



EIOPA-IRSG-17-15

Summary of Conclusions

Insurance and Reinsurance Stakeholder Group (IRSG)

8th meeting

Date: 5 September 2017

Time: 09:30 – 16:00

Location: EIOPA premises

Contact: Florian Ouillades (Stakeholder.Groups@eiopa.europa.eu)

List of participants:

IRSG: Maria Aranzazu Del Valle (Chair), Jean Berthon (Vice-Chair), Alexandre Caget, Alexandru Ciuncan, Desislav Danov, Daniel Eriksson, Marie Gemma Dequae, Hugh Francis, Teresa Fritz, Benoît Hugonin, Jimmy Johnsson, Olav Jones, Roger Laeven, Stefan Materne, Marc Michallet, Amund Lunde, Annette Olesen, Ioannis Papanikolaou, Juan-Ramón Plá, Greg Van Elsen, Valter Trevisani, Rick Watson, Małgorzata Więcko-Tułowicka, Rickard Ydrenäs.

Not present: Petra Chmelová, Teresa Czerwińska, Thomas Keller, Anthony O’Riordan, Loriana Pelizzon, Karel Van Hulle.

EIOPA: Fausto Parente (Executive Director), Manuela Zweimueller (Head of Policy Department), Patrick Hoedjes (Head of Oversight & Supervisory Convergence Department), Teresa Casado (Oversight & Supervisory Convergence Department), Pamela Schuermans (Policy Department), David Cowan (Consumer Protection Department), Julian Arevalo (Consumer Protection Department), Daniel Perez (Risks & Financial Stability Department), Jesus Cisneros (Policy Department), Tomas Walter (Policy Department), Moritz Beker (Consumer Protection Department), Florian Ouillades (Corporate Affairs Department).

EIOPA Management Board/Board of Supervisors (BoS) Members: Dominik Smoniewski (NBB, BE).

European Commission (EC, DG FISMA): Nico Spiegel, Steve Ryan (via telco).

1. Approval of the draft agenda

Conclusion/Action:

- The revised agenda was adopted.

2. Update by the EIOPA Executive Director

Thematic Reviews:

Following the adoption of the Report on the thematic review on monetary incentives and remuneration between providers of asset management services and insurance undertakings on 26 April 2017, the Board of Supervisors (BoS) has requested a follow-up analysis from the Committee on Consumer Protection and Financial Innovation (CCPFI) to generate further discussion at the next BoS meeting and to seek a steer on the next steps.

Cyber risk:

Cyber risk has gained momentum as a growing concern for institutions, individuals, and the insurance market in the current context of digital transformation. Cyber risk is a global risk for businesses. EIOPA is about to launch a qualitative exercise on cyber risk involving National Competent Authorities (NCAs) and the industry. It should help to identify trends, potential risks and vulnerabilities stemming from the micro-prudential level across borders and sectors. The survey will focus on issues related to underwriting of cyber insurance, covering topics such as cyber underwriting strategy, products, potential accumulation of risks, etc.

Members welcomed EIOPA's initiative and pointed at the lack of awareness among financial institutions. The link with the implementation of the General Data Protection Regulation (GDPR) should also be monitored.

Macro prudential work in insurance:

EIOPA is currently performing an assessment to identify how existing instruments in Solvency II address the sources of systemic risk, and at whether any additional instrument(s) might be needed. First conclusions are expected for the end of the year.

Insurance Stress Test (ST) 2018:

The EIOPA BoS will discuss at the end of September a proposal for the project plan for the 2018 Insurance Stress Test. It is expected that the scope and the scenarios tested will be widened compared to the 2016 exercise. Considered individually, the 2018 exercise will not represent a 'pass or fail exercise' for institutions. The Stress Test will target large European insurance groups instead of solo life insurers, thus allowing a broader assessment of the risk exposure. The exercise will cover both life and non-life business and include market risk scenarios, as well as insurance specific shocks. As experience with Solvency II grows, EIOPA will look at synergies between the participation in stress testing on the one hand, and, on the other, the disclosure requirements of main indicators in the Solvency and Financial Condition Report (SFCR).

Members discussed the timing and proposed changes of the ST. Members welcomed the new focus chosen as it capitalises on existing practice in the major market participants.

Conclusion/Action:

- EIOPA to ask IRSG for informal feedback in autumn 2017 regarding possible areas for next thematic reviews.
- Secretariat to circulate for information links to:
 - EIOPA Report on Thematic review on monetary incentives and remuneration between providers of asset management services and insurance undertakings (link to report [here](#) and press release [here](#)).
 - ECIIA-FERMA report on corporate finance and cyber risk (link [here](#)).
- IRSG to consider the following topics to be discussed at the next meeting: Stress Test, sustainable finance, outcome of EIOPA's cyber risk survey.

