurers and intermediaries are also called upon to identify any conflicts of interest that may arise in relation to sustain-

ability risk/factors and which may affect the interests of a customer. Responses to the consultation will feed into the final draft technical advice submitted to the European Commission in April 2019.

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A SUSTAINABLE FINANCE ACTION PLAN

As a supervisor, EIOPA has a role in making sure that insurers and pension fund providers are operating in a sustainable way. This includes making sure that insurers manage and mitigate environmental, social and governance risks appropriately; that the preferences of policy holders and pension scheme members and beneficiaries for sustainable investments are reflected; and that insurers and pension funds adopt a sustainable approach to their investments and other activities.

EIOPA's sustainable finance action plan addresses the need for a cross-sectoral and cross-pillar approach to sustainable finance. Indeed, sustainable finance affects both insurers and pension funds in their prudential requirements and in their conduct of business requirements. It also affects quantitative and qualitative requirements, as well as public disclosure and supervisory reporting. For insurers, sustainable finance affects both sides of their balance-sheet: the asset side via their investments and the liability side, for instance via their exposure to climate change risk.

Actions include supporting the European Commission in the development of a taxonomy, proposing how to include sustainable finance factors (i.e. the so-called environmental, social and governance factors) into prudential and conduct of business regulations, including sustainability considerations in Europe-wide stress tests and participating in the European and international dialogue on sustainable finance.

A RESPONSIBLE, COMPETENT AND PROFESSIONAL ORGANISATION

MANAGEMENT OF RESOURCES

Ensuring sound financial management of EIOPA's finance, budget and procurement processes as well as establishment of sound financial annual accounts, EIOPA implemented an e-workflow project, which integrates the workflows with EIOPA's document management and accounting systems. The aim was to increase efficiency, reduce costs and paper, thus decreasing EIOPA's environmental impact. One hundred percent of the budget was committed in 2018 and the audit reports received from EIOPA's external auditors fully confirmed the legality and accuracy of the EIOPA accounts.

Regarding human resources, EIOPA implemented a new competency framework to deliver a coherent and strategic approach to HR management. This framework assists with addressing resource gaps through training and re-allocation of existing staff. To allow for greater flexibility and efficiency in staff planning, a large-scale AD 5 campaign was concluded with a general profile to create a reserve list of experts that can be used in the coming years in various areas of the Authority. Important progress was also made with regard to the roll out of SYSPER - the new electronic HR management system introducing efficiency gains in the HR processes.



ADEQUATE, SAFE AND SECURE WORK ENVIRONMENT

With the objective of providing EIOPA staff and stakeholders with a safe and secure work environment equipped with the resources required to undertake their tasks, EIOPA upgraded its central repository and data analysis platforms, aligned with XBRL taxonomy changes. Fourteen Solvency II data collection deadlines were managed successfully. The strategy development phase for the data centre migration programme was concluded on time. The transition started in 2018 and expected to run until the fourth quarter of 2019. EIOPA's digital workplace refresh project was completed, including the rollout of modern tablet computers and WebEx conferencing enabling more efficient internal and external communication. At the end of 2018 the entire IT project portfolio contained around 110 projects and activities. A centralised management of the portfolio was introduced and provided corporate wide visibility on current and planned initiatives. Resources were allocated more efficiently, and a monthly status update was made available.

The implementation of a document management system (ERIS) – based on EIOPA's existing SharePoint platform – was completed at the end of the second quarter 2018. The new system provides staff members with new tools and functionalities to create, use, share and organise internal documents, while also enabling EIOPA to better meet its recordkeeping and archiving obligations.

EIOPA also launched a number of initiatives to enhance the security of its assets. This included the development of 'Practical Arrangements on Handling EIOPA Information' to support the implementation of the Professional Secrecy Decision for externals. EIOPA also developed a set of security requirements in line with industry best practices and taking into account risks related to cyber threats and cloud outsourcing. A new web proxy and e-mail gateway have been implemented to strengthen EIOPA's capabilities to manage cyber-security related risk. Taking into account the IAS audit recommendations aiming at simplifying the process of sensitive data exchange, EIOPA performed a cost-benefit analysis and aims to implement a new solution for the 2019 Stress Test exercise.

ENGAGING WITH STAKEHOLDERS

In addition to working closely with national authorities, EIOPA also relies on a constructive and continuous engagement with stakeholders, in particular industry representatives and consumer organisations and academics, to ensure the quality and relevance of its work.

Stakeholder groups play an essential role in EIOPA's work, providing EIOPA with valuable input to policy developments and with a vital connection to industry, consumers and beneficiaries of insurance and pension products. Through this continuous dialogue, EIOPA can ensure that it is able to take informed but importantly independent decisions in the best interest of European citizens.

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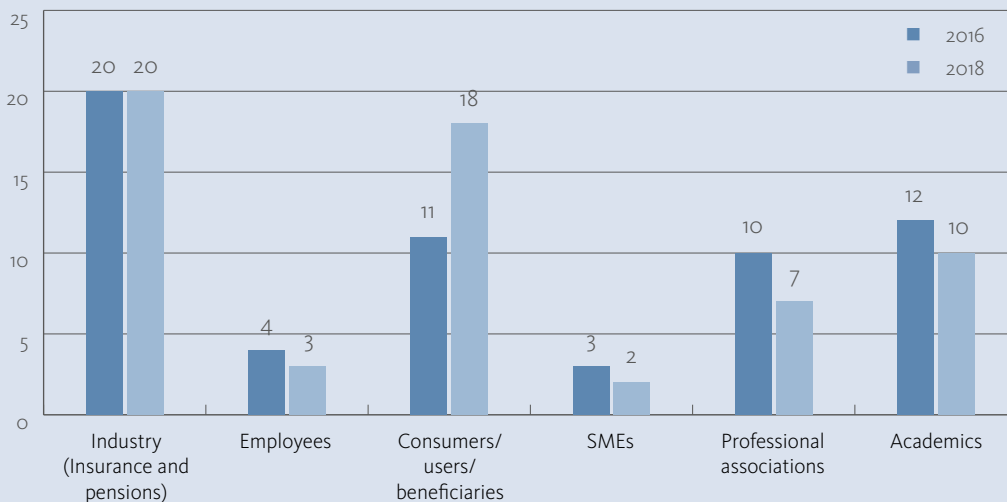
ELECTION OF STAKEHOLDER GROUP MEMBERS

Following an open call, EIOPA appointed new members to both of its stakeholder groups in July 2018. The new members took up their appointment in September and will serve a 2½-year term. Each stakeholder group consists of 30 individuals appointed to represent (re)insurance companies and intermediaries (for the Insurance and Reinsurance Stakeholder Group) and institutions for occupational retirement provision (for the Occupational Pensions Stakeholder Group) as well as consumers, scheme beneficiaries, representatives of

small and medium-sized enterprises and relevant professional associations. Independent academics are also included in each group.

Members were selected from 215 applications from 25 countries. In its selection, EIOPA aimed for balance in terms of gender, geography and representation of different types of stakeholder. In particular, EIOPA strengthened representation from consumers and from beneficiaries.

Stakeholder group representation of interests 2016 and 2018





^ In October 2018, Gabriel Bernardino took part in a hearing of the European Parliament Economic and Monetary Affairs Committee with the Chairs of the European Banking Authority and the European Securities and Markets Authority

In line with its mandate, EIOPA convenes two stakeholder groups (insurance and reinsurance, and occupational pensions) for consultation on actions concerning technical standards and their implementation, as well as guidelines and recommendations. Members of stakeholder groups may also submit opinions and advice to EIOPA on any issue related to its tasks.

EIOPA also engages with stakeholders through roundtables (including on InsurTech and sustainable finance), other events, speaking engagements and welcoming visitor groups to its premises in Frankfurt.

Through its annual conference, EIOPA brings together over 350 participants from the financial services industry, European Union institutions as well as consumer representatives, academia, journalists and representatives from national supervisory and governmental authorities and take part in a day of in-depth analysis and debate on the most topical issues facing the insurance and pension sector.

EIOPA holds a regular dialogue with the European institutions and is also subject to regular and close scrutiny from the European Parliament, the European Court of Auditors and the European Ombudsman.

IN FOCUS



INSURANCE AND PENSIONS: SECURING THE FUTURE

Maintaining consumer confidence in insurance and pensions is critical given that both depend on long-term investments and trust. In addition, regulators and providers must take into account the impact of climate change and the importance of sustainability. These were some of the key messages from the European Insurance and Occupational Pensions Authority (EIOPA)'s eighth annual conference, held on 20 November in Frankfurt, Germany.

With a firm focus on the future, other key topics for discussion included the supervision of cross-border businesses following the economic crisis; the relationship between insurance, pensions and sustainable finance; and the threats and opportunities presented by cyber risk and cyber insurance. Over 350 participants from the financial services industry, government institutions and supervisory authorities attended the day-long event.

Gabriel Bernardino opened the event, emphasising the important of ensuring that regulation remains fit for purpose and referencing the ongoing review of Solvency II. The keynote speech also covered aspects of EIOPA's activities and achievements related to supervisory convergence and consumer protection, as well as upcoming challenges and opportunities.

Rimantas Šadžius, Member of the European Court of Auditors, provided the first impulse statement. Mr Šadžius presented the recently-published report on EIOPA, noting that the Court is well-placed to provide a pan-European perspective. 'There are still limitations on the supervision of cross-border businesses, which means fragmented protection for policy holders' he said, calling for enhanced pragmatic European cooperation.



Emily Shuckburgh, Climate Scientist, British Antarctic Survey spoke about the imperative need for climate action. 'This presents an economic as well as environmental threat,' she said. 'Transformational change is required. If we are to survive, we have to live in harmony with nature and take responsibility.'

How safe is your phone? André Baptista, voted the 'Most Valuable Hacker', INESC TEC - Institute for Systems and Computer Engineering, Technology and Science, University of Porto, provided a brief snapshot of the security threats posed by sophisticated cyber hackers.

Jens Weidmann, President, Deutsche Bundesbank provided the final keynote speech, noting that ten years after the financial crisis came to a head, we are still grappling with the fallout. He outlined some current challenges for insurers including low interest rates, but also identified positive developments such as Solvency II. The current financial regime is helping to mitigate systemic risk, he said, though new challenges such as digitalisation, liquidi-

ty risks, the emergence of FinTech and evolving consumer expectations must now be faced.

