

Summary of Conclusions (draft)

Board of Supervisors, Insurance and Reinsurance Stakeholder Group and Occupational Pensions Stakeholder Group

Joint meeting

Date: 26 November 2013

Time: 11:00 – 18:00

Location: Hotel Intercontinental Frankfurt

Contact: Giulia.Conforti@eiopa.europa.eu

List of participants:

IRSG: Kay Blair (Chair IRSG), Olav Jones (Vice-Chair IRSG), Renzo Avesani, Jean Berthon, Yannick Bonnet, Paul Carty, Alexandru Ciuncan, Andreea Cosma, Maria Aranzazu Del valle, Marie Dequae, Francis Fritzon, Thomas Keller, Maria Heep-Altiner, Marcin Kawiński, Edgar Koning, Damien Lagaude, Annete Olesen, Ioannis Papanikolaou, Nino Savelli, Mojca Strucl, Claes Thimrén, Karel Van Hulle, Dieter Wemmer and Małgorzata Więcko-Tułowicka.

OPSG: Benne Van Popta (Chair OPSG), Matti Leppälä (vice-Chair OPSG), Lukasz Budzynski, Charlotta Carlberg, Laure Delahousse, Alberto Floreani, Bruno Gabellieri, Ruth Goldman, Fritz Janda, Thomas Keller, Michaela Koller, Niels Kortleve, Pierpaolo Marano, Hristina Mitreva, Marianne Moscoso-Osterkorn, Ellen Nygren, Manuel Peraita, Jan Sebo, Federica Seganti, Marius Serban, Philip Shier, Klaus Struwe, Joachim Schwind, Douglas Taylor, Martine Van Peer, Petar Vlaić, Neil Walsh and Allan Whalley.

Excused: Frank Ellenbürger, Guillaume Prache, Martin Simhandland Rick Watson.

BoS: Peter Braumüller (AT), Wim Coumans (BE), Victoria Natar (CY), Zuzana Silberová and Marcela Gronychová (CZ), Kaido Tropp (EE), Anneli Tuominen (FI), , Ioannis Chatzivasiloglou (GR), Koppány Nagy and József Banyar (HU), Unnur Gunnarsdóttir (IS), Mark Burke (IE), Fausto Parente (IT), Dina Mikelsone (LV), Mindaugas Salcius (LT), Victor Rod (LU), Petra Hielkema (NL), Damian Jaworski and Małgorzata Chrzanowska (PL), José Almaça and Mario Ribeiro (PT), Rodica Popescu (RO), Martin Noréus (SE) and Edward Forshaw (UK).

Chair of the Consumer Protection and Financial Innovation Committee (CCPFI): Pauline de Chatillon (FR)

Commission (COM): Steve Ryan, Deputy Head of Unit Insurance and Pensions, DG Internal Market and Services.

EIOPA: Gabriel Bernardino, (Chair), Carlos Montalvo (Executive Director), Manuela Zweimueller (Director of Regulations), Andrew Mawdsley (Head of Financial Stability and Information Unit), Katja Wuertz (Head of Consumer Protection and Financial Innovation Unit), Justin Wray (Head of Policy Unit), Gabriele Arnoldi (External Relations coordinator), Pamela Schuermans (Insurance and Pensions team coordinator), Giulia Conforti, David Cowan, Adrian O'Brien, Florian Ouillades, Susanne Rosenbaum, Yvonne Schmerfeld and Teresa Turner.

1. Opening remarks and approval of the draft agenda

Gabriel Bernardino, welcomed the first joint plenary meeting of EIOPA Stakeholder Groups (IRSG and OPSG) and the Board of Supervisors (BoS) representatives and encouraged the attendees to use the opportunity to get to know each other and to interact throughout the day.

In his introduction into EIOPA work, he highlighted the relevance of the political agreement with Omnibus II leading to monitoring of the Delegated Acts and the subsequent development of EIOPA Technical Standards and Guideline; in the pensions' area the intention to focus on pillars 2 and 3, but also on the solvency side; finally EIOPA's strong commitment to continue the work in the Consumer Protection area.

Kay Blair expressed her satisfaction with the IRSG composition and the upcoming opportunities and challenges for the Groups. She welcomed more insight into EIOPA Work Programme.

Finally, Matti Leppälä referred to the important year ahead in the Occupational Pensions sector, where the trend to shift Defined Benefit (DB) to Defined Contribution (DC) continues. He welcomed the exchange of views and cooperation in particular on consumer protection issues, where the point of view of an occupational pensions' provider may differ from a consumer service provider.

Conclusion:

- The agenda was approved.

