



# **Annual Report 2014**

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# Analysis and Assessment of the Annual Activity Report 2014 by the Board of Supervisors

EIOPA's Board of Supervisors (BoS) takes note of the Annual Activity Report 2014, submitted by the Authorising Officer in accordance with Article 47(1) of the Financial Regulation applicable to EIOPA<sup>1</sup>.

Analysing and assessing the Annual Activity Report 2014 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 2014. 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 Work Programme 2014, financial and management information, as well as the risks related to the organisational activities and measures taken to address them.
- BoS acknowledges the challenges EIOPA faces in terms of its constrained resources in the face of a demanding workload and welcomes EIOPA efforts to manage this challenging situation.
- BoS notes the prioritisation carried out in line with EIOPA strategic goals.
- BoS notes the effective preparations EIOPA is making in anticipation of the application of Solvency II, both in terms of providing and supporting implementation of the regulatory framework in which National Competent Authorities (NCAs) and Undertakings will operate and implementing its own internal structures, processes and systems to fulfil its role under the Solvency II Directive. The BoS acknowledges in this regard the extensive NCA training through seminars held by EIOPA.
- BoS acknowledges EIOPA's constructive work in the sector of occupational pensions.
- BoS notes the important contribution EIOPA made to consumer protection, and in particular the joint work of the three supervisory authorities (EIOPA, ESMA and EBA).
- BoS notes the continuous focus from EIOPA management to build a sustainable organization with high level of expertise and ongoing training.



- BoS notes the positive results of successful management of the Authority's tasks and resources, indicated by:
  - The positive rate of 91% delivery of products and services EIOPA committed to undertake in 2014; and
  - The implementation rate of the budget of 100%.
- 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.
- BoS notes that the "square meters per head" increased in 2014; however, it is also noted that EIOPA remains below the European average and that, with the foreseen recruiting plans and open space policy, it will get below 2013 rates once settlement phase is concluded.
- BoS notes the Executive Director has no reservations or critical issues to report which would affect the presentation of the annual accounts for the financial year 2014 to the discharge authority.
- BoS considers that EIOPA is run effectively and efficiently and delivering the expected products and services to sufficiently high standards of quality.

Gabriel Bernardino  
Chair of the Board of Supervisors

<sup>1</sup> EIOPA/13/474

# Foreword by the Chairman

In 2014 consumer protection and financial stability continued to guide EIOPA's priorities. Our ultimate goal is to ensure that insurance companies and pension funds are soundly managed, have a robust solvency position and treat policyholders, members and beneficiaries in a transparent and fair manner.

In line with the new range of powers conferred to EIOPA by the Omnibus II Directive we devoted special attention to the implementation of the Solvency II regime. In order to ensure the application of convergent procedures by National Supervisory Authorities (NSA's), the Authority developed a number of Implementing Technical Standards on the supervisory approval processes envisaged in the new system. Furthermore, EIOPA worked intensively on a number of Guidelines with the aim to align supervisory practices and provide clarity to firms on what are supervisors' expectations on the implementation of the Solvency II requirements, contributing to convergent interpretations and practices by NSA's. This work will prove to be extremely beneficial in terms of supervisor alignment, level playing field and enhanced policyholder protection.

Our approach to Standards and Guidelines is aligned with the overall objective of delivering a sound and robust risk-based regime for the EU insurance sector, while at the same time using pragmatic and proportionate approaches.

In parallel, in the course 2014, EIOPA increased its activities in the area of supervisory convergence. EIOPA's participation in Colleges of Supervisors was focused on achieving a common analysis and measurement of risks and on the discussions around internal model approval. EIOPA's Centre of Expertise in internal models worked together with national experts to develop new tools and common supervisory practices in the area of internal models, including a common application package to promote consistent supervisory practices. EIOPA's Oversight team conducted 10 bilateral visits to NSA's, building trustful relations, understanding the challenges to implement risk-based supervision and providing independent, insightful and challenging feedback on supervisory practices.

Underpinning all the supervisory convergence agenda, EIOPA continued to develop its Supervisory Handbook, covering good supervisory practices on different areas of Solvency II and organizing Peer Reviews to further strengthen consistency in supervisory outcomes.

In the context of the preparation for Solvency II, the risk-based and forward looking approach to supervision was reinforced with EIOPA's insurance stress test 2014. This was a truly preventive supervisory exercise, giving EU supervisors an updated picture of the undertakings' preparedness to comply with the upcoming capital requirements under Solvency II. Furthermore, by applying a set of rigorous and severe stresses, the results indicated to us the areas where undertakings are most vulnerable. In particular, in a prolonged low interest environment, the exercise raised the attention to the vulnerabilities of certain life insurance business models that operate considerable duration and/or internal rate of return mismatches. Upon the stress test results, EIOPA issued recommendations to NSA's in order to ensure that the vulnerabilities identified will be addressed and that follow-up supervisory actions will be taken to protect policyholders.



On the pensions side EIOPA continued to work on its contribution to the EU regulatory framework for occupational pensions, with a focus on three fundamental objectives: enhancing sustainability, strong governance and full transparency. Simultaneously we worked on the prudential regulations and consumer protection measures needed to create a single market for personal pensions in the EU.

Our strategic commitment to consumer protection continued to be focused on ensuring a paradigm shift towards better disclosure, fairness in selling practices and proper governance arrangements to ensure that companies reliably place the interest of their customers at the heart of their business.

These main guiding principles were reflected in the work performed by EIOPA on conflicts of interest in direct and intermediated sales of insurance based investment products, on the proposal for Guidelines on product oversight and governance arrangements by insurance undertakings and on the development of key information documents designed to help retail investors in the EU better understand and compare packaged retail and insurance-based investment products (PRIIPs).

These considerable achievements are the result of a heavy workload for the team at EIOPA and the experts from NSA's. Only with their enthusiasm, determination and commitment it was possible to deliver quality products within a context of very tight deadlines and resource constraints. Their work is inseparable from all EIOPA's achievements and success.

I want also to thank the members of EIOPA's Board of Supervisors and Management Board for their continuous steer and support and for the considerable time and energy dedicated to the Authority.

In our work we kept following our corporate principles. We continued to have independent and objective judgment. Our conclusions were based on reliable analysis and solid evidence. We adhered to the transparency and accountability towards our stakeholders. And finally, we worked as a multinational team with a truly European spirit; a team that did not forget an instant about its mission to create a strong European supervisory culture for the benefit of all EU citizens.

A handwritten signature in blue ink, which appears to read 'G. Bernardino'.

Gabriel Bernardino

# Foreword by the Executive Director

The year 2014 has become the right moment in the short life of EIOPA, due to the review of the European System for Financial Supervision, to look back and reflect on achievements, and to look forward and consider challenges ahead. The review indicated that the European Supervisory Authorities managed to quickly establish well-functioning organisations and in general performed well “against their broad range of tasks, while facing increasing demands with limited human resources”. Yet, we are constantly trying to find ways to improve and enhance our work, as the most direct way to ensure that EIOPA creates a legacy in the world of insurance and occupational pensions.

The work delivered by EIOPA in 2014, although ambitious, is the outcome of a strong prioritization exercise, which was conducted and implemented in a highly efficient way. Our performance management was strengthened by linking EIOPA’s strategic ambitions with concrete organisational, team and individual objectives. It resulted in delivering of high-quality products in a timely manner.

Having aggregated a solid 3 year working basis, EIOPA continued to reinforce its governance and IT infrastructure. In the course of the year we have implemented good standards and best practices for coordination of initiatives and projects and will be challenging existing business processes for their continuous optimisation. Planning and internal control standards have also been significantly improved in 2014, consolidating amongst others risk management, business continuity, planning and reporting capabilities. And the return coming from all this progress is helping the Authority to place itself at another level of quality, efficiency and relevance, making a positive difference for Europe and its citizens.

Several IT projects were delivered in the course of the year: the new public website, the collaboration tool for colleges of supervisors and the common document management platform for the members and observers of EIOPA’s Board of Supervisors. EIOPA’s fundamental approach towards IT governance and strategy resulted in being cited as an example of best practice by the Internal Audit Service of the European Commission.

In the area of finance and budget, EIOPA applies all the principles and standards of sound and efficiency-linked management. In the course of 2014, EIOPA has introduced the related processes and supporting tools in order to improve efficiency, cost savings and accountability of its financial and administrative procedures. Public money is the European citizens’ money and we must treat it accordingly.

Turning to human resources, in 2014 the number of staff increased from 110 in December 2013 to 134 in December 2014. We still need more people in order to fulfil our mandate, but I can only see with satisfaction how good the integration of the new colleagues has been. The focus that we put on the personal development of people, by providing different training and networking opportunities, is also proving to be key factor in terms of culture and work. Our policy is to establish a motivating working environment and encourage professional growth, which has been very much appreciated by EIOPA’s staff members.



I would like to underline that none of these achievements would be possible without our people. Thanks to their devotion, professionalism and team play we managed to make the year 2014 a story of a success. I am proud to be part of EIOPA’s team and will continue making my small contribution to make EIOPA a modern, agile and efficient multi-cultural organisation of which European citizens can feel as proud of as the colleagues working in are. All our work is there with a purpose: more and better Europe, and a better financial sector within.

A handwritten signature in blue ink, reading "Carlos Montalvo", written over a horizontal line.

Carlos Montalvo

# Executive Summary

EIOPA was set up in 2011 as an independent European Supervisory Authority with core responsibilities to support the stability of the financial system, ensure the transparency of markets and financial products, and protect policyholders, and pension scheme members and beneficiaries.

EIOPA's Annual Report 2014 outlines the Authority's main achievements across its goals to: strengthen consumer protection, deliver quality and timely regulation, ensure convergence, consistency and quality of supervision, support financial stability and develop as a modern and competent authority. It also provides information on EIOPA's management of the resources allocated to it in order to meet these goals.



## INFORMATION BOX: EIOPA Top 5 Achievements in 2014

- To ensure timely preparation for Solvency II and consistent supervisory practices, EIOPA delivered to the Commission 6 Technical Standards on Solvency II approval processes and successfully concluded the public consultation on Guidelines for implementation of the Directive.
- Stress Test of the European Insurance Sector providing a formal assessment of the resilience of financial institutions to adverse market developments using a consistent methodology and providing recommendations to National Competent Authorities (NCAs) addressing the identified vulnerabilities.
- Consultation and Discussion Papers on the Consumer Protection themes of Product Oversight and Governance and Conflict of Interest in direct and intermediated sales of insurance-based investment products (PRIIPs).
- EIOPA published a consultation document on the solvency of Institutions for Occupational Retirement Provision (IORP) and preliminary Advice to the Commission on personal pensions.
- Establishment of the Supervisory Oversight Team, which conducted visits to 10 National Competent Authorities in 2014 with a focus on implementation of Solvency II and the risk assessment framework.

In the domain of consumer protection, EIOPA provided technical input into a number of EU legislative developments and issued reports addressing some of the most pressing issues relating to consumer detriment. Key products in 2014 include in addition to the mentioned key achievements: a Joint Consultation paper on cross selling; and a Consultation Paper on Product Intervention Powers – a new role for EIOPA under the Regulation on Key Information Documents for Packaged Retail and Insurance-Based Investment Products.

EIOPA has had a major role in the development, preparation and implementation of Solvency II. In 2014 the focus has been on the production of the technical standards and guidelines required to ensure consistent and convergent application of the Directive within the Union. EIOPA has also pro-actively sought to facilitate application of the Directive through implementation of the preparatory guidelines, providing National Competent Authorities (NCAs) and undertakings with the opportunity to become familiar with the requirements. The Authority has also consulted on how it will implement its statutory obligation to publish the risk free rate curves for a large number of currencies.

# Executive Summary

In the field of pensions, EIOPA published a consultation document on further work on the solvency of IORPs, developing the holistic balance sheet. The paper constitutes a further step in EIOPA's work on a risk-based framework for occupational pension funds that adequately acknowledges and takes into consideration the specificities of the Sector. EIOPA is also carrying out significant work in the area of personal pensions, setting out alternatives for development of an internal market and in response to a wide-ranging call for advice from the Commission, developing advice on a so-called second regime for personal pensions. Developing a truly internal market for pensions can increase member protection, transparency and be the catalyst for better outcomes for citizens and pension providers, through economies of scale.

To enhance supervision of cross-border groups, EIOPA continues to actively participate in colleges of supervisors, providing expert advice and support. The Authority has also begun to provide bi-lateral feedback to National Competent Authorities (NCAs) on implementation of Solvency II. The Centre of Expertise in Internal Models further developed in 2014 providing additional tools and increasing the levels of advice in support of application of one of the most challenging areas of Solvency II.

EIOPA continued to deliver its core tools informing key stakeholders of developing risks to financial stability and whether action is necessary. EIOPA delivered two Financial Stability Reports providing comprehensive economic analysis of risks and vulnerabilities and four Risk Dashboard monitoring qualitative and quantitative indicators to identify and measure systemic risks. An insurance stress test was conducted in 2014 providing a formal assessment of the resilience of financial institutions to adverse market developments. On the basis of these results, EIOPA developed and published recommendations addressed to NCAs for supervisory action. These recommendations focused on preparedness for Solvency II, increased supervisory focus on risk management, product design, recovery planning and supervisory capacity to deal with adverse events.

EIOPA's reputation as a modern and competent Authority is dependent on the quality of the products and services it delivers to external stakeholders, but is also based on the way in which it operates and is managed. This is why EIOPA places a great emphasis on transparency and working within recognised standards and conforming to the requirements as set out in its own and other relevant regulation.

2014 has been a very positive year for EIOPA in terms of achievement. The Authority has however experienced some major challenges. The most pressing being the disparity between the tasks and obligations assigned to EIOPA versus the resources it has to undertake them. EIOPA has continued to enhance the effectiveness and efficiency of its operational, management and administrative functions and remains committed to producing quality products that contribute to its objectives.