The conference also included expert panel discussions. The first examined issues concerning cross-border supervision, including on how the internal market can work better for consumers and how EU policyholders can benefit from high-quality, consistent supervision and why conduct of business supervision matters for consumers.

A second expert panel analysed the relationship between insurance, pensions and sustainable finance, and asked whether financial sustainability and sustainable finance are two sides of the same coin. The panel also assessed the role for insurers and pension funds.

A final discussion analysed whether cyber presents a new risk or a new opportunity. An expert panel looked at whether society is aware of its exposure to cyber events; the role of the insurance industry and whether the insurance sector will be changed forever; and increasing financial resilience to cyber risks.



◀ For more information about the 2018 annual conference, including video highlights, go to: <https://europa.eu/lbg88ck>

JOINT COMMITTEE

In 2018, under the chairmanship of ESMA, the Joint Committee continued in its role as a central point for coordination and exchange of information between the European Supervisory Authorities (ESAs), along with the European Commission and the European Systemic Risk Board. The focus of the committee on Brexit-related issues increased, as the ESAs continued in their preparation for the withdrawal of the UK from the EU. At the same time, progress continued on work in other important cross-sectoral fields such as enhancing consumer protection, monitoring financial innovation, and combatting money laundering and terrorist financing.

OVERSEEING MARKET DEVELOPMENTS AND CROSS-SECTORAL RISKS

The Joint Committee continued as an important forum for discussions on market developments and in-depth analysis of emerging risks, helping to identify the main areas of supervisory concern across the EU. As uncertainties regarding the UK's withdrawal from the EU grew, the impact of a potential cliff-edge scenario, ongoing supervisory matters, as well as future cooperation with UK authorities became focal points for the Joint Committee. These escalating uncertainties were reflected in the Joint Committee's biannual Risk Reports, published in spring (JC 2018 07) and autumn (JC 2018 27), which also addressed other necessary measures to ensure consistent EU supervisory oversight in light of Brexit, including on possible relocations, as well as highlighting the need for appropriate contingency planning by financial institutions.

Aside from Brexit issues, both Joint Committee Risk Reports also covered risks associated with repricing of risk premia, increases in yields and interest rates, as well as operational, cyber, and sustainability risk developments. The reports correspondingly conveyed suggested actions to address these rising challenges.

SAFEGUARDING CONSUMERS ACROSS FINANCIAL SERVICES AND EXAMINING FINTECH DEVELOPMENTS

Consumer protection and financial innovation once more figured prominently on the Joint Committee's agenda. With the PRIIPs Regulation applying as from 2018, the ESAs focused on ensuring the smooth implementation of the new rules. To this end, additional Questions and

Answers (JC 2018 22) were published to clarify the application of the rules and to promote common supervisory approaches and practices. The ESAs also analysed issues raised by National Competent Authorities and stakeholders in order to aid with the coherent functioning of the rules. In July the Joint Committee called upon the European Commission to provide detailed public guidance on the types of products, and in particular bonds, which fall within the scope of the Regulation (JC 2018 21).

In October 2018, the Joint Committee launched a consultation paper (JC 2018 60) on targeted amendments to the Delegated Regulation covering the rules for the PRIIPs Key Information Document (KID). That consultation addressed issues that had arisen since the introduction of the new rules, as well as the application of the KID for UCITs funds taking into account that the exemption for UCITs funds was, at that stage, due to expire at the end of 2019.

In August 2018, the scope of application of the current ESMA-EBA Guidelines on Complaints Handling (JC 2018 35) was extended to authorities supervising the new institutions established under the revised Payment Service Directive and the Mortgage Credit Directive, thus ensuring identical set of requirements for complaints-handling and level of protection for consumers applies to all financial institutions across the banking, investment and insurance sectors.

In the field of financial innovation, the Joint Committee published a Report on the use of Big Data (JC 2018 04), presenting the benefits and risks of allowing the development of products tailored to consumers' needs in recurring to big data analytics and processes. The final Report encouraged the adoption of good practices by financial institutions, and an accompanying consumer information sheet (JC 2018 05) provided a concise overview for consumers about the use of big data in financial services. The Joint Committee also conducted a monitoring exercise on the evolution of automation in financial advice. The resulting Report (JC 2018 29) illustrated that while the phenomenon seems to be slowly growing, the overall number of firms and customers involved is still quite limited.

The ESAs also began working on several joint actions under the FinTech Action Plan. The first joint deliverable from this Action Plan was the Joint Report on Regulatory Sandboxes and Innovation Hubs (JC 2018 74), which set out a comparative analysis of the innovation facilitators established to date within the EU and outlined observed practices for the design and operation of innovation facilitators.

The Joint ESAs Consumer Protection Day 2018, which took place in Lisbon, Portugal, facilitated the ESAs to engage with key – and new – stakeholders, especially representatives of consumers, on important issues faced by consumers and investors across the EU. One of the topics covered that day was the extensive work done by the ESAs on bringing greater transparency to the costs and performance of retail investment products, which will help consumers make better informed decisions and to compare products efficiently.

STEPPING UP THE FIGHT AGAINST MONEY LAUNDERING AND TERRORIST FINANCING

In a year that presented a number of high-profile cases involving several EU banks, which had failed to implement robust systems and control frameworks to prevent financial crime, the ESAs enhanced their focus on ensuring consistent application of anti-money laundering and countering the financing of terrorism (AML/CFT) rules across the EU and improving standards of AML/CFT supervision.

As part of this, the ESAs organised three workshops on the risk-based approach to AML/CFT, on money laundering and terrorist financing (ML/TF) risks and e-money, and ML/TF risks and money remittance that brought together representatives from national competent authorities, the European Commission, law enforcement, the FATF Secretariat and the private sector. Their aim was to consolidate supervisors' understanding of both, the ML/TF risk associated with different sectors and business models and the AML/CFT systems and controls firms put in place to mitigate those risks; and to explore different approaches to the AML/CFT supervision of firms. These workshops were attended by over 300 AML/CFT supervisors from all Member States.

At the start of 2018, the ESAs focus was on FinTech and how various innovative solutions are used by firms to meet their AML/CFT obligations. Under EU law, credit and financial institutions are required to assess ML/TF risks associated with their business and put in place effective policies and procedures to mitigate these risks. CDD measures are central to these policies and procedures. However, EU law is technology-neutral and does not set out in detail how these CDD measures should be applied, giving an opportunity to financial and non-financial firms to explore new ways of meeting institutions' CDD obligations. While these innovations can potentially improve the effectiveness and efficiency of AML/CFT controls, they can also present various risks and potentially weaken ML/TF safeguards, if applied unthinkingly. These risks

were addressed by the Joint Committee in its Opinion on the use of innovative solutions (JC 2017 81), which was published on 23 January 2018.

Another area of focus was on addressing shortcomings with respect to cooperation and information sharing, both at domestic level between different authorities and across borders in other EU member states. Cooperation and exchange of information between competent authorities responsible for overseeing AML/CFT compliance of credit and other financial institutions is an essential part of an effective AML/CFT regime. EU AML/CFT legislation establishes an obligation for competent authorities to cooperate and exchange information, but it does not set out in detail how this should be achieved. Therefore, in November 2018, a consultation was launched on draft joint guidelines on the supervisory cooperation and information exchange (JC 2018 59). The guidelines envisage that supervisory practices for cooperation and information exchange could be improved through the creation of AML/CFT colleges of supervisors and set out conditions for the establishment of these colleges. In addition, these guidelines also set out the ESAs expectations for bi-lateral communications between the competent authorities.

MANAGING THE SINGLE RULEBOOK AND ENSURING A LEVEL PLAYING FIELD

In December 2018, the ESAs published two joint draft Regulatory Technical Standards (RTS) to amend the RTS on the clearing obligation (JC 2018 76) and risk mitigation techniques for non-cleared OTC derivatives (JC 2018 77). These standards extend the special treatment currently associated with covered bonds to simple, transparent and standardised (STS) securitisations, to ensure a level playing field with covered bonds.

The ESAs published a statement on disclosure requirements for EU securitisations and consolidated application of securitisation rules for EU credit institutions (JC 2018 70), in response to industry concerns relating to severe operational challenges both in meeting the transitional provisions of the Securitisation Regulation disclosure requirements. The ESAs emphasized that competent authorities should apply a proportionate approach to examining reporting entities' compliance with the rules in the short term.

Since the adoption of two Implementing Regulations on credit assessments by External Credit Assessment Institutions (ECAIs) based on the draft Implementing Technical Standards (ITS) submitted by the Joint Committee

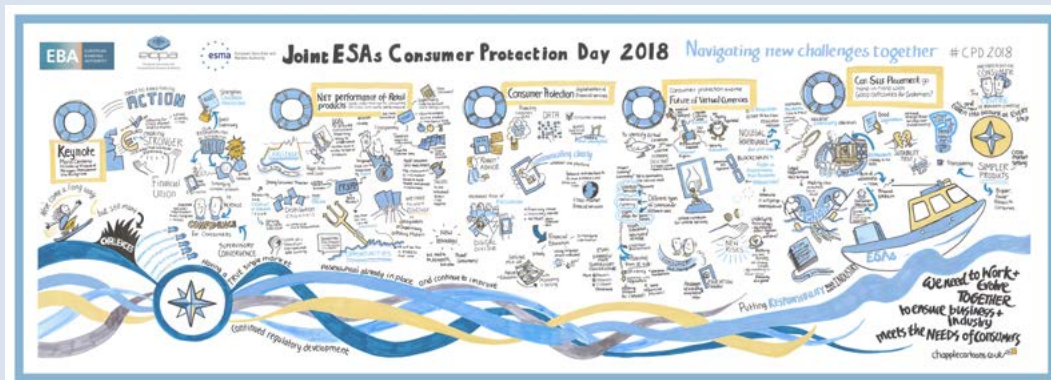
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NAVIGATING NEW CHALLENGES TOGETHER

The annual Consumer Protection Day took place in June in Lisbon. The event brought together 215 consumer representatives, finance industry representatives and regulators under the theme of navigating new challenges together.

The programme comprised a series of speeches, panel discussions and interviews to address a number of challenges facing consumer protection in financial services in Europe.



in 2016, and subsequent amendments in 2017, the ESAs launched a consultation on further amendments to the Implementing Regulations (JC 2018 40 and JC 2018 41) to reflect the outcome of a monitoring exercise on the adequacy of the mappings, based on a quantitative and qualitative assessment. In particular, the ESAs proposed to change the mapping for two ECAls, together with the introduction of new credit rating scales for ten ECAls.

