

Summary of Conclusions

Insurance and Reinsurance Stakeholder Group (IRSG)

Fourth meeting

Date: 10 April 2019
Time: 10:00 – 16:00
Location: EIOPA premises
Contact: Stakeholder.Groups@eiopa.europa.eu

List of participants:

IRSG: Michaela Koller (Vice Chair), Martina Baumgärtel, Typhaine Beaupérin, Monica Calu, Paul Fox, Krzysztof Grabowski, Liisa Halme, Miranda Hendriks-Muijs, Jana Herbočzková, Benoît Hugonin, Alin Iacob, Tomas Kybartas, Xavier Larnaudie-Eiffel, Pierpaolo Marano, Stefan Materne, Stephanie Morton, Anthony O’Riordan, Giampaolo Petri, Juan-Ramón Plá, Guillaume Prache, Torun Reinhammar, Tito Rodrigues, Lauri Saraste, Bruno Scaroni, Dirk Ulbricht.

Not present: Greg Van Elsen (Chair), Typhaine Beaupérin, Alexandre Caget, Juan Bataller-Grau, Hugh Francis, Roger Laeven.

EIOPA: Gabriel Bernardino (EIOPA’s Chairman), Fausto Parente (EIOP’s Executive Director), Manuela Zweimüller (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), David Cowan (Consumer Protection Department), Marco Traversa (Consumer Protection Department), Sebastian Flick (Consumer Protection Department), Pascal Pfefferle (Consumer Protection Department), Lazaro Cuesta (Policy Department), Moritz Becker (Consumer Protection Department), Irina Popa (Consumer Protection Department), Giulia Conforti (Policy Department), Yildiz Ekinci (Risks and Financial Stability Department), Giovanni Rago (Supervisory Processes Department), Florian Ouillades (Corporate Affairs Department).

National Competent Authorities: Teija Korpiaho (FIN-FSA, FI)
European Commission (EC, DG FISMA): Robert Hintze (via telco).

1. Approval of the draft agenda

n/a

Conclusion/Action:

- The agenda (IRSG-19-10) was approved.

2. Update by the IRSG Chair

The IRSG Vice Chair updated Members on current and upcoming deliverables in the IRSG Work Plan and stressed the need to identify a Subgroup lead for each deliverable.

Conclusion/Action:

- Members are supportive to set up a joint IRSG/OPSG Subgroup to provide joint advice to EIOPA on the cross-sectoral topic of the Pan-European Personal Pension Product (PEPP).
- EIOPA to communicate with OPSG and IRSG Chair to liaise with the OPSG Chair in view of the possibility to set up of a joint PEPP-Subgroup.

3. Update by EIOPA Chair

The Chairman updated Members on the following topics:

ESA's review:

EU legislators recently agreed on a revision of the EIOPA Regulation in the context of the ESAs Review. EIOPA welcomed some positive developments e.g. in the field of supervision. The text now refers explicitly to some of EIOPA's existing tools such as the "cooperation platforms". However, the Chairman stressed that only appropriate resources would enable the Authority to implement effectively the amendments of the ESA's review. The amended Regulation entails changes to the composition of the Stakeholder Groups. EIOPA will keep members updated of any developments as it has not yet received the official version of the amendments regarding Stakeholder Groups nor on their entry into force.

Pan-European Personal Pension Product (PEPP)

On 4 April 2019 the European Parliament adopted the Commission's proposal for a regulation on PEPP. In view of implementing the upcoming PEPP Regulation, input from EIOPA's two Stakeholder Groups will be needed on a number of Regulatory Technical Standards and Implementing Technical Standards. In order to give consistent advice to EIOPA and given the variety of PEPP providers, the Chairman encouraged the IRSG and the OPSG to establish a joint Subgroup to jointly deal with upcoming EIOPA requests.

