

Summary of Conclusions

Insurance and Reinsurance Stakeholder Group (IRSG)

Third meeting

Date: 24 January 2019

Time: 10:00 – 16:00

Location: EIOPA premises

Contact: Stakeholder.Groups@eiopa.europa.eu

List of participants:

IRSG: Greg Van Elsen (Chair), Michaela Koller (Vice Chair), Martina Baumgärtel, Alexandre Caget, Monica Calu, Paul Fox, Hugh Francis, Krzysztof Grabowski, Liisa Halme, Jana Herboczková, Miranda Hendriks-Muijs, Alin Iacob, Tomas Kybartas, Roger Laeven, Xavier Larnaudie-Eiffel, Pierpaolo Marano, Stefan Martene, Stephanie Morton, Anthony O’Riordan, Guillaume Prache, Giampaolo Petri, Juan-Ramón Plá, Torun Reinhammar, Tito Rodrigues, Lauri Saraste, Bruno Scaroni, Dirk Ulbricht.

Not present: Juan Bataller-Grau, Typhaine Beaupérin, Benoît Hugonin

EIOPA: Gabriel Bernardino (EIOPA’s Chairman), Fausto Parente (EIOP’s Executive Director), Manuela Zweimueller (Head of Policy Department), Dimitris Zafeiris (Head of Risks and Financial Stability Department), Ana Teresa Moutinho (Head of Supervisory Processes Department), Patrick Hoedjes (Head of Oversight Department), Tim Shakesby (Consumer Protection Department), Marco Travesa (Consumer Protection Department), Julian Arevalo (Consumer Protection Department), Lars Dieckhoff (Policy Department), Giovanni Rago (Supervisory Processes Department), Florian Ouillades (Corporate Affairs Department).

European Commission (EC, DG FISMA): n/a

1. Approval of the agenda

Conclusion/Action:

- The agenda was approved

2. IRSG Chair Update

The IRSG Chair updated Members about current and upcoming deliverables in 2019 in the IRSG Work Plan. Some Members provided comments on the draft IRSG Opinion on the integration of sustainability risks and factors and stressed that the group is highly committed to deliver on sustainable finance. Having a common set of definitions (taxonomy) and customers who are well-informed – about the risks and objectives of investing in environmental, social and governance objectives – are key aspects of the project.

Conclusion/Action:

- Agenda of the IRSG meeting on 10 April 2019 to include:
 - Sustainable finance
 - EIOPA’s update on IDD implementation

3. EIOPA Chair update

The EIOPA Chair provided information on the following topics:

Sustainable Finance

The public consultation on the Technical Advice on the integration of sustainability risks and factors in the delegated acts under Solvency II and IDD ends on 30 January 2019. EIOPA continues to engage in discussions with stakeholders on the topic of integrating sustainability in the (re)insurance and pensions sectors, and also in international fora to assess climate-related risk. As a next step, EIOPA will consider the comments to the Consultation on the Advice on integrating sustainability in Solvency II and the Insurance Distribution Directive, with the aim to submit the final advice to the European Commission in April 2019.

Long-term guarantees (LTG)

EIOPA published on 18 December 2018 the 3rd annual report on the use and impact of the long-term guarantees measures and on equity risk measures. Compared to last year's report, this year's edition includes an analysis of the application of the risk management requirements of Solvency II, as well as an analysis of features and types of guarantees of products with long-term guarantees.

EIOPA report on Group Supervision and Capital Management of Insurance and Reinsurance Undertakings

EIOPA's report on Article 242 of Solvency II was published on 19 December 2018. EIOPA found a number of gaps in the regulatory framework that lead to divergent supervisory practices. The report supports the Commission's efforts to assess the benefit of enhancing group supervision and capital management under Solvency II. EIOPA further explained its opinion on cross-border issues and the underlying expectations towards National Competent Authorities (NCAs).

Intermediaries market report

EIOPA published on 13 December 2018 the report on the Evaluation of the Structure of Insurance Intermediaries Markets in Europe. EIOPA will identify possible ways to improve the quality and comparability of data on insurance intermediaries across the European markets.

EIOPA's First Report on Costs and Past Performance of IBIPs and certain Personal Pension Products

EIOPA published its first report on 10 January 2019. Significant challenges encountered were the non-availability of reliable third-party data on product costs and performance across the insurance and pensions sector. Improvements are needed to allow for more granularity in future reports, especially to improve consistency of definitions for costs (e.g. administrative and distribution costs).

2018 Insurance Stress Test

EIOPA explained the results of the 2018 supervisory assessment of the European insurance sector's resilience to adverse market developments. The insurance sector was found to be adequately capitalised to absorb the shocks. However, some groups present vulnerabilities to their estimated post-shock solvency position. The scenario considering a series of natural catastrophes (NAtCAT) highlighted potential vulnerabilities stemming from the concentrations of the ceded losses to a limited number of counterparties (reinsurers). Increased transparency in the exercise was only partially achieved and could be improved. The responses received on the cyber risk questionnaire were limited and will require a specific outreach exercise to market participants.

