



EIOPA-IRSG-18-14

Summary of Conclusions

Insurance and Reinsurance Stakeholder Group (IRSG)

12th meeting

Date: 6 June 2018

Time: 09:15 – 15:30

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, Thomas Keller, Roger Laeven, Amund Lunde, Marc Michallet, Anthony O’Riordan, Ioannis Papanikolaou, Juan-Ramón Plá, Greg Van Elsen, Karel Van Hulle, Rick Watson, Małgorzata Więcko-Tułowicka, Rickard Ydrenäs,

Not present: Petra Chmelová, Teresa Czerwińska, Annette Olesen, Stefan Materne, Loriana Pelizzon, Valter Trevisani.

EIOPA: Manuela Zweimueller (Head of Policy Department) Patrick Hoedjes (Head of Oversight Department), Ana Teresa Moutinho (Head of Supervisory Processes Department), Dimitris Zafeiris (Head of Risks and Financial Stability Department), Justin Wray (Deputy Head of Policy Department), David Cowan (Consumer Protection Department), Moritz Becker (Consumer Protection Department), Pedro Pires (Consumer Protection Department), Camille Graciani (Policy Department), Florian Ouillades (Corporate Affairs Department).

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

1. Approval of the draft agenda

Conclusion/Action:

- The agenda was approved

2. Update by EIOPA

The Heads of EIOPA Department (HoDs) informed about the absence of the EIOPA Chair and Executive Director who had been called to attend international meetings that day. They updated Members on the following topics:

Renewal of the EIOPA Stakeholder Groups

The Board of Supervisors (BoS) is due to discuss the appointment of the new Stakeholder Group members at the BoS meeting on 28-29 June 2018. Circulation of notifications to candidates about the outcome of the selection procedure will be completed by the end of July 2018.

IAIS Insurance Capital Standard and Field Testing

The Head of EIOPA Policy Department reported that the IAIS works on the development of a Common Framework (ComFrame) for the Supervision of Internationally Active Insurance Groups (IAIGs). EIOPA's Head of Policy encouraged companies to participate in the exercise. In the summer 2018 the IAIS will launch a comprehensive Public Consultation on ICS Version (2.0), which will run for 90 days. By end 2019, the IAIS should finalise ICS 2.0, which will be implemented through a 2-stage process.

Independently from the Field Testing, the IAIS is facilitating the collection of data to support the work by some of its Members to develop an Aggregation Method. Participation from undertakings in the development of the Aggregation Method is possible, at the discretion of the Group-wide supervisor.

Illiquid liability project

EIOPA set up a Project Group (PG) on illiquid liabilities to work e.g. on parts of the information request regarding the impact of Solvency II on long-term insurance and reinsurance activities. The PG will also assess how to best deal with illiquidity characteristics of liabilities from long-term products, as well as their risks and the risks stemming from the assets used for matching.

EU-US Covered Agreement

The monitoring phase of a consistent implementation of the Agreement starts. The plan is to focus first on reinsurance, i.e. the situation regarding the local presence requirements in the EU, as well as progress on the NAIC side regarding the NAIC Model Law on Credit for Reinsurance. EIOPA will also focus on group supervision and in particular carry out a mapping how requirements of the Agreement are put into practice. As a third step the exchange of confidential information is planned in 2019. EIOPA may issue information requests to various (industry) stakeholders, and possibly to the IRSG. EIOPA asked to receive input on possible questions or concerns that could be addressed in its information requests.

EU-US project

This project enhances mutual understanding and the EU-US cooperation for the benefit of insurance consumers, business opportunity, and effective supervision.

In 2018, the focus is on: (i) Cybersecurity risk and the cyber insurance market, in order to identify best practices and to reach a sound regulatory framework for cyber insurance products. Regarding (ii) the use of "big data" in the insurance sector, the aim is to evaluate potential concerns and benefits for consumers and insurers, as well as the data needs of supervisors. On (iii) Group supervision – and intra-group transactions (IGTs) in particular – the objectives are to define IGTs, explore approaches to understand supervision of IGTs, supervisory review processes and potential risks of IGTs across the group.

A public event is scheduled on 10 November 2018 in Luxembourg after the annual IAIS conference.

