



Annual Report 2012

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Foreword by the Chairman



The past year has been an exciting and busy one for EIOPA. In spite of the natural constraints on human and financial resources and the huge challenges posed by the crisis, EIOPA has been quite successful in delivering an ambitious plan covering all areas included in our mandate.

On the regulatory front EIOPA concentrated its efforts on preparing the standards and guidelines for the implementation of Solvency II. Furthermore, EIOPA provided technical analysis to the EU political institutions on the subjects being discussed in Omnibus II and prepared the launch of the Long-Term Guarantee Assessment that should support the co-legislators in bringing the Omnibus II legislative process to a timely conclusion.

Following two extended public consultations, EIOPA responded in February 2012 to the call for advice from the European Commission on the review of the IORP Directive. We recommended a comprehensive framework for risk-based supervision of IORP's, suggested enhanced qualitative requirements for governance and risk management, and proposed strengthened and consistent information requirements for members of defined contribution schemes through the establishment of a Key Information Document. In December 2012, EIOPA completed the first Quantitative Impact Study in the area of occupational pensions which allowed us to assess the financial impact of different options considered for the valuation of assets and liabilities, the calculation of capital requirements and the setting-up of the so-called "holistic balance sheet".

In 2012 EIOPA, for the first time, made use of its ability to issue Opinions addressed to the national supervisory authorities. This tool intends to be an efficient instrument to promote common supervisory approaches and practices in the European Union. During the year, we issued Opinions on external models and data used for the calculation of Solvency II capital requirements and on the preparation for Solvency II.

In the area of supervision EIOPA concentrated on its role as a member of the colleges of supervisors. In order to ensure the consistency and convergence of practices in the colleges EIOPA has established an Action Plan with concrete deliverables and timings and has monitored its fulfillment. While we observe an increased consistency of the work of the colleges and an improved exchange of information between supervisors, we also observe key differences in the level of and approach to risk assessment and in the internal model pre-application processes. These are fundamental challenges looking forward.

During 2012 EIOPA has been monitoring and assessing market developments on a permanent basis, by using efficiently the public information available and collecting more granular information directly from the national supervisory authorities, both through specific quantitative and qualitative queries and by dedicated visits by EIOPA staff. This allowed us to reinforce the coordination of the EU supervisor's actions, highlight particular risks and activities that need to be further monitored and overall to be better prepared in the case of adverse developments.

I am particularly proud that EIOPA's first set of Guidelines were developed in the consumer protection area. The Guidelines on complaints handling by insurers fill an important regulatory gap at the EU level and are an important step towards promoting transparency, simplicity and fairness in the market for consumer financial products and services. Following our initial overview of key consumer trends in the EU, we dedicated special attention to consumer protection issues around payment protection insurance, complexity in unit-linked life insurance products and the increased use of comparison websites by consumers.

In line with EIOPA's commitment towards consumer protection, we published a report on good practices for disclosure and selling of variable annuities identifying a number of concrete elements that are fundamental to prevent the risk of mis-selling of these products and we held our 2nd Consumer Strategy Day where we explained how we are delivering our mandate in the consumer area and received input on different priorities and strategies.

In the financial stability domain, on top of the bi-annual financial stability reports EIOPA started to publish quarterly risk dashboards where we assess the main systemic risks and vulnerabilities faced by the European insurance and occupational pensions industry. This analysis showed the importance of the macro-economic risks, underlined the credit risks coming from the sovereign and banking exposures and highlighted the challenges of the low interest rate environment, especially for the life and pensions businesses.

On the international relations front EIOPA launched the Solvency II equivalence analysis of the regulatory regimes in 8 countries that expressed an interest in being included in a transitional regime. In the course of 2012, EIOPA maintained regulatory and supervisory dialogues with a number of relevant third-country authorities, signed a memorandum of understanding with the Swiss Financial Market Supervisory Authority - FINMA and has been involved in a dedicated project aimed to increase mutual understanding and cooperation with the USA authorities which culminated in the publication of an extensive report identifying key commonalities and differences of the two regimes.

During 2012 EIOPA started to contribute actively to the development of robust international standards in the context of the International Association of Insurance Supervisors, prioritising projects like the common framework for the supervision of internationally active insurance groups (Comframe) and the identification and treatment of globally systemic important insurers.

Foreword by the Chairman

EIOPA continues to recognise the importance of having a transparent policy towards its stakeholders. The ongoing involvement of the Insurance and Reinsurance Stakeholder Group and the Occupational Pensions Stakeholder Group allowed for valuable exchanges of views, and the opinions prepared by the Stakeholder Groups were essential in the development of EIOPA's work.

Of major relevance during 2012 was also the constant cooperation and close work with the European Banking Authority (EBA) and the European Securities Markets Authority (ESMA) in the context of the Joint Committee and the participation of EIOPA in the work of the European Systemic Risk Board.

I believe EIOPA is taking steady and assured steps towards the fulfillment of its current mandate. Looking forward, I believe that it is fundamental to rely on the experience gained from what has been already achieved by EIOPA under the existing Regulation and to start to reflect on the further tasks, powers and resources needed to deliver a truly consistent supervisory process and, in particular, to provide for a more consistent oversight of cross-border insurance groups.

I want to thank particularly the continuous commitment, involvement and cooperation of the members of EIOPA's Board of Supervisors and Management Board who have been instrumental in fulfilling our mission and vision.

Finally, let me thank the dedication of our staff and the excellent contribution from the experts of the National Supervisory Authorities. It is their combined knowledge, experience and commitment that allow us to fulfill our mandate and respond to an increasingly demanding environment.

While 2012 has been a challenging year, I am proud of EIOPA's performance and of the enthusiasm and resolve of our staff that on a daily basis is building a respected and credible institution for the benefit of stability and consumer protection in the EU.



Gabriel Bernardino



Foreword by the Executive Director

It would have been hard to imagine but 2012, EIOPA's second year as part of the European System of Financial Supervision, has been even more challenging and rewarding than its first year.

This year, with EIOPA still in the setting-up phase, we were kept busy building up and strengthening our organisation, its working procedures and infrastructure, with the following priorities guiding our activity: quality, efficiency and transparency.

EIOPA has a reputation for the outstanding quality of its deliverables, both from a technical and operational viewpoint. This is largely driven by the expertise and commitment of its experts, although it has further improved via better consultation with relevant stakeholders. We must be ambitious enough to explore ways to enhance it, yet looking at 2012 and all our work, I can only say how lucky I feel to have been a member of the EIOPA team.

It is essential for us to make our range of activities clearer and more transparent for all our stakeholders. Therefore, we decided to define seven core areas of our work, and structure our work around those areas which are: regulatory issues; supervision; consumer protection and financial innovation; a common supervisory culture; financial stability; crisis management and resolution and external relations.

This approach helped us to better define strategic choices in each area and to respectively allocate human and financial resources to the relevant tasks. In times of budgetary cuts and restrictions, we must ensure the most efficient allocation of our resources, and EIOPA has taken clear steps in that direction, from a strict prioritisation of tasks, to redeployment of existing staff to deal with new deliverables as outlined in our ambitious work programme.

In 2012, EIOPA has also worked on enhancing its transparency and accountability, by actively consulting its stakeholders and ensuring that EIOPA deliverables are made public to all relevant parties. We are very grateful to all of you who have helped us to improve our working practices.

Turning to organisational issues, in 2012 EIOPA's human resources team faced a lot of work and, as always, they excelled in it: we managed to increase the staff number from 56 in December 2011 to 91 experts and managers in December 2012. I would like to take the opportunity here to thank the EU Institutions, in particular the European Parliament, for their significant support and encouragement, both in terms of words and resources, to EIOPA and its goal of making a positive difference to Europe and its Citizens.

We are proud to host a very diverse staff mix, with representatives from 23 countries. Our staff members come not only from other supervisory authorities or EU institutions, but also from industry, thus ensuring the right blend of expertise that is paramount to EIOPA. Nevertheless, it is really challenging for us to find the right experts, in particular in very specific technical areas, because EIOPA has to compete with the conditions of the financial sector industry. More flexibility in that respect, as acknowledged by the IMF in its 2012 Review of the ESFS, will be both welcomed and much needed.



But I am happy that we have managed to take on board highly qualified and experienced specialists who share a common European vision and are very motivated to contribute to a common European supervisory culture. These persons have been staying at the origins of the new supervisory standards and all our ambitious deliverables in 2012 would not have been possible without their dedication, efficiency and a remarkable teamwork.

In 2012, all the people that make EIOPA possible have managed to settle a very sound basis, which will allow EIOPA to further work on the creation of consistent supervisory processes, to contribute to the financial stability in the EU and to protect consumers. For sure, we cannot think that we are there yet, there is always room for improvement, and that is precisely our challenge and motivation for 2013.

A big thank you to one and all for making EIOPA a success story.

A handwritten signature in blue ink, which appears to read 'Carlos Montalvo', written over a horizontal line.

Carlos Montalvo

Executive Summary

Executive Summary

2012 is the second year of EIOPA's work as a European Supervisory Authority. In the course of this year, EIOPA continued its work in its seven core areas: regulatory tasks; supervisory tasks; consumer protection and financial innovation; creation of the common supervisory culture; financial stability; crisis prevention, management and resolution; external relations.



Regulatory tasks

The key insurance project to be delivered by EIOPA during 2012 continued to be Solvency II. Whilst 2012 was marked by the continuing negotiations between the European Parliament, the Council and the Commission on the Omnibus II Directive, EIOPA has been active in developing the regulatory provisions to support the Solvency II regime, as well as in supporting national supervisors and insurers to prepare for the new framework.

As a result of the delay in finalising the Omnibus II Directive, on 20 December 2012 EIOPA published an Opinion, advising national supervisory authorities (NSAs) to take steps to prepare certain important aspects of Solvency II.

In the occupational pensions area, the main focus of EIOPA's work in 2012 was on the finalisation of EIOPA's Advice on the review of the IORP Directive. The Advice was delivered to the European Commission on 15 February 2012. EIOPA's Advice emphasised the importance of the Quantitative Impact Study (QIS), undertaken between 16 October 2012 and 17 December 2012.

Supervisory tasks

In 2012, EIOPA continued to contribute to the global effort to improve the quality of the EEA supervisory framework, and particularly of the Colleges of Supervisors. In the course of the year, EIOPA contacted all 91 Colleges which are currently active in Europe, and managed to present best practices in 75 Colleges of Supervisors. These exchanges led to lively discussions on macro and micro-economic risks, and the Authority provided summaries of EIOPA's Financial Stability Reports, and the EIOPA Risk Dashboard. The Authority provided feedback to 17 Group Supervisors on how their Colleges were functioning.

With the aim of aligning the supervisory practices with the Solvency II regime, EIOPA participated in Question & Answer events on established Guidelines and Recommendations and Standards, and gathered questions and best practices from meetings in the Colleges, particularly about the internal models.

Consumer protection and financial innovation

Consumer protection lies at the heart of EIOPA's 'DNA' and it is therefore seen as a high priority for EIOPA in the area of insurance and occupational pensions. The first set of Guidelines issued by EIOPA was precisely in the area of consumer protection. More specifically, in November 2012, EIOPA issued Guidelines dealing with complaints-handling by insurance undertakings. These Guidelines establish consistent, efficient and effective supervisory practices and ensure common, uniform and consistent application of EU law.

Executive Summary

Furthermore, EIOPA conducted several studies and produced reports on various relevant topics. EIOPA has written to the European Parliament, the Council and the European Commission to express its concerns about the lack of empowering provisions for EIOPA to issue temporary prohibitions in relation to products/services.

On 4 December 2012 EIOPA held its second Consumer Strategy Day in Frankfurt, which was attended by approximately 200 participants.

Creation of a common supervisory culture

During 2012, EIOPA continued to build up a common supervisory culture in the European Union, through technical training with a strong focus on building common supervisory skills and approaches.

The topics covered in the training events mirror the work of EIOPA, whereby Solvency II is one of the main drivers, followed by Financial Stability, Occupational Pensions, Consumer Protection and Convergence of supervisory practices.

Financial stability

EIOPA's financial stability work in 2012 continued to focus on the early identification of adverse trends, potential risks and vulnerabilities for the insurance and occupational pensions sectors arising from micro and macro-economic developments.

In addition to the surveillance of market conditions, EIOPA carried out regular financial stability assessments in the form of quarterly Risk Dashboards and semi-annual EIOPA Financial Stability Reports. During the course of 2012, EIOPA also examined a number of specific financial stability issues including the significance of insurance in shadow banking, the liquidity swap activities of insurers, and alternative risk transfer techniques in insurance.

Crisis prevention, management and resolution

In early 2012, the EIOPA Board of Supervisors (BoS) agreed upon a 'common approach' to dealing with the financial crisis. In essence this meant EIOPA adopted a coordinated approach to be followed by EIOPA Members when assessing the impact of the crisis in the following areas: monitoring insurance sector exposures to sovereign and bank risks; liquidity and cash-flow developments in the insurance sector; interconnection between the insurance and banking sectors, for example through liquidity swap and repo activity; and insurers' contingency plans to deal with significant changes in financial asset values.

In October 2012, the European Commission launched a consultation on the development of a possible recovery and resolution framework for financial institutions other than banks. A detailed EIOPA response to this consultation was submitted to the European Commission in December 2012.

External relations

In 2012, EIOPA strengthened existing relationships and initiated several new EIOPA regulatory and supervisory dialogues and contacts; in total up to 40 meetings including a high-level visit to China and Japan for EIOPA Chairman were held. A specific project with the US started to increase the mutual understanding of (re)insurance regimes on both sides of the Atlantic and enhance cooperation so as to promote business opportunities, consumer protection and effective supervision. This work resulted in the publication of the EU-US Dialogue Project Technical Committee Reports and of the Way Forward Document detailing the common objectives and initiatives to be pursued over the next 5 years. The Authority was also actively engaged in the work of setting international standards, in particular with the International Association of Insurance Supervisors (IAIS), and applied for governing membership of the International Organisation of Pension Supervisors (IOPS). Negotiations for an operational Memorandum of Understanding (MoU) with the World Bank in the fields of insurance, pensions and consumer protection were concluded. A Cooperation Agreement was signed with the Croatian Financial Services Supervisory Agency (CFSSA) to grant it observer status at the EIOPA BoS. In addition, the gap analyses were drafted as a basis for equivalence transitionals for up to eight third country regimes.

Organisational developments

In the course of 2012, 35 new colleagues joined EIOPA so, by the end of the year, the Authority had 91 staff members, including seconded national experts. EIOPA's diverse staff includes 23 EU nationalities. 55% of the staff are female and 45% are male.

In 2012, the IT work mostly took the form of implementing a secure and reliable infrastructure, integrating additional tools that facilitate the work of EIOPA officials as well as the provision of quality services that meet the actual needs of the business. Substantial efforts went into developing and implementing the main IT platform that EIOPA requires for its IT operations and services.

In order to ensure that critical business functions are available to customers, suppliers, and other entities that must have access to those functions, EIOPA started a business continuity project in 2012. The business objective of this project is to guarantee the continuity of services in case of a "business as usual" interruption.

Chapter 1 **EIOPA Overview**

1.1 Introduction

This report is the second annual report of the European Insurance and Occupational Pensions Authority (EIOPA), which was set up in January 2011 as a result of reforms to the supervisory structure in the financial sector of the European Union (EU).

EIOPA's main goals are:

- to better protect consumers, thus rebuilding trust in the financial system;
- to ensure a high, effective and consistent level of regulation and supervision, taking account of the varying interests of all Member States and the different nature of the financial institutions;
- to achieve a greater harmonisation and coherent application of the rules applicable to the financial institutions and markets across the European Union;
- to strengthen oversight of cross-border groups;
- to promote a coordinated European Union supervisory response;
- to foster dialogue and cooperation with supervisors outside the European Union including third countries recognised as equivalent as well as to strengthen international supervisory coordination and convergence

EIOPA's core responsibilities are to support the stability of the financial system, ensure the transparency of markets and financial products and protect policyholders, pension scheme members and beneficiaries. EIOPA is commissioned to monitor and identify trends, potential risks and vulnerabilities at the micro-prudential level, across borders and across sectors.

EIOPA is an independent Union advisory body to the European Parliament, the Council of the European Union and the European Commission.

To account for the specific conditions in the national markets and the nature of the financial institutions, the European System of Financial Supervisors is 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.



1.2 Board of Supervisors

According to EIOPA's Founding Regulation, the Board of Supervisors is the main decision-making body and gives guidance to the work of Authority. It is composed of EIOPA's Chairman, heads of 27 national authorities (Voting Members and Permanent Representatives), Non-Voting Members and Observers.

Iceland, Lichtenstein and Norway represent non-EU Member States of the European Economic Area, while non-Voting Members consist of the European Commission, the ESRB, EBA and ESMA. The Board of Supervisors meets at least twice a year and may create internal committees and panels for specific tasks.

During 2012, EIOPA's Board of Supervisors convened seven meetings and carried out various important activities and decisions in the areas within its remit. In the field of regulatory and supervisory tasks, major efforts were made to find an interim solution regarding Solvency II, the Long-Term Guarantee Assessment (LTGA), EIOPA's Advice on the Review of the IORP Directive and the Quantitative Impact Study (QIS) on Institutions for Occupational Retirement Provision (IORPs). The Board of Supervisors adopted first guidelines that were developed in consumer protection area and numerous other reports prepared by different business areas.

The members of the Board of Supervisors took decisions on several other issues such as the revision of the Rules of Procedure of the Board of Supervisors, the Internal Processing Rules on Investigation regarding the Breach of Union Law and the Rules of Procedures of the Mediation Panels. During the year 2012, the Board of Supervisors also adopted the Work Programme 2014 and Multi-Annual Work Programme 2012-2014.

1.3 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 the Voting members of the Board of Supervisors. The Executive Director of EIOPA participates 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 issues relating to the budget.

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. The term of membership of the Management Board is two and a half years, and it can be renewed once.

In 2012, the Management Board met six times. During these meetings the members received updates on all of EIOPA's initiatives and activities in the areas of regulatory and supervisory tasks, consumer protection and financial innovation, financial stability, crisis management and resolution as well as external relations.

The agenda of these meetings included discussion of EIOPA documents such as the Strategic orientation for international relations; the Strategic Plan for Internal Audit; the Work Programme 2013 and the Multi-Annual Work Programme 2012-2014.

The Management Board members discussed issues such as the EIOPA position on the Solvency II developments that occurred in 2012 and the legal basis and instruments for the Solvency II interim measures, the strategic approach of the International Association of Insurance Supervisors (IAIS), preparation for the stress test and the Long-Term Guarantee Assessment (LTGA), Payment Protection Insurance, Personal Pensions and EIOPA's revised Financial Regulation, the Authority's budget for 2013 and its organisational development.