3. Update by the European Commission (COM)

Insurance Distribution Directive (IDD)

The European Commission (COM) representative updated on the two proposed Commission Delegated Regulations under the IDD: on product oversight and governance requirements and conduct of business rules for the distribution of insurance-based investment products (IBIPs). The Commission are trying to move forward as quickly as possible due to concerns over the timing of the Delegated Regulations vis-à-vis the IDD's transposition deadline of 23 February 2018. It is expected that the draft Regulations will be formally adopted by the Commission by 2nd week of September 2017 and then transmitted to the European Parliament for a scrutiny period, not lasting more than 3 months.

The Commission has chosen to deviate from EIOPA's technical advice in key areas such as conflicts of interest and inducements for several reasons: (i) the Commission would not like to get into a major argument with the European Parliament – as was experienced with PRIIPs – and (ii) the Commission's own legal service interpreted the Commission's empowerment under the IDD in a very restrictive way.

A discussion followed around the topic of “gold-plating” e.g. applying the MiFID II framework at national level to insurance distributors in lieu of the Delegated Regulation. COM explained that, although the IDD expressly allowed for flexibility in certain areas (e.g. prohibiting the payment/receipt of inducements), it would not be feasible to apply the whole structure of MiFID II to insurance distribution, as categories of distributors such as “tied agents” are treated differently under MiFID II, compared to IDD. The Commission will be looking closely at this issue when discussing it with Member States later in 2017.

One member expressed his disappointment on the Commission deviating from EIOPA’s technical advice on critical points, which he considered as a major step back in terms of consumer protection and fight against regulatory arbitrage between the insurance and securities sectors. EIOPA added that it stands ready to assist COM in its assessment and suggested to update the group at a later stage about on-going Question & Answer work related to the implementing measures of IDD.

COM representative provided further updates as follows:

Commission guidelines on non-financial reporting

The Commission adopted guidelines on the disclosure of environmental and social information on 26 June 2017.

Motor Insurance Directive

Private individuals and businesses have until 20 October 2017 to respond to the Public Consultation on REFIT review of Directive 2009/103/EC on motor insurance.

Pan-European Pension Product (PEPP)

The Commission set out a legislative proposal for the PEPP, a simple and cost-effective retirement plan which will be portable across EU Member States on 29 June 2017.

Sustainable Finance

The Commission has started to assess the early recommendations from the interim report the Commission’s High Level Expert Group, such as the classification system for sustainable assets.

Conclusion/Action:

- n/a

4. EIOPA’s work on Supervisory Convergence

EIOPA staff outlined (see link to presentation [here](#)) the objectives, process, and strategy underlying a common European Supervision culture. EIOPA’s monitoring role and other concrete actions were also explained. EIOPA further described the work on the technical level taking place in Colleges of Supervisors and Expert Networks.

Members welcomed the holistic approach of EIOPA’s presentation and the opportunity to discuss supervisory convergence. The purpose, quality control, and specificity of insurance supervision were further discussed, and the need for specific training for supervisors was highlighted. Establishing a risk culture thanks to supervisors and their persuasive skills was identified as key. Members further discussed the concept of principle-based supervision and on the link between supervisory convergence and systemic risk.

Conclusion/Action:

- n/a

5. EIOPA Opinion on supervisory convergence in light of the United Kingdom withdrawing from the European Union

EIOPA staff presented the key elements of the Opinion (see link to Opinion [here](#)). In the exchange of views that followed, members raised various points such as the importance for EIOPA to have a view on the actual relocations that are taking place, the relevance of the continuity of insurance services for existing contracts after Brexit. Further topics discussed included: the effect of Brexit on investment firms, the validity of securities bought via UK brokers, and the capacity of supervisors to conduct supervision in addition to having to deal with Brexit-related issues. EIOPA clarified that the positions expressed in the Opinion also apply to UK undertakings.

Conclusion/Action:

- n/a

6. Consumer Protection: Brexit implications for consumers

After a short introduction by Teresa Fritz (see link to presentation [here](#)), members discussed the implications of Brexit for consumers. They consented that Brexit should not impact consumers negatively and emphasised the necessity to find practical solutions. It would be crucial to develop a better understanding of the magnitude and numbers of consumers potentially concerned. Members encouraged EIOPA to undertake further analysis in this regard. It was also noted that Brexit would not only impact retail customers, but also (small) companies that rely on the UK insurance market. EIOPA should also consider the impact on multi-year non-life contracts. Some members argued in favour of a “grandfathering” solution as a pragmatic approach to deal with existing insurance contracts. Such measure would save costs compared to the time-consuming transfer of insurance contracts to a subsidiary or branch.