MONITORING OF FINANCIAL CONGLOMERATES

In 2018, the Joint Committee published its annual list of Financial Conglomerates (JC 2018 68) showing the location of 78 financial conglomerates with the head of group in the EU/EEA area, one financial conglomerate with the head of group in Switzerland, one in Bermuda, and one in

the United States. In addition, the Joint Committee continued to work on reporting templates in this field.

BOARD OF APPEAL

The ESAs continued to provide operational and secretarial support to the Board of Appeal. In 2018, there were two appeal cases brought against ESMA. In the first case, the Board of Appeal unanimously decided that the appeal should be dismissed (BoA 2018 01), as no ESMA decision could be identified as grounds for appeal, and the appellant could not be contacted. In the second case, against a decision of ESMA not to open a formal investigation of the Cyprus Securities and Exchange Commission (CySEC) in relation to certain dealings in binary options and contracts for differences, the Board of Appeal unanimously held that it had no jurisdiction to hear the appeal (BoA 2018 02).

LOOKING AHEAD

REVIEW OF THE EUROPEAN SUPERVISORY AUTHORITIES

Since its inception, EIOPA has worked to ensure sound and robust regulation of the insurance and pension sectors as well as high-quality and consistent supervision, ensuring better protection of consumers. In this context, EIOPA has welcomed the review of the European Supervisory Authorities.

EIOPA strongly believes in a holistic and integrated approach towards European prudential and conduct of business supervision. In the face of increasing cross-border activity, only strong European responses will counter cross-border threats and safeguard consumers. In this regard, EIOPA believes its regulation should be strengthened, in particular by an improved follow up of the evaluations of supervisory practices and an increased role when it detects early signs of cross-border failure. EIOPA also believes that an effective monitoring of supervisory practices in jurisdictions with Commission equivalence decisions should be considered.

EIOPA stands ready to take on additional tasks as requested so that it can continue to support the development of high-quality and effective supervision for the benefit of Europe's economy, businesses and citizens.

PAN-EUROPEAN PERSONAL PENSION PRODUCT (PEPP)

EIOPA notes that the trilogue on December 13 2018 led to a successful political agreement on the overall principles of a pan-European Personal Pension Product (PEPP) as well as on the remaining issues including the authorisation of the PEPP by NCAs, product intervention powers for EIOPA, decumulation options and the cost cap for the basic PEPP.

PEPP provides European citizens an entirely new personal pension framework in the form of a safe, portable, long-term retirement savings product. As a European supervisory authority, EIOPA will ensure consistent high standards throughout Europe. EIOPA stands ready to implement the responsibilities by the legislators to make sure that PEPP becomes a pension product that successfully fosters long-term investment, meets the needs of European citizens and helps them to achieve a better quality of life in their retirement.



MANAGEMENT

On 18 December 2017, the Board of Supervisors adopted the 2018 budget for a total of EUR 25,207,008.

NCAs of the Member States (responsible for the supervision of financial institutions) contribute to the financing of EIOPA with 60% of the total budget. The European Commission (COM) funds EIOPA's budget with 40%⁽³⁾. The European Free Trade Association (EFTA) States fund EIOPA with a defined ratio⁽⁴⁾ that supplements the NCAs contributions. In addition, NCAs and EFTA Member States cover 60% of the total pension contributions for EIOPA staff.

⁽³⁾ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32010R1094&from=EN>

⁽⁴⁾ Decision of the EEA Joint Committee No 201/2016 of 30 September 2016 <http://www.efta.int/media/documents/legal-texts/eea/other-legal-documents/adopted-joint-committee-decisions/2016%20-%20English/201-2016.pdf>

EIOPA's 2018 budget included the following contributions: EUR 15,307,153 from NCAs, EUR 434,855 from EFTA countries, EUR 100,000 from an administrative agreement and EUR 9,365,000 from COM. COM repaid the 2016 budgetary surplus of EUR 107,253 as part of the 2018 budget.

The initial adopted 2018 budget of EIOPA can be viewed in Table 1. A total of nine budget transfer operations were executed to accommodate budgetary needs throughout 2018.

In 2018, 96.46% of the credits carried forward from 2017 were consumed. The carry forward concerns services and products ordered in 2017 which were invoiced and paid in 2018 (C8). More information on the carry forward can be viewed in Table 2.

In 2018, EIOPA managed seven open tender procedures, five successfully and two unsuccessfully and two competitive negotiated procedures, out of which one was suc-

Table 1: Budget implementation 2018 from initial adopted budget by titles

Title and description	Approved 2018 budget EUR	Final 2018 budget EUR	Committed EUR	Paid EUR	Carry forward EUR
Title I — Staff expenditure	17 386 000.00	17 213 573.82	17 213 573.82	15 571 447.27	1 642 162.55
Title II — Administrative expenditure	3 103 467.00	3 555 565.05	3 355 565.05	2 696 295.80	659 269.25
Title III — Operational expenditure	4 717 541.00	4 637 869.13	4 637 869.13	3 279 427.72	1 358 441.41
Total	25 207 008.00	25 207 008.00	25 207 008.00	21 547 170.79	3 659 837.21

Table 2: Carry forward implementation 2017-2018

Title and description	2017 budget final amount EUR	Carry forward 2017 to 2018 EUR	% Carry forward	Paid amounts EUR	% Paid
Title I - Staff expenditure	15 466 510.25	901 883.67	5.83	856 923.09	95.01
Title II — Administrative expenditure	3 631 821.37	620 842.71	17.24	608 716.88	98.05
Title III — Operational expenditure	4 900 924.43	1 299 134.28	26.14	1 256 204.04	96.70
Total	23 999 256.05	2 821 860.66	11.71	2 721 844.01	96.46

cessful. In addition, two negotiated procedures without publication of a contract notice; three negotiated procedures for middle value contracts; one negotiated procedure for a low value contract; 42 negotiated procedures for very low value contracts (single tenders) and one payment against invoice were completed. Furthermore, 14 direct and framework contracts were concluded; 158 specific contracts and order forms (under existing framework contracts); 42 purchase orders; five service level agreements; nine memoranda of understanding; one price revision (under a framework contract) and 72 amendments of existing contracts were signed.

HUMAN RESOURCES MANAGEMENT

EIOPA is replacing the current e-HR management system Allegro with SYSPER, which is utilised by COM. SYSPER will benefit the organisation with lower costs, synergies and efficiency. Delays in the staff data validation phase at the end of 2018 has postponed the roll out of the modules from January to April/May 2019. Allegro will run in parallel with SYSPER until it is entirely functional.

During 2018, EIOPA continued with the implementation of the Competency Framework and its integration in the various people management processes, in particular in recruitment, learning, and development. The following competencies were also developed: Leadership, Human Resources (HR), Finance and Procurement, Information Technology, Legal and Consumer Protection, complementing the Core and Supervisory competencies introduced in 2017.

The HR Unit continued its close cooperation with the Management Team regarding the alignment and consistency of application of the various talent and performance management processes. Thus, enhancing the people management approach and facilitating a working climate where people and teams can excel. Dedicated workshops were held for managers and team leaders, and information sessions for staff took place. The 2018 EIOPA Staff Engagement Survey revealed a high participation rate (93%) and a high engagement level (62%).

The HR Unit and the Management Team, in close cooperation with the Staff Committee, developed and committed resources to the execution of a Staff Engagement Action Plan aiming to enhance further the motivation and engagement of EIOPA staff.

ASSESSMENT OF AUDIT RESULTS DURING THE REPORTING YEAR

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

The ECA audit over the financial 2018 accounts took place in November and the final outcome is expected during 2019.

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

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

Following the Strategic Internal Audit Plan, the IAS performed in 2018 a comprehensive audit on the Human Resources Management and Ethics. The objective of the audit was to assess the adequacy of the design and the efficiency and effectiveness of the HR management process, including ethics. The outcome of this audit and consequent action plan will be available in 2019.

FOLLOW UP OF AUDIT PLANS, AUDITS AND RECOMMENDATIONS

EIOPA has put in place arrangements to ensure that all recommendations made by the IAS, ECA and the Discharge Authority are timely and adequately addressed through dedicated action plans and this within the agreed deadlines or in case no specific target date is specified the latest within twelve months

after the communication of the recommendation (internal EIOPA KPI).

EIOPA in 2018 continued to implement recommendations from audits of previous years. At the end of 2018 only four recommendations were open, arising from the 2015 Audit on EIOPA's Oversight Capability (1) and 2017 Stress Test Audit (3) (none of these qualified as critical or very important). The status of implementation of these recommendations is as follows:

IAS Recommendation	Status (at the beginning of February 2019)
2015 EIOPA's Oversight Capability Audit	Original deadline: 30 September 2017.
Recommendation Number 2 – Developing KPIs with qualitative aspects to measure performance.	This recommendation was reported as implemented by EIOPA and submitted to the IAS for review on 8 February 2018 (together with the pertinent documentation). The final closure of the recommendation is subject to the outcome of the IAS review and assessment.
2017 Stress Test Audit	Original deadline: 31 March 2018.
Recommendation Number 1 – Estimation of the cost of the insurance stress test in terms of Human Resources.	This recommendation is under implementation.
2017 Stress Test Audit	Original deadline: 30 June 2019.
Recommendation Number 2 - Securing data confidentiality.	This recommendation is under implementation.
2017 Stress Test Audit	Original deadline: 30 June 2019.
Recommendation Number 3 - Feedback from stress test participants.	This recommendation is under implementation.

INTERNAL CONTROL SYSTEM

RISK MANAGEMENT

A risk is defined as *'an uncertain event or set of events that, should it occur, would have an effect on the achievement of (an) objective(s).'*⁽⁵⁾ To manage such risks, EIOPA has initiated an approach to systematically identify, assess, plan and if required, implement responses to potential risk events. Such events can originate from within the Authority or be driven by external forces e.g. changes in priorities and agendas at a political level. The likelihood of an event occurring and the impact of its consequences for an objective should it occur will vary. This variance is discussed in terms of 'risk exposure'. Based on the level of exposure, particularly if the impact would be negative, EIOPA considers steps to prevent the event from happening (if within its power), avoid it or mitigate the negative consequences. Staff at all levels of the authority are asked to consider risks in terms of their work, assess them using a standardised scale and then consider appropriate and proportionate responses, escalating material risks to management when needed.

