It is with regret but also pride to note that this is the last annual report published by CEIOPS, the Committee of European Insurance and Occupational Pensions Supervisors. By the time you read these pages, the Committee has been succeeded by EIOPA, the European Insurance and Occupational Pensions Authority. The formation of EIOPA, which is part of the new European System of Financial Supervision, is a milestone bound to achieve effective and consistent regulation and supervision, taking into account the varying interests of all Member States and the different nature of financial institutions. Strengthening financial supervision in the European Union has one main goal: to support the stability of the financial markets in order to protect policyholders, pension scheme members and other beneficiaries.

Looking back to 2010, it is probably not surprising that Solvency II again was one of the main projects that absorbed much of our attention. CEIOPS is perhaps best known for its contributions to this project, which has spanned much of CEIOPS’ existence, since its foundation back in 2004. CEIOPS continues to strongly believe that Solvency II, as a modern risk-oriented regime, is the answer to the main questions posed by the crisis. But there is still much to do before the implementation of Solvency II in 2013. I would argue that we should find a prudent balanced approach to the calibration of capital requirements. The second element that I find fundamental is the reassessment of the level of complexity and finally, the development of appropriate transitional measures. The analysis of the QISS exercise and its final report will shed some light on these questions. And EIOPA will play an active role in assuring that EU insurance supervisors adopt a convergent approach to Solvency II.

Of course, Solvency II is not the only important policy area in the field of EU insurance supervision. Over the next 12 months, we can expect other important legislative initiatives from the European Commission, such as a revised Insurance Mediation Directive and proposals for regulating the disclosure and sale of Packaged Retail Investment Products. EIOPA will be ready to continue the work on these different subjects.

And it has been a busy year for CEIOPS in its other core area of responsibility: Occupational Pensions. The European Commission’s Green Paper on pensions marks the start of a process to modernize and further integrate the regulatory and supervisory framework for European Pensions. The overarching objectives of the pension reforms will be to strengthen the EU internal market for pensions and to ensure that pension systems are adequate and sustainable, delivering security in retirement to millions of EU citizens. We acknowledge that pensions are a complex topic and various impacts need to be recognized. I believe that CEIOPS’ work has provided to all of us a better understanding of the different regimes and will be of utmost relevance for the work to come. Its successor, EIOPA and its Members are a source of considerable expertise and information about pensions matters and stands ready to assist the European Commission in this area.

CEIOPS worked hard to expand capacities, add expertise and infrastructure and laid the ground work to respond to the new tasks and powers under EIOPA. The new Authority will be diligent in the field of colleges, consumer protection, crisis management and will assume an enhanced international role. The existing mechanisms for Level 3 cooperation will be formalized under a Joint Committee with the right to initiate the proposal of draft regulatory standards, thus contributing to the creation of a single EU rule book.

The EU has put forward ambitious and comprehensive proposals for reforming financial supervision. It’s a brave new world. We are ready.

Gabriel Bernardino
CEIOPS Chairman
ISP, Portugal
MESSAGE FROM THE SECRETARY GENERAL

At CEIOPS, we completed an exciting and eventful year. Not only has 2010 been an important, but – not surprisingly – a very busy year with significant emphasis on issues of convergence, financial stability and consumer protection. It needed a dedicated, diligent and skilled team to deliver on the high expectations that were put on us.

Throughout 2010, we had the pleasure to have been involved in the transition to the new European Insurance and Occupational Pensions Authority (EIOPA), part of the new European System of Financial Supervisors that will assume all of the tasks and competences of CEIOPS. To prepare for this important step, we first and foremost invested in further strengthening our team and almost doubled the number of experts in the CEIOPS Secretariat. Another important component is our technology. We put great effort into further developing our infrastructure and website, which positions us well for future demands.

One of the major regulatory projects remains Solvency II. While this project involves many different aspects, I would like to highlight the fifth Quantitative Impact Study (QIS5). By the end of December 2010, we had completed the first phase of the study and were proud to confirm that almost 70% of all insurance and reinsurance companies under the scope of the Solvency II directive participated in QIS5. That is an increase from the fourth Quantitative Impact Study that was conducted in 2008 and represents a significant market share. We appreciate the broad participation of the industry because this is a key factor to ensure that current options tested under QIS5 are properly taken forward. The results from QIS5 will provide valuable input to help refine the calibration of the Solvency Capital Requirement standard formula as well as the requirements for technical provisions and own funds in the level 2 implementing measures.

In the area of Convergence, I would like to highlight that we delivered to the European Institutions the Convergence Roadmap for 2010. This Roadmap outlined the specific commitments of CEIOPS’ Committees and Working Groups. The 2010 Convergence Report highlights that CEIOPS remains committed to the promotion of supervisory convergence among the Member States of the European Union.

Convergence has also been of increasing importance in the work of our three Level 3 Committees (3L3). To ensure cross-sectoral consistency in the activities of all 3L3 Committees, we coordinated closely in the area of financial conglomerates and other cross-sectoral matters. Cooperation, joint work and regular exchange of information with its sister organizations will remain a commitment for CEIOPS and its successor EIOPA.

We are delighted to provide a summary of all our activities and achievements with this report. None of this work would have been possible without the active and valuable support of CEIOPS’ Members. While 2010 is the last formal year for CEIOPS, I am confident that we will experience a smooth transition into EIOPA. With a strengthened team and the continued support of all Members, EIOPA will continue to achieve its targets.

Carlos Montalvo Rebuelta

DGSFP, Spain
3

CEIOPS OVERVIEW

3.1 Introduction

The Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) was established in 2004 as a ‘Level 3’ Committee following the extension of the so-called ‘Lamfalussy approach’ to the field of insurance, reinsurance and occupational pensions. CEIOPS continued to advise the European Commission, either at the Commission’s request or its own initiative in the areas of preparing implementing measures, issue guidelines, recommendations and standards. The permanent structure of CEIOPS was represented by its Secretariat, which assisted the Managing Board and Working Groups in carrying out their tasks. The Secretariat also acted as coordinator in the dialogue with market participants and maintains relations with the European Commission and other third parties. In addition to its supervisory project the CEIOPS Secretariat was heavily involved in preparing the transition to the European Insurance and Occupational Pensions Authority (EIOPA), which succeeded CEIOPS on 1 January 2011.

3.2 Managing Board

The Managing Board is the body with responsibility for progressing CEIOPS’ business by implementing the resolutions passed by CEIOPS’ Members. Its composition underwent considerable change over the past year. CEIOPS’ Vice Chair Antoine Mantel (France) and Managing Board member Tony Hobman (United Kingdom) stepped down from their positions in spring 2010 as they pursued new opportunities at national level.

In July 2010, CEIOPS Members elected Damian Jaworski (KNF, Poland) and Bill Galvin (TPR, United Kingdom) as new Managing Board members. On the same occasion, Joanne Kellermann (DNB, Netherlands) was elected as CEIOPS’ Vice-Chair. In June 2010, Michel Flamee (CBFA, Belgium) was appointed as CEIOPS’ Internal Auditor.

In 2010, the Managing Board met nine times and conducted additional telephone conferences in order to co-ordinate CEIOPS’ transition to EIOPA, discuss regular work as well as address demands at short notice from the EU political institutions.

From July 2010, CEIOPS Managing Board was comprised of the following members: Gabriel Bernardino, Chair (ISP, Portugal), Joanne Kellermann, Vice-Chair (DNB, Netherlands), Bill Galvin (TPR, United Kingdom), Damian Jaworski (KNF, Poland), Flavia Mazzarella (ISVAP, Italy) and Kaido Tropp (FSA, Estonia). Raffaele Capuano (COVIP – Italy) has been invited to participate in Managing Board meetings on matters related to transition to EIOPA in his capacity as the Chair of CEIOPS’ Convergence Committee.
3.3 Members Meeting

The respective national supervisory authorities in the field of insurance and occupational pensions in each Member State of the European Union designated a senior representative to participate in CEIOPS as Member. CEIOPS’ Members Meeting is its main decision-making body. Four Members Meetings were held over the reporting period.

The key decisions taken are outlined below:

<table>
<thead>
<tr>
<th>Date</th>
<th>Decision</th>
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<tbody>
<tr>
<td>Frankfurt,</td>
<td>Approval of consumer protection survey on complaints</td>
</tr>
<tr>
<td></td>
<td>Endorsement of a mandate for an OPC workstream on PRIPs and pensions.</td>
</tr>
<tr>
<td>Frankfurt,</td>
<td>Endorsement of CEIOPS Advice for Level 2 Implementing Measures on Solvency II: Calibration</td>
</tr>
<tr>
<td>29/30 March 2010</td>
<td>of the MCR; Calibration of the Health-Underwriting Risk; Calibration of the Non-Life Underwriting Risk.</td>
</tr>
<tr>
<td></td>
<td>Approval of the draft QISS Technical Standards</td>
</tr>
<tr>
<td></td>
<td>Endorsement of CEIOPS Advice for Level 2 Implementing Measures on Solvency II: Technical</td>
</tr>
<tr>
<td></td>
<td>Criteria for Assessing 3rd Countries.</td>
</tr>
<tr>
<td></td>
<td>Approval of the revised report on the functioning of Colleges of Supervisors.</td>
</tr>
<tr>
<td></td>
<td>Approval of the OPC’s draft paper on practical issues surrounding cross-border activity of</td>
</tr>
<tr>
<td></td>
<td>IORPs for submission to the European Commission.</td>
</tr>
<tr>
<td></td>
<td>Approval of the OPC policy options paper on PRIPs and pensions for submission to the European</td>
</tr>
<tr>
<td></td>
<td>Commission.</td>
</tr>
<tr>
<td></td>
<td>Approval of the extension of the Consultative Panel mandate until EIOPA is in place.</td>
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<tr>
<td>Tallinn,</td>
<td>Approval of the 2010 updated report on developments in the market for cross-border IORPs.</td>
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<tr>
<td>1/2 July 2010</td>
<td>Approval of the analysis on ring-fencing arrangements in stress situations related to</td>
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<td></td>
<td>Occupational Pensions.</td>
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<td></td>
<td>Approval of Solvency II reports addressing the level of preparation of supervisors.</td>
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<tr>
<td></td>
<td>Election of Damian Jaworski (PL) and Bill Galvin (UK) as members of the Managing Board.</td>
</tr>
<tr>
<td></td>
<td>Election of Joanne Kellermann (NL) as vice-chair of the Managing Board.</td>
</tr>
<tr>
<td>Frankfurt,</td>
<td>Approval of the variable annuities report for public consultation.</td>
</tr>
<tr>
<td>9/10 November 2010</td>
<td>Approval of the methodology on equivalence assessment.</td>
</tr>
<tr>
<td></td>
<td>Approval of draft Advice to the European Commission on the Insurance Mediation Directive (IMD).</td>
</tr>
<tr>
<td></td>
<td>Approval of CEIOPS’ response to the Green Paper on pensions.</td>
</tr>
<tr>
<td></td>
<td>Approval of the OPC report on Management Oversight and Internal Controls applicable to IORPs.</td>
</tr>
<tr>
<td></td>
<td>Approval of a summary note on cross-border IORPs, to accompany the earlier practical issues</td>
</tr>
<tr>
<td></td>
<td>paper, for submission to the European Commission.</td>
</tr>
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</table>
3.4 Consultative Panel

CEIOPS’ Consultative Panel plays an essential role in ensuring the Committee’s accountability and transparency, and is a valuable source of impartial comment, advice and guidance on CEIOPS’ policy-making process.

In 2010, the Consultative Panel continued to provide CEIOPS and the EU political institutions with valuable and timely input into the two largest topics of debate, namely: the reform of European financial supervision including transition to EIOPA and the Solvency II directive including QIS5, which was the largest project undertaken by CEIOPS in 2010.

The composition of the current Consultative Panel was approved by CEIOPS Members in March 2008 for a term of two years. In preparation for the transition to the new European Insurance and Occupational Pensions Authority (EIOPA), CEIOPS Members decided in their March Meeting to extend the existing mandate until the formal establishment of the new Authority.

In April 2010, Mrs. Kristie Kaneparo resigned from the Consultative Panel and was replaced by her proxy Mr. Alberto Corinti. Both Mrs. Kaneparo as well as Mr. Corinti were nominees endorsed by the European Insurance and Reinsurance Federation, CEA.

At the end of December 2010, the composition of the Consultative Panel, chaired by Mr. Gérard de la Martinière, was as follows:

<table>
<thead>
<tr>
<th>Association</th>
<th>Members</th>
<th>Country</th>
<th>Proxies</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEA</td>
<td>Corinti, Alberto</td>
<td>IT</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>AMICE</td>
<td>Bonnet, Yanick</td>
<td>FR</td>
<td>Pozniak, Gregor</td>
<td>AT</td>
</tr>
<tr>
<td>BIPAR</td>
<td>Carty, Paul</td>
<td>IE</td>
<td>Hough, David</td>
<td>UK</td>
</tr>
<tr>
<td>AEIP</td>
<td>Gabellieri, Bruno</td>
<td>FR</td>
<td>Borgdorff, Peter</td>
<td>NL</td>
</tr>
<tr>
<td>FEE</td>
<td>Geib, Gerd</td>
<td>DE</td>
<td>Ellenburger, Frank</td>
<td>DE</td>
</tr>
<tr>
<td>GCAE</td>
<td>Creedon, Seamus</td>
<td>UK</td>
<td>Goossens, Karel</td>
<td>BE</td>
</tr>
<tr>
<td>EFRP</td>
<td>Ray, Martin</td>
<td>UK</td>
<td>Peapel, Nigel</td>
<td>UK</td>
</tr>
<tr>
<td>AMICE</td>
<td>Kalpala, Asmo</td>
<td>FI</td>
<td>Paakkanen, Markku</td>
<td>FI</td>
</tr>
<tr>
<td>ETUC</td>
<td>Lourdelle, Henri</td>
<td>FR</td>
<td>Kiec, Gerald</td>
<td>AT</td>
</tr>
<tr>
<td>EFPR</td>
<td>Maassen, Jaap</td>
<td>NL</td>
<td>Verhaegen, Chris</td>
<td>BE</td>
</tr>
<tr>
<td>BELIC</td>
<td>McAteer, Nick</td>
<td>UK</td>
<td>Foley, Anne</td>
<td>FR</td>
</tr>
<tr>
<td>CRO Forum</td>
<td>Pias, Patricia</td>
<td>BE</td>
<td>Lemort /seder, Robert</td>
<td>DE</td>
</tr>
<tr>
<td>Seganti, Federica</td>
<td>IT</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Business Europe</td>
<td>Stephens, Jim</td>
<td>UK</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>CEA</td>
<td>Wehling, Axel</td>
<td>DE</td>
<td>Gladysz, Andrej</td>
<td>PL</td>
</tr>
</tbody>
</table>

3.5 Permanent Committees and Expert Groups

To execute CEIOPS’ ambitious work programme the Committee maintained its operational structure under which Working Groups, Expert Groups and Task Forces were working on a specific set of goals, tasks and responsibilities.