1

1.4 Stakeholder Groups

EIOPA Stakeholder Groups were established to facilitate consultation with EIOPA stakeholders in areas relevant to the Authority's tasks. Throughout 2012, EIOPA has engaged in close dialogue with its two Stakeholder Groups, the Insurance and Reinsurance Stakeholder Group (IRSG) and Occupational Pensions Stakeholder Group (OPSG) including representatives from the industry, users of insurance and reinsurance as well as occupational pension services, trade unions, employee and employer representatives, consumers and academics. In 2012, following the resignation of an academic representative at the IRSG, EIOPA organised the replacement, which included a call for expression of interest, the selection procedure documentation and the final appointment by the Board of Supervisors.

2012 was a high performance year for both the IRSG and the OPSG, during which they delivered nine official Opinions and Feedback Statements, eight informal consultations on 'work-in-progress' and held eleven meetings in total, including a joint one with EIOPA's Board of Supervisors. At the beginning of the year, they each agreed on a detailed Work Plan, linked to EIOPA deliverables and covering the remaining term of office from 2012 until mid-2013. As part of their main tasks, the Stakeholder Groups submitted their opinions to EIOPA either by responding to public consultations or by providing informal feedback on work-in-progress, or draft technical standards and guidelines. Moreover, the Stakeholder Groups prepared useful own-initiative reports on relevant issues, both in the areas of insurance and pensions, also addressed to the European Commission.

In 2012, continuous output proved the proper functioning of the EIOPA Stakeholder Groups. In particular, the IRSG's main focus was on the preparation of opinions on the Solvency II framework and on topics related to consumer impact such as PRIIPs and IMD. In parallel, the focus of the OPSG was to follow-up on the OPSG Opinion on the EIOPA advice to the European Commission on the Review of the IORP Directive and to respond to the EIOPA consultation on the Technical Specifications of the Quantitative Impact Study (QIS on Pensions) of the same advice.

In 2012, EIOPA strengthened its relationships with Stakeholder Groups by further engaging in close dialogue with their representatives. An example of this was a joint meeting held with both Stakeholder Groups with the Board of Supervisors on 26 November 2012.

Throughout 2012, the IRSG had 5 regular meetings in Frankfurt, while the OPSG had 6 regular meetings.

Consumer focus:

EIOPA pursued its commitment to ensuring the adequate involvement of consumer representatives in the regulatory work of EIOPA. As such, consumer representatives from both the IRSG and OPSG attended a meeting of the EIOPA Consumer Protection and Financial Innovation Committee on 6 July 2012, in addition to regular meetings on specific Consumer topics with the EIOPA's Chairman and Executive Director. Moreover, they were actively represented at the two largest public events organised by EIOPA in 2012 (EIOPA Conference and EIOPA Consumer Day).

Throughout 2012, the two EIOPA Stakeholder Groups covered a wide range of topics relevant to EIOPA's work in the following areas:

- **Solvency II:**

- Solvency II – a standing item on the agendas of IRSG meetings as the topic is of the highest relevance for both EIOPA and its stakeholders. Overall, eight nutshell notes were drafted by EIOPA on Solvency II key topics, such as Governance, Long Term Guarantees, Groups Supervision, Finite Re/SPVs, Internal Models, Valuation and Proportionality. The notes were well received by the IRSG. One nutshell note was specifically aimed at describing in a more general, but comprehensive, way the key characteristics of the Solvency II framework for non-insurance specialists and also used for OPSG.
- EIOPA informal consultation on the draft Guidelines on the System of Governance – in October 2012 the IRSG provided comments, which were included in the EIOPA Internal Governance, Supervisory Review and Reporting Committee (IGSRR) and Insurance Groups Supervision Committee (IGSC) work on governance.
- Establishment of dedicated subgroups on LTGs and Internal Models.

- **Financial Stability:**

- a standing item on the agendas of the IRSG meetings throughout 2012 as a direct reflection of the close monitoring of EIOPA actions/work on financial stability issues as well as on EIOPA collaboration with the ESRB.

- **Consumer Protection:**

- Monitoring of Commission's legislative proposal on Revision of Insurance Mediation Directive (IMDII) and Packaged Retail Investment Products (PRIIPs).
- Monitoring of new legislation on Alternative Dispute Resolutions or Online Dispute Resolution.
- Preparation of feedback on the EIOPA planned work analysing the impact of Solvency II on product development.

- **Occupational Pensions:**

- Establishment of dedicated subgroups on IORP QIS, White Paper on Pensions, Information to Members and Pension Fund Governance.
- Development of own initiative Report in the area of Information to Members by OPSG.
- Development of own initiative Report in the area of Pension Fund Governance.

- **International developments:**

- a standing item on the agendas of the IRSG meetings throughout 2012 as a direct reflection of the close monitoring of EIOPA actions/work within the International Association of Insurance Supervisors (IAIS), such as the developments on the Common Framework for the supervision of Internationally Active Insurance Groups (ComFrame), the area of global systemically important insurers (G-SIIs) and the work on Insurance Core Principles (ICPs).

- **Anti-discrimination:**

- Monitoring of the implementation of the ruling of the European Court of Justice (ECJ) on the Test-Achats case by the IRSG.

Table 1 provides an overview of the Stakeholder Groups' key deliverables by areas of work, in the form of adopted official Opinions and Feedback Statements, published in the course of 2012.

Table 1



Detailed information about the Stakeholder Group membership can be viewed in the Annex IV

1.5 Working Groups

The activities of the EIOPA Working Groups are divided among Committees, Task Forces and Panels which are EIOPA's main tools for carrying out technical work and preparing draft instruments to be adopted by the Board of Supervisors. During 2012, EIOPA's Working Groups continued to focus on the core activities, such as regulatory and supervisory tasks, consumer protection and financial innovation, financial stability, crisis management and resolution as well as external relations. A number of new Task Forces were created in order to perform tasks of a shorter term nature or to deal with a specific output in a concentrated way.

Management Board Working Groups

Quality Control Committee (QCC) → the purpose of the QCC is to assess the accuracy, efficiency and transparency of internal procedures and processes in accordance with the requirements of the EIOPA Regulation.

Policy Working Groups

Insurance Groups Supervision Committee (IGSC) → develops policy on group issues and draft technical standards and guidelines.

Financial Requirements Committee (FinReq) → focuses on developing draft technical standards and guidelines for the convergent implementation of Solvency II in such areas as own funds, technical provisions, and the standard formula for capital requirements etc.

Internal Governance Supervisory Review and Reporting Committee (IGSRR) → develops draft technical standards and guidelines for the consistent and convergent implementation of Solvency II in the areas of system of governance, including ORSA, transparency and accountability of supervisory authorities, capital add-on, the extension of recovery period, public disclosure and supervisory reporting, supervisory review and valuation of assets and liabilities other than technical provisions.

Internal Models Committee (IMC) → was given the task of developing draft technical standards and guidelines for the convergent implementation of Solvency II in the areas of tests and standards for full and partial internal models, requirements for the approval process and policy for introducing changes to the model.

Task Force on EMIR → the European Market Infrastructure Regulation (EMIR) requires EIOPA, EBA and ESMA to produce joint draft Regulatory Technical Standards regarding risk-mitigation techniques for OTC derivative contracts not cleared by a Central Counterparty. The EIOPA EMIR Task Force was created to ensure that insurance and pension perspectives were properly reflected in the drafting work.

Occupational Pensions Committee (OPC) → its objective is to enhance the convergence and coordination of supervisory practices in the field of occupational pensions.

Equivalence Committee (EQC) → conducts gap analyses and full professional secrecy equivalence assessments of a number of non-EU countries.

Regulatory Working Groups

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.

Oversight Working Groups

Review Panel → develops methodologies, procedures and tools necessary to conduct 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.

Task Force on Crisis Management (TFCM) → develops EIOPA's institutional framework to carry out its crisis prevention, management and resolution responsibilities under the EIOPA Regulation.

Internal Monitoring Group (IMG) → monitors risk concentrations in insurers' balance sheets, and prepares for discussion at the EIOPA Board of Supervisors's 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.

1.6 Mediation Panel

The Mediation Panel forms an integral part of EIOPA's internal structure. The purpose of the Mediation Panel is to facilitate an impartial settlement of disagreements between national competent authorities (NCAs) in cross-border and/or cross-sectoral situations. The Panel performs both non-binding and binding mediation of disagreements, the latter occurs only in cases specified in the legislative acts referred to in Article 1(2) of the EIOPA Regulation.

In June 2012, EIOPA's Board of Supervisors adopted the Rules of Procedure for the Mediation Panel, covering its composition, the appointment of its members and substitutes, its decision-making process, and detailed procedure of the binding and non-binding mediation.

The Mediation Panel consists of EIOPA's Chairman who is also chairing the Panel, two members and four substitutes. All the members of the Panel are appointed by the Board of Supervisors among its Voting Members and permanent representatives.

The term of office of the Panel's members and substitutes is 2 years with the possibility of one renewal. However, the term of office of one member and two substitutes, who were appointed in 2012, will be three years to allow for the staggering of terms. The mandate of members and substitutes automatically expires if they cease to be members of EIOPA's Board of Supervisors.

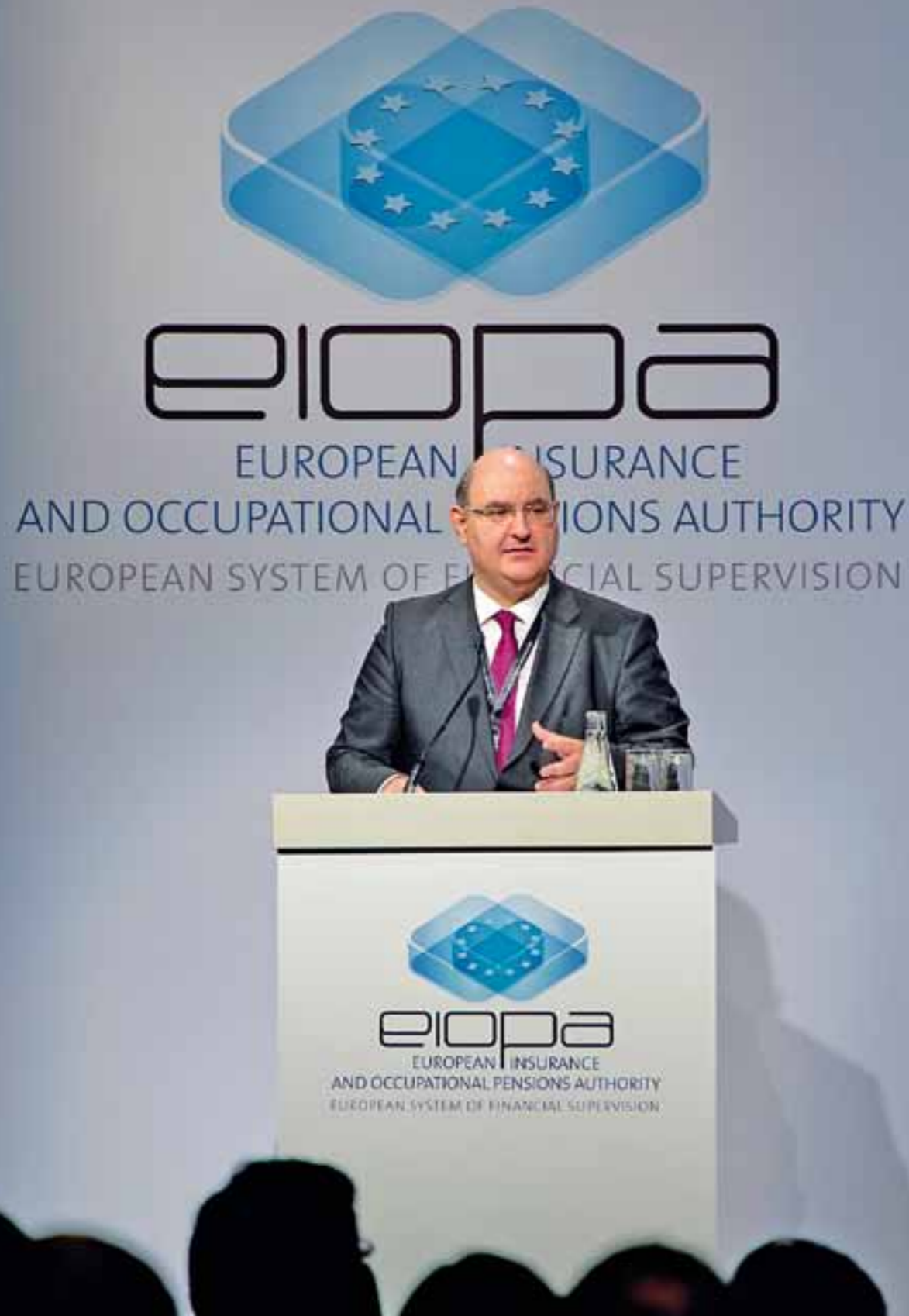
In the course of the second half of 2012, EIOPA's BoS appointed Joanne Kellermann, De Nederlandsche Bank (the Netherlands), Julian Adams, the Financial Services Authority (the UK) as members and Sergej Simoniti, the Insurance Supervision Agency of Slovenia (Slovenia), Peter Braumüller, Austrian Financial Market Authority (Austria), Damian Jaworski, Polish Financial Supervision Authority, (Poland), Jan Parner, Finanstilsynet, (Denmark) as substitutes of the Mediation Panel.

The Panel should periodically report to EIOPA's BoS on its activities. Such reports should not identify the parties to disagreements unless the parties have consented.

EIOPA's Chairman should take all necessary steps to monitor whether NCAs comply with the Mediation Panel's opinions and decisions, and report on such compliance to EIOPA's BoS.

There was no convocation of the panel in 2012.





Chapter 2 **EIOPA's activities**

2.1 Regulatory tasks

2.1.1 Insurance

The key insurance project to be delivered by EIOPA during 2012 continued to be Solvency II. Whilst 2012 was marked by the continuing negotiations between the European Parliament, the Council and the European Commission on the Omnibus II Directive, EIOPA has been active in developing regulatory provisions to support the Solvency II regime and encouraging national supervisors and insurers to prepare for the new framework.

INFORMATION BOX: Reminder of Solvency II framework

- A new regulatory framework providing supervisors with the appropriate tools to assess the overall solvency of and the management of risks by insurance and reinsurance undertakings.
- It is based on three pillars: quantitative requirements (Pillar I), governance, risk management and supervisory review (Pillar II) as well as supervisory reporting and public disclosure (Pillar III).
- The Framework Directive 2009/138/EC was published on 17 December 2009.
- Implementing measures have been the subject of discussions between the European Commission and Member States since the end of 2009.
- Technical standards are being drafted by EIOPA to be endorsed by the European Commission.
- Guidelines are being drafted by EIOPA to ensure the convergent application of the regulation.

Omnibus II Directive and the path to Solvency II

The Omnibus II Directive will revise a number of aspects of the Solvency II Directive.

There is continuing discussion, in particular, on the sustainability of long-term insurance guarantees, the volatility of elements in undertakings' solvency balance sheets and reporting and disclosure requirements.

EIOPA provided technical and analytical support to the parties involved in negotiating the OMDII (representatives of the EP, Council and EC or the trilogue). During the summer of 2012, EIOPA was asked to conduct an impact assessment of the long-term guarantee aspects of Solvency II in order to support the co-legislators in their decision on the OMDII.

INFORMATION BOX: Long-Term Guarantees Assessment

- The Trilogue parties decided in July 2012 that the long-term guarantee measures under discussion should be tested in an EU-wide technical assessment. EIOPA was asked to coordinate this Long-Term Guarantees Assessment (LTGA).
- The exercise was officially launched on 28 January 2013, but preparations for the exercise took place during the second half of 2012. A dedicated group consisting of experts from national supervisory authorities and EIOPA was set up with the aim of supporting the Trilogue parties in the Terms of Reference process and developing Technical Specifications as well as other supporting material for the exercise. In the course of this process, the expert group also sought regular feedback from industry stakeholders on the technical feasibility of the planned exercise.
- One focus of the preparatory work was also to provide as much support as possible for smaller undertakings to participate in the LTGA. In this context, helper tabs, example calculations and simplification approaches have been developed and provided to participants. Furthermore, EIOPA will provide ongoing support via a Question and Answer process available to all participants throughout the assessment.
- According to the Terms of Reference for the LTGA, EIOPA will submit its final LTGA report to Trilogue parties by 14 June 2013.

It is not expected to be possible to implement the full Solvency II regime by its intended date of 1 January 2014. EIOPA was concerned about this development and in a letter to the Trilogue parties on 5 October 2012 the Chairman of EIOPA expressed the need to reflect on an earlier implementation of some Solvency II elements in order to address the concerns raised in the letter. In response to this, Commissioner Barnier proposed, in a letter dated 8 November 2012, that EIOPA should act to ensure that there is convergence towards a Solvency II approach, within the limits possible under the current legal framework.

As a result, on 20 December 2012 EIOPA published an Opinion, advising National Supervisory Authorities (NSAs) to take steps to prepare certain important aspects of Solvency II.

INFORMATION BOX: EIOPA Opinion on interim measures regarding Solvency II

The Opinion stated:

- It was considered that it is of key importance that there will be a consistent and convergent approach with respect to the preparation of Solvency II.
- As part of the preparation for Solvency II, national competent authorities should put in place, starting on 1 January 2014, certain important aspects of the prospective and risk based supervisory approach to be introduced. These aspects are:
 - the system of governance, including a risk management system and a forward looking assessment of the undertaking's own risks (based on the ORSA principles);
 - reporting to supervisors; and
 - pre-application of internal models.
- As a follow-up to the Opinion, and by making use of its powers under Article 16 of the Regulation, EIOPA will publish guidelines addressed to national competent authorities on how to proceed in this preparatory phase leading up to Solvency II.

EIOPA intends to hold a consultation on the guidelines for the interim phase during 2013.

Technical standards and guidelines

During the course of 2012, EIOPA continued to prepare the final layer of regulatory measures for Solvency II, the draft technical standards and guidelines. Solvency II is expected to be one of the first projects to benefit directly from EIOPA's regulatory powers to draft standards and subsequently its powers to ensure consistent implementation of legislation through binding mediation and oversight of colleges of supervisors. Until there is agreement on the proposals for the Omnibus II Directive and the Implementing Measures EIOPA will not have complete clarity on the scope of its powers for drafting the technical standards for Solvency II.

INFORMATION BOX: Areas in which EIOPA has been preparing technical standards and guidelines during 2012:

- Standard Formula Solvency capital requirements, use of internal models for the calculation of the SCR, own funds, Valuation of technical provisions, Valuation of assets and liabilities.
- Group supervision including the functioning of supervisory colleges and risk concentration and intra-group transactions.
- Supervisory transparency and accountability, reporting and disclosure.
- Governance, including Own Risk and Solvency Assessment; Guidelines on external audit.
- Supervisory review process, Capital add-ons, Extension of recovery period ("Pillar 2 dampener"), Finite reinsurance, Special purpose vehicles.