## 3<sup>rd</sup> Conference on Global Insurance Supervision Fit for Global Thinking? 9 – 10 September 2014 Frankfurt, Germany





## Introduction

### EIOPA

The European Insurance and Occupational Pensions Authority (EIOPA) was set up in January 2011 as a result of reforms of the supervisory structure in the financial sector of the European Union (EU). EIOPA is an independent European Union advisory body to the European Parliament, the Council of the European Union and the European Commission. Its core responsibilities are to support the stability of the financial system, ensure the transparency of markets and financial products, and protect policyholders, and pension scheme members and beneficiaries.

EIOPA is one of three European Supervisory Authorities that comprise an important element of the European System of Financial Supervisors (ESFS), an integrated network of national and European supervisory authorities that provides the necessary links between the macro and micro prudential levels, leaving day-to-day supervision to the national level.

This Annual Report details the Authority's main achievements in 2014 across its strategic goals of:

- to ensure transparency, simplicity, accessibility and fairness across the internal market for consumers;
- to lead the development of sound and prudent regulations supporting the EU internal market;
- to improve the quality, efficiency and consistency of the supervision of EU insurers and occupational pensions;
- to identify, assess, mitigate and manage risks and threats to the financial stability of the insurance and occupational pensions sectors;
- to act as a modern, competent and professional organisation, with effective governance arrangements, efficient processes and a positive reputation.





## Governance and Management

### Board of Supervisors

As set out in EIOPA's Founding Regulation, the Board of Supervisors is the main decision-making body for the Authority. It is composed of EIOPA's Chairman, the heads of 28 national authorities (Voting Members and Permanent Representatives), Non-Voting Members and Observers.

Iceland, Liechtenstein and Norway represent the non-EU Member States of the European Economic Area, while observer status 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). The Board of Supervisors meets at least twice a year and may create internal committees and panels for specific tasks. In 2014, the Board of Supervisors met seven times.

### 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. 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.

### MB members December 2014:

- Gabriel Bernardino – EIOPA Chair
- Mr Peter Braumüller – Finanzmarktaufsicht, Austria (from June 2013, re-elected)
- Mr. Alberto Corinti – Istituto per la Vigilanza sulle Assicurazioni, Italy (from March 2014)
- Mr Felix Hufeld – BaFin-Bundesanstalt für Finanzdienstleistungsaufsicht, Germany (from June 2013)
- Ms. Sandrine Lemery – Autorité de Contrôle Prudentiel et de Résolution, France (from September 2014)
- Mr Jan Parner – Finanstilsynet, Denmark (from June 2013, re-elected)
- Mr Sergej Simoniti – Agencija za zavarovalni nadzor, Slovenia (from June 2013)

Two members resigned during 2014 – Ms. Danièle Nouy – Autorité de Contrôle Prudentiel et de Résolution, France and Mr Julian Adams – The Prudential Regulation Authority, UK.

The Management Board meets at least five times a year, always before every meeting of the Board of Supervisors, and as often as it deems necessary. In 2014, the MB met six times, playing a key strategic role in EIOPA's management. With a focus on planning, budget and assurance, the Board steered the development of the Annual Work Programme 2015, monitored the budget planning process and allocation of human and financial resources. The Management Board also received updates on EIOPA's tasks and activities.

### Working Groups

The development of EIOPA's policy agenda is also delivered through a number of Working Groups (see Annex VII for structure and role). Comprised of staff from both NCAs and EIOPA, Working Groups are an important element of the Authority and provide technical input for preparation of documents to be adopted by the Board of Supervisors.

## Stakeholder Groups

EIOPA is also supported by two Stakeholder Groups, established to facilitate consultation with parties in areas relevant to the Authority's tasks and engage in close dialogue with the Authority. The Insurance and Reinsurance Stakeholder Group (IRSG) and the Occupational Pensions Stakeholder Group (OPSG) membership include representatives from the industry, consumers and academia (See Annex VIII).

EIOPA values greatly the contribution of its Stakeholder Groups to its work, and provides them with a preferential channel for information exchange and consultation, whilst ensuring their full independence.

During 2014 the OPSG delivered a Feedback Statement on proportionality principle in the context of the new Proposal for a Directive on IORPs and jointly with the IRSG an Opinion on European Market Infrastructure Regulation and an Opinion on LEI Guidelines. The OPSG also worked on the EIOPA Consultation Paper on Further Work on Solvency of IORPs – the consultation ended in January 2015. The IRSG delivered Responses/Opinions to: 1st set ITS and GL; both the Discussion Paper and the public consultation on conflicts of interest in direct and intermediated sales of insurance-based investment products; draft RTS on Intra Group Transaction and Risk Concentration for Financial Conglomerates; technical documentation on the relevant Risk Free Interest Rates Term Structures; and Basic Capital Requirements (BCR) for Global Systemically Important Insurers. It also provided Feedback statements on 3rd country branches; and on issues document on Key Information Document for motor insurance. Both Stakeholder Groups also provided valuable input to EIOPA's Consumer trends report. In November 2014 a Joint meeting was held with EIOPA's Board of Supervisors, which was an excellent opportunity to bring together a variety of perspectives on some key issues and exchange ideas.

## Main Achievements

### Strategic Goal 1: Consumer Protection

**To ensure transparency, simplicity, accessibility and fairness across the internal market for consumer**

#### EIOPA work on Conflicts of Interest

In 2014 EIOPA continued to undertake work in support of EU legislation in the domain of improving informed consumer choice and proper selling practices. In light of the amendments to the Insurance Mediation Directive via the Markets in Financial Instruments Directive II, EIOPA issued a Discussion Paper on **conflicts of interest** in direct and intermediated sales of insurance-based investment products (PRIIPs). During the summer EIOPA took on additional work provided for in the PRIIPs Regulation, which contains the legal basis for a Delegated Act on temporary restrictions and bans. Following a mandate from the Commission, EIOPA published a Consultation Paper in November 2014.

#### Product Oversight and Governance

To strengthen governance, sustainability and accessibility to insurance products, EIOPA has undertaken work on **Product Oversight and Governance** (POG) and developed Technical Standards/Common Acts under the Joint Committee (JC). Regarding POG, a Consultation Paper was launched in November 2014. EIOPA chaired the Joint Committee work on delivering **Technical Standards on PRIIPs**, which has resulted in the launch of a first technical Discussion Paper in October and the setting up of an expert group to assist with the consumer testing run by the Commission.

Following up on its Opinion on Payment Protection Insurance (PPI), published in June 2013, EIOPA issued a report on the actions taken by National Competent Authorities in response to the recommendations. The report concluded that EIOPA's Opinion had triggered significant developments in over half of national markets, demonstrating the value of the Opinion in highlighting key consumer protection issues relating to PPI to National Competent Authorities.

#### Protection of pension scheme members

EIOPA has also undertaken work to develop a systematic approach to the protection of pension scheme members and beneficiaries. In its **report on issues leading to detriment of occupational pension scheme members and beneficiaries**, EIOPA highlights the most pressing issues and outlines the potential scope of action for the Authority to counter them.

## Responding to the threat of consumer detriment

In November, EIOPA published its third **Consumer Trends Report**. In the report, EIOPA provides an overview of significant developments that may result in consumer detriment in the insurance and pensions markets. In addition to supporting the supervision of conduct by National Competent Authorities, by identifying these issues, EIOPA can focus its consumer protection work on addressing the most pressing and relevant developments.

**INFORMATION BOX:** Main trend identified in EIOPA's Consumer Trends Report:

- new or evolving channels for sales and marketing, including social media, and increasing use of advertising, especially via the internet, and the increased use of comparison websites;
- the lack of, or misleading, disclosure of information and poor advice given to consumers, potentially leading to the miss-selling of various insurance products, in particular, life products such as unit-linked products;
- new or emerging products, for example, mobile phone insurance and packaged bank accounts bundled with the sale of insurance;
- the sale of complex products to retail investors and governance rules for the development of these products;
- the practice of unilateral changes to the terms of insurance contracts by insurance undertakings; and
- the use of telematics (also known as 'black boxes') by insurers in the sale of motor insurance.

An example of how this has worked in practice is EIOPA's **Good Practices on Comparison Websites report**, which was developed in 2014 in response to the increasing use of such websites by consumers when selecting products. The report established good practices to provide internet users with a better understanding of the completeness and impartiality of the comparisons made, allowing for more informed choice. It addresses how and which information should be displayed by webpages to buy insurance products and what major pitfalls for users could be such as overly focusing on price, not getting an overview of all available products provided or the originator of the product not clearly displayed.

## Strategic Goal 2: Regulation

**Lead the development of sound and prudent regulations supporting the EU internal market**

### Solvency II Standards and Guidelines

EIOPA's regulatory work has focused on delivery of a key contribution towards ensuring a harmonised framework for insurance supervision in Europe, the so-called single rulebook. In 2014, EIOPA delivered to the Commission the 1st set of **6 Draft Implementing Technical Standards** with a focus on Solvency II approval processes and successfully completed the public consultation on a further set of **20 Guidelines**. Covering all three pillars of the Solvency II regime, together, they define the forms, templates and procedures for specific areas and provide non-binding instruments necessary for implementation, establishing consistent, efficient and effective supervisory practices.

Development all EIOPA Technical Standards and Guidelines involves extensive public consultation and a rigorous **impact assessment** of the costs and benefits. EIOPA's approach to these assessments was further enhanced in 2014, strengthening the use of evidence and ensuring the material impacts of regulation are fully considered. This includes the development of relevant monitoring and evaluation indicators for ex-post evaluation of the effectiveness of EIOPA's regulatory instruments.

**INFORMATION BOX:** Set 1 Solvency II Technical Standards Delivered to the Commission 2014:

- Draft ITS on the approval of an internal model;
- Draft ITS on the application to use a group internal model;
- Draft ITS on the approval procedure to use undertaking-specific parameters;
- Draft ITS on the approval of the application of a matching adjustment;
- Draft ITS on the approval for the use of ancillary own-fund items; and
- Draft ITS on the approval to establish special purpose vehicles.

### Risk Free Rate

In 2014, EIOPA also **consulted** on how it will implement its statutory obligation to publish the **risk free rate** of interest for a large number of currencies, thus helping to secure a level playing field for insurance undertakings.

### Further work on solvency of IORPs

In the field of pensions, while the Institutions for Occupational Retirement Provision (IORP) II Directive is being considered by the legislative parties, EIOPA continued its dialogue with key pensions stakeholders. It published a **consultation document on further work on the solvency of IORPs**, developing the holistic balance sheet. It also published a **report on practices during the decumulation phase of pensions**, an area which attracts greater attention. In terms of increasing the available information on pensions related data, EIOPA published **the first EU-wide register of IORPs** as well as updating its existing **pensions database**. It also enhanced its annual assessment of the number and nature of cross-border IORPs in its **market development report** by providing additional information on the 75 active in 2014 such as assets held and home/host countries.

### Personal Pensions

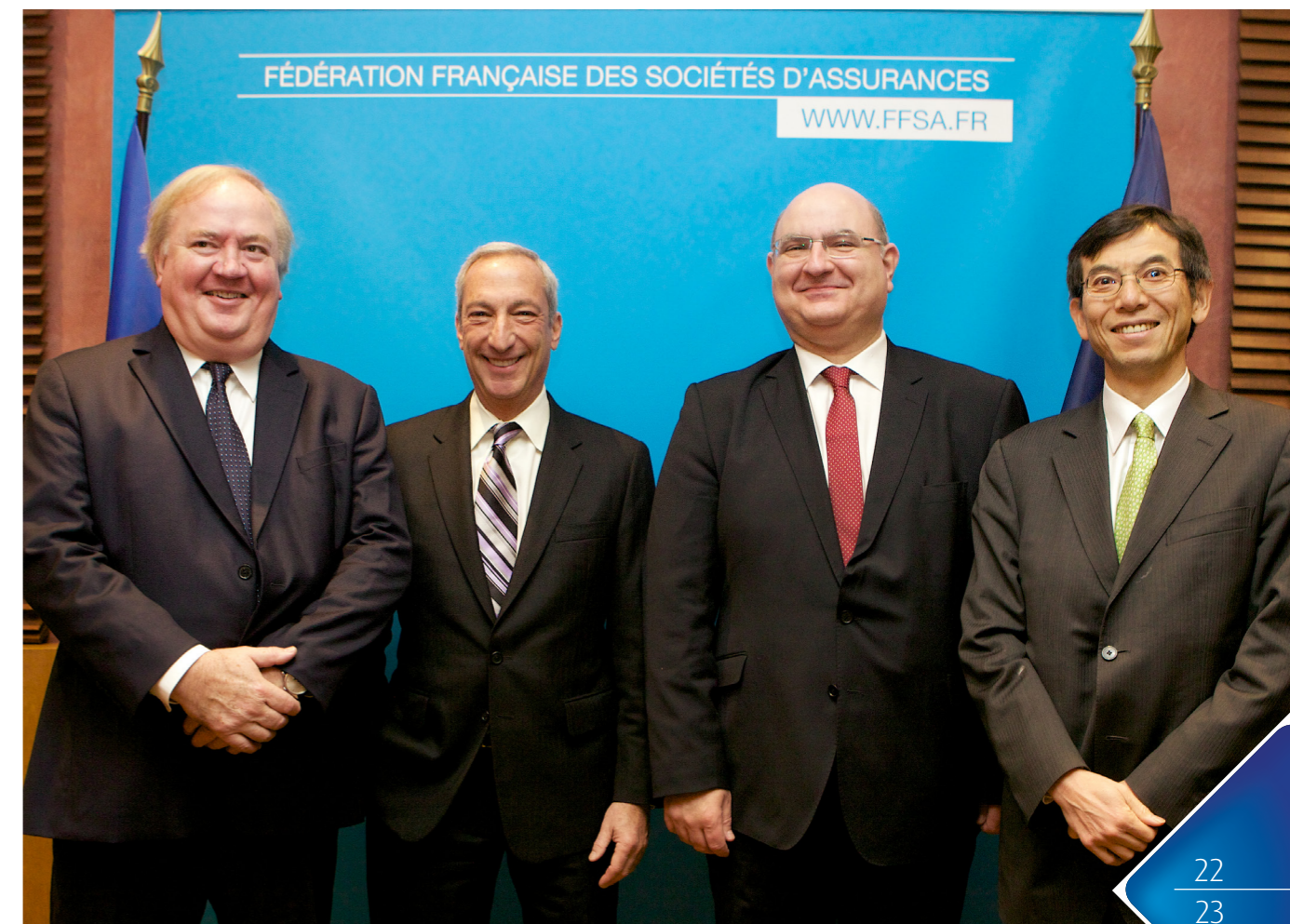
EIOPA is carrying out significant work in the area of personal pensions: in the early part of the year setting out **alternatives for development of an internal market** and, in the later part of the year and in response to a wide-ranging **call for advice from the Commission**, developing advice on a so-called second regime for personal pensions. The long term investment nature of personal pensions means they have the potential to be a key contributor to the capital markets union. Personal pensions enable individuals to invest in the long-term for their future adequate retirement income, at the same time enabling personal pension providers to also invest long-term. This is essential for the efficiency of the capital market union and a healthy diversification of capital providers to the capital market.