In 2010, CEIOPS continued to coordinate eight Working Groups, four of which dealt with Solvency II-related issues. Four of these eight Working Groups were so called Permanent Committees, who worked on areas agreed by CEIOPS Members. The other four Working Groups were so-called Expert Groups that were usually in charge of a task under a specific mandate and are usually disbanded once its tasks are accomplished. Respectively, the Chair of the CEIOPS Convergence Committee (ConCo), Raffaele Capuano, informed CEIOPS Members in December 2010 that the ConCo Committee had completed its mandate and suggested to close down the committee.

To execute CEIOPS’ ambitious work programme the Committee maintained its operational structure under which Working Groups, Expert Groups and Task Forces were working on a specific set of goals, tasks and responsibilities.
3.6 CEIOPS Secretariat

At the centre of the organisational structure of CEIOPS was its Secretariat. The Secretariat provided support and information to CEIOPS’ Members and assists the Managing Board and the Working Groups with their duties. The Secretariat’s experts also coordinated reports and communications, dialogues with market participants, consumers and responded to requests from the European Commission and participated in expert groups on the European level.

In preparation for the transition to EIOPA, the CEIOPS Secretariat grew from 16 team members at the end of 2009 to 28 by 31 December 2010.

Team of 31 December 2010

Management: Carlos Montalvo Rebuelta (Secretary General, DGSFP, Spain), Patrick Hoedjes (Deputy Secretary General, DNB, Netherlands, replacing Gerlinde Taurer, FMA, Austria, who was Deputy Secretary General until 31 March 2010).

Team: Giulia Conforti (Spain), Catherine Coucke (Belgium), David Cowan (FSA, United Kingdom), Simona Dascalu (Romania), Sandra Desson (DNB, Netherlands), Fatima Diago Villescás (Spain), Gerd Fassauer (Germany), Sylvia Geiger (Germany), Dora Il’tcheva (Bulgaria), Perrine Kaltwasser (ACP, France), Cristina Kluge (Germany), Stefan Knapp (Germany), Deborah Krapf (United Kingdom), Iwona Krasniewska (Poland), Jarl Kure (Finanstilsynet, Denmark), Tanja Leimbach (Germany), Lay Peng Lim (FSA, United Kingdom), Juan Lumbreras (DGSFP, Spain), Kerstin Maier (Germany), Sophia Milili-Makrydakis (Greece), Daniel Perez (DGSFP, Spain), Sybille Reitz (Germany), Tilmann Roth (Germany), Pamela Schuermans (Belgium), Teresa Turner (TPR, United Kingdom), Pierre-Jean Vouette (ACP, France).
3.7 CEIOPS and the Political Institutions

3.7.1 CEIOPS contribution to the reform of the EU financial supervisory architecture

Unsurprisingly, the reform of the EU financial supervisory architecture has been at the forefront of CEIOPS’ activities during 2010, not least because CEIOPS was in charge of the rotational co-ordination of 3L3 activities from 1 July 2010 until 31 December 2010. Together with the other Lamfalussy Level 3 Committees – CESR and CEBS – CEIOPS actively followed and co-ordinated, where necessary, developments in relation to the proposals setting up the new European Supervisory Authorities (ESAs).

In this respect, the Level 3 Chairs and their respective Secretary Generals and Secretariats regularly convened conference calls, exchanged briefings and met on several occasions in advance of meetings with the EU political institutions. Several meetings were held during 2010 with European Commissioner for Internal Markets and Services, Michel Barnier, the Chairwoman of the European Parliament’s Economic and Monetary Affairs Committee, Sharon Bowles and the President of the European Central Bank, Jean-Claude Trichet.

The Level 3 Committees also provided input into the political process by submitting on 18 June 2010 a detailed paper to the EU political institutions involved in the trilogue discussions outlining their specific concerns on the basic questions of the clear assignment of responsibilities to the ESAs, their accountability and their independence.

CEIOPS also worked intensively with its sister committees over the past year in preparing for the transition to the ESAs. This has involved regular communication between the three Committees over a variety of topics such as internal governance of the ESAs, enhanced co-operation with the European Systemic Risk Board (ESRB), crisis management powers, human resources and budgetary issues and the rules of procedure of the so-called Joint Committee of the ESAs.

3.7.2 CEIOPS and the Council of the European Union

Throughout 2010, CEIOPS regularly attended the meetings of the Financial Services Committee (FSC) and was invited to attend most meetings of the Economic Financial Committee (EFC) in order to discuss issues such as financial market developments, crisis management (e.g. stress testing) and international regulatory dialogue.

Together with the other Level 3 Committees, CEIOPS submitted to the EFC Financial Stability Table of 20/21 September 2010 a sectoral risk report together with a 3L3 cross-sectoral risks cover note and an update report on 3L3 Members’ experience of non co-operative jurisdictions within their regulatory/supervisory competencies.

3.7.3 CEIOPS and the European Commission

2010 was a year of very close co-operation and co-ordination of efforts with the European Commission, particularly on Level 2 advice on implementing measures under Solvency II, including running the fifth Quantitative Impact Study (QIS5) between July and November 2010. There was also extensive reporting on financial stability matters and consumer protection issues in the insurance and occupational pensions sectors, as well as specific reporting on issues affecting occupational pensions in the EU.

3.7.4 CEIOPS and others

As in previous years, in 2010, CEIOPS’ Chair, Managing Board, Working Group Chairs, Secretariat and Member delegates, continued to represent CEIOPS at various events in Europe and internationally. This involved speeches and presentation at official EU public hearings, various industry conferences, seminars and receptions, as well as dialogues with third country counterparts. The demand for CEIOPS’ contribution to these events has continued to grow since last year.
EIOPA is commissioned to monitor and identify trends, potential risks and vulnerabilities stemming from the micro-prudential level, across borders and across sectors.

To achieve its ambitious goals, EIOPA was established as an Authority with own legal personality as well as administrative and financial autonomy. EIOPA is an independent advisory body to the European Parliament and the Council of the European Union; its Chairperson and Executive Director are independent executives. Under the new umbrella, EIOPA can develop draft regulatory and implementing technical standards and issue guidelines and recommendations on the application of EU law; it can require national supervisory authorities to take specific actions to remedy an emergency situation and settle disagreements in cross-border situations between authorities.

To account for the specific conditions in national markets and the nature of financial institutions, the European System of Financial Supervisors is an integrated network of national and European supervisory authorities that provides the necessary links between the macro- and micro-prudential levels, leaving day-to-day supervision to the national level. EIOPA is governed by its Board of Supervisors, which integrates the relevant national authorities in the field of insurance and occupational pensions in each Member State. It is further directed by its Management Board, which comprises six members of the Board of Supervisors and EIOPA’s Chairperson.

Due to its status as an agency of the European Union, EIOPA will further enhance its organisation and infrastructure to respond to increased demands for transparency, accountability and policy work. Measures include staff development, investment in technology, further improvement to the functionality of the web site and evaluating the creation of databases and document services.

EIOPA’s tasks and responsibilities are defined in the Regulation 1094/2010 of November 2010.
5.1 Introduction

Transparency and accountability are important features for CEIOPS and both measures are strongly aligned. Transparency and accountability support CEIOPS’ commitment to achieve the overall goals of strengthening the financial system by harmonizing markets and applying a common rulebook. Achieving these goals will ultimately serve the citizens of the European Union.

CEIOPS’ accountability is ensured through different tools. One of the main instruments for CEIOPS is peer reviews, conducted by the CEIOPS Review Panel that is mandated to help monitoring the implementation of supervisory provisions and to monitor convergence in supervisory practices (see chapter 10). Additionally, CEIOPS supported the Consultative Panel, which is a valuable source of comment, advice and guidance on CEIOPS’ policy making process (see chapter 3.4). This strong tool is supported by public consultations that are conducted to ensure implementation of the views and concerns of all stakeholders.

In addition to the Consultative Panel and public consultations, CEIOPS’ annual conference provides the opportunity for exchange of opinion with various stakeholders (see chapter 12.4). An essential tool to access the extensive scope of information is the web site that has been completely overhauled and was re-launched at the end of 2010.

5.2 Public Consultations

Some of the CEIOPS activities within the area of public consultation were initiated in 2009 and continued in 2010. The new consultation activities that CEIOPS started throughout 2010 were related to Solvency II.

In January, CEIOPS issued two more sets of Level 2 advice on implementing measures under Solvency II, as well as a comprehensive background document on the calibration of the standard formula. In the same month, a consultation paper was issued on the pre-application process for internal models followed by a report including final guidance in March. In July, CEIOPS issued a consultation paper on equivalence assessment in relation to articles 172, 227 and 260 of the Solvency II Directive, followed by the Advice to the European Commission end of August. In September, the consultation paper about the methodology for equivalence assessments under Solvency II was issued followed by a final document in November 2010. Where necessary, CEIOPS has also initiated informal pre-consultations with selected stakeholders, to inform them about ongoing work on Solvency II; the pre-consultations will be followed by public consultations.
6.1 Introduction

CEIOPS’ work on insurance was influenced to a very large extent by the Solvency II project. Nevertheless, various other important areas of work relating to the insurance sector are underway and have progressed in 2010. In this respect, CEIOPS’ advice on the revision of the Insurance Mediation Directive as well as its recommendations on the Commission’s White Paper on Insurance Guarantee Schemes should be highlighted. CEIOPS has also been involved in the discussion on the legal framework for Packaged Retail Investment Products (PRIPs) on a sectoral and cross-sectoral basis, on which more details can be found in the final report. Finally, the work on insurance group supervision also carries forward the initiatives on harmonising group supervision, which started well before the inception of the Solvency II project.

6.2 Solvency II Overview

Since the first discussions in early 2000, Solvency II has grown to become one of the most ambitious legislative projects currently in the European Union and one of the core areas of work for CEIOPS since its creation. In 2010, CEIOPS delivered its final set of advice to the European Commission on how to implement the Solvency II Directive, following three earlier sets of advice in the course of 2009 and 2010, covering over 50 areas for implementing measures. As the implementation deadline of 31 December 2012 approaches, the discussions on the details of the measures that will regulate supervisory review and the risk management of undertakings have become more intense and reached its peak in 2010.

Heated discussions have taken place in the course of 2010 on issues considered of importance by undertakings and supervisors. The exchange of views and cooperation with the industry in many sensitive areas has taken place in various task forces, aiming at pragmatic and sensible solutions, together with the European Commission. The following task forces were created: Task Force on the Illiquidity Premium, Joint Working Group on Non-Life Calibration, Health Task Force, Catastrophe Scenarios Task Force. In addition, a joint proposal for the calculation of profits arising of future premiums for QISS was elaborated. These joined efforts have proven to be efficient in reaching conclusions, but also in increasing the understanding between undertakings and supervisors. This valuable dialogue will be continued, also beyond the entry into force of Solvency II.

The preparation and execution of the fifth Quantitative Impact Study (QISS) in 2010 marked the moment to test the proposals elaborated by CEIOPS, the European Commission and industry on a European-wide level [see chapter 6.2.6]. The results of QISS...
will allow the European Commission to take informed decisions on the details of the regulation. The exercise will also help supervisors to detect where increased efforts need to be made before Solvency II becomes operational.

The transition to EIOPA in January 2011 plays an important role in realising the potential for convergent application of Solvency II. EIOPA has the task to draft binding technical standards for the implementation of Solvency II and will play an important role in the review of the implementation of the regulation by Member States. Where Solvency II puts the basis for the efforts of the European supervisory community to improve group-wide supervision of (re)insurance undertakings, EIOPA will be able to further stimulate this by assisting supervisors in the appointment of the group supervisor, or by acting as a mediator in cross-border disputes between supervisors. Facing the challenge of Solvency II, the new Authority aims to be a unifying and stabilising factor.

Facts about Solvency II

- New regulatory framework providing supervisors with the appropriate tools to assess the overall solvency of insurance and reinsurance undertakings through quantitative and qualitative measures that influence the understanding and the management of the risks of the undertakings.
- Based on three pillars: quantitative requirements (Pillar I), governance, risk management and supervisory review (Pillar II) as well as supervisory reporting and public disclosure (Pillar III).
- Level 2 implementing measures under discussion with European Commission and Member States since end 2009.
- Level 3 non-binding guidelines to ensure the convergent application of the regulation to be issued by CEIOPS.
- Level 3 binding implementing technical standards to be drafted by CEIOPS and endorsed by the European Commission.
- Entry into force of Solvency II: 1 January 2013

6.2.1 Standard Formula Capital Requirements

2010 has been crucial for the translation of the Solvency II advice on Pillar 1 issues into the technical specifications for the fifth Quantitative Impact Study (QIS5), which included new simplifications, rules on the classification and eligibility of own funds, standardised catastrophe scenarios for non-life and health underwriting risk, a new methodology to determine the interest rate curve for discounting technical provisions and also revised calibration and correlation parameters for the SCR standard formula.

CEIOPS published in April 2010, together with its final advice for Level 2 implementing measures on the calibration of the minimum capital requirement and of underwriting risks in non-life and health insurance, an exhaustive calibration paper which is the main supporting document for its advice. The calibration paper provides background information and compiles all the technical analysis carried out by CEIOPS in calibrating the Solvency Capital Requirement (SCR) standard formula, as well as key parameters for the calculation of the Technical Provisions. One key area in which CEIOPS undertook further work was the calibration of the non-life underwriting risk module, where CEIOPS launched a European-wide data request in September 2010 and set up a Joint Working Group to discuss the most appropriate calibration methodologies together with representatives from the industry and the European Commission. The results of this exercise will feed into the recommendations for the European Commission’s implementing measures in March 2011.

A joint Task Force composed of CEIOPS Members and industry representatives provided the European Commission with input and guidance on the calibration and application of non-life and health catastrophe standardised scenarios. Taking into account the QISS results, CEIOPS successor EIOPA with the support of the industry will aim to reﬁne its recommendations to the European Commission in March 2011.