CORPORATE RISK MANAGEMENT PROCESS

The aim of the process is to provide management with an overview of the aggregated risks and in particular to allow management to focus on those with a potential material impact on the commitments of the Authority as defined in its Work Programme and wider operations; and offer responses to mitigate and overcome risks as they occur. Such a picture is essential, and will aid management as they oversee implementation of an ambitious Work Programme.

EIOPA's risk management process has been developed in line with the Commission's Internal Control Standard No. 6 'Risk Management Process', which states a yearly assessment of risk is a basic requirement of the annual business planning process.

⁽⁵⁾ OGC (2007) Management of Risk: Guidance for Practitioners

RISK OVERVIEW

Through its formal risk management process, two strategic were prioritised for management attention as they were deemed to have the greatest impact on the Authority and its work, these were:

- high degree of uncertainty in the external political, economic and legislative environment; and
- ongoing resourcing challenges, including the allocation of new tasks and powers without sufficient staff and budget to deliver.

RISK 1: High degree of uncertainty in the external political, economic and legislative environment

The years 2019 and beyond are expected to be marked by considerable change for the EU as a whole, and for EIOPA, already in 2018 this has created challenges for the Authority. Preparing for changes to EIOPA's tasks, powers, governance and funding that may come in 2019, along with the potential wider consequences of the UK's decision to leave the EU has all demanded the allocation of substantial time and resources. Throughout 2018, political negotiations were ongoing for the legislative proposals for PEPP and following the review of the ESAs, and for the Withdrawal Agreement to be enacted once the UK leaves the EU.

RISK 2: Ongoing resourcing challenges, including the allocation of new tasks and powers without sufficient staff and budget to deliver

The Commission's Multi-Annual Financial Framework (MFF) establishes the EU's budgetary planning across the areas of its expenditure, including its funding of EU agencies. The funding assumes a level of tasks for each agency and seeks to allocate appropriate resources for them to be delivered on a yearly basis. Since the issuing of the present MFF, EIOPA has been allocated additional tasks stemming from new legislation such as Solvency II and IDD and in the domains of FinTech and Sustainable Finance. In not all cases has the additional staff proposed alongside new tasks been allocated and in some cases,

no additional staff has been proposed at all. EIOPA has therefore assumed tasks without sufficient additional resources, including in important areas such as Solvency II SCR Review and in particular regarding Sustainable Finance. With its strategic vision to be a credible supervisory authority, EIOPA has since 2016 and the application of Solvency II, sort to re-allocate its staff from the production of regulation to overseeing its implementation. With already limited resources and the ongoing addition of new demands, including in the regulatory area, EIOPA has been limited in terms of its capacity to grow specific departments and functions focused on supervision.

MITIGATION 1: Stronger approach to prioritisation

To effectively manage the present uncertainty EIOPA has further enhanced its approach to prioritization allowing timely and upfront discussions with its Management Board and Board of Supervisors. The intention is to facilitate more informed decision-making through strategic discussions focused on the likely developments in the external environment. By judging the potential impacts of these developments on the Authority and the future demands to be placed on it, stronger priority setting can be achieved.

In support of this and enhancing the Authority's ability to prepare for the forthcoming changes, internal cross departmental project groups have been established to specifically deal with EIOPA's response to Brexit, and its new tasks and powers under PEPP. This has allowed EIOPA to consider different scenarios and the impacts it may need to manage in the future. As further and more concrete information is made available on these three issues, EIOPA stands ready to adapt its plans and work to ensure it can still deliver its mandate.

MITIGATION 2: Efficiency and re-deployment

To mitigate any potential risks of resource gaps, EIOPA will continue the positive efforts it has already made in improving efficiency and evolving as an organisation to meet the new demands placed on it. In terms of efficiencies, EIOPA will continue to review its processes, rationalise, and where possible, introduce more automation allowing staff to be re-allocated to other tasks. Ongoing efforts to seek out synergies with other EU agencies and in particular the other ESAs will allow EIOPA to benefit from economies of scale and administrative efficiencies when procuring services from external suppliers. Examples of this already include procurement of a contract for short-term IT staff run in conjuncture with the European



Banking Authority, saving money and the administrative burden compared to running it separately.

EIOPA will build upon the restructure of the Authority undertaken in 2016 to search out further opportunities to bring together different elements of the organisation working on similar areas to capitalise on synergies and enhance the efficiency. Ensuring changing priorities can be realised in changes to its structure and the competencies of its work force, EIOPA has already implemented a competency framework. This allows the Authority to better manage and re-allocate staff across its many tasks based on the shift in priorities. This has already proven useful to manage the change in EIOPA's tasks from regulation to supervision.

EIOPA remains committed to do as much as possible to narrow any future gap between allocated and required resources, allowing it to deliver existing commitments and its new tasks and powers. Pending the outcome of its own internal analysis the extent this effort can fully address the gap is still to be determined. If through these measures EIOPA cannot meet on the demands placed on it, robust re-prioritisation will be undertaken.

COMPLIANCE AND EFFECTIVENESS OF INTERNAL CONTROL STANDARDS

EIOPA's Internal Control Framework in 2018 was based on the 16 Internal Control Standards of the European Commission. They were approved by the Management Board in 2015 and implemented within the organisation by the Executive Director through the adoption of detailed implementing rules and related procedures. The annual assessment of the internal control system was conducted by the Internal Control function and have led to process adjustments where relevant.

In November 2018, the Management Board adopted the Revised Internal Control Framework, which is in line with the model of the European Commission and the Committee of Sponsoring Organizations (COSO) ⁽⁶⁾. The revised framework is applicable in EIOPA from January 2019.

MANAGEMENT ASSURANCE

The building blocks of management assurance at EIOPA consist of several core elements. These are rooted in the implementation of the Internal Control Standards and continued strong management oversight of both operational and horizontal activities, and adherence to principles such as sound financial management. Regular reviews by EIOPA's Internal Control Coordinator and audits of EIOPA by the Internal Audit Service, European Court of Auditors, the Quality Control Committee and audit firms provide impartial and thorough reviews of these measures, and are a further element of management assurance. With this framework in place, EIOPA is confident there are no significant weaknesses that would create reservations or impact on the validity on the Declaration of Assurance on the subsequent page.

⁽⁶⁾ <https://www.coso.org/Pages/aboutus.aspx>

DECLARATION OF ASSURANCE

I, the undersigned,

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

- › declare that the information contained in this Consolidated Annual Activity Report 2018 gives a true and fair view;
- › state that I have reasonable assurance that the resources assigned to the activities described in this report were used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures in place are effective, efficient and provide the necessary guarantees concerning the legality and regularity of the underlying transactions.

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

- › the progress and follow-up of risk management activities;
- › the recommendations of the Internal Audit Service, the accompanying action plans and their follow-up; and,
- › the lessons learnt from the reports of the Court of Auditors for the years prior to the year of this declaration.

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

[signed]

Fausto Parente

ANNEX I: CORE BUSINESS STATISTICS

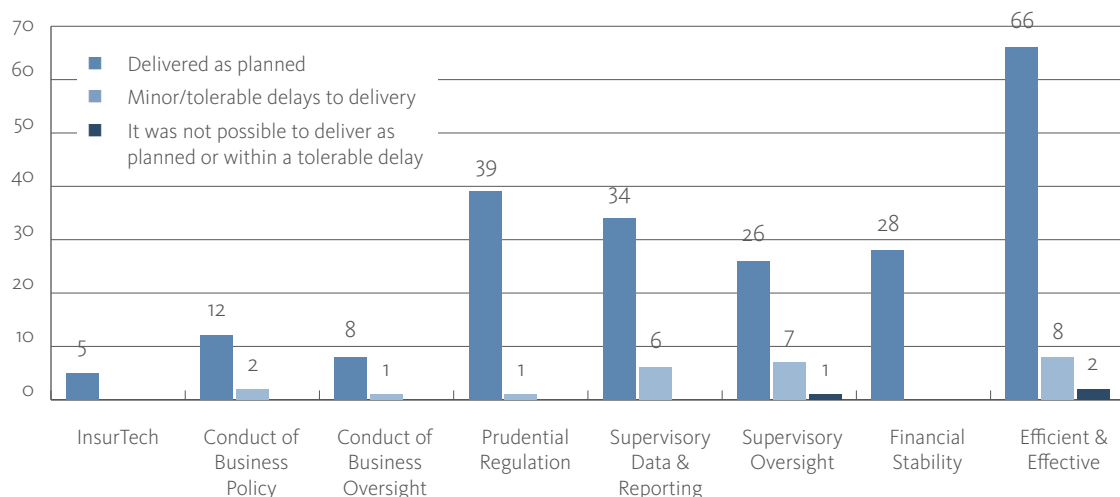
PRODUCT AND SERVICES OVERVIEW

EIOPA monitors delivery of its Annual Work Programmes (AWP) through the development of an Annual Implementation Plan (AIP). For each product and service in its AWP, specific milestones are planned, the involvement of different departments and horizontal functions is specified and risks are recorded. Throughout the year, EIOPA's management is informed of the status of this work and decides on changes such as the introduction of new work or de-laying and de-prioritising existing tasks. The status of the products and services by December 2018, as recorded in the AIP, provides the basis for the data in the chart below.

The majority of EIOPA's planned work was delivered successfully in 2018, this equates to 218 products and services. A further 25, experienced minor delays. The primary reason for delays was insufficient resources, but also changes in requirements and priorities. Only three workstreams were

not delivered as planned or with a tolerable delay. The first was the Internal Model On-going appropriateness indicators' (IMOGAPIs) review, with development of IMOGAPIs in 2018 limited due to the issues of available data for internal models. In July 2019, EIOPA will consult on a proposed new template for Internal Model solos and groups to complete on an annual basis which will aid the future development of IMOGAPIs. Additionally, an Internal Model strategy forum will meet regularly in 2019 to coordinate Internal Model work and aid the analysis and interpretation of future IMOGAPIs. The remaining two were finalisation and final launch of the redesigned EIOPA's website and finalisation of analysis phase of the redesigned EIOPA's intranet. With considerable alternative demands arising in 2018 for the limited resources of EIOPA's Communications Team, a decision was taken to de-prioritise the website project. Informing this decision was the fact that EIOPA's current website was still functioning and therefore the impact on EIOPA's stakeholders would be limited. The Authority will continue to work on its website and intranet in 2019 and does not expect the delay to cause any further issues.

