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EIOPA-15/889
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Summary of Conclusions

Joint meeting of EIOPA Board of Supervisors with the Insurance and Reinsurance Stakeholder Group and the Occupational Pensions Stakeholder Group

Attending:

List of Participants:

IRSG: Olav Jones (Vice Chair IRSG), Renzo Avesani, Jean Berthon, Paul Carty, Alexandru Ciuncan, Andreea Cosma, Seamus Creedon, Maria del Valle Schaan, Marie Gemma Dequae, Francis Frizon, Maria Heep-Altiner, Marcin Kawiński, Edgar Koning, Damien Lagaude, Baiba Miltovica, Annette Olesen, Ioannis Papanikolaou, Nino Savelli, Mojca Strucl.

OPSG: Philip Shier (Chair OPSG), Matti Leppälä (Vice-Chair OPSG), Janwillem Bouma, Lukasz Budzynski, Charlotta Carlberg, Laure Delahousse, Alberto Floriani, Bruno Gabellieri, Fritz Janda, Thomas Keller, Michaela Koller, Hristina Mitreva, Marianne Moscoso Osterkorn, Ellen Nygren, Manuel Peraita, Guillaume Prache, Joachim Schwind, Ján Šebo, Frederica Seganti, Klaus Struwe, Douglas Taylor, Martine van Peer, Chris Verhaegen.

Excused: Karel van Hulle

BoS: Peter Braumüller and Ludwig Pflieger (AT), Henk Becquaert (BE), Jaroslav Kovanda (CZ) Frank Grund (DE), Sandrine Lemery (FR), Gordana Letica (HR), Runar Gudmundson (IS), Alexander Imhof and Harald Prater (LI), Dina Mikelsona (LV), Jan Parner (NL), Misu Negritou (RO), Asa Larson (SE), Sergej Simoniti (SI), Matus Medvec (SK), Edward Forshaw and Alizeh Hussain-Robinson (UK), Raffaele Capuano (IT), Simona Dobrica (RO), Kilvar Kessler (EE), Teija Korpiaho (FI), Pablo Muelas García (ES), Mojca Piškurič (SI), , Mário Ribeiro (PT), Mindaugas Salcius (LT), Ionna Seliniotaki (GR), Dominik Smoniewski (BE)

Commission (COM): Steve Ryan, Deputy Head of Unit Insurance and Pensions-Directorate-General for Financial Stability, Financial Services and Capital Markets Union

EIOPA: Gabriel Bernardino (Chair), Carlos Montalvo (Executive Director), Patrick Hoedjes (Director Oversight and Operations), Andrew Candland (Head of Oversight Unit), Katja Würtz (Head of Cross-sectoral and Consumer Protection Unit), Dimitris Zafeiris (Head of Financial Stability Unit), Gabriele Arnoldi (External Relations coordinator), Pamela Schuermans (Insurance coordinator), Sandra Hack (Pensions coordinator), Giulia Conforti, Peter Kleisen, Adrian O'Brien, Roy Nitze, Florian Ouillades, Katharina Strohmeier.

European Systemic Risk Board: Francesco Mazzaferro, Head of the ESRB Secretariat

1. Opening remarks

Gabriel Bernardino welcomed the 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 reflect on the work both Stakeholder Groups conducted over the last years and the impact on the insurance and pensions field.

OPSG Chair and IRSG Vice-Chair also welcomed the participants to a day of dialogue and cooperation among EU's key stakeholders and the insurance supervisory community.

OPSG Chair, Philip Shier took the opportunity to announce that due to the finalisation of his second term in the OPSG, he will no longer be part of the OPSG as of April 2016.

2. Approval of the draft agenda

EIOPA Chair presented participants with the draft agenda and invited comments

as to its proposed content. Participants did not raise any comments nor proposed amendments.

