



# ANNUAL REPORT 2017

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European Insurance and  
Occupational Pensions Authority

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# **ANNUAL REPORT 2017**



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## ABBREVIATIONS

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



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

## ANALYSIS AND ASSESSMENT OF THE CONSOLIDATED ANNUAL ACTIVITY REPORT 2017 BY THE BOARD OF SUPERVISORS

The European Insurance and Occupational Pensions Authority (EIOPA) Board of Supervisors (BoS) takes note of the Consolidated Annual Activity Report (CAAR) 2017, submitted by the Authorising Officer in accordance with Article 47(1) of the Financial Regulation applicable to EIOPA. Analysing and assessing the CAAR 2017 BoS has made the following observations.

- The report contains a comprehensive and thorough account of the activities carried out by EIOPA in the implementation of its mandate and work programme during 2017. EIOPA has met its obligations under Article 47(1), providing a detailed account of the results achieved in relation to the objectives set in the Annual Work Programme 2017, financial and management information, as well as the risks related to the organisational activities and measures taken to address them.
- BoS acknowledges the continued challenges EIOPA faces in terms of its constrained resources to manage a demanding workload and welcomes EIOPA's efforts to prioritise in order to deal with this challenging situation. BoS also welcomes the full implementation of EIOPA's reorganisation during 2017, which aligned the Authority's structure and resources to its evolving tasks, putting a stronger focus on creating synergies while at the same time reflecting the shift from regulation to supervision.
- BoS welcomes the way in which EIOPA followed up on the discussions of the BoS Strategy Day, particularly with respect to the theme of InsurTech and the work launched in 2017 to explore the role and implications of emerging technological developments for the insurance sector.
- BoS welcomes the significant contribution EIOPA has made in the field of consumer protection with its further implementation of the strategy for conduct of business supervision and the Authority's activities related to the Insurance Distribution Directive.
- BoS welcomes EIOPA's continued role under Solvency II ensuring appropriate and proportionate application of regulation and the Authority's efforts working with national competent authorities (NCAs) to achieve supervisory convergence in the insurance market. BoS acknowledges work to define an ultimate forward rate (UFR) methodology that aligns to the principles laid down in Solvency II for the UFR to be stable over time and only adapted as a result of changes in long-term expectations. BoS welcomes EIOPA's active involvement in specific projects such as the

balance sheet review exercise of the Bulgarian market, which was concluded in 2017. Furthermore BoS appreciates, EIOPA's establishment of cross border platforms to strengthen supervisory cooperation allowing home supervisors to make use of host supervisors' expertise and knowledge about local market specificities and corresponding risks and challenges.

- In view of the many challenges posed by the UK's withdrawal from the EU ('Brexit') due in 2019, BoS welcomes EIOPA's two opinions, which provide relevant guidance to NCAs on the authorisation process and ongoing supervision of undertakings regulated under Solvency II and on the importance of sufficient preparation by supervisors and undertakings ensuring that contracts can be serviced on a continuing basis preventing the risk of conducting insurance activities without authorisation following the United Kingdom's withdrawal. BoS also welcomes EIOPA's opinion calling for a minimum harmonisation of a recovery and resolution framework.
- BoS welcomes the progress EIOPA is making in analysing and reporting on vulnerabilities and financial stability risks as well as the increasing use of Solvency II data in enriching that analysis and improving the insights provided to decision-making bodies. BoS also welcomes the successful conclusion of EIOPA's stress test of institutions for occupational retirement provision (IORPs).
- BoS notes the positive results of successful management of the Authority's tasks and resources, indicated by the extremely high rate of delivery of products and services as planned or within a minor and tolerable delay as well as the targets met in terms of EIOPA's key performance indicators (KPIs) on management of its financial resources.
- BoS notes EIOPA's diligent response to findings from the European Court of Auditors, the Internal Audit Service and the Authority's quality control committee and supports EIOPA's efforts in its transparent implementation of the recommendations.
- BoS considers that EIOPA is running effectively and efficiently and is delivering the expected products and services to high standards of quality.

**Gabriel Bernardino**

Chair of the Board of Supervisors

**GABRIEL BERNARDINO**  
Chair



## FOREWORD

The year 2017 marked 10 years since the beginning of the financial crisis. Since its creation in 2011, EIOPA has contributed to the development of the European single rulebook in insurance and pensions both in the prudential and conduct of business areas. The implementation of the new European regulatory frameworks has implied a gradual shift in EIOPA's strategic priorities from regulation to supervision. Strengthening supervisory convergence, enhancing consumer protection and maintaining financial stability were the focus of our activities in 2017.

Our commitment to building a common supervisory culture reached a milestone as we worked with national supervisory authorities (NSAs) to set out the key characteristics of high-quality and effective supervision that should underpin this culture. The development of a pan-European approach to supervision has been at the core of our work since our establishment in 2011 and we will continue this in the coming years to support national supervisors to build their capacity to deliver high-quality supervision.

In the context of the European single market, supervision is very much a European issue, as insurance providers from one country do business in another country, notably under the freedom to provide services (FoS) regime. To address perceived weaknesses in cross-border business supervision, in 2017, we set up platforms to facilitate cooperation between national supervisory authorities, enabling a more timely identification and assessment of risks. These platforms are an example of the added-value that the Authority's pan-European perspective and steering bring to national supervision thereby helping to build trust in the internal market and the overall functioning of the supervisory system.

This year, we also achieved a significant milestone in promoting a consistent approach to consumer protection with the provision of advice to the European Commission related to the Insurance Distribution Directive covering issues such as conflicts of interest in selling practices and technical standards on the insurance product information document.

In 2017, we completed the first part of our first review of the Solvency II regime based on 1 year's implementation experience, advising the European Commission to adopt simplified calculations of the solvency capital requirement (SCR) standard formula. As part of our work in the field of financial stability, we published an Opinion addressed to the European institutions calling for a minimum harmonisation of a recovery and resolution framework for the insurance sector, as well as carrying out a Europe-wide stress test on the occupational pensions sector.

A good supervisor is forward-looking, proactive and preventive. For EIOPA, this means that we must stay alert to the political and economic landscape around us and be ready to take action when needed. For this reason, we give particular focus to issues related to digitalisation and InsurTech, as well as sustainable finance. We will also continue to pay close attention to issues related to the United Kingdom's decision to leave the European Union, so that there is minimum disruption to service and consumers.

We will continue to support the European Commission's actions in the European financial services agenda, including the Capital Markets Union (CMU). In particular, we look forward to further developments regarding a pan-European personal pension product (PEPP), which has the potential to offer European citizens an entirely new framework to save for retirement. We stand ready to take on new tasks connected to this as well as those connected to the review of the European Supervisory Authorities (ESAs), enabling us to put an even stronger focus on supervisory convergence.

Our capacity to deliver would not have been possible without close cooperation with national competent authorities, the European Supervisory Authorities, European institutions and other stakeholders. I would like to thank all of them, including my fellow Board of Supervisor members and Management Board members, for their constructive engagement and support over the past year.

Ten years ago, we witnessed the damaging effects of weak regulation on the economy and people's lives. To build up sustainable long-term investment and economic growth we need stable and strong insurance and pension sectors that adequately price risks, apply robust risk management strategies and treat policyholders, members and beneficiaries fairly. Our role is to make sure that we collectively reap the benefits of the post-crisis regulatory reforms by ensuring high-quality and consistent supervision throughout the European Union. We will continue to be committed to that goal.

**FAUSTO PARENTE**  
Executive Director



## FOREWORD BY THE EXECUTIVE DIRECTOR

In 2017, as an organisation, EIOPA continued to make effective use of its resources while continuing to execute its mandate to a high standard.

Good execution is the result of good preparation and, as in previous years, EIOPA conducted its tasks against a work programme that was developed through a thorough planning exercise. With a view to longer-term planning of tasks and resources, in 2017, EIOPA took steps to further strengthen its planning and prioritisation activities, including related to change management and risk management.

EIOPA also continued to adapt to its new organisational structure, introduced at the end of the 2016. In this context, the Supervisory Processes Department and the Oversight and Supervisory Convergence Department were established, better reflecting the evolution of EIOPA's work and the focus on more supervision-related tasks.

Also related to the evolution of supervisory tasks, EIOPA undertook significant work to develop competency frameworks. Building the capacity of our staff remains a priority and in February 2017, EIOPA's supervisory competencies were introduced. In setting out competency frameworks for different functions, EIOPA is better able to develop its own staff to meet the evolving needs of the organisation. EIOPA will continue to develop frameworks for different groups of staff, including leadership competencies, as well as continuing to offer staff opportunities for further learning and development.

To become a more efficient organisation remains an ongoing goal for EIOPA. Where possible, rather than developing its own solutions, EIOPA adopts systems and processes already in use by the European Commission or other EU Agencies. In 2017, EIOPA took preparatory steps to adopt existing e-solutions for procurement and human resources. In addition, EIOPA started to make use of the Commission's services for website development and hosting.

An additional project enabling staff to work more effectively has been the introduction of a new document management system. This system has enhanced compliance as well as cooperation between staff.

In terms of management of resources, EIOPA conducts its operations in full compliance with EU regulations, working in an open and transparent manner. The Authority's operating budget for 2017 was EUR 24 million and by the close of the year, EIOPA had achieved an implementation rate for commitments of 99.79 %.

EIOPA is accountable for both the substance of its work and the management of its resources. To that end, EIOPA maintains a constructive and open dialogue with its stakeholders and is always ready to engage so that we can continuously improve.

Looking ahead, EIOPA will continue to focus on the four strategic objectives set out in its work programme while remaining prepared to adapt to changes stemming from external environment: new tasks may arise from the ongoing review of the three European Supervisory Authorities or from the legislative initiative on the pan-European personal pension product (PEPP). New priorities may also come from the United Kingdom's decision to leave the European Union.

In conclusion, it only leaves me to thank EIOPA's staff and those of the Management Board and Board of Supervisors for their commitment and hard work throughout the year. I speak for these colleagues when I say that we are proud to work for Europe and proud of the work that we do so that people and businesses in Europe can benefit from safe and secure financial institutions and systems.

## EXECUTIVE SUMMARY

### CONSUMER PROTECTION

To strengthen the protection of consumers, EIOPA contributes to a smart regulatory framework promoting transparency, simplicity and fairness. In 2017 EIOPA delivered technical advice on possible delegated acts concerning the Insurance Distribution Directive consolidating selling practices for direct sellers and intermediaries and ensuring advice to consumers best suits their needs. EIOPA also completed draft implementing technical standards on the insurance product information document introducing a standardised format providing essential information about insurance products in a clear, concise and accessible manner. To minimise risks arising from mis-selling, EIOPA also provided guidelines on 'execution-only' sales of insurance-based investment products (IBIPs), addressing cases where insurance distributors do not provide advice or check a customer's knowledge of the product or the risks involved.

EIOPA also takes a proactive role in identifying and tackling risk of consumer detriment. The thematic review on monetary incentives and remuneration highlighted potential conflicts of interest arising in unit-linked life insurance products sold on the basis of monetary incentives and remuneration paid by asset managers.

EIOPA's Consumer Trends Report highlighted the significant increase in consumer complaints in the insurance sector. Digitalisation, relating to technology-driven innovation in the insurance and pensions sectors, was also identified in the report as a topic of strategic importance for the insurance sector and one that EIOPA continues to follow closely.

### SUPERVISORY CONVERGENCE AND IMPROVING THE FUNCTIONING OF THE INTERNAL MARKET

The Authority's efforts to achieve supervisory convergence and improve the functioning of the internal market are divided into ensuring a sound and prudent regulatory framework, establishing a reporting framework and leading in convergence to consistent and high-quality supervision. In the context of EIOPA's mandate to contribute to the consistent application of regulation, a priority for 2017 was the evaluation and review of the Solvency II regulation based on 1 year of implementation. EIOPA's first set of advice covers key aspects of the standard formula to reduce its complexity while at the same time retaining a proportionate, technically robust, risk-sensitive and consistent supervisory regime.

Day-to-day supervision is the task of NCAs and EIOPA leads supervisory convergence, supporting them in consistent and convergent application of European Union law. Important tools included the provision of tailored support and feedback on the consistent application of Solvency II. In 2017 EIOPA also participated in the insurance balance sheet review and pension funds asset review of the Bulgarian insurance and pensions sector, providing coordination and technical expertise.

The Authority contributes to strengthening supervision of cross-border groups. In 2017 this was enhanced with the new tool of supervisory cross-border platforms. Established by EIOPA in response to identified risks with respect to cross-border business, the platforms ensure stronger and timelier collaboration between insurance supervisory authorities. This enables quicker identification and assessment of risks in the market with a view to gaining agreement on the need for supervisory actions and interventions. EIOPA also actively participates in



the meetings of colleges of supervisors, which oversee cross-border insurance groups. The Authority's contribution provided a clear basis for practical and operational cooperation within colleges. This effort was further strengthened in 2017 with a revision of EIOPA's colleges strategy to further capitalise on the collective effort of NCAs and EIOPA.

The establishment and approval of an internal model follows a principles based approach with extensive requirements on statistical quality, processes and embedding in risk management. This approach should be applied appropriately for each concrete risk profile by undertakings in development and use of the model; and assessed by the NCA during the approval and ongoing supervision. EIOPA provides valuable support to address the risk of inconsistencies between supervisory practices and identifying undertakings where the quality of modelling seems lower than its peers. In 2017 a project was run using EIOPA's available tools to address major inconsistencies in the dynamic volatility adjustment (DVA), which showed that the different approaches in modelling the DVA could lead to significant differences in outcomes, which can hinder the level playing field. A project on the modelling of sovereign risk in internal models concluded it was justified to apply different approaches but, significant differences in the calibration of models were observed, which are currently being followed up by NCAs and by EIOPA.

In 2017, EIOPA published three supervisory opinions including the assessment of internal models including a DVA; supervisory convergence in light of the United Kingdom withdrawing from the EU; and service continuity in light of the withdrawal of the United Kingdom from the EU.

Accurate and effective reporting relies on a common framework, as well as the capacity to collect and analyse data. With these elements in place, EIOPA is able to calculate key information, including its monthly production of risk free rates and symmetric adjustment of the equity capital risk. EIOPA is also mandated to calculate the UFR and the methodology set out in 2017 ensures that the UFR moves gradually and in a predictable manner, allowing insurers to adjust to changes in the interest-rate environment and ensuring policyholder protection. EIOPA also undertook work to ensure the continued development of its systems for secure data collection, management, analysis and dissemination including the release of the Solvency II insurance taxonomy 2.2.o.

To increase global convergence and consistent supervisory practices worldwide, EIOPA continued its cooperation on important initiatives such as the international capital standard version 2.0 and implemented a number of new agreements, such as memorandum of understanding (MoU), with non-EU countries ('third countries') and international organisations. In the field of pensions data, EIOPA launched a consultation with the aim of increasing efficiency and further strengthening the monitoring and analysis of the European occupational pensions sector through a single framework for EIOPA's regular information requests for the provision of occupational pensions information.

## FINANCIAL STABILITY

By assessing and monitoring the financial system, the Authority is able to identify threats to the financial stability of the European insurance and pensions sectors and mitigate risks accordingly. In 2017, EIOPA conducted its occupational pensions stress test providing a robust assessment of the resilience of IORPs. The exercise identified sponsors of over a quarter of IORPs might face challenges meeting their obligations. Furthermore, pension obligations may exert substantial pressure on the solvency and future profitability of companies with a potential spill-over to the real economy. The provision of Solvency II reporting data has also allowed EIOPA to enhance a number of its existing products such as the quarterly risk dashboard and financial stability reports and allowed the publishing of new information such as Solvency II statistics on the European insurance sector. Under its crisis prevention mandate, EIOPA has issued an opinion on harmonisation of recovery and resolution frameworks and continued its work on a framework for macroprudential policy in insurance.

## INTRODUCTION

Insurance fulfils an important role in society. When it functions well it takes on risk and contributes to economic growth and financial stability, ultimately bringing greater financial security to the public. With assets worth around two thirds of EU gross domestic product (GDP) (70 % in 2017) <sup>(1)</sup>, the EU insurance sector is a significant part of the financial sector. And with liabilities comprising one third of European households' wealth, consumers depend on aspects of the insurance sector for their future income. Equally, occupational pensions are crucial to ensure that older people are protected from the risk of poverty in retirement. With assets worth around 24 % of EU GDP <sup>(2)</sup>, and much more in some countries, pension fund assets are growing rapidly and are increasingly providing a source of investment to financial markets.

