



EIOPA-17/737
28/11/2017

Summary of Conclusions

**Joint meeting of EIOPA's Board of Supervisors and
Stakeholder Groups Members**

28 November 2017, Westin Grand Hotel in Frankfurt

Attending:

List of Participants:

IRSG: Maria Aranzazu del Valle Schaan (Chair), Jean Berthon (Vice-Chair), Alexandru Ciuncan, Desislav Danov, Marie Gemma Dequae, Daniel Eriksson, Teresa Fritz, Benoît Hugonin, Jimmy Johnsson, Olav Jones, Thomas Keller, Roger Laeven, Stefan Materne, Ioannis Papanikolaou, Juan-Ramon Pla, Greg Van Elsen, Karel Van Hulle, Małgorzata Więcko-Tułowicka and Rickard Ydrenäs.

OPSG: Matti Leppälä (Chair), Bernard Delbecque (Vice-Chair), Alf Alviniussen, Tomas Bern, Janwillem Bouma, Francesco Briganti, Lukasz Budzynski, Charlotta Carlberg, Paul Cox, Laure Delahousse, Senka Fekeža Klemen, Zdenek Hustak, Paul Kelly, Michaela Koller, Damien Lagau, Sonia Maffei, Raimond Maurer, Claudia Menne, Marianne Moscoso Osterkorn, Stefan Nellshen, Philip Neyt, Kevin O'Boyle, John O'Quigley, Guillaume Prache, Michael Reiner, Jan Sebo, Falco Valkenburg and Fieke Van Der Lecq.

BoS: Alessia Angelilli and Ambrogio Rinaldi (IT), Henk Becquaert (BE), Peter Braumüller (AT), Mary Burke and Sylvia Cronin (IE), Adina Dragomir and Ion Giurescu (RO), Frank Grund (DE), Dieter Hendrickx (ESRB), Alexander Imhof (LI), Damian Jaworski (PL), Karina Karainova (BG), Teija Korpiaho (FI), Asa Larson (SE), Sandrine Lemery (FR), Gordana Letica (HR), Stina Mander (EE), Hana Marcikova and Zuzana Silberova (CZ), Dina Mikelsona (LV), Koppány Nagy (HU), Jan Parner (DK), Mojca Piskuric (SI), Mário Ribeiro (PT), David Rule (UK), Mindaugas Salcius (LT), Ioanna Seliniotaki (GR).

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), Fausto Parente (Executive Director), Susanne Rosenbaum (Head of Corporate Affairs Department), Manuela Zweimüller (Head of Policy Department), Katja Würtz (Head of Consumer Protection Department), Patrick Hoedjes (Head of Oversight & Supervisory Convergence Department), Justin Wray (Head of Insurance Policy Unit and Deputy Head of Policy Department), Sandra Hack (Pensions Team leader), Timothy Shakesby (Team Leader Conduct of Business Oversight Team), Ursula Bordas, Kai Kosik and Florian Ouillades.

1. Opening remarks

EIOPA, IRSG and OPSG Chairpersons welcomed the Stakeholder Groups (SHGs) and Board of Supervisors Members to the last Joint meeting during the current SHG term.

2. Approval of the draft agenda

The agenda was approved.

3. EIOPA strategic outlook for 2018

The EIOPA Chairman provided an update on EIOPA's Annual Work Programme 2018 and on specific deliverables in the area of the functioning of the internal market, supervisory convergence, financial stability and consumer protection.

In 2018 EIOPA will focus on a series of products and services such as a report about the effectiveness of the application of long term guarantees; projects addressing priority areas in relation to Internal Models; further work arising from the IORP II Directive – in areas such as information to members, governance and risk evaluation; preparation for the collection of pensions data in 2019; coordination of the EU position so that ongoing developments of the International Capital Standard remain in line with Solvency II principles, and further work to develop the Risk Free Rate Methodology and implement the pan-European Personal Pension Product (PEPP).

In the area of oversight and supervisory convergence, the following products and services are expected: cooperation platforms on cross-border activity to facilitate enhanced sharing of information, transparency and more timely supervisory intervention; peer reviews with a focus on insurance; a sectoral and cross-sector annual training programme for supervisors to foster a common supervisory culture and consistent supervisory practices; Supervisory Review Process Handbook work on the risk-assessment framework of supervision, and the Insurance Stress Test with a focus on

improving the disclosure of information in the Insurance sector.

EIOPA will also adapt to a changing environment given developments in the field of the review of the European Supervisory Authorities (ESAs) and the UK withdrawal from the EU.

More resources will be shifted in 2018 to the cross-cutting theme of InsurTech to reflect the growing role and importance for industry and supervisors. The main three areas are a thematic review of big data (underwriting, risk management and ethical boundaries); the supervision of new start-ups with a view to establishing best practices, and cyber risk – with its new underwriting business opportunities but also threats to the insurance industry itself.