Brexit:

EIOPA has reached a good level of preparedness to avoid any consumer detriment in case of Brexit. The aim of EIOPA's contingency plan is to ensure service continuity under any potential scenario. The Chairman warned about potential Brexit impacts on financial stability e.g. volatility in market prices or other second-round effects on the economy.

One Member raised concerns about the limited time intermediaries would have to adapt if the UK left the EU without a deal. EIOPA clarified that a hard Brexit would mean no transition period.

Thematic Review on Travel Insurance:

EIOPA finalised all data processing, that took longer than expected due to inconsistencies in several industry responses, which are now corrected. EIOPA's focus is now on drawing conclusions, having a broader discussion on possible supervisory responses and further involving stakeholders.

Thematic Review on Big Data Analytics (BDA):

EIOPA finalised this thematic review, which is to be published in due course. The focus of the review was on practices in health and motor insurance sectors. The study concluded that BDA has various benefits, both for consumers and for the industry. However, a few challenges still need to be further assessed.

Members showed particular interest in the questions of ethics such as the fairness of the use of BDA (algorithms). Further questions were raised about the evolution of the cyber insurance sector and the fact that undertakings have had very different exposures to Artificial Intelligence or Machine Learning, depending on their size or business model.

Joint ESAs Advice in the context of the COM FinTech Action Plan:

EIOPA will develop Guidelines in 2019 on the need for legislative improvements relating to Information and Communication Technology (ICT) risk management requirements in the EU financial sector. Joint advice is also expected on the costs and benefits of developing a coherent cyber resilience testing framework for significant market participants and infrastructures within the whole EU financial sector. EIOPA will continue working on third-party reporting of cyber events to move towards a coherent cyber resilience testing framework (penetration tests are scheduled with a pilot to start with big insurance groups).

Workshop on Cyber Insurance:

On 1 April 2019, EIOPA hosted a workshop on Cyber Insurance with over 100 representatives from e.g. the insurance industry, brokers, policyholders, regulators, think tanks. The goal of the workshop was to discuss and identify possible solutions to address the challenges facing the European cyber insurance market. EIOPA will follow up on this topic in the BoS meeting in June 2019. The Chairman stressed the importance of cyber insurance as an enabler of the digital economy and of the role for insurance industry in this process.

Cost and Past Performance:

EIOPA published its first report on past cost and past performance. The analysis was a pilot exercise and EIOPA now aims to develop a set of common definitions in the interest of consumers and insurance undertakings. A common understanding is needed on cost and on the methods used to calculate the performance of contracts.

One Member mentioned that a comparison tool would help retail investors and made reference to discussions at the DG FISMA CMU workshop on 9 April. Another Member highlighted the ongoing work carried out by the Actuarial Association of Europe (AAE) with regard to performance scenarios. He urged actuaries from the various EU countries to contribute to AAE's work.

Supervisory Statement: application of proportionality in the Solvency capital requirement (SCR):

EIOPA approved the Supervisory Statement on the application of the proportionality principle in the supervision of the SCR. EIOPA will publish a report to clarify how undertakings should engage with National Competent Authorities (NCAs) on this topic.

IFRS 17:

EIOPA expects an exposure draft from the IASB in Q2 2019. EIOPA has already engaged with many stakeholders on IFRS issues. A dedicated Expert Network meeting will take place at EIOPA in due course.

Some Members raised concerns about the amount of work involved and the related cost for investors in the next two years, which was acknowledged by EIOPA.

Conclusion/Action:

- IRSG to consider taking part in an early consultation in July 2019 on the impacts of EOPA guidelines on outsourcing to cloud service providers.
- EIOPA to update the IRSG on Joint ESAs work on ICT risk management and governance at next IRSG meeting.

4. Update by the European Commission

The European Commission representative updated Members on:

PRIIPS Regulation

COM confirmed that, depending on developments, a full review of Level I PRIIPS Regulation could be postponed to 2020.