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

EIOPA's mission is to protect the public interest by contributing to the short-, medium- and long-term stability and effectiveness of the financial system, for the EU economy, its citizens and businesses. This mission is pursued by promoting a sound regulatory framework and consistent supervisory practices in order to protect the rights of policyholders, pension scheme members and beneficiaries and contribute to public confidence in the European Union's insurance and occupational pensions sectors.

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

This annual report details the Authority's primary achievements in 2017 across its main activities.

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<sup>(1)</sup> Source: <https://eiopa.europa.eu/financial-stability-crisis-prevention/financial-stability/statistics>

<sup>(2)</sup> Source: <https://eiopa.europa.eu/financial-stability-crisis-prevention/financial-stability/statistics>

## INFORMATION BOX



## DIALOGUE WITH THE EUROPEAN PARLIAMENT

EIOPA welcomes cooperation with all European institutions and regularly engages with stakeholders from the institutions. On an annual basis, together with the chairpersons of the European Banking Authority and the European Securities and Markets Authority, EIOPA Chair Gabriel Bernardino appears before the European Parliament's Economic and Monetary

Affairs Committee to present EIOPA's achievements and priorities.

EIOPA regularly participates in scrutiny meetings at the European Parliament, which provide the basis for regular information exchanges and the opportunity for EIOPA to inform on technical work in specific areas.



◀ Gabriel Bernardino at the European Parliament

## MAIN ACHIEVEMENTS

EIOPA's activities in 2017 centre on the following four strategic objectives agreed by the MB and BoS:

- › strengthen the protection of consumers,
- › improve the functioning of the EU internal market in the field of insurance and occupational pensions,
- › strengthen the financial stability of the insurance and occupational pensions sectors, and
- › operate as a responsible, professional and competent organisation.

### TO STRENGTHEN THE PROTECTION OF CONSUMERS

#### TO DEVELOP AND STRENGTHEN THE REGULATORY FRAMEWORK FOR THE BENEFIT OF PROTECTION OF CONSUMERS

In 2017, EIOPA contributed to the development of a smart regulatory framework that ensures the interests of consumers are always put first, through the provision of technical advice, technical standards and guidelines, with a view to promoting transparency, simplicity and fairness across the internal market.

#### Technical advice on possible delegated acts concerning the Insurance Distribution Directive

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At the request of the European Commission, EIOPA provided technical advice for delegated legislation under the Insurance Distribution Directive. The advice aimed to reinforce selling practices for direct sellers and intermediaries and to ensure that advice to consumers best suits their needs.

In particular, the advice underlined the importance of making sure that the interests of consumers are taken into account throughout the product life cycle and that that third-party payments, such as commissions, do not have a detrimental impact on the quality of services provided to customers and that products sold are suitable and appropriate for the individual customer.

The advice also recommended concrete policy proposals with regard to product oversight and governance (POG), conflicts of interest, inducements, and suitability or appropriateness of IBIPs.

To ensure that the advice was sound, fit for purpose and proportionate, EIOPA sought and received valuable feedback from different stakeholders during a public consultation to inform the development of the advice.



**Draft implementing technical standards on the insurance product information document**

Standardising the format of information provided to customers helps inform decision-making and promotes transparency.

In 2017, EIOPA completed draft implementing technical standards on the insurance product information document (IPID) which provides consumers with essential information about an insurance product in a clear, concise and accessible manner. The technical standards were incorporated into the Commission Implementing Regulation (EU) 2017/1469 in August 2017.

The introduction of the IPID marks the first time that consumers across the European Union can benefit from a standardised presentation format, comprising concise, simple, and comparable information about non-life insurance products, enabling more-informed decision-making. The design of the IPID was developed taking into consideration input from different stakeholders obtained through a public consultation and extensive consumer testing.



Example insurance product information document

INFORMATION BOX



**EIOPA GUIDELINES: COMPLY OR EXPLAIN**

Competent authorities (and financial institutions) are required to make every effort to comply with EIOPA's guidelines and recommendations. The 'comply or explain' mechanism comprise their confirmation whether they comply, intend to comply, or not, and in this last case, state their reasons. EIOPA publishes this information and monitors further implementation.

On 11 October 2017, EIOPA issued Guidelines under the Insurance Distribution Directive on insurance-based investment products that incorporate a structure which makes it difficult for the customer to understand the risks involved. After the publication of the translated versions, the 'comply or explain' process started, with a deadline for national competent authorities (NCAs) to reply by 19 March 2018.

**Guidelines on insurance based investment products (IBIP)**

To minimise risks to consumers that could arise from mis-selling, EIOPA provided Guidelines on 'execution-only' sales of IBIPs, such as telephone and online sales. In such cases, insurance distributors do not provide advice or necessarily check a customer's knowledge of the product or understanding of the risks involved.

The guidelines were developed in line with Articles 30(7) and (8) of the Insurance Distribution Directive (IDD). They set up a suitable framework to allow for 'execution-only' sales of products, including criteria to identify product features difficult for the customer to understand, such as the nature of the charges paid by the customer and the ability for the customer to surrender the product before maturity. National competent authorities (NCAs) and insurance distributors are able to use this framework to assess the complexity of products and take the necessary steps to ensure an appropriate sales process.

## TO DEVELOP AND STRENGTHEN A COMPREHENSIVE RISK-BASED AND PREVENTIVE FRAMEWORK

In the context of its strategic approach to develop a comprehensive risk-based and preventive framework for conduct of business supervision on a European level, EIOPA aims to take a proactive role in identifying and subsequently tackling risk of consumer detriment. This is done primarily through regularly monitoring trends affecting consumers and deeper targeting of specific issues through thematic reviews.

### Thematic review on monetary incentives and remuneration

In monitoring trends affecting consumers, EIOPA identified potential conflicts of interest arising in unit-linked life insurance products sold on the basis of monetary incentives and remuneration paid to the insurance undertakings by asset managers.

To better understand the situation with a view to assessing possible sources of potential consumer detriment and identifying mitigating actions, EIOPA undertook a thematic review, in close cooperation with the NCAs, with the objective of assessing the possible sources of potential consumer detriment in more detail.

The review is the first EU-wide in-depth analysis of consumer protection issues in the unit-linked market and saw the participation of 70 % of the unit-linked market (measured by assets under management). The review identified widespread and significant payments from asset managers to insurance undertakings with poor or inconsistent mitigation of any conflicts of interest.

As follow-up to the review, which brought to light the possibility of material consumer detriment, EIOPA undertook a further assessment (including the involvement of stakeholders) on the regulatory or supervisory actions needed to avoid or mitigate conflicts of interest.

In December 2017 EIOPA published recommendations in the form of an opinion, to promote consistent supervisory practices and support insurance undertakings in addressing conflicts of interest connected to monetary incentives

and to ensure that sound principles are used in managing unit-linked products. In this respect, NCAs were requested to take the necessary and proportionate supervisory actions and report back to EIOPA in due course.

### Consumer Trends Report

EIOPA published its sixth Consumer Trends Report in December 2017.

The major trend continues to be digitalisation which creates opportunities to improve customer experience and to reduce operational costs of insurance undertakings. At the same time, however, digitalisation presents a number of challenges, such as financial inclusion and the fair treatment of consumers from an ethical standpoint.

The report also identified a new trend related to new types of insurance products. With these products, different kinds and levels of guaranteed returns have emerged, where the economic value of these embedded guarantees can be significantly lower compared to traditional with-profit products.

Developments in the European pensions sector indicate an increase in the number of active members both in personal and occupational pensions sectors and the emergence of life-cycle funds as relatively novel offerings in some national pension markets.

The report also points to a significant increase in the reported level of consumer complaints in the insurance sector, particularly in non life insurance and mainly related to claims handling. A slight increase in the number of complaints in the pensions sector has also been identified. This rise in reported complaints will be carefully monitored.



◀ Read the Consumer Trends Report in full here: <https://bit.ly/2LLqW3w>

## InsurTech

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InsurTech, or digitalisation, covers the role of technology in driving innovation in the insurance and pensions sector. It is a topic of strategic importance for the insurance sector and a growing trend that EIOPA continues to follow closely.

While there are a number of opportunities arising from InsurTech for both the industry and for consumers, it is also clear that this growing use of digital technology raises a wide range of issues that deserve attention from the supervisory community in close cooperation with stakeholders. EIOPA has therefore initiated a number of activities to make sure that the supervisory aspects of InsurTech can be fully considered.

In 2017 EIOPA organised two roundtables bringing together representatives from supervisory authorities, consumers, start-ups, consultancy firms and information technology (IT) experts to exchange views on the benefits and risks of digitalisation. Some of the issues that emerged relate to the ethical use of available information and the potential for consumer detriment. EIOPA has also established a task force on InsurTech, the priorities of which will firstly be to address (i) any ethical aspects of the use of big data for pricing in particular, (ii) cyber risks and (iii) setting best practices for supervisory approaches to InsurTech including sandboxes. Given the growing importance of this topic, digitalisation has been identified as a cross-cutting theme for EIOPA in its work programme in 2018.



## IMPROVING THE FUNCTIONING OF THE EU INTERNAL MARKET IN THE FIELD OF PENSIONS AND INSURANCE

Smooth functioning of the internal market in the field of pensions and insurance benefits the European economy, businesses and policyholders and beneficiaries. Achieving this requires not only high-quality supervision at national level, but both a common approach to supervision and a common application of regulation. EIOPA works with NSAs to build a common supervisory culture monitoring how regulation works and ensuring its sound and risk-based application.

## LEADING THE DEVELOPMENT OF A SOUND AND PRUDENT REGULATORY FRAMEWORK

Following the implementation of Solvency II, EIOPA's tasks continue to evolve from regulation to supervision. In this context, the Authority is implementing a framework to monitor how implementing measures work in practice and whether rules deliver on underlying principles.

### Review of the Solvency II Delegated Regulation

In the context of EIOPA's mandate to contribute to the consistent application of regulation, a priority for 2017 was the evaluation and review of the Solvency II regulation, based on 1 year of implementation. In this regard, EIOPA delivered its first set of advice to the European Commission in October 2017.

This first set of advice covers key aspects of the standard formula in order to reduce its complexity while at the same time retaining a proportionate, technically robust, risk-sensitive and consistent supervisory regime for the insurance sector. This evidence-based advice is an important first step in the review of the Solvency II framework.

The advice proposes simplified calculations of the capital requirements in the SCR standard formula and reduces the over-reliance of insurance undertakings on external credit ratings in the calculation of the SCR.

In its advice, EIOPA proposes the creation of a new asset class for non-listed guarantees issued by regional governments and local authorities to align insurance with the banking framework and therefore to ensure improved risk sensitivity of the calculations. The need is identified for the extension of the application of the look-through approach to related undertakings that invest on behalf of the insurer. A proposal is also made for the use of undertaking specific parameters for reinsurance stop-loss treaties to allow for better reflection of the risk profile. With respect to risk-mitigation techniques, EIOPA recommends to better recognise strategies to hedge financial risks where the exposure is changing frequently.

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### A COMMON SUPERVISORY CULTURE

Building a common supervisory culture is one of EIOPA's strategic goals and a fundamental step to ensure the development of high-quality, effective and consistent supervision across the European Union. EIOPA has worked closely with national competent authorities to enhance supervisory capacity at national level and to promote supervisory convergence at European level.



More information is available here: <https://bit.ly/2AzK-Gdt>



## Strengthening convergence of international supervisory standards

To increase global convergence and consistent supervisory practices worldwide, EIOPA takes a proactive approach to international cooperation. In this context, the Authority continued cooperation and implemented a number of new agreements, such as MoU, with third countries and international organisations, as listed below.

### › **Unified path to convergence on international capital standard version 2.0**

EIOPA has actively contributed to the agreement amongst the members of the International Association of Insurance Supervisors (IAIS) for a unified path to convergence of group capital standards to further its ultimate goal of a single international capital standard that achieves comparable outcomes across jurisdictions. The implementation of international capital standard version 2.0 will be conducted in two phases — a 5-year monitoring phase followed by an implementation phase. Implementation of international capital standard version 2.0 will also have two equally important components: The first is mandatory confidential reporting by all internationally active insurance groups (IAGs) of a reference international capital standard. The second is additional reporting, at the option of the group-wide supervisor. Following the announcement by members from the United States (US) of the development of an aggregation-based group-capital calculation, the IAIS has further agreed to collect data to allow it to assess by the end of the monitoring period whether or not the aggregation method provides comparable outcomes to the international capital standard.

### › **EU-US Covered Agreement on insurance and reinsurance measures**

The EU-US Covered Agreement on insurance and reinsurance measures covers three areas of prudential insurance oversight: reinsurance, group supervision and exchange of information between supervisors. It represents a further step in the successful cooperation between EU and US insurance supervisors strengthening supervisory cooperation and enhancing regulatory certainty and opportunities for (re)insurers operating on both sides of the Atlantic for the benefit of consumers. On 22 September 2017 the EU-US Covered Agreement was formally signed. EIOPA will continue its intense cooperation with the United

States authorities through the work of the EU-US Insurance Project.

### › **EU-US Insurance Project addresses cyber risk**

The EU-US Insurance Project convened experts from the EU and the US Department of the Treasury to discuss cybersecurity efforts in financial services, and to enhance transatlantic coordination on these and related issues. Cybersecurity is one of the key initiatives for the project to continue and expand upon the EU-US bilateral exchange of information and knowledge that has been underway since early 2012. It is crucial that the EU-US Insurance Project addresses risks emerging in the world's two largest insurance markets. Cyber risk presents a significant challenge but also provides opportunities for the insurance industry. Supervisors need to be particularly attentive about silent and accumulated exposure in the (re)insurers' portfolio in view of potential threats to financial stability in addition to breaches to security due to, for example, cyberattacks.

### › **MoU with the Bermuda Monetary Authority (BMA)**

The MoU, signed in January 2017, provides the framework for regular exchanges of information, and sets forth the basis for further cooperation and increased mutual understanding in view of ensuring optimal supervision for insurance and reinsurance groups with international activities in the European Union and Bermuda. The MoU not only formalises and strengthens the ongoing cooperation between the two supervisory authorities; it is also an important step in increasing the effectiveness of insurance supervision globally.

### › **MoU with the Organisation for Economic Co-operation and Development (OECD)**

This MoU, signed in May 2017, aims to enable efficient collaboration in the area of private pensions, taking in to consideration increasing demographic changes, shifting career and work patterns, challenging economic environments and the need to save more for future retirement income. Currently the key area of cooperation is the further development of pensions statistics and reaching an appropriate level of transparency on the private pensions sector.

Through agreements and collaboration such as that with the OECD, EIOPA is able to better deliver its mandate in the international context.

› **MoU with the World Bank (renewal)**

EIOPA renewed its MoU with the World Bank in June 2017. The objectives are to contribute to the process of promoting a more risk-based regulatory and supervisory framework, and in this respect to the dissemination of knowledge and policy experiences, to foster efficient and effective supervision, to promote consumer protection, financial literacy and education initiatives by competent authorities and to contribute to financial stability and identification of systemic risk. In their collaboration, EIOPA and the World Bank have committed to pursue joint actions such as sharing knowledge, ideas, best practice and lessons learned on common matters, sharing material, information data and analytical tools, providing support to relevant stakeholders and facilitating the organisation of seminars, workshops and conferences.

› **Input to the Financial Stability Board (FSB) thematic peer review on corporate governance**

EIOPA provided valuable input to the FSB stock-take of how member jurisdictions have implemented the G20/OECD principles of corporate governance for publicly listed, regulated financial institutions. Effective corporate governance is critical to the proper functioning of the financial system and financial stability more generally. In particular, it plays a key role in the resilience of financial institutions and helps to mitigate systemic risks. Recent experience has provided ample evidence of the impact that corporate governance failures can have on financial institutions and markets. The aim of the peer review was to identify effective practices and areas where good progress has been made while noting gaps and areas of possible weakness.

## MAINTAINING AND DEVELOPING A COMMON SUPERVISORY REPORTING AND DATA FRAMEWORK

Accurate and effective reporting on insurance and pensions sectors within the EU relies on common reporting frameworks, as well as the organisational capacity to both collect and analyse data. With these elements in place, EIOPA is able to publish key information, as well as deliver other mandated tasks such as calculate essential rate information that is fundamental to the effective application of Solvency II.