### International Capital Standards

Internationally, trust between different supervisory frameworks demands increased understanding and joint work towards greater comparability. EIOPA played a leading role within the EU in the development by the International Association of Insurance Supervisors of its **basic capital requirement** and its consultation at the end of 2014 on international capital standards.

### Equivalence

Meanwhile, EIOPA revised its earlier reports of the full **equivalence** of the insurance frameworks of Bermuda, Japan and Switzerland. The dialogue between the EU and US aimed at enhancing understanding and cooperation brought agreement during 2014 on the updated way forward, including the option for a covered agreement between the EU and US on reinsurance collaterals. In addition, a number of regulatory dialogues were held with a large number of third countries across the globe to share information on market developments and deepen cooperation on regulatory topics of international relevance.



## Strategic Goal 3: Oversight

To improve the quality, efficiency and consistency of the supervision of EU insurers and occupational pensions

### Colleges of Supervisors

Colleges of Supervisors are an important tool ensuring that cross-border groups are supervised in an effective and efficient way. EIOPA participates in colleges, playing an important and active role in providing **expert advice and feedback on good practices**. Progress by the colleges has been made in key areas, especially **group risk assessment**. Almost all colleges started activities to come to a shared view on the risks, 68% of the colleges already formed a shared view on the risks for group and solo level. In the area of preparation for Solvency II, the picture is mixed. For those colleges where internal models are under discussion, there has been reasonable progress towards detailed planning and discussion of the blocking points. For colleges without an internal model, more than half have started to discuss their group's preparedness. EIOPA's Colleges Team organised two one-day **events for Group Supervisors** focussing on practical issues that are relevant in colleges.

### Supervisory Oversight

EIOPA's Supervisory Oversight Team maintains regular bilateral contacts with National Competent Authorities and provides **feedback on the implementation of Solvency II** to enhance convergence and consistency. In 2014 the team conducted **visits to 10 NCAs** to better understand their supervisory and regulatory framework with a focus on implementation of Solvency II and the risk assessment framework. The team also participates in the **assessment by independent third parties** of the Romanian insurance sector of which key elements were agreed between the European Commission, EIOPA and the Romanian Financial Supervision Authority in August 2014. This assessment, which will include a **balance sheet review** and an individual stress test, constitutes a major step for strengthening the viability of and confidence in this sector in Romania.

### Centre of Expertise in Internal Models

The Centre of Expertise in Internal Models, initiated by EIOPA in anticipation of one of the most challenging areas of Solvency II, provides expert knowledge, practical tools and advice to National Competent Authorities to support the consistent, compliant and efficient implementation of Internal Models. With this aim in 2014, a **Common Internal Models Application Package** was developed and its use recommended with an EIOPA Opinion. **Five good practice notes** have been delivered. A note **"Practical Guidance on Joint Decisions"**, which included a model timetable for the six months of the approval process was produced for NCAs and a paper on the risks to decisions (and suggested follow-up). A **benchmarking exercise on market risk** in internal models across several countries was carried out.

### Supervisory Handbook

A good start was made during 2014 on the **handbook of good supervisory practices** with the completion of chapters on risk assessment and on supervision of the governing body of insurance undertakings.

The **preparatory phase initiated by EIOPA** in 2013 has proven to actively promote NCA Solvency II readiness and helped in developing a common understanding in support of greater EU supervisory convergence during 2014. Progress is being made with regards to implementation by supervisors in the areas under consideration in the preparatory guidelines, evidenced by the compliance tables and feedback collected at the seminars with NCAs. EIOPA has also responded to almost 200 questions through its **Question & Answer process**, mainly on submission of information to supervisors, aiding consistent implementation by providing clarification on areas of uncertainty.

#### INFORMATION BOX: Preparatory Guidelines for Solvency II:

- Preparatory Guidelines on System of Governance;
- Preparatory Guidelines on Submission of Information;
- Preparatory Guidelines on Own Risk Solvency Assessment (ORSA); and
- Preparatory Guidelines on Pre-Application of Internal Model.

EIOPA issued the Preparatory Guidelines to prepare NCAs and undertakings for the implementation of Solvency II, prioritising those areas that require more effort and time for NCAs to incorporate before 1 January 2016.

The replies to the Compliance Tables as updated in February 2015 show that **most NCAs provide a compliant reply to the Preparatory GLs**. Few NCAs have reported a very limited number of cases of non-compliance with the Preparatory Guidelines (GLs). Ceska Narodni Banka (Czech National Bank) (CZ), GLs on Submission of Information: 2 of the 39 Guidelines (16 and 35); Commissariat aux Assurances (LU), GLs on Submission of Information: 13 of the 39 Guidelines (1, 3, 4, 8-20, 26, 35 and 39); Malta Financial Services Authority (MT), GLs on Submission of Information: 2 of the 39 Guidelines (15 and 19).

EIOPA acknowledges that NCAs are making efforts to prepare for Solvency II using different means and supervisory practices such as continuous dialogues with undertakings, voluntary exercises with the industry, issuance of (non-binding) guidance and others. This is of particular

relevance for the preparatory Guidelines because in most cases the national legal framework, providing NCA's with the required mandate, was not yet finalised.

The goal of the preparatory Guidelines was to make the transition to Solvency II as of 1 January 2016 more gradual and better prepared. The focus of EIOPA from 1 January 2016 onwards will be on the appropriate fulfilment of the Solvency II reporting requirements.

### Breach of Union Law

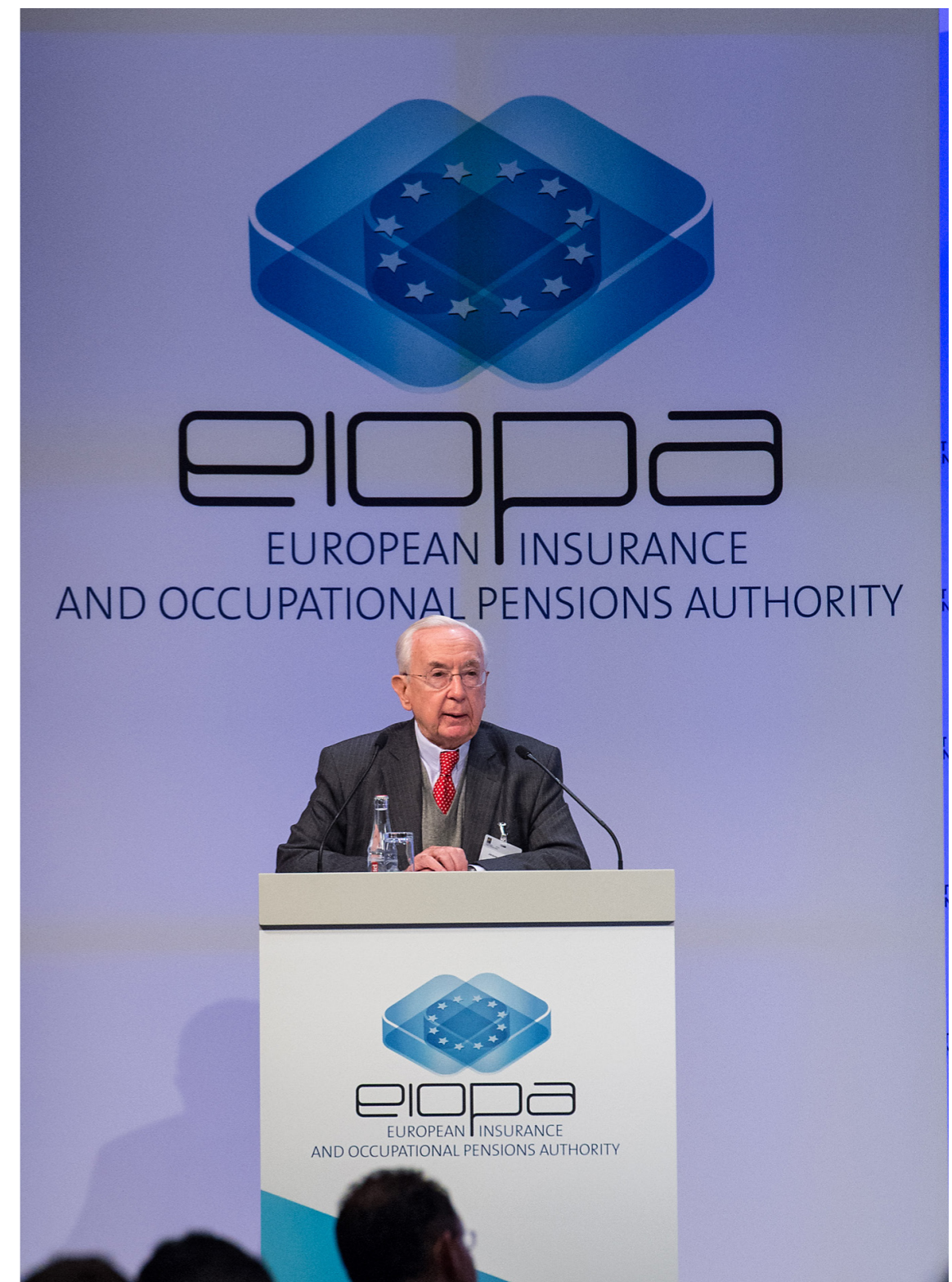
EIOPA has the power to investigate alleged breaches or non-application of EU law by national competent authorities (NCAs) in accordance with the powers set out in the EIOPA Regulation. EIOPA can start an investigation upon its own initiative or following a request.

In 2014, EIOPA registered six cases, one of which based on EIOPA's own initiative. In each case EIOPA carried out a careful assessment based on the information received from the complainant and also taking into consideration the view of the competent authority concerned. By the end of the year five requests were closed on the ground of non-admissibility – the grievance being outside EIOPA's scope of actions or because the grievance was not founded. One case is still ongoing.

EIOPA is committed to consider and if required actively use the breach of Union law procedure in view of strengthening compliance with Union laws within the supervisory community.

### Peer Reviews

EIOPA also supports wider supervisory convergence, including in the field of Solvency II implementation, through peer reviews; each focuses on a specific topic to identify best practice and make concrete recommendations to NCAs on areas of improvement. The peer reviews are based on the methods developed by EIOPA and allow for objective assessment and comparison between the authorities reviewed. When conducting peer reviews, EIOPA takes into account existing information and evaluations already made with regard to each participating authority. In 2014, the Authority worked on six reviews, completing in total three launched in 2013 (**NCA Supervisory Practices in respect of conditions of operation (Article 9) for IORPs, Follow-up to Internal Models peer reviews**), and finalised the **EEA Branches peer review** launched in 2012. Two additional peer reviews were launched on **Freedom to Provide Services** and **Joint On-sites**. The work on a 3rd peer review planned regarding **IORPs Directive** (Article 12) started with the development of a self-assessment questionnaire, and will be launched in 2015.



## Sectoral and cross-sectoral training

The Authority's sectoral and cross-sectoral training programme is designed to provide National Competent Authority staff with the skills and knowledge they need to perform their tasks. During 2014, supporting effective implementation of Solvency II and its supervisory convergence has been the key priority. A total of **1,939 participants** attended an EIOPA training event in 2014 (sectoral and cross-sectoral).

### INFORMATION BOX: Sectoral Training and Public Events Delivered by EIOPA in 2014

Sectoral seminars (including workshops)	Location	Dates	Number of participants
EIOPA Preparatory Guidelines	Frankfurt	24-25 Apr	54
Risk-based Supervision (in cooperation with WorldBank)	Ljubljana	27-28 May	58
EIOPA Insurance Stress Test Validation Training	Frankfurt	6 June	38
EIOPA Preparatory Guideline on "Submission of information"	Paris	23 June	37
Preparing for Internal Model Applications using relevant EIOPA Preparatory Guidelines	Frankfurt	10-11 July	47
Macro-prudential Framework for the Insurance Sector	Riga	8-9 Sept	56
Training for Website Authorisation Officers (postponed from 2013)	Frankfurt	26-Sep	28
EIOPA Preparatory Guidelines (System of Governance + FLAOR)	Athens	1-2 Oct	83
Seminar on Occupational Pensions	Frankfurt	15 Oct	49
Tool for Undertaking Implementation and 1st level support (postponed from 2013)	Frankfurt	6-7 Nov	64
(Re) Insurance cycle	Vienna	12-Dec	53

Sectoral seminars (including workshops)	Location	Dates	Number of participants
Group Supervisors Day	Rome	20-Mar	42
Consumer Trends	Frankfurt	20-Mar	20
Payment Protection Insurance (PPI)	Frankfurt	7 Apr	32
EIOPA Insurance Stress Test Workshop + Webinar	Frankfurt	8+20 May	78
Workshop on Challenges for Cross-border Pension Schemes	Frankfurt	26 May	36
Group Supervisors Day	Frankfurt	23-24 Sept	31

Public events	Location	Dates	Number of participants
Personal Pensions	Bratislava	15-Apr	107
Joint ESAs Consumer Protection Day	London	4 June	304
Insurance Mediation Directive	Frankfurt	11 July	93
Conference on Global Insurance Supervision (GIS)	Frankfurt	9-10 Sep	138
EIOPA Conference	Frankfurt	19-Nov	354

In 2014, with the objective of further developing a common supervisory culture, the ESAs offered in total five cross-sectoral trainings. In consultation with NCAs, the ESAs identified priority topics on which a training programme for 2015 was based.