At a Member's request, EIOPA's Chairman explained that a company is being currently contracted to launch consumer testing in May 2019, with results to be expected still in 2019 (testing the PRIIPS KID). One Member appreciated the fact that, in parallel, the ESAs are engaging with consumer organisations to get their views.

Review of the Motor Insurance Directive (MID):

The European Parliament (EP) and the Council still need to agree before trilogues can start. The EP position dated 30 February is well known but there is no common position in the Council and the topic was not prioritised by the Council Presidency. A working-level meeting is scheduled for April and trilogues would start only after the summer.

Solvency II review

The amendments of Delegated Acts published on 8 March 2019, reviewing the Solvency II Directive, introduce requirements when assets can be treated as long term investments.

The Commission representative clarified the conditions and in particular the fact that "organised separately" – as mentioned in Article 171a (c) – would not systematically imply a change to the portfolio of the undertakings. The date of entry into force of the regulation will depend on the length of the parliamentary scrutiny. Currently, an early non-objection procedure runs until 8 June. Therefore, publication in the Official Journal is expected at the earliest mid-June 2019.

Conclusion/Action:

- n/a

5. Consumer Protection

5.1. IDD: EIOPA Report on General Good

EIOPA staff provided a presentation on the main findings of its Report on General Good to be published in July 2019 (see link to presentation [here](#)).

Members welcomed EIOPA's work in this area as there have been issues with the publication exercise and supervision of general good rules for many years.

One Member highlighted that the IDD had not yet been implemented in all Member States and asked whether the scope of the report was limited to general good rules applied to consumers only. It was made clear that the scope of the report was broad. It also covers general good rules directed to professional clients/SMEs and in relation to distribution of large risks.

Members agreed that there is room for improvement as to the accessibility of general good rules and that there is a lack of clarity regarding the split of supervision between home and host Member State in relation to general good rules.

EIOPA's Chairman expressed the view that general good rules discouraged cross-border business and that they were not always aimed to enhance consumer protection, but were adopted to protect national markets and products. He believes that a European framework for certain products, such as the PEPP, would enable European citizens to benefit from more product choice and lower prices. EIOPA is following up with individual National Competent Authorities to improve quality of publication of general good rules going forward.

Conclusions/Actions:

- EIOPA to share the Report on General Good with the IRSG and other stakeholders beginning of July 2019 to obtain feedback.
- To distribute for information among Members the report on cross-Border Insurance Distribution referred to by an IRSG Member (see link to study [here](#)).

5.2. IRSG input to EIOPA's work under the Conduct of Business Supervision Strategy

EIOPA staff presented (see link to presentation [here](#)) the work it is carrying out under the Conduct of Business Supervision Strategy and expressed its wish to continue and enhance its cooperation with the IRSG on consumer protection matters. EIOPA invited the IRSG Members to continue to provide input on its ongoing activities such as the Consumer Trends Reports and Thematic reviews, but also on new topics like business models analysis and Conduct Risk Dashboards (CRDBs). Members welcomed EIOPA's request for input.

Conclusion/Action:

- IRSG to inform EIOPA by 30 April about specific topics of interest for further in-depth cooperation (see slides 5-6 of presentation).
- Members to take note of EIOPA's paper on lifecycle (see link [here](#)), which provides background information on the need to look into business models.
- Members to take note of EIOPA's discussion Note on the Conduct Risk Dashboards (CRDBs) (see link [here](#)).
- IRSG to take note of Member's document on consumer protection issues on the German market (see link to presentation on comparison portals [here](#)).

5.3. IRSG input to EIOPA's Consumer Trends Report

Dirk Ulbricht, leader of the Subgroup on Consumer Trends, presented the progress made in compiling inputs from different Members, and emphasised challenges faced in the last conference call to receive member's input. The Vice Chair stressed the importance of this work and encouraged Members to provide input.

Conclusion/Action:

- Dirk Ulbricht (subgroup lead) to invite Subgroup Members to provide written comments.
- EIOPA extended the deadline for input on the Consumer Trends Report, upon IRSG request, to 30 May 2019.