4. IRSG Update

The IRSG Chair provided an update on recent activities and listed the IRSG opinions and feedback published on EIOPA's website (see [list](#)). She welcomed the spirit of consensus present among members and was pleased to experience at meetings a broad range of expertise within the group. She noted that the work of the IRSG has increased, partly because it is pegged to EIOPA's work. She made recommendations to improve visibility of the advice from the group and the interaction with Board of Supervisors members.

5. OPSG Update

The OPSG Chair provided an update on recent activities and listed the OPSG opinions and feedback published on EIOPA's website (see [list](#)). On the IORP II he mentioned that the group is still working on advice on the implementation of this minimum-harmonisation Directive.

One member highlighted the good standard-setting work delivered by EIOPA but expressed his concerns about the inconsistent implementation of these standards across the Union.

6. The review of the EIOPA Regulation and its impact on the Stakeholder Groups

The European Commission representative provided a detailed update (see link to presentation [here](#)) on the proposal for the review of the ESAs, which was published on 20 September 2017. COM representative informed about the scope of the review, its objectives and the envisaged changes including the underlying rationale for those changes.

He further described envisaged improvements to the governance of the ESAs: the motivation for proposing an Executive Board and for enhancing the role of the Chairman through a new selection procedure. He highlighted that EIOPA should be given more powers to act on its own initiative in the area of internal models, motor insurance or cross-border issues. A positive outcome of the discussions is anticipated for the second half of 2018 with an entry into force of the proposal in the second half of 2019.

The IRSG and the OPSG Chairs qualified the proposal from the European Commission as useful and welcomed the proposal to maintain the three Supervisory Authorities. Both Chairs mentioned that the feedback given to the Groups, on whether EIOPA has taken their advice into account, should be improved. Communication and interaction with BoS Members could be also enhanced.

EIOPA reaffirmed that its mandate is to make a difference for the consumers and that this aim should not fall short in the ESAs review process. New tools have been successfully implemented in EIOPA as part of the move from regulation to supervision. With respect to Guidelines issued to date by EIOPA, these have been within the mandate of the Authority.

Participants then discussed on the role of EIOPA, including the sustainability of its current funding and independence vis-a-vis NCAs. A Board of Supervisors' Member noted

that information exchange on internal models in Colleges should serve to improve decision-making. The various internal and external auditing processes of EIOPA were described. One Stakeholder raised concerns that EIOPA's Stress Tests could become a capital-raising exercise, whereas EIOPA clarified that Stress Tests is not a pass or fail but rather a vulnerability exercise. Other stakeholders questioned the legality of the envisaged option by the Commission to adopt, following a reasoned opinion by a two-third majority of the members of a stakeholder group, an implementing decision requiring the ESA to withdraw a guideline or recommendation.

7. Costs and past performance of retail investment, insurance and pensions products

A Board of Supervisors' Member shortly introduced the issue and participants took the floor to welcome the project. They acknowledged that there is no data available and that transparency is needed both for costs and net returns to provide a level playing field within categories of long-term products. Existing methodologies for performance calculations such as Global Investment Performance Standards (GIPS) do not show the net returns at the product level.

Some crucial features and challenges of assessing Costs and past performance were discussed:

- Need for a consistent definition of costs and a standardised methodology for performance calculation.
- Importance of collecting information on returns that is risk-adjusted.
- Comparisons should be made within peer groups, which should reflect the investment mix and strategy as well as the benefits provided (guarantee), for different scenarios.
- The costs borne by the employer should be also considered should the project also tackle the retirement output itself but this is not crucial as the key objective of the costs and past performance is to show only the net return for the consumer.

8. The future of retirement savings including the Pan-European Personal Pension (PEPP)

A Board of Supervisors' Member shortly introduced the issue. The discussion that followed highlighted the need for individuals to save more for their future retirement income due to demographic changes, people living longer and being mobile, and significant pressure on state pensions and reliance on sponsors by occupational pensions funds due to the "low for long" interest rate environment. PEPP was assessed as a courageous initiative to complement the current pensions systems.

Some crucial features and challenges of introducing PEPP were discussed:

- Regulatory challenge to design a good product, incentivizing superior outcomes for consumers. Focus on transparency, risk mitigation through an appropriate investment strategy and effectiveness of the investment strategy.
- Building consumer trust in PEPP through a European quality label, building on learnings from behavioral economics to tailor a strong default option with a view to maximizing the value for consumers during their retirement.
- Designing a true pension product with a long-term perspective to facilitate corresponding long-term investments.
- Challenges regarding the tax treatment for a portable PEPP.

9. Closing remarks

EIOPA's Executive Director (ED) summed up the content of discussion in the three sessions. On the review of the ESAs he highlighted that a substantial legal check of the final proposal is still outstanding. On cost and past performance, he noted the diverging views which still prevail, although the project has a clear goal: to help consumers understand what they get for what they pay. Eventually, he appreciated the constructive

solutions that participants put forward in the discussions on the PEPP.

The ED thanked participants for their continuous involvement and encouraged them to actively engage during the remaining meetings in 2018 (see list of the IRSG and OPSG meetings).