Comparing the number of cross-sectoral technical trainings offered from 2012 to 2014, the total dropped as a result of, in 2014, planned cross-sectoral trainings being converted into sectoral trainings and certain topics merged and presented in one seminar (2012 – 10, 2013 – 8, 2014 – 5 trainings). Consequently, the total number of participants decreased (2012 – 405, 2013 – 377, 2014 – 231).

As in 2013, in 2014, given budgetary constraints, financial support was provided to NCAs which might otherwise not have been able to attend trainings. This ensured a more equal representation at joint ESA and sectoral trainings.

**INFORMATION BOX:** Cross-Sectoral Training programme in 2014

Name of training activit	Dates	Location	Leading ESA	Host	Number of participants
Rating lifecycle and Reduction of reliance on ratings	20-21 March 2014	Paris	ESMA	ESMA	38
Joint Committee seminar on Corporate Governance	1 April 2014	Paris	ESMA	ESMA	57
Crisis Prevention, Management and Resolution	15-16 May 2014	Vilnius	EIOPA	BoL	50
Regulatory Impact Assessment	6-7 October 2014	Malta	EIOPA	MFSa	37
Colleges of Supervisors – an introduction	27-28 November 2014	Berlin	EIOPA	Bafin/ESE	49

### Information Sharing

Sharing of information is fundamental to increase the efficiency of the overall supervisory framework. The Authority continued its programme of information technology capability development to ensure it will be in a position to collect, manage, analyse and report on data as required under Solvency II. Despite the challenging and complex nature of developing this capability in a new organisation, EIOPA can report a series of successes in 2014. This includes amongst others the finalisation of analysis projects for the **Central Repository and Market Data collection; XBRL validation engine** in test and the selection and procurement of **Business Intelligence** software.

Support was also provided to NCAs and undertakings in meeting the Solvency II reporting requirements (including the preparatory phase) by developing tools and procedures for reporting that ensure efficiency in the process and quality of the data provided. This included releases of the **XBRL Taxonomy for the Preparatory Phase**. With this same aim, a first (beta) version of the **Tool for Undertakings** was published in December, comprising the reporting templates for the Preparatory Phase.

EIOPA reached agreement with the European Central Bank on a vision for data exchange to avoid duplication of work with regards to Solvency II data. EIOPA has also commenced the regular process of collecting data from National Competent Authorities and publishing the collated information on its website. Finally, EIOPA published its **Guidelines on the use of the LEI** for the insurance and pensions sector, contributing to the promotion of the use of this single global identifier in the European financial sector. Together with EBA and ESMA, EIOPA is also represented in the Regulatory Oversight Committee of the LEI and is contributing actively to the technical work on the establishment of the global LEI system.



## Strategic Goal 4: Financial Stability

To identify, assess, mitigate and manage risks and threats to the financial stability of the insurance and occupational pensions sectors

### Risk Assessment

Preventive supervision is based on anticipating risks and ensuring action is taken in advance to mitigate or eliminate them. EIOPA continually monitors and assesses risks and vulnerabilities to the stability of the insurance and occupational pensions sectors, and broader financial stability with a view to facilitate or coordinate supervisory action. The Authority's core tools inform key stakeholders, e.g. the European Systemic Risk Board (ESRB), the European Parliament and the European Council, on whether action is necessary. **Stress tests** are a tool for both undertakings and supervisors, providing a formal assessment of the resilience of financial institutions to adverse market developments using a consistent methodology. EIOPA's **Financial Stability Report** provides comprehensive economic analysis of risks and vulnerabilities and its **Risk Dashboard** monitors a common set of qualitative and quantitative indicators to identify and measure systemic risks.

### Stress Test

EIOPA completed a **comprehensive insurance stress test** in 2014 that aimed to test the overall resilience of the insurance sector and to identify its major vulnerabilities. Undertakings estimated a baseline scenario and a number of severe macro-economic and insurance specific shocks. The results of the baseline scenario indicated that 14% of the companies had a Standard Capital Requirement ratio below 100%. Insurance sector vulnerability to a "double hit" stress scenario combining decreases in asset values with a lower risk free rate was identified. Further major vulnerabilities include mass lapse, longevity and natural catastrophes.

A specific module to **assess the effects of a prolonged period of low interest rates and yields** was included. This module was a direct follow-up to EIOPA Opinion on the supervisory response to a prolonged period of low interest rates. According to the low yield module of the stress test, a continuation of the current low yield conditions could see some insurers having problems in fulfilling their promises to policyholders in 8-11 years' time.

On the basis of these results, EIOPA developed and published **recommendations addressed to NCAs for supervisory action** to address in a coordinated way the identified vulnerabilities. In the context of the preparation for Solvency II, NCAs were recommended to engage in a rigorous assessment of the preparedness of insurance undertakings, in particular regarding the situations where capital increases and/or balance sheet management actions will

be needed. Regarding the main vulnerabilities identified in the stress test, NCAs were recommended to engage with companies to ensure that they have a clear understanding of their risk exposures and their vulnerability to given stress scenarios and that they have the capacity to take recovery actions if those vulnerabilities materialise.

A feasibility study on the development of an **Institution for Occupational Retirement Provision (IORP) stress test** was also carried out, with the results supporting the preparations for an IORPs stress test in 2015.

### Risk Reporting Tools

EIOPA revised the methodology for the **Financial Stability Report** in 2014 with the introduction of **new quantitative tools allowing for deeper analysis** (premium and lapse modelling). A new format was also introduced, along with the inclusion of thematic articles produced by EIOPA and National Competent Authority experts. The **Quarterly Risk Dashboard** was enhanced with the introduction of new automated elements to the production process and methodological revisions. Following agreement by BoS on submission of individual data to EIOPA, the so-called Quarterly Fast Track reporting, containing core financial stability data of the largest insurers, will be implemented.

### Studies into Insurance Undertakings

A follow-up exercise to EIOPA's Opinion on Low Interest Rates was completed and a report published in combination with the stress test results. Follow-up studies were also completed on the **use of liquidity swaps** by insurance undertakings and **search for yield** by insurance undertakings. Other studies undertaken during the year focused on topics such as cyber risk and monetisation of future profits.

To further enhance discussion and information sharing on risks, a process for **regular risk review** and consideration of action has been introduced, which will be rolled out to the BoS early 2015. EIOPA's **Globally Systemically Important Insurers (G-SII)** Forum was successful in facilitating coordination and cooperation among G-SII lead supervisors.

### Crisis Prevention and Management

Crisis prevention and management are cornerstones of a comprehensive preventive risk based framework. Within this domain, a study on **National Competent Authority Crisis Prevention and Management Preparedness** was published and formed the basis for an EIOPA Opinion on the topic also published in 2014. Extension of crisis prevention and management techniques to IORPS was concluded successfully with BoS adoption of an **IORPs Crisis Management Handbook**.

## Strategic Goal 5: Organisation

**EIOPA to act as a modern, competent and professional organisation, with effective governance arrangements, efficient processes and a positive reputation**

### Governance and Internal Control

EIOPA continues to strengthen its governance mechanisms and compliance with internal control standards. Improvements in annual and multi-annual planning along with the evaluations of those plans are improving the way the Authority manages the tasks assigned to it under its regulations. The administration of MB/BoS continues to operate well, evidenced by the timely submission of quality documents in preparation of meetings to aid discussions. On the finance and budgeting side, ongoing improvements are ensuring the Authority continues to be run in line with the principles of sound financial management, this includes the drafting of financial implementing rules and improved reporting and forecasting capability. In addition the key processes for finance and procurement have been further strengthened. The good cooperation with the European Court of Auditors and Internal Audit Service supports EIOPA to continuously seek improvement of its internal operations. The Authority has already addressed all the findings of the audit mission of the Court of Auditors that took place in March 2014. The Internal Audit Service has cited EIOPA's **IT governance and strategy as an example of best practice.**

### Headquarters and IT Infrastructure

EIOPA has been able to implement a number of initiatives to ensure its staff and stakeholders have a safe, secure and adequate working environment. This includes the project to make the **28th floor of its Frankfurt headquarters operational.** EIOPA has also introduced new security arrangements, which enhance control of access to the premises, assets and information of EIOPA, and are fundamental to the handling of data. These projects were run in addition to ongoing work to ensure continued availability of the premises and its information technology infrastructure, which includes handling multiple large scale contracts. Back office work included the successful completion of important procurement procedures (e.g. for office supplies, furniture, video conferencing, audio-visual equipment, IT infrastructure, software and XBRL taxonomy services).

In parallel to the aforementioned projects, and as part of EIOPA's approach to enhance efficiency and cost saving policies, the work on the premises has also served as an opportunity for the gradual implementation of, inter alia, an open space policy within the Authority. EIOPA again achieved in 2014 its target of a lower ratio of square meters per head, and cost per square meter than the average for EU institutions.



Considerable progress was made with the implementation of strategically important information management initiatives; this includes the data transfer mechanism (HUB), which is used for registers, stress tests, and ad-hoc data collection, as well as a new web portal that was launched in December.

### Human Resources

The Authority achieved a **100% fulfilment of the Establishment Plan.** This was in a challenging recruitment context and with a high-turnover of staff. In total 49 recruitment campaigns were launched and 27 new colleagues joined EIOPA. This brings the total to 129 staff members from 26 different nationalities. The new HR Implementing Rules following revision of the staff Regulations has been conducted effectively, with EIOPA working in close cooperation with EBA, ESMA and other EU Agencies. The HR Business Partner services have been continued to support line managers in their function. Furthermore, 43 individual external trainings, 4 in-house trainings, 7 team buildings as well as newcomers' trainings have been organised. With the aim of implementing the good ideas from staff on how EIOPA can improve its internal processes, an action plan was developed in consultation with staff following the results of the first **staff engagement survey.**

## Cross Sectoral Work with the Joint Committee

In 2014 the Joint Committee continued its work as a forum for cross-sectoral coordination and exchange of information between the ESAs. Under the chairmanship of EBA, the Joint Committee focussed in particular on the subjects on cross-sectoral risks, including conduct of business risk, and on consumer protection.

### Analysis of cross-sectoral risks

In the context of its work on cross-sectoral risks, the Joint Committee produced two joint reports focused on identification of key cross-sectoral risks and vulnerabilities in the EU financial system, which were submitted to the March and September meetings of Economic and Financial Committee of the Council (EFC-FST) and the European Systemic Risk Board (ESRB), as well as subsequently published<sup>1</sup> on the websites of the ESAs. The key risks identified included prolonged weak economic growth in an environment characterised by high indebtedness, intensified search for yield in a protracted low interest rate environment, and uncertainties in emerging market economies – all reflected in the methodologies applied in the 2014 stress test exercises for banks and insurance companies. In addition, the Joint Committee started to work on the topic of conduct of business risk and IT/cyber risks which have become ever more prominent in 2014.

The Joint Committee started analysing conduct of business risk, including operational and governance issues, identifying possible common EU policy responses and level playing field issues, including on sanctioning and enforcement as well as other applicable supervisory actions.

### Consumer protection

In the area of consumer protection, the work conducted has focused around a major regulatory mandate on Packaged Retail Investment and Insurance-based products (PRIIPs), for which the main deliverables are expected to come to maturity in 2015 and 2016. In this context, the Joint Committee published<sup>2</sup> in November 2014 a Discussion Paper on Key Information Documents (KIDs) designed to help retail investors in the EU better understand and compare PRIIPs across the EU as a first major step of their work. In addition, three other major products were finalised<sup>3</sup>: (i) the common Guidelines on complaints handling, enabling EU consumers to refer to a single set of complaints handling arrangements, irrespective of the type of product or service or the geographical location of the firm in question; (ii) a reminder to financial

institutions regarding placements of own instruments with retail customers, reminding financial institutions across the EU about their responsibility to comply with rules governing conflicts of interest, remuneration, provision of advice and suitability and appropriateness of products; and (iii) common principles on product oversight and governance.

To further reach out to consumers of financial services, retail investors and other stakeholders, the ESAs organised a second Joint Consumer Protection Day, which was held on 4 June 2014 in London. The Joint Consumer Protection Day gathered more than 300 consumer representatives, academics, legal and financial consultants, national supervisors, experts from EU and national institutions and financial services industry to discuss and exchange views on i) product oversight and governance, ii) behavioural economics/finance, iii) cross-selling and iv) financial innovation. In addition, a Consultation Paper on draft Guidelines on Cross-Selling practices was published on 22 December 2014, work that is to be continued in 2015. These guidelines establish a coherent and effective approach to supervising firms that offer cross-selling<sup>4</sup> options, so as to enhance protection of EU customers.

### Financial conglomerates

With regard to financial conglomerates, the Joint Committee published on 22 December 2014 the Joint Guidelines on the consistency of supervisory practices for financial conglomerates, developed in accordance with Article 11(1) of the Financial Conglomerates Directive (Directive 2002/87/EC). These first Guidelines developed jointly by the three ESAs aim at clarifying and enhancing the cooperation between national competent authorities in order to achieve a supplementary level of supervision of financial conglomerates. The areas covered by these Joint Guidelines include in particular the mapping of the financial conglomerate structure and written agreements; the coordination of information exchange, supervisory planning and coordination of supervisory activities in going concern and emergency situations; the supervisory assessment of financial conglomerates; and other decision-making processes among the competent authorities.