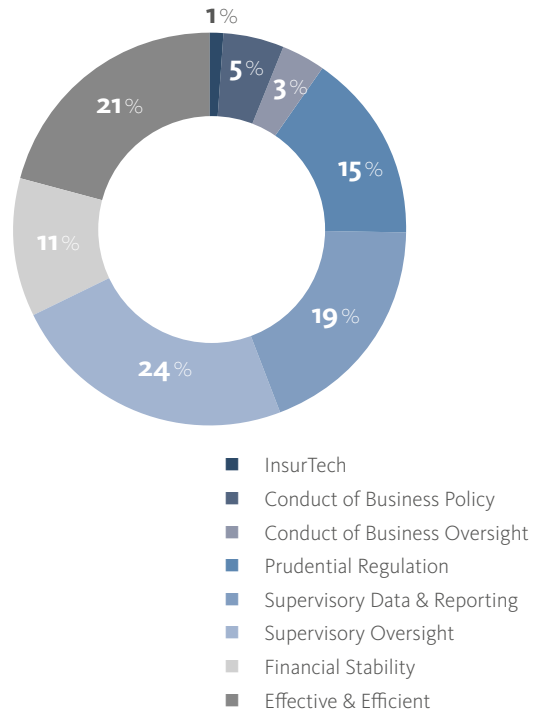
2018 Product and service status



ALLOCATION OF HUMAN RESOURCES

With its strategic vision to be a credible supervisory authority, EIOPA continues to strengthen the allocation of its staff to supervision related tasks. Combined, the work on conduct of business oversight (3%), prudential oversight (24%) and enhancing the availability of supervisory information and data (19%) account for the biggest share of EIOPA's human resources. Despite changing as an organisation from regulation to overseeing its consistent implementation, there continues to be important regulatory tasks for the Authority, including preparing for key reviews of Solvency II. EIOPA therefore maintains staffing levels for work on conduct (3%) and prudential (16%) regulation. Eleven percent of its staff were allocated to monitoring and reporting on risks to financial stability and 1% to the new cross-cutting theme of InsurTech. The remaining 21% of staff ensured the organisation is managed in a way that is both compliant with the regulation EIOPA is subject to and that allows it to remain adaptable to a changing situation and still deliver its key strategic objectives.

Allocation of resources to EIOPA's activities



KEY PERFORMANCE INDICATORS

Key Performance Indicators (KPIs) are an important tool for monitoring EIOPA's progress in relation to its defined strategic ambition. EIOPA has set thirteen strategic level targets for performance across its seven main areas of work in 2018. Of these, EIOPA achieved or surpassed the target for 11, and of the remaining 2, only marginally missed the target.

For its work building the regulatory framework for consumer protection, EIOPA's target was intended to capture the level of interest and engagement with its stakeholders. The target of 20 as the average number of respondents for relevant public consultations on consumer protection topics was exceeded in 2018 for the two EIOPA ran. EIOPA did not meet its target for 5 national initiatives taking inspiration from deliverables, however, in its conduct country visits during 2018 EIOPA identified instances of action at the national level (supervisory focus, use of supervisory tools) to its work. This included action on Unit Linked market, action on PPI, action on POG supervision.

The KPI for EIOPA's work on the prudential regulatory framework was for a technically sound and participatory review of the Solvency II insurance regulation, with the target in 2018 of timely and high quality advice, striving to reduce complexity whilst preserving risk-sensitivity and avoid pro-cyclicality, as well as enabling proportionality, delivered to the Commission on the changes to Solvency II implementing measures. This target was met with the second set of the SCR Review Advice delivered in time and quality to the European Commission. The Advice was consulted upon in a public consultation as well as with the IRSG. With the aim of pursuit of Solvency II as the practical implementation of the International Association of Insurance Supervisors' (IAIS) International Capital Standard (ICS), EIOPA's target was for the ongoing development of the ICS remains in line with Solvency II principles: market consistency and risk-based. The ICS Field Testing was launched by the IAIS in May. Due to its stability and comparability, it contained, for the reference ICS, a market-adjusted valuation (MAV) approach with a single discounting curve. All elements for a practical implementation of Solvency II are contained and the target was therefore judged to be met. To assess EIOPA's efforts to contribute to the development of the internal market

in pensions, the target was set of proposals delivered by EIOPA on facilitating the implementation of IORP II. The target specified the areas of improved standardised information to members and beneficiaries, governance, risk management as well as cross-border activities, all of which were delivered.

To judge the performance of EIOPA's supervisory reporting and data framework, two KPIs were set. The first related to the percentage of insurance undertakings reported on with valid data by NCAs, as evidenced by the completeness ratio of technically valid reports of the Quantitative Reporting Templates (QRTs). The target was 97% and EIOPA fell slightly short, with an issue of non-compliance relating to one country with a specific proportionate approach to quarterly limitation of reporting. For 2019 the KPI will also consider the market share instead of only the number of undertakings to better reflect proportionality principle. EIOPA did however meet its target for the monthly publishing of the Risk Free Rate.

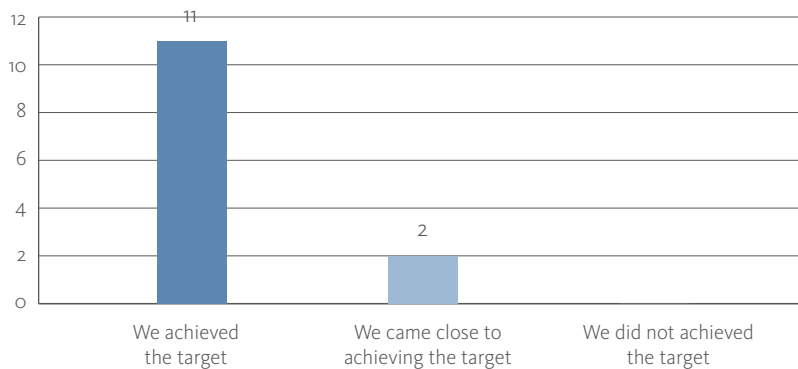
The first KPI for EIOPA's supervisory oversight work was the number of supervisory or policy actions taken by NCAs following observations and feedback from EIOPA's Oversight team. With 16 occurring in 2018, the target was exceeded

by one. EIOPA's target for the number of bi-lateral engagements with NCAs on oversight topics of 20 was met in 2018.

To assess the quality and broader acceptance of EIOPA's financial stability publications, the number of citations in research journals and publications from other institutions in the field was set as a target. EIOPA identified 4 in 2018, which was one more than the target. EIOPA also set the target relating to its Stress Tests, which was the number of financial stability risks with a material impact, within the agreed scope of the Stress Test, not identified by the exercise materialising within one year of the publish date of the results. EIOPA achieved this target with no such risks identified.

EIOPA also maintains two KPIs on the management of the Authority and its resources. The first is the percentage of audit findings from European Court of Auditors and Internal Audit Service addressed by improvement measures by the agreed deadline, or if no deadline was set, within twelve months of the finding being issued. The target was 100%, which EIOPA achieved. EIOPA also exceed its 99% target for implementation rate of its budget (percentage of the approved budget committed) achieving 100% in 2018.

KPI target achievement



ANNEX II: EIOPA'S GOVERNANCE AND MANAGEMENT

BOARD OF SUPERVISORS

As set out in EIOPA's Founding Regulation, the Board of Supervisors (BoS) is the main decision-making body of EIOPA. It is composed of EIOPA's Chairperson, the heads of 28 national authorities (Voting Members), including Permanent Representatives – where more than one national authority is responsible for the supervision, the heads of three EEA EFTA national authorities (Iceland, Liechtenstein and Norway), Non-Voting Members and Observers.

The status of Non-Voting Members is granted to the European Commission, the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), and the European Systemic Risk Board (ESRB) and the European Free Trade Association Surveillance Authority (EFTA SA). The Board of Supervisors may grant observer status to heads of national authorities of acceding countries, competent for the supervision of financial institutions. The Board of Supervisors meets at least twice a year and may create internal committees and panels for specific tasks. In 2018, the Board of Supervisors met seven times including one extraordinary meeting and the Board of Supervisors' Strategy Day.

MANAGEMENT BOARD

The Management Board (MB) ensures that EIOPA carries out its mission and performs the tasks assigned to it. It is composed of EIOPA's Chairman and six other members of the Board of Supervisors, elected by and from among the Voting Members of the Board of Supervisors. The Alternate Chairman and the Executive Director of EIOPA participate in the meetings of the Management Board without the right to vote. In accordance with EIOPA's regulation, the Executive Director also has an important role preparing the work of the Management Board. The meetings are also attended by a representative of the European Commission, who has a right to vote only on budget issues. The term of office of members of the Management Board is two and a half years, and it can be renewed once.

The Management Board meets at least five times a year, always before every regular meeting of the Board of Supervisors, and as often as it deems necessary. In 2018, the Management Board met five times. This year again, the Management Board played a key strategic role in EIOPA's management. With a focus on planning, budget and assurance, the Board steered the revisions of EIOPA's Annual Work Programmes and development of the Draft Single Programming Document 2020-2022. It also monitored the budget planning process and allocation of human and financial resources. To support this work the Management Board receives updates on EIOPA's tasks and activities on a regular basis.

INFORMATION BOX



MANAGEMENT BOARD MEMBERS, DECEMBER 2018

Gabriel Bernardino	EIOPA Chair
Zuzana Silberova	Czech National Bank, Czech Republic
Frank Grund	BaFin-Bundesanstalt für Finanzdienstleistungsaufsicht, Germany
Olaf Sleijpen	De Nederlandsche Bank (DNB), The Netherlands
Jean Hilgers	Nationale Bank van België, Belgium
Sandrine Lemery	Autorité de Contrôle Prudentiel et de Résolution, France
Alberto Corinti	Istituto per la Vigilanza sulle Assicurazioni, Italy

ANNEX III: STEERING COMMITTEES, PROJECT GROUPS, EXPERT NETWORKS AND WORKING GROUPS

EIOPA's policy agenda is also delivered through structures established to facilitate cooperation between NCAs and EIOPA staff. These structures are an important element of the Authority and provide technical input for preparation of documents to be adopted by the Board of Supervisors.

EIOPA currently maintains a two-leg working group structure composed of working groups (leg one), and of steering committees, project groups, expert networks (leg two).