### Monthly production of risk free rates and symmetric adjustment of the equity capital risk

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With the monthly production of the risk-free interest rates (RFR) and the symmetric adjustment of the equity capital risk (also known as the equity dampener), key components of the Solvency II framework are calculated consistently across the EU and are replicable for (re)insurance companies. Full production of technical information on the RFR for valuing insurance liabilities, including the associated components such as the volatility adjustment, and the full production of the symmetric adjustment of the equity capital charge have been ongoing since January 2016 (following a preparatory phase launched in 2015). An external audit carried out during 2017 issued favourable opinions on the level of compliance of the RFR source code implementing the RFR methodology and the level of automation of the RFR production process. Some of the recommendations to improve and automate elements of the RFR production process were already implemented during 2017.

### The methodology to derive the UFR and its implementation process

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The methodology follows the principles laid down in the Solvency II legislative framework to be stable over time and be only adapted as a result of changes in long-term expectations. EIOPA's methodology derives the UFR in a transparent, prudent, reliable and objective manner that is consistent over time. Furthermore, the UFR takes into account expectations of the long-term real interest rate and of expected inflation. The methodology ensures that the UFR moves gradually and in a predictable manner, allowing insurers to adjust to changes in the interest-rate environment and ensuring policyholder protection. The methodology is a result of extensive work including a workshop with stakeholders, a public consultation and

a detailed impact analysis. The UFR methodology will be applied for the first time in the calculation of the RFR of January 2018 to be published in February 2018.

### **Secure data collection, management, analysis and dissemination for supervisory reporting and data framework**

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#### › **Insurance taxonomy release 2.2.o**

EIOPA submitted draft corrections and amendments to the ITS on reporting and disclosure to the European Commission and performed similar corrections and amendments to the Guidelines on reporting for financial stability and the Guidelines on the supervision of branches of third-country insurance undertakings. This was done in full alignment with the release of the insurance taxonomy version 2.2.o in accordance with the plan approved in the taxonomy-governance documentation. The new taxonomy will be applicable to the submissions related to the end of 2017.

#### › **Data management, analysis and dissemination**

Regular maintenance activities and data collection continued in 2017. The completeness of Solvency II prudential reporting to EIOPA was well above the KPI of 95 % for most reporting obligations except for quarterly reporting for individual undertakings. A project for upgrading the central repository to the last 2.2.o taxonomy release was also implemented in 2017 and is progressing according to plan. These activities will keep the central repository and registers in line with the taxonomy.

EIOPA's data analysis capabilities have progressed substantially. The business intelligence project addressed requirements as planned. The project provided input for various reports and implemented an initial set of data quality reports. Work has continued in areas such as security, automation and streamlining of data dissemination processes.

In the field of data sharing, the first data quality reports were sent to NCAs in February, reports on colleges end of September, information exchange between home and host NCA end of October and peer groups and aggregates reports in December. The first dissemination of the centralised securities database (CSDB) data to NCAs was processed in September.

#### › **Strengthened security: virtual desktop environment**

In 2017, EIOPA implemented a virtual desktop environment project to deliver a secure environment and infrastructure for use with Solvency II sensitive data that is collected and analysed by the Authority. It offers improved protection against various threats, especially cyberattacks. During the first months of 2017, the hardware and software components of the virtual desktop environment were delivered and configured. The test phase started in June with pilot users having access to the system and their feedback and improvement suggestions were collected. The system was rolled out in October to the users of the business areas, and it has become one of the mission-critical IT systems for handling and processing sensitive data.

### **Consultation on EIOPA's regular information requests towards NCAs regarding provision of occupational pensions information**

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The aim of this initiative is to increase efficiency and to further strengthen the monitoring and analysis of the European occupational pensions sector through a single framework for EIOPA's regular information requests for the provision of occupational pensions information. There is a need for better, comparable and relevant information regarding occupational pensions in Europe which is decisive to take informed policy decisions. EIOPA's proposal will further strengthen its monitoring and analysis of the European occupational pensions market by ensuring the collection of only the most relevant information. In addition to this, by establishing a single data flow based on shared reporting templates with the European Central Bank (ECB), the reporting burden for pension funds will be minimised.

## LEADING IN CONVERGENCE TO CONSISTENT AND HIGH-QUALITY SUPERVISION

Day-to-day supervision lies with the NCAs and EIOPA leads supervisory convergence by supporting NCAs in their consistent and convergent application of European Union law.

### Tailored support and feedback to ensure consistent application of Solvency II

EIOPA works with NCAs to promote a consistent approach in the application of Solvency II based on good practice and a solid understanding of existing challenges and inconsistencies. During 2017, EIOPA carried out 12 bi-

lateral reviews at NCAs, giving EIOPA a comprehensive picture of Solvency II implementation across the Member States. The feedback EIOPA provides is based on real observation and comparisons between NCAs and directly supports implementation of regulation and improving the quality of supervision where it is needed.

### Insurance balance sheet review and pension funds asset review of the Bulgarian insurance and pensions sector

In 2017, EIOPA published the final reports of a balance sheet review of the Bulgarian insurance sector and a pension funds asset review. The exercise was overseen by a steering committee composed of representatives of the Bulgarian Financial Supervision Commission, EIOPA, the European Commission, the Ministry of Finance of the Republic of Bulgaria, the Bulgarian National Bank and the European Securities and Markets Authority (ESMA) with the support of a project manager and eight independent external reviewers. The independent assessment covered the entire Bulgarian insurance market (individual and group level) and all universal, professional and voluntary pension funds in Bulgaria. The insurance balance sheet review revealed that 13 undertakings did not meet either an SCR and/or minimum capital requirement ratio of 100 %. Seven undertakings undertook subsequent measures to cover the capital deficit. In line with the agreed follow-up actions, the undertakings with capital shortfalls will have to submit action plans to the Bulgarian Financial Supervision Commission for the implementation of remedial actions.

The pension funds asset review identified an aggregated adjustment before consistency assessment of around 0.3 % of the total assets of the pension insurance companies. These adjustments result from the revaluation of financial instruments and investment properties according to the national legal framework. The review also included an assessment of risks not fully captured by the legal framework, which are the basis for the recommendation of expanding the related parties' definitions in the current law.

EIOPA welcomed the good cooperation with the Bulgarian authorities and will continue working with the FSC in order to support the implementation of the follow-up actions and to address areas of inconsistencies identified in the review.

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### OVERSIGHT AT EIOPA

Through its oversight function, underpinned by the Authority's founding Regulation and Supervisory Review Process Handbook, EIOPA supports national supervisory authorities in their tasks to deliver high-quality effective supervision, as well as overseeing the level playing field and appropriate application of supervisory measures within the European Union.



◀ A more detailed report on EIOPA's oversight activities in 2017 is available here: <https://bit.ly/2JWGQao>

### Strengthening supervision of cross-border groups through enhanced collaboration of supervisory authorities

Increased cross-border activities in the internal market and the growing internationalisation of business activities show that strong, close and timely collaboration between insurance supervisory authorities is needed. The decision on the collaboration of the insurance supervisory authorities, which was adopted in February 2017, further strengthens and enhances the cooperation between NCAs, especially in relation to cross-border activities in form of the establishment of a branch or the freedom to provide services (FoS) through information and data exchange in areas such as authorisations, recovery plans and complaints-handling systems making efficient use of the centralised database managed by EIOPA.

This decision is fundamental in increasing collaboration and in building together a common European supervisory culture. On the basis of this decision, a number of supervisory cross-border platforms on cooperation have been established to enhance sharing of information and increased transparency on specific cross-border issues, facilitating more timely supervisory interventions.

EIOPA intends to start a peer review on the implementation of the decision in daily supervisory practices in 2018.

### Participation in colleges of supervisors to improve supervision of cross-border groups

EIOPA staff participates in colleges of supervisors, which oversee international insurance groups. In 2017, EIOPA participated in 49 EU college meetings, representing an active engagement with 60 % of all cross-border European Economic Area (EEA) colleges. Providing a clear basis for practical and operational cooperation within colleges of supervisors, EIOPA also facilitated the signing of 95 coordination arrangements for colleges. The agreements are essential for college functioning, setting out the information on subsidiaries to be exchanged amongst college members and roles and responsibilities, including in emergency situations.

As a response to the new challenges resulting from the introduction of the new risk-based Solvency II framework, the strategy for colleges was reviewed and revised. The colleges strategy 2016-2019 reflects the joint collective effort of NCAs and EIOPA to focus on the content of group supervision. Given the available resources, risk-based choices are made about EIOPA's engagement in colleges either on an ongoing basis, or in certain time intervals, or where EIOPA in principle will not engage. A number of criteria have been defined to determine EIOPA's focus, depending on the impact of a group's failure from a European-perspective taking into account scale, market

#### INFORMATION BOX



#### EIOPA'S CROSS-BORDER COLLABORATION PLATFORMS

In 2017, EIOPA rolled out a new and important tool to tackle issues relating to cross-border business activities provided by groups and solo undertakings through the establishment of a branch or the freedom to provide service (FoS) regime. EIOPA has detected a growing number of issues related to this model of cross-border business, with some leading to business failure. As a result, in the face of increased cross-border activities and the growing internationalisation of business, EIOPA took steps to facilitate stronger and timely collaboration between insurance supervisory

authorities, enabling quicker identification and assessment of risks in the market.

The use of collaboration platforms were mandated in the decision on the collaboration of the insurance supervisory authorities.

The first pilot platform with one national supervisory authority was established early in 2017 to enhance cooperation and communication between home and host supervisors. EIOPA facilitated an initial meet-

ing between the home supervisor and insurance undertaking, followed by a first cooperation platform meeting between the home supervisor and all involved host supervisors to discuss risks and to agree on timely supervisory actions and interventions. In addition to facilitating cooperation between supervisors, EIOPA also provided concrete supervisory recommendations to the home supervisor based upon risks identified and supervisory measures proposed so far by the home supervisor.

Benefits of cooperation platforms have been identified for both home and host supervisors in sharing of information and acting on commonly agreed measures when appropriate.

Better awareness of risks originating from undertakings at European level and their potential consequenc-

es for the home authority, results in more intensive supervision in the home country and a better identification of the risks coming from the host markets in which the undertaking operates.

Further, for host authorities, cooperation platforms provide the opportunity to raise concerns on the protection of the policyholders in their jurisdictions. Instead of being informed only when a licence is withdrawn or a company is put into liquidation, cooperation platforms enable host authorities to be better informed at an earlier stage.

By the close of 2017, nine cooperation platforms were operational with the involvement of national supervisory authorities from Denmark, France, Greece, Ireland, Italy, Luxembourg, Norway, Spain and the United Kingdom (including Gibraltar).

position, dimension of risk exposure, complexity of organisation and operations and quality of supervision.

### **Driving the quality, consistency and convergence of supervision of internal models**

EIOPA provides specific support in the highly technical area of internal models. While Day 1 internal model approvals were a major milestone in the enhanced cooperation of NCAs, and the culmination of several years of development in internal model processes by NCAs and EIOPA, in 2017, the focus shifted more to ongoing supervision of approved models, including model changes. As after approval, the ongoing appropriateness of internal models has to be reviewed at regular intervals.

EIOPA also directly supports NCAs in dealing with the application and supervisory review of internal models. In 2017, EIOPA carried out four visits to NCAs with a focus on supervisory review process of internal models. EIOPA also participated in four internal model reviews. EIOPA also stood ready to support the approval or model change process for cross-border group internal models, where currently 11 NCAs act as a group supervisor, including preparing for being called upon to fulfil its mediation role.

To address areas of potential inconsistency and create a level playing field for internal models, EIOPA and NCAs jointly also ran three internal model consistency projects to assess consistency in the following key areas: modelling of sovereign risk, DVA and benchmarking of market- and credit risk model calibrations. The project reports were finalised during the year and follow-up work included the preparation and publication of an opinion on the supervisory assessment of internal models including a DVA. In addition, EIOPA and NCAs carried out supervisory analysis and follow-up of the results of a market and credit risk benchmarking study. This was done together with the NCAs concerned. Moreover, a non-life-underwriting risk comparative study project was initiated in 2017 and is ongoing.

### **Supervisory opinions**

Where EIOPA has identified significant inconsistencies in approaches to supervision it may issue a supervisory opinion to highlight areas that require attention. Opinions may also include proposals for remedial actions to be taken by NSAs. In 2017, EIOPA published three supervisory opinions.

› **Opinion on the supervisory assessment of internal models including a dynamic volatility adjustment (DVA)**

This opinion addresses the key principles for modelling, risk assessment and disclosure to improve the prudency and consistency in the modelling of the DVA. The volatility adjustment (VA) is one of the measures of the 'long-term guarantee package' linked with the Solvency II valuation of insurance contracts with long-term guarantees. It aims at stabilising the Solvency II balance sheet during short periods of high market volatility by adding an extra spread component to the discount rate used for the calculation of technical provisions.

This opinion considers internal models making use of a DVA by allowing the VA to move in line with the modelled credit spreads during the 1-year forecast of basic own funds. According to EIOPA's assessment, DVA modelling is an area where supervisory convergence needs to be reinforced. When using the DVA, undertakings should ensure a prudency principle, meaning that the internal model should produce an SCR guaranteeing a level of policyholder protection that is at least as high as if replicating the 'EIOPA VA methodology'. A holistic view should be taken in the supervisory assessment of modelling and risk-management aspects. This means on the one hand that all tests and standards on internal models apply and on the other hand that no undesirable risk-management incentives should be allowed.

› **Opinion on supervisory convergence in light of the United Kingdom withdrawing from the European Union**

The opinion addressed and provided guidance to the NSAs, in particular to those of the 27 Member States remaining in the European Union post United Kingdom withdrawal, linked with the authorisation process and ongoing supervision of undertakings regulated under Solvency II. It set out principles in the areas of authorisation and approvals, governance and risk management, outsourcing of critical and important activities as well as ongoing supervision including monitoring. The principles set out in the opinion support the NSAs to secure sound and convergent practices linked with the authorisation and supervision of activities of insurers based in the United Kingdom and seeking relocation of activities to the remaining 27 EU Member States. Notably, the

opinion stipulated that sound supervision demands appropriate location of management and key functions. Empty shells or letter boxes are not acceptable.

EIOPA will continue to closely monitor the developments and any possible effects on financial stability and consumer protection applying a risk-based approach and using information collected from the NSAs. EIOPA will conduct an analysis and make use of its powers and oversight tools to support supervisory convergence through bilateral engagements with the supervisory authorities, providing opinions and initiating investigations as the need arises.

› **Opinion on service continuity in light of the withdrawal of the United Kingdom from the European Union**

The opinion underlines the importance of sufficient preparation so that undertakings can continue to service contracts following the United Kingdom's withdrawal from the European Union and prevent insurance activities without authorisation. The opinion urges insurance undertakings to take the necessary steps in good time to ensure service continuity, including, for example, the transfer of contracts of United Kingdom undertakings with policyholders in the remaining 27 EU Member States to an insurance subsidiary established in a remaining Member State; the transfer of insurance contracts of the remaining 27 EU Member State undertakings with United Kingdom policyholders to an insurance subsidiary established in the United Kingdom; the establishment of a third-country branch in the United Kingdom or in the remaining Member State of the policyholder; and, for United Kingdom undertakings in the legal form of a European company, the change of domicile of the company to a remaining Member State. In particular, the opinion advises insurance undertakings to conduct realistic impact assessments and have contingency plans for the eventuality that there is no political agreement between the EU and the United Kingdom at the date of withdrawal.

### Supervisory statement on Solvency II: solvency and financial condition report

In December 2017, EIOPA published a supervisory statement based on an analysis of solvency and financial condition reports (SFCRs) of (re)insurance undertakings and insurance groups. The statement aims to improve future disclosure of these reports. The analysis was based on a sample of publicly disclosed 2016 SFCRs published by (re) insurance undertakings and insurance groups in the EEA.

EIOPA's analysis showed that the majority of reports were published on time and in general complied with the Solvency II requirements. Most of the reports were easily accessible on undertakings' websites. However, EIOPA identified areas where further improvement is needed, regarding the quality of the content of future reports. This includes the following.