EIOPA statement on consumer detriment resulting from policyholder exposure to contracts for differences (CFDs) and binary options

The Head of EIOPA Oversight Department explained that EIOPA advises insurance undertakings to avoid direct underlying of those insurance-based investment products and instruments for which the European Securities and Markets Authority issued a ban or restriction.

EIOPA is monitoring the direct policyholder exposure to Contract for Difference (CFDs) or binary options. Currently, there is no evidence in the insurance sector of such policyholder exposure. However, EIOPA's experience has been that unexpected and complex risks have increasingly been offered as potential units within unit-linked contract.

EIOPA will use the powers and measures in its remit to ensure the integrity, transparency, efficiency, and orderly functioning of financial markets and that customers' interests are adequately protected throughout the EU. Specifically, EIOPA and National Competent Authorities (NCAs) will continue to monitor the market for insurance-based investment products, including those providing direct exposure to complex and risky underlying.

EIOPA Opinion on the solvency position of insurers in light of the withdrawal of the UK from the EU

EIOPA published its opinion on 22 May to call upon NCAs to ensure that all risks to the solvency position of insurers arising from the UK becoming a third country are properly addressed.

NCA should ensure that insurance and reinsurance undertakings identify, measure, monitor, manage, report such risks, as well as include them in their own risk and solvency assessment. Furthermore, NCA should assess the risks affecting their national markets and take preventive supervisory actions where necessary.

The withdrawal of the UK from the EU might have an impact on the solvency position of insurers. In particular, Solvency II and other financial regulation distinguish between activities in and outside of the EU.

Together with NCA, EIOPA will monitor the risks to the solvency position of insurance and reinsurance undertakings. NCA should provide the necessary information to EIOPA for this monitoring within the current European framework for supervisory cooperation.

EIOPA 2018 Insurance Stress Test exercise

The Head of EIOPA Risks and Financial Stability Department presented the timeline of the exercise launched on 14 May 2018. Given the complexity of the exercise, the EIOPA Chair and the RFSC Chair already presented the full package, including the level of the shocks, to the high-level representatives of the participating groups. The exchange of views with participants resulted in some concessions e.g. a (i) group consolidated based approach for the calculation of the position post-stress allowed, (ii) simplification of the templates; and (iii) extension of the calculation period.

EIOPA's Cooperation Platforms

EIOPA has been working with the national supervisors for many months in order to assess the impact of the cross border business, respond appropriately and to minimise the effects of failures to policyholders. In the framework of EIOPA's cooperation platforms, European supervisors have dealt with a default of a third country reinsurer CBL insurance (New Zealand) and its insurance partners in EU. The European insurers Elite (Gibraltar) is in a run off, and CBL (Ireland) and Alpha (Denmark) are both in default. The recent bankruptcy of Alpha has created some issues for policyholders including taxi drivers in the UK and construction of buildings in France.

International Financial Reporting Standards (IFRS)

EIOPA gave input on the endorsement and implementation of IFRS 2017 from a supervisory angle and referred to EIOPA's representation in EFRAG. Some Members expressed their wish to debate with EIOPA on IFRS on technical level in order to influence EIOPA's input to the European Financial Reporting Advisory Group (EFRAG). Members appreciated EIOPA's work to assess the impact of IFRS 2017 on the Solvency II framework, noting the need for a more holistic view.

Members welcomed the EIOPA updates on the international topics. A discussion followed on IFRS developments, EIOPA's illiquid liability project and macroprudential work (i.e. EIOPA's third paper on the potential need for additional tools and measures). All three topics were pencilled on the agenda of next IRSG.

Conclusion/Action:

- Members to take note of Convergence Plan 2018-2019 (see link [here](#)) comprising further information on EIOPA's cooperation platforms.

3. Update by the European Commission (COM)

Adoption of STS securitisation new rules

On 1 June 2018, COM adopted new rules to stimulate insurers' investments in simple, transparent and standardised (STS) securitisation. COM's decision took the form of a delegated regulation. Changes will apply directly as of 1 January 2019 if the European Parliament (EP) and the Council raise no objection to it.