Leg-one consists of the following original working groups:

- › Committee on Consumer Protection and Financial Innovation (CCPFI), which supports EIOPA in fulfilling the requirement laid down in the EIOPA Regulation concerning taking a 'leading role' in the area of consumer protection and financial innovation;
- › Review Panel, which develops methodologies, procedures and tools to conduct peer reviews;
- › Information Technology and Data Committee (ITDC), which delivers advice on information technology, and on transfer, storage and data handling in EIOPA; and
- › InsurTech Task Force (ITF), which leads EIOPA's work on issues and aspects arising from technology-enabled innovation in the (re-)insurance and pensions sectors.

Leg-two consists of the following second-wave working structures:

- › Policy Steering Committee responsible for the following project groups (PGs): Solvency Capital Requirements Review PG, Long-Term Guarantees Review PG, and Risk-Free Rate PG, Pension Benefit Statement and Other Information Documents PG, IORP II Implementation, Governance and Risk Evaluation PG, Illiquid Liabilities PG and Sustainable Finance PG;
- › Risks and Financial Stability Steering Committee responsible for the following PGs: 2019 Methodological Principles of Insurance Stress Testing PG,

Recovery and Resolution PG, Macroprudential Policy in Insurance PG, 2018 Insurance Stress Test PG and 2019 IORP Stress Test PG; and

- › Supervisory Steering Committee responsible for the following PGs: Market and Credit Risk Comparative Study PG, Non-life Underwriting Risk Comparative Study PG; Remuneration Policies PG; Internal Models SRP PG, Group Supervision Issues PG, Technical Provisions PG, E.U.-U.S. Covered Agreement PG; IT and Cyber Risk PG.

Last, EIOPA maintains expert networks in the following areas:

- › Quantitative requirements;
- › Risk management;
- › Supervisory information;
- › Internal models;
- › Financial stability;
- › Audit and accounting;
- › Pensions; and
- › Natural catastrophe.

ANNEX IV: STAKEHOLDER GROUPS

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

In September 2018 the two-and-half-year mandate of the members of the previous Stakeholder Groups expired.

Following the selection procedure for members of both Stakeholder Groups the following improvements in their composition were achieved:

- Better balance in representation;
- Improved interaction between the Authority and its two advisory bodies.

The Board of Supervisors (BoS) achieved a better balance in the composition and representation of interests in both groups when it appointed the new members of the two new groups. The proportion of representatives of consumers/users/beneficiaries increased by almost two-thirds in both groups. Further, the category of professional associations includes for the first time NGOs and charities.

Members highlighted in their 2016-2018 activity reports that transparency could be improved. Therefore, EIOPA developed a secure IT platform to allow for a greater exchange.

In terms of deliverables, the 2016-2018 the previous IRSG provided to EIOPA advice on cost and past performance,

on the review of Solvency II and on the pan-European Personal Pension Product (PEPP). The previous OPSG delivered advice on the European Commission's Sustainable Finance Action Plan and Action Plan on Financing Sustainable Growth, on the implementation of the IORP II Directive, on the IORP Stress Test and on Asset Liability Management. Both Groups also provided input on Consumer Trends and on the Review of the ESAs, including a Joint letter.

As of September, each new Group held its first meeting and elected as their Chair Greg van Elsen for the IRSG, representing consumers, and Bernard Delbecq for the OPSG, representing Professional Associations. The current IRSG has provided advice on Illiquid Liabilities, on Travel Insurance, on Resolution funding and national Insurance Guarantee Schemes, as well as on Solvency II Guidelines on System of Governance. The current OPSG has delivered advice on the "IORP II Report on Other Information documents for prospective and current members", and on the application of proportionality in the area of governance and risk assessment.

In 2018 the interaction with the Board of Supervisors and Management Board Members – who regularly attend Stakeholder Group meetings – culminated in the Joint BoS and Stakeholder Groups meeting organised by EIOPA on 28 November. The following strategic topics of common interest were discussed: sustainable finance, cyber risks and exposures, and Information documents to policy holders and beneficiaries.

A full list of stakeholder group members and accompanying curriculum vitae is available on the EIOPA website: <https://eiopa.europa.eu/about-eiopa/organisation/stakeholder-groups/>

Occupational Pensions Stakeholder Group members – status December 2018

Chair: Bernard Delbecque (Belgium)

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

#	Member's Name	Nationality	Organisation	Category
1.	Alviniussen, Alf	Norway	Small Treasury Consulting and Investment Company	SMEs
2.	Azzopardi, Moses	Malta	Maltese Association of Pensioners	Beneficiaries
3.	Briganti, Francesco	Italy	Cross Border Benefits Alliance Europe	IORPs
4.	Delbecque, Bernard	Belgium	European Fund and Asset Management Association (EFAMA)	Professional associations
5.	Duarte, Valdemar	Portugal	Ocidental Pensões	IORPs
6.	Fekeža Klemen, Senka	Croatia	Erste, Ltd.	IORPs
7.	Gabellieri, Bruno	France	European Association of Paritarian Institutions (AEIP)	Employees
8.	Gómez Fernández, José Carlos	Spain	Spanish Consumer Association (ADICAE)	Beneficiaries
9.	Gulich, Christian	Germany	German Consumer Association (BdV)	Beneficiaries
10.	Jones, Olav	UK/Norway	Insurance Europe	IORPs
11.	Kupšys, Kęstutis	Lithuania	Alliance of Lithuanian Consumer Organizations	Beneficiaries
12.	Lemaire, Christian	France	Amundi Pension Fund	IORPs
13.	Lewis, Sue	UK	The People's Pension	Beneficiaries
14.	Luciano, Elisa	Italy	University of Torino	Academics
15.	Mączyńska, Aleksandra	Poland	Better Finance	Beneficiaries
16.	Maher, John	Ireland	Waterford Institute of Technology	Academics
17.	Micilotta, Flavia	Italy	Luxembourg Green Exchange (FESE)	Professional Associations
18.	Moriarty, Jerry	Ireland	PensionsEurope	IORPs
19.	Nellshen, Stefan	Germany	Bayer-Pensionskasse VVaG	IORPs
20.	Neyt, Philip	Belgium	PensioPlus, Belgian Association of Pension Institutions	IORPs
21.	O'Quigley, John	Ireland	Public Sector Pension Trustee Companies	Employees
22.	Oroviceanu, Cătălin	Romania	Romanian Association of Participants in Pension Funds and Investment Funds	Beneficiaries
23.	Reichert, Sibylle	Germany	Federation of the Dutch Pension Funds	IORPs
24.	Reiner, Michael	Austria	University of Vienna	Academics
25.	Reinhammar, Torun*	Sweden	CDP Europe	Professional Associations

#	Member's Name	Nationality	Organisation	Category
26.	Seidel, Philippe	France/Germany	AGE Platform Europe	Beneficiaries
27.	Valkenburg, Falco	Netherlands	Actuarial Association of Europe (AAE)	Professional Associations
28.	van der Lecq, Fieke	Netherlands	Vrije Universiteit Amsterdam	Academics
29.	van Meerten, Hans	Netherlands	University of Utrecht	Academics
30.	Wancke Widemar, Ann-Marie	Sweden	ALECTA	IORPs

*Torun Reinhammar replaced Sonia Maffei who had left the group following a change in professional activity.



^ Members of the Occupational Pensions Stakeholder Group

Insurance and Reinsurance Stakeholder Group members – status December 2018

Chair: Greg Van Elsen (Belgium)

Vice-Chair: Michaela Koller (Germany)