- A more fit-for-purpose summary.
- Undertaking/group specific information about the own-risk and solvency assessment.
- Better-structured and more-comprehensive information on risk sensitivity to different scenarios or stresses.
- More-relevant information on bases, methods and main assumptions used for the valuation of assets, liabilities and technical provisions and addressing the uncertainties around valuation.
- More-comprehensive information of eligible own funds.



### Breaches of EU law

EIOPA has the power to investigate alleged breaches or non-application of European Union law by NCAs, and make recommendations setting out the necessary actions to comply should any breach or non-application be found, thereby helping to achieve greater supervisory convergence. EIOPA may start an investigation upon its own initiative or following a request from a national competent authority (NCA), the European Parliament, the European Council, the European Commission, or the stakeholder groups. In 2017, EIOPA registered six inquiries requesting consideration of a breach of European Union law investigation. In each case EIOPA carried out a careful assessment based on the information received from the complainant and also taking into consideration the view of the NCA concerned. By the end of the year, five of the six requests were closed on the grounds of non-admissibility because the grievance was outside EIOPA's scope of action or because the grievance was unfounded.

EIOPA is committed to consider and, if required, actively use the breach of European Union law procedure to strengthen compliance with European Union laws within the supervisory community.

### Training and events enhancing supervisory skills

In 2017 EIOPA delivered 12 sectoral training courses addressing skills and knowledge needs identified through engagement with NCAs.

The highest level of interest was in topics such as the supervisory review process (SRP) handbook components, workshops on InsurTech and implementation challenges for the key information document (KID) for packaged retail and insurance-based investment products (PRIIPs).

EIOPA also delivered four sectoral public events providing an excellent opportunity for industry and supervisors to exchange ideas. Furthermore, they allowed EIOPA to communicate its work and achievements and to trigger debates on current and forthcoming topics. Reflecting interest in participating in such discussions, EIOPA attracted a high number of stakeholders to its public events in 2017.

In 2017, with the objective of further developing a common supervisory culture, the ESAs offered two cross-sectoral training and events.



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## SECTORAL TRAINING AND EVENTS PROGRAMME IN 2017

<b>Sectoral seminars and workshops</b>	<b>Location</b>	<b>Dates</b>	<b>Participant number</b>
Supervisory Skills Training	Frankfurt	22-23 February	22
InsurTech Roundtable	Frankfurt	28 April	65
Workshop on the treatment of unrated debt and unlisted equities in the standard formula	Frankfurt	8 June	36
SRP Handbook - Seminar 1: Supervision of Technical provisions Life and Non-Life, Prudent person principle, Exchange of views on supervision of SCR and OF and link to supervision of ORSA	Frankfurt	13-14 June	73
SRP Handbook - Seminar 2: Supervision of AMSB, Key functions, ORSA, Prudent person principle	Frankfurt	21-22 June	79
Webinar on data submission and validation for the 2017 IORPs Stress test	Online	28 June	19
Seminar on the notification procedures for cross-border activities and transfers under the IORP II Directive	Frankfurt	6 October	28
Thematic Reviews Workshop	Frankfurt	7 November	20
2nd InsurTech Roundtable	Frankfurt	9 November	29
2nd Supervisory Skills training (Training in Communication and Impact for On-site Supervision)	Frankfurt	13-14 November	15
Group Solvency Calculation and Other Group Issues – An exchange of supervisory experiences based on the on-going work of the SRP Handbook (SRP Handbook - Seminar 3)	Frankfurt	15-16 November	49
NCA workshop on implementation challenges for the Key information document for Packaged Retail and Insurance-based Investment Products (PRIIPs)	Frankfurt	27 November	68
SRP Handbook - Seminar 4: Internal Models	Frankfurt	12 December	27
IDD Workshop	Frankfurt	14 December	34
<b>Sectoral public events</b>	<b>Location</b>	<b>Dates</b>	<b>Participant number</b>
Public Event on Reporting and Disclosure	Frankfurt	19 April	17
IORP Stress Test - Launch event	Frankfurt	18 May	49
GIS Conference	Frankfurt	6-7 September	160
7th Annual EIOPA Conference	Frankfurt	22 November	362

CROSS-SECTORAL TRAINING AND EVENTS PROGRAMME IN 2017

Cross-sectoral seminars and workshops	Location	Dates	Leading ESA	Participant number
Joint ESA Seminar on Working with the ESAs	Paris	19 June	ESMA	34

Cross-sectoral public events	Location	Dates	Leading ESA	Participant number
Joints ESAs Consumer Protection Day 2017	Prague	23 June	EBA	239



^ EIOPA is a co-organiser of the Global Insurance Supervision conference, a biennial event that takes place in Frankfurt am Main.

## INFORMATION BOX




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**ANNUAL CONFERENCE 2017 – INSURANCE AND PENSIONS RELOADED**

Europe's insurance and pensions sector needs to move towards a common supervisory culture that acknowledges specific national characteristics. More awareness of the opportunities and challenges being brought about by the digital revolution is needed, while a market for Pan-European Pension Products (PEPP) merits serious consideration.

These were some of the key messages to come out of the European Insurance and Occupational Pensions Authority (EIOPA)'s seventh annual conference, held on 22 November in Frankfurt, Germany. Over 350 participants from the financial services industry, government institutions and supervisory authorities attended the day-long event, which included contributions from European Commission Vice President Valdis Dombrovskis, Banque de France Governor François Villeroy de Galhau and Sophie in 't Veld MEP.



◀ Highlights from the conference are available here: <https://bit.ly/2lKE2MR>

## STRENGTHENING THE FINANCIAL STABILITY OF THE INSURANCE AND OCCUPATIONAL PENSIONS SECTORS

Preserving financial stability is one of EIOPA's strategic objectives. In assessing and monitoring the financial system, it is able to identify threats to the financial stability of the European insurance and pensions sectors and mitigate risks accordingly. In 2017 EIOPA used a robust risk assessment framework to ensure the provision of timely and accurate financial stability analyses.

### Occupational pensions stress test

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The 2017 exercise assessed the resilience of IORPs to a 'double-hit' scenario, combining a drop in risk-free interest rates with a fall in the price of assets held by IORPs. The exercise also assessed the potential transfer of shocks from IORPs to the real economy and financial stability through sponsor support and benefit reductions. The stress test is not a pass-or-fail exercise for the participating IORPs. The exercise covered defined benefit (DB) and hybrid as well as defined contribution (DC) schemes. Overall, 195 IORPs from 20 EEA countries participated in the exercise, representing a coverage rate of 39 % of total assets. EIOPA's target coverage rate of 50 % was not reached in some states due to the lack of power of the respective NCA to require participation in the exercise.

The European DB and hybrid occupational pension sector has, on average, insufficient assets to meet pension liabilities on the national balance sheet, both in the baseline and adverse market scenario. These vulnerabilities are even more pronounced on the common, market-consistent balance sheet, providing a more comparable and realistic view of the financial position of the IORPs. It needs to be acknowledged that IORPs in financial difficulties are usually subject to recovery plans, in accordance to their long-term obligations and payment horizons, often relying on uncertain future asset performance. Such prudential tools consequently smoothen the effects on the IORP itself, the sponsoring entities, members and beneficiaries and, hence the real economy. The downside is that the necessary adjustments to resolve shortfalls may fall disproportionately on future younger generations, especially if investment returns fall short of expectation.

The DC IORPs sample shows a high exposure towards fixed income assets, nearly two thirds of the investment assets being allocated to bonds. The stress scenario has a more severe impact on older members closer to retirement due to higher accumulated pension wealth and, hence, higher sensitivity to asset price shocks. The impact is more modest in DC schemes with high allocations to fixed income assets for members close to the retirement age, usually through the use of life-cycle approaches. The adverse scenario impacts retirement income gradually over time as current active members start to receive pension income with the maximum impact being reached when most active members have retired (i.e. around 2060).

The stress test results show that the risks stemming from shocks in the European IORPs sector could also spill over into the real economy with negative implications for economic growth and employment triggered by increased sponsor support or benefit reductions. To gain further insight and to further improve supervisory understanding, EIOPA will conduct a horizontal assessment of potential systemic-risk drivers such as search for yield, flight to quality or herding behaviour. Environmental, social and governance (ESG) aspects including climate change will be of growing importance for the pensions sector and will require cautious assessment of any financial stability implications.

### Revised Risk Dashboard

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The Risk Dashboard presents EIOPA's quarterly risk assessment to identify and measure risks and vulnerabilities in the European insurance industry. With the implementation of the Solvency II regime in January 2016 substantial improvements as regards the risk quantification and the reporting standards were introduced. The enhanced data for all (re)insurance undertakings subject to the Solvency II regime is the basis of the newly developed and improved analytical Risk Dashboard. The new Risk Dashboard based on Solvency II data summarises the main risks and vulnerabilities in the European Union insurance sector by a set of risk indicators, on a quarterly basis. The data is based on financial stability and prudential reporting collected from approximately 90 insurance groups and more than 3 000 solo insurance undertakings.

### Insurance sector statistics

EIOPA published a first set of Solvency II statistics on the European insurance sector in June 2017. It is the first publication of comprehensive statistical information on the European insurance sector based on Solvency II regulatory reporting. The statistics contain up-to-date and high-quality data, including country breakdowns and distributions of key variables, providing a comprehensive picture of the European insurance sector, allowing comparability. In 2017, EIOPA published quarterly aggregated country-level information about the balance sheet, own funds, capital requirements, premiums, claims and expenses based on regulatory reporting of close to 3 000 insurance undertakings operating in Europe. Every publication was accompanied by a description of key aspects linked with the published statistics. EIOPA also published aggregated information based on group-consolidated reporting and financial stability indicators for the largest European insurance groups and undertakings. The new statistics can be accessed via EIOPA's website: <https://bit.ly/2JNKXpe>.

### Crisis prevention

EIOPA undertook a number of activities in 2017 to strengthen the capacity for supervisory authorities to take effective preventive measures and, if necessary, enhance crisis management.

#### › **Opinion to the institutions of the European Union on the harmonisation of recovery and resolution frameworks for (re)insurers across the Member States**

This opinion was addressed to the European Parliament, the Council of the European Union and the European Commission and called for a minimum degree of harmonisation in the field of recovery and resolution for (re)insurers to increase policyholder protection and financial stability. In particular, harmonisation of existing frameworks and the establishing of a common approach to the fundamental elements of recovery and resolution will help to avoid the complications associated with the current fragmented landscape and facilitate cross-border cooperation.

EIOPA will continue its work in the field of recovery and resolution for insurers focusing, in particular, on the potential harmonisation of insurance guarantee schemes (IGSs).

#### › **Developing a framework for macroprudential policy in insurance**

To date, most discussions on macroprudential policy have focused on the banking sector due to its prominent role in the recent financial crisis. However, the thinking and policies explored for that sector also strongly influence the debate in other parts of the financial system, including insurance. With its work on macroprudential policy, EIOPA seeks to contribute to the discussions in order to ensure that any extension of this debate to the insurance sector reflects its specific nature.

During 2017 EIOPA focused mainly on the identification and analysis the sources of systemic risk in insurance. Furthermore, EIOPA developed a flexible macroprudential framework specifically designed for the insurance sector, which includes a set of operational objectives to be pursued by the authorities responsible for macroprudential policies. Work was also initiated in order to gain a better understanding on the tools with macroprudential impact in the Solvency II framework, as well as on the potential need to have additional tools in place.



^ EIOPA has prepared a series of papers addressing a framework for macroprudential policy in insurance.  
<https://bit.ly/2sdQa4T>

### ➤ **Crisis prevention and management handbook**

The need to have an adequate process and procedures for crisis prevention and management was one of the main lessons learned from the past financial crisis. During 2017 EIOPA further developed its internal process and procedures, resulting in a new and comprehensive handbook. The handbook serves as a crisis roadmap describing all the relevant processes and escalation steps to be followed in a range of crisis situations, as well as the interactions between NSAs and EIOPA.

### **Financial Stability Report**

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In 2017 EIOPA published two financial stability reports, in June and December respectively. The reports include analyses based on Solvency II data covering the whole year; this reflects an analytical progress that brings additional insight into the financial stability assessment of the sectors.



According to the December report, while the global economic outlook continues to improve, the prolonged low-yield environment and low market volatility coupled with high levels of economic and political uncertainty continue to represent major challenges. The insurance sector is responding to the ongoing macroeconomic environment and technological challenges by adapting investment strategies and business models. Despite the challenges, the insurance sector remains well capitalised with a SCR ratio for the median company above 200 %. In many cases, in particular for life insurers, these measures represent a substantial cumulative effect on the SCR ratios, providing a financial stability cushion and potentially acting in a countercyclical manner. In the European occupational pensions sector, total assets increased for the euro area as did the average rate of return. The investment allocation as well as the average cover ratios for defined-benefit schemes remained broadly unchanged, whilst the overall active membership increased, especially in defined-contribution schemes.

In order to address current challenges and newly emerging risks stemming from climate change, new technologies and digitalisation, EIOPA will broaden the range of its future risk analysis. In addition, as part of its regular vulnerability analyses, EIOPA will conduct an EU-wide insurance stress test exercise in 2018, focusing on the most relevant and current risks for the sector.

### **Investment behaviour report**

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EIOPA published the results of a survey analysing trends in the investment behaviour of European insurers over the past 5 years. The survey points to a search-for-yield investment behaviour of insurers which is a natural reaction to the low-interest-rate environment. The increased exposure to more illiquid investments and to non-traditional asset classes, such as infrastructure, improves asset diversification but also demands new risk-management capabilities from insurers and closer supervisory attention. EIOPA will continue to closely monitor the investment behaviour of insurers to ensure that it continues to remain in line with their risk-bearing capacity.

## A RESPONSIBLE, COMPETENT AND PROFESSIONAL ORGANISATION

EIOPA aims to ensure that it is able to successfully fulfil its mandate through the effective management of tasks and resources. This entails effective internal governance and efficient cooperation between staff to ensure a high-performing culture.

### Further refinements to the organisational structure

Following the internal restructure of EIOPA at the end of 2016, it was important to ensure the necessary changes were fully implemented down to the level of the team, the individual member of staff and their tasks. This included the establishment of two new departments (Supervisory Processes Department and Oversight and Supervisory Convergence Department) to strengthen EIOPA's focus on supervision. Furthermore, the formation of the new Corporate Affairs Department merged a number of teams that were originally separate entities and brought them into a departmental structure. To ensure the benefits of greater efficiency and effectiveness were realised, the structures, links and working relationship between the new Corporate Affairs Department and others, particularly Corporate Services, were established in this process. Both provide an important input into the effective and efficient running of EIOPA.

### Enhanced planning framework to better deal with uncertainty in the external environment

EIOPA has continually invested effort to improve its strategic planning with a focus on enhanced transparency and long-term planning of resources. Wide-ranging and potentially profound changes are on the horizon as a result of the United Kingdom's withdrawal from the EU and two legislative proposals from the Commission (a pan-European pension product and related to the ESAs review). To account for the considerable uncertainties on the implications for future resources, governance, task and powers in its strategic planning, EIOPA has been able to respond by strengthening the planning and prioritisation of its work. This has allowed for more transparent and informed discussions with EIOPA's Management Board and Board of Supervisors on the implications of the future landscape.

### Efficient and effective management of resources

EIOPA is committed to simplifying its processes, gaining efficiencies and generally improving performance with regards to its administrative functions. In 2017, it sought to make use of a number of e-solutions to achieve this aim. E-procurement solutions were implemented, allowing tenderers to use the e-platform to download tender documents, ask questions and receive answers as well as to submit their offers. EIOPA has also joined the project run by the Commission to introduce a new human resources management solution and has made sufficient progress to be within the first group of EU Agencies to start implementation in 2018. A staff workplace modernisation project was also initiated with a focus on increased security and higher efficiency. More than 25 % of staff received modern devices in 2017 with the project due for completion before the end of 2018. EIOPA has also been able to deliver a decrease in regular running costs of more than 15 % year on year through efficiency gains for its data centre.

To more effectively manage its human resources, EIOPA has implemented a core competency framework with a particular focus for 2017 in the learning and development area. Further competencies for cross-functional functions have been developed, aiming to finalise them in 2018. The work has been done in-house, benefiting from the work of the inter-agency competency framework working group of the EU Agencies, which EIOPA co-chairs. This resulted in efficiency gains in terms of knowledge developed and reduced costs.

EIOPA has also further strengthened budget planning by improving its forecasting process resulting in very good year end results (99.79 % for commitments; 88.09 % for payments).