Subject to the conclusion of the negotiations on Omnibus II and the adoption of delegated acts, EIOPA will hold a public consultation on the range of technical standards and guidelines.

In a number of areas, EIOPA continued its informal pre-consultations with selected stakeholders (Insurance Europe, AMICE, CRO and CFO Forum, Groupe Consultatif), in order to provide an ongoing dialogue with the industry ahead of the formal public consultation. The areas where EIOPA is preparing draft technical standards and guidelines are discussed in more detail below.

Standard formula capital requirements

EIOPA prepared draft technical standards and guidelines on the approval process and data quality for undertaking-specific parameters for solo undertakings and groups, methods for the calculation of undertaking-specific parameters for solo undertakings, the loss-absorbing capacity for deferred taxes and technical provisions, standard capital requirements for health underwriting risk, look-through for investments, basis risk, choice of equity index for equity dampener, adjustments for currencies pegged to the Euro, standard deviations for business subject to health risk equalisation systems, lists of regional governments and local authorities treated as exposures to central governments, application of market risk module, underlying assumptions to the standard formula, application of reinsurance, zonation of natural catastrophes risks and application of the man-made liability CAT risk sub-module.

Informal pre-consultations were completed in March 2012 for draft standards on methods for the calculation of undertaking-specific parameters for solo undertakings and for draft guidelines on the approval process and data quality for undertaking-specific parameters for solo undertakings and groups, standard capital requirements for health underwriting risk and the loss-absorbing capacity of deferred taxes and technical provisions. The second wave of pre-consultations was finalised in June 2012 for draft standards on the choice of equity index for equity dampener and adjustments for currencies pegged to the Euro and draft guidelines on the application of a market risk module as well as for the issue paper on standard deviations for system of health risk equalisation.

Technical provisions

EIOPA focused on developing draft technical standards and guidelines for the convergent valuation of the technical provisions under Solvency II in the areas of the definition of contract boundaries, proportionality assessment, simplifications, methodologies, data quality for the purposes of technical provisions valuation as well as on the determination of the risk free rate term structures to discount liabilities cash flows.

An informal pre-consultation on the contract boundaries draft technical standard was undertaken in April 2012 and EIOPA discussed with relevant stakeholders an issues paper on the risk free rate term structures in March.

Own Funds

EIOPA prepared draft standards and guidelines on the classification of own funds, ancillary own funds, ring-fenced funds and participations.

During the course of 2012, EIOPA gathered information on own funds practices within the EU/EEA to assist in achieving a convergent application of the Solvency II criteria for the classification of own funds.

Valuation of assets and liabilities (excluding technical provisions)

EIOPA continued to further develop technical standards and guidelines on the valuation of assets and liabilities other than technical provisions for the purpose of valuing a market-consistent, economic Solvency II balance sheet. This work entails an analysis of currently applicable International Financial Reporting Standards (IFRSs) as to their potential use for the Solvency II balance sheet. In 2012, EIOPA looked in particular into the potential use of IFRS 13 Fair Value Measurement.

Reporting and disclosure

In January 2012, the public consultation closed for CP 009/2011 - Draft proposal on Quantitative Reporting Templates and Draft proposal for Guidelines on Narrative Public Disclosure & Supervisory Reporting, Predefined Events and Processes for Reporting & Disclosure and for CP 011/2011 - Draft proposal on the add-on Quantitative Financial Stability Reporting Templates. In early July 2012, EIOPA published a final report on those consultation papers, which illustrated the changes made to the reporting requirements based on the comments received and also provided feedback to those comments.

During 2012, EIOPA continued to work on technical standards and guidelines on reporting and disclosure based on the final report.

Governance and risk management requirements

The public consultation CP 008/2011 on ORSA closed on 20 January 2012. 27 Stakeholders and the EIOPA's Insurance and Reinsurance Stakeholders Group (IRSG) submitted their comments to these draft guidelines. The Final Report on this consultation was published 9 July 2012 which included the responses to all comments received and the revised guidelines. Respondents almost unanimously approved EIOPA's general approach, which is to address what is to be achieved through the ORSA rather than how to achieve these goals.

The guidelines and the nutshell note on System of Governance were shared with the IRSG in their personal capacity as a member of this group in May 2012. Further exchange on the content followed between the IRSG subgroup governance and EIOPA staff and the outcome was considered during the developing of the system of governance requirements.

The papers on capital add-ons, extension of the recovery period, and supervisory transparency and accountability reached a stabilised version subject to any possible future decision for the status of these requirements as guidelines or technical standards.

Internal models

In the area of internal models, EIOPA focused on developing draft technical standards and guidelines in the areas of tests and standards for full and partial internal models, the approval process and the policy for introducing changes to the model. It also started work on defining indicators that can be applied to assessing the on-going appropriateness of internal models after they have been approved by the NSAs.

In order to increase supervisory convergence and to prepare industry and supervisors for the use of internal models under Solvency II, Internal Models Committee implemented a number of initiatives. This has included meetings and training activities between operational supervisors, in particular in the context of colleges for internal models developed by groups. An EIOPA event with stakeholders took place in March, during which EIOPA, supervisory authorities and stakeholders exchanged their views about the different approval processes foreseen in the Directive, these being internal models, undertaking specific parameters, and ancillary own funds internal models.

EIOPA also published an Opinion on External models and Data on 7 May 2012, in relation to specific features of the approval process for internal models in the case of undertakings using external models and data.

Group Supervision

EIOPA continued to provide guidance regarding the operational functioning of colleges of supervisors (colleges) as well as EIOPA's role in colleges, which has been strengthened according to EIOPA Regulation (1094/2010) through its participation in college activities. In June a new version of the Guidelines on the operational functioning of colleges of supervisors including a revised coordination arrangement template as well as an emergency plan template was made available to NSAs. In 2012, EIOPA continued to focus on the convergence of supervisory practice and supervisory co-operation under the Insurance Groups Directive, in order to ensure efficient supervision and minimise the supervisory burden on insurance groups.

In 2012, EIOPA prepared group specific technical standards and guidelines to contribute to the convergent implementation of Solvency II in the areas of group solvency, intra-group transactions and risk concentration, colleges and supervisory cooperation (in particular the exchange of information within the colleges) and third country branches. Group issues were also considered in the areas of own funds, treatment of participations, loss absorption capacity of deferred taxes and technical provisions, internal model assessment and approval, system of governance, ORSA, capital add-ons, external audit, reporting, disclosure and a supervisory review process.

Policy on group issues was developed by the Insurance Group Supervision Committee (IGSC) which strengthened its decision making processes through the creation of a subgroup on group solvency and increased the role of several work streams on the Functioning of Colleges of Supervisors, Exchange of information within colleges, Intragroup transactions and risk concentration, Pillar II issues, Reporting, Supervisory Review Process, External audit and Third-country branches. EIOPA consulted stakeholders on several issues including group supervision under Solvency II, intra-group transaction and risk concentration and loss absorption capacity for groups.

Other preparations being made by EIOPA to implement Solvency II

As well as drafting regulatory measures to support the consistent and convergent application of Solvency II, EIOPA is also preparing to undertake a number of tasks that it is expected to take charge of once the Solvency II regime applies. This includes:

- publishing parameters for the SCR calculation
- updating correlation and other parameters of the standard formula
- identifying stressed market conditions
- providing information necessary to derive the relevant risk free rate
- monitoring IFRS
- aligning practices on internal models
- collecting data on the use of capital add-ons

During 2012, EIOPA developed business processes and considered the data that it will need in order to execute its tasks.

2.1.2. Occupational Pensions

Call for Advice

The main focus of EIOPA's work on occupational pensions in the first quarter of 2012 was on the finalisation of EIOPA's Advice on the review of the Directive 2003/41/EC (IORP Directive). The Advice was delivered to the European Commission on 15 February 2012 and was published on the same day together with all the consultation responses and EIOPA's resolutions to the comments received.¹

EIOPA's Advice acknowledges the social and labour law context for IORPs and recommends:

- That the scope of the IORP Directive remains unchanged but that the European Commission takes the legislative initiative if it concludes that the protection offered by national or EU frameworks for pension scheme members outside of the IORP Directive is not adequate.
- The adoption of a risk-based approach to the management of IORPs.
- That the valuation of assets and liabilities should be done in a market-consistent way.
- That all the elements which provide security for members of IORPs should be captured via the concept of the 'holistic balance sheet'.
- Common principles for the governance of IORPs.
- That information to members of defined contribution (DC) schemes includes a key information document and an annual statement.

Quantitative Impact Study

The Advice also emphasises the importance of the Quantitative Impact Study (QIS) which was undertaken in 2012 and the importance of proportionality in the IORP context.

As a further step to its Advice, EIOPA developed technical specifications for the first QIS in the occupational pensions' area.² The QIS exercise ran from 16 October 2012 to 17 December 2012. There were eight countries participating in the QIS: Belgium, Germany, Ireland, the Netherlands, Norway, Portugal, Sweden and the United Kingdom.

¹ <https://eiopa.europa.eu/publications/submissions-to-the-ec/index.html>

² <https://eiopa.europa.eu/consultations/qis/occupational-pensions/quantitative-impact-study/index.html>

Draft Implementing Technical Standard

Another important achievement in 2012 was opening the public consultation on a draft implementing technical standard (ITS) on the reporting of national provisions of a prudential nature relevant to the field of occupational pension schemes as provided for in Article 20(11) of the IORP Directive. This is the first technical standard drafted solely by EIOPA and on which EIOPA has been publicly consulting. The consultation was launched on 10 December 2012.³

Own initiative reports, surveys and database

As part of its own initiative work and in the context of EIOPA's Advice, in 2012 EIOPA undertook two projects focused on defined contribution IORPs. EIOPA finalised a fact-finding report on good practices in the provision of information to members of defined contribution schemes. EIOPA also prepared a first draft of a fact-finding report on the current practices and approaches to default investment funds and life-styling in Europe.

In August 2012, EIOPA submitted to the European Commission the findings of its survey on the implementation of small IORPs (i.e. below 100 members), exempted under Article 5 of the IORP Directive. The results showed that while small IORPs represented 94% of the total number of IORPs in the EEA, their asset value amounted to ca. 10% of the IORP market.

EIOPA's Market Development Report which tracks the overall activity and developments in the European cross-border occupational pensions market was published in July 2012. It revealed that the number of cross-border IORPs remained at 84.⁴

During 2012, EIOPA continued working on a database of pension plans/products available in EEA countries.



2.1.3 Impact assessment

In 2012, EIOPA applied the impact assessment methodology in a systematic way in the policy development process for technical standards, guidelines and responses to calls for advice. With regard to the Solvency II technical standards and guidelines, EIOPA prepared draft impact assessments on individual topics. In the field of IORPs, the impact assessment for the technical standard on prudential requirements reporting by IORP supervisory authorities was completed as well as the provision of impact assessments of the different components of EIOPA's advice on the review of the IORP Directive. Finally, EIOPA also analysed the impact of the guidelines on complaint-handling.

2.1.4 Accounting

EIOPA has actively contributed to the development of high quality and uniform accounting standards in Europe. In 2012 one of the main tasks was to monitor and support the advancement of a future IFRS on insurance contracts in the light of Solvency II valuation requirements that should be compatible, if possible, with international accounting developments.

In addition, EIOPA actively promoted a European perspective on several accounting issues, for example on the endorsement of IFRS 10 to 12 or IFRS 13 Fair Value Measurement. EIOPA coordinated this activity with EBA and ESMA, via the Joint Committee as well as with EFRAG, the European Commission and the IASB.

³ <https://eiopa.europa.eu/consultations/consultation-papers/index.html>

⁴ <https://eiopa.europa.eu/publications/reports/index.html>

2.2 Supervisory Tasks

2.2.1 Colleges of Supervisors

EIOPA participates in the global effort to foster the quality of the EEA supervisory framework to the benefits of the policyholders, the undertakings, and the Colleges of Supervisors.

Colleges of Supervisors (Colleges) are platforms allowing supervisors to deal with the scope of cross-border financial institutions. Colleges are considered a useful tool for finding mutual understanding and a common approach between both group and solo supervisors. Day-to-day supervision as well as the setting up and organisation of Colleges are the responsibility of the National Supervisory Authorities.

In 2012, the key milestones and achievements of EIOPA as Colleges member were the following.

Published in February 2012, the 2012 EIOPA Action Plan⁵ for Colleges focused on the Internal Model workplan, the information exchange and the self-assessment by the Group Supervisors to the Colleges Guidelines. The EIOPA Action Plan using target points is a supervisory tool helping Colleges in their activities. According to EIOPA observations, the main achievements of the Colleges in 2012 refer to the conscious preparation of Colleges meetings, productive discussions on financial conglomerate aspects, and the positive preparation of Solvency II in particular the pre-application process of internal model. EIOPA noticed that communication between supervisors exceeded the strict Colleges meetings organisation. The key differences noticed amongst Colleges centred around the information exchange and the risk analysis approach.

In 2012, EIOPA covered all 91 Colleges currently active in Europe, with a participation in 75 Colleges of Supervisors to present best practices. Leading to lively discussion on macro and micro-economic risks, the Authority provided summaries on the EIOPA's Financial Stability Reports, and the EIOPA Risk Dashboard. The Authority provided feedback to 17 Group Supervisors on how their Colleges were functioning.

EIOPA fostered cooperation between College members, including non-EEA Supervisory Authorities by providing a template of coordination arrangement including a draft emergency plan. On 21 September 2012, EIOPA signed its first Memorandum of Understanding with the Swiss Supervisor (FINMA).

To foster information exchange, based on the data of National Supervisory Authorities, EIOPA continued to update the Helsinki plus lists. Those lists are supervisory and provide contact information on Authorities involved in a specific College. In February 2012, EIOPA published the list of the EEA Group for which a College is in place.

Finally, the Authority developed a plan for its participation in joint on-site examinations.

2.2.2 Supervisory practices

With the aim to align the supervisory practices with the Solvency II regime, EIOPA ensured convergence in supervision. EIOPA participated in the Question & Answer procedures on established Guidelines or Recommendations and Standards. EIOPA gathered questions and best practices in Colleges meetings particularly concerning internal models. The answers were available for the EEA supervisors on the EIOPA website.

Besides Q&A, EIOPA started building its Centre of Expertise in the field of internal models. The main goal of the Centre of Expertise is to promote consistency in the pre-application and approval processes. EIOPA will assist supervisory authorities during their internal model processes with expert knowledge and resources, and by circulating knowledge and examples between Working Groups and NSAs.

Finally, in 2012, EIOPA planned to discuss the supervisory practices at EEA level establishing a Supervisory Handbook. In 2013, each EEA Supervisor will send highly experienced supervisors and/or policy experts to contribute to the development of the Supervisory Handbook.

2.2.3 Breach of the European Union Law

EIOPA has the power to investigate alleged breaches or non-application of Union law by NCAs in accordance with the powers set out in the EIOPA Regulation. The trigger for an investigation can be a request or on EIOPA's own initiative. EIOPA's Chair is in charge of the investigation. His decisions regarding the admissibility of a request, the opening of the investigation and a potential breach are submitted to the approval of EIOPA's Alternate Chairperson. Before the BoS is invited to adopt the proposed recommendation, the national competent authority concerned is requested to provide its views.

In 2012, EIOPA registered three cases. One request was closed on the ground of non-admissibility, the grievance being outside the scope of EIOPA's scope of actions. The two other cases are on-going.

⁵ https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/reports/CollegesActionPlan2012.pdf

2.3 Consumer Protection and Financial Innovation

One of EIOPA's key objectives is to 'enhance customer protection' (Article 1(6)(f) of EIOPA Regulation) and it is required to do so by taking a 'leading role in promoting transparency, simplicity and fairness in the market for consumer financial products or services across the internal market' (Article 9(1)). In view of the fact that consumer protection is at the heart of EIOPA's 'DNA', it is therefore seen as a high priority for EIOPA in the area of insurance and occupational pensions. All the achievements of EIOPA in this area are done in close cooperation with the EIOPA Committee on Consumer Protection and Financial Innovation (CCPFI).

In 2012, the main activities in the field of Consumer Protection and Financial Innovation were the following:

Consumer protection issues

In February 2012, EIOPA published an Initial Overview of Consumer Trends in the European insurance and occupational pensions sectors. The overview contained a stock-taking exercise of Members' experiences in relation to consumer trends in their respective jurisdictions, affecting the insurance and pensions sectors. The following three key consumer trends were identified:

- (i) consumer protection issues around payment protection insurance;
- (ii) increased focus on unit-linked life insurance products; and
- (iii) increased use of comparison websites by consumers.

Further to the publication of the above-mentioned Initial Overview of Consumer Trends, the Authority has produced an enhanced methodology for collecting, analysing and reporting on consumer trends. The methodology, which was adopted by the Board of Supervisors in December 2012, establishes a framework for the collection of consumer trends data from NSAs, explores other possible data sources, checks the availability of data from these sources and considers the level of comparability of the available data. Two templates have been developed for quantitative data collection on complaints and sales. Qualitative information is gathered through two questionnaires on thematic work and NSA's top three consumer protection issues. EIOPA is, on an on-going basis, monitoring consumer trends and the enhanced methodology for collecting such trends information enables the publication of regular future reports on consumer trends, which could provide the basis for targeted policy proposals.



A Good Practices Report for disclosure and selling of variable annuities was published in April 2012. It seeks to inform the debate on variable annuities from a consumer protection perspective with the aim of promoting common supervisory approaches and practices. In doing so, it describes the basic features of variable annuities, and highlights some current trends in product development, which have emerged since the financial crises.

The Report analysed, specifically for variable annuities, which type of information, both general and product-specific, customers should receive in order to be able to decide in favour or against a product offering. Moreover, the Report suggested that because of their inherent complexity, variable annuities should always be sold on an advised basis via a salesperson, which may be an insurance intermediary or an agent or employee of the insurance undertaking. To avoid the risk of mis-selling a number of areas, in particular, should be addressed by the salesperson. Finally, the report examines good practices by the product provider where it does not control the sales process.

Taking into account the high priority EIOPA attributes to consumer protection and financial innovation, the first set of Guidelines issued by EIOPA were precisely in the area of consumer protection. More specifically, in November 2012, EIOPA issued Guidelines dealing with complaints-handling by insurance undertakings.

The Guidelines establish consistent, efficient and effective supervisory practices and ensure common, uniform and consistent application of EU law. The Guidelines seek to address two current areas of concern: (i) information asymmetry for consumers as regards insurers' complaints-handling procedures and (ii) an existing regulatory gap whereby diverse national approaches on complaints handling by insurance companies has led to a potentially unlevel playing field.