Conclusion:

The agenda was approved

3. European Commission update on current work on Solvency II, IORP II, PRIIPs & IDD

The European Commission representative, Steve Ryan, provided SG members with a brief factual update for each of the many workstreams EU COM is currently pursuing, as follows:

- a) Insurance Distribution Directive (IDD): the IDD was formally adopted by the European Parliament and will be published in the Official Journal. A Commission mandate for four related Delegated Acts is anticipated shortly with deadline for delivery in 2017. The COM representative assured that the delay of the application of MIFID II will have no effect on the IDD.
- b) IORP Directive: a vote in the European Parliament on the IORP Directive with about 700 amendments has been postponed.
- c) Seven ITS have recently been adopted with three more (disclosure, transparency and reporting) to be adopted soon. The draft ITS on equity transitionals will not be adopted within 2015.
- d) Equivalence: Bermuda and Japan have been granted equivalence. The decision will be published in the Official Journal after the scrutiny period has expired. For the Delegated Acts published in June, equivalence for amongst others the US, Canada and Brazil, the scrutiny period ends on the 7th of December. Publication in the Official Journal is expected on 9 December.
- e) International: the US and the European Union are about to open negotiations on an EU/US Covered Agreement for Insurers and Reinsurers.

4. EIOPA strategic outlook for 2016 in the areas of:

- a) Regulation: Insurance & Occupational Pensions

Pamela Schuermans, Insurance coordinator presented the main activities the Policy Unit will engage in year 2016. The Presentation is available on the EIOPA website ([link](#)).

She highlighted, that insurance was dominated by Solvency II for a long time and now the challenges of practical implementation have to be faced.

Regarding the **SRP handbook** she emphasized that it will have to be developed together by EIOPA and NCAs to foster supervisory convergence.

The **Insurance Capital Standard** (ICS), developed by the IAIS, is to be seen as a new regulatory frontier. To ensure that Solvency II will survive internationally, the involvement in the work on the ICS, the G-SII Methodology and NTNI business will be intensified. EIOPA is keen to ensure that the insurance industry in Europe will benefit from Solvency II also outside Europe.

In the field of **pensions**, EIOPA is pursuing two workstreams, on personal and on occupational pensions. Appropriate governance, transparency and information to consumers and beneficiaries is key.

b) Cross-sectoral and Consumer Protection

The presentation by Katja Wuertz, Head of EIOPA Cross-sectoral and Consumer Protection Unit is available on the EIOPA website (see previous link).

Taking into account the broad mandate of the Unit, the key remarks as to 2016 priorities were made as follows:

Consumer Protection and Financial Innovation: a new conduct of business strategy, creating a comprehensive framework for a risk-based and preventive approach in supervision and regulation was recently adopted by the BoS. In connection with the IDD, a Guideline on execution only sale of IBIPs, as well as four Delegated Acts have to be delivered in 2017, and an ITS on PID in 2016.

Meetings and events: the training and events programme reflects current strategic priorities, being implemented using a modernized approach to conferences, video tutorials, etc.

Joint Committee: EIOPA will be chairing the Joint Committee in 2016. Overall strive to enhance cross-sectoral consistency also taking the results of the first ESFS review into account. Concrete dossiers including the updated list of financial conglomerates and the topic of Anti-Money laundering are becoming more imminent moving towards a risk based framework.

c) Oversight

The presentation made by Andrew Candland, Head of EIOPA Oversight Unit is available on the EIOPA website (see previous link).

The implementation of Solvency II in 2016 is key. There is great scope for inconsistency and it is EIOPA's task to push for convergence towards efficient, consistent and high quality supervision. We need to bring together all the intelligence we have about practices in order to make risk-based decisions about where to allocate our limited resources.

In the area of **Internal Models**, support has to be continued as there is an ongoing need to approve model changes, deferred applications or de/scoped entities. For 2016, the main priority is to lead several projects aimed at improving consistency between models and NSAs.

EIOPA's involvement in **colleges** is evolving and the new goal is to achieve a shared, high-quality supervision of the group. Shared supervision within the group and joint on-site inspections should be encouraged.

The **Supervisory Oversight** Team has accumulated knowledge of best practices across the European Union after visiting 28 EEA NSAs. We expect further more extended projects like the balance sheet reviews.

d) Financial Stability

The presentation made by Dimitris Zafeiris, Head of EIOPA Financial Stability Unit is available on the EIOPA website (see previous link).