6.2.2 Technical Provisions

In 2010, CEIOPS provided important advice on a key assumption underlying the calculation of technical provisions: the interest rate curve to be used for discounting. CEIOPS provided the European Commission with technical background on the risk free interest rate term structure. Furthermore, CEIOPS published the report of the Task Force on the liquidity premium, which was developed in cooperation with CEIOPS Members, industry and academia representatives, and the European Commission as an observer. This report contained conclusions on the principles to be applied in case of the inclusion of an illiquidity premium in the valuation of insurance liabilities and on the principles to be applied in the extrapolation of the interest rate curve for discounting insurance companies’ long-term liabilities beyond the last available data point of sufficient liquidity.

Consequently the European Commission has tested a completely new risk free interest rate term structure in QISS compared to QIS4, with the inclusion of an illiquidity premium and a new extrapolation method, as well as new basic risk free rate (adjusted swap rate instead of government bonds) to derive the points of the curve as was provided by the industry.

In 2010, CEIOPS also started developing European actuarial guidelines for the purpose of ensuring a convergent implementation of Solvency II and a harmonised performance of the actuarial function for the valuation of technical provisions. These guidelines are being developed in close cooperation with the European actuarial profession, in particular with Group Consultatif.
6.2.3 Valuation of Assets and Liabilities (excl. Technical Provisions)
Following CEIOPS’ advice on Level 2 implementing measures with respect to the valuation of assets and liabilities other than technical provisions and the work of the European Commission on a draft Level 2 regulation, CEIOPS has considered the impact and started working on Level 3 guidelines in this area.

6.2.4 Own Funds
With regard to own funds, CEIOPS focused in 2010 on clarifying the criteria for the classification of own funds, as well as the approval processes for ancillary own funds. Further work was carried out in the area of the treatment of participations and ring-fenced funds. These areas are also being addressed in the QISS exercise, which should shed further light on the remaining problems. The experience gathered in these areas will feed into the development of guidelines or binding technical standards, keeping in mind CEIOPS clear intention to safeguard the quality of the own funds in light of their loss absorbing capacity. Furthermore, in view of the QISS exercise, CEIOPS contributed to the elaboration of suggestions for testing grandfathering proposals to smoothen the transition to Solvency II.

6.2.5 Internal Models
In order to increase supervisory convergence and prepare industry and supervisors for the use of internal models as an alternative to the standard formula under Solvency II, CEIOPS has provided supervisors with a platform for the exchange of information and knowledge in this area.

In the work programme for 2010 CEIOPS committed to issue advice to the European Commission on the treatment of partial internal models. This advice was published in January 2010, and provided details on how the results of partial internal models may be integrated into the standard formula results for the calculation of the Solvency Capital Requirements (SCR). To follow-up on this, CEIOPS set up a task force with its main stakeholders with the goal to draft Level 3 Guidelines on this topic.

CEIOPS’ work related to internal models also involved preparing the draft technical specifications for the fifth Quantitative Impact Study (QISS).

Consultations with stakeholders have provided valuable information to CEIOPS to carry out its work on internal models. This included presentations by insurance companies, consultants and designers of vendor models. CEIOPS has started to prepare Level 3 guidelines under Solvency II on the approval of internal models as well as tests and standards for internal models. For some prioritized Level 3 guidelines, in particular on the use test, statistical quality standards, calibration approximations, profit and loss attribution and validation, CEIOPS will conduct an informal pre-consultation at the end of 2010 and beginning of 2011.
Furthermore, CEIOPS is improving the expertise and convergence of supervisory practices in the area of internal models:

- In the first half of 2010 CEIOPS published Level 3 guidance on the pre-application process, which followed CEIOPS final advice to the European Commission on the internal model approval process.
- As part of the pre-application work-stream, CEIOPS has started implementing initiatives to enhance supervisory consistency in the pre-application process across Europe and to ensure adequate co-operation among supervisors in the approval of internal models. In this respect CEIOPS is organizing informal practical meetings among supervisors currently involved in the pre-application process.
- CEIOPS continued its pre-visits programme during the first half of 2010 to develop a better understanding about current internal modeling practices currently applied by insurance companies.
- CEIOPS also provided support to the development of training programmes for Solvency II, in particular a 3L3 seminar on “Internal Models in the Banking and Insurance Sectors” in June and a sectoral seminar on Internal Models Approval in October (see chapter 12.6).

6.2.6 Fifth Quantitative Impact Study

The development of Solvency II regulation is accompanied by regular so-called Quantitative Impact Studies (QIS). The results of the fourth study (QIS4) were published in November 2008. A fifth Quantitative Impact Study (QISS) has been carried out in 2010.

Based on its final advice for Level 2 implementing measures, CEIOPS finalised the draft technical specification in March and the European Commission published the final specifications in July following further consultation with Members States and the main stakeholders.

The first objective of QISS is to provide all stakeholders with detailed information on the quantitative impact on insurers’ and reinsurers’ solvency balance sheets linked to the introduction of the future Level 2 implementing measures under Solvency II compared to the situation under Solvency I. QISS also allows checking the alignment of the technical specifications with the principles and calibration targets set out in the Solvency II Directive.

Another important aim of QISS was to foster the preparation by insurers, reinsurers and supervisors for the introduction of Solvency II and to identify areas where their internal processes, procedures and infrastructure may need to be enhanced. QISS was also a milestone in the dialogue between supervisors, insurers and reinsurers while preparing for the new supervisory system.

Almost 70% of the undertakings that will be subject to Solvency II have participated in the exercise, and a manifest increase in the participation of insurance groups has been achieved.

To facilitate the participation, CEIOPS published a common template in August 2010 for participants to use to report their results. This template was also provided for an extensive Question & Answers procedure at European level in co-operation with the European Commission – 220 questions and answers were published on CEIOPS’ website.

Thanks to the commitment of the stakeholders and national supervisors during the QISS exercise, Level 2 implementing measures will be refined to ensure that Solvency II financial requirements are effective and adequately designed and calibrated. The final results of the study will be published in March 2011.
6.2.7 Insurance Groups

Considerable efforts and resources have been devoted by CEIOPS’ Members to the supervision of insurance groups.

CEIOPS’ work in relation to insurance groups under the current regime (Solvency I) includes initiatives to harmonise and streamline group supervision for national as well as for cross-border groups, and to enhance co-operation between supervisors within the Colleges of Supervisors (previously known as Coordination Committees). In 2010, 98 insurance groups were involved in cross-border activities through their subsidiaries.

In 2010, CEIOPS work related to insurance group supervision with respect to Solvency II involved the preparation of technical specifications for QIS 5.

CEIOPS is keen to ensure the proper recognition of group specificities where necessary. Therefore, CEIOPS Level 3 guidelines on the pre-application of internal models give significant room for the cooperation within the Colleges of Supervisors. Specific group expertise was also applied in developing the work on equivalence and reporting.

Equivalence assessments, either by the European Commission or group supervisors, will play an important role in the supervision of the assessment of the solvency position of groups under the Solvency II Directive. This is also linked to the increasing involvement of non-EEA supervisors in the Colleges of Supervisors of European groups, where a holistic view of the group is needed.

Common reporting both at solo and group level will facilitate the dialogue and exchange of information between the different supervisors that are involved in the supervision of insurance groups respectively.

In March 2010, CEIOPS published its report on the functioning of Colleges of Supervisors covering the period 2008 – mid 2009. The report provides detailed statistics on 53 of the most active Supervisory Colleges including those established for the largest groups. In November 2010, CEIOPS released its Report on Functioning of Colleges covering the period 2009 – mid 2010, which revealed that the main strengths of Colleges are the cooperation and contact between authorities, the establishment of a comprehensive view of the group and the high-quality discussions between the Authorities. Furthermore, CEIOPS has found that all the respondents participating in the survey follow the Helsinki Protocol and that Colleges are generally performing their tasks according to the CEIOPS guidelines.

The outcome of those two surveys showed the high dedication of supervisors in supervising cross-border groups while acknowledging room for further improvement.

This is why CEIOPS monitored in 2010 the functioning of Colleges on an on-going basis, focusing on specific targets such as the creation of joint work plans for Colleges to improve synergies in Colleges work and setting up emergency plans for Colleges. Both targets are likely to be mandatory requirements under the upcoming Solvency II regime. The second target is also a follow-up of the publication of CEIOPS’ “Guidelines on preparation for and management of a financial crisis” in March 2009. Those targets have been particularly monitored on the largest groups and prove to be a success.

Finally, in developing its work on insurance groups, CEIOPS takes into account international developments in this area.
6.2.8 Equivalence

End November 2009, CEIOPS started publicly consulting on its draft advice on Level 2 implementing measures with respect to the technical criteria that should be applied when assessing third country equivalence under Articles 172, 227 and 260 of the Solvency II Directive, i.e. related to reinsurance supervision, inclusion of related third country insurance and reinsurance undertakings in the group solvency calculation and group supervision.

As part of that consultation, CEIOPS held a stakeholder meeting on 7 January 2010 to discuss the draft advice and issues related to third country equivalence with major stakeholders from the European Union as well as representatives from third countries. The public consultation period ended at the beginning of February 2010, after which CEIOPS delivered its final advice to the European Commission at the end of March 2010.

In July 2010 CEIOPS initiated another public consultation, following a new Call for Advice by the European Commission, on equivalence assessments to be undertaken on the basis of Articles 172, 227 and 260 of the Solvency II Directive. The final advice was delivered to the European Commission by the set deadline of August 2010.

A third public consultation, this time on the methodology for equivalence assessments under Solvency II was followed by CEIOPS final advice in November 2010.

Following the European Commission letter of 29 October 2010, CEIOPS initiated the equivalence assessments of the Swiss and Bermudian supervisory systems under Article 172 of the Solvency II Directive dealing with reinsurance supervision, Article 227, dealing with the inclusion of related third country insurance and reinsurance undertakings in group solvency calculation and Article 260, dealing with the equivalence of third country group supervision. As per request of the European Commission, CEIOPS has also initiated the equivalence assessment of the Japanese reinsurance supervisory system under Article 172.

To deliver on the request of the European Commission CEIOPS issued a Call for Evidence on 1 December 2010 relevant to these equivalence assessments. CEIOPS invited all interested parties to provide information and evidence as to their existing experience on aspects of the implementation of the insurance regulatory regime and supervisory practices in the three countries concerned.

Secondly, CEIOPS contacted the Swiss Financial Market Supervisory Authority FINMA, the Bermuda Monetary Authority (BMA) and the Japan Financial Services Agency JFSA. To assess their equivalency, CEIOPS sent questionnaires for collecting information concerning their respective supervisory systems.

CEIOPS will continue its equivalence work throughout the first half of 2011 with the goal to deliver final advice by the end of September 2011. The final advice should include a full consultation about the assessments of these three countries.
CEIOPS work on occupational pensions in 2010 continued to focus on the exchange of information and supervisory cooperation in relation to the Institutions for Occupational Retirement Provision (IORP) Directive. Although cross-border IORPs received a fair share of attention, topics extending to national IORPs as well as non-IORP pensions were considered as well, mainly as a response to EU wide initiatives in the aftermath of the financial and economic crisis.

CEIOPS follow up to its 2008 key implementations report included: the definition of cross-border activity; the ring-fencing of IORPs’ assets and liabilities; supervisory reporting and information to members and beneficiaries. Additionally, CEIOPS Work Programme for 2010 envisaged:

- 2010 update to CEIOPS Report on Market Developments;
- analysis of the consequences of the financial crisis on pre-crisis supervisory methods and approaches;
- report on internal controls in IORPs; and
- analysis of risks faced by members of defined contribution (DC) pension schemes.

Projects were also undertaken that fell outside the 2010 work programme. These included an investigation into the implications for pensions of issues relating to the European Commission’s initiative on Packaged Retail Investment Products (PRIPs), an update to CEIOPS 2009 mapping of EU prudential legislation applicable to pension institutions or schemes in the European Economic Area (EEA) for inclusion in the European Commission’s Green Paper on pensions, and a response to the Green Paper itself. Progress was made in all areas within the reporting year.

In March 2010 a paper on practical issues surrounding the different interpretations of cross-border activity was completed. At the request of the European Commission further work followed to formulate policy options for possible solutions to the issues raised in the paper. Both papers were sent to the European Commission in November 2010 and later submitted for consideration to the European Insurance and Occupational Pensions Committee (EIOPC).
July 2010 saw two publications on pensions related matters. One was the 2010 report on Market Developments, which tracks overall activity and developments in the European cross-border occupational pensions market since the IORP Directive came into force. The other publication was an issues paper analysing the effectiveness of ring-fencing measures in protecting pension benefits in stress situations (Article 16(3) of the IORP Directive).

In November 2010, a Report on Management Oversight and Internal Controls Rules applicable to IORPs was published, as a follow up to CEIOPS 2009 Report on Risk Management. It was based on a survey of CEIOPS Members and, similarly to its predecessor, it revealed a great diversity and complexity in Member States’ approaches and practices. However, certain Europe-wide trends in IORPs internal controls had also been identified.

An analysis of the consequences of the financial crisis on pre-crisis supervisory methods and approaches relating to IORPs was completed at the end of 2010. Given the existing differences in the occupational pensions systems of Member States the work was undertaken primarily for internal exchange of information purposes. The responses from individual supervisors were mostly specific to the nature of their own Member State’s systems. Broadly, the analysis revealed that supervisors reacted promptly to the immediate effects of the crisis on IORPs. Sponsors used a mixture of short term measures focused on the more urgent issues and concerns, but were also taking into consideration the longer term impacts. In general the supervisory structures and the internal organisation remained largely unchanged, although there was a clear increase in the exchange of information with other supervisory authorities responsible for financial stability or for direct or indirect regulation/supervision of IORPs in their Member States.

Considering the growing importance of DC type occupational pension provision, an investigation into risks faced by members of such schemes was undertaken in the second quarter 2010. The mapping of risks at key stages of the lifecycle of a participating member was completed in September 2010 and a number of key risks selected for further analysis. Particular consideration is being given to the various methods used by Member States to mitigate these risks. A final report on findings is planned for the middle of 2011.

Work on supervisory reporting requirements continued throughout the year with the aim to analyse the differences among Member States in their supervisory approaches and to assess any links that might exist between the size and nature of the market, the type of a supervisory system and the amount and frequency of supervisory information required. A report on findings will be published in the Spring of 2011. Work on information requirements in cross border IORPs has been deferred for the time being.