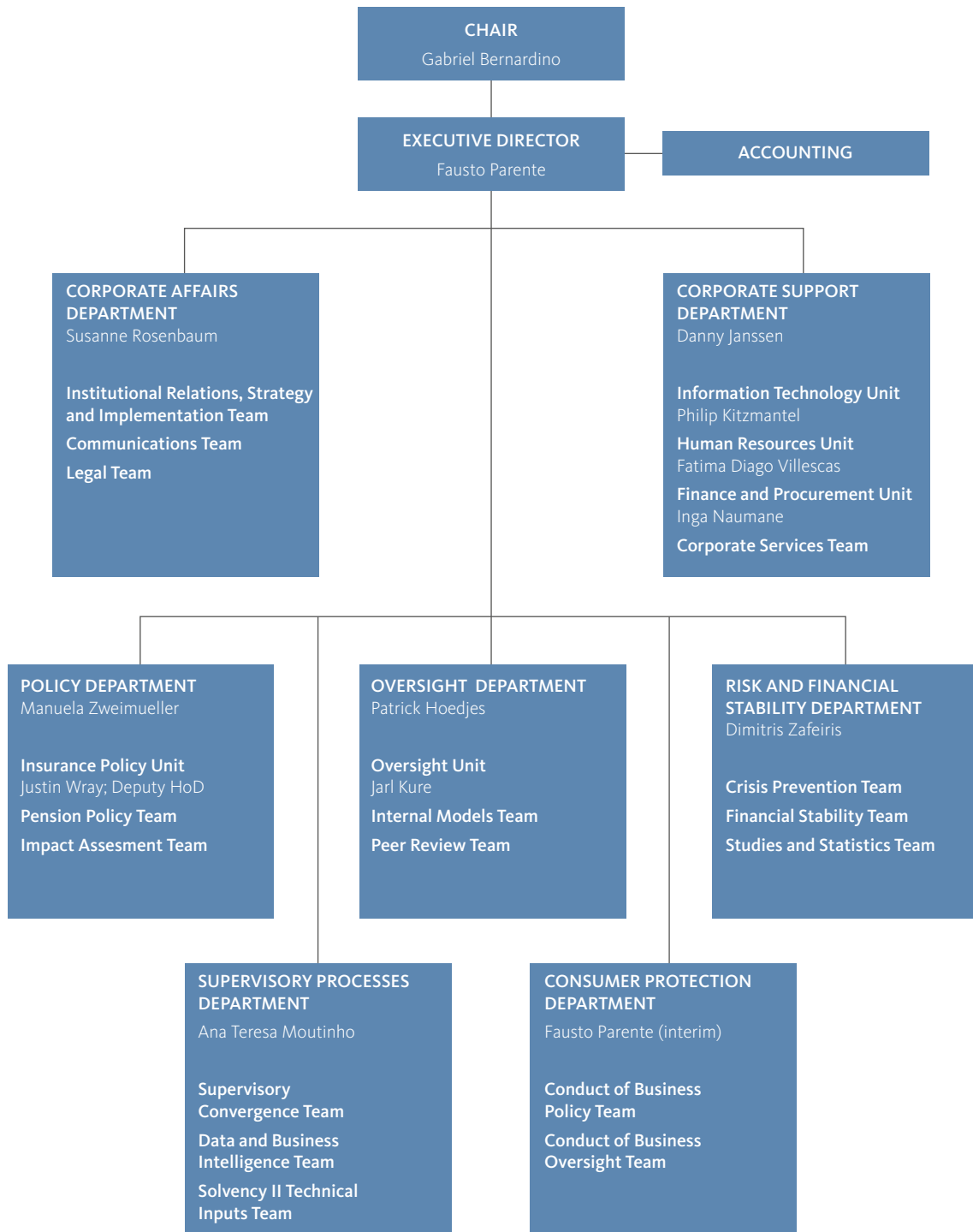
#	Member's Name	Nationality	Institution	Category
1.	Bataler-Grau, Juan	Spain	University of Valencia	Academics
2.	Baumgärtel, Martina	Germany	Allianz SE	Industry
3.	Beaupérin, Typhaine	Belgium/France	Federation of European Risk Management Associations (FERMA)	Professional associations
4.	Caget, Alexandre	France	A.C. Expertises	SMEs
5.	Calu, Monica	Romania	Asociatia Pro Consumatori	Consumers
6.	Fox, Paul	UK	Finance Watch	Consumers
7.	Francis, Hugh	UK	Aviva Plc.	Industry
8.	Grabowski, Krzysztof	Poland	Kozminski University Warsaw	Academics
9.	Halme, Liisa	Finland	Union of Insurance Employees in Finland	Employees
10.	Hendriks-Muijs, Miranda	Netherlands	Univé Cooperative	Industry - Cooperative/Mutual
11.	Herboczková, Jana	Czech Republic	Aegon Pojišťovna, a.s.	Industry
12.	Hugonin, Benoit	France	SCOR Group	Industry - Reinsurance
13.	Jacob, Alin	Romania	Romanian Association of Financial Services Users (AURSF)	Users of (re)insurance services
14.	Koller, Michaela	Germany	Insurance Europe	Industry
15.	Kybartas, Tomas	Lithuania	Alliance of Lithuanian Consumer Organizations	Consumers
16.	Laeven, Roger	Netherlands	University of Amsterdam	Academic
17.	Larnaudie-Eiffel, Xavier	France	CNP Assurances	Industry
18.	Marano, Pierpaolo	Italy	Catholic University of Milan	Academics
19.	Materne, Stefan	Germany	Cologne University of Applied Sciences	Academics
20.	Morton, Stephanie	Netherlands/UK	ClientEarth	Consumers
21.	O'Riordan, Anthony	Ireland	Actuarial Association of Europe (AAE)	Professional associations
22.	Petri, Giampaolo	Italy	Assicurativo Konsumer	Consumers
23.	Plá, Juan-Ramón	Spain	European Federation of Intermediary Associations (BIPAR)	Industry - Intermediaries
24.	Prache, Guillaume	France	Better Finance	Users of (re)insurance services
25.	Reinhammar, Torun	Sweden	CDP Europe	Professional associations

#	Member's Name	Nationality	Institution	Category
26.	Rodrigues, Tito	Portugal	DECO Proteste Consumer Association	Consumers
27.	Saraste, Lauri	Finland	Local Tapiola	Industry - Cooperative/Mutual
28.	Scaroni, Bruno	Italy	Generali	Industry
29.	Ulbricht, Dirk	Germany	Institut fuer Finanzdienstleistungen (Iff)	Consumers
30.	Van Elsen, Greg	Belgium	The European Consumer Organisation (BEUC)	Consumers



^ Members of the Insurance and Reinsurance Stakeholder Group

ANNEX V: ORGANIGRAM 2018



ANNEX VI: ESTABLISHMENT PLAN 2017 (TEMPORARY AGENTS) AND FIGURES FOR CONTRACT AGENTS AND SECONDED NATIONAL EXPERTS

Function group and grade	Final budget	Filled as at 31.12.2018 *
AD 16	1	1
AD 15	1	0
AD 14	1	1
AD 13	4	2
AD 12	11	3
AD 11	14	5
AD 10	13	8
AD 9	15	14
AD 8	14	5
AD 7	11	14
AD 6	9	22
AD 5	2	18
AD total	96	93
AST 11	0	0
AST 10	1	0
AST 9	1	0
AST 8	3	0
AST 7	3	0
AST 6	3	3
AST 5	3	4
AST 4	2	5
AST 3	0	2
AST 2	0	0
AST 1	0	0
AST total	16	14
TOTAL	112	107

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

	Filled as at: 31.12.2017	Filled as at: 31.12.2018
CONTRACT AGENTS		
Function Group IV	8	8
Function Group III	15	17
Function Group II	11	8
Function Group I	0	0
TOTAL	34	33
SECONDED NATIONAL EXPERTS		
	17	18

ANNEX VII: ENTRY LEVEL FOR EACH TYPE OF POST

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

ANNEX VIII: STATISTICS FROM JOB SCREENING/BENCHMARKING EXERCISE

JOB TYPE		2016	2017	2017
Category	Subcategory			
Total administrative support and coordination		15.4 %	14.5 %	15.2 %
	Administrative support	11.2 %	10.5 %	10.1 %
	Coordination	4.2 %	4 %	5.1 %
Total Operational		75.5 %	76.3 %	77.2 %
	Top level operational coordination	4.9 %	3.9 %	3.2 %
	Programme management and implementation	53.1 %	54.7 %	62 %
	Evaluation and impact assessment	6.3 %	3.9 %	0 %
	General operational	11.2 %	13.8 %	12 %
Total neutral		9.1 %	9.2 %	7.6 %
Total finance/control		9.1 %	9.2 %	7.6 %
Total linguistics		n/a	n/a	n/a

For reference, please find the descriptions of the categories used in the benchmarking exercise below.

CATEGORIES IN AN ADMINISTRATIVE SUPPORT AND COORDINATION ROLE

TYPE/ROLE	CATEGORY	CATEGORY CODE	EXAMPLES (not exhaustive)
Administrative Support (ADM SUP)	Document Management	DOC	Document centre and archives
	HR Management	HR	HR Officer, Training assistant (except payroll and mission reimbursement)
	Information and Communication Technology	ICT	Network administrator, Helpdesk assistant (not directly implementing the mandate of the Agency)
	Internal audit and control	IA	Internal auditor, internal controller (focus on procedures)
	Logistics	LOG	Mail clerk, security officer, receptionist, building management, facilities.
	Head of Resources	RES DIR / HoA	Resources Director, Head of Administration

TYPE/ROLE	CATEGORY	CATEGORY CODE	EXAMPLES (not exhaustive)
Coordination (COORD)	Legal advice	LEGAL	DPO, counsellor, legal officer (not directly implementing the Agency's mandate)
	Communication/ information	COMM	External communication (not directly implementing the mandate of the Agency), Internal communication to the Agency's own staff goes under HR Frequently web editing / web design
	General coordination	GEN COORD	Inter-institutional contributions

CATEGORIES IN A NEUTRAL ROLE

TYPE/ROLE	CATEGORY	CATEGORY CODE	EXAMPLES (not exhaustive)
Neutral	Finance, non-operational procurement and quality management	FIN/CONT	Accounting; finance; procurement and contract management (excluding operational); quality management; payroll; reimbursement of mission costs; internal auditing (with a focus on finance)
	Linguistic	LING	Typically editing, translation of documents

EXAMPLES OF JOBS IN OPERATIONAL ROLES

TYPE/ROLE	CATEGORY	CATEGORY CODE	Typical Job Titles (not exhaustive)	Typical Entities (not exhaustive)
Operational (OPER)	Top level operational coordination	T/OP COORD	Executive Director	The AIPN/AHCC and Authorising Officer role (e.g. Director, Executive Director (ED), President...). Besides the secretariat/ personal assistant to the ED, coordination and support of the management Board, other jobs directly linked to the ED ('ED office'...) have to be categorised individually, depending on their specific content.
	Programme management and implementation	PGM M/IMP	Scientific / Technical Project (or Support) Officer, International Aid / Cooperation Officer, Programme Manager (or Officer) – EU policies, Policy Officer, Project Manager – EU Policies	Thematic/Scientific Officer, Analyst, Expert, Programme Officer, Project Manager, Studies and research specialist, Data handling, ICT (directly implementing the mandate of the Agency, usually implementing Title 3 of the budget or generating revenues/fees)
	Evaluation and Impact Assessment	EVAL	Evaluation Officer, Policy Officer, Policy Analyst, Statistical Officer, Economic Analyst, Statistical Assistant, Evaluation Assistant	Evaluation, impact analysis, external audit, inspection or supervision of external entities, research assessment, inspection, licensing.
	General operational	GEN OPER	Policy Officer, Policy Co-ordinator, Assistant Policy Officer, Policy Analyst, Economic Analyst, International Relations Officer	Managers of organisational units in operational areas (directly implementing the mandate of the Agency), Support/ secretariat of Appeal boards (where foreseen in the Agency mandate), Agency's planning and reporting (annual work plan, annual report); Legal officer (directly implementing the mandate of the Agency.

ANNEX IX: ANNUAL ACCOUNTS

At the date EIOPA publishes its Consolidated Annual Activity Report, EIOPA's annual accounts for 2018 are undergoing an European Court of Auditors' (ECA) review. EIOPA does not expect any critical remarks necessitating changes to the accounts as an outcome of that review. The final audit opinion on the reliability of the accounts is subject to the results of that review.

FINANCIAL PERFORMANCE IN 2018

EIOPA's annual accounts have been established in accordance with EIOPA's Financial Regulation and Implementing Rules adopted by the Management Board, Title IV Chapter 4 Section 3 and Title XIII of the Financial Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the European Union, methods and guidelines as adopted and provided by the Accountant of the European Commission. These rules adapt the International Public Sector Accounting Standards (and in some cases the International Financial Reporting Standards) to the specific environment of the EU, while the reports on implementation of the budget continue to be primarily based on movements of cash.