Moreover, the Joint Committee submitted<sup>5</sup> to the European Commission on 18 December 2014 a joint draft Regulatory Technical Standard (RTS) on risk concentration and intra-group transactions, in accordance with the Joint Committee's mandate under Article 21a (1a) of the Financial Conglomerates Directive. The draft RTS aim at clarifying which risk concentration and intra-group transactions shall be considered as significant. They provide clarification on what coordinators and other relevant competent authorities shall take into account when defining

<sup>1</sup> <https://eiopa.europa.eu/about-eiopa/organisation/joint-committee>

<sup>2</sup> <https://eiopa.europa.eu/Pages/Consultations/Joint-Discussion-Paper-on-Key-Information-Documents.aspx>

<sup>3</sup> <https://eiopa.europa.eu/consumer-protection/consumer-protection-financial-innovation>

<sup>4</sup> [https://eiopa.europa.eu/Publications/Consultations/JC%20CP%202014%2005%20\(Consultation%20Paper%20on%20Cross%20Selling\).pdf#search=Guidelines%20on%20Cross%20Selling%20practices](https://eiopa.europa.eu/Publications/Consultations/JC%20CP%202014%2005%20(Consultation%20Paper%20on%20Cross%20Selling).pdf#search=Guidelines%20on%20Cross%20Selling%20practices)

<sup>5</sup> <https://eiopa.europa.eu/Pages/News/Joint-Committee-of-the-ESAs-publishes-final-draft-technical-standards-on-risk-concentration-and-intra-group-transactions.aspx>

thresholds, periods for reporting and monitoring significant risk concentration and intra-group transactions, and provide a list of supervisory measures to be taken into account. In addition, the Joint Committee published its updated 2014 list of identified Financial Conglomerates in October 2014. The list shows 71 financial conglomerates with the head of group in an EU/EEA country, one with the head of group in Australia, two with the head of the group in Switzerland, and two with the head of group in the United States.

### Anti-money laundering

With regard to anti-money laundering and counter financing of terrorism, the Joint Committee submitted a Report on Reasonable grounds to the European Commission in April 2014, containing a micro-survey on Member States' supervisory practices regarding agents of payment institutions authorised in other Member States. The report investigates the circumstances that could be regarded as "reasonable grounds" for host supervisory authorities to reject the registration of an agent or the establishment of a branch and what practical constraints Member States have experienced in that respect. Moreover, the Joint Committee continued to work on the preparation of the regulatory mandates required by the envisaged revision to the Anti-Money Laundering Directive (4AMLD).

## Management

In its meeting of 30 and 31 January 2014, the EIOPA Board of Supervisors adopted the initial budget 2014 with a total of € 21 582 772 which was amended in December 2014 to come to a final total of € 21 595 704. Since 2014 interest earned is no longer due to the community budget and becomes revenue of the agency. This led to the amended budget.

The table below illustrates the budget implementation of the 2014 voted budget.

### EIOPA – budget implementation 2014

Title	Budget initial amounts €	Budget after transfers amounts €	Var. %	Committed	Paid	% Paid	Carry-fwd	% Carry-fwd
	(1)	(2)	(2-1)/1	(3)	(4)	(4/3)	(5=3-4)	5/3
Title I – Staff	11 844 772	10 985 944	-7.25%	10 985 944	10 680 961	97.22%	304 982	2.78%
Title II – Admin	3 779 000	3 512 640	-7.05%	3 512 640	2 903 284	82.65%	609 355	17.35%
Title III – Operation	5 959 000	7 097 121	19.10%	7 097 121	2 407 621	33.92%	4 689 500	66.08%
<b>Total</b>	<b>21 582 772</b>	<b>21 595 704</b>	<b>0.06%</b>	<b>21 595 704</b>	<b>15 991 866</b>	<b>74.05%</b>	<b>5 603 838</b>	<b>25.95%</b>

In 2014, EIOPA for the first time since its foundation in 2011 realised a 100% budget implementation rate for commitment appropriations. The payment execution rate though is lower with 74%. The amount carried forward to 2015 was high with € 5 603 838. The carry-over of these funds was duly justified and intended to finance the progressing implementation of the Title III IT programs, which have a multiyear dimension.

EIOPA executed a total number of 22 transfers to accommodate Title III budget needs.

The execution rate of commitment appropriations carried over from the previous year was 93.18% and the break-down by title is shown in the following table.

### EIOPA carry-over implementation 2013-2014

Description	2013 Budget final amount (1)	Carry-forward 2013 to 2014 amounts € (2)	% Carry-forward (2/1)	Paid amounts € (3)	% Paid (3/2)
Title I Staff Expenditure	9 770 911	484 811	4.96%	458 291	94.53%
Title II Infrastructure And Administrative Expenditure	4 579 250	1 020 470	22.28%	910 547	89.23%
Title III Operating Expenditure	4 417 309	3 721 887	84.26%	3 501 816	94.09%
<b>Total</b>	<b>18 767 470</b>	<b>5 227 168</b>	<b>27.85%</b>	<b>4 870 653</b>	<b>93.18%</b>

In 2014, EIOPA can also report income from internal assigned revenues in an amount of € 10 121 reimbursed by insurance companies and travel agencies. The funds are allocated to the original budget position. The consumption is low with € 399 and the carry over to 2015 equal to € 9 772.10.

EIOPA ran a total of 280 procurement procedures with 37% for specific contracts concluded under Framework Contracts of the European Commission and other agencies, 33% for single tender procedures and 20% for contracts being amended. 10% related to open and negotiated procedures as well as to payments against invoices.

As set out in the EIOPA founding regulation, the authority is financed to 60% by contributions from national public authorities of the Member States competent for the supervision of financial institutions and to 40% by a subsidy from the European Commission. € 12 717 042 of the 2014 budget stemmed from contributions by Member States and EFTA countries and € 8 588 800 from the Commission. The European Commission also repaid the 2012 budgetary surplus equal to € 276 930 as part of the budget. Interest earned of € 12 932 added up to the amended budget of € 21 595 704.

The allocation of these funds to the budget titles was for title I (staff expenditure) € 10 985 943, for Title II (administrative expenditure) € 3 512 640 and for Title III (operational expenditure) € 7 097 121. Interest earned was fully allocated to Title III. With around 51% staff expenditure presented the major part of the budget expenditure followed by operational expenditure with 33% which covers for costs related to supervisory culture and operational IT programmes. With 16% fixed and running costs under Title II represented the lowest ratio.

### Human Resources Management

Achieving 100% fulfilment of the Establishment Plan for the 4th consecutive year has been a challenge, particularly in the context of higher turnover during the 2nd part of the year. The increased turnover is predominately due to the intensive and large recruitment done by the Single Supervisory Mechanism, also based in Frankfurt.

With the entering into force of the revised Staff Regulations on 1 January 2014, EIOPA's HR Implementing Rules have been revised or are in the process of being revised. The majority of revised rules have been adopted by analogy in accordance with the templates proposed by Commission.

EIOPA has carried out its first job screening in 2014 (Annex IV). EIOPA's workforce is allocated as follows: administrative support and coordination 13.6%, operational 76.9% and neutral 9.5%. The split confirms the strong dedication of resources to the core areas to fulfil its mandate. In addition, taking into account the size of EIOPA, as well as the requirements to

comply with as a European public entity, it also shows the efficient and effective employment of the resources dedicated to the administrative support and coordination.

### Assessment of audit results during the reporting year

EIOPA is audited every year by its external auditor, the European Court of Auditors (ECA). This audit provides a Statement of Assurance as to the reliability of the accounts and the legality and regularity of the transactions underlying them. Each year at least two audit missions on the preceding financial year take place to prove evidence of that statement. In 2014, the European Court of Auditors did not raise major findings over the financial 2013 accounts.

EIOPA is also audited by its Internal Auditor, the Commission's Internal Audit Service (IAS). In 2012 the IAS defined an audit strategy for EIOPA regarding the period 2013–2015, including a short list of prospective future audit topics. As a result of this strategy, the IAS performed in 2014 an audit of EIOPA's Planning and Budget Processes. The resulting report mentioned 'EIOPA IT planning' as a good practice and listed 6 recommendations, of which none critical and one very important, e.g. to strengthen the operational reporting and AWP implementation monitoring. A dedicated action plan was developed by EIOPA and adopted by the Management Board to address all recommendations made by the IAS. By the end of 2014 good progress was made as regards the implementation. Monitoring and reporting processes have been further strengthened to cover all recommendations made by the IAS. Lastly, the IAS initiated at the end of 2014 the audit on 'Promoting colleges of supervisors and building a common supervisory culture in EIOPA'. The actual field work and resulting reporting is foreseen for 2015.

In addition to the work of the ECA and IAS and because 60% of EIOPA's funding comes from its Members, a representative of the Board of Supervisors is appointed to perform quality assessments of selected financial processes. Such a quality assessment took place in October 2014 and the reported outcome was very positive.

### Follow up of audit plans, audits and recommendations

EIOPA has put dedicated arrangements in place to ensure that all recommendations made by the IAS, the ECA and the Discharge Authority are timely and adequately addressed through dedicated action plans. With regard to the IAS, at the end of 2014 no critical or very important actions were still open from previous years. The same is valid for actions addressing observations from the ECA and the Discharge Authority, except for one: the relatively high level of budget carry-over for Title III of EIOPA's budget. The latter is due to the multi-annual IT investments to build EIOPA's information management capability. This capability is of strategic importance and must be ready in 2016 to meet the various Solvency II requirements. From 2016 onwards the percentage of carry-overs will be limited.

## EIOPA Internal Control System

### Risk Management

In 2014 EIOPA formalised its existing risk management process. All EIOPA staff have taken on the responsibility of raising risks where they perceive potential threats to the Authority and its operations and escalate via their respective line managers. All risks are recorded in logs which are used at various levels of management to discuss and direct mitigation effort. Risks are categorised based on likelihood and impact, resulting in an overall score for risk exposure. Management attention and effort invested to mitigate are proportionate to the level of exposure. The following provides an overview of the 3 most prominent risks.

### Key Risks in 2014

Category	Planning, Processes and Systems
<b>Cause</b>	As a consequence of the developing responsibilities and duties imposed on EIOPA by different legislation and regulation new tasks have been incorporated into the Authority's work programme. The allocation of additional budget and staff to EIOPA has not matched the new tasks that it has received e.g. those stemming from the Omnibus II Directive. The need to meet additional demands for this unplanned work arising in-year whilst still maintaining quality and timely delivery of planned work presents a major risk.
<b>Consequence</b>	A number of planned products have had to be dropped, de-scoped or delayed into 2015. The timeliness and quality of products and more specifically, the Authority's preparedness for its role under Solvency II has been put at risk. The Risk Free Rate, Annual Report to Parliament on Long Term Guarantees and EIOPA's role in the Extension of the Recovery Period are highly technical and resource intensive additional tasks and EIOPA is undertaking them without adequate additional resources.
<b>Mitigation</b>	EIOPA has implemented improvements in its approach to planning and management of work. This includes more accurate resource planning, a change management process for dealing with unplanned demands and re-prioritisation of projects.

Category	People and Organisation
<b>Cause</b>	EIOPA did not receive the requested allocation of staff in 2014. This shortfall has been exacerbated with the need to recruit staff from a limited and highly contested pool of technical expertise. The contract and conditions EIOPA can offer, as stipulated by European regulation is not always comparable with other potential employers.

Category	People and Organisation
<b>Consequence</b>	Key processes and systems have been placed at risk as a result of resource constraints, particularly in specific technical areas such as information technology. Without sufficient staff some important capability and capacity projects have run into delays. This puts at threat the Authority's preparedness for its role under Solvency II as well as limiting ambition in important areas such as Financial Stability.
<b>Mitigation</b>	Improved resource planning and management of additional tasks provides some mitigation, but there remains substantial risk in this area with multiple impacts across the Authority and its work.

Category	Legal and Regulatory Aspects
<b>Cause</b>	As an EU body, EIOPA must operate within a rigid legal framework (e.g. HR, Budget, Procurement) and as a relatively new organisation that is implementing the standards set out for it by the Commission with limited resources, non-compliance with those standards is a potential risk. EIOPA's Legal Instruments (Technical Standards, Guidelines and Opinions) must also conform to exacting standards. With the considerable amount of Instruments delivered in 2014, this was a major risk for the Authority.
<b>Consequence</b>	If EIOPA does not meet the legal requirements and standards in terms of management and/or the Legal Instruments it produces, its operations and reputation will be seriously undermined. On the administrative side, this would result in negative audit findings. EIOPA's operational activities will also be undermined, with considerable additional work and time resulting from any question regarding the quality of EIOPA's Legal Instruments. In the context of already attenuated resources, this will place considerable burden on the Authority.
<b>Mitigation</b>	EIOPA works in close cooperation with the Internal Audit Service and European Court of Auditors to ensure it is adhering to the standards laid down for it. Thanks to the effectiveness of EIOPA's internal processes for legal quality control, this risk in terms of its Instruments never materialised. However, EIOPA's limited legal services were under considerable pressure throughout, working to tight deadlines and dealing with topics from across the Authority's broad scope of mandate. EIOPA is expanding its Legal Team to ensure sufficient resource is assigned to the task of legal quality control on its Instruments.

## Compliance and effectiveness of Internal Control Standards

In 2013 EIOPA's Management Board approved the Commission's Internal Control Standards (ICS) and entrusted the Executive Director with the adoption of the detailed implementing rules and procedures related to the ICS. In the same year the IAS performed a limited review of the implementation of these ICS at EIOPA. By the end of 2014 all relevant recommendations had been addressed by EIOPA. For two actions however the implementation will be finalised in 2015, i.e. the introduction of a Document Management System and accompanying procedures as well as the implementation of the remaining blocks of EIOPA's business continuity capability.