3. European Commission update on current work on Solvency II, IORP II, PRIPs & IMD.

The European Commission representative, Steve Ryan, focused his presentation on the consequences following the political agreement on Omnibus II. After the meeting, he delivered the slides of his presentation entitled "Solvency II/Omnibus II Agreement and next steps", which are now available on EIOPA website –Stakeholder Groups: [26 November meeting](#).

On the timeline:

- The Delegated Acts (DA) will be adopted in two blocks before summer 2014. The new Council and European Parliament (EP) will look at them on 22 August at the earliest. The whole endorsement & publication procedure will probably be by end 2014;
- 21 Implementing Technical Standards (ITS) to be prepared by EIOPA and to be submitted to COM by 31.10.2014;
- IORP proposal will most probably be delayed by two months;
- On IMD2: diverging views from the EP and COM on the inclusion of selling rules for insurance PRIPs in MIFID. COM is the view of EIOPA that it should be embedded in the existing IMD. Issue: cross-reference into a legislation not in force. Outcome not clear yet; if MIDID and PRIPs are adopted before the break, then IMD should follow under the Greek presidency, with trialogue negotiations starting by end 2014.
- On the Green Paper on Long Term Investment (LTI): this is still under draft, waiting for EIOPA's work on asset calibration (Long Term Investment Report).

Conclusion:

- EIOPA Chair confirmed that EIOPA will consult on the ITS in spring next year. The Guidelines will only be consulted later, once the DA are stable.
- EIOPA Executive Director proposed that the legal team presents an overview on the background of the legal instruments such as DA, ITS and RTS in the next IRSG/OPSG meetings.

4. EIOPA strategic outlook for 2014 in the area of Regulation and Financial Stability

Presentation by Justin Wray and Andrew Mawdsley.

Justin Wray presented the main activities in the following areas:

- I. Insurance: 2 key activities as technical standard setting (providing ITS on 25 areas) and providing interpretation on Solvency II (up to 60 Guidelines are foreseen).
EIOPA also plans to contribute to the DA to be proposed by the Commission.
- II. International Relations: with focus on the negotiations of a Common Framework for the Supervision of International Active Insurance Groups (ComFrame) and the IAIS work streams related to global systemic relevance of (re)insurance undertakings ("G-SIIs").
- III. Pensions: the main focus will be on:
 - The regulatory developments on IORP and the Solvency Issues for IORPs, including consultation on different areas (Sponsor support, Supervisory responses, Discretionary decision making and Benefit reductions and Contract boundaries);
 - EIOPA advice to COM on Single market for Personal Pensions (PP), covering the pass-porting framework and the "29th EU Regime";
 - Work on DC schemes in different areas (investment decisions, cost and charges, decumulation phase, etc.).
 - EIOPA first ITS on prudential supervision will be submitted to the Commission.
 - Update of the database of pensions plans and products in the EEA
 - Further development of the register of IORPs

Andrew Mawdsley's presentation on EIOPA Financial Stability and Information Unit strategic outlook for 2014 is available on IRSG website, under: [26 November meeting](#). He focused on the identification of risks and actions, mainly in the insurance sector.

Main comment was whether a stress test of Occupational Pension sector was considered by EIOPA. Carlos Montalvo replied the pros and cons of such exercise should be considered and that EIOPA tasks must be linked to the Regulation.

When asked about the relationship to ESRB, Mawdsley replied that EIOPA is involved in a number of working groups (insurance, stress test) and that despite the flow of exchange of information, no formal use of their tools was made so far.

Conclusion:

- EIOPA to share with the Stakeholder Groups the concrete Solvency II timeline once available.

5. EIOPA strategic outlook for 2014 in the area of Consumer Protection

The presentation made by Pauline de Chatillon is available on IRSG website, under: [26 November meeting](#).

The focus was made on the targets for 2014 concerning the identification and prioritization of consumer protection issues, also in the pension's area. She emphasised the need to have a close co-operation with the stakeholder groups, formal and informally.

6. EIOPA webpage “Consumer lounge”

Katja Würtz presented the features of new EIOPA website page, named [Consumer lounge](#). The page is also accessible through a “quick link” via the home page.

This important initiative was most welcome, but to be a real platform for an European consumer, stakeholders supported the view that it should be available into the different EU languages. EIOPA is aware of the request, but also needs to consider the budgetary constraints of such a project.

Lunch break (13:00-14:00)

7. Break-out sessions: The way forward to Consumer Protection –a great opportunity

Members of the BoS, the IRSG and the OPSG were allocated to the different discussion Groups.