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

BUDGET RESULT

EIOPA only used non-differentiated appropriations. The revenue was generated by contributions of the national supervisory authorities of the Member States and EFTA countries, a subsidy from the European Commission plus other income, especially from an administrative agreement with the European Commission's Structural Reform Support Service (SRSS). It reached a total of € 25,290,647. Expenditure evaluation was determined by the consumption of commitment appropriations with a total of € 25,367,165 of which payments made from the adopted budget represented € 21,547,171 and from internal assigned revenue € 70,496. Appropriations carried over to 2019 were equal to € 3,749,498 and added up to the total expenditure. The outcome was a negative outturn of the financial year equal to € 76,518. This was alleviated by cancelled appropriations from the carry-over of the previous year as well as by appropriations available from 2017 internal assigned revenue. Further, adjustments made for foreign exchange rate differences led to a budgetary surplus of € 104,243.

The budget implementation rate for commitments was 100%. For payments executed from the adopted budget it reached a level of 86% which was higher than the target set for 2018. The commitments carried forward to the following year achieved a rate of 14.52% (11.71% in 2017). The consumption of commitments carried forward from 2017 was high for payments made in 2018 and reached 96.46%.

STATEMENT OF FINANCIAL PERFORMANCE

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

The economic result of the year was negative with € 307,157. As a consequence the accumulated reserves decreased further to reach € 6,274,663 at the date of closure. The main reasons for this evolution were non-cash movements such as the high annual amortisation of internally generated software, which comes to an end in 2019. The underlying software products capitalised in 2016 are amortised over a useful life of 4 years. At the same time, the reserves bound by the appropriations carried over to 2019 compensated the effects of such high amortisation so that the decrease of the reserves did not reach the level of the previous year.

	2018 AMOUNT IN EUR	2017 AMOUNT IN EUR
European Union contribution	9 421 639	9 089 580
Other operating revenue	15 742 565	14 862 103
TOTAL OPERATING REVENUE	25 164 204	23 951 683
Administrative expenses	-21 253 304	- 20 264 194
All Staff expenses	-13 530 181	- 12 979 917
Fixed asset related expenses	-2 228 494	- 2 417 800
Other administrative expenses	-5 494 629	- 4 866 477
Operational expenses	-4 171 312	- 4 621 180
Other operational expenses	-4 171 312	- 4 621 180
TOTAL OPERATING EXPENSES	-25 424 616	- 24 885 374
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	-260 412	- 933 691
Financial revenues	1	0
Financial expenses	-46 746	- 25 968
SURPLUS/ (DEFICIT) FROM NON-OPERATING ACTIVITIES	-46 745	- 25 968
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES	-307 157	- 959 659
ECONOMIC RESULT OF THE YEAR	-307 157	- 959 659

BALANCE SHEET – ASSETS

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

ASSETS	31.12.2018 AMOUNT IN EUR	31.12.2017 AMOUNT IN EUR
NON-CURRENT ASSETS		
Intangible assets	2 796 477	4 018 814
Property, plant and equipment	1 028 203	1 222 064
Land and buildings	0	0
Plant and equipment	0	0
Computer hardware	169 985	142 088
Furniture and vehicles	352 878	385 162
Other fixtures and fittings	505 340	694 814
Property, plant and equipment under construction	0	0
Long-term receivables and recoverables	0	0
Long-term receivables and recoverables	0	0
Long-term receivables and recoverables with consolidated EC entities	0	0
TOTAL NON-CURRENT ASSETS	3 824 680	5 240 878
CURRENT ASSETS		
Short-term receivables	1 472 879	1 272 997
Current receivables	320 755	242 942
Sundry receivables	35 511	21 750
Pre-paid expenses	0	0
Deferred charges and accrued income	1 116 613	1 008 305
Short-term pre-financing	0	0
Short-term pre-financing	0	0
Cash and cash equivalents	3 310 266	2 653 400
TOTAL CURRENT ASSETS	4 783 145	3 926 397
TOTAL	8 607 825	9 167 275

BALANCE SHEET – LIABILITIES

LIABILITIES	31.12.2018 AMOUNT IN EUR	31.12.2017 AMOUNT IN EUR
CAPITAL	6 274 663	6 602 320
Accumulated surplus/deficit	6 581 820	7 561 979
Economic result for the year – profit +/loss –	–307 157	– 959 659
TOTAL	6 274 663	6 602 320
NON-CURRENT LIABILITIES	1 392 914	1 511 736
Provisions for risks and charges	602 576	551 814
Other financial liabilities	99 601	92 868
Accrued charges and deferred income	690 737	867 054
TOTAL NON-CURRENT LIABILITIES	1 392 914	1 511 736
CURRENT LIABILITIES	940 248	1 053 219
Provisions for risks and charges	0	0
Accounts payable	940 248	1 053 219
Current payables	1 361	16 846
Sundry payables	13 504	13 511
Accrued charges and deferred income	819 291	849 494
Accrued charges with consolidated EU entities	1 849	429
Accounts payable with consolidated EU entities	104 243	172 939
Pre-financing received from consolidated EU entities	104 243	172 939
TOTAL CURRENT LIABILITIES	940 248	1 053 219
TOTAL	8 607 825	9 167 275

CASH FLOW TABLE (INDIRECT METHOD)

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

	2018 EUR	2017 EUR
CASH FLOWS FROM ORDINARY ACTIVITIES		
Surplus/(deficit) from ordinary activities	-307 157	-959 659
Operating activities		
Adjustments		
Amortization (intangible fixed assets) +	1 864 702	1 859 794
Depreciation (tangible fixed assets) +	363 792	558 006
Increase/(decrease) in long-term provisions for risks and liabilities	50 762	-77 164
Increase/(decrease) in short-term provisions for risks and liabilities	0	0
(Increase)/decrease in inventories	0	0
(Increase)/decrease in long term pre-financing	0	0
(Increase)/decrease in short term pre-financing	0	4 290
(Increase)/decrease in long term receivables and recoverables	0	0
(Increase)/decrease in Short term Receivables and recoverables	-201 274	-44 790
(Increase)/decrease in receivables related to consolidated EU entities	1 393	-1 265
Increase/(decrease) in value reduction for doubtful debts	0	0
Increase/(decrease) in long-term financial liabilities	6 733	6 781
Increase/(decrease) in short-term financial liabilities	0	0
Increase/(decrease) in other long-term liabilities	-176 317	-191 234
Increase/(decrease) in other short-term liabilities (accrued charges and deferred income)	-28 783	-22 722
Increase/(decrease) in short-term payables	-15 492	7 630
Increase/(decrease) in Liabilities related to consolidated EU entities	-68 696	-95 196
Other non-cash movements	-20 500	0
NET CASH FLOW FROM OPERATING ACTIVITIES	1 469 163	1 044 471

	2018 EUR	2017 EUR
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/Decrease in intangible assets and property plant and equipment	-812 297	-520 228
Other proceeds from intangible assets and property plant and equipment		0
NET CASH FLOW FROM INVESTING ACTIVITIES	-812 297	-520 228
INCREASE/(DECREASE) IN EMPLOYEE BENEFITS		
Net increase/(decrease) in cash and cash equivalents	656 866	524 243
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2 653 400	2 129 157
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3 310 266	2 653 400

STATEMENT OF CHANGES IN NET ASSETS

NET ASSETS	Accumulated surplus/deficit EUR	Economic result of the year EUR	Net assets (total) EUR
Balance as of 31 December 2017	7 561 979	-959 659	6 602 320
Other	-20 500	0	-20 500
Fair value movements	0	0	0
Movement in Guarantee Fund reserve	0	0	0
Allocation of the Economic Result of Previous Year	-959 659	959 659	0
Amounts credited to Member States	0	0	0
Economic result of the year	0	-307 157	-307 157
Balance as of 31 December 2018	6 581 820	-307 157	6 274 663

ANNEX X: ACCESS TO DOCUMENTS REPORT 2018

1. INITIAL REQUESTS IN 2018

Number of received applications and of identified documents, as requested (?)

Number of applications	Number of identified documents
7	18

Outcome of the applications in number of documents

Full disclosure	4
Partial disclosure	0
Refusal	7
Decision pending	0
No existing/possession of document	2
Document already publicly available	7

2. CONFIRMATORY APPLICATIONS IN 2018

Number of confirmatory applications and of identified documents, as requested

Number of applications	Number of identified documents
1	7

Outcome of the applications in number of documents

Confirmation	0
Partial revision	0
Full revision	7

(?) An ATD application containing a general request to any documents relating to a specific subject(s) cannot be quantified in terms of number of requested documents. Such quantification is only possible with regard to an ATD application requesting access to a specific document. Therefore, the figures in this table do not necessarily coincide.

ANNEX XI: OPINIONS AND REPORTS PUBLISHED IN 2017

DATE	OPINION
12.2018	Opinion on non-life cross-border insurance business of a long-term nature and its supervision
07.2018	Opinion of EIOPA's Mediation Panel
06.2018	Opinion on disclosure of information to customers about the impact of the withdrawal of the United Kingdom from the European Union Frequently Asked Questions
05.2018	Opinion on the solvency position of insurance and reinsurance undertakings in light of the withdrawal of the United Kingdom from the European Union

DATE	REPORT
12.2018	Financial Stability Report December 2018
12.2018	Report to the European Commission on group supervision and capital management with a group of insurance or reinsurance undertakings, and FoS and FoE under Solvency II
12.2018	Seventh consumer trends report
12.2018	Report on the use of limitations and exemptions from reporting 2018
12.2018	Report on the evaluation of the structure of insurance intermediaries markets in Europe
12.2018	Report on the use of capital add-ons 2018
12.2018	Report on long-term guarantees measures and measures on equity risk 2018
11.2018	Peer review of key functions: supervisory practices and application in assessing key functions
11.2018	Implementation of IORP II: Report on the Pension Benefit Statement: guidance and principles based on current practices
11.2018	European insurance overview
10.2018	EIOPA's analysis of IFRS 17 insurance contracts
09.2018	Activity Report 2016 – 2018 of the Occupational Pensions Stakeholder Group
08.2018	Understanding cyber insurance – A structured dialogue with insurance companies
07.2018	Other potential macroprudential tools and measures to enhance the current framework
07.2018	Failures and near misses in insurance
06.2018	Financial Stability Report June 2018
06.2018	Annual Report 2017
05.2018	First comparative study on market and credit risk modelling

DATE	REPORT
04.2018	Oversight activities in 2017
04.2018	Supervisory Convergence Plan 2018 – 2019
03.2018	Solvency II tools with macroprudential impact
02.2018	Systemic risk and macroprudential policy in insurance
01.2018	2017 Market development report on occupational pensions and cross-border IORPs

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