The Guidelines, which are addressed to national competent authorities only, aim to provide guidance on appropriate internal systems and control for complaints handling by insurers and render them more effective, and provide guidance on the provision of information and procedures for responding to complaints, thereby ensuring enhanced consumer protection.



Since the Guidelines are high-level principles, they have been supplemented by a more detailed Best Practices Report, which seeks to promote common supervisory approaches and practices regarding internal systems and controls and the internal follow-up on complaints. Another set of Guidelines and a Best Practices Report on Complaints-handling by insurance intermediaries are currently under development.

The Authority has also been following closely the progress of negotiations on the IMD2 proposal published on 3 July 2012. In this respect, and with a view to the tasks currently foreseen in the proposed IMD2 with regard to industry training standards, EIOPA published a Mapping Report on Industry Training Standards applied by national competent authorities in September 2012. The Report highlighted a diverse range of knowledge levels and competences at national level for insurance intermediaries and work has commenced on developing a Good Practices Report on knowledge and ability requirements applicable to distributors of insurance products.

Furthermore, EIOPA conducted a mapping exercise on potential regulatory gaps in the area of comparison websites. The results of the mapping exercise identified the need for further work and in the context of a growing role of comparison websites and of changing regulatory environment, in particular with regard to IMD2, a Good Practices Report is under development. The main objective of this report will be to define high level principles for the operations of comparison websites.

Another element indirectly related to IMD2 concerns EIOPA's competence to issue warnings and temporary prohibitions and restrictions under Article 9 of its Founding Regulation. Differently from the case of warnings, temporary measures can only be issued by EIOPA where enabling provisions in sectoral legislation set the boundaries for such measures. Therefore, EIOPA has written to the European Parliament, the Council and the European Commission expressing its concerns over the lack of provisions empowering EIOPA to issue temporary prohibitions in relation to products/services. In this respect, EIOPA has suggested that such empowerment could be included in the IMD2 proposal to align with equivalent provisions with regards to investment products foreseen for ESMA in the proposed MiFIR Regulation.

Meanwhile, the Authority contributed to the elaboration of procedures for adopting warnings and also temporary measures with a view to ensuring legal certainty in the process of adopting such instruments. The procedures, which were published in December 2012, lay down the steps to be followed for identifying threats and initiating the further assessment process within EIOPA. Moreover, the procedures set out the rights and obligations of the addressees of any warnings or temporary measures, how such warnings and measures will be communicated, their duration and review provisions. Until the possible adoption of enabling provisions in sectoral legislation the procedures will, however, in practice only be applicable with regard to the issuance of warnings.

Finally, EIOPA has been following developments in the legislative proposal on PRIPs published on 3 July 2012.

On 4 December 2012, EIOPA held its second Consumer Strategy Day in Frankfurt, with approximately 200 participants. The purpose of the Consumer Strategy Day was to present an update on EIOPA's work in the field of consumer protection and financial innovation, and to give professional stakeholders and consumer protection experts the opportunity to express their own views on these issues in the form of a dialogue between consumer representatives, industry, supervisors and other stakeholders.

2.4 Common Supervisory Culture

EIOPA Regulation stresses the importance of a common supervisory culture in the European Union through technical training and a strong focus on building common supervisory skills and approaches.

The topics covered in the training are in line with the work developed by EIOPA, with Solvency II as one of the main drivers, followed by Financial Stability, Occupational Pensions, Consumer Protection and Convergence of supervisory practices.

2.4.1 Cross-sector training

In 2012, the ESAs continued to play an active role in further strengthening of a common supervisory culture through establishing a cross-sectoral training programme in addition to each ESA's sectoral training programme.

The cross-sectoral ESA training programme for 2012 included the following training activities (see Tables 2 and 3):



Table 2

| No. | Name of training activity | Date & Location | Host | Number of participants |
|-----------------|---|--------------------------|-----------------------------|------------------------|
| 1 | Update on ESAs | 8-9 March, Paris | EBA | 35 |
| 2 | Corporate Governance | 12-13 March, Paris | ESMA | 73 |
| 3 | Seminar on-site supervision | 14-15 March, Paris | ESMA | 30 |
| 4 | Colleges of Supervisors: decision making in a college | 26 - 27 April, Warsaw | EIOPA/KNF | 32 |
| 5 | Legal English | 16-May, Paris | ESMA | 13 |
| 6 | XBRL Implementation | 29-30 May, Madrid | Bank of Spain | 56 |
| 7 | EU law for Non-lawyer | 18-19 June, Luxembourg | CSSF | 18 |
| 8 | Financial Consumer Education | 8-9 October, Budapest | HFSA | 34 |
| 9 | Supervision of Financial Conglomerates | 24-Oct, Frankfurt | EIOPA | 31 |
| 10 | General course on Derivatives, Central Counterparties and Trade Repositories and Implementation of EMIR | 30-31 October, Frankfurt | BaFin - Deutsche Bundesbank | 52 |
| 11 | IT assessment for IT supervisors | 5-7 November, Budapest | HFSA | 23 |
| 12 | CRA | 09-Nov, Paris | ESE - ESMA | 51 |
| 13 | Seminar on-site supervision | 6-7 December, Lisbon | CMVM | 12 |
| In Total | | | | 460 |

Table 3

| SOFT-SKILL COURSES | | | | |
|--------------------|-------------------------------|-----------------------|-------|------------------------|
| No. | Name of training activity | Date & Location | Host | Number of participants |
| 14 | Presenting with Impact | 6-7 March, Frankfurt | EIOPA | 12 |
| 15 | Written English Communication | 21-22 May , Paris | ESMA | 12 |
| 16 | Presenting with Impact | 17-18 July, Frankfurt | EIOPA | 10 |
| 17 | Presenting with Impact | 25-26 October, Paris | ESMA | 10 |
| In Total | | | | 44 |

As can be seen in below Figure 1.1, the ESAs increased the number of cross-sectoral seminars from 6 (in 2011) to 13 in 2012. In addition the ESAs offered four soft-skill courses on presentation skills which were open to supervisory staff in all three sectors. Compared to 2011, participation in ESA cross-sectoral trainings (excluding soft-skill courses) almost doubled from 244 supervisors to 460 (see below Figure 1.2).

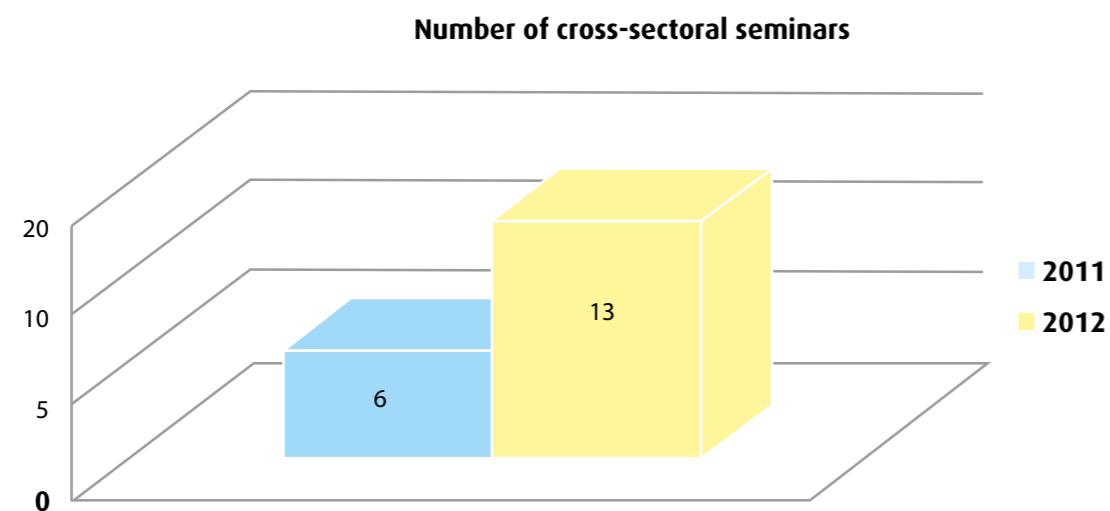


Figure 1.1: Number of cross-sectoral seminars 2012 (excluding soft-skill courses) as compared to 2011

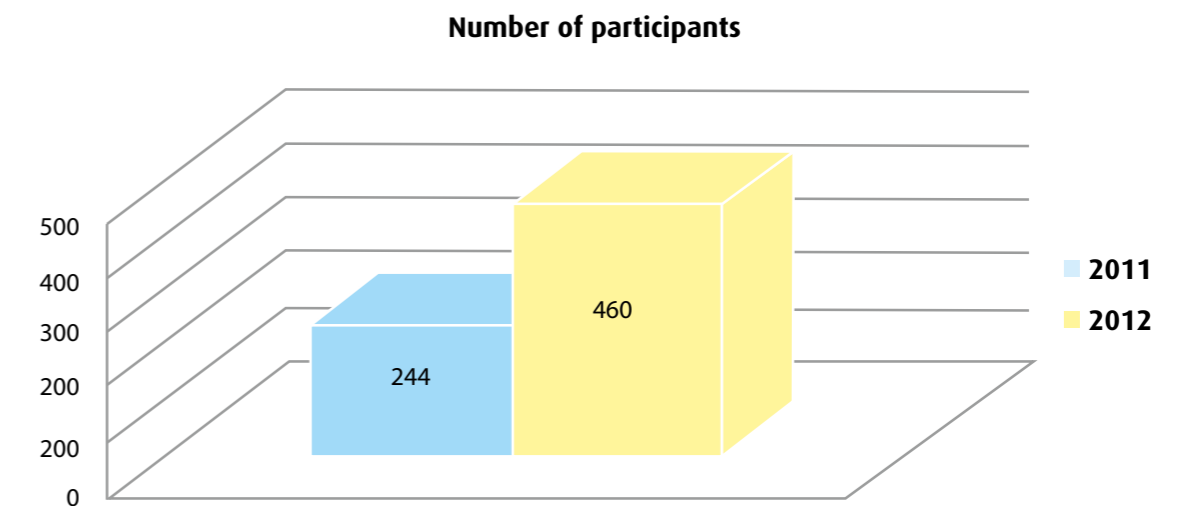


Figure 1.2: Number of participants at cross-sectoral seminars 2012 (excluding soft-skill courses) as compared to 2011

2.4.2 Sectoral training

In 2012, the EIOPA Training & Events Programme consisted of 17 sector seminars and 4 public events, including the 'Conference on Global Insurance Supervision (GIS)', the Launch Event 'QIS (Quantitative Impact Study) for Pensions', the annual EIOPA Conference and the second Consumer Strategy Day (see Tables 4 and 5).

Table 4

| No. | Name of training activity | Date & Location | Host | Number of participants |
|-----------------|---|-------------------------|--------|------------------------|
| 1 | Regulatory Impact Assessment | 05-06 March, Frankfurt | EIOPA | 24 |
| 2 | IORP Review - EIOPA Advice | 8 March, Frankfurt | EIOPA | 36 |
| 3 | Pre-application processes for internal models; Approval processes for USP and AOF | 15-16 March, Frankfurt | EIOPA | 106 |
| 4 | EIOPA XBRL Europe Seminar | 11 April, Tallinn | EE FSA | 82 |
| 5 | SCR | 10-11 May, Frankfurt | EIOPA | 59 |
| 6 | Financial Analysis and Related Tools: functioning of financial models & practical exercises | 21 May, Rome | IVASS | 47 |
| 7 | Reporting | 8 June, Paris | ACP | 45 |
| 8 | SII valuation | 11-13 June, Frankfurt | EIOPA | 50 |
| 9 | Internal models | 21-22 June, London | UK FSA | 40 |
| 10 | Own funds workshop | 26 June, Frankfurt | EIOPA | 36 |
| 11 | Risk-based supervision | 5-6 July, Copenhagen | DK FSA | 62 |
| 12 | Group solvency calculation | 11-12 July, Frankfurt | EIOPA | 34 |
| 13 | An introduction to Variable Annuities from a supervisory perspective | 18 September, Frankfurt | EIOPA | 41 |
| 14 | Colleges at work in a challenging environment | 20-21 Sep, Amsterdam | DNB | 52 |
| 15 | Supervisory Review Process (SRP) | 1-2 October, Rome | IVASS | 57 |
| 16 | System of Governance | 4 - 5 October, Malta | MFSA | 150 |
| 17 | Insurance Group supervision | 20 November, Frankfurt | EIOPA | 29 |
| In Total | | | | 950 |

Table 4

| No. | Name of training activity | Date & Location | Host | Number of participants |
|-----------------|---|---|-------|------------------------|
| 14 | Conference on Global Insurance Supervision: Trends and Developments | 6-7 Sep, Goethe University, Frankfurt | EIOPA | 104 |
| 15 | QIS (Quantitative Impact Study) for pensions - launch event | 19 Oct, Frankfurt | EIOPA | 111 |
| 16 | EIOPA Conference | 21 November , Frankfurt Congress Center | EIOPA | 275 |
| 17 | Insurance Group supervision | 4 December, Frankfurt | EIOPA | 128 |
| In Total | | | | 618 |

Table 4 In order to ensure that all NSAs are represented equally at ESA trainings, EIOPA provided financial support for ESA training participants from NSAs that face financial constraints and budgetary restrictions. Training participants from such authorities received reimbursement of travel and accommodation expenses.

As can be seen below in Figure 1.3, EIOPA slightly increased the number of sectoral seminars from 15 in 2011 to 17 in 2012. In addition, EIOPA fostered open dialogue in its public events between the industry, the supervisors and other stakeholders. Compared to 2011, participation in EIOPA sectoral trainings (excluding public events) increased from 601 supervisors to 950 (see below Figure 1.4).

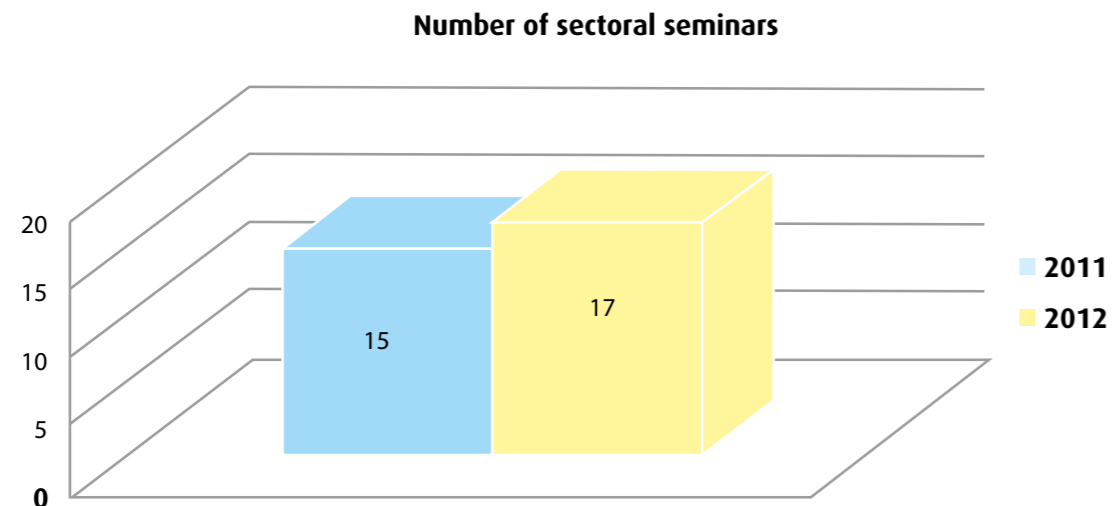


Figure 1.3: Number of sectoral seminars 2012 (excluding public events) as compared to 2011

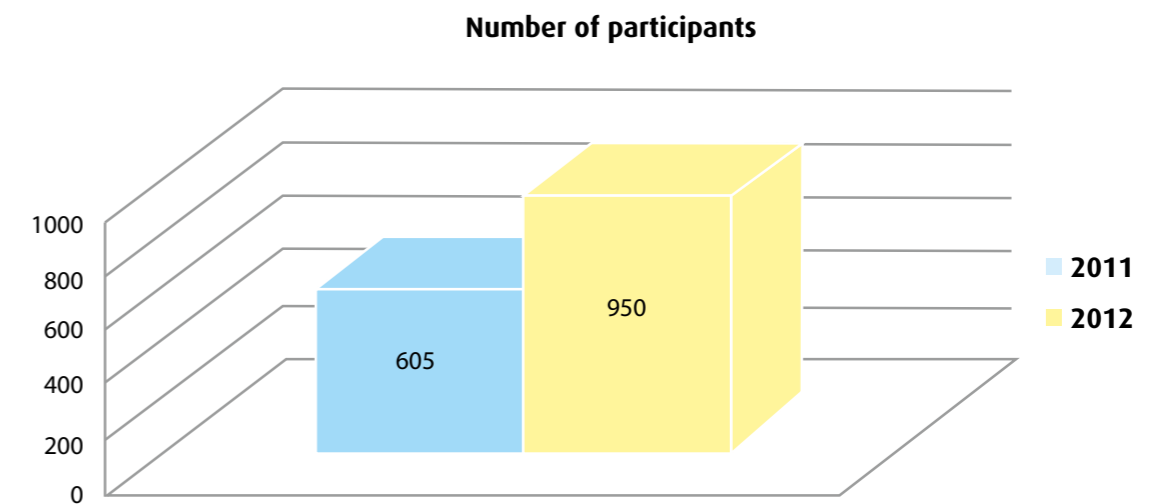


Figure 1.4: Number of participants at sectoral seminars 2012 (excluding public events) as compared to 2011

2.5 Financial Stability

2.5.1 Market Developments

EIOPA's financial stability work in 2012 continued to focus on the early identification of adverse trends, potential risks and vulnerabilities for the insurance and occupational pensions sectors arising from micro- and macro-economic developments. This risk surveillance and assessment directly informed EIOPA's work on crisis prevention and its participation in colleges.

During the course of 2012, this was achieved by monitoring market data, collating and disseminating aggregated data from insurance undertakings and extensive information sharing and discussion in the Financial Stability Committee (FSC). Specifically, during 2012 EIOPA carried out a detailed review of its database of undertaking level data and a database comprising historical and current data for the occupational pensions sector was designed. Work also continued apace on the design and specification of data collection for financial stability purposes in a Solvency II environment. A consultation on the Quantitative Financial Stability reporting templates for Solvency II was held in early 2012.

Aside from collecting hard, quantitative data, EIOPA's surveillance and assessment of market developments also extends to collecting qualitative information. This takes the form of regular surveys of national supervisory authorities, as well as visits to national authorities by EIOPA staff to gain a better insight into the issues facing national markets.