In January 2010, CEIOPS, on its own initiative, started an investigation into PRIPs-related issues for pensions. This followed the decision by the European Commission in December 2009 to exclude pensions from the scope of its proposal on PRIPs. The task was to shadow developments on non-pension PRIPs at the cross-sector (313) Level as well as monitoring EU-wide developments. Three surveys were scheduled, covering all types of supplementary pension plans and products in the EEA, whether occupational or personal, to gather information relevant for future policy decisions. A database of supplementary pension plans and products will be completed in March 2011. A final report on pre-enrolment information requirements for all the plans and products covered by the database will be ready in the middle of 2011. In June 2011 work will start on the mapping of selling practices as they apply to pensions, with a report on findings planned for the end of 2011. Any policy recommendations that may follow will consider the outcome of the consultation on the pensions Green Paper and the scope of the review of the IORP Directive envisaged for later in 2011.

CEIOPS’ response to the Green Paper was submitted to the European Commission on 15 November 2010.

In 2011, by far the biggest and most high profile part of EIOPAs work in the occupational pensions area will be a response to the European Commission’s Call for Advice on the review of the IORP Directive and the related impact assessment. At the time of writing, neither the content of the Call for Advice nor the timetable for delivery have been confirmed by the European Commission. However, EIOPA stands ready to adapt its resources and draw up detailed plans for a timely delivery of its advice as soon as the information becomes available.
In view of the financial and economic crisis, CEIOPS, since 2008, considerably increased its emphasis on, and resources devoted to, financial stability matters relating to the insurance and occupational pensions sectors. Work on financial crisis issues was given highest priority. This section outlines work carried out under the CEIOPS work programme for 2010. CEIOPS was represented in numerous meetings of the European Council’s Financial Services Committee (FSC) and the Economic and Financial Committee (EFC), including the EFC’s Financial Stability Table (EFC-FST), and delivered various reports and updates in response to the requests of these Committees.

End of January 2010, following the discussion at the FSC meeting held on 20 January 2010 in preparation of the forthcoming EU discussion on the Financial Stability Board paper on systemic risk, CEIOPS prepared a note on systemic risk components of insurance business models in which it analyses the insurance sector as a whole. CEIOPS Members concluded that in the latest financial crisis the European insurance sector did not turn out to be a source of systemic risk, but instead, had contributed to the stability of the financial system as a whole. However, a wide-spread disruption amongst insurers could be a source of vulnerability for other sectors of the financial system. CEIOPS considered that the interconnectedness of financial sectors and links of the insurance sector with the real economy are crucial to recognising the relevance of insurance to systemic risk. The “systemic relevance” of risks relates to contagion likelihood by means of the interdependencies in place amongst (re)insurance under takings and with other market players. These linkages have developed considerably in the last few years.

In line with the mandate from the EFC-FST, CEIOPS committed in its work programme for 2010 to:
- bi-annual reporting on financial conditions and financial stability in the insurance, reinsurance and occupational pensions sectors;
- delivery of sectoral risk assessment as input to the 3L3 reports on cross-sector risks to financial stability in Europe;
- conducting an Europe-wide stress test exercise in the insurance sector; and
- monitoring national measures taken by supervisors in response to the crisis.

As in previous years, in June 2010, CEIOPS published the first of its bi-annual reports – its Spring report on the main market trends within the insurance and occupational pensions sectors. CEIOPS second bi-annual report published in December 2010, contained the annual assessment of developments in the insurance and occupational pension sectors, and highlighted financial stability implications and uncertainties. CEIOPS considered that the risks have not increased in 2010 but remain at a high level. On one hand market volatilities have peaked again leading to newly increased concerns about public debt and the macro-economic outlook. All in all there still is
uncertainty on the future developments, specifically with regard to the development of interest rates and asset prices. On the other hand, regarding financial market conditions, some positive signals had emerged, for example the number of insurers on negative rating watch decreased. The report also considered the development of the occupational pension funds sector. The impact of the financial crisis on the European occupational pension system had not been as severe as seen in other financial sectors, as the long term nature of the liabilities affords some protection in this respect, and Institutions for Occupational Retirement Provisions (IORPs) had not experienced the liquidity problems seen elsewhere. However, the crisis hit pension funds primarily in their role as institutional investors and had a significant impact on consumer confidence in those countries where occupational pensions account for a large part of retirement benefits. As for 2010, the recovery of financial markets led to relatively high investment returns, appreciation of assets and higher funding ratios of IORPs.

In order to respond to the need for regular monitoring of developments and the impact of the crisis on insurance and occupational pensions sectors, as well as to ensure timeliness of the information contained in CEIOPS bi-annual reporting, CEIOPS made considerable improvements to its tools and systems for data collection on investment portfolios in 2010. Due to the sovereign debt crisis CEIOPS provided an analysis of the diversification of investment portfolios of insurance and occupational pension funds to CEIOPS members and political bodies. Portfolios of insurance undertakings and occupational pension funds seem in general diversified.

The timeliness of CEIOPS data collection improved considerably through establishing a representative sample of occupational pension funds and insurance groups through which data was collected through a fast-track method. Furthermore, also in 2010, qualitative information on supervisors’ assessment of the main risks and their relevance to their markets in the foregone period as well as in the forthcoming period, has been gathered through regular surveys.

In the fall of 2010 CEIOPS and the preparatory Secretariat of the European Systemic Risk Board (ESRB) started their cooperation. Also in the fall of 2010 two High Level Groups were set up between the three Committees and the European Central Bank: on data exchange and systemic risk.

As another crisis related initiative, CEIOPS established a crisis contact list for its Members in October 2008. The list contains contact information for each Member and was regularly updated during 2009/2010 and again with the establishment of EIOPA in early 2011. Furthermore Members were kept informed through the email alert procedure that was established in September 2009, on supervisory interventions in individual companies. A crisis management procedure was set up in December 2010 in cooperation with the other Level 3 Committees to explain the procedures, tasks and responsibilities of EIOPAs Management and its Members in case a crisis emerges.

8.1 Insurance Stress Test

CEIOPS concluded its first EU wide stress test in early 2010. The goal of the stress test was to evaluate the overall resilience of the insurance sector to the economic and financial markets environment under several stress scenarios.

CEIOPS presented the findings of its European-wide stress test for the insurance sector to the members of the EU Economic and Financial Committee (EFC) in March 2010. The exercise included 28 large and important European insurance groups, covering above 60% of premiums of the European insurance market. Participating insurance groups were asked to calculate the impact of stresses on their solvency ratios under three scenarios: an adverse scenario and two additional severe scenarios (a deep recession and an inflation scenario). The results indicated that the large and important European insurance groups would remain resilient even in severe scenarios. In all scenarios, the aggregated level of available capital exceeded the regulatory requirements.

In November 2010, CEIOPS decided to conduct a new stress test and started discussions on the framework at the end of 2010. This test should be based on the Solvency II framework (as it was defined in QISS). Results of this stress test are expected mid 2011.

In line with the new EIOPA regulation, stress tests will be done in cooperation with the European Systemic Risk Board (ESRB).
9.1 Supervisory Culture and Convergence

CEIOPS fulfilled the commitment made in its work programme 2010 to further strengthen its focus on horizontal activities aimed at developing common supervisory practices – such as mediation and peer reviews – and common supervisory culture – such as exchange of staff and training (see chapters 9.5 and 12.6) – as part of its drive to increase supervisory cooperation and convergence in the insurance and occupational pensions sectors.

9.2 Supervisory Practices: Mediation

The scope of mediation is to resolve potential disputes between supervisory authorities in a non-binding way. The mediation process that has been developed by CEIOPS was tested in the second quarter of 2010 through a mediation simulation exercise, where a broad range of CEIOPS Members volunteered to participate and to perform the specific roles in the mediation mechanism. The findings and recommendations derived from the simulation exercise have been included in the CEIOPS Report on Mediation and will serve as a basis for the review of CEIOPS "Protocol on mediation mechanism between insurance and pensions supervisors" under EIOPA.

9.3 Supervisory Practices: Preparation of Supervisors to Implement Solvency II

In July 2010 CEIOPS endorsed and published a report that analyses to what extent Insurance Supervisors are prepared to implement Solvency II (more about CEIOPS Solvency II work see chapter 6.2). Solvency II implementation is a complex process and therefore it is essential to concentrate on detailed practices to prepare supervisors. The report that aimed at identifying areas of additional work for Members and CEIOPS, was the outcome of a questionnaire conducted among members in April 2010.
9.4 Supervisory Practices: Peer Review

The peer review as a tool for supervisory convergence was tested by CEIOPS over the past two years in an exercise assessing the application of protocols for supervisory collaboration in cross-border cases (see chapter 10). With regard to optimising the work on the future peer review projects, in 2010 there was an IT tool for self-assessments developed, which is now part of the EIOPA internal website. It will be used for developing self-assessments and reporting on the results from respondents.

9.5 Staff exchanges

As part of CEIOPS’ commitment to support the development of common supervisory practices, CEIOPS has further investigated potential specific activities to encourage Members to participate in staff exchanges in 2010.

Consequently CEIOPS supervisory culture webpage was re-designed in 2010 as a section of an enhanced CEIOPS website. The new, friendlier page incorporates the latest IT improvements to facilitate interactions within CEIOPS on matters relating to staff exchange, such as the overview of openings and increased accessibility for all members to posting authorities.

From a quantitative point of view, the number of people engaged in staff exchange activities has been maintained during 2010 compared to the previous year. In 2010, 17 people participated in a secondment programme and 86 people from 24 Authorities were engaged in a study visit, six more compared to 2009. In addition, national European supervisory authorities have reported four secondments and 53 study visits involving supervisory authorities outside of the European Union.

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<tr>
<th>Year</th>
<th>Secondments (staff members involved)</th>
<th>Study visits (staff members involved)</th>
<th>Authorities involved</th>
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<tr>
<td>2010</td>
<td>17 (12 to CEIOPS)</td>
<td>86</td>
<td>24</td>
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In December 2010, CEIOPS’ Review Panel completed the first peer review exercise. The final reports on the peer review demonstrate that the peer review is an effective tool for supervisory convergence. The main results from the exercise show that most of the Review Panel’s recommendations and explanations to Members have been taken on board and implemented by the end of the peer review. The Review Panel has identified issues and gaps in the overall functioning of the General and Budapest Protocols, some of which have been clarified during the peer review; others require further analysis and should be taken up by the European Insurance and Occupational Pensions Authority (EIOPA).

The peer review exercise started in August 2008 and aimed at assisting Members in improving supervisory cooperation and enhancing the application of the General, Budapest and Helsinki Protocols. A full peer review (including the second phase “Review by Peers”) was undertaken regarding the General Protocol. The Review Panel decided to conduct only an in-depth analysis of the self-assessments regarding the Budapest Protocol, having in mind the revision of the protocol after the beginning of the peer review. The Helsinki Protocol and related guidelines are currently being revised in view of the regulatory changes related to insurance group supervision as a result of Solvency II. Therefore, in order not to intervene in these regulatory developments, the Review Panel will decide on the way forward of the review process as soon as the regulatory changes are completed.

The Review Panel is currently considering new peer review projects on the basis of the first peer review exercise and in line with the new tasks from the EIOPA Regulation.
2010 was a busy year for CEIOPS in terms of its work on consumer protection matters.

CEIOPS continued to consider the issue of Packaged Retail Investment Products (PRIPs) both sectorally and in a 3L3 context. A 3L3 Task Force on PRIPs was set up to formulate a common 3L3 position on the scope of PRIPs and the appropriate principles for pre-contractual product disclosures and selling practices.

The Task Force was chaired by Anneli Tuominen, FIN-FSA and was composed of equal number of representatives from CESR and CEIOPS, as well as experts from CEBS on structured deposits.

Five meetings were held between 9 April 2010 and 10 September 2010. A final report was submitted to the European Commission, under a joint 3L3 Chairs cover letter, on 6 October 2010 and published on 3L3 websites on 12 October 2010.

The Task Force sought, wherever possible, to form consensual views on the key aspects of PRIPs. However, where this was not possible, alternative positions were expressed. The Commission published a Consultation Paper on its proposed legal framework for PRIPs scope and product disclosure on 26 November 2010. Draft legislative proposals are now expected in June 2011. Legislative proposals regarding sales of PRIPs, which will be incorporated in a revised MiFID and IMD, are not expected until later in 2011. CEIOPS stands ready to assist with any further policy work by the Commission in this area.
CEIOPS also submitted Advice to the Commission on the revision of the Insurance Mediation Directive (IMD) on 11 October 2010. This was in response to a Request for Advice it received from the Commission on 27 January 2010.

A specialised Task Force was set up under the auspices of CEIOPS’ Committee on Consumer Protection (CCP) in February 2010 to prepare the Advice to the Commission. The Task Force was split into three Drafting Teams: (i) Legal Framework, Scope and Professional Requirements; (ii) Consumer Protection (Transparency of Remuneration and Conflicts of Interest) and (iii) Cross-Border Aspects (Registration and Notifications).

A number of meetings of the Drafting Teams and the CCP were held between March and end of September 2010 with a view to finalising the Advice. CEIOPS also received informal oral and written input from key stakeholders such as BIPAR (the European Federation of Insurance Intermediaries), CEA (European Committee of Insurers) and consumer representatives on CEIOPS’ Consultative Panel.

The final Advice submitted, contained 39 recommendations and covered the seven areas in the Request for Advice, the key ones being Transparency of Remuneration/Management of Conflicts of Interest, Legal Framework and Scope. CEIOPS also addressed areas in the existing IMD where administrative burden could be eradicated or, if not, reduced.

The Commission’s Consultation Paper on the revision of the IMD was published on 26 November 2010, setting out its proposed thinking on the way forward. Draft legislative proposals are expected in the first week of December 2011. CEIOPS also attended a public hearing on the IMD Revision on 10 December 2010 at which the Chair of the CCP, Victor Rod, moderated a panel.

CEIOPS was invited by FIN-NET (a financial dispute resolution network of national out-of-court complaint schemes in the European Economic Area, EEA) to present its work on consumer complaints. This included CEIOPS’ various contributions in the handling of consumer complaints.

In July 2010, the European Commission published a White Paper on Insurance Guarantee Schemes, including an impact assessment. The EC White Paper proposed options that are similar to the recommendations presented by CEIOPS in 2009.

CEIOPS Task Force on IGS (under the Chairmanship of Ole-Joergen Karlsen) submitted comments to the Commission on the White Paper and the Impact Assessment. CEIOPS five most important recommendations to the Commission were to adopt a holistic approach for determining the scope of IGS, to be aware of the differences between the bank and the insurance sector, to leave room for national choices, to analyse carefully the funding issue and to take motor insurance into consideration.