Furthermore, examples of concrete progress made in 2014 in the area of internal control include the strengthened planning, evaluation and reporting processes, additional security measures, development of an anti-fraud strategy for 2015-2017. The rules on the management of conflicts of interest regarding the members of the Board of Supervisors and Management Board and the ones regarding staff members and contractual parties have been revised in view of the guidelines of the European Commission and those of the European Data Protection Supervisors adopted in 2014. Declarations of interests of EIOPA's Chair and Executive Director have been made available on EIOPA's dedicated webpage to EIOPA's Key Values (Good Administrative Behaviour, Independence and Public Access to Documents). The publication of the CVs and declarations of the Board members is currently organised. The Management Board approved a Decision on the Protection of Information Systems and Information, which establishes EIOPA's Information Classification Scheme. The procedure for registering incoming post at EIOPA has been finalised and adopted by the Executive Director. A network of data protection coordinators has been established to increase the awareness of personal data protection in the different units of the Authority.

## Management Assurance

The building blocks of management assurance at EIOPA consist of several core elements. These are rooted in implementation of the ICS and continued strong management oversight of both operational and horizontal activities, and adherence to principles such as sound financial management. Regular audits of EIOPA by the IAS, ECA, the Quality Control Committee (QCC) 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 following Declaration of Assurance.

## Declaration of Assurance

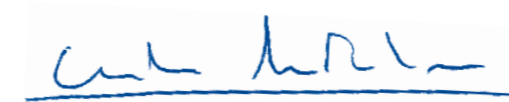
I, the undersigned, Carlos Montalvo, Executive Director of EIOPA, in my capacity as Authorising Officer,

- declare that the information contained in this Annual Activity Report 2014 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 results of *ex post* evaluations and the monitoring activities of EIOPA's 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.

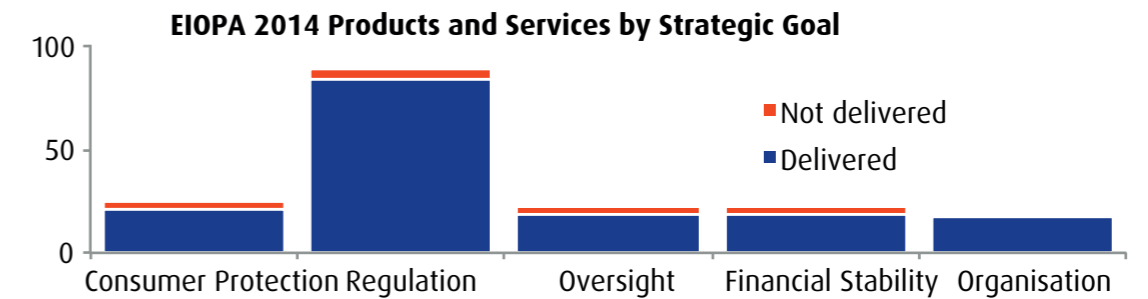


Carlos Montalvo

## Annex I Core Business Statistics

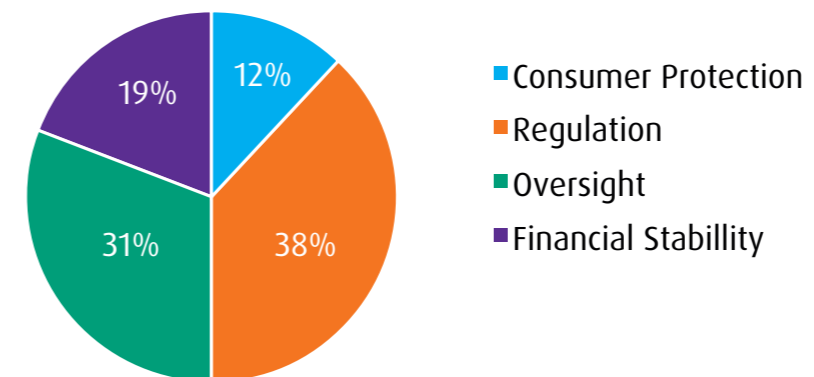


### EIOPA Internal Control System



EIOPA successfully delivered the overwhelming majority of products and services as defined in its Annual Work Programme 2014 along with those additional tasks arising within the year due to new regulatory and legal obligations. Of the 15 that were not delivered, re-prioritisation in favour of new and more pressing demands, resource constraints and changing requirements were common reasons for not delivering as planned.

### Allocation of Human Resources by Operational Strategic Goal



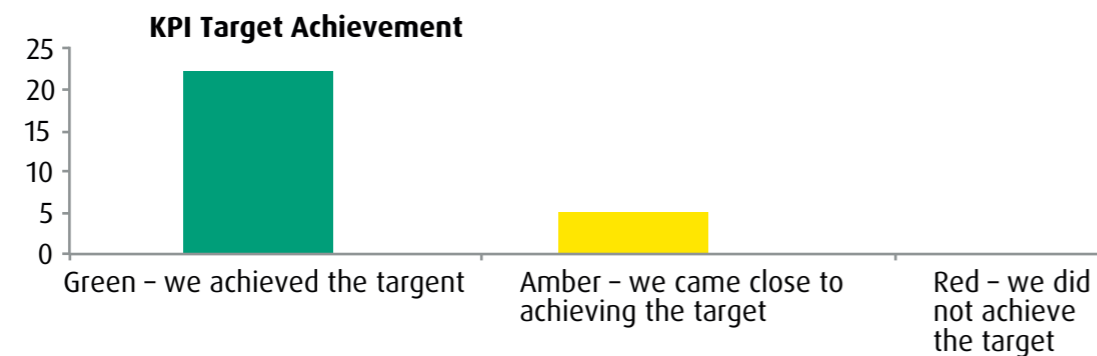
In preparation for Solvency II, the balance of effort has been with the finalisation of the guidelines and technical standards required to ensure efficient and convergent application of the Directive. EIOPA has also undertaken work to build its own capability and capacity to fulfil its role under Solvency II strengthening the level of support EIOPA can provide to the NCAs and the Authority's ability to collect, manage, analyse and report on data. Consumer protection is a major priority for EIOPA and in 2014 the Authority contributed to EU legislative initiatives as well as producing reports addressing important issues potentially resulting in consumer detriment. The Authority continued to refine the underpinning methodologies and data sets to enhance its core financial stability products.



# Annex I

## Core Business Statistics

### Key Performance Indicators



EIOPA set itself targets for 27 key performance indicators (KPIs) that cover all five of the Authority's strategic goals. Almost all of the targets were achieved, with EIOPA missing out marginally on 5, mainly as a consequence of the emergence of new tasks during the period, not accompanied by the correspondent resources needed to fulfil them, and the subsequent need to reprioritize.

### Consumer Protection

In terms of consumer protection, EIOPA focused on enhancing awareness of consumer rights and obligations measured via the number of interviews given by the Authority's senior management and participant numbers at the Joint Consumer Protection Day, these targets were exceeded. EIOPA also set itself a target for published documents reflecting the consumer angle, which was also exceeded in 2014 with a total of 16.

### Regulation

The targets for EIOPA's regulatory work set the ambition for the amount of own initiative developments and contributions to co-legislators providing a decision-basis for sound, effective and consistent regulation and supervision, the targets for both were achieved. EIOPA also achieved its targets for responding to short notice work and the output of its stakeholder groups. The next two targets related to the quality of EIOPA's instruments, and with the Commission not rejecting any standards on technical or legal grounds and all material impacts on key stakeholders identified via EIOPA's Impact Assessments, they were achieved.

To capture the Authority's international engagement efforts, targets were set for regulatory and supervisory dialogues with third country supervisors and BoS approval of EIOPA documents on international matters, both were exceeded in 2014. EIOPA did not however fully achieve its target for equivalence assessments, with 1 of the 7 not completed by the end of the year due to delays with the translation of documents, it was however submitted to BoS approval in January 2015.

### Oversight

KPIs for this goal relate to the Authority's work with colleges, internal models, peer reviews and its training programme. For colleges, EIOPA set the target of 40% reaching a shared view of risk exposure of the group and its solo entities and with EIOPA's support 68% reached such an agreement in 2014. For internal models, EIOPA met the target of delivering 5 tools promoting consistency in the assessment of internal models. It exceeded the target of 10 NCAs using the tools with 20 having adopted them. For its training programme, EIOPA set the target of 20 training events and a further 3 public events, of which 1,750 participants would attend. EIOPA delivered 20 training and 5 public events to a total of 1,924 participants. There was a further target on feedback regarding the quality of the training, and EIOPA exceeded this with the majority of trainings rated as 'very good'. There was also a target of launching 3 peer reviews, which EIOPA did not fully achieve as a result of resource constraints (on both NCA and EIOPA sides), however, the respective draft questionnaire has been finalised.

### Financial Stability

EIOPA set itself targets for the production of both its Quarterly Risk Dashboard and its biennial Financial Stability Report and EIOPA was able to deliver these products within the stipulated timeframe of 80 days after close of the quarter and 110 days after close of the half-year respectively.

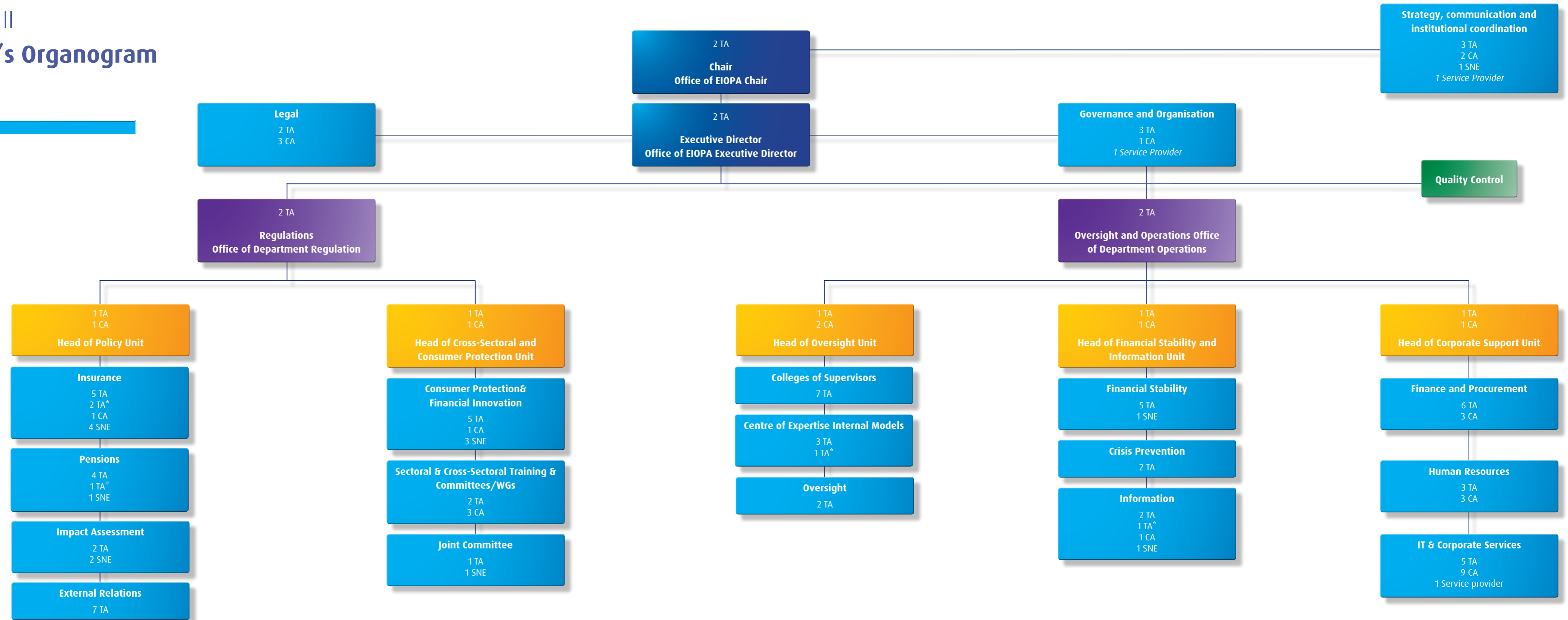
### Organisation

EIOPA achieved its targets for implementation of the budget (100% implementation), fulfilment of its establishment plan (100%) and level of job satisfaction (66%) compared to the EU agency average of 60%. The target for implementation rate of payments was missed by only 6% (though this represents continuation of the year on year improvement since 2011). EIOPA was also only 3% short of its implementation of carry-forward commitments, achieving 93%. This was primarily due to delays regarding some of the IT implementations.

EIOPA addressed 93% of audit findings from ECA and the IAS, missing out on its target by 7%. The outstanding audit findings relate to a document management system implementation, finalising business continuity arrangements and reducing carry-over percentage. The first two will be addressed in 2015 and the last has a dependency on the IT projects, largely due to be completed in 2016.

The final KPI relates to staffing following job related training. The target was 100%, however, only 80% were able to attend a training. This KPI will not be continued into 2015 as a result of budget cuts impacting on EIOPA's training budget and ability to make such a commitment in future.

# Annex II EIOPA's Organogram



Total of EIOPA in 2014	129 + 5*
Temporary Agents	82 + 5*
Contract Agents	33
Seconded National Experts	14
Service Provider	3

\* for 5 TA positions offer letters have been sent.

## Annex III

# EIOPA's Establishment Plan 2014

Category and grade	Establishment plan in EU Budget 2014		Modifications in 2014 in application of flexibility rule <sup>1</sup>	
	officials	TA	officials	TA
AD 16		0		
AD 15		1		
AD 14		1		
AD 13		3		
AD 12		5		
AD 11		7		
AD 10		8		
AD 9		8		+1
AD 8		11		
AD 7		12		
AD 6		8		
AD 5		8		
Total AD		72		+1
AST 11		0		
AST 10		0		
AST 9		1		
AST 8		1		
AST 7		1		
AST 6		3		+1
AST 5		1		
AST 4		3		
AST 3		3		
AST 2		2		-2
AST 1		0		
Total AST		15		-1
AST/SC 6				
AST/SC5				
AST/SC4				
AST/SC3				
AST/SC2				
AST/SC1				
Total AST/SC				
<b>TOTAL</b>		<b>87</b>		

<sup>1</sup> In line with Article 32 (1) of the framework Financial Regulation, the management board may modify, under certain conditions, the establishment plan by in principle up to 10% of posts authorised, unless the financial rules of the body concerned allows for a different % rate.