In addition to the surveillance of market conditions, EIOPA carries out regular financial stability assessments in the form of the quarterly FSC Risk Dashboard that started to be published from October 2012 on the EIOPA website. In addition, the twice yearly EIOPA Financial Stability Report was published in June and December 2012. During the course of 2012, EIOPA examined a number of specific financial stability issues including the significance of insurance in shadow banking, the liquidity swap activities of insurers, and alternative risk transfer techniques in insurance.

2.5.2 Stress Test

EIOPA is mandated to carry out regular stress tests of the insurance and occupational pensions sectors, with a stress testing exercise for the insurance sector originally planned for May 2012. The stress test was prepared by EIOPA Staff and the EIOPA-FSC during the course of 2012. This exercise, however, had to be postponed to 2013 for practical reasons associated with the Long Term Guarantees Assessment (LTGA) exercise. In the Trilogue negotiations between the European Parliament, the Council and the European Commission, it was agreed that Solvency II should include regulatory measures to deal with long-term guarantees that may be affected by artificial volatility, i.e. the so called LTGA exercise. The LTGA, like the QIS

and Stress Testing exercises, requires undertakings to calculate their Solvency II positions under a range of assumptions. These results must then be analysed by national authorities and EIOPA. As a result the EIOPA Board of Supervisors determined that the best course of action would be to carry out the LTGA first to maintain momentum in the Solvency II project and then to carry out the stress test since the staff in the majority of undertakings that would work on one exercise would also work on the other.

In 2012, EIOPA ran a survey on 'planned national QIS exercises for 2012' to investigate the intention of national authorities to run country level QIS-like exercises, which might interrelate with the planned EIOPA Stress Test. The outcome provided an overview of the national activities already in place and allowed for the updating of the technical specifications.

In 2012, a work stream investigating a possible extension of the stress testing process to the occupational pensions sector started.



2.5.3 EIOPA and ESRB

As in previous years, EIOPA was represented and participated in numerous meetings of the ESRB and the ESRB Sub-Structures. This provided an opportunity for reporting on financial conditions and financial stability in the European (re)insurance and occupational pensions sectors. The development of the EIOPA Risk Dashboard to act in cooperation with the ESRB and the other ESAs in order to align the risk assessment methodology and risk dashboards of the four institutions within the ESFS.

EIOPA was also represented at meetings of the European Council's Financial Services Committee (FSC), the Economic and Finance Committee (EFC), the EFC's Financial Stability Table (EFC-FST) and the Joint Committee. EIOPA also participates in the IAIS Financial Stability Committee and its sub-structures. EIOPA has delivered a range of reports and updates to these committees.

2.5.4 Emergency Situations

In accordance with Article 18 of the EIOPA Regulation, EIOPA has a specific role to play in the identification of an emergency situation and once such a situation is declared by the European Council. As part of its financial stability and crisis prevention activities, EIOPA continually scans the horizon to assess the likelihood of an emergency situation. In 2012 the European Council did not declare such a situation, so EIOPA's specific powers under Article 18(3) and 18(4) remained untriggered.

2.5.5 Solvency II Related Activities

In 2012, EIOPA's financial stability resources have been called upon several times to support the development of the Solvency II framework by providing quantitative assessment and input. For example, a financial tool was developed for the computation of discount rate curves in a range of currencies for use in Solvency II calculations. In early 2012, staff assessed the financial stability impact of proposed new elements of the Solvency II framework including the Countercyclical Premium and the Matching Adjustment. In late 2012, the financial stability and policy team staff worked closely with the Trilogue parties in specifying and developing the LTGA exercise that is being carried out in early 2013.

2.6 Crisis Prevention, Management and Resolution

2.6.1 Building Capability, Best Practice and Consistency

Having completed the bulk of its formal crisis prevention and management processes during 2011, the small number of remaining elements of the framework was completed in 2012.

In 2012, the next steps in this area were taken with the initiation of a project to explore the extension of crisis management disciplines to the occupational pensions sector, as well as the initiation of a stocktaking exercise on national authorities' crisis management capacity that would serve as an input to a future peer review in this area.

2.6.2 Crisis Prevention and Management

In early 2012, EIOPA's BoS agreed on a "common approach" for dealing with the financial crisis. In essence EIOPA facilitated a coordinated approach by EIOPA Members to assessing the impact of the crisis in the form of a "common approach" to monitoring:

- Insurance sector exposures to sovereign and bank risks;
- Liquidity and cash-flow developments in the insurance sector;
- Interconnection between the insurance and banking sectors, for example through liquidity swap and repo activity; and
- Insurers contingency plans to deal with significant changes in financial asset values.

A risk that was addressed in 2012 was the risk of a prolonged period of low interest rates. EIOPA's Internal Monitoring Group (IMG) explored this issue during the year and made a proposal to the BoS for an EIOPA coordinated approach to the quantification of this risk and the consideration of potential supervisory action.

2.6.3 Crisis Resolution

In October 2012, the European Commission launched a consultation on the development of a possible recovery and resolution framework for financial institutions other than banks. The consultation covered a range of financial institutions including insurance undertakings and provided an excellent opportunity for EIOPA to present the key issues related to the recovery and resolution of insurance undertakings.

A detailed EIOPA response to the consultation was submitted to the European Commission in December 2012. This contribution highlighted the way in which insurance undertakings fail, their systemic impact when they fail, the interests of various stakeholders in such a situation and the timelines along which insurers can be resolved. Specific proposals were made in relation to the objectives of any new framework, the tools available for recovery and resolution, as well as the optimality of the continuation of undertakings rather than liquidation under certain circumstances.

2.7 External relations

In 2012, EIOPA continued to establish its external relations on the basis of its strategic vision.

2.7.1 EIOPA and EU Institutions / Network of Agencies

EIOPA's tasks include providing advice to the EU institutions in the areas of insurance, reinsurance and occupational retirement provision regulation and supervision, and related corporate governance, auditing and financial reporting issues. Upon request from the EU institutions, or on its own initiative, EIOPA provides technical opinions to the Council of the EU, the European Parliament and the European Commission.

EIOPA ensures that the requests from these institutions are included in its work programme and for this purpose the draft work programme is submitted to the Parliament, the Commission and the Council each year for their input.

In the course of 2012, EIOPA contributed to the Trilogue discussions between the Parliament, the Commission and the Council on Omnibus II Directive by delivering the staff papers related to different elements of Solvency II.

EIOPA and the Council of the European Union

In 2012, EIOPA contributed to the work of the Council and gave direct input via the participation of EIOPA's Chairman in the informal ECOFIN meeting held in Nicosia, Cyprus. EIOPA's Executive Director participated in the meeting of the Financial Services Committee (FSC) and also attended the Financial Stability Table of the Economic and Financial Committee (EFS-FST).

EIOPA and the European Commission

The European Commission has the status of observer in EIOPA's decision-making processes. One representative of the Commission is entitled to participate in the meetings of EIOPA's Board of Supervisors without the right to vote. EIOPA's Management Board meetings may also be attended by one representative of the Commission, who has a right to vote on budget issues only. One Commission representative also used to attend the meetings of both EIOPA Stakeholder Groups.

The Commission relies on EIOPA's technical expertise in the field of insurance and occupational pensions and, furthermore, has increasingly cooperated with EIOPA in other areas foreseen in the Regulation, such as the EU-US Insurance Dialogue Project. EIOPA Chairman also participated in the public hearing organised by the EC, which was related to the IORP Directive review and attended the EC public hearing on the factual draft report of the EU-US Dialogue Project.

EIOPA and the European Parliament

EIOPA is accountable to the European Parliament. As a consequence of such accountability, the Parliament invited EIOPA's Chairman together with the Chairpersons of the two other ESAs to report to the ECON Committee on the progress made by ESAs in the field of their competence.

Network of Agencies

EIOPA participates in the Network of the European Agencies, which meets around four times a year. This network facilitates the implementation of best practices in the context of human resources and good administration. It also channels the concerns and expectations of the EU Agencies towards the European Commission as its main counterpart.

Within the same Network, the Heads of Agencies meet three times a year to discuss and decide on common issues. Finally, cooperation with other partners, such as ESMA, EBA and the ECB, is high on EIOPA's agenda to seek synergies and benefit from joint efforts.

2.7.2 Joint Committee of the ESAs

The mission of the Joint Committee is to serve as a *forum* in which the ESAs 'shall cooperate regularly and closely and ensure *cross-sectoral* consistency in a number of areas' (Article 54 of the ESAs' Regulations). Through the joint efforts and significant commitment of the three European Supervisory Authorities, the Joint Committee has ensured not only the consistency of their views on topics of common interest, but has also been instrumental in developing common solutions and the exchange of information amongst the respective sectors. In 2012, the Joint Committee was chaired by ESMA.

A hub for cooperation, contributing to financial stability

The Joint Committee work programme has been supported by four Sub-Committees: Risk, Consumer Protection and Financial Innovation, Financial Conglomerates and Anti-Money Laundering.

In addition to the work of the Sub-Committees, bi-monthly physical meetings of the Joint Committee completed with teleconferences and ad hoc discussions of the ESAs, have allowed its members to have regular exchanges on market developments and to assess any potential cross-sectoral contagion effects. The Chairpersons have conferred frequently outside the confines of the regular meetings, when confronted with adverse market developments in order to exchange information and to maintain a coherent cross-sectoral approach.

A catalyst for efficient cross-sectoral processes

The Joint Committee has carried out its work through its Sub-Committees dedicated to key areas of cross-sectoral concern.

Risk Sub-Committee: The Crisis has shown the importance of cross-sectoral interconnectedness as a driver of risk. This Sub-Committee has been a key forum for sharing information and data on risks between the ESAs, allowing better understanding and anticipating risks, developing the joint Report on Risks and Vulnerabilities in the EU Financial System. This Report, produced twice a year, contributes to a cross-sectoral approach to risk analysis and financial stability, and is shared with the European Systemic Risk Board (ESRB) and the Council's Economic and Financial Committee (EFC). In addition, information has been exchanged on specific topics, including for example the structure of the Credit Default Swaps market.

Consumer Protection and Financial Innovation Sub-Committee: This Sub-Committee has begun work and has set up three Sub-Groups that are i) consumer protection (e.g. complaints-handling and templates for collecting, analysing and reporting on consumer trends), ii) product oversight and governance (mapping of product oversight and government process) and iii) packaged retail investment products - PRIIPs - (development of proposals for the European Commission concerning delegated acts, and for the development of draft Regulatory Technical Standards in the areas envisaged by the PRIIPs legislative proposal).

To reach out to consumers of financial services, retail investors, and other stakeholders the ESAs will together organise in 2013 their first Joint Consumer Protection Day.

Financial Conglomerates Sub-Committee: This Sub-Committee developed the ESAs' response to the call for advice from the European Commission on the review of the Financial Conglomerates Directive (FICOD), in relation to the scope of application, internal governance, as well as supervisory empowerment and sanctions issues. Following a public consultation in the second quarter of 2012 the final advice was provided to the European Commission in October 2012.

The Sub-Committee also prepared a proposal for draft Regulatory Technical Standards on the uniform conditions of application of the calculation methods of own funds under Article 6.2 of the FICOD, and a joint public consultation was launched on 31 August 2012.

The Joint Committee further published its annual update of the list of identified Financial Conglomerates in July 2012.

The ESAs have also hosted several cross-sectoral training sessions for NCAs on the supervision of Financial Conglomerates under the FICOD, to assist supervisory convergence in this regard.

Anti-Money Laundering Sub-Committee: This Sub-Committee has assessed the situation across EU Member States of the legal and regulatory provisions, as well as supervisory standards, in relation to the application of the Third Money Laundering Directive (3rd MLD), regarding beneficial ownership, Customer Due Diligence and Simplified Due Diligence requirements, inter alia, publishing two reports in April 2012.

Additionally, in August 2012, the Sub-Committee published a Protocol on cooperation between home and host supervisors, to facilitate effective anti-money laundering supervision of agents and branches of payment institutions in host Member States in accordance with the Payment Services Directive.

In December 2012, a joint report was published on the application of anti-money laundering and counter-terrorism financing (AML/CTF) obligations to, and the AML/CTF supervision of e-money issuers, agents and distributors in Europe. The report highlights significant differences in Member States' interpretation of the 2nd E-money Directive and the treatment of e-money issuers.

Other areas

Another task in 2012 was the Joint Committee's work on European Market Infrastructure Regulation, where the Regulation requires that Regulatory Technical Standards are developed jointly by the three ESAs. In March 2012, the Joint Committee put forward its 'Joint Discussion Paper on Draft Regulatory Technical Standards on Risk Mitigation Techniques for OTC Derivatives not cleared by a CCP under the European Market Infrastructure Regulation'. This work will benefit in 2013 from the progress by the different work-streams on OTC derivatives regulation, both in Europe and globally.

The Joint Committee further worked on benchmark-related issues driven by EBA and ESMA investigations.

The ESAs also jointly provided support to the Board of Appeal, which was established in December 2011. Since then, the Board of Appeal elected its president and vice-president and set up its rules of procedures.

Next steps

The ESAs have strived to adopt a coordinated approach vis-à-vis the European System of Financial Supervision (ESFS) evaluation by the Commission, by jointly providing a self-assessment report, as well as a joint response to the European Parliament's set of common questions in view of the public hearing of September 2012. More generally, the ESAs adopt a coordinated approach to questions of common interest when interacting with EU institutions and stakeholders. The ESAs will further cooperate in the evaluation by the Commission in 2013.



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2.7.3 International Dialogues

EIOPA Regulatory and Supervisory Dialogues aim to establish bilateral relations between the Authority and third countries' supervisors as well as associations of supervisors, contributing to the mutual understanding of the different regulatory and supervisory regimes. In the course of 2012, EIOPA was able to strengthen existing relationships and initiate several new EIOPA regulatory and supervisory dialogues and contacts; in total up to 40 meetings including high level visits to China and Japan by the Chairman of EIOPA were managed. During 2012, EIOPA maintained around 20 EIOPA Regulatory and Supervisory Dialogues, with supervisors and associations of supervisors from Asia, Latin America, Israel and the US, including both the Federal Insurance Office (FIO) and the National Association of Insurance Commissioners (NAIC), as well as with South Africa and Switzerland. The dialogue with Brazilian SUSEP was pursued and will enter into an even closer cooperation next year. Two new dialogues were established with the Australian Prudential Regulation Authority (APRA) and the Canadian Office of the Superintendent of Financial Institutions (OSFI).

In addition, numerous Institutional Dialogues and Technical Meetings took place, amongst others with IAIS, the World Bank, the Taiwan Insurance Guaranty Fund (TIGF), a Delegation of the Iceland Ministry of Economic Affairs or the Korean Institute of Finance (KIF) and the Representative of the Frankfurt Office of the South Korean Financial Supervisory Service (FSS). Furthermore EIOPA contributed to the Seminar on Internal Models during the NAIC Spring Meetings in New Orleans. EIOPA also participated in and contributed to the EC's Financial Market Dialogues with CIRC (China) and FINMA (CH).

In 2012, EIOPA welcomed a new observer, the Croatian Financial Services Supervisory Agency (CFSSA) with whom a cooperation agreement was signed in May 2012.

Already in early 2012, the European Commission (EC), EIOPA, the NAIC and the FIO agreed to participate in a dialogue and a related project to contribute to an increased mutual understanding and enhanced cooperation between the EU and the U.S. to promote business opportunities, consumer protection and effective supervision. The project deepened insight into the overall design, function and objectives of the key aspects of the two regimes, and identified their important characteristics. The intense work resulted in the release of a publicly consulted upon technical report ⁶. In this context, two public hearings took place in October in Washington DC and Brussels. In addition, a future-orientated document was released, establishing common objectives and initiatives to be achieved over the next five years ("EU U.S. Dialogue Project: The Way Forward" ⁷). Both documents were well received by external parties and considered milestones in the relations with the USA.

⁶ https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/reports/EU_US_Dialogue_Project_Factual_Report.pdf

⁷ https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/protocols/EU_US_Dialogue_Project_The_Way_Forward_December_2012.pdf

First Annual Conference on Global Insurance Supervision

To facilitate mutual understanding and to leverage the regulatory and supervisory exchange beyond the bilateral level, the Annual Conference on Transatlantic Insurance Group Supervision (TIGS) was extended to cover major developments of regulation/supervision on an international level and therefore renamed into Annual Conference on Global Insurance Supervision (GIS).

The first GIS Conference took place on 6-7 September 2012 in Frankfurt in cooperation with the International Center for Insurance Regulation (ICIR) at the Goethe University Campus and attracted around 100 participants from Europe, the USA, Latin America and Asia. The objective of the conference was to encourage the exchange between supervisors, leading professionals from major (re)insurance groups and renowned academics on currently prevailing subject matters of global insurance supervision. More information on the event is available on EIOPA website: <https://eiopa.europa.eu/conferences-events/other-events/gis-conference-2012/index.html>



2.7.4 EIOPA and International Organisations

In view of its power to draft regulatory standards and the increased importance of international standards, EIOPA worked in 2012 to further develop its representation and visibility in relevant international organisations. Since 2011, EIOPA is a member of the IAIS and EIOPA's Chairman is a member of IAIS Executive Committee as one of the Western European Region's representatives. The EIOPA Chairman is also a member of the IAIS Technical Committee.

In 2012, particular focus was given to raise EIOPA's voice in the IAIS Executive Committee (strategic topics linked to the IAIS area of remit) and to contribute to the IAIS Technical Committee. Moreover, EIOPA contributed to the development of robust international standards by actively participating in the work of the IAIS, focusing on projects such as ComFrame and Global Systemically Important Insurers (g-SII).

EIOPA also actively contributed to the IAIS Financial Stability Committee (FSC) and the Solvency and Actuarial Issues SubCommittee (SSC). In August 2012, EIOPA submitted a coordinated opinion with EIOPA BoS members to the IAIS public consultation on the draft ComFrame document and, in December 2012, provided an opinion to the "Global Systemically Important Insurers: Proposed Policy Measures" document.

In 2012, EIOPA applied for governing membership with IOPS. However, currently amendments in membership rules are being worked upon by IOPS and a revised version will be submitted to the Annual Meeting in 2013. Afterwards, EIOPA's application will be processed.

By the end of 2012, negotiations on an operational MoU with the World Bank in the fields of insurance and consumer protection were concluded.

Furthermore, EIOPA's engagement and achievements in the international relation work were positively received in the context of the IMF's Financial Sector Assessment Programme on the European Union and EIOPA was encouraged to further increase its representation in international fora.

2.7.6 Equivalence

As part of its work on the establishment and implementation of the Solvency II framework, the European Commission also developed a transitional equivalence regime. One of the main reasons was that a number of committed third countries may not yet have put in place all the planned changes to their regimes to satisfy the equivalence criteria in full. The transitional measures would allow undertakings in or connected to these third countries to obtain the benefits of a positive equivalence finding on a temporary basis.