Conclusion/Action:

- IRSG to provide EIOPA with practical examples on how to ensure service continuity after Brexit and to provide examples, e.g. evidence of existing or anticipated contingency measures at undertakings.

7. European Commission’s public consultation on FinTech

Olav Jones presented the main points of the IRSG response (see link to IRSG response [here](#)) and summed up the main risks and benefits of FinTech. Some members highlighted the good quality of the paper and other stressed the crucial role for EIOPA to foster “safe” innovation.

Conclusion/Action:

- n/a

8. EIOPA Statistics

EIOPA staff presented (see link to presentation [here](#)) its publication from 28 June 2017 of comprehensive statistical information on the European insurance sector based on Solvency II regulatory reporting. This publication is breaking away from previous publications that disclosed only aggregated statistics and is in line with the Authority’s key strategic objective: To foster the protection of policyholders while, at the same time, contributing to ensure orderly functioning of the financial system. EIOPA staff added that such adaptations should better suit interested parties who require statistical information on the insurance sector. Over time, EIOPA will gradually increase the scope and level of detail of statistics. Suggestions on how to improve the scope and usefulness of its statistics are always welcome. EIOPA clarified that the information published is still aggregated and that measures are taken to avoid that individual results could be identifiable. EIOPA acknowledged that further experience with Solvency II will bring quality improvements to the data entry processes by insurance undertakings and groups.

Conclusion/Action:

- n/a

9. Low interest rate environment

Olav Jones and Jean Berthon presented (see link to presentation [here](#)) potential detrimental impacts that a persistent low-yield environment may have for consumers and for insurance undertakings. Members discussed the scope of this own-initiative advice by the IRSG. For instance, such document should shed light on the potential implications of persistent low yields, on the way threats are analysed and communicated. Members acknowledged that the impact of a low-yield environment on financial stability is not well understood yet, and should be analysed from different angles. It was suggested to adopt a holistic approach i.e. analysing the topic from different perspectives: regulator, consumer/investor, etc.

Conclusion/Action:

- IRSG Members to further volunteer to join the Working Party on Low interest rate environment by 12 September 2017 (Topic Leads: Jean Berthon and Olav Jones).

10. Long term guarantees (LTG) Report 2017 – Public disclosure on LTG

EIOPA presented (see link to presentation [here](#)) this year's LTG report, and in particular the first public disclosure by insurers on the LTG and equity risk measures. EIOPA is now seeking input from stakeholders on their experience with public disclosure. As a next step, EIOPA will organise a workshop on 25 September 2017 intended for the main users of the information disclosed (analysts, rating agencies, journalists, consumer protection associations).

Conclusion/Action:

- IRSG Members to answer the questionnaire on LTG measures – see EIOPA's request dated 21/07 – by 8 September 2017 and to send to IRSG Solvency Subgroup Lead (Karel Van Hulle).

11. SCR Review

EIOPA staff presented the timeline and scope of the work carried out by EIOPA's Policy Department regarding the second part of the call for advice, focussing on unrated debt and unlisted equities.

As far as the suggested spread criterion is concerned, one member pointed out that the aim of underwriting is to identify corporates with a more attractive risk/return profile (e.g. higher spread than for other "A" exposures for "A" risk). Therefore, the spread criterion should be calibrated very carefully.

Conclusion/Action:

- IRSG Solvency subgroup to give informal feedback to EIOPA on questions listed in EIOPA's presentation on the 2nd part of the call for advice.
- Secretariat to organise a conference call mid-November between IRSG Solvency subgroup and EIOPA Policy Department staff to discuss IRSG feedback.

12. IAIS Insurance Core Principles (ICPs) – EIOPA update

EIOPA presented (link to presentation [here](#)) the ongoing work at the Association of Insurance Supervisors (IAIS) on the 26 Insurance Core Principles (ICPs), as well as EIOPA's involvement in this process. EIOPA will continue to monitor the review of the ICPs and to send written input

when needed.

Members welcomed EIOPA's involvement in the ICP work and acknowledged the positive progress made in a number of items such as the ICP 13 (Reinsurance) and ICP 1 (Supervision). Members also stressed the need to focus, going forward, on the review of the ICP 24 (Macroprudential Surveillance and Insurance Supervision), as well the ICPs 18 (Intermediaries) and ICP 19 (Conduct of Business).

Conclusion/Action:

- n/a

13.AOB

Conclusion/Action:

- Members to suggest topics for the Joint Board of Supervisors and Stakeholder Groups meeting on 28 November 2017 by 13 September 2017.