## Annex IV

### Entry level for each type of post

IV

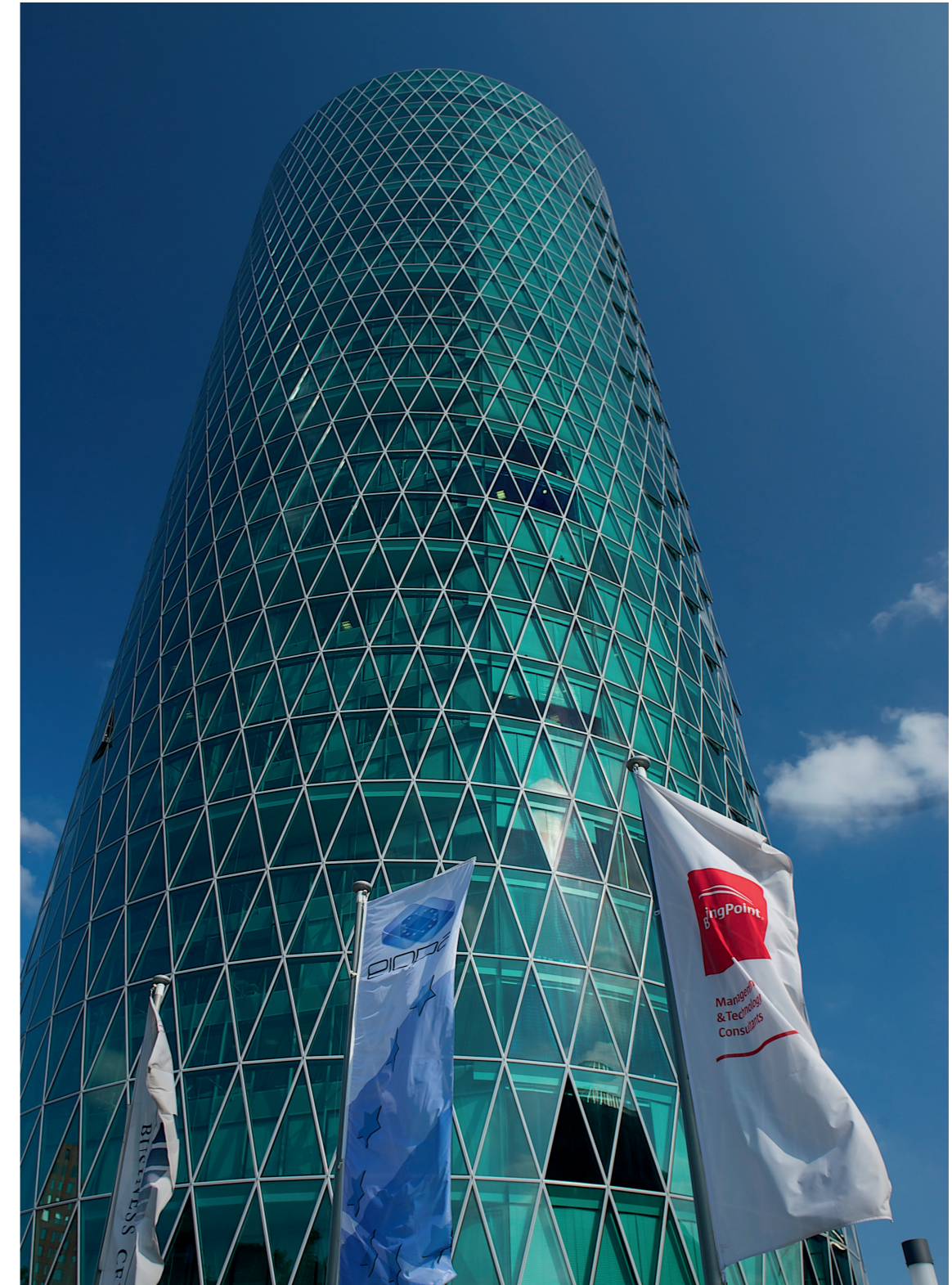
Key functions (examples)	Type of contract (official, TA or CA)	Function group, grade of recruitment (or bottom of the brackets if published in brackets)	Indication whether the function is dedicated to administration support or policy (operational)
<b>CORE FUNCTIONS</b>			
Head of Department	TA	AD 13	Administration support and operational
Head of Unit	TA	AD 12	Administration support and operational
Head of Sector	n/a	n/a	n/a
Senior Officer / Principal Expert	TA	AD 9-11	Administration support and operational
Officer / Senior Expert	TA	AD 7-8	Administration support and operational
Junior Officer / Expert	TA + CA	AD 5-6 + FG IV	Administration support and operational
Senior Assistant	TA + CA	AST 4 + FGIII	Administration support
Junior Assistant	TA + CA	AST 2 + FGII	Administration support
<b>SUPPORT FUNCTIONS</b>			
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	FGII	
Mail Clerk	n/a	n/a	
<b>SPECIAL FUNCTIONS</b>			
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 4	

## Annex V

# Statistics from Job Screening/ Benchmarking Exercise

V

Category	%	Sub-Category	%
Administration and coordination	13.6	Administrative support	10.9
		Coordination	2.7
Operational	76.9	Top level operational coordination	6.8
		Programme management & implementation	53.7
		Evaluation & impact assessment	3.4
		General operational	12.9
Neutral	9.5	Finance/control	9.5
		Linguistics	0



## Annex VI Annual Accounts

VI

### EIOPA's Financial Performance in 2014

EIOPA's annual accounts have been established in accordance with EIOPA's Financial Regulation and Implementing Rules adopted by the Management Board, The Financial Regulation (EU, Euratom) n°966/2012 of the European Parliament and of the Council of 25 October 2012 and its rules of application, as well as the the accounting rules referred to in article 143 of Regulation (EU, Euroatom) No 966/2012.

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

#### Disclaimer:

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

### EIOPA – Budget Result

In 2014, EIOPA only used non-differentiated appropriations. The EIOPA revenue was generated by contributions of the national supervisory authorities of the Member States and EFTA countries as well as a subsidy from the European Commission plus other income reaching a total of € 21 592 768.12. Expenditure evaluation was determined by the consumption of commitment appropriations with a total of € 21 605 825.51 out of which appropriations paid represented € 19 992 265.48 (€ 15 991 866.48 of 2014 fresh credits). Appropriations carried over to 2015 reached € 5 613 560.03 (€ 5 603 837.93 of 2014 fresh credits). Cancelled appropriations carried over in the previous year increased the budget result leading to a total of € 339 389.25 in 2014.

EIOPA realised a 100% budget implementation rate of 2014 fresh credits for commitment appropriations with a lower payment implementation rate at 74.05%. The carry forward rate of commitment appropriations was 25.95%.

EIOPA – Budget Outturn Account		2014	2013
<b>REVENUE</b>			
Balancing Commission subsidy	+	8 588 800.36	6 006 742.00
Member States contributions	+	12 352 694.66	8 931 986.98
Contributions from EFTA countries		351 289.54	265 340.31
Surplus 2012	+	276 930.00	2 804 969.81
Other income	+	23 053.56	915.44
<b>TOTAL EXPENDITURE (b)</b>		<b>21 605 825.51</b>	<b>18 155 622.49</b>
<b>OUTTURN FOR THE FINANCIAL YEAR (a-b)</b>		<b>-13 057.39</b>	<b>-145 667.95</b>

Cancellation of unused payment appropriations carried over from previous year	+	356 514.50	374 437.82
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	+	-4 067.86	-1 714.42
Exchange differences for the year (gain +/-loss -)	+/-		

<b>BALANCE OF THE OUTTURN ACCOUNT FOR THE FINANCIAL YEAR</b>		<b>339 389.25</b>	<b>227 055.45</b>
Balance year N-1	+/-	227 055.45	276 930.93
Positive balance from year N-1 reimbursed in year N to the Commission	-	-227 055.45	- 276 930.93

<b>Result used for determining amounts in general accounting</b>		<b>339 389.25</b>	<b>227 055.45</b>
<b>Commission subsidy - agency registers accrued revenue and Commission accrued expense</b>		<b>8 526 341.11</b>	<b>8 584 656.36</b>
<b>Pre-financing remaining open to be reimbursed by agency to Commission in year N+1</b>		<b>339 389.25</b>	<b>227 055.45</b>

Not included in the budget outturn:

Interest generated by 31/12/N on the Commission balancing subsidy funds and to be reimbursed to the Commission (liability)	+	0.00*	21 505.73
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\*Note: Since 2014, interest earned is no longer due to the EU Commission.

### EIOPA – 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.

In 2014, with € 3 760 857.83 the result of the year was higher than in the previous year. Revenue was recognised for debit notes issued before year-end to recover the 2014 EIOPA budget. Expenses were lower as the budget expenditure associated to the carry-over of appropriations which would incur in 2015 only did not enter the economic result.

EIOPA – Statement of Financial Performance	2014	2013
European Union contribution	8 526 341.11	8 584 656.36
Other operating revenue	12 858 946.55	9 408 652.80
<b>TOTAL OPERATING REVENUE</b>	<b>21 385 287.66</b>	<b>17 993 309.16</b>
<b>Administrative expenses</b>	<b>-13 683 824.24</b>	<b>-13 246 058.73</b>
All Staff expenses	-8 870 611.92	-7 813 432.13
Fixed asset related expenses	-464 808.88	-311 020.94
Other administrative expenses	-4 348 403.44	-5 121 605.66
<b>Operational expenses</b>	<b>-3 922 513.84</b>	<b>-3 885 285.99</b>
Other operational expenses	-3 922 513.84	-3 885 285.99
<b>TOTAL OPERATING EXPENSES</b>	<b>-17 606 338.08</b>	<b>-17 131 344.72</b>
<b>SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES</b>	<b>3 778 949.58</b>	<b>861 964.44</b>
Financial revenues	0.00	0.00
Financial expenses	-18 091.75	-4 042.02
<b>SURPLUS/(DEFICIT) FROM NON OPERATING ACTIVITIES</b>	<b>-18 091.75</b>	<b>-4 042.02</b>
<b>SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES</b>	<b>3 760 857.83</b>	<b>857 922.42</b>
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>3 760 857.83</b>	<b>857 922.42</b>

### EIOPA - Balance Sheet- Assets

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

EIOPA – Balance Sheet – Liabilities	31.12.2014	31.12.2013
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
<b>Intangible assets</b>	<b>2 875 847.04</b>	<b>268 002.21</b>
<b>Property, plant and equipment</b>	<b>1 420 602.17</b>	<b>577 831.37</b>
Land and buildings	0.00	0.00
Plant and equipment	0.00	0.00
Computer hardware	134 202.00	189 227.00
Furniture and vehicles	274 626.82	168 499.34
Other fixtures and fittings	856 265.01	217 460.23
Property, plant and equipment under construction	155 508.34	2 644.80
<b>Long-term receivables and recoverables</b>	<b>0.00</b>	<b>0.00</b>
Long-term receivables and recoverables	0.00	0.00
Long-term receivables and recoverables with consolidated EC entities	0.00	0.00
<b>TOTAL NON CURRENT ASSETS</b>	<b>4 296 449.21</b>	<b>845 833.58</b>
<b>CURRENT ASSETS</b>		
<b>Short-term receivables</b>	<b>1 235 637.65</b>	<b>914 214.04</b>
<b>Accounts payable</b>	<b>2 411 449.65</b>	<b>2 078 140.97</b>
Current receivables	1 003 543.41	820 057.00
Sundry receivables	35 218.35	74 728.09
Pre-paid expenses	0.00	0.00
Deferred charges and accrued income	196 875.89	19 428.95
<b>Short-term pre-financing</b>	<b>0.00</b>	<b>0.00</b>
Short-term pre-financing	0.00	0.00
<b>Cash and cash equivalents</b>	<b>5 322 700.15</b>	<b>5 194 875.63</b>
<b>TOTAL CURRENT ASSETS</b>	<b>6 558 337.80</b>	<b>6 109 089.67</b>
<b>TOTAL</b>	<b>10 854 787.01</b>	<b>6 954 923.25</b>

### EIOPA - Balance Sheet- Liabilities

EIOPA – Balance Sheet – Liabilities	31.12.2014	31.12.2013
<b>LIABILITIES</b>		
<b>CAPITAL</b>	<b>8 281 456.82</b>	<b>4 520 598.99</b>
Accumulated surplus/deficit	4 520 598.99	3 662 676.57
Economic result for the year - profit+ /loss-	3 760 857.83	857 922.42
<b>TOTAL</b>	<b>8 281 456.82</b>	<b>4 520 598.99</b>
<b>NON-CURRENT LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>CURRENT LIABILITIES</b>	<b>2 573 330.19</b>	<b>2 434 324.26</b>
<b>Provisions for risks and charges</b>	<b>161 880.54</b>	<b>356 183.29</b>
<b>Accounts payable</b>	<b>2 411 449.65</b>	<b>2 078 140.97</b>
Current payables	44 985.85	38 275.20
Sundry payables	13 916.83	229 089.37
Accrued charges and deferred income	2 010 992.39	1 562 074.57
Accrued charges with consolidated EU entities	2 165.33	0.00
Accounts payable with consolidated EU entities	339 389.25	248 701.83
Pre-financing received from consolidated EU entities	339 389.25	227 055.45
Other accounts payable against consolidated EU entities	0.00	21 646.38
<b>TOTAL CURRENT LIABILITIES</b>	<b>2 573 330.19</b>	<b>2 434 324.26</b>
<b>TOTAL</b>	<b>10 854 787.01</b>	<b>6 954 923.25</b>

### EIOPA - Cash flow Table

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.