One of the challenges for 2016 is the full functioning of data collection under Solvency II, the storage into EIOPA's Central Repository and the registers of all financial institutions under EIOPA's competence.

In the area of **crisis prevention and management**, the focus lies on the G-SII work with the intention of hosting G-SII Forum meetings and the participation in CMGs. A macroprudential policy beyond banking is to be developed.

EIOPAs **Financial Stability** products have to migrate to Solvency II reporting. The Insurance Stress Test 2016 will be exercised. It was emphasized that the low interest rate environment is not the only risk for the insurance sector.

5. Q&A session with EIOPA HoU's on Strategic Outlook presentations

The SG members welcomed the strategic outlooks provided by the EIOPA HoU's and noted that supervisory convergence must be ensured and unnecessary complexity reduced.

6. Insurance and Pensions in the low interest rate environment

a) Role of the ECB in setting up the interest rate

The topic was introduced by Francesco Mazzaferro, Head of the ESRB Secretariat. Regarding the level of the interest rates ESRB and EIOPA interacted closely, as it is also one of the most important projects for the ESRB.

Risk is increasingly transferred from borrowers to savers and from intermediaries to households. Whether it is possible to control risks adequately or even whether risks continue to exist was put to question.

b) Impact on Insurance

The topic was introduced by Olav Jones, IRSG Vice-Chair. The presentation on Low interest rates and Insurers is available on the EIOPA website ([link](#)).

The extended period of low interest rates is a significant concern for the industry, with forward rates being just a snapshot of the present and not a predictor for the future. Shortfalls have to be funded by the insurer if investment returns remain low. A reaction will be newly designed products with lower guarantees, pricing adequately reflecting guarantees and risks or a shift of the risks to the customers. The policymaker reaction should recognise that this is a long term problem which requires long term solutions.

c) Impact on Pensions

The topic was introduced by Matti Leppälä, OPSG Vice-Chair. The presentation on Insurance and Pensions in the low interest rate environment: Impact on Pension is available on the EIOPA website ([link](#)).

Low interest rates and search for yield are the norm for a longer time. Liabilities of pensions fund and annuity providers as well as the future value of savings are influenced by the low interest rate environment. Likewise, the way pension schemes work will be changed.

The subsequent discussion was moderated by Philip Shier.

7. Break-out sessions

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

a) Internal market for Personal Pensions Products (PPP)/Moderator: Michaela Koller and Edgar Koning

EIOPA received in July 2014 a Call for Advice (CfA) from COM on the development of an EU single market for Personal Pension Products (PPP), consulting on a broad number of issues including horizontal topics, regulation aimed at PPP providers and conduct related matters (disclosure/distribution). Emphasis has been on the 29th regime in the form of a Pan-European Personal Pensions Product (PEPP). However, the CfA is as indicated broader and to comply with it EIOPA would like to seek views on the different policy options for personal pensions regulation, their pros and cons and a particular focus on a 2nd regime in comparison to a harmonised legal framework. In this respect, a debate during the break/out session included the following questions to assist EIOPA in its further work finalising its advice:

Question 1: Which advantages and disadvantages do you see in a 2nd regime PEPP compared with a (revised or new) prudential regime for providing PPP, and which of these would in your view best promote the internal market?

Question 2: Should any new PPP class, comprising products for retirement income, be subject to minimum or maximum harmonisation?

Question 3: Should certain basic guarantees be a compulsory feature for a product class named "Personal Pension Products"? If yes, what types of guarantees would be regarded as "basic"?

b) Solvency II/Moderator: Annette Olesen

The implementation of the Solvency II framework is soon coming into force, leading to a natural shift from developing the rules to making sure that they are implemented in a consistent and convergent way across Europe.

The following three key questions were asked:

Question 1: What do we still have to do to live up to the ideals of this new regime?

Question 2: For which business models will SII bring their vulnerabilities to light?

