

EIOPA'S COLLEGE ACTIVITIES IN 2023 AND FOCUS IN 2024

This factsheet offers a summary of the main activities EIOPA carried out in 2023 as a member of the colleges of supervisors. It highlights the importance of efficient and effective coordinated supervision of cross-border insurance groups in the EU and provides an overview of the main developments and the key topics discussed in the colleges.

EVOLUTION OF THE NUMBER OF COLLEGES

The number of colleges continues to decrease in 2023

The number of colleges has been steadily decreasing over the past three years primarily because of changes in the business strategy.

These changes include mergers and acquisitions, transformation activities such as branching out, and changes in the location of the head office. They are aimed at simplifying the structure of the insurance group.

A trend worth noting is the transformation of subsidiaries into branches. Such developments increase the need for EIOPA to facilitate the cooperation and the exchange of information between the home and host supervisory authorities, both for ongoing supervision and under more specific circumstances.

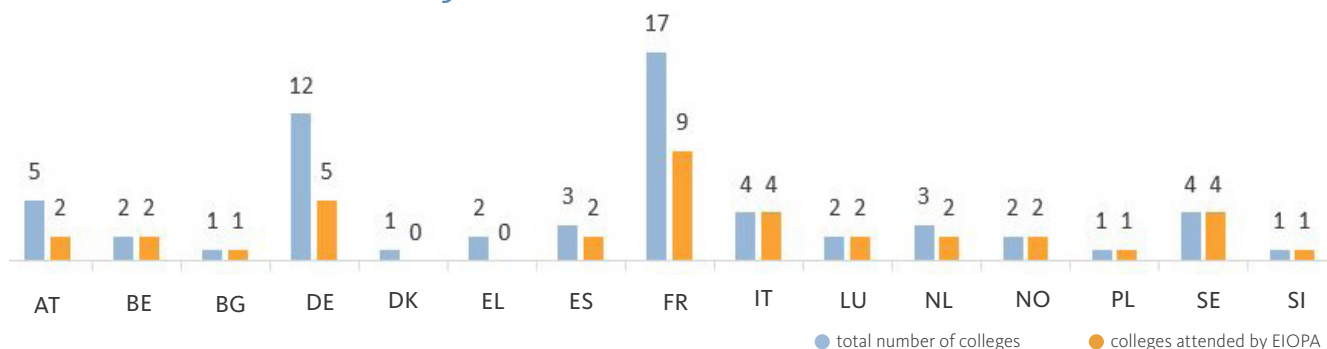
NUMBER OF COLLEGES IN THE EEA



EIOPA's engagement has been high in 2023, with an active involvement in more than 60% of the total number of colleges.

The graph below shows EIOPA's participation in colleges compared to colleges by NCAs acting as group supervisors.

PARTICIPATION IN COLLEGES IN 2023 COMPARED TO THE TOTAL NUMBER OF COLLEGES BY NCAs



EIOPA'S ROLE IN COLLEGES AND GOOD PRACTICES OBSERVED

As a member of colleges, EIOPA participates in the direct oversight of international insurance groups and plays a particular role in colleges.

More specifically, EIOPA:

- > promotes effective and efficient supervisory activities to evaluate risks to which groups are or might be exposed
- > oversees the tasks carried out by the national competent authorities (NCAs)
- > monitors and promotes convergence of supervisory practices related to group supervision.

One of the key objectives of the college is to achieve a shared view on the risk profile, on the solvency and on vulnerabilities of the group from a short-, medium- and long-term perspective and to understand how risks can spill over from other sectors.

The main roles and responsibilities of college members and participants are described in Solvency II Directive and Delegated Regulation.

EIOPA supports and encourages NCAs to make use of **good supervisory practices** in order to adjust their approach where necessary.

Examples of good practices:

Joint risk assessment and coordinated supervisory activities

- > Identification of risks in the joint risk assessment and clear link between such assessment and the supervisory actions included in the college workplan
- > Joint activities which increase the convergence in supervisory practices and foster shared view on main risks and vulnerabilities, such as college-wide thematic deep dives or joint-onsite examinations
- > Set-up of specialised teams on particular topics, such as changes to internal models

Assessment and integration of all risks specific to the group

- > Assessment how risks from different sectors or specific risks such as conduct of business, could spill over or impact the group.

Break-out sessions

- > Break-out sessions allowing participants to discuss about supervisory concerns related to local markets and to raise awareness about group specific risks.
- > The outcomes of break-out sessions often provides a good basis for the Q&As session with the group representatives.

Group risk report

- > Extensive group risk report, supported by quantitative and qualitative assessment following the outcome of the joint risk assessment, using both a top-down and a bottom-up approach.

Joint college letter to the group management

- > Letter to the group management summarising the main supervisory messages, expectations and follow-up actions.

FOCUS AREAS IN 2023

The main focus of college work in 2023 was on the developments of the macro-economic environment and specific risks, as well as on other areas, including sustainability and climate change and the impact this has on groups.

Outcome of the discussions per topic:

- > The impact of the inflation is translated in higher claims costs in non-life insurance. This adds profitability pressure and may result in the increase of group's combined ratios.

> The rise of interest rates is largely affecting the life insurance segment due to the fixed rate assets and the long duration of the liabilities of the groups and increasing the solvency capital requirements of some submodules of the life risk, predominantly longevity risk and lapse risk of the traditional life products.

> In general, groups showed resilience and rather strong capitalisation over the last year, the average SCR ratio remained stable with a very slight increase by 1pp. (Q4 2023 y-o-y, from 223% to 224%).

- > Some groups are recognising depreciation of their real estate exposures, but as real estate risks might materialise very slowly, the impact on profits and capital figures is still not clear.
- > The risk transfer, especially for non-standard reinsurance treaties used to mitigate the mass lapse risk, requires proper supervisory assessment of its effectiveness and justification of reduction in the Solvency Capital Requirements (SCR).
- > Sustainability and climate change risks persist and despite improved awareness, further work to integrate climate change

into risk appetite, capital management, and/or business planning frameworks of the groups is required.

- > As part of the college work, further cooperation between the supervisors from different sectors in case of a financial conglomerate or when deemed relevant is recommended by EIOPA. The aim is to strengthen the overall group's risk assessment frameworks and inclusion of risks stemming from other sectors or other risk areas such as conduct of business is crucial.

EIOPA'S FOCUS AREAS IN 2024

In 2024, special focus will be given to the following activities, based on the Union-wide Strategic Supervisory Priorities:

Continuous monitoring of the impact of the macroeconomic environment on groups solvency, financial robustness, liquidity and the viability of the business model

Ensuring adequacy of groups risk management framework and the risk mitigation techniques used by groups, including the appropriateness of risk transfers

Putting in place customer-centric product design processes that offer value for money, including in relation to inflation and current macro-economic trends

In addition, the following topics, where relevant, will be considered:

- > Developments of the real-estate market and the impact on the groups.
- > Digital transformation and implementation of the Digital Operational Resilience Act.
- > Continue sustainability and climate change discussions, including the ORSA reviews and climate change scenarios.
- > Other relevant groups conduct of business topics e.g., follow-up work of the thematic review on credit protection insurance products (CPI) sold via banking distribution channels.
- > IM related workshops where groups are major users especially where observations have been identified in comparative studies.

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CONTACT US

Westhafenplatz 1,
 60327 Frankfurt am Main Germany
<https://www.eiopa.europa.eu/>

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