### Document management system (ERIS)

In 2017, EIOPA introduced a new Microsoft Share-Point-based document management system, known as ERIS (EIOPA Records and Information System). The system incorporates records-management functionality (rule-based retention periods), Microsoft Outlook integration and workflows. By the end of 2017, 50 staff members and 200 000 documents had been successfully migrated to the new system. As well as enhancing collaboration and compliance, ERIS represents a new way of working for all EIOPA staff. The roll-out is to be completed in 2018, together with further system enhancements.

## CROSS SECTORAL WORK WITH THE JOINT COMMITTEE OF THE EUROPEAN SUPERVISORY AUTHORITIES

In 2017, the Joint Committee continued to be a central point for coordination and exchange of information between the European Supervisory Authorities and with the European Commission and the European Systemic Risk Board. Progress in the field of Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) was in the spotlight of the Joint Committee work under the EBA Chairmanship.

### JOINT COMMITTEE — FORUM FOR EXCHANGE ON CROSS-SECTORAL RISKS

The three ESAs continued their efforts to identify potential risks to financial stability across the three sectors, with a view to support consistent approaches and clear convergent guidance to supervisors and market participants. Beyond being a cross-sectoral forum for exchange among its participants, the Joint Committee started to look at the potential risks triggered by Brexit. Here, a focus is on possible implications on the provision of financial services, the continuity of contracts, and on ensuring consistent EU approaches to oversight of cross-border banking groups, including possible relocations. The two Joint Committee Risk Reports, published in spring (JC 2017 09) and autumn (JC 2017 46), convey the ESAs' preliminary analysis on this issue.

Beyond that, both Joint Committee Risk Reports discuss the persistent low profitability of banks and insurers in a low growth and yield environment, valuation risks with risks of a reversal of risk premia, as well as interconnectivity, in particular via asset price contagion and direct financial exposure. The reports moreover address challenges arising from rapid developments in information technology, including Fintech, and its impact across the three sectors.

## PROGRESS IN THE ESAs' MANDATE IN THE FIGHT AGAINST MONEY LAUNDERING AND TERRORIST FINANCING

The fight against money laundering and terrorist financing has been a key priority for the Joint Committee over the last year, as the ESAs sought to create a common understanding, by AML/CFT competent authorities and credit and financial institutions, of the risk-based approach to AML/CFT, and how it should be applied.

To this end, the ESAs published guidance on money laundering and terrorist financing (ML/TF) risk factors, which provide institutions with the tools they need to make informed, risk-based decisions on the effective management of ML/TF risk and help competent authorities assess whether institutions' ML/TF risk assessment and management systems and controls are adequate. Together with the Risk-based AML/CFT supervision guidelines (published in 2016) and a Joint Opinion on the ML/TF risk affecting the internal market that was published in February, the Risk factors guidelines provide a framework for the consistent application of EU AML/CFT legislation, and transform the way European supervisors and firms discharge their AML/CFT functions. Consequently, the Commission, in its 2017 supranational risk assessment, recognises the ESAs' pivotal role in raising the EU's capacity to meet AML/CFT challenges across the financial sector.

The ESAs complemented their work on the fundamental aspects of the risk-based approach with training for AML/CFT supervisors, and guidance and standards on specific aspects of Europe's AML/CFT regime, including guidelines on managing ML/TF risk in transfers of funds that set out what payment service providers should do to identify and manage fund transfers with incomplete information on the payer or the payee; draft Regulatory Technical Standards (RTS) on Central Contact Points to facilitate the AML/CFT supervision of, and AML/CFT compliance by, payment service providers and e-money institutions that are established in different Member States; draft RTS on the management of ML/TF risk in situations where a third country's law prevents the application of robust group-wide AML/CFT policies and procedures; and a joint opinion on the use of innovative solutions for customer due diligence (CDD) compliance purposes. This opinion sets out the factors competent authorities should consider when assessing, on a case-by-case basis, whether the use of innovative solutions for CDD purposes is appropriate, with a view to promoting the responsible use of innovation in the AML/CFT context in line with the ESAs' wider work on financial innovation.



## CONSUMER PROTECTION AND FINANCIAL INNOVATION

Consumer protection and financial innovation continue to figure prominently on the Joint Committee's agenda. The Joint Committee continued its work on the PRIIPs Regulation, with the three ESAs putting forward Technical Advice on PRIIPs with environmental and social objectives (JC 2017 43), concluding that specific and standalone obligations for PRIIPs targeting these objectives would not be proportionate. Moreover, the Joint Committee published three sets of Q&As (questions and answers) on PRIIPs (JC 2017 49) which inform stakeholders on the application of rules and promote common supervisory approaches and practices in the implementation and supervision of the KID.

In the field of financial innovation, the Joint Committee continued its work on Big Data in analysing the benefits and risks of allowing the development of products tailored to consumers' needs in recurring to big data analytics and processes. The final Report will encourage the adoption of good practices by financial institutions, and an accompanying consumer information sheet will inform consumers about the use of big data.

Work initiated in 2016 on cross-border supervision of financial services continued, with a view to preparing a general mapping of the rules for the different financial firms operating in three sectors and analysing any issues experienced by supervisors.

The Joint ESAs Consumer Protection Day 2017, which took place in Prague, Czech Republic, facilitated the ESAs to engage with key — and new — stakeholders, especially representatives of consumers, on important issues faced by consumers and investors across the EU.



## FINANCIAL CONGLOMERATES

In 2017, the Joint Committee published its annual list of financial conglomerates showing the location of 80 financial conglomerates with the head of group in the EU/EEA area. In addition to that, the Joint Committee started to work on reporting templates in this field and will continue doing so in 2018.

## ADVANCEMENT IN THE SINGLE RULEBOOK AND ENSURING A LEVEL PLAYING FIELD

Since the adoption of two implementing regulations on credit assessments by external credit assessment institutions (ECAIs) based on the draft implementing technical standards (ITS) submitted by the joint committee, five additional ECAIs have been recognised and one ECAI has been deregistered. The Joint Committee has updated the implementing regulations to reflect these changes.

In addition the ESAs submitted draft amendments the RTS on risk mitigation techniques for over-the-counter (OTC) derivatives not cleared by a central counterparty under European market infrastructure regulation (EMIR) to align the treatment of variation margin for physically-settled foreign-exchange (FX) forwards with the supervisory guidance applicable in other key jurisdictions after being made aware of certain challenges. The amendments reiterate the commitment to apply the international standards, and require the exchange of variation margin for physically-settled FX forwards in a risk based and proportionate manner.

## BOARD OF APPEAL

The ESAs continued to provide operational and secretarial support to the Board of Appeal. In 2017, there was one appeal case brought by FinancialCraft Analytics Sp. z o.o. against a registration decision by ESMA. The Board of Appeal unanimously dismissed the appeal in July 2017, thereby confirming ESMA's decision of 8 December 2016 refusing FinancialCraft Analytics Sp. z o.o.'s registration as a credit-rating agency.

INFORMATION BOX



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## JOINT ESAS CONSUMER PROTECTION DAY

The ESAs have a leading role in promoting transparency, simplicity and fairness in the market for consumer financial products and services across the internal market. In support of this goal, each year the Joint Committee of the European Supervisory Authorities holds a joint Consumer Protection Day.



^ Highlights from the 2016 day are available here: <https://bit.ly/2s7lsU6>

## MANAGEMENT

On 22 December, 2016, the BoS adopted the 2017 budget for a total of EUR 23 999 256.05.

NCA's of the Member States (responsible for the supervision of financial institutions) contribute to the financing of EIOPA with 60 % of the total budget. The European Commission funds EIOPA's budget with 40 %<sup>(3)</sup>. European Free Trade Association (EFTA) states fund EIOPA in line with a defined ratio<sup>(4)</sup> supplementing NCA contributions. In addition, NCA's and EFTA states cover 60 % of the total pension contributions for EIOPA staff.

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

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

EIOPA's 2017 budget was composed of the following contributions: EUR 14 637 269 from NCA's, EUR 415,583 from EFTA countries and EUR 8 946 404 from the Commission. The Commission repaid the 2015 budgetary surplus of EUR 210 103 as part of the 2017 budget.

The initial-vote 2017 budget of EIOPA can be seen in Table 1. A total of 10 budget transfer operations were executed to accommodate budgetary needs throughout 2017.

In 2017, 94.53 % of the credits carried forward from 2016 were consumed. The carry forward concerns services and products ordered in 2016 which were invoiced and paid in 2017 (C8). More information on the carry forward can be seen in Table 2.

In 2017 EIOPA launched and concluded six open tender procedures, four negotiated procedures without publica-

**TABLE 1: BUDGET IMPLEMENTATION 2017 FROM INITIAL VOTED BUDGET BY TITLES**

Title	Approved 2017 budget EUR	Final 2017 budget EUR	Committed EUR	Paid EUR	Carry forward EUR
Title I — Staff expenditure	15 872 446.67	15 466 510.25	15 438 886.12	14 537 002.45	901 883.67
Title II — Administrative expenditure	3 352 666.00	3 631 821.37	3 624 939.28	2 998 681.58	626 257.70
Title III — Operational expenditure	4 774 143.38	4 900 924.43	4 886 140.65	3 604 936.67	1 281 203.98
Total	23 999 256.05	23 999 256.05	23 949 966.05	21 140 620.70	2 809 345.35

**TABLE 2: CARRY FORWARD IMPLEMENTATION 2016-2017**

Description	2016 budget final amount EUR	Carry forward 2016 to 2017 amounts EUR	% Carry forward	Paid amounts EUR	% paid
Title I – Staff expenditure	13 786 939	344 140.82	2.50 %	310 603.96	90.25 %
Title II — Administrative expenditure	3 742 455	721 916.25	19.29 %	692 716.31	95.96 %
Title III — Operational expenditure	4 233 106	1 269 002.57	29.98 %	1 204 045.71	94.88 %
Total	21 762 500	2 335 059.64	10.73 %	2 207 365.98	94.53 %

tion of a contract notice and three negotiated procedures for middle-value contracts and several low-value negotiated procedures. Furthermore EIOPA concluded more than 184 specific contracts and purchase orders.

## HUMAN RESOURCES MANAGEMENT

EIOPA is replacing Allegro, its current e-human resources (HR) management system, with Sysper which is currently used by the European Commission. It will allow the organisation to benefit from lower costs, synergies and efficiency. The thorough preparatory work carried out during 2017 will facilitate the roll-out of its first modules in 2018. The current system will run in parallel until the new system is fully functional.

The work developed by the inter-agency competency framework working group has provided an excellent basis for further enhancing EIOPA's competency framework. The knowledge and experience shared in the working group enriched the outcome.

During 2017, significant resources were dedicated to strengthen the alignment of the management team in the performance management process, including with regard to clarification of concepts, terminology and expectations towards staff. Dedicated information sessions for staff with a forward-looking focus took place. This work and effort will continue in 2018 to further strengthen EIOPA's people-management approach, facilitating a working climate where people and teams can excel.



## ASSESSMENT OF AUDIT RESULTS DURING THE REPORTING YEAR

EIOPA is audited every year by the European Court of Auditors (ECA). The audit provides a Statement of Assurance as to the reliability of the accounts of the Agency and the legality and regularity of the transactions underlying them. In addition, an independent external auditor verifies the income, expenditure and financial position of EIOPA. In 2017, the ECA did not raise major findings over the financial 2016 accounts.

EIOPA is also audited by its Internal Auditor, the Commission's Internal Audit Service (IAS). In 2016 IAS carried out a risk assessment which formed the basis for laying down the IAS Strategic internal audit plan 2017-2019 for EIOPA. This strategic internal audit plan was received in June 2017 and includes the following prospective topics, subject to annual review and possible changes:

- stress tests,
- management of risk-free interest rate,
- oversight tools in the consumer protection area,
- HR management and ethics,
- procurement and contract management, and
- data management and IT security.

Following the strategic internal audit plan, in 2017, the IAS performed a comprehensive audit on the stress test exercise. The objective of the audit was to assess the efficiency and effectiveness of the management controls put in place by EIOPA in the stress test process. The outcome of this audit and consequent action plan will be available in 2018.

## FOLLOW-UP OF AUDIT PLANS, AUDITS AND RECOMMENDATIONS

EIOPA continued in 2017 to implement recommendations from previous years' audits. At the end of the year only three recommendations were still open, all resulting from the 2015 audit on EIOPA's oversight capability (none of these qualified as critical or very important). The status of implementation of these recommendations is as follows.

IAS recommendation	Status (at the beginning of February 2018)
<b>Recommendation number 1</b> — review the current set of work areas and decide on a minimum level of documentation of procedures and workflows	Original deadline: 30 September 2017.  This recommendation was reported as implemented by EIOPA and submitted to the IAS for review on 8 February 2018 (together with the pertinent documentation). The final closure of the recommendation is subject to the outcome of the IAS review and assessment.
<b>Recommendation number 2</b> — developing KPIs with qualitative aspects to measure performance	Original deadline: 31 March 2018.  This recommendation is under implementation but will not be completed by the due date. Consequently, a request has been submitted to the IAS to extend the deadline for implementation to 30 September 2018.
<b>Recommendation number 4</b> — extending the use of the reference library and turning it into a central repository	Original deadline: 31 March 2017.  This recommendation is still under implementation. The implementation deadline was postponed to 31 March 2018 in agreement with the IAS. The delay stems from the need to synchronise the implementation with the roll-out of EIOPA's new document management system in 2018.

## INTERNAL CONTROL SYSTEM

### RISK MANAGEMENT

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

<sup>(5)</sup> Office of the General Counsel (OGC) (2007) *Management of risk: guidance for practitioners*

## CORPORATE RISK MANAGEMENT PROCESS

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

EIOPA's risk management process has been developed in line with the Commission's internal control standard (ICS) No 6 'Risk-management process', which states a yearly assessment of risk is a basic requirement of the annual business planning process.

### RISK OVERVIEW

There are different ways to classify risks. EIOPA has chosen to focus on six key areas in which risks impact on EIOPA and its work:

- planning, processes and systems,
- people and organisation,
- legal and regulatory aspects,
- external environment,
- communication and information, and
- reputational.

**PLANNING, PROCESSES AND SYSTEMS:** as a consequence of the developing responsibilities and duties imposed on EIOPA by different legislation and regulation, new tasks have been incorporated into the Authority's work programme. Facing these new tasks e.g. those stemming from the Omnibus II Directive with an allocation of additional resources not exactly commensurate with the demands of the additional work, challenges have arisen. EIOPA has had to re-prioritise and re-allocate staff, with an impact on other areas, to ensure the highly technical and resource intensive additional work is sufficiently resourced.

The need to meet additional demands for this unplanned work arising in-year whilst still maintaining quality and timely delivery of planned work is also a major issue. To face these challenges EIOPA has implemented improvements in its approach to planning and management of work. This includes more-accurate resource planning, a change-management process for dealing with unplanned demands and reprioritisation of projects.

**PEOPLE AND ORGANISATION:** the setting up and functioning of key processes and systems have created challenges as a result of EIOPA not receiving additional staff commensurate with its additional tasks, which is particularly the case in specific technical areas such as IT. Multiple 'key person' situations exist with only one member of staff having the experience/skills to undertake important tasks. Without sufficient staff some important capability and capacity projects have run into delays. Improved resource planning, stronger management decision-making regarding prioritisation and HR activities, such as the competency framework and ensuring backups for key areas have all been implemented to meet these challenges.

**LEGAL AND REGULATORY ASPECTS:** as an EU body, EIOPA must operate within a specific legal framework (e.g. HR, budget, and procurement) designed for much larger institutions, non-compliance with those standards is a potential risk. If EIOPA does not meet the legal requirements and standards, its operations and reputation will be seriously undermined. To mitigate this risk, EIOPA works in close cooperation with the IAS of the European Commission and the ECA, to ensure it is adhering to the standards laid down for it.

EIOPA's legal instruments (technical standards, guidelines and opinions) must also conform to predefined high standards. EIOPA's reputation and operational activities may be undermined, with considerable additional work

and time to be invested should the quality and legal basis of EIOPA's legal instruments be questioned. EIOPA therefore has implemented robust internal processes for legal quality control, this risk in terms of its instruments, ensuring their meeting of the exacting standards before submission.