Victor Rod
CCP Chair
CAA, Luxembourg
12 OTHER ACTIVITIES

12.1 Accounting

CEIOPS' specific aim was to ensure consistency and compatibility between the general accounting framework and the valuation rules under Solvency II. To this end, in 2010, CEIOPS provided the International Accounting Standards Board (IASB) with a comment letter on both IASB's Exposure drafts on both insurance contracts (IFRS4) and on defined pension plans (IAS19). CEIOPS also provided the European Financial Reporting Advisory Group (EFRAG) as well as IASB with comment letters on exposure drafts on both, fair value option on financial liabilities and measurement of liabilities (IAS37).

CEIOPS was participating actively as an observer in the European Commission’s Accounting Regulatory Committee and in EFRAG’s insurance accounting working group.

12.2 International Relations

CEIOPS Members were actively involved in the work of international associations such as the International Association of Insurance Supervisors (IAIS) and the International Organisation of Pension Supervisors (IOPS). Where relevant, regular updates on the activities of these bodies were provided or shared, and were then fed into relevant CEIOPS workstreams.

In view of its stronger role in international relations, EIOPA will consider more active involvement in relevant work streams of international organisations.

12.3 Regulatory Dialogues

CEIOPS’ regulatory dialogues continued to take place in 2010. Meetings were held in October 2010 with specific US Insurance Commissioners and NAIC staff in the frame of the EU-US Dialogue, with the Chinese Insurance Regulatory Commission (CIRC) in the frame of the Sino-EU Dialogue, with the Japanese Financial Services Agency (JFSA) during the Japan-EU Dialogue and with the Association of Latin American Insurance Supervisors (Assal) during the Assal-EU Dialogue.

Recurrent issues on the agenda were updates on the development of the insurance markets and regulation on both sides, as well as discussions relating to insurance group supervision, the assessments of the equivalence of specific third country supervisory regimes, the development of the new structure for financial supervision in Europe, accounting or the exchange of experience on specific items of interest.

EIOPA will continue to develop these dialogues and exchanges and remains open to exchange views with other third countries, as it has done in the past.

12.4 CEIOPS Conference

In 2010, CEIOPS organised its 6th Annual Conference, which took place on 17 November 2010 in Frankfurt am Main, Germany. It attracted more than 300 participants.

The conference offered an interesting and exciting programme, as well as an opportunity to hear from experienced and respected figures in European financial supervision. The latest developments affecting European insurance and occupational pensions were covered, together with the new supervisory architecture for financial services in Europe.

CEIOPS Conference was opened by its Chair Mr. Gabriel Bernardino and included two keynote speakers, which are:

- Jonathan Faull – Director General, DG Internal Market and Services, European Commission
- Sharon Bowles, MEP, Chair of the Economic and Monetary Affairs Committee (ECON), European Parliament.
CEIOPS Conference had three panels:
- Insurance – The Solvency II panel focused on the level of preparedness of insurance undertakings and their supervisors for the implementation of the new framework directive. Industry, Commission and CEIOPS representatives reported on the major achievements and challenges ahead in ensuring a successful transition to the new solvency regime. CEIOPS Secretary General also provided attendants with an early report on the participation rate in the QIS5 exercise and with an overview of actions to be undertaken in order to ensure a Report is published in March 2011.
- Occupational Pensions – The discussion in the pensions panel focused on the European Commission Green Paper on pensions as well as on main challenges facing the sector towards ensuring a true single market for occupational pensions is created. During the panel, CEIOPS further welcomed the Green paper as an important event for European pensions and expressed full support for its objectives. It was further noted that CEIOPS response and further contribution will focus on those issues within the competence of CEIOPS, which were not political in nature. It was also highlighted those areas, which, although outside supervisory competence, would merit CEIOPS involvement on the grounds of the considerable technical expertise and supervisory experience of its Members.
- The new Supervisory Authorities (ESAs and ESRB) – under the steer of MEP – Sharon Bowles (ECON Chair, ALDE), the panel brought together the Chair of the 3L3 Committees as well as the ECB Vice-President. They discussed the latest developments in terms of setting up the new supervisory infrastructure, both at macro and micro levels. Challenges ahead as well as early indication of actions to be taken to ensure a successful transition to the new framework were central to the discussion.

12.5 Web Site

Since its launch, the CEIOPS website has proven to be the most successful communication tool for disseminating information both to external stakeholders as well as CEIOPS Members. Statistics show that the interest of stakeholders and interested parties to use the CEIOPS website has remained high with more than 12.5 million hits over the course of 2010.

In order to cater for the increased number of publications & visitors and to provide enhanced security features, CEIOPS Secretariat undertook a major project throughout 2010 of restructuring the existing technical platform. The project benefited from partial European Commission funding. The new CEIOPS website is designed to provide improved security, enhanced usability and efficiency while maintaining some of the existing functionalities that CEIOPS members and stakeholders have appreciated over years.

The new CEIOPS website was launched on 20 September 2010.

12.6 Training

CEIOPS believes in the role of training in the development of a common supervisory practice and the building of a common supervisory culture across Europe. Therefore one of the main goals since the beginning was to offer quality training free of charge to European supervisors. CEIOPS Training Programme for 2010 was partly open to industry participants and supervisors from countries outside of the European Economic Area (EEA).
In 2010, a total of 1082 participants attended the training activities, of which:
- 667 Members and Observers Authorities: CEIOPS and its sister Committees, CEBS and CESR
- 400 industry representatives.
- 7 participants from non EEA countries: 3 FINMA (Switzerland), 1 Ministry of Finance Israel, 1 Bermuda Monetary Authority, 1 Australian Prudential Regulation Authority, 1 Insurance Division State of New Mexico; and
- 8 participants from other institutions: 2 Gibraltar Financial Services Commission, 2 ECB, 1 preparatory ESRB Secretariat, 2 Bundesbank and 1 IAIS.

A total of 21 trainings (15 sectoral seminars, 3 cross-sectoral seminars and 2 workshops) were organised by CEIOPS in 2010. This was possible thanks to the support from CEIOPS Committees and Working Groups, which provided experts and speakers, and on the co-operation of CEIOPS Members, by hosting half of the seminars.

Complementary to the sectoral and cross-sectoral seminars, the training programme was extended with two ‘train the trainer’ workshops, aimed at developing the communication skills of working groups’ experts typically involved in the delivery of seminars. This was developed through the support of a professional trainer.

In 2010, CEIOPS Members focused their efforts on increasing the quality and variety of training. The decision made in 2010, following the feedback provided by supervisors, was to increase the length of seminars from 1 to 2 days, especially those covering Solvency II aspects. The table below shows the trend of an increased number of training days since 2007.

### Evolution seminars & duration of seminars

<table>
<thead>
<tr>
<th>Year</th>
<th>Seminars</th>
<th>Training days</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2008</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2009</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2010</td>
<td>21</td>
<td>23</td>
</tr>
</tbody>
</table>

The 2010 Training Programme was supported by the European Commission, by means of a co-funding programme, which made it possible to finance 90% of the training costs from non-CEIOPS funds.

### 2010 CEIOPS sectoral seminars
- Stress Testing – Frankfurt, 23 March
- Insurance Groups supervision – hosted by ACP in Paris, 1 April
- Regional seminar on Corporate Responsibility of Directors of Insurance Companies (open to the industry) – hosted by Malta FSA, 8–9 April
- Solvency II – New Supervisory Framework – Frankfurt, 4–5 May
- Advanced techniques of risk mitigation and risk management (incl. securitisation, other new financial instruments) – Frankfurt, 6 May
- Solvency II valuation of assets and liabilities, including Technical Provisions – hosted by ISVAP in Rome, 13–14 May
- Solvency II Reporting and Public Disclosure Requirements – hosted by HFSA in Budapest, 7–8 June
- Solvency II QISS, Frankfurt, 8–9 July
- Solvency II QISS (open to the industry) – Frankfurt, 25–26 August
- Group solvency assessment – Frankfurt, 9–10 September
- Consumer protection – hosted by National Bank of Slovakia in Bratislava, 22 September
- Solvency II Governance System (incl. Risk management, ORSA) – hosted by Polish FSA in Warsaw, 8 October
- Pensions seminar – hosted by DNB in Amsterdam, 14–15 October
- Internal models approval – Frankfurt, 27–28 October
- IFRS Accounting – hosted by CNB in Prague, 2 November

### 2010 CEIOPS workshops
- Train the trainer, Presenting with Impact – Frankfurt, 21–22 July
- Train the trainer, Presenting with Impact – Frankfurt, 20–21 October
The joint work of the 3 Level 3 Committees (3L3), CESR, CEBS and CEIOPS, focused on achieving convergence between the financial sectors of securities markets, credit institutions (banks), and the insurance and pensions markets. The inter-linkages of these sectors called for close co-operation among the 3L3 Committees in order to ensure a European level playing field, consistency in legislative implementation, cost effectiveness and proper assessment of cross-sector risks. In 2005, the 3L3 Committees formalised this co-operation by signing a joint protocol on co-operation. In December 2008, this protocol was updated to reflect the 3L3 experiences of joint work completed, and to take into account the latest developments, such as the Lamfalussy review and the effects of the financial crisis.

13.1 3L3 provided input in preparing new European financial supervisory framework

The 3L3 Chairs and Secretariats regularly met and dealt with all activities described in the 3L3 work programme during 2010, where their priority was their supervisory response to the reform of the EU financial supervisory architecture and the preparation of the Level 3 Committees for their transition to the new European Supervisory Authorities (ESAs).

In this respect, the 3L3 actively followed and co-ordinated, where necessary, developments in relation to the proposals setting up the ESAs. The Level 3 Chairs and their respective Secretary Generals and Secretariats regularly convened conference calls, exchanged briefings and met often in advance of meetings with the EU institutions. On 18 June 2010, the 3L3 Committees submitted a detailed note to the EU institutions involved in the trilogue discussions outlining their specific concerns on the basic questions of the clear assignment of responsibilities to the ESAs, their accountability and their independence. The note considered five main issues:

- The independence of the Authorities - independent financing of the Authorities, selection of the Chairperson and the Executive Director, composition of the Board of Supervisors, Board of Appeal and Peer Review;
- Crisis situation and emergency measures;
- Enhanced 3L3 cooperation through the "Joint Committee";
- Collection of information and cooperation with the ESRB; and
- Operational issues linked to the transition.
Several meetings were held during 2010 with the European Commissioner for Internal Market and Services, Michel Barnier, the Chairwoman of the European Parliament’s Committee on Economic and Monetary Affairs (ECON), Sharon Bowles, and the President of the European Central Bank, Jean-Claude Trichet.

Throughout 2010, the 3L3 attended meetings of the EU Council’s Financial Services Committee (FSC) and were invited to attend most meetings of the EU Council’s Economic and Financial Committee (EFC) in order to discuss issues such as financial market developments, crisis management (e.g. stress testing) and international regulatory dialogue.

Next steps
Given the landmark institutional change, namely the creation of the three new European Supervisory Authorities (ESAs), ESMA, EBA and EIOPA, which respectively came into being on 1 January 2011, the three ESAs’ coordination is now formalised in the new Joint Committee of the ESAs. The first meetings of the Board of Supervisors of the ESAs were held from 10-12 January 2011 and the first meeting of the ESRB Steering Board was held on 20 January 2011. The senior management of the ESAs is expected to be in place by June 2011.

13.2 3L3 Task Force on Cross-Sector Risks
Identifying cross-sectoral risks will help the 3L3 Committees, their members and the EU institutions in ensuring the stability of European financial markets. Following the ECOFIN Council conclusions in May 2008, the European Commission’s decisions establishing each of the 3L3 Committees, and the request to the 3L3 Committees to respond to financial stability concerns of a cross-sectoral nature, the 3L3 Committees set up a 3L3 Task Force on Cross-Sectoral Risks, which has been tasked with enhancing the 3L3 Committees’ sectoral risk assessments by capturing cross-sectoral issues and identifying contagion channels. In April 2010, the Task Force, which is chaired by Jukka Vesala, Deputy Director General of the Finnish FSA, delivered to the EFC-FST (Economic and Financial Committee – Financial Stability Table) the second of two pilot reports.

These developments show, at an early stage, the 3L3 Committees’ ability to capture cross-sectoral risks relevant to the risk assessments of the Committees: common risks across sectors, and especially risks which are contagious from one sector to another and endogenous risks where regulatory action in one sector may have significant risk implications for another sector.

The work aims at capturing contagion risks between individual institutions and sectors from a supervisory cross-sectoral viewpoint, and brings the micro-prudential focus into the overall assessment of the financial stability.

Next steps
The ESAs will continue the work started by the 3L3 Committees on cross-sectoral risk identification and assessment under the Joint Committee of the ESAs and, together with the sectoral risk assessments done by each of the ESAs, will contribute to the overall assessment of the systemic risk, which is the shared responsibility of the ESAs together with the ESRB.

13.3 Anti-Money Laundering Task Force
The 3L3 Anti-Money Laundering Task Force (AMLTF) was established in the second half of 2006 by CESR, CEBS and CEIOPS, with the aim of achieving convergence in national implementation of the Third Money Laundering Directive (3rd MLD) across the different sectors of European financial markets and with a view to provide supervisory input into anti-money laundering (AML) issues.

Throughout 2010, the AMLTF met four times under the new chairmanship of Uldis Cerps (Finansinspektionen, Sweden). In the course of 2010, the Task Force investigated supervisory practices related to the 3rd MLD by way of questionnaires sent to all its Task Force members in relation to a) Beneficial Owners and b) Simplified Due Diligence (SDD), with a view to assessing whether the differences in any implementation practice noted might result in different outcomes for AML, and its supervision throughout the EU.

Reflecting current developments in European AML legislation and practice, with the recently introduced Payment Services Directive (PSD), the AMLTF also undertook a stock-take exercise of supervisory practices in relation to Agents of Payments Services Institutions (PSIs) providing the payment services of money remittance.

The second pilot report of April 2010 dealt with the following risks: interdependence and feedback loops between the financial sector and the real economy; cross-sector holdings and exposures; market sentiment spillover; and changes in asset prices and deleveraging.

In September 2010, the 3L3 provided the EFC with a report. Whilst the report noted improvements in the macro-economic conditions and that successful government support measures had had a positive effect on financial institutions, it highlighted the following risks: spillover risks of sovereign debt problems for financial markets and institutions, risks associated with banks’ funding position, a new deterioration in assets markets, a shift and/or changed shape of the yield curve, “retailisation” of certain complex products, business model and profitability-related risks, and finally business model and profitability-related risks.
Furthermore, the AMLTF has undertaken preparatory work for a home/host supervisory protocol between involved AML supervisors of a PSI and its agents and branches. During this preparatory stage, the AMLTF found that the Protocol would provide for a practical and pragmatic framework for involved home and host supervisors of a PSI to assist the supervision relating to the anti money laundering obligations under the 3rd MLD and the PSD.