Review of Motor Insurance Directive

In March 2017, COM announced its work on possible amendments to enhance the protection of traffic accident victims where the insurer is insolvent, and to improve the recognition of claims history statements. The proposal addresses those two issues, together with three others identified in the evaluation: risks due to uninsured driving, harmonisation of minimum amounts of cover, and the scope of the Directive.

The proposed solution ensures that if the insurer of a vehicle responsible for an accident is insolvent, victims will be rapidly and fully compensated by a compensation body located in their Member State (MS) of residence. If the insurer provides cross-border insurance services, the compensation body in the victim's MS of residence initially pays the claim of the victim. It will then be reimbursed by a compensation body from the insurer's home MS. The proposal will also ensure equal minimum protection across the EU in case of an accident with a motor vehicle.

The draft text of the proposal will be submitted to the Council and EP for discussion in summer 2018.

Sustainable Finance Legislation

On 24 May 2018, COM presented a package of measures as a follow-up to its action plan on financing sustainable growth. The package includes three proposals aimed at establishing a unified EU classification system of sustainable economic activities ('taxonomy'); improving disclosure requirements on how institutional investors integrate environmental, social and governance (ESG) factors in their risk processes; and creating a new category of benchmarks, which will help investors compare the carbon footprint of their investments.

Negotiations on the Pan-European Personal Pension Product (PEPP)

The Bulgarian presidency aims at achieving a Council negotiating position by end of June 2018.

Conclusion/action:

- Members to take note of the public consultation on the amendment to the IDD Delegated act (see link [here](#)).
- Members to take note of the briefing document produced by the ECON secretariat (see link [here](#)) and prepared in view of the ECON committee scrutiny session on the SCR review on 16 May 2018.

4. IRSG Draft Activity Report

The IRSG Chair presented the draft Activity Report, which should be reader-friendly and accessible to non-experts. Members discussed the purpose of the report and the visibility of IRSG activities on EIOPA website. There was an agreement that EIOPA website needs improvement. EIOPA mentioned its ongoing revamp of the website. A request for feedback on the topic was sent to stakeholders in early 2018.

Conclusion/action:

- Members to send their final input to the activity report by 5 July 2018, revising length and style according to the sample provided by Teresa Fritz.
- IRSG Chair to revise the recommendations to reflect the comments made at the meeting.
- Secretariat to organise, if needed, a conference call to finalise the report.

5. Consumer Protection

5.1. IDD – Questions and Answers

Juan-Ramon Pla summarised the written feedback provided by the IRSG. Whereas the IRSG generally supports EIOPA's work and acknowledged that EIOPA would act within its mandate, Members made some proposals to clarify the answers, by either amending some practical examples, or referring to and reiterating the underlying Level 2 delegated regulation, or clearly stating that specific terminology used in the draft answers is not legally defined in the IDD (e.g. "tied agents" or "broker").

EIOPA staff welcomed the IRSG feedback and indicated that EIOPA would take on board the majority of comments.

5.2. Intermediaries Market Evaluation

EIOPA staff presented (see link to presentation [here](#)) EIOPA's work on evaluating the structure of insurance intermediaries markets in the EU, regarding the initial findings of EIOPA's data gathering. The limitations of the data gathered were emphasised, although it was stressed that EIOPA was making efforts to try to improve the quality of data gathered, including obtaining 2017 data.

Members raised concerns that the final report should have more in-depth analysis and take fully into account the impact of the IDD on the market, particularly on small intermediaries and differentiating between the business to consumer (B2C) market and the business to business (B2B) market. The differentiation between natural and legal persons did not help to give the full picture of the impact on small intermediaries. There needed to be some specific examples for legal persons. More detail on national remuneration models and more focus on the detrimental impact of comparison websites on the intermediary market was also requested and the need to consider new channels such as robo-advice.

EIOPA took on board the suggestions offered, including the possibility of including some stakeholder interviews in the final report, as had recently been done with the EIOPA Consumer Trends Report.

Conclusion/Action:

- Once the Report is more stable, EIOPA to revert back to this group or to liaise then with the new IRSG for any further specific input.