One of EIOPA's key deliverables in 2012 in the equivalence area was the final advice on the Solvency II equivalence assessments of the supervisory systems of Switzerland, Bermuda and Japan.

In February 2012, the European Commission issued a Call for Advice to request EIOPA to examine whether persons working for, or on behalf of, the supervisory authorities are bound by obligations of professional secrecy. Professional secrecy equivalence is a prerequisite to inclusion in a transitional regime. In addition, the European Commission asked for a gap analysis to identify the main areas where the equivalence criteria are currently not met.

Australia, Chile, China, Hong Kong, Israel, Mexico, Singapore and South Africa expressed an interest in being covered by the transitional provisions and, as a first step, were invited to complete a similar questionnaire⁸ to the one previously used for the full assessments. EIOPA based its advice largely on the responses provided by the third countries themselves and shared the draft reports with them for a factual, accuracy check. This work included desk-based analysis and multiple exchanges with third country supervisors. EIOPA expects to submit its response to the European Commission's Call for Advice in the first half of 2013. At this stage it is not envisaged that EIOPA's findings will be made public. Inclusion in the transitional regime would be subject to a decision by the European Commission.

Furthermore, in 2012, the EIOPA Equivalence Committee developed the EIOPA Template for a Multilateral Memorandum of Understanding (MMoU) for Supervisory Cooperation and Exchange of Confidential Information by and among EU and third country supervisory authorities. The Template MMoU builds on best practices at national and international levels. It will be used by EIOPA as the basis for any future multi-lateral agreements between EIOPA members and authorities from third countries found equivalent to Solvency II requirements in respect of their professional secrecy regime.

⁸ <https://eiopa.europa.eu/about-eiopa/organisation/working-groups/committees/equivalence-committee/index.html>



Chapter 3 **EIOPA Internal Organisation**

3.1 Human Resources Management

In the course of 2012, 35 new colleagues joined EIOPA, bringing the total number of staff up to 91 by the end of the year. This includes temporary agents, contract agents and seconded national experts. EIOPA's diverse staff population includes 23 EU nationalities, 55% of which are female and 45% male.

Throughout the year, recruitment has been one of the main areas of work. The management team has been enhanced with one Head of Department and two Heads of Unit, with people management skills as an essential criterion in their selection. In 2012, the number of applications for the positions in EIOPA increased by 26%, which indicates a high interest from the job market in joining EIOPA in its still dynamic start-up phase.

In cooperation with the European Commission, EBA and ESMA, the HR implementing rules have been approved, further adapting the European Staff Regulations to the specificities of the newly established EU Agencies. In close cooperation with other ESAs, significant energy and efforts went into the continuous development and implementation of Allegro, the integrated e-HR solution, enhancing efficiency, transparency and good governance. In 2012, the online appraisal module was launched and the development of an e-recruitment module was started.

Within the staff development and training area, eight in-house training courses were provided during the second half of the year. In-house executive coaching as a development and performance management tool is on-offer and has been implemented.

In addition, HR business partner services were provided to all managers and coordinators on a regular basis. This service contributes to the efficient management of EIOPA's human resources and enhances the people management style of the Authority's managers.

In terms of culture and integration, EIOPA has continued with the mentoring programme, by which an EIOPA 'cultural mentor' is assigned to every new colleague as part of the induction programme. Furthermore, EIOPA organises monthly 'HR Breakfasts' to facilitate internal communication as well as to actively contribute to a culture of sharing and integration.

Figure 3.1 Nationalities represented at EIOPA

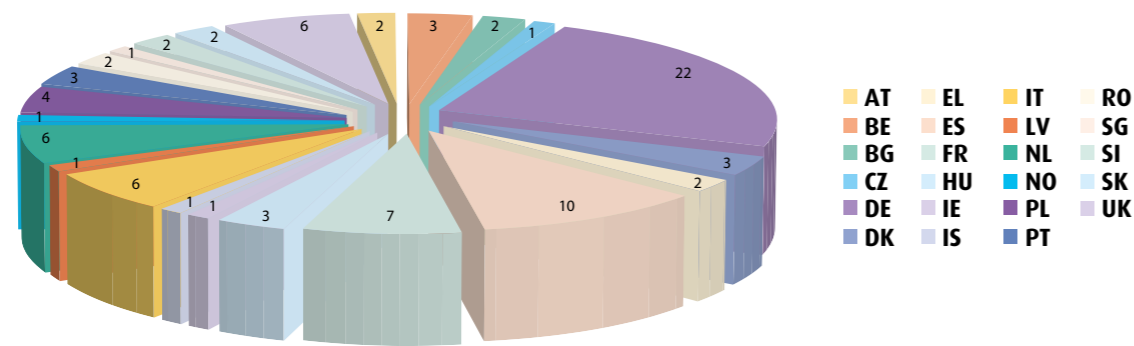
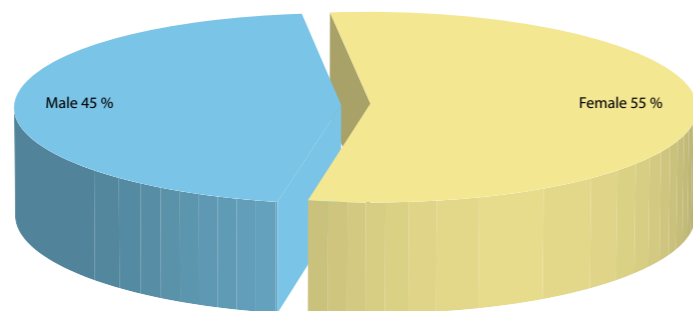


Figure 3.2 Gender at EIOPA



3.2 Information and Technology Support

2012 was characterised by the continued implementation of a secure and reliable infrastructure, additional tools that facilitate the work of EIOPA staff as well as the day-to-day provision of quality services that meet the actual needs of the business.

In addition to the standard first and second line support, substantial effort went into the design and development of the main information technology platform EIOPA requires for its operations and service provision to the National Authorities and other key partners. Important procurement processes were launched to put this architecture into practice. One major outcome was the conclusion of a contract with an IT service provider to set up two data centres in the Rhein-Main Area. This procurement procedure was carried out together with the European Banking Authority in London.



3.3 Public and media relations

In the course of 2012, the main objectives of EIOPA in the area of public and media relations were to efficiently communicate the importance of developing and implementing the new regulation in insurance and occupational pensions and to provide information to the public about current EIOPA activities.

Being a public institution, EIOPA is committed to the principles of transparency, efficiency and simplicity. The Authority sees the protection of the public interest as one of its primary goals.

EIOPA's media and public relations throughout the year covered all its activities: regulatory, supervisory, consumer protection and financial innovation, financial stability, crisis management and resolution and external relations.

EIOPA's communication addressed a variety of target groups: national and international regulatory authorities, industry representatives, financial experts and analysts, media, academics and general public – with varying levels of awareness of EIOPA's activities.

In 2012, EIOPA's Chairman and Executive Director had 62 (against 34 in 2011) bilateral meetings with industry representatives and international regulatory authorities. They participated in 4 public hearings organised by the European Commission and the Committee on Economic and Monetary Affairs of the European Parliament. EIOPA's Chairman and Executive Director attended 65 (against 42 in 2011) conferences, round tables and other public events and delivered 43 (against 28 in 2011) speeches and presentations. Furthermore, over 40 public speaking engagements were undertaken by other senior managers and EIOPA experts.

EIOPA's media relations developed quite intensively in the course of 2012. EIOPA's Chairman and Executive Director have endeavoured to accommodate the increasing interest of media by granting 94 interviews and comments (comparing to 34 in 2011) to a number of media, while 270 (against 248 in 2011) media queries were handled by the EIOPA Press Office. Within its media relations, EIOPA organised or provided support for 10 (against 4 in 2011) press conferences, briefings, and issued 111 (against 32 in 2011) press and web releases.

The EIOPA email hotline for public enquiries created in 2011 allowed the Authority to further develop its public relations and to efficiently inform citizens about different issues related to EIOPA's activities, policies and decisions. During 2012, public interest in EIOPA activities has grown and the hotline processed 1238 enquiries. EIOPA answered a wide range of questions, from general questions about EIOPA, its activities, Solvency II, occupational pensions to consumer protection. Also 6 visitors' groups (around 180 people in total) were welcomed in EIOPA premises and received the presentation about EIOPA's history, role and tasks.

On 21 November 2012 EIOPA organised its 2nd Annual Conference, which formed part of the Frankfurt Euro Finance Week and attracted over 300 participants. The aim of the event was to share with participants the crucial results of the Authority's work in 2012 and to indicate the challenges that lay ahead of the insurance and occupational pensions sectors in the years to come. EIOPA received several positive feedbacks from the event's participants, while the messages delivered by EIOPA's Chairman at the conference, were widely covered by international media. More information about the event can be viewed on EIOPA website: <https://eiopa.europa.eu/conferences-events/eiopa-conference/eiopa-conference-2012/index.html>

In the course of 2012, EIOPA published over 50 reports on topical issues aimed at a professional audience, letters to the European Commission and other submissions. These include the Authority's Annual Report 2011, Report on the functioning of colleges and the accomplishments of the 2011 Action Plan, Report on Best Practices by Insurance Undertakings in handling complaints, annual Report on Market Developments, EIOPA opinions on Interim measures regarding Solvency II, on External Models and Data, Guidelines on Complaints-Handling by insurance undertakings and many others.

According to EIOPA Regulation one of the institution's tasks is to publish on the website and to regularly update information relating to its field of competence in order to ensure that information is easily accessible by the public. Throughout 2012, EIOPA constantly updated its website in accordance with the dynamically changing structure of the Authority. All documents published by EIOPA's on its various activities have been made available online. In 2012, EIOPA website had got 176 590 unique visitors, 6 228 468 pages were viewed and 26 web-alerts were sent out to registered users.

3.4 Budget, finance, accounting and procurement

In its second year of existence, the Authority put in place additional arrangements for efficient, effective and compliant workflows, in particular in the areas of finance and administration. Examples of realised improvements are more streamlined processes for budget planning and implementation, including zero based budgeting to align budget and payment appropriations to the real business needs, as well as better forecasting and accurate and transparent reporting.

The Management Board adopted an amended version of the EIOPA Financial Regulation in its meeting on 15 March 2012. In line with Article 43 of the EIOPA Financial Regulation, the accounting officer performed the validation of the EIOPA accounting system with no major findings. EIOPA uses the ABAC system for the budgetary accounting, SAP for the accrual accounting, and ABAC Assets for the asset accounting, all accounting systems of the European Commission.

In the area of procurement, EIOPA concentrated its efforts on building a professional procurement framework, including the setting up of the necessary workflows. Planning, monitoring and reporting processes have been put in place and the procurement part on the website, including the possibility of downloading open tender documentation, has been provided. Various tender procedures in the area of IT and the management of general services (e.g. furniture, cleaning and office supplies) have been launched. In total, more than 100 tender procedures (single, negotiated and open) have been successfully finalised in 2012.

3.5 Internal Control

Visible progress was also made in relation to the implementation of the internal control standards. The Internal Audit Service (IAS) of the European Commission visited EIOPA at the beginning of the year and developed the EIOPA Strategic Audit Plan 2013 – 2015. With the good support of the IAS, EIOPA introduced in 2012 various improvements, e.g. the introduction of a Multi-annual Work Programme, improvements to the format of the Annual Work Programme, implementation of a risk management process for EIOPA, revision of the operational structure, roles and responsibilities as well as aligning the internal audit arrangements with the Commission standards.

Independence and high standards of professional conduct are crucial for EIOPA's excellence and reputation. EIOPA has initiated the implementation of its rules on ethics, covering principles of professional ethics, conflict of interests, illegal activities, and security. Specific procedures to manage any conflict of interests are to be finalised in spring 2013.

3.6 Contingency planning

In order to ensure that critical business functions will be available to customers, suppliers, and other entities that must have access to those functions, EIOPA has initiated in 2012 a business continuity project. The business objective of this project is to guarantee continuity of service in case of "business as usual" interruption. The project's outputs will be delivered in 2013: a Business Impact Analysis (BIA) report for EIOPA, a Business Continuity Strategy and Management Framework.

3.7 Corporate and Social Responsibility

With regard to corporate and social responsibility, EIOPA continued to take responsibility for the organisation's actions and encouraged positive impacts through its activities in relation to the environment, consumers, employees, communities, partners and stakeholders. Examples of these practices are: waste separation and reduction, water saving measures, efficient use of energy, restrictive parking rules for cars, encouraging staff to use public transport or travel by foot or bicycle to work to reduce the carbon footprint, management of EIOPA procurements in line with the EU Green Public Procurement Policy as well as an active policy to reduce the amount of paper used in the office.

EIOPA is also an active member of the Frankfurt community and fosters cordial relations with the Mayor of Frankfurt, the Frankfurt Chamber of Commerce, the State of Hessen's Commissioner for Insurance Business and the Frankfurt Economic Development GmbH. EIOPA has become a sponsor to the Institute for Law and Finance in Frankfurt as part of its commitment towards its hosting site.

Annex I EIOPA Financial Statement

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



EIOPA - Balance Sheet- Assets

| | Annex n° | 31.12.2012 | 31.12.2011* |
|--------------------------------------|----------|---------------------|---------------------|
| ASSETS | | | |
| A. NON CURRENT ASSETS | | | |
| Intangible assets | A1 | 212.161,00 | 255.559,00 |
| Property, plant and equipment | A2 | 581.165,28 | 506.736,30 |
| Land and buildings | | 0,00 | 0,00 |
| Plant and equipment | | 0,00 | 0,00 |
| Computer hardware | | 214.086,00 | 163.780,00 |
| Furniture and vehicles | | 155.501,00 | 156.603,00 |
| Other fixtures and fittings | | 211.578,28 | 186.353,30 |
| Long-term receivables | | 147.109,55 | 146.621,97 |
| Long-term receivables | | 147.109,55 | 146.621,97 |
| TOTAL NON CURRENT ASSETS | | 940.435,83 | 908.917,27 |
| B. CURRENT ASSETS | | | |
| Short-term pre-financing | A7 | 43.742,89 | 0,00 |
| Short-term pre-financing | | 43.742,89 | 0,00 |
| Short-term receivables | | 616.599,29 | 259.364,22 |
| Current receivables | A8, A9 | 579.953,26 | 215.014,95 |
| Sundry receivables | A8 | 13.136,36 | 11.930,16 |
| Other - deferred charges | | 23.509,67 | 32.419,11 |
| Cash and cash equivalents | A10 | 6.394.763,53 | 5.827.270,55 |
| TOTAL CURRENT ASSETS | | 7.055.105,71 | 6.086.634,77 |
| TOTAL | | 7.995.541,54 | 6.995.552,04 |

* EIOPA Opening Balance

EIOPA - Balance Sheet- Liabilities

| | Annex n° | 31.12.2012 | 31.12.2011* |
|---|-----------|---------------------|---------------------|
| LIABILITIES | | | |
| A. Capital | 4 | 3.618.221,53 | 689.153,48 |
| Accumulated surplus/deficit | | 689.153,45 | 613.850,51 |
| Economic outturn for the year - profit+ /loss- | | 2.929.068,08 | 75.302,97 |
| B. Minority interest | | 0,00 | 0,00 |
| C. NON CURRENT LIABILITIES | | 0,00 | 0,00 |
| TOTAL A+B+C | | 3.618.221,53 | 689.153,48 |
| D. CURRENT LIABILITIES | | 6.283.312,74 | 3.751.864,80 |
| Provisions for risks and charges | L4 | 143.536,41 | 186.224,35 |
| Accounts payable | | 6.139.776,33 | 3.565.640,45 |
| Current and sundry payables | L5 | 217.340,39 | 2.981.608,41 |
| Other | | | |
| Accrued charges | L7 | 707.479,06 | 373.497,53 |
| Accrued charges with consolidated EU entities | N1 | 0,00 | 6.927,50 |
| Accounts payable with consolidated EU entities | R | 3.147.601,63 | 2.850.036,48 |
| Pre-financing received from consolidated EU entities | | 3.081.900,74 | 2.804.969,81 |
| Other accounts payable against consolidated EU entities | | 65.700,89 | 45.066,67 |
| TOTAL D. CURRENT LIABILITIES | | 4.377.320,01 | 6.306.398,56 |
| TOTAL | | 7.995.541,54 | 6.995.552,04 |

* EIOPA Opening Balance

EIOPA - Economic Outturn Account

| | Annex n° | 2012 | 2011 |
|---|---------------|-----------------------|----------------------|
| Other operating revenue | | 14.175.634,70 | 6.582.710,19 |
| TOTAL OPERATING REVENUE | E1 | 14.175.634,70 | 6.582.710,19 |
| Administrative expenses | E2, E3 | -10.449.888,64 | -6.233.592,77 |
| All Staff expenses | | -6.494.280,81 | -3.500.827,75 |
| Fixed asset related expenses | | -255.578,85 | -183.490,65 |
| Other administrative expenses | | -3.700.028,98 | -2.549.274,37 |
| Operational expenses | E2 | -791.492,24 | -271.926,70 |
| Other operational expenses | | -791.492,24 | -271.926,70 |
| TOTAL OPERATING EXPENSES | | -11.241.380,88 | -6.505.519,47 |
| SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES | | 2.934.253,82 | 77.190,72 |
| Financial revenues | E4 | 0,00 | 0,00 |
| Financial expenses | E5 | -5.185,74 | -1.887,75 |
| SURPLUS/ (DEFICIT) FROM NON OPERATING ACTIVITIES | | -5.185,74 | -1.887,75 |
| SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES | | 2.929.068,08 | 75.302,97 |
| ECONOMIC OUTTURN FOR THE YEAR | | 2.929.068,08 | 75.302,97 |

EIOPA - Cash flow Table (Indirect Method)

| | 2012 | 2011 |
|--|---------------------|------------------|
| Cash Flows from ordinary activities | | |
| Surplus/(deficit) from ordinary activities | 2.929.068,08 | 75.302,97 |
| Operating activities | | |
| <u>Adjustments</u> | | |
| Amortization (intangible fixed assets) + | 103.747,71 | 89.075,50 |
| Depreciation (tangible fixed assets) + | 151.831,14 | 94.415,15 |
| Increase/(decrease) in Provisions for risks and liabilities* | 210.570,29 | -91.895,71 |
| Increase/(decrease) in Value reduction for doubtful debts | 0,00 | 0,00 |
| (Increase)/decrease in Stock | 0,00 | 0,00 |
| (Increase)/decrease in Long term Pre-financing | 0,00 | 0,00 |
| (Increase)/decrease in Short term Pre-financing | -43.742,89 | 0,00 |
| (Increase)/decrease in Long term Receivables | -487,58 | -592,26 |
| (Increase)/decrease in Short term Receivables* | -357.235,07 | 528.792,80 |
| (Increase)/decrease in Receivables related to consolidated EU entities | 0,00 | 0,00 |
| Increase/(decrease) in Other Long term liabilities | 0,00 | 0,00 |
| Increase/(decrease) in Accounts payable* | -2.437.213,99 | -240.625,74 |
| Increase/(decrease) in Liabilities related to consolidated EU entities* | 297.565,15 | 2.850.036,48 |
| Other non-cash movements | -0,03 | 2.751,28 |

| | | |
|--|-------------------|---------------------|
| Net cash Flow from operating activities | 854.102,81 | 3.307.260,47 |
|--|-------------------|---------------------|

| Cash Flows from investing activities | | |
|--|--------------------|--------------------|
| Increase of tangible and intangible fixed assets (-) | -286.609,83 | -334.686,72 |
| Proceeds from tangible and intangible fixed assets (+) | | |
| Net cash flow from investing activities | -286.609,83 | -334.686,72 |

| | | |
|---|-------------|-------------|
| Increase/(decrease) in Employee benefits | 0,00 | 0,00 |
|---|-------------|-------------|

| | | |
|---|---------------------|---------------------|
| Net increase/(decrease) in cash and cash equivalents | 567.492,98 | 2.972.573,75 |
| Cash and cash equivalents at the beginning of the period | 5.827.270,55 | 2.854.696,80 |
| Cash and cash equivalents at the end of the period | 6.394.763,53 | 5.827.270,55 |

* Delta of values at 31.12.2011 against values at 01.01.2011 of EIOPA Opening Balance

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 | | | |
| Balance as of 31 December 2011 | 0,00 | 0,00 | 613.850,51 | 75.302,97 | 689.153,48 |
| Other 2) | | | -0,03 | 0,00 | -0,03 |
| Fair value movements | | | | | |
| Movement in Guarantee Fund reserve | | | 0,00 | 0,00 | 0,00 |
| Allocation of the Economic Result of Previous Year | | | 75.302,97 | -75.302,97 | 0,00 |
| Amounts credited to Member States | | | | | 0,00 |
| Economic result of the year | | | | | |
| Balance as of 31 December 2012 | 0,00 | 0,00 | 689.153,45 | 2.929.068,08 | 3.618.221,53 |

| 2) Please, specify 'Other' | Fair value reserve | Other reserves | Acc. Surplus / Deficit | Eco. result of the year | Net assets (total) |
|---------------------------------------|--------------------|----------------|------------------------|-------------------------|--------------------|
| Balance as of 31 December 2011 | 0,00 | 0,00 | 613.850,51 | 75.302,97 | 689.153,48 |
| Total Other | 0,00 | 0,00 | -0,03 | 0,00 | -0,03 |

Annex II EIOPA Work Programme 2013

EIOPA Work Programme 2013 describes the goals and deliverables for EIOPA in its third year of operation.