**EXTERNAL ENVIRONMENT:** there remains diverging views on the role and powers of EIOPA. EIOPA continues to invest effort into building trust with its members, stakeholders and the political parties by ensuring the provision of high-quality work under full accountability, with transparent positions and rationale; clear rules, procedures and governance; common understandings and agreement on strategic orientation and objectives.

Diverging interests of stakeholders involved might also exist due to the diversity of stakeholders involved, e.g. of the industry and of consumers with regard to the risk-based regulatory framework. EIOPA endeavours to balance the perceived imbalance between industry and consumers by enabling consumers to adequately bring across their views in the various forums e.g. consumer-representative expenses for attending are reimbursed and specific events are run such as the dedicated consumer day. Furthermore, by ensuring all EIOPA technical standards, guidelines, advice etc. undergo appropriate impact assessments, identifying the impacts on both industry and on policyholders/members; the Authority maintains a focus on consumer interests.

Reporting of data is fundamental to deliver EIOPA's mandated tasks. Reliance on data from external sources (e.g. NCAs and market-data providers) means the potential for delays and/or the provision of misleading data present a severe risk that the validity of EIOPA's analysis, statistics and conclusions can all be undermined. To mitigate this, EIOPA has established detailed reporting requirements for Solvency II data and various processes and tools have been implemented in the approach and means of collecting data.

**COMMUNICATION AND INFORMATION:** this risk predominately focuses on lack of awareness in the stakeholder community of key developments or issues and managing stakeholder expectations. Moreover, technical failures of communication systems could lead to a blackout and make communication difficult or impossible for a certain time period. Changes to the European supervisory landscape and/or unstable institutional set-up could create uncertainties or inconclusive understanding of roles and responsibilities. In 2017 EIOPA updated its communications strategy to strengthen communication on key issues.

**REPUTATIONAL:** the reputational risk has been alluded to in some of the previous categories, this includes potential: rejection by the Commission of technical/implementing standards and failing on the discharge of the Authority. As EIOPA's continued operational success is dependent on its good reputation with its stakeholder community, this risk is therefore considered in its own right. EIOPA ensures that risks across all other categories are sufficiently considered in terms of reputational harm. This is then factored into the assessment of the potential negative impact of a risk event happening and mitigation also considers effort to reduce damage to reputation.

### COMPLIANCE AND EFFECTIVENESS OF INTERNAL CONTROL STANDARDS

EIOPA's internal control standards (ICS) are based on the ICS of the European Commission. They are approved by the MB and implemented within the organisation by the Executive Director through the adoption of detailed implementing rules and related procedures.

Management assesses on a continuous basis the effectiveness of the internal control systems in order to determine whether they work as intended and ensure that any control

weaknesses in the system are detected, analysed and considered for improvement. The Internal Control Coordinator informs the Executive Director regularly on the status of implementation of the ICS. The MB is also informed annually on the status of the control system. No internal control weaknesses were reported during the year.

### MANAGEMENT ASSURANCE

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



## DECLARATION OF ASSURANCE

I, the undersigned,

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

- › declare that the information contained in this Consolidated annual activity report 2017 gives a true and fair view;
- › state that I have reasonable assurance that the resources assigned to the activities described in this report were used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures in place are effective, efficient and provide the necessary guarantees concerning the legality and regularity of the underlying transactions.

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

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

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

**Fausto Parente**



# ANNEX I: CORE BUSINESS STATISTICS

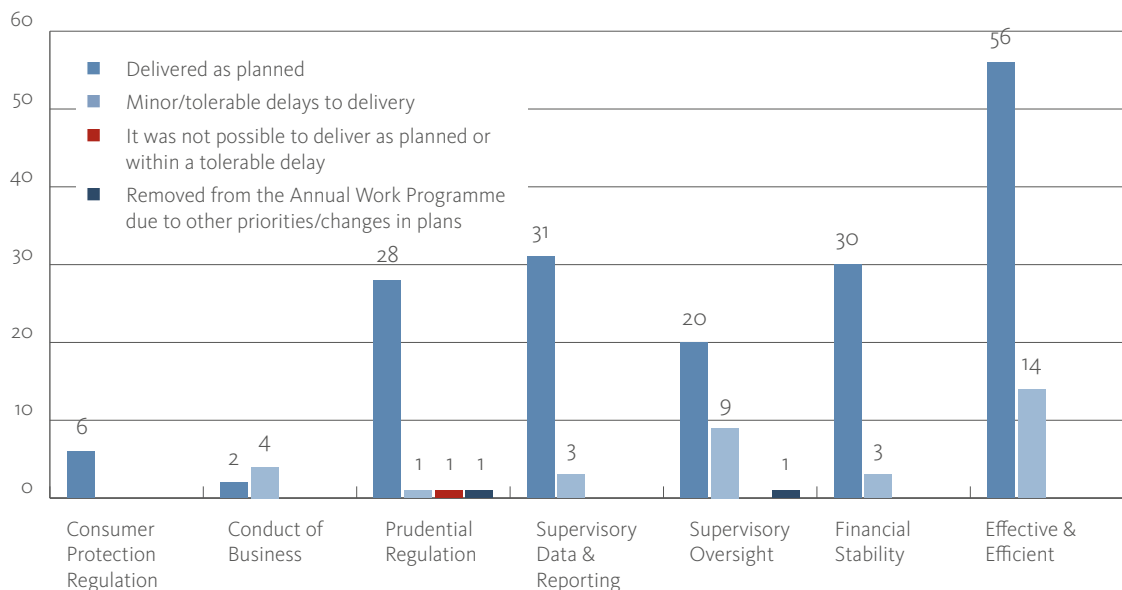
## PRODUCT AND SERVICES OVERVIEW

EIOPA monitors delivery of its annual work programmes (AWP) through the development of an annual implementation plan (AIP). For each product and service in its AWP, specific milestones are planned, the involvement of different departments and horizontal functions is specified and risks are recorded. Throughout the year EIOPA's management is informed of the status of this work and decides on changes such as the introduction of new work or delaying and deprioritising existing tasks. The status of the products and services by December 2017, as recorded in the AIP, provides the basis for the data in the chart below.

the effect of causing major issues. The primary reason for delays was insufficient resources, but also changes in requirements and priorities. Only one workstream was not delivered as planned or within a tolerable delay, and this related to cooperation with China based on an annual work program set up in 2016, with external developments hampering progress. Two products also were removed from the AWP: policy development of implementing the IORP II Directive regarding European occupational defined contribution schemes on a cross-border basis, where the decision was taken not to go forward with the project and the insights gained were used in EIOPA's Market Developments report; and support to group supervisors in preparing the themes for their colleges, where EIOPA's support was refocused to provide greater benefit.

The majority of EIOPA's planned work was delivered successfully in 2017, this equates to 173 products and services. A further 34, experienced minor delays, but without

### 2017 PRODUCTS AND SERVICES STATUS



## ALLOCATION OF OPERATIONAL RESOURCES

EIOPA, with its strategic vision to be a credible supervisory authority continues to strengthen the allocation of its operational staff <sup>(6)</sup> to supervision related tasks. In consumer protection, 6 % of EIOPA’s staff was allocated to the regulatory framework and 5 % conduct of business supervision. For prudential supervision, 19 % of operational staff was allocated to building the regulatory framework with 24 % and then 31 % allocated to maintaining and enhancing the reporting framework and supervisory oversight respectively. The remaining 15 % contributed to EIOPA’s financial stability work.

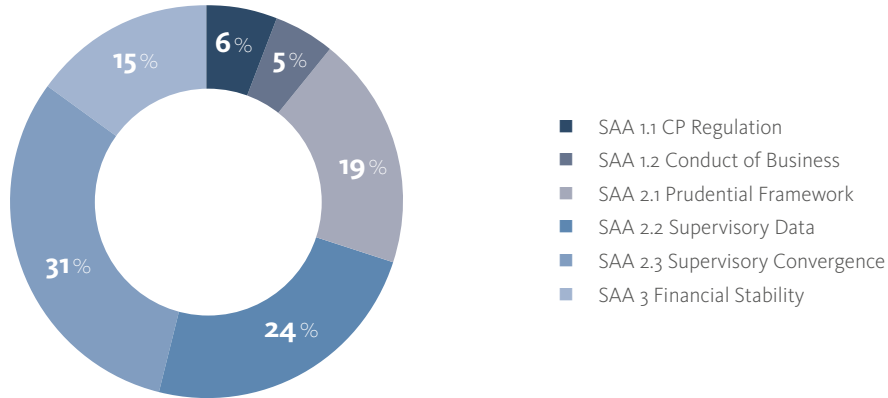
<sup>(6)</sup> In EIOPA’s work programme there is the distinction between operational (covered by strategic objectives 1, 2 and 3) and horizontal work (strategic objective 4).

## KEY PERFORMANCE INDICATORS

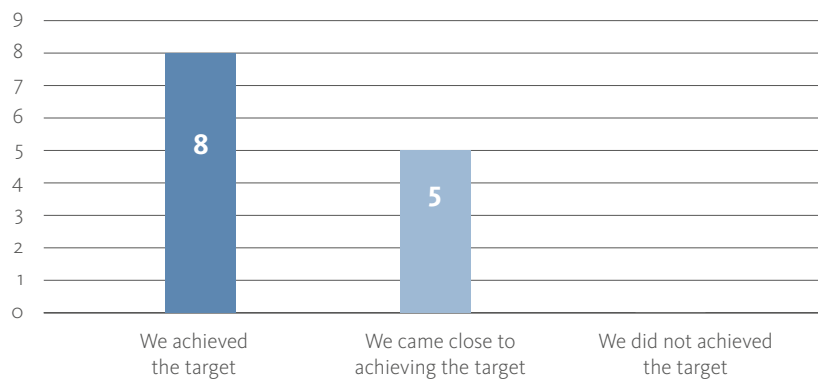
KPIs are an important tool for monitoring EIOPA’s progress in relation to its established strategic ambition. EIOPA has set 13 strategic level targets for performance across its seven main areas of work in 2017. Of these, EIOPA achieved or surpassed the target for eight, and of the remaining five, only marginally missed the target.

For its work building the regulatory framework for consumer protection, EIOPA’s target was intended to capture the level of interest and engagement with its stakeholders. The target for the average number of respondents to public consultations on consumer protection topics was 20, which EIOPA exceeded achieving an average of 28. EIOPA came close to its target for the number of national initiatives taking inspiration from its conduct of business deliverables. The target for 2017 was three, and EIOPA

### ALLOCATION OF STAFF TO EIOPA’S OPERATIONAL ACTIVITIES



### KPI TARGET ACHIEVEMENT



recorded thematic reviews on payment protection insurance (PPI) and monetary incentives in Member States.

Regarding EIOPA's work on the prudential regulatory framework, and the KPI of a technically sound and participatory review of the Solvency II insurance regulation, EIOPA's target was that its proposals for changes to Solvency II implementing measures be supported by evidence received in the formal consultation process. With the first part of the advice submitted to the European Commission in October 2017 and the second part in early 2018 — as scheduled — this target was met. With the aim of pursuit of Solvency II as the practical implementation of the IAIS international capital standard, EIOPA's target was that the final ICS 1.0 and emerging outcomes from the review of Solvency II capital requirements would be in line, which was the case, and the KPI was judged to be achieved. To assess EIOPA's efforts to contribute to the development of the internal market in pensions, the KPI was set for proposals delivered by EIOPA for occupational pan-EU defined-contribution. EIOPA did not achieve this target as the deliverable was not taken forward, but valuable insights obtained during the analysis were reflected in the 2017 market-development report.

To judge the performance of EIOPA's supervisory reporting and data framework, two KPIs were set. The first related to the percentage of insurance undertakings reported on with valid data by NCAs, as evidenced by the completeness ratio of technically valid reports of the quantitative reporting templates (QRTs). The target was 95 % and EIOPA achieved 98 % for annual reporting, but below that target (93 %) for quarterly reporting. EIOPA did however meet its target for the monthly publishing of the risk free rate.

The first KPI for EIOPA's supervisory oversight work was the number of supervisory or policy actions taken by NCAs following observations and feedback from EIOPA's Oversight team. The target was 10, and this was exceeded with 12 being taken. EIOPA's target for the number of bilateral engagements with NCAs on oversight topics was 15; however, it was only possible for 12 to be carried out in 2017.

To assess the quality and broader acceptance of EIOPA's financial stability publications, the number of citations in research journals and publications from other institutions in the field was set as a target, which EIOPA met with three in 2017. EIOPA also set the target for running a stress test triggering supervisory or policy actions on an EU level, which was achieved with its exercise on the pensions market.

EIOPA also maintains two KPIs on the management of the Authority and its resources. The first is the percentage of audit findings from the ECA and the IAS addressed by improvement measures by the agreed deadline, or if no deadline was set, within 12 months of the finding being issued. The target was 100 % and EIOPA came close, achieving 78 %. Two were implemented outside the deadline and pertained to documentation of procedures and workflows, and extending the use of a reference library, both relating to EIOPA's oversight work. EIOPA did exceed its 99 % target for the implementation rate of its budget (percentage of the approved budget committed) achieving 100 % in 2017.

## ANNEX II: GOVERNANCE AND MANAGEMENT

### BOARD OF SUPERVISORS (BOS)

As set out in EIOPA's founding regulation, the Board of Supervisors (BoS) is the main decision-making body of EIOPA. It is composed of the Chair of EIOPA, the heads of 28 national authorities (voting members), including permanent representatives — where more than one national authority is responsible for the supervision, the heads of three EEA EFTA national authorities (Iceland, Liechtenstein and Norway), non-voting members and observers.

The status of non-voting members is granted to the European Commission, the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), and the European Systemic Risk Board (ESRB) and the European Free Trade Association Surveillance Authority (EFTA SA). The BoS may grant observer status to heads of national authorities of countries about to join the EU ('accessing countries'), competent for the supervision of financial institutions. The BoS meets at least twice a year and may create internal committees and panels for specific tasks. In 2017 the BoS met five times with one extraordinary meeting.



^ In 2017, the City of Frankfurt hosted a reception for EIOPA's Board of Supervisors. In the picture, left to right: Dr. Lutz Raetting, Honorary City Councillor; Gabriel Bernardino, EIOPA Chair; Lucia Puttrich, Minister of European and Federal Affairs and Representative of the State of Hessen at the Federal Government; Fausto Parente, EIOPA Executive Director; Markus Frank, City Council

## MANAGEMENT BOARD (MB)

The Management Board ensures that EIOPA carries out its mission and performs the tasks assigned to it. It is composed of EIOPA's Chair and six other members of the BoS, elected by and from among the voting members of the BoS. The Alternate Chair and the Executive Director of EIOPA participate in the meetings of the MB without the right to vote. In accordance with EIOPA's regulation, the Executive Director also has an important role preparing the work of the MB. The meetings are also attended by a representative of the European Commission, who has a right to vote only on budget issues. The term of office of members of the MB is 2.5 years, and it can be renewed once.

The MB meets at least five times a year, always before every regular meeting of the BoS, and as often as it deems necessary. In 2017, the MB met five times. This year again, the MB played a key strategic role in EIOPA's management. With a focus on planning, budget and assurance, the Management Board steered the revision of EIOPA's annual work programme 2018 and development of the annual work programme 2019 and multiannual work programme 2019-2021. It also monitored the budget planning process and allocation of human and financial resources. To support this work the MB receives updates on EIOPA's tasks and activities on a regular basis.

### INFORMATION BOX



#### MANAGEMENT BOARD MEMBERS, DECEMBER 2017

<b>Gabriel Bernardino</b>	EIOPA Chair
<b>Julia Cillikova</b>	National Bank of Slovakia, Slovakia
<b>Frank Grund</b>	BaFin-Bundesanstalt für Finanzdienstleistungsaufsicht, Germany
<b>Olaf Sleijpen</b>	De Nederlandsche Bank (DNB), the Netherlands
<b>Jean Hilgers</b>	Nationale Bank van België, Belgium
<b>Sandrine Lemery</b>	Autorité de Contrôle Prudentiel et de Résolution, France
<b>Alberto Corinti</b>	Istituto per la Vigilanza sulle Assicurazioni, Italy

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

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

In 2016 the BoS adopted changes to the structures and a pilot project was launched to assess the benefits. In 2017, this new structure was fully implemented with the aim of enhancing the efficiency of cooperation between NCAs and EIOPA staff. EIOPA currently maintains a working structure characterised by the following key elements.