1. Group 1: Jan Sebo

Is too much complexity in insurance and pensions undermining consumer confidence? Is simpler always better?

2. Group 2: Claes Thimrén

Should the implementation of the principle of proportionality in regulating consumer risks be the same for commoditised markets (e.g. motor insurance) vs. complex markets (life insurance)?

3. Group 3: Annette Olesen

How can disclosure requirements be construed in order to most effectively manage conflicts of interest in the distribution of insurance and pensions? What other requirements could be useful, if any?

4. Group 4: Ruth Goldman

In the area of consumer protection what makes pensions different from insurance and why?

8. Debriefing Break-out Sessions

The rapporteurs of the groups reported on the main conclusions after the group discussions.

Main conclusions:

- Complexity is embedded in the nature of the products and in itself is not inherently bad. Consumers do not want to know everything about them:
 - Complexity may be acceptable provided outcomes are clear and delivered i.e. straightforward outcome products.
 - A balance needs to be drawn between sensible disclosure and the overflow of information.
- What if the problem exist and we have not identified it? E.g. on Insurance Mediation.
 - Adapted regulation is the best for consumer and companies.
 - Not just a case of introducing new regulation, but can also be a case of enhancing enforcement of existing regulation

- Many information requirements are there to make sure companies are covered: want to avoid being accused of mis-selling from regulators which leads to box-ticking mentality – focussing on “what is legal, rather than what is legitimate”
 - Insurers should bring the focus back to consumers, as an asset to protect and invest on.
- How well do we use the information we receive? What is the added value?
 - Most consumers do not read the contracts, therefore disclosure has its limits.
- Governance on insurance and pensions products should aim at similar standards:
 - „substance over form“.
- The main obstacles for consumers are complexity, accessibility/affordability and unrealistic expectations
 - There will always be complexity; the consumer has to try to live with it
 - Consumers, distributors and companies should be aware of the „devil“ in the disproportionate rewards.
- Conflict of interests arise in long chain potentially including intermediary, producer, securities co., insurance co., etc.
 - There is no one solution but a combination of: layered disclosure, simplified products/avoidance of complex products, standardised terms & conditions, penalties such as name & shame, professional standards and complaints handling requirements.
 - It is also crucial to raise awareness of consumers by means of financial education.

9. IRSG and OPSG outlook for work in 2014

Kay Blair and Olav Jones presented their views on the upcoming IRSG 2014 work outlook, based on the input received by members before the meeting. The slides are available on the IRSG website, under: [26 November meeting](#).

One of the practical outcomes was to establish two types of **subgroups**:

I. IRSG positions/comments on draft regulation:

1. Subgroup on **Solvency II, Pillar 1** -covering Delegated Acts (DA), Technical Standards (TS) and Guidelines (GL).
2. Subgroup on **Solvency II, Pillars 2 and 3** -covering DA, TS and GL.
3. Subgroup on **Market Conduct** -with focus on IMD2, PRIIPs and other specific market conduct/consumer protection issues.

II. IRSG own initiative work:

4. Subgroup on **Other Regulatory Issues** – covering international regulation (e.g. Global capital standards)
5. Subgroup on **Strategic Areas** – covering various topics: e.g. guaranteed savings products, LTI, Personal Pensions, Catastrophic/extreme events, etc.

Benne van Popta in his speech mentioned the on-going trends in Europe as regards to:

- Restructuring in the pillar 1 in some European Member States, leading to additional savings in the other pillars;
- The harmonisation of the second pillar across the EU

- The radical change of the economic context, before and after 2008, with difficulties to predict growth;
- The impact on the side of solvency and investment decisions;
- The need to maintain the promise, regardless of the form of the scheme (DB/DC or Defined Ambition);

On a practical level and considering the discussions held within the OPSG, he proposed to establish three standing subgroups:

1. **Solvency issues IORP II**
2. **Occupational DC**
3. **Consumer protection issues**

The OPSG will also look into IORP II review part one: Governance and disclosure (Pillars II and III). Finally, he echoed the OPSG request to EIOPA to support them with a mapping exercise of the existing occupational pensions across Europe.

Conclusions:

- EIOPA agreed to present the Database on pension plans and products in the EEA at the next OPSG meeting in March.
- It was agreed to form a joint subgroup between IRSG and OPSG to cover the personal pensions.

Next steps:

- IRSG and OPSG to compose the subgroups and to appoint the leads.

10. Joint wrap-up of the meeting by the IRSG and OPSG Chairs

The presentation on the “Joint wrap-up of the meeting” prepared by Matti Leppälä, Vice-Chair OPSG, is available on the IRSG website, under: [26 November meeting](#).