EIOPA has decided to reshape the structure of its Work Programme, following the recommendation from the European Court of Auditors, aligning it with the tasks that the Regulation settling EIOPA assigns to the Authority. Such change in structure has affected neither the highly ambitious programme presented for 2013, nor the high quality internal standards that inform and guide all EIOPA deliverables.

The content of this Work Programme is driven by EIOPA role towards Supervisory and Regulatory Convergence, the core importance that Consumers have in EIOPA strategy and mission, and the active role in the field of Financial Stability and Crisis Management.



Regulatory tasks

Relevant projects such as Solvency II were reshaped, with a clear shift from regulation to supervision. In 2013 EIOPA will finalise the standards and guidelines which insurance undertakings require as part of the Solvency II framework. These will comprise the 53 standards and guidelines mandated by legislation and on its own initiative a guideline on external scrutiny or audit for the purposes of Solvency II publicly disclosed information. The standards and guidelines will cover the solvency capital requirements, own funds, internal models, group supervision, supervisory transparency and accountability, reporting and disclosure, valuation, the valuation of assets and liabilities other than technical provisions, and governance. In 2013 EIOPA will also continue to identify, scope and implement the operational tasks required of it under Solvency II.

Other areas of work, in particular in the field of pensions, demand significant efforts from EIOPA in terms of sound and quality deliverables to the European Commission in the frame of their projected enhancement of pensions regulation.

Supervisory tasks

Supervisory tasks, and their convergence, rank high among EIOPA priorities. EIOPA expects that the added value brought by EIOPA into the Colleges and activities of the Colleges will have improved considerably in 2012 and in 2013 the participation of EIOPA Staff in the Colleges can be consolidated. When monitoring the functioning of Colleges, the result will form the basis of EIOPA's Action Plan for Colleges 2013 and include measurable, realistic, and at the same time ambitious goals. Concrete deliverables such as a supervisory handbook, an internal models support expert unit, or an enhancement of the role and scope of the colleges of supervisors are to be provided during 2013.



Consumer Protection and Financial Innovation

In 2013, EIOPA's Board of Supervisors, Committee on Consumer Protection and Financial Innovation (CCPFI) and its Consumer Protection and Financial Innovation Unit will pro-actively continue to work together on issues such as continued collection, analysis and reporting of consumer trends; further review and co-ordination of financial literacy and educational initiatives by NCAs; additional work on complaints-handling procedures within financial institutions.

EIOPA will continue its work under the umbrella of the revised Insurance Mediation Directive ("IMD II") such as development of industry training standards, enhancement of transparency of national general good provisions and ensuring convergence of national supervisory practice with regards to distance sales of insurance products (e.g. via the Internet). Work will also be launched under the IMD II on the drafting of technical standards.

Common Supervisory Culture

EIOPA will promote a common supervisory culture through establishing both sectoral and cross-sectoral training programmes as well as peer reviews and mediation. The aim of the Solvency II trainings in 2013 is to target operational supervisors and to better prepare them for consistent and efficient supervision under Solvency II, by introducing a practical approach as the preferred methodology of training.

Financial Stability

EIOPA will monitor structural developments in the sectors as well as risks related to specific products. Further development and monitoring of a risk dashboard in cooperation with the ESRB and other ESAs will be carried out. EIOPA will continue to follow large and potential systemically important insurers in the EU more closely as such firms may have larger impact on financial stability.

Crisis management

EIOPA will continue to refine and develop both its own capability to deal with crisis prevention and management issues. The key focus of the Crisis Management team in 2013 will be to continue the operation and further development of the framework put in place during 2011 and 2012. In addition, there will be more focus on the development of consistent and best practice in the area of crisis management.

External Relations

External relations, within Europe and outside, will continue playing a significant role in EIOPA deliverables. EIOPA places great value on the formal opinions, and other contributions, made by its two stakeholder groups for insurance and for occupational pensions. EIOPA intends to continuously improve its cooperation and involvement with the European Commission, the Council and the Parliament to ensure timely, efficient and economic delivery of its tasks.

Joint Committee

In addition to its sectoral work, in 2013 EIOPA's Chair took the Chairmanship of the Joint Committee. The Joint Committee will strive to have in place common/consistent policies and procedures for key ESAs processes and procedures and other cross-sectoral developments.

The detailed Work Programme 2013 can be viewed on EIOPA's website:

<https://eiopa.europa.eu/about-eiopa/work-programme/index.html>

Annex III

List of the Members and Observers of the EIOPA Board of Supervisors

AUSTRIA

FINANZMARKTAUFSICHTSBEHÖRDE (FMA)
Mr Peter Braumüller
Mr Gerald Resch
www.fma.gov.at

BELGIUM

NATIONAL BANK OF BELGIUM (NBB)
Mr Mathias Dewatripont
www.nbb.be

FINANCIAL SERVICES AND MARKETS AUTHORITY
Mr Wim Coumans
Ms Greet T'Jonck
www.fsma.be

BULGARIA

FINANCIAL SUPERVISION COMMISSION
Mr Stoyan Mavrodiev
Mr Angel Djalazov
www.fsc.bg

CROATIA

FINANCIAL SERVICES SUPERVISORY AGENCY
Mr Petar-Pierre Matek
Ms Gordana Letica
www.hanfa.hr

CYPRUS

INSURANCE COMPANIES CONTROL SERVICE
Ms Victoria Natar
Mr Nicos Koullapis
www.mof.gov.cy

SOCIAL INSURANCE SERVICES
Mr Theofanis Tryfonos
Mr George Rokopou
www.mlsi.gov.cy/sid

CZECH REPUBLIC

CZECH NATIONAL BANK
Mr David Rozumek
Ms Zuzana Silberová
www.cnb.cz

DENMARK

FINANSTILSYNET
Mr Jan Parner
Mr Per Plougmand Bærtelsen
www.finanstilsynet.dk

ESTONIA

FINANCIAL SUPERVISION AUTHORITY
Mr Raul Malmstein
Mr Kaido Tropp
www.fi.ee

FINLAND

FIN-FSA
Ms Anneli Tuominen
Ms Hely Salomaa
www.fin-fsa.fi

FRANCE

AUTORITÉ DE CONTRÔLE PRUDENTIEL (ACP)
Ms Danièle Nouy
Mr Cyril Roux
www.acp.banque-france.fr

GERMANY

BUNDESANSTALT FÜR
FINANZDIENSTLEISTUNGSAUFSICHT
Mr Felix Hufeld
Mr Thomas Schmitz-Lippert
www.bafin.de

GREECE

DEPARTMENT OF PRIVATE INSURANCE SUPERVISION
(Bank of Greece)
Mr Spyridon Zarkos
Mr Ioannis Chatzivasiloglou
www.bankofgreece.gr

HELLENIC MINISTRY OF EMPLOYMENT AND SOCIAL
PROTECTION
Ms Artemis Anagnostou-Dedouli
Ms Diamanta Voggiaki
www.ggka.gr

HUNGARY

HUNGARIAN FINANCIAL SUPERVISORY AUTHORITY
PÉNZÜGYI SZERVEZETEK ÁLLAMI FELÜGYELETE
Mr Károly Szász
Mr József Banyár
www.pszaf.hu

ICELAND

FINANCIAL SUPERVISORY AUTHORITY
(Fjármálaeftirlitið)
Ms Unnur Gunnarsdóttir
Ms Halldóra E. Ólafsdóttir
www.fme.is

IRELAND

CENTRAL BANK OF IRELAND
Mr Mark Burke
<http://www.centralbank.ie>

The PENSIONS BOARD
Mr Brendan Kennedy
Mr Pat O'Sullivan
www.pensionsboard.ie

ITALY

ISTITUTO di VIGILANZA SULLE ASSICURAZIONI (IVASS)
Mr Fabrizio Saccomanni
Mr Alberto Corinti
www.ivass.it

COMMISSIONE DI VIGILANZA SUI FONDI PENSIONE
(COVIP)
Mr Raffaele Capuano
Mr Ambrogio Rinaldi
www.covip.it

LATVIA

FINANCIAL AND CAPITAL MARKET COMMISSION
Mr Kristaps Zakulis
Ms Dina Mikelšone
www.fktk.lv

LIECHTENSTEIN

FINANCIAL MARKET AUTHORITY (FMA)
Mr Alexander Imhof
Ms Martina Tschanz
<http://www.fma-li.li>

LITHUANIA

BANK OF LITHUANIA
Mr Vytautas Valvionis
Mr Mindaugas Salcius
www.lb.lt

LUXEMBOURG

COMMISSARIAT AUX ASSURANCES
Mr Victor Rod
Mr Claude Wirion
www.commassu.lu

COMMISSION DE SURVEILLANCE DU SECTEUR
FINANCIER
Ms Christiane Campill
www.cssf.lu

MALTA

MALTA FINANCIAL SERVICES AUTHORITY
Mr André Camilleri
Ms Marisa Attard
www.mfsa.com.mt

NETHERLANDS

DE NEDERLANDSCHE BANK
Ms Joanne Kellermann
Mr Thijs van Woerden
www.dnb.nl

NORWAY

FINANSTILSYNET
Mr Morten Baltzersen
Mr Emil Steffensen
www.finanstilsynet.no

Annex III

List of the Members and Observers of the EIOPA Board of Supervisors

POLAND

POLISH FINANCIAL SUPERVISION AUTHORITY
(KOMISJA NADZORU FINANSOWEGO)
Mr Damian Jaworski
Mr Mariusz Smętek
www.knf.gov.pl

PORTUGAL

INSTITUTO DE SEGUROS DE PORTUGAL
Mr José Almaça
Mr Mário Rui Ribeiro
www.isp.pt

ROMANIA

INSURANCE SUPERVISORY COMMISSION
Mr Daniel George Tudor
Ms Rodica Popescu
www.csa-isc.ro

ROMANIAN PRIVATE PENSION SYSTEM SUPERVISION
COMMISSION (CSSPP)
Mr Ion Giurescu
Ms Adina Maria Dragomir
www.csspp.ro

SLOVAKIA

NATIONAL BANK OF SLOVAKIA
Ms Júlia Cillíková
Ms Lucia Štefunková
<http://www.nbs.sk>

SLOVENIA

INSURANCE SUPERVISION AGENCY
Mr Sergej Simoniti
Ms Maja Krumberger
www.a-zn.si

SPAIN

DIRECCIÓN GENERAL DE SEGUROS MINISTERIO
DE ECONOMÍA Y COMPETITIVIDAD Y FONDOS DE
PENSIONES
Ms María Flavia Rodríguez-Ponga Salamanca
Mr Pablo Muelas García
www.dgsfp.meh.es

SWEDEN

FINANCIAL SUPERVISORY AUTHORITY
FINANSINSPEKTIONEN
Mr Martin Noréus
Mr Bertil Sjöo
www.fi.se

UNITED-KINGDOM

PRUDENTIAL REGULATORY AUTHORITY (PRA)
Mr Julian Adams
Mr Paul Sharma
www.fsa.gov.uk

THE PENSIONS REGULATOR
Mr Bill Galvin
Mr Nigel Peale
www.thepensionsregulator.gov.uk

EUROPEAN COMMISSION

Mr Jonathan Faull
Mr Klaus Wiedner

EBA

Mr Adam Farkas
www.eba.europa.eu

ESMA

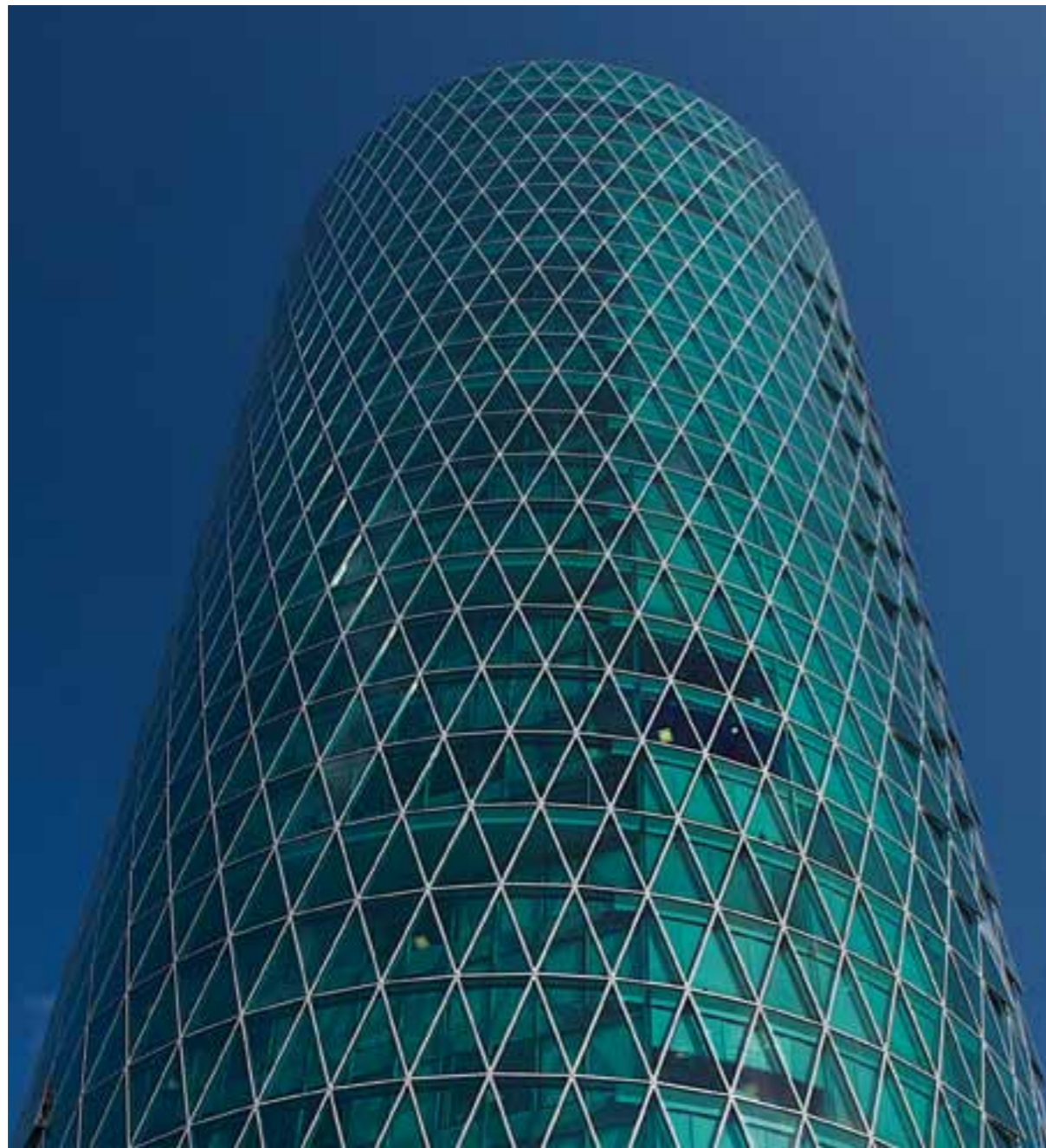
Ms Verena Ross
www.esma.europa.eu

ESRB

Mr Francesco Mazzaferro
www.esrb.europa.eu



Annex IV Overview of EIOPA Stakeholder Groups membership



Annex IV: Overview of EIOPA Insurance and Reinsurance Stakeholder Group Subgroups membership

| No | Category | Name | Country | Subgroups | | | | | | |
|-----|---|-------------------------------------|---------|---------------------|---------------------|-----------|------------|----------------------|-----------------|---|
| | | | | Consumer Protection | Anti-Discrimination | Reporting | Governance | Long Term Guarantees | Internal Models | |
| 1. | Industry (insurance undertakings) | Mr. Oliver Bäte | DE | ✓ | | | | | ✓ | |
| 2. | | Mr. Yanick Bonnet | FR | | | | ✓ | | ✓ | |
| 3. | | Mr. Paul Carty | IE | ✓ | | | | | | |
| 4. | | Mr. Hugh Francis | UK | | | ✓ | | | Lead | ✓ |
| 5. | | Ms. Pilar Gonzalez de Frutos | ES | | | | | | | |
| 6. | | Mr. Asmo Olavi Kalpala | FI | | ✓ | | | | | |
| 7. | | Ms. Michaela Koller, Chairperson | DE | ✓ | | | | | | |
| 8. | | Mr. Jean Christophe Menioux | FR | | ✓ | | | | ✓ | ✓ |
| 9. | | Mr. Gerard van Olphen | NL | | | | | ✓ | | |
| 10. | | Mr. Joachim Wenning | DE | | | | | | | |
| 11. | Consumers | Ms. Ann Kay Blair, Vice-Chairperson | UK | ✓ | | | | ✓ | | |
| 12. | | Mr. Mads Mølgaard Braüner | DK | ✓ | | | | | | |
| 13. | | Mr. Lars Gatschke | DE | Lead | | | | | ✓ | |
| 14. | | Mr. Marcin Kawiński | PL | ✓ | Lead | | | ✓ | ✓ | |
| 15. | | Ms. Baiba Miltovica | LV | ✓ | | | | | | |
| 16. | Users of insurance and reinsurance services | Mr. Thomas Behar | FR | ✓ | | Lead | ✓ | ✓ | ✓ | |
| 17. | | Mr. Seamus Creedon | IE | | ✓ | | Lead | ✓ | ✓ | |
| 18. | | Mr. Guenter Droese | DE | ✓ | | ✓ | ✓ | | ✓ | |
| 19. | | Mr. Francis Frizon | FR | ✓ | | | | | | |
| 20. | | Mr. Robert Crawford Jones | UK | | | ✓ | ✓ | | | ✓ |
| 21. | | Mr. Jérôme Lecoq | BE | | | | | | | |
| 22. | | Ms. Christianne Verhaegen | BE | | | | | ✓ | ✓ | |
| 23. | Ms. Daniela Weber-Rey | DE | | | | | ✓ | | | |
| 24. | Trade Unions | Ms. Raffaella Infelisi | IT | | | | | | | |
| 25. | | Mr. Damien Lagaude | FR | ✓ | | | | ✓ | | |
| 26. | Academics | Ms. Rym Ayadi | Tunisia | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| 27. | | Mr. Helmut Johannes Gründl | DE | | | | | ✓ | ✓ | |
| 28. | | Ms. Maria Heep-Altiner | DE | | | ✓ | ✓ | | | ✓ |
| 29. | | Mr. Alexander N. Sadovski | BG | ✓ | ✓ | | ✓ | | | |
| 30. | | Mr. Pierpaolo Marano | IT | ✓ | ✓ | | ✓ | | | |