EIOPA's Cross-Border Platform on Collaboration

EIOPA informed on 20 December 2018 about the bankruptcy of Qudos Insurance A/S. EIOPA set up a dedicated cooperation platform and was in close contact with the relevant NCAs. The company was finally put out of the market in the interest of consumers, and to ensure equal treatment of policyholders throughout Europe.

Brexit

EIOPA is stepping up efforts to achieve service continuity in case of a no-deal scenario. It is currently developing recommendations with regard to the treatment of unauthorised cross-border insurance business with the objectives to ensure a minimum consistency and to avoid detriment to policyholders in the European Economic Area.

European Court of Auditors (ECA) Special Report 29/2018

EIOPA welcomed conclusions of the ECA that the Authority “made an important contribution to supervision and stability in the insurance sector, but significant challenges remain”. The report stresses that EIOPA has made good use of a wide range of tools, although their design and follow-up should be improved.

Conclusion/Action:

- EIOPA invited Members to respond to EIOPA’s call for evidence for an opinion on sustainability within Solvency II. Deadline for input is 8 March 2019.
- EIOPA invited Members to assist EIOPA’s supervisory convergence efforts and to report back any observations on cross-border insurance related business issues that would have harmful effects on consumers.

4. European Commission update

The European Commission (COM) provided on the day of the meeting written comments on:

Packaged Retail Investment and Insurance-based Products (PRIIPs)

The European Parliament has voted in favour of the prolongation of the UCITS (Undertakings for the Collective Investment in Transferable Securities) temporal exemption under the PRIIPs Regulation until 31 December 2021 (2 more years) and the prolongation of the review date of the PRIIPs Regulation until 31 December 2019 (1 more year).

It is very likely that the Council will go along with these changes that could be agreed in the trilogues on the “cross-border distribution of investment funds” initiative. The first trilogue has successfully taken place on 8 January and the second one is scheduled on 5 February. A Council working party to prepare the second trilogue takes place on 24 January.

The Commission agrees with the new timelines. This will avoid the production of two sets of information for retail investors, namely a PRIIPs Key Information Document (KID) and a UCITS KIID (Key Investor Information Document).

The prolongation of the UCITS exemption for 2 more years will give more time to the European Supervisory Authorities (ESAs) and the Commission for the review process of the PRIIPs rules. The Commission envisages doing the PRIIPs review in 3 steps: (1) targeted review of the PRIIPs Delegated Regulation (level 2) in 2019; (2) review of UCITS temporal exemption under the PRIIPs Regulation & relevant changes in UCITS framework in 2020; and (3) overall review of PRIIPs rules, including a consumer testing, only afterwards.

As a first step, the Commission welcomes the ESAs’ report on amendments to the PRIIPs KID. It also fully supports the ESAs envisaged next steps aiming at providing input to the Commission in 2019 to amend PRIIPs Level 2.

COM believes it is of utmost importance to take action at this stage and address the most pressing PRIIPs level 2 issues in 2019. In doing so, UCITS could move under an improved PRIIPs framework as of 1 January 2022.

Against this backdrop, the timely submission of a first draft of amended Regulatory Technical Standards (RTSs) by the ESAs to the Commission by April 2019 is crucial for the adoption and implementation of the new rules.

Based on this first draft, the Commission plans a consumer testing in May/June 2019. The ESAs could run a public consultation and formally submit the draft RTSs to the Commission by Q4 2019.

Conclusion/Action:

- n/a

5. IRSG Work Plan

The IRSG Chair presented to EIOPA the timeline of the various requests for IRSG advice/opinion. He stressed that Members will have the opportunity to suggest further deliverables throughout the period of the group's mandate.

Conclusion/Action:

- Members adopted the IRSG Work Plan
- IRSG Chair/Vice Chair to send a follow-up email to Members regarding any further suggestions of deliverables (IRSG Work Plan) and topics for discussion (agenda of IRSG meeting on 10 April)
- IRSG to consider further deliverables: advice/opinion on macroprudential issues and implementation of the Insurance Distribution Directive (IDD)
- IRSG agreed not to deliver at this stage input on Solvency II Reporting and Disclosure

6. Consumer Protection

6.1 Consumer Trends Report

EIOPA presented (see link to presentation [here](#)): the methodology for developing Consumer Trends Reports, new developments and key highlights from the 7th (2017) Consumer Trends Report, the proposed developments for the 2018 Consumer Trends Report, and the suggested process for involving the IRSG. EIOPA also sought initial views on the topics to be covered in next year's exercise

Members welcomed the continued improvements to the Consumer Trends Report. Some Members provided suggestions for improving the analysis on retail risks in future reports. For example, low commissions may not necessarily always mean a positive outcome for consumers. That service quality needs to be considered also, while another Member emphasized that it is more accurate to analyse figures with regard to consumer complaints in relation to the number of contracts.

One Member pointed out that information on costs and performance for insurance-based investment products (IBIPs) should be included. Another Member emphasized in this regard that EIOPA could consider providing some 'benchmarks' in future reports. Members provided several suggestions for potential focus topics to be covered in the next Consumer Trends Report. Members' suggestions included: (i) comparison websites and price aggregators' reliability and accuracy; (ii) robo and automated advice; (iii) vulnerable consumers and potential predatory practices; (iv) case studies on customer experience, including on the claim management process; and (v) the role of alternative dispute resolution (ADR) bodies in solving complaints.