During 2010, AMLTF Members also discussed the Financial Action Task Force/OECD lists of non cooperative and high risk jurisdictions published in February 2010, and their supervisory approach to SDD and reliance on 3rd parties, vis-à-vis the jurisdictions named on these two FATF published lists.

**Next steps**
In light of the establishment of the three ESAs, the Joint Committee of the ESAs will establish a Sub-Committee on Anti Money Laundering to take over and finalise all AMLTF work streams initiated in the course of 2010, namely:

a) To assess implications for money laundering risk and AML supervision, in respect of differences in supervisory implementation practices noted in the 3rd Money Laundering Directive (based on 2010 work on Beneficial Owners and Simplified Due Diligence), and possibly develop guidance;

b) To develop a supervisory protocol between involved AML supervisors of a Payment Services Institutions and its agents and branches; and

c) To assess implications for AML supervision, and possible development of a supervisory protocol, in relation to the new 2nd E-money Directive.

**13.4 3L3 Work on Financial Conglomerates**

The Joint Committee on Financial Conglomerates (JCFC) met four times in 2010 under the chairmanship of Thomas Schmitz-Lippert (Bafin, Germany) from mid 2010, and Patrick Brady (IFRSA, Ireland) until mid 2010.

The JCFC provided input to the European Commission’s proposals for the quick review of the Financial Conglomerates Directive (FICOD), known as FICOD I, and the fundamental review of this Directive, FICOD II throughout 2010. For example, in July 2010 the JCFC sent a letter to the European Commission to advise a seamless transition from the current Insurance Groups Directive towards Solvency II, by proposing to amend the definition of a holding company in the Solvency II text in so that also under the new insurance regulation both sector-specific (banking and insurance) supervision and supplementary supervision could be applied on the conglomerate’s parent entity. Oral reports were provided by the JCFC to the EFCC at their two meetings held in 2010. Further the JCFC provided recommendations to the EC on Omnibus I in relation to Financial Conglomerate supervision.

The JCFC published and submitted its annual list of financial conglomerates, as at 1st June 2010, based on 2010 year end figures reported by the undertakings, so that Member States could meet the reporting requirements in Article 4(2) of the FCD. The JCFC noted that the ongoing dynamics in the financial sector were reflected by several mergers of previously identified conglomerates, as well as new conglomerates created, and the restructuring of existing conglomerates such that they are no longer captured under the scope of the FICOD.

Further to its 2009 advice to the European Commission on the review of the FICOD on definitions, scope and internal control requirements, and how these areas and their implementation within the existing legislative framework may impact on the fulfilment of the objectives of the FICOD, supervisors felt it was necessary to immediately start working on one topic, namely participations, so as to strive for more convergence between Member States, even before the review of the FICOD. Accordingly, the JCFC established a Participations Working Group to concentrate on:

- Identification of Financial Conglomerates and specifically the to address how to include participations in the calculation (durable link, indirect participations)
- When identified, how to include participations in the day-to-day supervision (for example Risk Concentration and Intra-Group Transactions and what kind of information could be reasonable obtained in the case of non-controlled participations)

By the end of 2010, the JCFC’s Participations Working Group prepared draft guidance on Durable Link on how to include participations in the calculations when identifying a Financial Conglomerate.

The JCFC monitored also the Financial Conglomerates dimension of CEBS and CEIOPS sector work on Colleges, to ensure FICOD consistency. At each of the JCFC’s 2010 plenary meetings, JCFC Members discussed their practical experience of discussion of the FICOD requirements within a college and also the Secretariat conducted a survey amongst the JCFC membership. The JCFC noted, amongst others their preference not to duplicate sector colleges. The Secretariat conducted an analysis of the status of college discussions to date on FICOD requirements, which noted improvements could be made as not all groups have colleges, and that those that do meet, have varying degrees of discussing the FICOD dimensions. Accordingly the JCFC drafted its recommendations on Supplementary FICOD requirements in supervisory colleges of financial conglomerates that could be added to the already existing sectoral guidelines. These seven recommendations were endorsed and published on 21 December 2010, by CEBS and CEIOPS. These recommendations include, among others, the setting up, for every financial conglomerate, of a platform for discussing FCD issues within the existing college structure. The platform is either established at banking level, for a banking-led financial conglomerate or at insurance level, for an insurance-led financial conglomerate.
Next steps

The three ESAs will continue the work on financial conglomerates in the Joint Committee’s Sub-Committee on Financial Conglomerates, including:

- Publication of the list of identified Financial Conglomerates, in accordance with the legal requirements following Omnibus I Directive.
- Draft guidance on the identification and supervision of participations will be published for consultation.
- Commence work on providing advice to the EC on FICOD II.
- Develop templates for colleges on cross-sectoral aspects.
- Commence work on providing advice to the EC on FICOD II.

13.5 Internal Governance

In January 2010, the 3L3 Task Force on Internal Governance, chaired by Gabriel Bernardino of the Portuguese Insurance and Pensions Funds Supervisory Authority, published a report on a Cross-sectoral stock take and analysis of internal governance requirements and sent this to the European Commission. The report aimed to identify areas, for possible harmonisation of the differing regulations of the three financial services sectors. The report identified no areas, of a high priority, for harmonisation. Although, for some areas, a low or medium priority was identified. A Call for Evidence was published with the report, with the aim to get industries’ views on the need for harmonisation.

On 9 February 2010, the European Commission’s Company Law, Corporate Governance and Financial Crime Unit convened a meeting with representatives of CESR, CEBS and CEIOPS to discuss the 3L3 work on Internal Governance and also the European Commission’s work on Corporate Governance.

In June 2010, the European Commission published its Green Paper on Corporate Governance and Remuneration policies. At the beginning of September 2010, CEBS34 and CEIOPS sent their respective sector responses to the European Commission. The European Commission held a meeting with the 3L3 on 16 September 2010 to discuss its Corporate Governance Green Paper and Remuneration issues, in particular regarding the responses received from CEBS and CEIOPS. The European Commission received more than 200 responses to its Green Paper, and invited CEBS, CEIOPS and CESR to discuss more specific issues raised by respondents and how they could be dealt with, within the proposed regulation. A further meeting was planned for January 2011.

On 13 October 2010, the European Commission published its Green Paper on Audit Policy. The 3L3 Committees prepared a common 3L3 cover letter for their responses to this Green Paper. This 3L3 cover letter included, as an Annex, more detailed comments from each of the 3L3 committees.
13.6 Joint Work on Non-Cooperative Jurisdictions

In order to assist the EU political institutions in preparing the meetings of the Financial Stability Board and G20 held in the first half of 2010, the 3L3 Committees asked its Members for an update on their experience on cooperative jurisdictions within their Members’ regulatory/supervisory competencies. The 3L3 Committees summarised the results that were provided to the EFC Financial Stability Table meeting on 9 April 2010.

For the EFC-FST meeting on 20/21 September 2010, in line with the 2004 political request of the EFC, the 3L3 Committees further submitted a report based on the 3L3 Committee members’ response collected over the summer. The report noted developments as well as remaining/deepening issues that Members from the three sectors experienced in 2010.

The 3L3 Committees noted that part of the G20 agenda relates to tax concerns which go beyond the 3L3 supervisory competencies, whilst continuing to support the strong momentum in the G20/FSB agenda for reforms to repair, strengthen the resilience and improve the functioning of financial systems going forward.

Next steps:
In light of the establishment of the three European Supervisory Authorities and as per decision of the September 2010 EFC, the future Joint Committee, will continue the practice of the 3L3 Committees, to provide an annual report to the political level on related developments of non-cooperative jurisdictions in the EU financial sector.

13.7 3L3 Joint Task Force on Packaged Retail Investment Products (PRIPs)

A 3L3 Task Force on Packaged Retail Investment Products (PRIPs) was set up in February 2010 to formulate a common 3L3 position on the scope of PRIPs and the appropriate principles for pre-contractual product disclosures and selling practices.

The Task Force was chaired by Anneli Tuominen (Finanssivalvonta, Finland) and was composed of an equal number of representatives from CESR and CEIOPS, as well as of experts from CEBs on structured deposits and of observers from the European Commission.

Five meetings were held between 9 April 2010 and 10 September 2010. On 6 October 2010, a report was submitted to the European Commission, under a joint 3L3 Chairs cover letter, and it was published on the websites of the 3L3 Committees on 12 October 2010.

The Task Force sought, wherever possible, to form consensual views on the key aspects of PRIPs. However, where this was not possible, alternative positions were expressed.

The European Commission published a Consultation Paper on its proposed legal framework for PRIPs scope and product disclosure on 26 November 2010. Draft legislative proposals on pre-contractual product disclosures for PRIPs are expected in June 2011. Legislative proposals regarding sales of PRIPs, which will be incorporated in a revised MiFID and IMD, are not expected until later 2011. The 3L3 Committees, in their new formulations as ESAs stand ready to assist with any further policy work by the European Commission in this area.

Next steps:
The Task Force may take up further work within the framework of the Joint Committee of the ESAs in the second half of 2011 to eventually provide advice in response to the Commission’s legislative proposals on product disclosure.

13.8 Fostering Convergence Through 3L3 Training

In 2010, the 3L3 Task Force on training, which brings together senior representatives from each of the Level 3 Committees and their members, continued to foster convergence amongst supervisors by reaching a higher level of co-operation on cross-sector training. These cross-sector seminars supplement the sector training seminars which each of the Committees organises.

The three major areas of co-operation during 2010 included:
- organising cross-sector seminars,
- planning annual 3L3 Training Programme, and
- reviewing the 3L3 Manual on Training Processes.

Organising cross-sector seminars: The Task Force and the 3L3 Secretariats made a joint effort in developing, monitoring and assessment of the 3L3 training programme. Along with other projects of the 3L3 Committees, cross-sector training has benefited from a second year of financial support from the European Commission in 2010.

Following the analysis of the learning outcomes provided in the feedback received on the training, the Task Force concluded that the further involvement of the Secretariats in the implementation of training and a closer co-ordination with the hosts would be beneficial in the future.
Planning the annual 2011 Training Programme: The 3L3 Secretariats co-operated in the development of a common questionnaire aimed at assessing the demand for training needs in 2011 and to identify volunteers to host and organise seminars. For the first time, the online questionnaire facilitated a co-ordinated response by single regulators who are Members of the 3L3 Committees. The feedback provided was used by the Task Force as a basis for planning the 3L3 training programme of the following year.

Reviewing the 3L3 Manual on Training Processes: Given the transformation of the 3L3 into ESAs as of 1 January 2011, the Task Force reviewed its manual on training, developed in 2009, in order to reflect the budgetary procedures of the ESAs and to make it more user friendly. The updated ESAs Manual on Training will be finalised and published in 2011.

The 3L3 Committees maintained the number of cross-sectoral seminars in 2010. The 3L3 Committees developed a cross-sector training programme to ensure cross-sector convergence, together with the essential support of the members who volunteered in hosting and organising seminars.

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of seminar</th>
<th>Date &amp; Location</th>
<th>Host</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Corporate Governance</td>
<td>26 February, Lisbon</td>
<td>CNVM</td>
<td>35</td>
</tr>
<tr>
<td>02</td>
<td>Assessment of IT systems and applications in financial institutions</td>
<td>1–3 March, Eltville (Frankfurt)</td>
<td>BuBa</td>
<td>29</td>
</tr>
<tr>
<td>03</td>
<td>Negotiating skills for European Supervisors</td>
<td>4–5 March, Eltville</td>
<td>BuBa (ESE)</td>
<td>14</td>
</tr>
<tr>
<td>04</td>
<td>Seminar on Risk Management for Financial Conglomerates</td>
<td>18–19 March, Amsterdam</td>
<td>DNB &amp; Duisenberg School of Finance</td>
<td>28</td>
</tr>
<tr>
<td>05</td>
<td>Negotiating skills for European Supervisors</td>
<td>6–7 May, Eltville</td>
<td>BuBa (ESE)</td>
<td>10</td>
</tr>
<tr>
<td>06</td>
<td>Assessment of IT systems and applications in financial institutions</td>
<td>9–11 June, Eltville</td>
<td>BuBa</td>
<td>28</td>
</tr>
<tr>
<td>07</td>
<td>Understanding the impact of Lehman’s default on market participants</td>
<td>17–18 June, Paris</td>
<td>AMF</td>
<td>26</td>
</tr>
<tr>
<td>08</td>
<td>Internal Model validation – Banking and Insurance sector</td>
<td>24–25 June, Rome</td>
<td>Banca d’Italia &amp; ISVAP</td>
<td>47</td>
</tr>
<tr>
<td>09</td>
<td>Negotiating skills for European Supervisors</td>
<td>15–16 July, Eltville</td>
<td>BuBa (ESE)</td>
<td>12</td>
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<tr>
<td>10</td>
<td>Negotiating skills for European Supervisors</td>
<td>27–28 September, Eltville</td>
<td>BuBa (ESE)</td>
<td>9</td>
</tr>
<tr>
<td>11</td>
<td>Clearing and settlement – recent developments and challenges</td>
<td>29–30 September, Frankfurt</td>
<td>BuBa</td>
<td>24</td>
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<td>12</td>
<td>Negotiating skills for European Supervisors</td>
<td>21–22 October, Eltville</td>
<td>BuBa (ESE)</td>
<td>9</td>
</tr>
<tr>
<td>13</td>
<td>The new European System of Financial Supervision</td>
<td>6–7 December, Paris</td>
<td>CESR Secretariat</td>
<td>55</td>
</tr>
<tr>
<td>14</td>
<td>Supervisory Colleges</td>
<td>9–10 December, Berlin</td>
<td>BaFin &amp; CEIOPS</td>
<td>30</td>
</tr>
</tbody>
</table>

The effort devoted to train staff of EU supervisory and regulatory authorities on a cross-sector basis during 2010 allowed for the training of over 350 supervisors, which means further strengthening of our common supervisory culture.

**Next steps**

The Task Force, within the framework of the Joint Committee of the ESAs, will continue the training programme for 2011 and will finalise the ESAs’ Manual on Training, as well as strengthen cooperation in supervisory training.
14.1 Introduction

This work program marks the start of the work of EIOPA. The objectives set in this work plan are based on the Regulation establishing EIOPA, as it has been approved by the European Parliament on 22 September 2010 and on the ongoing work program of CEIOPS, which will be continued under EIOPA.