- Steering committees — permanent structures that operate on the basis of a mandate approved by the BoS, with members elected for 2 years from among members of EIOPA's BoS. Their main task is to steer the projects under their responsibility.
- Project groups — time-bound substructures of a steering committee, operating on the basis of a project plan to execute timely project outcomes.
- Expert networks — pools of experts from NCAs and EIOPA staff to discuss and provide information required for particular workstreams.

In 2017 there were three steering committees (SC) and related project groups (PG) as indicated below.

Steering Committee	Related Project Groups
Policy Steering Committee	Solvency capital requirements review Long-term guarantees review Risk-free rate IORP II cross-border collaboration IORP II implementation, governance and risk evaluation Pension benefit statement and other information documents
Risks and financial stability	2016 insurance stress test (top-down analysis) 2017 IORP stress test * 2018 insurance stress test Recovery and resolution Insurance macroprudential policy development
Supervisory	Supervisory review processes Market and credit risk comparative study Non-life underwriting risk comparative study Remuneration policies

\* Will be dissolved after 21 March 2018.

Expert networks have been established in the following areas:

- › quantitative requirements,
- › risk management,
- › supervisory information,
- › internal models,
- › financial stability,
- › audit and accounting,
- › pensions.

EIOPA also maintains the following working groups under its original working structure.

- › 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.
- › Review panel — develops methodologies, procedures and tools for conducting peer reviews;
- › Information technology and data committee (ITDC) — delivers advice on IT, and on transfer, storage and data handling in EIOPA.
- › InsurTech task force (ITF) — leads EIOPA's work on issues and aspects arising from technology-enabled innovation in the (re-)insurance and pensions sectors.



## ANNEX IV: STAKEHOLDER GROUPS

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

In 2017 the IRSG delivered specific advice on the recovery and resolution frameworks for insurers. In its opinion the IRSG pointed out that supervisory coordination is absolutely critical when it comes to resolving a company.

With regard to the review of the Solvency II delegated regulation the IRSG supported the introduction of simplification wherever possible, particularly in support of the principle of proportionality. In a second opinion IRSG emphasised that more time would be needed to further discuss Solvency II technical topics.

In its opinion on complex IBIPs, the IRSG stated that there is a real risk that traditional insurance type savings products and even new products designed specifically to meet good standards of risk and transparency could be deemed complex.

Further in its response to the Commission's public consultation on FinTech, the IRSG mentioned that technology is a factor that can potentially boost efficiency in the insurance sector, thus generating better conditions for consumers. The interaction between customers, insurance and technology will move clients to more precautionary actions, thus improving their own life quality.

IRSG published an opinion on big data. In insurance, the increasing use of big data will, to some extent, impact all financial products and activities.

The OPSG delivered in 2017 its opinion on the risk assessment and transparency for IORPs. The OPSG emphasised crucial aspects, such as the diversity of the pension land-

scape, the role of social and labour law, as well as subsidiarity and proportionality principles.

In its response to the pensions data requirements, the OPSG stressed that reporting standards for pension funds are made simple and less costly, that the reporting is done at national level and that derogations may be granted to small pension funds.

On the topic of automated advice the OPSG emphasised that holistic financial advice between the different sectors should be used with caution.

Further on transparency of performance, costs and fees, the OPSG recognised the importance of the topic, which is linked with the Capital Markets Union action plan and recommended to study retail investment products and later also DC pensions.

In 2017 both Stakeholder Groups each provided input in reaction to the Commission's consultation on the operations of the ESAs. The independent voice of the Stakeholder Groups is an important part of the governance of the ESAs. The role of the Stakeholder Groups and the weight of its input should be strengthened. The OPSG stated that EIOPA should not exceed its role with respect to 'own initiatives' or when it is issuing guidelines. The Authority should always have regard to the impact of its initiatives.

The interaction with the BoS and MB members, who were regular attendees of stakeholder group meetings, culminated in the joint Stakeholder Groups meeting organised by EIOPA on 28 November. The three strategic and cross-cutting topics which all Stakeholder Group members discussed together enthusiastically, were costs and past performance of retail investment, insurance and pensions products, the review of the EIOPA regulation and the PEPP.

More information, including a list of all Stakeholder Group members, their CVs, together with the documents produced by the groups can be found at the EIOPA website: <https://eiopa.europa.eu/about-eiopa/organisation/stakeholder-groups/>.



## OCCUPATIONAL PENSIONS STAKEHOLDER GROUP MEMBERS DECEMBER 2017

Chair: Matti Leppälä (Finland)

Vice-Chair: Bernard Delbecque (Belgium)

#	Member's Name	Nationality	Institution	Category
1.	<a href="#">Bouma, Janwillem</a>	Netherlands	Shell pensions office, Netherlands	IORPs
2.	<a href="#">Brice, Paul</a>	United Kingdom	RPMI Ltd (Trustee UK railways pension scheme)	IORPs
3.	<a href="#">Briganti, Francesco</a>	Italy	Employee benefits and welfare institute (EBWI)	IORPs
4.	<a href="#">Budzynski, Lukasz</a>	Poland	XBUG (a group of multinationals operating cross-border pension funds for their employees)	IORPs
5.	<a href="#">Fekeža Klemen, Senka</a>	Croatia	Erste Ltd pension-fund management company	IORPs
6.	<a href="#">Koller, Michaela</a>	Germany	Insurance Europe	IORPs
7.	<a href="#">Leppälä, Matti</a>	Finland	Pensions Europe	IORPs
8.	<a href="#">Nellshen, Stefan</a>	Germany	Pension institutions of Bayer	IORPs
9.	<a href="#">Neyt, Philip</a>	Belgium	PensioPlus, Belgian association of pension institutions	IORPs
10.	<a href="#">O'Boyle, Kevin</a>	United Kingdom	BT plc — a global telecommunications company	IORPs
11.	<a href="#">Alviniussen, Alf</a>	Norway	Small treasury consulting and investment company	small and medium-sized enterprises (SMEs)
12.	<a href="#">Carlberg, Charlotta</a>	Sweden	Swedish intermediary association and the European Federation of Insurance Intermediaries (BIPAR)	Professional associations
13.	<a href="#">Delahousse, Laure</a>	France	French association of asset management (AFG)	Professional associations
14.	<a href="#">Delbecque, Bernard</a>	Belgium	European Fund and Asset Management Association (EFAMA)	Professional associations
15.	<a href="#">Kelly, Paul</a>	United Kingdom	Institute and Faculty of Actuaries (UK); Actuarial Association of Europe	Professional associations
16.	<a href="#">Maffei, Sonia</a>	Italy	Assogestioni, Italian national association of investment management and pension funds	Professional associations
17.	<a href="#">Valkenburg, Falco</a>	Netherlands	Actuarial Association of Europe (AAE)	Professional associations
18.	<a href="#">Bern, Tomas</a>	Sweden	Council for negotiation and cooperation at PTK (a joint organisation of 25 member unions)	Employees representatives
19.	<a href="#">Lagaude, Damien</a>	France	UNI Europe, European trade union federation for banking and insurance	Employees representatives
20.	<a href="#">O'Quigley, John</a>	Ireland	Public sector pension trustee companies	Employees representatives

#	Member's Name	Nationality	Institution	Category
21.	<a href="#">Ciuncan, Alexandru</a>	Romania	APPA — The Romanian association for insurance promotion	Representatives of beneficiaries
22.	<a href="#">Menne, Claudia</a>	Germany	German Trade Union Confederation (DGB), European Trade Union Confederation (ETUC)	Representatives of beneficiaries
23.	<a href="#">Moscoso-Osterkorn, Marianne</a>	Austria	PEKABE (Schutzverband der Oesterreichischen Pensionskassenberechtigten)	Representatives of beneficiaries
24.	<a href="#">Prache, Guillaume</a>	France	European Federation of Investors and Financial Services Users ('Better Finance')	Representatives of beneficiaries
25.	<a href="#">Cox, Paul</a>	United Kingdom	Birmingham Business School, University of Birmingham	Academic
26.	<a href="#">Hustak, Zdeněk</a>	Czech Republic	Prague University and Masaryk University Brno	Academic
27.	<a href="#">Maurer, Raimond</a>	Germany	Goethe University Frankfurt Finance Department	Academic
28.	<a href="#">Reiner, Michael*</a>	Austria	University of Applied Sciences BFI (vocational training institute) Vienna	Academic
29.	<a href="#">Šebo, Ján</a>	Slovakia	Matej Bel University, Banská Bystrica	Academic
30.	<a href="#">Van der Lecq, Fieke</a>	Netherlands	Vrije Universiteit Amsterdam	Academic

\*Joined the group in 2017



^ Members of the Occupational Pensions Stakeholder Group

## INSURANCE AND REINSURANCE STAKEHOLDER GROUP MEMBERS DECEMBER 2017

Chair: Maria Aranzazu Del Valle (Spain)

Vice-Chair: Jean Berthon (France)

#	Member's Name	Nationality	Institution	Category
1.	<a href="#">Chmelova, Petra</a>	Slovakia	Poštová poisťovňa (insurance company)	Industry
2.	<a href="#">Del Valle, Maria Aranzazu</a>	Spain	Unión Española de Entidades Aseguradoras y Reaseguradoras (Unespa): the association of Spanish insurers	Industry — association
3.	<a href="#">Eriksson, Daniel</a>	Sweden	Folksam (member of the Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE))	Industry — cooperative/mutual
4.	<a href="#">Francis, Hugh</a>	United Kingdom	Aviva Plc	Industry
5.	<a href="#">Hugonin, Benoit</a>	France	SCOR Group	Industry — reinsurance
6.	<a href="#">Jones, Olav</a>	United Kingdom	Insurance Europe	Industry — association
7.	<a href="#">Lunde, Åmund*</a>	Norway	Oslo Pensjonsforsikring	Industry
8.	<a href="#">Michallet, Marc</a>	Germany	R+V Versicherung AG	Industry — cooperative/mutual
9.	<a href="#">Plá, Juan-Ramón</a>	Spain	BIPAR	Industry — Intermediaries
10.	<a href="#">Trevisani, Valter</a>	Italy	Generali group	Industry
11.	<a href="#">Dequae, Marie Gemma</a>	Belgium	Federation of European Risk-management Associations (FERMA)	Professional associations — risk management
12.	<a href="#">Olesen, Annette</a>	Denmark	AAE, Solvency II Pillar I working group	Professional associations — actuary
13.	<a href="#">O'Riordan, Anthony</a>	Ireland	Society of Actuaries in Ireland, AAE, Insurance Committee	Professional associations — actuary
14.	<a href="#">Watson, Richard</a>	United Kingdom	Association for Financial Markets in Europe (AFME)	Professional associations — asset management
15.	<a href="#">Caget, Alexandre</a>	France	A.C. Expertises — public loss assessor intervening of behalf the insured	SMEs
16.	<a href="#">Keller, Thomas</a>	Germany	Prime Renewables GmbH and Prime Capital AG	SMEs
17.	<a href="#">Ydrenäs, Rickard</a>	Sweden	Ydrenas Communications AB	User
18.	<a href="#">Berthon, Jean</a>	France	EuroFinUse	Consumer
19.	<a href="#">Ciuncan, Alexandru</a>	Romania	APPA — The Romanian insurance promotion association (non-governmental organisation (NGO)-focused on insurance consumers)	Consumer
20.	<a href="#">Danov, Desislav</a>	Bulgaria	Bulgarian financial forum (NGO providing advice to consumers)	Consumer

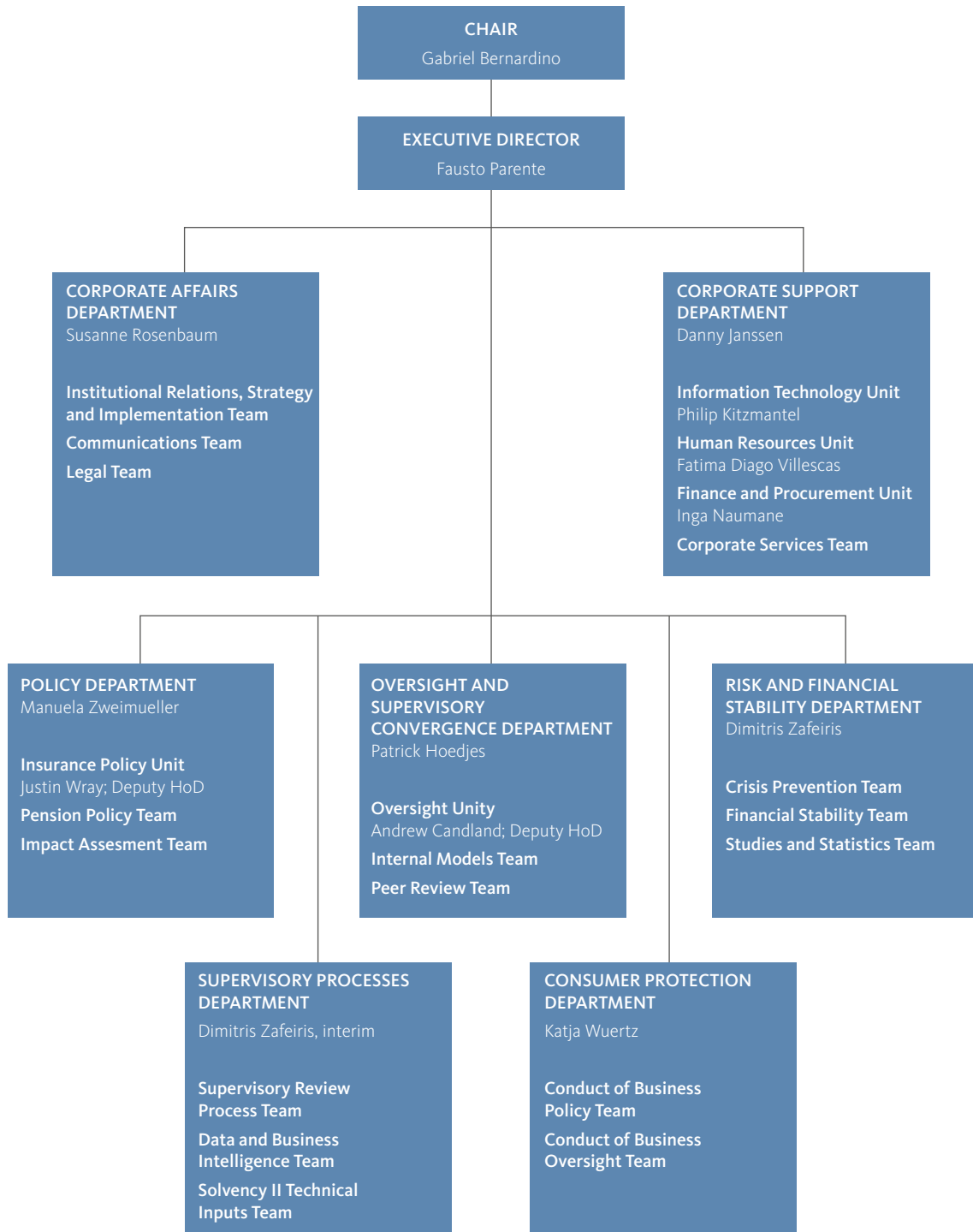
#	Member's Name	Nationality	Institution	Category
21.	<a href="#">Fritz, Teresa</a>	United Kingdom	Financial Services Consumer Panel (FCA) and The Money Advice Service — organisations which exist to provide policy solutions, advocacy, information and money advice for consumers	Consumer
22.	<a href="#">Van Elsen, Greg</a>	Belgium	BEUC, the European Consumer Organisation	Consumer
23.	<a href="#">Więcko-Tułowicka, Małgorzata</a>	Poland	Law Offices of Małgorzata Więcko-Tułowicka — mediation and court proceedings representing consumers	Consumer
24.	<a href="#">Johnsson, Jimmy</a>	Sweden	UNI Europe Finance	Employees representative
25.	<a href="#">Czerwińska, Teresa</a>	Poland	Faculty of management, Warsaw University	Academic
26.	<a href="#">Laeven, Roger</a>	Netherlands	University of Amsterdam	Academic
27.	<a href="#">Materne, Stefan</a>	Germany	Chair for reinsurance and risk management Cologne University of Applied Sciences	Academic
28.	<a href="#">Pelizzon, Loriana</a>	Italy	Research Center SAFE (Sustainable Architecture for Finance in Europe) House of Finance — Goethe University Frankfurt	Academic
29.	<a href="#">Papanikolaou, Ioannis</a>	Greece	Agricultural University of Athens (NatCat expert)	Academic
30.	<a href="#">Van Hulle, Karel</a>	Belgium	KU Leuven and Goethe University Frankfurt (International center for insurance regulation)	Academic

\* Joined the group in 2017.