Conclusion/Action:

- EIOPA to send by February 2019 request for input to the IRSG on the 2019 Consumer Trends Report
- IRSG to provide an answer to the 2019 Consumer Trends Report (questionnaire providing information on both European and national trends) by mid May 2019
- EIOPA to request IRSG advice on retail risk indicators in Q3 2019

6.2 Regulatory barriers to InsurTech

EIOPA staff presented the topic and explained that, following a consultation via an online survey, EIOPA has identified a number of potential barriers for InsurTech in European legislation. While addressing some of the barriers may justify legislative changes, others are justified from a regulatory and supervisory standpoint, or may be addressed by the application of the principle of proportionality or via practical guidance.

Members welcomed that EIOPA discussed this topic so that consumers and industry can harness the benefits of financial innovation. Some members highlighted that it is important to preserve a level-playing field amongst the different players and questioned whether there is a need, for instance, for specific peer-to-peer (P2P) legislation. It was also argued that there should not be a pro-innovation bias and that other public policy objectives such as consumer protection and financial stability need to be respected. Members welcomed EIOPA's future work on cloud computing. EIOPA will liaise with the IRSG regarding possible next steps in this area.

Conclusion/Action:

- Members to give written comments by 8 February 2019 on the draft note ([EIOPA-IRSG-19-03](#)) on Regulatory barriers to InsurTech in European legislation.

6.3 Better Finance's report on real return of long term and pension savings

Guillaume Prache presented the 2018 edition of the Better Finance research report (see presentation [here](#)).

Conclusion/Action:

- n/a

7. Overview of the Solvency II 2020 Review

EIOPA staff provided an overview of the current planning of EIOPA for the 2020 review of Solvency II. The overview covered the possible scope of EIOPA's advice for the review, the current work streams that are expected to contribute to the advice and a tentative timeline. EIOPA staff pointed out that the group will have various opportunities to provide input to EIOPA's work for the 2020 review, including a public consultation on the advice.

Conclusion/Action:

- EIOPA presentation (EIOPA-IRSG-19-05) to be shared with IRSG Members.

8. Supervisory Convergence

EIOPA staff informed Members about ongoing and upcoming supervisory convergence work: about the projects of the Supervisory Convergence Plan 2018-19 which have been finalised (i.e. exchange of experience in the use of supervisory data, new chapters of the supervisory handbook, the Opinion on calculation of technical provisions in a cross-border business context, internal model activities, peer reviews, work on emerging risks etc.).

In relation to internal models, one Member commented that the priority should be the level of comprehension of risks from the undertaking rather than the comparative studies to benchmark the models used. It was explained that the intention is not to have a 'standardised' internal model but to form a view, among supervisors, on the adequacy of the internal models, to better understand the differences observed in the context of the different risk profiles. The benchmark studies are a tool to support a better understanding, next to bilateral engagements EIOPA's oversight team has exchanges with individual NCAs on the specific models in their market. EIOPA will continue to develop the consistency studies to allow supervisors to better understand, identify and justify any perceived inconsistencies.

EIOPA also informed Members about the review of the Supervisory Convergence Plan for 2019 where at least two areas have already been identified to be included: supervision of captives and run-off undertakings.

One Member highlighted the importance to look at consumer protection consequences of the run-off business. Another Member hoped for an important role of EIOPA in the Pan-European Personal Pension Product (PEPP). The final text is not available yet.

EIOPA presented the draft Opinion which aims at harmonising the application of the proportionality principle in supervisory review of the Standard Capital Requirements calculation, proposing an approach regarding the frequency of the calculation of certain immaterial sub-modules.

Finally, with regard to the supervision of remuneration policy principles and practices, EIOPA presented conclusions on benchmarks to be used by supervisors when assessing compliance with the principles. Members discussed the alignment with the remuneration principles in the banking sector. One Member highlighted the difficulty to harmonise principles where there are many differences in the composition of a group e.g. in terms of listed and non-listed companies – the risk being to have over-regulation. Other Members commented that a more principle-based approach for the companies' remuneration policy and practices would be preferable. EIOPA clarified that the intention is to introduce some benchmarks (soft targets) so that supervisors can further engage in a dialogue with undertakings and challenge the application of the principles in a more convergent approach while considering the risk and specificities of each undertaking.

Conclusion/Action:

- Members to give comments by 11 February 2019 on EIOPA's Draft Opinion on proportionate supervision of the Standard Capital Requirements ([EIOPA-IRSG-19-01](#)) using the comments template
- Members to give comments by 11 February 2019 on EIOPA's presentation ([EIOPA-IRSG-19-06](#), see questions raised on pages 7, 8 and 21) using the comments template

9. AOB**Conclusion/Action:**

- Members were invited to the next IRSG meeting on 10 April 2019 at EIOPA premises (10:00-16:00 CEST)