The transition from CEIOPS to EIOPA is not a process that will be completed on 1 January 2011. Although EIOPA will be operational and up-and-running from the first day, a lot of less urgent procedures and processes still have to be incorporated during the first months, and some even up till the end of the year, given their nature. This transition, in the middle of the ongoing and important work that CEIOPS/EIOPA is doing on the area of Solvency II and pensions, is creating extra challenges for EIOPA to keep track with all the ambitious goals that are set. To keep its success going, CEIOPS/EIOPA has relied on a small, but dedicated team to reach its goals. During 2010, this team has steadily grown, from 17 in January to 27 in December. And further growth is foreseen to around 50 at the end of 2011 as the new tasks and responsibilities under the Regulation will push EIOPA further.

Despite this gradual growth, EIOPA cannot from the start accomplish all the tasks and responsibilities as set in the Regulation to its full extent. For a part this is channeled because many of the new responsibilities are linked to Solvency II which will come into force in January 2013. For another it means that priorities need to be set and that certain elements of work of EIOPA will develop gradually as our team will continue to develop.

For 2011, the main priorities are:
1. Data collection and processing
2. Consumer protection/Financial Activities (chapter 5)
3. Cross-border crisis management and solution and colleges (chapter 6)

These priorities represent the ongoing work from CEIOPS to EIOPA in Solvency II and pensions, the strengthening of existing cooperation with our Members and 3L3 colleagues in colleges, crisis solution and data collection and fostering channels with consumers (representative organizations) and with new stakeholders like the ESRB.
This list does not represent all the work that will be carried out at EIOPA. EIOPA will continue the work that has successfully been done on supervisory convergence and culture, by offering a well established training program. For 2011 the aim is to more closely align this training program to the needs of supervisors “out in the field” and to transfer policy knowledge into operational tools. The details are described in chapter 14.8. Also EIOPA will develop new initiatives for conducting peer reviews based on the new tasks outlined in the EIOPA Regulation and building on the experience from the first peer review exercise finalised in 2010. The details are described in chapter 14.8.2.

Further areas of work will be the work done on accounting, international relations and the ongoing work on Transition, described in Chapter X.

14.2 Insurance

14.2.1 Solvency II

The implementation date of the Solvency II framework (31 December 2012) is coming closer and Member States are getting prepared to implement the new framework in their national law. EIOPA is committed to further develop the future regime, and at the same time is preparing the necessary tools and processes to ensure a smooth transition.

The Solvency II work plan for 2011 will be characterised by a heavy regulatory work load at a time where the implementation efforts are increasing among Member States and industry. Coordination between the different work streams is of key importance to ensure the final consistency of the Level 2 measures, guidelines and technical standards.

The results of the last major quantitative impact study before implementation, QISS, will be available in the first quarter of 2011, and will help identifying the major remaining regulatory issues that need to be solved before the implementation.

The European Commission is aiming to make a proposal for the Level 2 implementing measures in June 2011. EIOPA will further contribute where necessary on key issues in the finalisation of the Level 2 proposals and final measures.

The process for EIOPA’s deliverables on technical standards and Level 3 guidelines is influenced by the timing of the proposals and adoption of the Level 2 measures, as well as the adoption of the Omnibus 2 Directive, which will amend the Solvency II Directive in respect of the powers of EIOPA.

The draft Omnibus 2 Directive foresees that EIOPA will be required to draft binding technical standards in various areas by December 2011. This will cover a large part of the work programme for 2011.

Non-binding Level 3 guidelines in various areas are being envisaged and will be further prepared by EIOPA in 2011 to support the convergent application of the new rules. The ultimate adoption date by EIOPA will be March 2012, in time for Member States to decide whether to apply the guidelines or to express their intention and rationale for not adopting (comply-or-explain).

The drafting of technical standards and Level 3 guidelines are being prioritised according to whether they are considered essential before the implementation of Solvency II. Where appropriate, EIOPA will be assessing the costs and benefits of its proposed technical standards and guidelines as an ongoing requirement for better regulation. In the absence of publicly available Level 2 measures until June 2011, CEIOPS will not be able to publicly consult on Level 3 guidelines, or on technical standards until then. Therefore, informal pre-consultations will be held with selected stakeholders that have been consulted by the Commission during the consultation on QISS technical specifications and the discussion on the Level 2 measures.

Solvency capital requirements, own funds and technical provisions

Pillar 1 elements regarding capital requirements, own funds and the calculation of technical provisions will be fine-tuned using the results of QISS.

In the frame of QISS, CEIOPS will have collected data to refine the calibration for the non-life and non-SLT health risk module. A Joint Working Group consisting of representatives of AMICE, Groupe Consultatif, CEA and CRO forum as well as observers from the European Commission has been set up by CEIOPS to discuss the most appropriate calibration methods.

Further work on specific issues arising from QISS, such as the standardised scenarios for catastrophe risk in the standard formula will be undertaken.

Actuarial guidelines are being developed to assist the actuarial function under Solvency II to calculation the best estimate in a convergent manner.

As QISS is testing approaches for grandfathering own funds elements, EIOPA will look into the impact and feasibility of grandfathering in this area.

Internal models

With regard to internal models, in 2011, CEIOPS will issue specific Level 3 guidelines in areas that it considers essential for a smooth implementation of the provisions for the internal models approval set out in Solvency II.

CEIOPS’ task force on pre-application will continue to carry out initiatives that should contribute to enhance supervisory convergence and consistency in the pre-application process, both in terms of processes and outcomes. To this end, CEIOPS will organise specific informal meetings to enhance experience and problems faced by Supervisory
EIOPA will continue to consult stakeholders on the overall reporting requirements in the course of 2011. Due to the importance of the work in this area and the expected challenges for the implementation, EIOPA considers this is one of the key areas in which stakeholders need to be involved, and where the preparatory work for the implementation needs to start early. Therefore, EIOPA aims to stabilize the reporting templates as soon as possible.

Reporting and disclosure
The aim of the work on reporting and disclosure is to develop a harmonised approach through the introduction of common reporting templates and formats. Following informal consultation on the draft reporting templates with selected stakeholders,
Governance
Level 3 guidelines on the system of governance and ORSA will be the major deliverables expected for 2011 in this area. The guidelines on the system of governance will cover the risk management system and the internal control system, as well as requirements with regard to fit and proper, outsourcing and the four functions in the insurance undertaking (risk management, compliance, internal audit and actuarial function).

Supervisory review process
The aim of the requirements on the supervisory review process (SRP) is to build the ground for a consistent approach to supervision across the EU and convergence in supervisory practices.

Level 3 guidelines on SRP will cover the objectives and general principles of supervision, the risk assessment framework and process of supervision, including review, supervisory powers and actions.

Guidelines on the transparency and accountability of supervisors will be developed in the course of 2011, too.

Group issues
On the basis of the existing guidelines, as well as cross-sectoral and international developments, CEIOPS will develop the guidelines and tools that are necessary to ensure a proper functioning of supervisory colleges under Solvency II.

Level 3 guidelines on intra-group transactions and risk concentration will be developed to provide a common basis for all groups and supervisors in this area.

Group issues with respect to ORSA, internal models or reporting will be developed at the same time as the solo requirements in those areas.

Following the results of QISS, guidelines for calculating the solvency position of groups will be developed in the areas where the Level 1 and Level 2 are not sufficiently detailed.

14.2.2 Group issues under the current Insurance Groups Directive
The supervision of cross-border insurance groups under the current regulatory framework needs to be further enhanced in 2011. To minimize the supervisory burden on insurance groups and to be better prepared for times of crisis, in 2011, EIOPA will work towards the convergence of supervisory practices and supervisory co-operation.

14.2.3 Equivalence
The 2011 CEIOPS deliverables for equivalence will be driven by the 29 October 2010 Call for Advice from the European Commission. As per this latest request, CEIOPS will need to produce by end September 2011 its fully consulted upon advice as to equivalence assessments of the Swiss and Bermudian supervisory system for reinsurance, group solvency calculation and group supervision while the Japanese supervisory regime will be assessed only for reinsurance supervision equivalence.

Beginning December 2010 with CEIOPS will initiate simultaneously its assessments for each 3rd country indicated by the European Commission. CEIOPS assessments will be undertaken simultaneously by dedicated assessment teams which will have less than approximately 40 weeks to produce their reports.

This makes the process highly resource demanding as all these assessment teams will need to have the necessary expertise, knowledge, supervisory experience and size to match the extent of the assessment as well as the complexity of the third country supervisory system. CEIOPS Secretariat and then EIOPA will fully support the process by allocating resources and ensuring coordination between the assessment teams.

For each assessment CEIOPS will ensure full transparency of the process with:
• a call for evidence as the first step of the project and
• a public consultation on findings, before submission of its advice to the European Commission.

Throughout the second part of 2011, CEIOPS will review and adapt its current methodology on equivalence assessments and issue it as Level 3 guidance to EU group/individual supervisors. This will allow EU group/individual supervisors to pursue equivalence assessments in a consistent manner and will ultimately lead to enhanced supervisory convergence on the matter.

The Level 3 methodology for group/individual supervisors will incorporate all relevant regulatory developments from the 1st half of 2011 as well as practical experience from CEIOPS initial 3rd country assessments. It is expected that this Level 3 guidance will be available for supervisors use towards the end of 2011.

14.3 Occupational Pensions
The European Commission expects to initiate a review of the IORP Directive soon after the closing date for their consultation on the Green paper on pensions on 15 November. Responding to the European Commission’s Calls for Advice to contribute to the review and to a related impact assessment is likely to form the biggest and most high profile part of the EIOPA’s work on occupational pensions in 2011.
At the time of writing, neither the content of the Call for Advice nor the timetable for delivery have been confirmed by the Commission. However, CEIOPS stands ready to adapt its resources and draw up detailed plans for a timely delivery of its advice as soon as the information becomes available.

A number of projects started will be finalised in 2011. These are: “Reporting to supervisory authorities” to be completed in Q1 and a DC focused project which will map the risks to members of DC schemes, including the analysis of certain selected risks, to be completed in Q3.

EIOPA will also publish a 2011 update to its “Report on Market Developments” which tracks overall activity in the market for European cross-border occupational pension provision since 2007.

In December 2009 CEIOPS Managing Board instructed CEIOPS to undertake a separate piece of work on PRIPs and pensions, while shadowing the developments in the 3L3 Task Force on non-pension PRIPs. The 3L3 Task Force report was completed in October 2010. CEIOPS project will continue in 2011, taking into account the outcome of the Pensions Green paper consultation and the scope of the review of the IORP Directive.

14.4 Financial stability

In line with EIOPA’s mandate the tasks in relation to financial stability aim at identifying, at an early stage, trends, potential risks and vulnerabilities stemming from the micro-prudential level and to inform, where necessary, the appropriate institutions. EIOPA will monitor structural developments in the sectors as well as risks related to specific products where relevant. Furthermore, a risk dashboard will be developed in cooperation with the ESRB and other ESAs. Also a harmonised, pan-European stress test for the insurance sector will be carried out. The stress test will be developed in cooperation with the ESRB and aim at using common methodologies for assessing the effect of economic scenarios on an institutions’ financial position.

As in previous years EIOPA will deliver, in the Autumn of 2011, an annual assessment of sector developments highlighting implications for financial stability, with a provisional report in the Spring of 2011 outlining main market trends since the end of 2010. EIOPA will report regularly on financial conditions and financial stability in the (re)insurance and occupational pensions sectors in the European Union to the European Economic and Financial Committee (EFC) – Financial Stability Table.
In co-operation with the banking and securities supervisors, in 2011 CEIOPS will continue to monitor contagion risks, such as feedback loops between the financial sector and the real economy; cross-sector holdings and exposures; market confidence; and changes in products, asset prices and deleveraging, between the different sectors as well as within financial conglomerates. The findings will be reported in the context of the joint three Level 3 work on cross-sector risks to financial stability in Europe.

EIOPA will further develop its database of current and historical data for occupational pension funds, insurance and reinsurance undertakings in the European Union, gathered in the context of EIOPA’s Financial Stability Reports.

Looking forward to the introduction of Solvency II, EIOPA will have regard to that data to be collected for the purposes of single reporting standards, due to come into force in 2012, also includes as much data as possible required for financial stability purposes including those of ESRB.

Following the new regulation on both EIOPA and ESRB a framework for exchange of information will be established in cooperation with ESRB and other ESAs.

14.5 Consumer protection

EIOPA will be taking on significant new powers and tasks in the field of consumer protection and financial activities under its empowering Regulation, which present interesting new challenges and opportunities. Like the other European Supervisory Authorities – ESMA and EBA, EIOPA will invariably need time to come fully to grips with these new tasks and powers.

The tasks include analysing consumer trends, reviewing financial literacy initiatives, developing industry training standards, contributing to common disclosure rules, monitoring existing/new financial activities, establishing a Committee on Financial Innovation and temporarily prohibiting/restricting certain financial activities. A structured process for putting these new tasks into effect will be put into place over the coming months.

In addition, EIOPA will continue to provide assistance to the Commission with existing policy initiatives:
- Consumers should feel confident and empowered to make the right choices when purchasing financial products such as investment-based insurance. In this respect, CEIOPS Members contributed to a 3L3 Task Force report on Packaged Retail Investment Products (PRIIPs), which was submitted to the Commission on 6 October 2010. It is possible that EIOPA will take up further work in this area in 2011, under the aegis of the Joint Committee of the ESAs, once the Commission has published legislative proposals on PRIIPs.

- Insurance intermediaries play a central role in the distribution and selling of insurance products. CEIOPS provided the Commission with draft Advice on the revision of the Insurance Mediation Directive in November 2010. EIOPA will continue to provide assistance to the European Commission, where requested, with its legislative proposal to revise the Insurance Mediation Directive (IMD), which is expected at the end of 2011.
- EIOPA will also continue to provide input into the European Commission’s policy-making with regards to Insurance Guarantee Schemes (IGS). Following the publication of a White Paper in July 2010, CEIOPS provided detailed input into the Commission’s consultation. EIOPA will continue in a similar vein in 2011 as and when the European Commission publishes a draft Directive to ensure that IGS exist in all Member States and that they comply with a minimum set of design features.

As ever, in taking all these initiatives and any further work-streams relating to consumer protection forward, EIOPA will seek close cooperation with its Stakeholder Groups.

14.6 Cross-border crisis management and solution and colleges

14.6.1 Cross border crisis management

The Regulation clearly states the expectations for the new supervisory bodies: “The Authority should be able to require national supervisory authorities to take specific action to remedy an emergency situation.” (recital 20a)

EIOPA should therefore be prepared to take action when an emergency situation arises, from the first day on. Because EIOPA will be relatively small at the start, this work shall be organised on a project management basis, whereby coordination will be run by EIOPA’s Secretariat whereby Members supply input to set up a crisis management system.