EIOPA – Cash flow Table (Indirect Method)	2014	2013
<b>Cash Flows from ordinary activities</b>		
<b>Surplus/(deficit) from ordinary activities</b>	<b>3 760 857.83</b>	<b>857 922.42</b>
<b>Operating activities</b>		
Amortization (intangible fixed assets) +	155 916.93	117 655.98
Depreciation (tangible fixed assets) +	286 790.30	167 851.21
(Increase)/decrease in inventories	0.00	0.00
(Increase)/decrease in long term pre-financing	0.00	0.00
(Increase)/decrease in short term pre-financing	0.00	43 742.89
(Increase)/decrease in long term receivables and recoverables	0.00	147 109.55
(Increase)/decrease in Short term Receivables and recoverables	-321 423.61	-297 614.75
(Increase)/decrease in receivables related to consolidated EU entities	0.00	0.00
Increase/(decrease) in long-term provisions for risks and liabilities		
Increase/(decrease) in short-term provisions for risks and liabilities	-194 302.75	51 284.36
Increase/(decrease) in long-term financial liabilities		
Increase/(decrease) in short-term financial liabilities		
Increase/(decrease) in other long-term liabilities	0.00	0.00
Increase/(decrease) in other short-term liabilities (accrued charges and deferred income)	451 083.15	899 050.55
Increase/(decrease) in short-term payables	-208 461.89	50 024.18
Increase/(decrease) in Liabilities related to consolidated EU entities	90 687.42	-2 898 899.80
<b>Net cash Flow from operating activities</b>	<b>4 021 147.38</b>	<b>-861 873.41</b>



<b>EIOPA – Cash flow Table (Indirect Method)</b>	<b>2014</b>	<b>2013</b>
<b>Cash Flows from investing activities</b>		
Increase of tangible and intangible fixed assets (-)	-3 896 910.72	-338 014.49
Proceeds from tangible and intangible fixed assets (+)	3 587.86	0.00
<b>Net cash flow from investing activities</b>	<b>-3 893 322.86</b>	<b>-338 014.49</b>

<b>Increase/(decrease) in Employee benefits</b>	<b>0.00</b>	<b>0.00</b>
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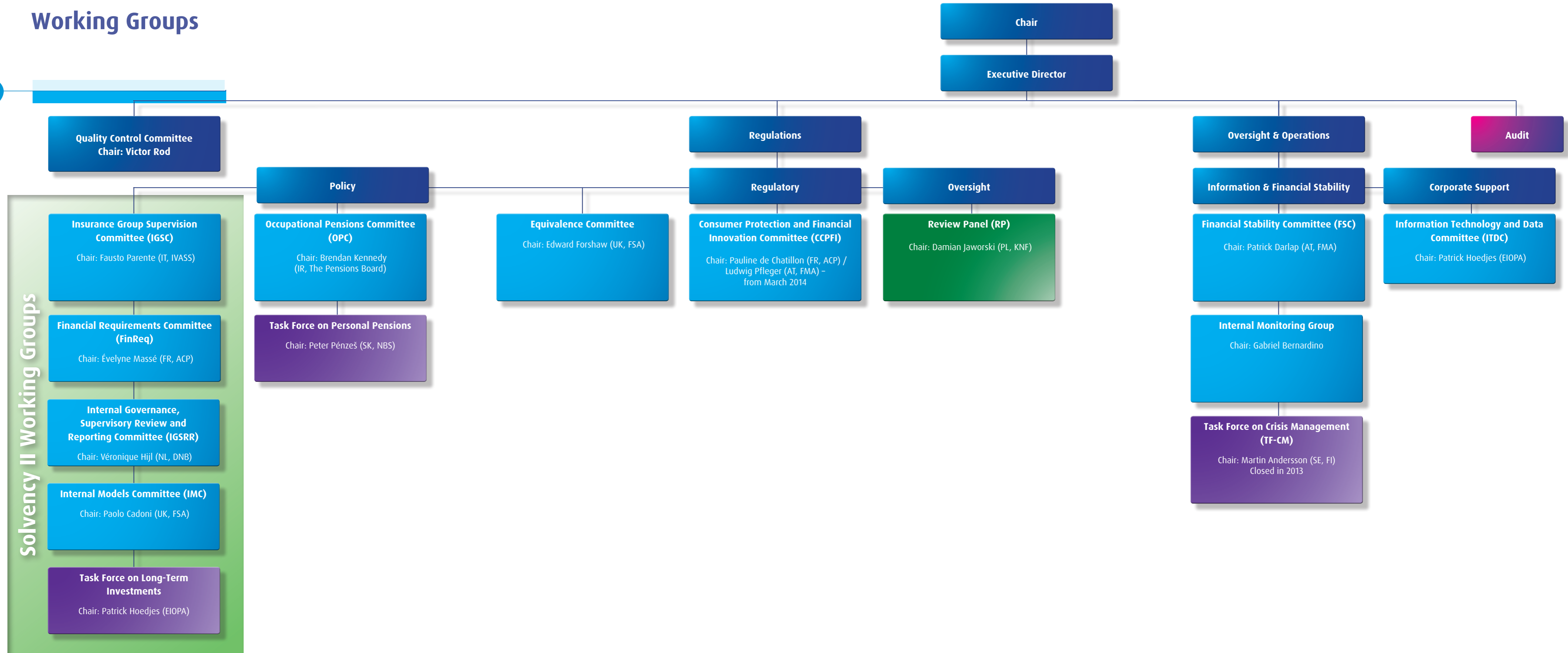
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>127 824.52</b>	<b>-1 199 887.90</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5 194 875.63</b>	<b>6 394 763.53</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>5 322 700.15</b>	<b>5 194 875.63</b>

#### EIOPA – Statement of Changes in Capital

Net assets	Reserves		Accumulated Surplus / Deficit	Economic result of the year	Net assets (total)
	Fair value reserve	Other reserves			
<b>Balance as of 31 December 2013</b>	<b>0.00</b>	<b>0.00</b>	<b>3 662 676.57</b>	<b>857 922.42</b>	<b>4 520 598.99</b>
Other					
Fair value movements					
Movement in Guarantee Fund reserve					
Allocation of the Economic Result of Previous Year			857 922.42	-857 922.42	0.00
Amounts credited to Member States					
Economic result of the year				3 760 857.83	3 760 857.83
<b>Balance as of 31 December 2014</b>	<b>0.00</b>	<b>0.00</b>	<b>4 520 598.99</b>	<b>3 760 857.83</b>	<b>8 281 456.82</b>

# Annex VII Working Groups

VII



### Management Board Working Groups

- Quality Control Committee (QCC): assesses the accuracy, efficiency and transparency of internal procedures and processes in accordance with the requirements of the EIOPA Regulation.

### Policy Working Groups

#### Insurance and pensions

- Insurance Groups Supervision Committee (IGSC): group supervision for Solvency II as well as under the current supervisory regime.
- Financial Requirements Committee (FinReq): own funds, technical provisions and capital requirements for Solvency II.
- Internal Governance Supervisory Review and Reporting Committee (IGSRR): asset and liability valuation other than technical provisions, governance, own risk and solvency assessment (ORSA), public disclosure and supervisory reporting, external audit of Solvency II publically disclosed information, supervisory review, capital add ons, the extension of the recovery period and the transparency and accountability of the supervisory authorities for Solvency II.
- Internal Models Committee (IMC): internal models for Solvency II.
- Occupational Pensions Committee (OPC): occupational pensions.
- Equivalence Committee (EQC): conducts gap analyses and full professional secrecy equivalence assessments of a number of non-EU countries.
- Task Force on Personal Pensions: personal pensions.
- Task Force on Long-Term Investments: examines whether the calibration and design of capital requirements for investments in certain assets under the envisaged Solvency II regime require adjustment or reduction under the current economic conditions, without jeopardising the prudential nature of the regime.

### Consumer protection and financial innovation

- Committee on Consumer Protection and Financial Innovation (CCPFI): supports EIOPA in fulfilling the requirement laid down in its Regulation of taking a 'leading role' in the area of consumer protection and financial innovation.
- Task Force on Insurance Guarantee Schemes (TF-IGS): assesses the need for a European network of IGSs that is adequately funded and harmonised. The TF-IGS is currently dormant, as the Commission has not requested further advice from EIOPA on the assessment of the need for a European network of national insurance guarantee schemes.

### Membership-driven Working Groups

- Review Panel: develops methodologies, procedures and tools for conducting peer reviews. Furthermore, its main objective is to conduct peer reviews.

### Information and Financial Stability Committees

- Financial Stability Committee (FSC): supports EIOPA in performing market intelligence functions regarding its supervisory universe, in developing a market surveillance framework to monitor and report on market trends and financial stability-related issues.
- Internal Monitoring Group (IMG): monitors risk concentrations in insurers' balance sheets, and prepares for discussion at the EIOPA Board of Supervisors' meetings on how to deal with the prevailing tensions and market pressures.

### Corporate Support Working Groups

- Information Technology and Data Committee (ITDC): is mandated to ensure the development of EIOPA's IT business architecture and strategy.

# Annex VIII

## Stakeholder Group Membership

VIII

Insurance & Reinsurance SG members 2014									
No	Category	Name	Country	On draft regulation:			Own initiative work:		
				Solvency II – Pillar 1	Solvency II – Pillars 2 & 3	Market Conduct	Regulatory Issues	Strategic Areas	
1.	Industry	Mr Avesani, Renzo	IT		•				•
2.		Mr Bonnet, Yannick	FR	•	•				•
3.		Mr Carty, Paul	IE			•			•
4.		Ms Del valle, Maria Aranzazu	ES	•		•			
5.		Mr Eklund, Jari	FI	•	•				•
6.		<b>Mr Jones, Olav, Vice-Chairman</b>	UK						
7.		Mr Koning, Edgar	NL	•					•
8.		Mr Simhandl, Martin	AT	•	•				
9.		Mr Thimrén, Claes	SE	•	•				
10.		Mr Wemmer, Dieter	DE	•		•			
11.	Professional Associations	Mr Creedon, Seamus	IE	Lead					•
12.		Ms Dequae, Marie	BE		•	•			TO (CatR)
13.		Mr Ellenbürger, Frank	DE		•		•		
14.		Ms Olesen, Annette	DK		•		Lead		
15.	SME	Mr Watson, Rick	UK	•			•	TO (LTI)	
16.		Mr Thomas Keller	DE	•	•			TO (LTI)	
17.	User	Mr Frizon, Francis	FR			•		•	
18.	Consumers	Mr Berthon, Jean	FR			•		•	
19.		<b>Ms Blair, Kay, Chairperson</b>	UK						
20.		Mr Ciuncan, Alexandru	RO			Lead	•	•	
21.		Ms Baiba Miltovica	LV		•	•			
22.		Ms Strucl, Mojca	SI			•			•
23.	Employees	Ms Więcko-Tułowicka, Małgorzata	PL			•	•	•	
24.		Ms Cosma, Andreea	RO			•	•	•	
25.		Mr Lagaude, Damien	FR		•	•		•	
26.	Academics	Ms Maria Heep-Altiner	DE	•	•				
27.		Mr Marcin Kawiński	PL	•	•	•		TO (GSP) Lead; TO (CatR)	
28.		Mr Papanikolaou, Ioannis	GR		•				
29.		Mr Savelli, Nino	IT	•			•		
30.		Mr Van Hulle, Karel	BE	•	Lead				

Occupational Pensions SG members 2014									
No	Category	Name	Country	Subgroups					
				Solvency issues IORP II	Occupational DC	Consumer Protection issues			
1.	IORPs	Mr Budzynski, Lukasz	PL		•				
2.		Mr Janda, Fritz	AT		•				
3.		Ms Koller, Michaela	DE	•		•			
4.		Mr Kortleve, Niels	NL	•					
5.		<b>Mr Leppälä, Matti, Vice Chairman</b>	FI		Lead				
6.		Mr Schwind, Joachim	DE	•					
7.		Ms Van Peer, Martine	BE	•					
8.		<b>Mr Van Popta, Benne, Chairman</b>	NL						
9.		Mr Vlaić, Petar	HR		•				
10.		Mr Whalley, Allan	UK	•					
11.	Professional Associations	Ms Carlberg, Charlotta	SE		•	•			
12.		Ms Delahousse, Laure	FR		•	•			
13.		Ms Goldman, Ruth	UK	•		Co-lead			
14.	SME	Mr Shier, Philip	IE	Lead	•				
15.		Mr Keller, Thomas	DE	•					
16.	Employees	Mr Bruno Gabellieri	FR		•	•			
17.		Ms Mitreva, Hristina	BU		•				
18.		Mr Taylor, Doug	UK		•	Co-lead			
19.		Ms Verhaegen, Chris	BE						
20.	Beneficiaries	Mr Walsh, Neil	IE	•					
21.		Ms Moscoso-Osterkorn, Marianne	AT		•	•			
22.		Ms Nygren, Ellen	SE		•				
23.		Mr Prache, Guillaume	FR			•			
24.		Mr Serban, Marius	RO		•	•			
25.	Academics	Mr Struwe, Klaus	DK		•	•			
26.		Mr Floreani, Alberto	IT	•					
27.		Mr Peraita, Manuel	ES		•	•			
28.		Mr Marano, Pierpaolo	IT		•	•			
29.		Mr Šebo, Ján	SK		•	•			
30.		Ms Seganti, Federica	IT		•				

# Annex IX

## Access to Documents Report

IX

### 1. Initial requests in 2014

RECEIVED AND HANDLED – Documents released		
Number of requests received	Replies given <sup>1</sup>	Number of documents released
10	12	6

Results	
Access granted	6
Partial access	0
Access refused	0
Access pending	0
No existing/possession of document	1
Document already publicly available	5

### 2. Confirmatory requests in 2014

RECEIVED AND HANDLED – Documents released		
Number of requests received	Replies given <sup>1</sup>	Number of documents released
1	1	0

Results	
Confirmation	1
Partial revision	0
Full revision	0

<sup>1</sup> Please note that a single request can concern several documents and can consequently give rise to several different replies. This may also include replies provided in current year from request received from previous year.





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AND OCCUPATIONAL PENSIONS AUTHORITY