^ Members of the Insurance and Reinsurance Stakeholder Group

# ANNEX V: ORGANISATIONAL CHART 2017



As at 31 December 2016

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

Function group and grade	Filled as at: 31.12.2016	Filled as at 31.12.2017 *
AD 16	1	1
AD 15	1	1
AD 14	1	1
AD 13	3	3
AD 12	8	8
AD 11	10	10
AD 10	10 (+ 1)	11
AD 9	12	12
AD 8	12	12
AD 7	12	11
AD 6	11	11
AD 5	4	4
<b>AD total</b>	<b>85 (+ 1)</b>	<b>85</b>
AST 11	0	0
AST 10	1 (-1)	0
AST 9	1	1
AST 8	2	2
AST 7	3	3
AST 6	3	3
AST 5	3	3
AST 4	2	2
AST 3	1	1
AST 2	0	0
AST 1	0	0
<b>AST total</b>	<b>16 (- 1)</b>	<b>15</b>
<b>TOTAL</b>	<b>101</b>	<b>100</b>

\* The establishment plan has been filled with a top-down approach, while complying with the maximum number of posts per grade, i.e. AD15 post is filled by a staff member holding a lower grade.

	Filled as at: 31.12.2016	Filled as at: 31.12.2017
<b>CONTRACT AGENTS</b>		
Function Group IV	10	8
Function Group III	8	15
Function Group II	16	11
Function Group I	0	0
<b>TOTAL</b>	<b>34</b>	<b>34</b>
<b>SECONDED NATIONAL EXPERTS</b>		
	16	17

## ANNEX VII: ENTRY LEVEL FOR EACH TYPE OF POST

Key functions (examples)	Type of contract (Official, Temporary Agent (TA) or Contract Agent (CA))	Function group, grade of recruitment	Indication whether the function is dedicated to administration support or policy (operational)
<b>CORE FUNCTIONS</b>			
Head of department	TA	AD 9	Administration support and operational
Head of unit	TA	AD 9	Administration support and operational
Head of sector	n/a	n/a	n/a
Senior officer/ principal expert	TA	AD 9-11	Administration support and operational
Officer/senior expert	TA	AD 7-8	Administration support and operational
Junior officer/expert	TA + CA	AD 5-6 + FG IV	Administration support and operational
Senior assistant	TA + CA	AST 4 + FG III	Administration support
Junior assistant	TA + CA	AST 2 + FG II	Administration support
<b>SUPPORT FUNCTIONS</b>			
Head of administration	TA	AD 12	
Head of human resources	TA	AD 9	
Head of finance	TA	AD 8	
Head of communication	TA	AD 9	
Head of IT	TA	AD 8	
Senior officer/principal expert	TA	AD 9-11	
Officer/senior expert	TA	AD 7-8	
Junior officer/expert	TA + CA	AD 5-6 + FG IV	
Webmaster – editor	CA	FGIV	
Secretary	CA	FGII	
Mail clerk	n/a	n/a	
<b>SPECIAL FUNCTIONS</b>			
Data protection officer	TA	AD 8	
Accounting officer	TA	AD 6	
Internal auditor	n/a	n/a	
Secretary to the director/ personal assistant to the senior management	TA	AST 3	



## ANNEX VIII: STATISTICS FROM JOB SCREENING/ BENCHMARKING EXERCISE

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

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

### CATEGORIES IN AN ADMINISTRATIVE SUPPORT AND COORDINATION ROLE

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

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

CATEGORIES IN A NEUTRAL ROLE

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

CATEGORIES IN A NEUTRAL ROLE

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

## ANNEX IX: ANNUAL ACCOUNTS

### FINANCIAL PERFORMANCE IN 2017

EIOPA's annual accounts have been established in accordance with EIOPA's financial regulation and implementing rules adopted by the MB, The Financial Regulation (EU, Euratom) No 2015/1929 of the European Parliament and of the Council of 30 October 2015 and its rules of application, as well as the accounting rules referred to in Article 143 of Regulation (EU, Euratom) No 2015/1929.

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

#### DISCLAIMER:

**Please note the annual accounts of EIOPA are provisional at the date of establishment of the annual activity report awaiting observations of the external auditor of EIOPA and the opinion of the EIOPA MB.**

### BUDGET RESULT

In 2017, EIOPA only used non-differentiated appropriations. The EIOPA revenue was generated by contributions of the NSAs of the Member States and EFTA countries as well as a subsidy from the European Commission plus other income reaching a total of EUR 24 090 702. Expenditure evaluation was determined by the consumption of commitment appropriations with a total of EUR 24 051 887 of which payments made from the adopted budget represented EUR 21 140 621 and from internal assigned revenue EUR 4 936. Appropriations carried over to 2018 were equal to EUR 2 906 330 and made up for the total expenditure. The out-turn of the financial year was EUR 38 815. This was increased by appropriations cancelled stemming from the prior-year carry over as well as by appropriations available from 2016 internal assigned revenue. Further, adjustments made for foreign-exchange rate differences led to the final budget result of EUR 172 939.

The budget implementation rate for commitments was 99.79 %. That for executed payments reached a level of 88.09 % of the adopted budget and exceeded the target set for 2017. The commitments carried forward to the following year remained at a stable level with 11.71 % (10.71 % in 2016). The payment execution rate of commitments carried forward from 2016 was high and reached 94.53 %.

## STATEMENT OF FINANCIAL PERFORMANCE

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

The economic result of the year is negative with EUR 959 659. As a consequence the reserves accumulated in previous years decreased and stand at EUR 6 602 320 at the date of closure. The main reason for this evolution are non-cash movements such as a high annual amortisation of internally generated software of which development expenditure increased the reserves up to 2016, when these products reached the production phase.

	2017 AMOUNT IN EUR	2016 AMOUNT IN EUR
European Union contribution	9 089 580	8 193 254
Other operating revenue	14 862 103	13 507 855
<b>TOTAL OPERATING REVENUE</b>	<b>23 951 683</b>	<b>21 701 109</b>
<b>Administrative expenses</b>	<b>- 20 264 194</b>	<b>- 18 345 656</b>
All Staff expenses	- 12 979 917	- 11 692 984
Fixed asset related expenses	- 2 417 800	- 1 878 791
Other administrative expenses	- 4 866 477	- 4 773 881
<b>Operational expenses</b>	<b>- 4 621 180</b>	<b>- 3 839 896</b>
Other operational expenses	- 4 621 180	- 3 839 896
<b>TOTAL OPERATING EXPENSES</b>	<b>- 24 885 374</b>	<b>- 22 185 552</b>
<b>SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES</b>	<b>- 933 691</b>	<b>- 484 443</b>
Financial revenues	0	71
Financial expenses	- 25 968	- 119 030
<b>SURPLUS/ (DEFICIT) FROM NON-OPERATING ACTIVITIES</b>	<b>- 25 968</b>	<b>- 118 959</b>
<b>SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES</b>	<b>- 959 659</b>	<b>- 603 402</b>
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>- 959 659</b>	<b>- 603 402</b>

## BALANCE SHEET ASSETS

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

ASSETS	31.12.2017 AMOUNT IN EUR	31.12.2016 AMOUNT IN EUR
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>	<b>4 018 814</b>	<b>5 613 241</b>
<b>Property, plant and equipment</b>	<b>1 222 064</b>	<b>1 525 209</b>
Land and buildings	0	0
Plant and equipment	0	0
Computer hardware	142 088	83 551
Furniture and vehicles	385 162	430 502
Other fixtures and fittings	694 814	1 011 156
Property, plant and equipment under construction	0	0
<b>Long-term receivables and recoverables</b>	<b>0</b>	<b>0</b>
<b>Long-term receivables and recoverables</b>	<b>0</b>	<b>0</b>
Long-term receivables and recoverables with consolidated EC entities	0	0
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5 240 878</b>	<b>7 138 450</b>
<b>CURRENT ASSETS</b>		
<b>Short-term receivables</b>	<b>1 272 997</b>	<b>1 226 942</b>
Current receivables	242 942	294 796
Sundry receivables	21 750	40 076
Pre-paid expenses	0	0
Deferred charges and accrued income	1 008 305	892 070
<b>Short-term pre-financing</b>	<b>0</b>	<b>4 290</b>
Short-term pre-financing	0	4 290
<b>Cash and cash equivalents</b>	<b>2 653 400</b>	<b>2 129 157</b>
<b>TOTAL CURRENT ASSETS</b>	<b>3 926 397</b>	<b>3 360 389</b>
<b>TOTAL</b>	<b>9 167 275</b>	<b>10 498 839</b>

**BALANCE SHEET LIABILITIES**

LIABILITIES	31.12.2017 AMOUNT IN EUR	31.12.2016 AMOUNT IN EUR
<b>CAPITAL</b>	<b>6 602 320</b>	<b>7 561 979</b>
Accumulated surplus/deficit	7 561 979	8 165 381
Economic result for the year – profit+/loss	– 959 659	– 603 402
<b>TOTAL</b>	<b>6 602 320</b>	<b>7 561 979</b>
<b>NON-CURRENT LIABILITIES</b>	<b>1 511 736</b>	<b>1 773 353</b>
Provisions for risks and charges	551 814	628 978
Other financial liabilities	92 868	86 088
Accrued charges and deferred income	867 054	1 058 287
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1 511 736</b>	<b>1 773 353</b>
<b>CURRENT LIABILITIES</b>	<b>1 053 219</b>	<b>1 163 507</b>
Provisions for risks and charges	0	0
<b>Accounts payable</b>	<b>1 053 219</b>	<b>1 163 507</b>
Current payables	16 846	9 223
Sundry payables	13 511	13 504
Accrued charges and deferred income	849 494	870 050
Accrued charges with consolidated EU entities	429	2 595
Accounts payable with consolidated EU entities	172 939	268 135
Pre-financing received from consolidated EU entities	172 939	268 135
<b>TOTAL CURRENT LIABILITIES</b>	<b>1 053 219</b>	<b>1 163 507</b>
<b>TOTAL</b>	<b>9 167 275</b>	<b>10 498 839</b>

## CASH FLOW TABLE (INDIRECT METHOD)

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

	2017 AMOUNT IN EUR	2016 AMOUNT IN EUR
<b>CASH FLOWS FROM ORDINARY ACTIVITIES</b>		
<b>Surplus/(deficit) from ordinary activities</b>	<b>- 959 659</b>	<b>- 603 402</b>
<b>Operating activities</b>		
<b>Adjustments</b>		
Amortisation (intangible fixed assets) +	1 859 794	1 392 606
Depreciation (tangible fixed assets) +	558 006	485 351
Increase/(decrease) in long-term provisions for risks and liabilities	- 77 164	19 434
Increase/(decrease) in short-term provisions for risks and liabilities	0	0
(Increase)/decrease in inventories	0	0
(Increase)/decrease in long-term pre-financing	0	0
(Increase)/decrease in short-term pre-financing	4 290	- 4 290
(Increase)/decrease in long-term receivables and recoverables	0	0
(Increase)/decrease in Short-term Receivables and recoverables	- 44 790	352 992
(Increase)/decrease in receivables related to consolidated EU entities	- 1 265	- 127
Increase/(decrease) in value reduction for doubtful debts	0	0
Increase/(decrease) in long-term financial liabilities	6 781	86 087
Increase/(decrease) in short-term financial liabilities	0	0
Increase/(decrease) in other long-term liabilities	- 191 234	- 108 967
Increase/(decrease) in other short-term liabilities (accrued charges and deferred income)	- 22 722	- 630 604
Increase/(decrease) in short-term payables	7 630	- 50 968
Increase/(decrease) in Liabilities related to consolidated EU entities	- 95 196	- 258 083
Other non-cash movements	0	0
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1 044 471</b>	<b>680 029</b>

	2017 AMOUNT IN EUR	2016 AMOUNT IN EUR
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase)/decrease in intangible assets and property, plant and equipment	- 520 228	- 1 240 690
Other proceeds from intangible assets and property, plant and equipment	0	0
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>- 520 228</b>	<b>- 1 240 690</b>
<b>INCREASE/(DECREASE) IN EMPLOYEE BENEFITS</b>		
Net increase/(decrease) in cash and cash equivalents	524 243	-560 661
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>2 129 157</b>	<b>2 689 818</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>2 653 400</b>	<b>2 129 157</b>

## STATEMENT OF CHANGES IN NET ASSETS

NET ASSETS	Accumulated surplus/deficit AMOUNT IN EUR	Economic result of the year AMOUNT IN EUR	Net assets (total) AMOUNT IN EUR
<b>Balance as of 31 December 2016</b>	<b>8 165 381</b>	<b>- 603 402</b>	<b>7 561 979</b>
Other	0	0	0
Fair value movements	0	0	0
Movement in guarantee fund reserve	0	0	0
Allocation of the economic result of previous year	- 603 402	603 402	0
Amounts credited to Member States	0	0	0
Economic result of the year	0	- 959 659	- 959 659
<b>Balance as of 31 December 2017</b>	<b>7 561 979</b>	<b>- 959 659</b>	<b>6 602 320</b>



## ANNEX X: ACCESS TO DOCUMENTS (ATD) REPORT 2017

### INITIAL REQUESTS IN 2016

NUMBER OF RECEIVED APPLICATIONS AND OF IDENTIFIED DOCUMENTS, AS REQUESTED <sup>(?)</sup>

Number of requested applications	Number of identified documents
2	27

OUTCOME OF THE APPLICATIONS IN NUMBER OF DOCUMENTS <sup>(®)</sup>

Full disclosure	0
Partial disclosure *	1
Refusal	26
Decision pending	0
No existing/possession of document	0
Document already publicly available	0

\* Only personal data from the document has been redacted. Otherwise, the whole content of the document was fully disclosed.

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

<sup>(®)</sup> The figures do not necessarily coincide with the figures set out in the first table as a non-quantified ATD application sometimes concerns more than just one document; hence the outcome relating to each document may differ.

## CONFIRMATORY REQUESTS IN 2016

NUMBER OF RECEIVED APPLICATIONS AND OF IDENTIFIED DOCUMENTS,  
AS REQUESTED

Number of requested applications	Number of identified documents
1	26

OUTCOME OF THE APPLICATIONS IN NUMBER OF DOCUMENTS

Confirmation	1
Partial revision	0
Full revision	0

## ANNEX XI: OPINIONS AND REPORTS PUBLISHED IN 2017

DATE	OPINION
7.2017	Opinion to Institutions of the European Union on the harmonisation of recovery and resolution frameworks for (re)insurers across the Member States
7.2017	Opinion on supervisory convergence in light of the United Kingdom withdrawing from the European Union
12.2017	Opinion on monetary incentives and remuneration between providers of asset management services and insurance undertakings
12.2017	Opinion on the supervisory assessment of internal models including a dynamic volatility adjustment (DVA)
12.2017	Opinion on service continuity in insurance in light of the withdrawal of the United Kingdom from the European Union

DATE	REPORT
2.2017	Final report on technical advice on possible delegated acts concerning the insurance distribution directive
2.2017	Final report on consultation paper on draft implementing technical standards on the insurance-product-information document
3.2017	2016 market-development report on occupational pensions and cross-border IORPs
4.2017	Specification of the methodology to derive the UFR
4.2017	Report on thematic review on monetary incentives and remuneration between providers of asset management services and insurance undertakings
5.2017	Final report on consultation paper No 16/003 on the methodology to derive the ultimate forward rate and its implementation
7.2017	Summary of EIOPA InsurTech Roundtable: How technology and data are reshaping the insurance landscape
10.2017	Final report on guidelines under the insurance distribution directive on Insurance-based investment products that incorporate a structure which makes it difficult for the customer to understand the risks involved
11.2017	Investment-behaviour report
12.2017	Sixth consumer-trends report
12.2017	Report on long-term guarantees measures and measures on equity risk 2017
12.2017	Report on the use of limitations and exemptions from reporting 2017
12.2017	Report on the use of capital add-ons 2017



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**EUROPEAN INSURANCE AND  
OCCUPATIONAL PENSIONS AUTHORITY**

Westhafenplatz 1,  
60327 Frankfurt am Main, Germany



Publications Office