5.3. Revision of the Luxembourg Protocol

EIOPA staff gave a presentation outlining the main objectives and amendments of the revised Protocol. It was emphasised that one of the objectives is to strengthen the cooperation and exchange of information between NCAs. In view of the practical implications, EIOPA would prefer not to modify the existing understanding of Freedom of Services (FoS). Members supported this view. One Member questioned the (new) information details to be given by the applicant in the context of a registration process, in particular the information whether an application was rejected in another Member States. Another Member expressed his concern that this could lead to a general ban on exercising the profession of insurance intermediary for the applicant.

EIOPA staff explained that the intention was not to create such a European-wide ban, but rather to ensure that important information is shared amongst national supervisors to enable them to carry out their day-to-day supervision of insurance intermediaries. EIOPA highlighted past concerns identified in this area.

Conclusion/Action:

- IRSG to give feedback on the draft Luxembourg Protocol by 30 June 2018.
- Juan Ramon Pla and Karel van Hulle to jointly co-ordinate IRSG's feedback on the revised Protocol.

5.4. IRSG Discussion on Travel Insurance

Members provided suggestions to additional aspects that could be considered in the thematic review. One Member suggested that the thematic review should consider the cost of claims per type of cover to assess which types of cover are most important for consumers. EIOPA staff clarified that this issue, to a greater detail, is already considered in the industry questionnaire. The purpose is to assess whether there is a mismatch between the perceived value for consumers of the various types of cover and the costs and benefits paid out by undertakings. Another Member suggested that the thematic review should look into claims-handling – reason for delays in processing claims and settlements, duration of steps of the process, etc. EIOPA staff clarified that claims are within scope of the thematic review but that an in-depth analysis of claims-handling would imply a substantial change to the focus of the thematic review. In addition, consumer protection concerns with claims-handling are not specific to travel insurance and would probably be better dealt in a separate review that could include other products.

Conclusion/action:

- IRSG to give input on the Discussion Note on Travel Insurance by 20 June 2018

6. Sustainable Finance

Hugh Francis presented (see link to presentation [here](#)) the topic of sustainable finance and the possible scope for advice by the IRSG.

Members discussed the incentives and returns of sustainable investments, but also the fiduciary duty of investors, which will require a change in mindset. The envisaged taxonomy should help to resolve the tension a fiduciary duty as consumers will then be able to chose between their investments. Another Member pointed to the fact that there is still a significant data gap: it is difficult to anticipate the impact of climate change. There needs to be the distinction between vulnerability and climate change. Incorporating climate risk appeared to be a challenge e.g. making common assessments and scenarios for emerging risks. Another member thought that it would be interesting to incentivise long-term investments with Solvency II, but wondered whether lowering capital requirements would be the right tool. The Enterprise Risk Management system of insurers and non-financial actors need to be organised in such way that risks and sustainable threats are better treated.

EIOPA staff explained that regulation will play its part but the focus should be to redirect flows of private capital. EIOPA sees sustainable finance as a priority and both sides of the balance sheets of insurers will be affected. Disclosure and risk Management (second pillar) are as important as actions on the first Pillar.

Conclusion/action:

- n/a

7. EIOPA's Supervisory Convergence Plan

The Head of EIOPA Supervisory Processes Department presented (see link to presentation [here](#)) the supervisory convergence plan and its timeline. She also described the criteria used to set the priorities, the various tools available and the priorities established for 2018 and 2019. The aim was to inform IRSG and discuss possible ways to involve IRSG in the future in the process of establishing priorities on supervisory convergence.

The IRSG Vice Chair enquired about any upcoming requests for IRSG opinion, given that supervisory convergence is high on EIOPA's agenda. All agreed that interaction on the topic should increase. Members were asked again to bring issues and elements for EIOPA's consideration on the functioning of the internal market or supervisory practices.

There was an exchange of views on resources – of both EIOPA and NCAs – to implement such a plan, the concrete plans on supervisory convergence regarding internal models, in particular the difference between consistency studies of internal models and consistent supervisory practices. EIOPA confirmed it is keen to get views from the IRSG on the implementation of the convergence plan and on the approach taken. In terms of timing, input would be more appropriate for the next IRSG group given that the mandate of the current group runs until 3 September 2018.

Conclusion/action:

- n/a