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Eiopa's Supervisory Convergence Plan

Eiopa Insurance and Reinsurance Stakeholder Group meeting
Frankfurt, 6 June 2018

- Why is the topic on the agenda?
 - EIOPA published its Supervisory Convergence Plan for 2018-2019 in April 2018
- What is expected from the IRSG?
 - Be informed
- Next steps
 - EIOPA will work on implementation of the plan
 - At the beginning of 2019, the supervisory convergence plan will be updated and include a progress report

EIOPA's Supervisory Convergence Plan



- One of the main goals of EIOPA is to ensure a high, effective and consistent level of supervision across Europe guaranteeing a similar level of protection of policyholders and beneficiaries across jurisdictions, regardless of the location of the insurance undertaking's head office.
- Goal of convergence of supervisory practices is also to further improve the functioning of the internal market, in particular by preventing supervisory arbitrage and by guaranteeing a level playing field.



EIOPA's Supervisory Convergence Plan

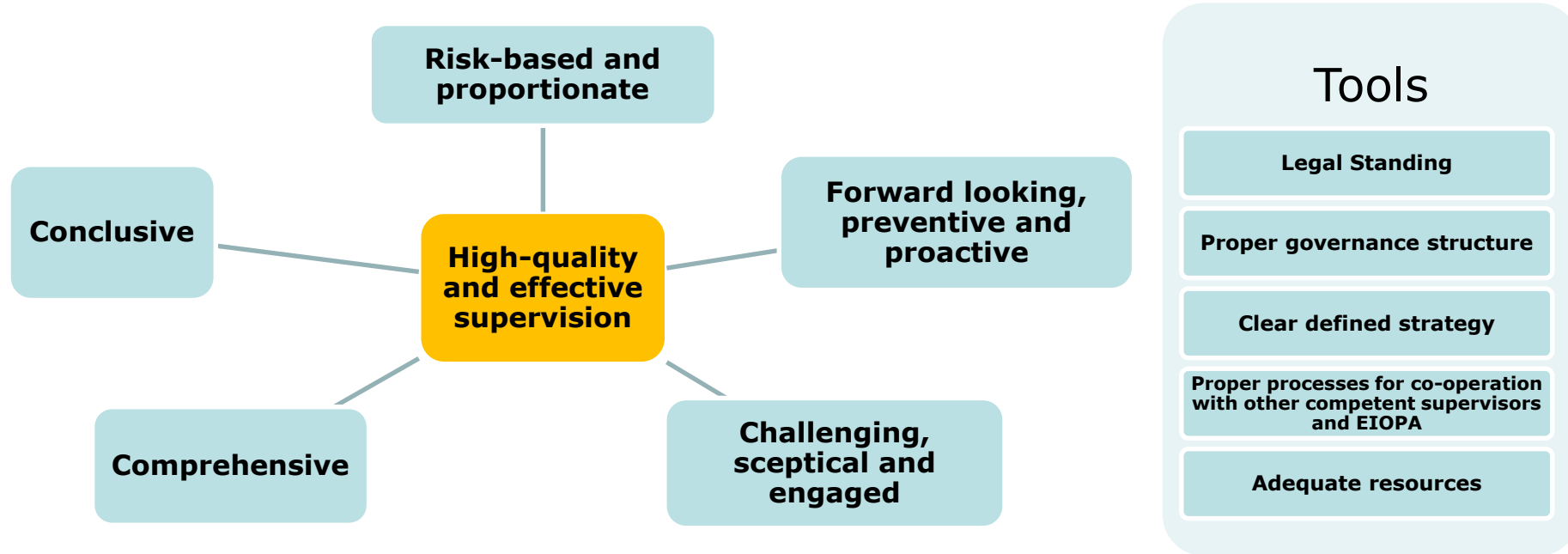


Building a common supervisory culture is a strategic goal of the European Insurance and Occupational Pensions Authority and a fundamental step to ensure the development of high-quality, effective and consistent supervision across the European Union and safeguard a similar level of protection to all European policyholders.

Gabriel Bernardino, Chairman



EIOPA's Supervisory Convergence Plan



EIOPA's Supervisory Convergence Plan



EIOPA has done a lot over the past years:

- Guidelines
- Supervisory Handbook
- Supervisory Opinions
- Supervisory Statements
- Decisions
- Peer Reviews
- Thematic Reviews
- Training to supervisors

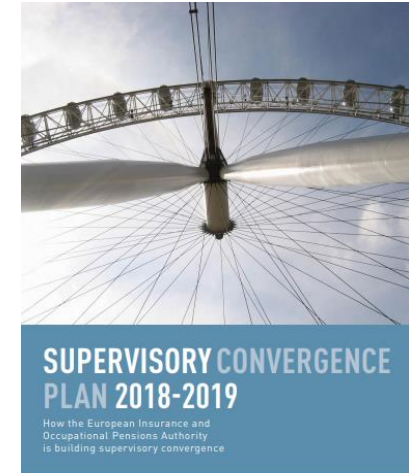
EIOPA has also developed its own independent oversight function: challenging and supporting NCAs