Work in this area also requires a high level of cooperation between the 3 European Supervisory Authorities, the ESRB, Council and European Commission. Joint work on this area has already started.
14.7 Colleges

EIOPA’s role in Colleges will be distinctively different than the more supporting role CEIOPS had. Recital 22 of the Regulation states:

“The Authority should contribute to promoting and monitoring the efficient, effective and consistent functioning of the Colleges of Supervisors and in that respect have a leading role in ensuring a consistent and coherent functioning of supervisory colleges for cross-border institutions across the Union. It should therefore have full participation rights in Colleges of Supervisors with a view to streamlining the functioning of and the information exchange process in colleges and to foster convergence and consistency across colleges in the application of European Union law.”

Starting in the second quarter of 2011 EIOPA staff will actively participate as members in College meetings. This work will also feed into Solvency II work-streams on supervisory Colleges by clarifying, strengthening and streamlining the role and functioning of the current Colleges.

EIOPA will work on the implementation of a common IT tool for the exchange of information within the current Colleges and the future Colleges of Supervisors, both in normal and crisis times, with the aim to have the tool ready by beginning of 2012.

14.8 Supervisory culture, convergence and cooperation

14.8.1 Supervisory culture

The new Regulation establishing EIOPA (Article 14) stresses the importance of the Committee’s role in the development of common supervisory culture in the European Union through facilitating technical training and the exchange of staff to build common supervisory skills and approaches.

Training plays a key role in the development of common supervisory practices in the field of insurance, reinsurance and occupational pensions and it is one of the main tools for achieving a common supervisory culture.

The topics covered in the trainings are in line with the work developed by CEIOPS Working Groups and Committees, where Solvency II is one of the main drivers, followed by Financial Stability, Occupational Pensions, Consumer Protection and Convergence.

Under Solvency II, given the ongoing development of the L2 measures, most of the trainings carried out until recent were focusing on an update of the work in progress. The implementation of Solvency II by end 2012 will be followed by a shift from regulation to supervision. The aim for the future trainings is to target operational supervisors and to prepare them better for the Supervision under Solvency II, by introducing a practical approach as the preferred methodology of training.
The main findings of the questionnaire on the Preparedness of Insurance Supervisors to Implement Solvency II conducted in June 2010 have shown that training plays a major role in spreading the Solvency II culture within the organisations. This shows the importance of common supervisory culture linked to the training at European level, which not only complements but also enhances training at national level.

Following priorities can be identified in this area:

1. In line with the developments for training under EIOPA, the aim for the future trainings is to target operational supervisors and to prepare them better for supervision under Solvency II, by introducing a practical approach as the preferred methodology of training.
2. Training will focus on the difference between the new and the old supervisory framework in order to allow supervisors to focus on the new requirements.
3. Other general tools will be developed: a website-based library (mainly on Solvency II, but also from other areas); case-studies as an ongoing requirement for working groups when developing regulatory measures, the possibility for members to request ad hoc training on specific areas (such as Solvency II internal modelling framework; assessment of the (group) internal model during the pre-application process) or to host the repetition of a standard seminar; exchanging questions and answers between Solvency II implementation project managers through the EIOPA members area website, etc.

CEIOPS expects to run the following training events in 2011:

1. 14 sector seminars, including 1–2 ad hoc trainings or repetitions of standard seminars
2. 3 cross-sector seminars
3. 2 public events: the Public Hearing on QISS and the EIOPA Conference

As in previous years, the training programme will draw heavily on the support from CEIOPS Members and working group experts, in coordination with the Secretariat staff.

In the context of its work on developing common supervisory culture, CEIOPS believes in the importance of staff exchanges in the form of study visits and secondments among supervisors. CEIOPS supervisory culture webpage was re-designed in 2010. The new, friendlier page incorporates the latest IT improvements to facilitate interactions between CEIOPS and its Members and among Members themselves on matters relating to training and the exchange of staff.

14.9 Further areas of work

14.9.1 Accounting

As in the past, EIOPA will continue to follow developments in the European accounting environment, especially by following the work of, and providing input to, the European Financial Reporting Advisory Group (EFRAG) in the context of the application of International Financial Reporting Standard (IFRS) in the European Union. EIOPA will continue to follow the IASB’s agenda closely and provide input in areas affecting insurance and/or occupational pensions.

14.9.2 International relations

In the European System of Financial Supervision, the new European Supervisory Authorities will have a greater international role than the current Level 3 Committees. According to the ESA regulation, given the globalisation of financial services and the increased importance of international standards, ESAs should foster the dialogue and cooperation with supervisors outside the Union.

Combined with the power of the ESAs to draft regulatory standards to which the European Commission can give binding legal effect, EIOPA will seek greater representation in relevant international organisations in order to realise its standard setting role in insurance and pensions. At the same time, EIOPA will continue to develop its international relations by holding regulatory dialogues and maintaining a close contact with third countries including the US, China, Japan and Latin America.

Equally, EIOPA will assist in preparing equivalence decisions pertaining to supervisory regimes in third countries. CEIOPS work on preparing the equivalence assessments is likely to add a further momentum to the regulatory dialogues, bringing forward discussions on specific aspects of global standards.

14.9.3 Transition

A number of specific procedures need to be implemented in the course of 2011 to enable EIOPA to be compliant with Commission requirements for European Agencies. This relates to a number of internal control standards to measure, steer and control the effectiveness, ability and integrity of the organization. In the table in annex I a summary of the internal controls and planned implementation is set.

Furthermore, staff growth will have an impact on the organization, as its size will almost double during 2011, giving challenges to incorporate newcomers in the existing culture and values of EIOPA while at the same time giving room for growth and opening new areas of expertise in the organization. The further development of HR policies and practices within the organization is paramount for the success of this transition.
A 1: CEIOPS role in the Lamfalussy procedure

Lamfalussy-model from the perspective of CEIOPS

European Parliament Council

1. CEIOPS role in the Lamfalussy procedure

Agreement on framework principles and definition of implementing powers in Directive/Regulation.

European Commission adopts proposal for Directive/Regulation after a full consultation process (including advice from CEIOPS).

2. CEIOPS prepares measures in consultation with market participants, end-users and consumers, and submits them to European Commission.

European Commission examines the measures and makes a proposal to the EIOPC.

EIOPC votes on proposal

European Commission adopts measures

3. CEIOPS works on recommendations, guidelines and standards (on areas not covered by EU legislation), peer review, and compares supervisory practices to enhance their convergence.

European Parliament

4. European Parliament may take legal action against Member States suspected of breach of Community Law.

A 2: Financial statements

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<td>Payroll liabilities due to seconding authorities</td>
<td>346.887,33</td>
<td>366.812,50</td>
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<tr>
<td>Accrued expense</td>
<td>40.025,60</td>
<td>186.224,35</td>
<td>186.224,35</td>
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<tr>
<td>Wage tax liabilities</td>
<td>28.507,77</td>
<td>66.842,35</td>
<td>66.842,35</td>
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</tr>
<tr>
<td>Total liabilities</td>
<td>1.749.865,98</td>
<td>1.366.181,74</td>
<td>1.366.181,74</td>
<td></td>
</tr>
<tr>
<td>• Total committee members’ equity</td>
<td>995.757,43</td>
<td>2.422.701,79</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A 89
A 3: List of CEIOPS Members and Observers

Members

**Austria**
Finanzmarktaufsichtsbehörde (FMA)
Otto-Wagner-Platz 5
1090 Wien
Austria
Tel: +43 1 249 59-0
Fax: +43 1 249 59-6099
www.fma.gv.at

**Cyprus**
Supervisory Authority of Occupational Retirement Benefits Funds
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Cyprus
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Fax: +357 22 67 29 84
www.mlsi.gov.cy/sid

**Czech Republic**
Czech National Bank
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Czech Republic
Tel: +420 224 411 111
Fax: +420 224 412 404 or +420 224 413 708
www.cnb.cz

**Denmark**
Finanstilsynet
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2100 Copenhagen
Denmark
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Fax: +45 33 55 82 00
www.finanstilsynet.dk

**Estonia**
Financial Supervision Authority/ FINANTSINSPEKTSIOON
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15030 Tallinn
Estonia
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Fax: +372 66 80 501
www.fi.ee

**Finland**
Financial Supervisory Authority
PO Box 103
00101 Helsinki
Finland
Tel: +358 10 831 51
Fax: +358 10 831 5328
www.fin-fsa.fi

**France**
Autorité de Contrôle Prudentiel (ACP)
61 rue Taitbout
75436 Paris Cedex 09
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Fax: +33 1 55 50 41 50
www.acam-france.fr

**Germany**
Bundesanstalt für Finanzdienstleistungs
aufsicht (BaFin)
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53117 Bonn
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Tel: +49 228 4108 0
Fax: +49 228 4108 1550
www.bafin.de

**Greece**
Private Insurance Supervisory Committee (PISC)
Ypatias 5
GR 105 57 Athens
Greece
Tel: +302 10 32 72 601/620
Fax: +302 10 32 30 847
www.pisc.gr

**Hungary**
Pénzügyi Szervezetek Állami Felügyelete
Hungarian Financial Supervisory Authority
Kristzina Körút 39
1013 Budapest
Hungary
Tel: +36 1 4899 100
Fax: +36 1 4899 102
www.pszaf.hu

**Ireland**
The Pensions Board
Verschoyle House
28/30 Lower Mount Street
Dublin 2
Ireland
Tel: +353 1 613 1900
Fax: +353 1 631 8602
www.pensionsboard.ie

Central Bank of Ireland
P.O. Box No 559
Dame Street
Dublin 2
Ireland
Tel: +353 1 224 6000
Fax: +353 1 671 6561
www.centralbank.ie

**Italy**
Commissione di Vigilanza sui Fondi Pensioni (COVIP)
Via in Arcione, 71
00187 Roma
Italy
Tel: +39 06 69 50 61
Fax: +39 06 69 50 6 271
www.covip.it
A 4: List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>3L3</td>
<td>Three Level 3 Committees</td>
</tr>
<tr>
<td>AML/CFT</td>
<td>Anti-Money Laundering/Combating the Financing of Terrorism</td>
</tr>
<tr>
<td>AMLTF</td>
<td>Anti-Money Laundering Task Force</td>
</tr>
<tr>
<td>CEBS</td>
<td>Committee of European Banking Supervisors</td>
</tr>
<tr>
<td>CEIOPS</td>
<td>Committee of European Insurance and Occupational Pensions Supervisors</td>
</tr>
<tr>
<td>CESR</td>
<td>Committee of European Securities Regulators</td>
</tr>
<tr>
<td>CLD</td>
<td>Consolidated Life Insurance Directive</td>
</tr>
<tr>
<td>Co-Cos</td>
<td>Co-ordination Committees</td>
</tr>
<tr>
<td>CRD</td>
<td>Capital Requirements Directive</td>
</tr>
<tr>
<td>CP</td>
<td>Consultation paper</td>
</tr>
<tr>
<td>EBA</td>
<td>European Banking Authority</td>
</tr>
<tr>
<td>ECOFIN</td>
<td>EU Council of Ministers</td>
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<tr>
<td>EEA</td>
<td>European Economic Area</td>
</tr>
<tr>
<td>EFC</td>
<td>Economic and Financial Committee</td>
</tr>
<tr>
<td>EFCC</td>
<td>European Financial Conglomerates Committee</td>
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<tr>
<td>EFC-FST</td>
<td>EFC-Financial Stability Table</td>
</tr>
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<td>EFRAG</td>
<td>European Financial Reporting Advisory Group</td>
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<tr>
<td>EIARI</td>
<td>European Insurance and Occupational Pensions Authority</td>
</tr>
<tr>
<td>EIOPC</td>
<td>European Insurance and Occupational Pensions Committee</td>
</tr>
<tr>
<td>ESA</td>
<td>European Supervisory Authority</td>
</tr>
<tr>
<td>ESFS</td>
<td>European System of Financial Supervisors</td>
</tr>
<tr>
<td>ESMA</td>
<td>European Securities and Markets Authority</td>
</tr>
<tr>
<td>ESRB</td>
<td>European Systemic Risk Board</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FATF</td>
<td>The Financial Action Task Force</td>
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<tr>
<td>FCD</td>
<td>Financial Conglomerates Directive</td>
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<tr>
<td>FINMA</td>
<td>Swiss Financial Market Supervisory Authority</td>
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<tr>
<td>FSC</td>
<td>Financial Services Committee</td>
</tr>
<tr>
<td>FME</td>
<td>Financial Supervisory Authority (FME)</td>
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<tr>
<td>IAS</td>
<td>International Association of Insurance Supervisors</td>
</tr>
<tr>
<td>IASB</td>
<td>International Accounting Standards Board</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
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<tr>
<td>IGSS</td>
<td>Insurance Guarantee Schemes</td>
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<tr>
<td>ILS</td>
<td>Insurance Linked Securities</td>
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<tr>
<td>IMD</td>
<td>Insurance Mediation Directive</td>
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<tr>
<td>IORP</td>
<td>International Organisation of Pension Supervisors</td>
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<tr>
<td>IORPs</td>
<td>Institutions for Occupational Retirement Provision</td>
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<tr>
<td>IWCFC</td>
<td>Interim Working Committee on Financial Conglomerates</td>
</tr>
<tr>
<td>JCFC</td>
<td>Joint Committee on Financial Conglomerates</td>
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<td>MCR</td>
<td>Minimum Capital Requirement</td>
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<td>MiFID</td>
<td>Markets in Financial Instruments Directive</td>
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<td>MoU</td>
<td>Memorandum of Understanding</td>
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<td>NAIC</td>
<td>US National Association of Insurance Commissioners</td>
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<tr>
<td>ORSA</td>
<td>Own Risk and Solvency Assessment</td>
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<td>PRIP</td>
<td>Packaged Retail Investment Product</td>
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<td>QIS4</td>
<td>Fourth Quantitative Impact Study</td>
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</table>
A 5: Endnotes

22. All Members have improved their understanding of the provisions of the General Protocol and/or corrected their initial replies after another check of the actual cases with regard to 91 provisions, and that 15 Members have improved compliance in relation to 33 provisions. General Protocol, Budapest Protocol, Helsinki Protocol.
25. of areas have been identified at the time of drafting the work plan.
27. All tasks taken from the wording of old Article 6a (new Article 9) of the draft Regulation establishing EIOPA, although not articulated in full