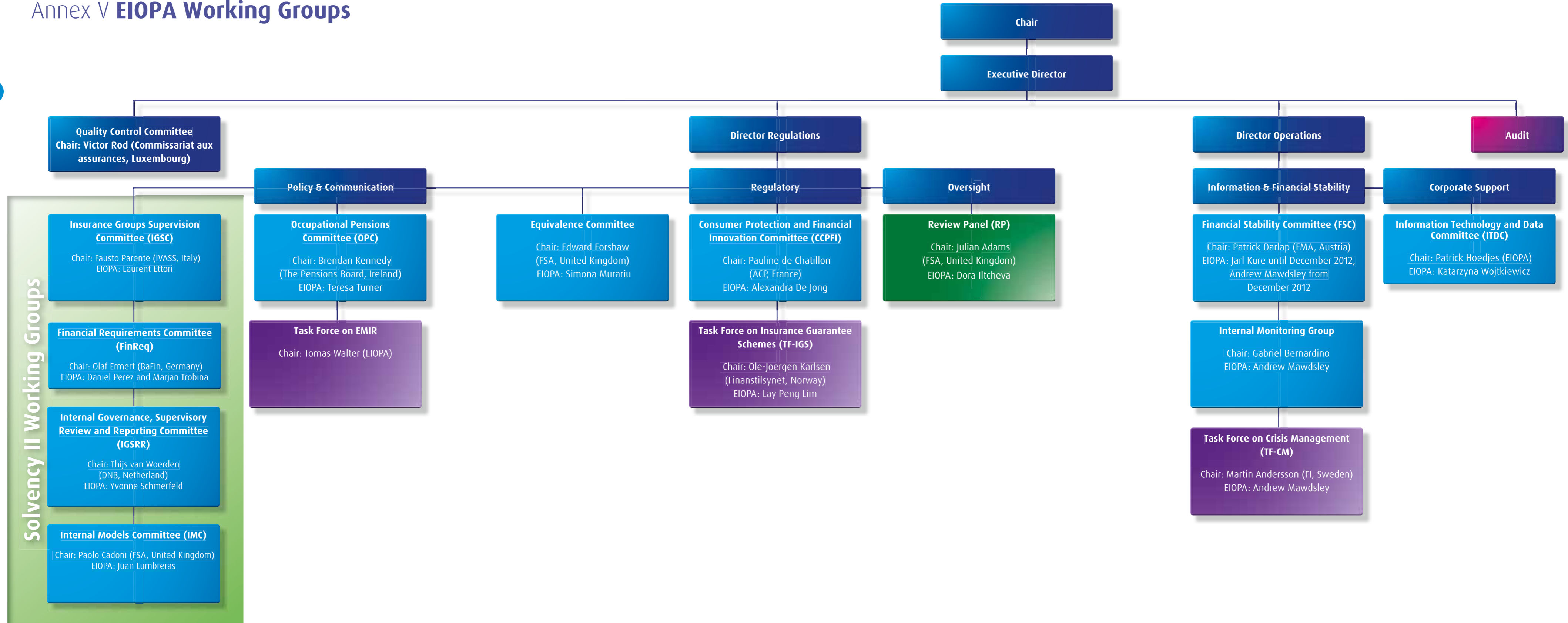
Overview of OPSG Subgroups membership

| No | Category | Member | Country | Quantitative Impact Study | White Paper | Information to Members | Pension Fund Governance |
|-----|---|--|---------|---------------------------|-------------|------------------------|-------------------------|
| 1. | Industry (IORPs) | Mr. Gabor Borza | HU | ✓ | | | |
| 2. | | Mr. Fritz Janda | AT | | ✓ | | |
| 3. | | Mr. Niels Kortleve | NL | ✓ | | | ✓ |
| 4. | | Ms. Patricia Plas | BE | ✓ | | | |
| 5. | | Mr. Joachim Schwind | DE | ✓ | | ✓ | ✓ |
| 6. | | Ms. Maria Isabel Semião | PT | | | | ✓ |
| 7. | | Ms. Martine Van Peer | BE | ✓ | ✓ | | ✓ |
| 8. | | Mr. Benne van Popta, Vice-Chairperson | NL | Lead | ✓ | | ✓ |
| 9. | | Ms. Christianne Verhaegen, Chairperson | BE | | ✓ | | ✓ |
| 10. | | Mr. Allan Whalley | UK | ✓ | | | ✓ |
| 11. | Consumers/Beneficiaries | Mr. Marcin Kawiński | PL | | | Co-lead | |
| 12. | | Ms. Baiba Miltovica | LV | | ✓ | ✓ | |
| 13. | | Mr. Klaus Struwe | DK | | Lead | Co-lead | |
| 14. | Users of occupational pensions services | Ms. Ruth Goldman | UK | | | | ✓ |
| 15. | | Mr. Régis de Laroulliere | FR | | ✓ | | ✓ |
| 16. | | Mr. Philip Shier | IE | ✓ | | | |
| 17. | | Mr. Charles Cronin | UK | ✓ | | | ✓ |
| 18. | Employee/Employer representatives | Mr. Frank Ellenbürger | DE | | | | |
| 19. | | Mr. Henri Lourdelle | FR | | | | |
| 20. | | Mr. Otto Farny | AT | | | | |
| 21. | | Ms. Naomi Cooke | UK | | | ✓ | |
| 22. | | Mr. Douglas Taylor | UK | | | ✓ | |
| 23. | | Mr. Bruno Gabellieri | FR | | ✓ | | |
| 24. | Mr. Giuseppe Rocco | IT | | | ✓ | ✓ | |
| 25. | Mr. Bernhard Wiesner | DE | | ✓ | ✓ | | |
| 26. | Academics | Mr. Gunnar Andersson | SE | ✓ | | | ✓ |
| 27. | | Mr. Manuel Peraita | ES | ✓ | | | |
| 28. | | Ms. Frederica Seganti | IT | | | | |
| 29. | | Mr. Dariusz Stańko | PL | ✓ | | ✓ | ✓ |
| 30. | | Mr. Yves Stevens | BE | | ✓ | ✓ | ✓ |



Annex V EIOPA Working Groups

V



Annex VI List of abbreviations

VI

| | |
|------------------|---|
| 3AMLD | Third Anti-Money Laundering Directive |
| AMICE | Association of Mutual Insurers and Insurance Cooperatives in Europe |
| AMLTF | Anti-Money Laundering Task Force |
| ASC | Advisory Scientific Committee |
| ASSAL | Latin American Association of Insurance Supervisors |
| ATC | Advisory Technical Committee |
| CCPFI | Committee on Consumer Protection and Financial Innovation |
| CEBS | Committee of European Banking Supervisors |
| CEIOPS | Committee of European Insurance and Occupational Pensions Supervisors |
| CESR | Committee of European Securities Regulators |
| CFO Forum | Chief Financial Officers Forum |
| CFSSA | Croatian Financial Services Agency |
| CIRC | China Insurance Regulatory Commission |
| CLD | Consolidated Life Insurance Directive |
| CNSF | Comision Nacional de Seguros y Fianzas, Mexico |
| ComFrame | Common Framework for the Supervision of Internationally Active Insurance Groups |
| CP | Consultation paper |
| CRD | Capital Requirements Directive |
| CRO Forum | Chief Risk Officers Forum |
| CTF | Counter terrorist financing |
| EBA | European Banking Authority |
| ECOFIN | Economic and Finance Ministers of the Member States |
| EEA | European Economic Area |
| EFC | Economic and Financial Committee |
| EFCC | The European Financial Conglomerates Committee |
| EFC-FST | Financial Stability Table of the Economic and Financial Committee |

| | |
|----------------|---|
| EFRAG | European Financial Reporting Advisory Group |
| EIOPA | European Insurance and Occupational Pensions Authority |
| EIOPC | European Insurance and Occupational Pensions Committee |
| EPIFP | Task Force on expected profits included in future premiums |
| ESA | European Supervisory Authority |
| ESFS | European System of Financial Supervision |
| ESMA | European Securities and Markets Authority |
| ESRB | European Systemic Risk Board |
| EU | European Union |
| FICOD | Financial Conglomerates Directive |
| FINMA | Swiss Financial Market Supervisory Authority |
| FinReq | Financial Requirements Committee |
| FIO | US Federal Insurance Office |
| FSB | South African Financial Services Board |
| FSC | Financial Services Committee |
| FSC | Financial Stability Committee |
| FST | Financial Stability Table |
| g-SIFIs | Global systemically important financial institutions |
| IAIS | International Association of Insurance Supervisors |
| IASB | International Accounting Standards Board |
| IFRS | International Financial Reporting Standards |
| IGS | Insurance Guarantee Schemes |
| IGSC | Insurance Groups Supervision Committee |
| IGSRR | Internal Governance, Supervisory Review and Reporting Committee |
| ILS | Insurance Linked Securities |
| IMD | Insurance Mediation Directive |

Annex VI List of abbreviations

VI

| | |
|-----------------------|--|
| IntMod | Internal Models Committee |
| IOPS | International Organisation of Pension Supervisors |
| IORP | Institution for Occupational Retirement Provision |
| IORP Directive | Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision |
| IRSG | Insurance & Reinsurance Stakeholder Group |
| ITDC | Information Technology and Data Committee |
| IWCFC | Interim Working Committee on Financial Conglomerates |
| JCFC | Joint Committee on Financial Conglomerates |
| JGSR | “Joint Group on the cooperation between the ESAs and the ESRB on Systemic Risk” |
| LTGA | Long-Term Guarantee Assessment |
| MCR | Minimum Capital Requirement |
| MiFID | Markets in Financial Instruments Directive (Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC, OJ No. L 145 of 30 April 2004” |
| MoU | Memorandum of Understanding |
| NAIC | US National Association of Insurance Commissioners |
| NCA | National Competent Authority |
| NSA | National Supervisory Authority |
| OMDII | Omnibus II Directive |
| OPC | Occupational Pensions Committee |
| OPSG | Occupational Pensions Stakeholder Group |
| ORSA | Own Risk and Solvency Assessment |
| PRIP | Packaged Retail Investment Product |
| QCC | Quality Control Committee |
| QIS | Quantitative Impact Study |

| | |
|---------------|--|
| QIS4 | Fourth Quantitative Impact Study |
| QIS5 | Fifth Quantitative Impact Study |
| SCR | Solvency Capital Requirement |
| SDD | Simplified Due Diligence |
| SIFIs | Systemically important financial institutions |
| SPV | Special Purpose Vehicle |
| SRP | Supervisory Review Process |
| SSC | Solvency & Actuarial Issues Committee |
| SUSEP | Brazilian competent supervisory authority for the private insurance sector |
| TFIG | Task Force on Internal Governance |
| TF-IGS | Task Force on Insurance Guarantee Schemes |
| UBO | Ultimate Beneficial Owner |
| VaR | Value at Risk |

Annex VII Management and internal control systems

In this annex an assessment is presented on the functioning of EIOPA and its internal control system which the Executive Director as Authorising Officer has put in place to ensure sound management of EIOPA's service with all control aspects, financial and nonfinancial.

1. Management supervision

EIOPA's operational structure reflects the strategic and operational activities of the Authority. EIOPA has two Departments (Regulations and Operations) and five Units (Policy, Consumer Protection and Financial Innovation, Oversight, Financial Stability and Information, Corporate Support).

EIOPA's strategic orientation is established in a Multi-Annual Work Programme and Annual Work Programmes (WP) adopted by the Board of Supervisors after the approval of the Management Board. Annual Work Programmes are adopted in order to implement the Multi-Annual Programme objectives. Progress on the implementation of the Multi-Annual and Annual Work Programmes is reported on a regular basis to the Management Board and the Board of Supervisors. The Heads of Units are responsible for the activities in their Unit and report to the Heads of Departments and Executive Director and Chair on a regular basis.

In 2012, the Executive Director of EIOPA, as Authorising Officer (AO), delegated financial responsibility to the Heads of Departments and Heads of Units to enter into budgetary and legal commitments and authorise payments. However, all contracts over EUR 60,000 need to be signed by the Executive Director.

2. The functioning of the Internal Control system

Below an outline assessment is provided of the functioning of EIOPA's internal control system (including the financial systems).

Internal Control Standards

EIOPA has further implemented in 2012 its Internal Control Standards (ICS). These standards specify the necessary requirements, actions and expectations in order to build an effective system of internal control that could provide a reasonable assurance on the achievement of the organisation's objectives. The control standards are developed in compliance with the European Commission's Internal Control Standards, which are based on the international COSO standards. Examples of realisations in this area in 2012 are strengthened internal planning and reporting processes, zero based budgeting, an EIOPA strategy day with Members of the Boards of Supervisors, adoption of a set of ethical rules, improved recruitment guidelines, further role out of the e-HR tool, full completion of the staff appraisal cycle, development of a career framework, improved format of the Work Programme, design of an integrated risk management process, review of EIOPA's operational and functional structure, revised financial rules and circuits, creation of EIOPA's process map, definition of additional rules of procedure, initiation of a business continuity project, definition of EIOPA's arrangements on document filing, approval of a comprehensive internal communication strategy and the validation of EIOPA's accounting system.

Internal Procedures, Executive director's decisions and implementing rules

In 2012, EIOPA Board of Supervisors, Management Board and Executive Director adopted further decisions in their respective area of competencies in order to put in place necessary procedures and implementing rules for the good functioning of the Authority and the fulfilment of its duties. Examples are Mediation Panel, Breach of Union Law, Board of Appeal and internal Ethics Rules. Where relevant, rules were drafted in cooperation with the two other ESAs.

Authorisation and registration of exceptions

EIOPA has a dedicated work flow in place for the authorisation and registration of exceptions. This process identifies at an early stage, during the financial initiation steps, if the requirements for an exception note are met. A commitment a posteriori is not further processed unless the related exception note is in place, approved by Executive Director. All exception notes are filed individually and a register of exception notes is updated regularly.

Centralised support and control functions

EIOPA has a number of centralised support and control functions in place, most of them grouped under the umbrella of the Corporate Support Unit. This unit consists of the following functions: HR, Finance, Budget and Procurement, ICT and Corporate Services, Communication and Legal. The centralised procurement function was established in June 2012, with the recruitment of a Procurement Officer. With a reorganisation at the end of the year Legal support directly reports to the Executive Director.

Internal Control Coordination

The Head of the Corporate Support Unit is responsible for the implementation of EIOPA's Internal Control Standards and acts as the Internal Control Coordinator. His task is to ensure that the necessary plans are put in place, to coordinate their implementation and to report on the progress made.

Data protection

The Management Board adopted the implementing rules relating to Regulation (EC) No 45/2001 of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (as amended) in 2012. A register of data processes has been put in place by EIOPA's Data Protection Officer who also ensures the awareness on subject's rights and obligations during the legal induction session of all new staff members and dedicated information sessions for all staff members.

Quality Control Committee

The Quality Control Committee (QCC) that was established by EIOPA's Management Board to whom it also reports has continued its tasks of overseeing and assessing the appropriate implementation of the internal procedures and decisions. An evaluation report was presented to the Management Board for further actions. The QCC also provided assistance in the establishment of EIOPA's Ethics Rules.

European Court of Auditors and Internal Audit Service: cooperation and follow up of recommendations

EIOPA is audited every year by the European Court of Auditors (ECA). The audit provides a Statement of Assurance as to the reliability of the accounts of the Centre and the legality and regularity of the transactions underlying them. EIOPA is also audited by its Internal Auditor, the Internal Audit Service of the European Commission (IAS). In June 2012 the IAS defined an audit strategy for EIOPA regarding the period 2013 – 2015, including a short list of prospective future audit topics. This strategy is based on the results of a risk assessment, performed by the IAS in February 2012 (desk review and on-site mission). On EIOPA's request, the first work to be performed will be related to the implementation of the Internal Control Standards (early 2013).

EIOPA has dedicated processes in place to ensure that all recommendations made by both the ECA and IAS are timely and adequately addressed through dedicated action plans.

In addition to the work of the ECA and IAS, and to continue a good CEIOPS practice as EIOPA is for sixty percent funded by 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 2012 and the positive outcome was reported to EIOPA's Management Board in the same month.

Declaration of Assurance by the Authorising officer

VIII

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 2012 gives a true and fair view;
- State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give 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 reported in this report, among others:

- 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



Frankfurt, 14 June 2013