EIOPA's Supervisory Convergence Plan



o **Supervisory Convergence Plan**

- How EIOPA is building Supervisory Convergence
- How priorities are defined
- Supervisory Plan 2018-2019



Published April 2018

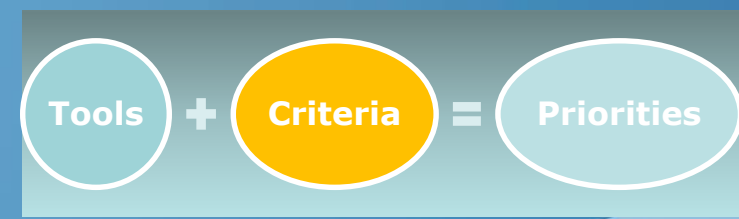
EIOPA's Supervisory Convergence Plan



Annual Supervisory Convergence Plan - Tools:

| Building common benchmarks for supervisory practices | Review of practices | EIOPA's own independent assessment |
|---|-----------------------------------|--|
| Supervisory Guidelines, Recommendations and Statements, Opinions, SRP Handbook, Q&A, Best practices reports, Training/networking and study visits | Thematic reviews and Peer reviews | Monitoring and challenging supervisory practices and supporting national authorities. Tools used are bilateral visits, cooperation platforms on cross-border business, dialogue with group supervisors and participation in colleges, breach of Union Law, mediation role, etc |

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Criteria used to set up priorities:

Impact on policyholders and financial stability

Scale or number of policyholders affected or scale of individual impact for policyholders

Potential effect on market reputation and on business models

Fairness, level playing field or proper functioning of the internal market

Through existence of possible supervisory arbitrage (in particular for cross-border business, regarding for non-EU both equivalent and non-equivalent countries)

Key areas of supervision where practices still substantially differ

Identified areas where supervisory practices differ substantially and may lead to unlevelled playing field

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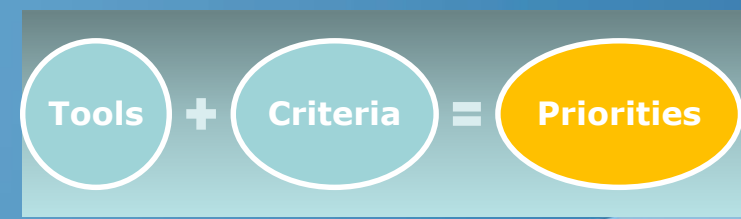


Key priorities for 2018-2019:

Considering the above criteria, over the next two years the priorities can be grouped in the following three key high-level areas.

1. Practical implementation of the key characteristics of the common supervisory culture and further development of supervisory tools;
2. Risks to the internal market and to the level playing field which may lead to supervisory arbitrage;
3. Supervision of emerging risks.

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Key priorities for 2018-2019:

Practical implementation of the key characteristics of the common supervisory culture and further development of supervisory tools

- Risk Assessment Framework and application of proportionality
 - Work on each of the key characteristics identified in the common supervisory culture, starting with 'risk based and proportionate'. The first step is to focus on the reported data and the use of these data.
 - Peer review on the supervisory practices and outcomes on the use of proportionality regarding the regular supervisory report
- Common benchmarks for the supervision of Internal Models
- Supervisory assessment of conduct risks
 - Work on a common basis for the supervisory assessment of conduct risks throughout a product's life cycle
 - Thematic review on travel insurance.
- Group supervision
- Remuneration policies

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Key priorities for 2018-2019:

Risks to the internal market and to the level playing field which may lead to supervisory arbitrage

- Calculation of Technical Provisions
- Cross-border business
 - Ensure the consistency of the calculation of technical provisions in a cross-border business context, focusing on non-life business lines with a long-term claims profile such as 'decennial liability insurance' and 'medical malpractice insurance'
 - Peer review of provisions of exchange of information regarding the authorisation, notification and supervision on a continuous basis
 - EIOPA's oversight work on detecting potential unsustainable cross-border business models and on following them up by setting up specific cooperation platforms
- Assessment of the internal model outcomes
- Authorisations and fitness and propriety (finalise the peer review on the supervisory assessment of propriety and issue the adequate recommendations and EIOPA's oversight)
- Consistent implementation of EU/US Covered Agreement

Supervisory Convergence

Tools

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Criteria

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Priorities

Key priorities for 2018-2019:

Supervision of emerging risks

- Supervision of Data and IT related risks, including Cyber Risk
 - Develop good practices on the supervision of data management, data quality and IT security and governance.
 - Work on common supervisory expectations on insurance undertakings' practices on cybersecurity and explore efficient ways to perform a cyber attack test.
- Insurtech
 - Thematic review of the insurance industry's use of Big Data (covering underwriting, pricing, marketing, claims management and sales)
 - Stocktake of NCAs' approaches to innovation, including the use of sandboxes and innovation hubs
- Brexit

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