Question 3: How much time and resource should be invested in the three different stages of protecting consumers: better regulation vs better supervision vs better recovery procedures?

c) Review of the ESFS – the role of the Stakeholder Groups/Moderator: Thomas Keller

The IRSG and the OPSG are reaching the end of the second mandate. Therefore, Participants will be invited to share their views about the most and least valuable take-away and improvements to the Stakeholder Groups. Discussion took place along the following questions:

Question 1: What is your personal stock-take after nearly two/five years as a member of EIOPA IRSG/OPSG?

Question 2: How do you perceive the IRSG/OPSG meetings?

Question 3: In your view, how can the IRSG/OPSG add value to the European insurance and pension's regulatory framework?

Question 4: What can be improved from EIOPA and/or the Stakeholder Groups members?

Question 5: Your recommendations for the future Stakeholder Groups?

8. Debriefing Break-out sessions

The Rapporteurs of the three groups reported on the main conclusions after the group discussions as follows:

a) Internal market for Personal Pension Products (PPP)/Rapporteur: Guillaume Prache

The discussion of the group focused on the PEPP. It was not to be considered in conflict with general good rules and would be considered especially attractive to consumers if it is simple, understandable, cost effective and competitive. It was also suggested to make it available on-line, lowering the distribution costs.

EIOPA provided some initial clarification regarding the PEPP proposal. The product is designed as a completely voluntary product and is not considered to be a pillar 2 product. Regarding General Good¹ there is no formal definition but the concept and its application is subject of a Communication from COM based on jurisprudence of the ECJ. General Good is only applicable in areas not harmonised by Union law, for which reason such national rules would not be applicable where a PPP is issued in the form of a 29th regime. It was also clarified that national contract law will continue to exist for the purchase by a consumer of any PEPP product.

Regarding contract law it was accepted that this is a complex area although there could be scope for a well-designed PEPP to limit the effects of diverse national contract law requirements. It was also acknowledged that EIOPA has no competency when it comes to tax matters. Nonetheless, it is envisaged that a PEPP would have equal tax treatment to national PPPs (discrimination between PEPPs and PPPs that meet predetermined national criteria would not be permitted under national law).

People will find PEPP attractive if it is a simple, competitive, cost effective, understandable product which would ideally be possible to monitor online. A good outcome would be to in due course have a product where what you see is what you get, particularly in light of the consistently low ranking that pensions have in the European Consumer Scorecard. The PEPP could become a benchmark for existing pensions' products.

There was a general support of establishing the PPP through a 29th regime based on a regulation.

b) Solvency II/Rapporteur: Annette Olesen

The discussion grouped around the three Pillars. In order to address the questions, participants agreed that the main principles of the regulatory framework should be the starting point in assessing whether action should be

¹ The EIOPA website contains links to the General Good requirements applicable in EEA countries.

taken in particular areas. An area to continue paying attention to in the future will be the transparency of the calibration. Furthermore, communication is considered an important task for market, companies and supervisors: the understanding of the volatility of the markets will play a major role understanding the financial position of companies. In particular the Board members will be responsible for the quality of the disclosure.

Participants agreed that regulatory requirements should be seen as risk management requirements: in order to get real value out of the regulation a tick-the-box exercise will not suffice. Executing the ORSA is one thing, challenging the ORSA internally another.

As to the impact on consumers, it was a common view that a fair balance between industry and consumers interests needs to be pursued in operating under the new framework.

c) Review of the ESFS – the role of the Stakeholder Groups/Rapporteur:
Janwillem Bouma

The group discussed and concluded that two separate Stakeholder Groups should remain. Main discussion focused on enhancing transparency and direct interaction with the BoS. It has been acknowledged that the Stakeholder Groups imply a wide range of different positions, but that this diversity should be key and should not lead to a weak common approach but rather to a bundling of a variety of views. EIOPA's Executive Director underlined that the interaction between Stakeholder Groups and EIOPA staff has been very valuable and that this should be continued. Furthermore, the term of the Stakeholder Groups should be prolonged to three years.

9. Joint wrap/up of the meeting by the OPSG Chair and IRSG Chair

The OPSG Chair thanked EIOPA and the SG members for their participation in the meeting and the contributions made.

10. Closing remarks

The Executive Director thanked everybody for taking their time to reflect and look forward and contributing to a forum that allows for disclosure and discussion as well as for debate and education.