6. Solvency II – 2020 review

EIOPA staff summarised (see link to presentation [here](#)) the 19 topics comprising the call for

advice from the Commission. The principal EIOPA deliverables under the review comprise: (1) the Annual long term guarantees (LTG) reports 2016 to 2020, (2) the Response to COM's Call for Information of April 2018, and (3) the Opinion on 2020 review, which will cover LTG review and COM's Call for Advice.

The proposed timeline, in particular for public consultation is as follows:

- Draft advice on reporting and disclosure: mid-July to mid-October 2019
- Draft opinion (except reporting and disclosure): November 2019 to January 2020

In discussion points were raised in particular regarding equity investment and the volatility adjustment.

Conclusion/Action:

- Tony O'Riordan to lead the subgroup on Solvency II – 2020 review, with the support of Pierpaolo Marano in the areas of Group Supervision and Freedom to provide Services.
- Members to volunteer by 23 April 2019 to join the Subgroup on Solvency II – 2020 review.

7. Pan-European Personal Pension Product (PEPP)

EIOPA staff informed Members (see link to presentation [here](#)) about the latest developments on the PEPP Regulation and the corresponding very challenging timeline of 12 months to deliver technical advice/draft Regulatory Technical Standards (RTS) to the Commission. Crucial points are in particular the available options, the need for a favourable tax treatment at national level, the pan-European nature of the product, the large range of providers as well as the industry and consumer testing which EIOPA is required to conduct. EIOPA asked Members for their feedback in three particular areas:

- In what areas of the deliverables for EIOPA do Members see specific challenges?
- How Members would consider the appetite for PEPP in the market?
- Is there any advice on how EIOPA can engage best with its stakeholders?

Members expressed diverging views on the potential uptake in the market for the PEPP. The European personal pension market is currently characterised by a large degree of fragmentation and complex products. Although there is an overall appetite for retirement products in the market, this varies heavily between Member States depending on the existing national legislation. Members raised the issue of disclosure aspects in relation to the PEPP KID and the PBS. They stressed the need for keeping the information document simple, using layering and drawing on lessons learned from PRIIPs KID and UCITS KIID. Members also highlighted the cost cap and the need for a sufficient level of transparency in that context. Another issue raised was in ensuring consistency in supervisory approaches by NCAs given that the PEPP constitutes a quality label.

Conclusion/Action:

- Paul Fox to lead the subgroup on PEPP, with the support of Guillaume Prache. Members were encouraged to contribute to this file from a consumer perspective.
- Members to volunteer by 23 April 2019 to join the Subgroup on PEPP.
- EIOPA to keep Members informed via progress reports in the upcoming IRSG meetings.
- Members to take note of EIOPA's presentation on PEPP (see link [here](#)).

8. Sustainable Finance: Integration of sustainability risks and factors in the Delegated Acts under Solvency II and IDD (EIOPA's draft Technical Advice)

EIOPA staff set out (see link to presentation [here](#)) details of the outcome of the public consultation on "EIOPA's technical advice on integrating sustainability risks and factors in the Delegated Acts under Solvency II and IDD", explaining how e.g. IRSG comments were taken into consideration when drafting EIOPA's amendments to the draft technical advice. For example further clarity was provided in additional recitals. A specific link was made with the Prudent Person Principle under Solvency II and with the "target market" under IDD. It was also noted that the Council had recently reached a political compromise on the proposed Regulation on sustainability-related disclosures in the financial sector. EIOPA incorporated this development by including new drafting in relation to remuneration under Solvency II.

Members raised comments on the treatment of “brown vs. green” assets under Pillar I of Solvency II and the need to provide more clarity on the notion of “sustainability risks”.

Conclusion/Action:

- Lauri Saraste to liaise with Torun Reinhammar regarding the leadership of the subgroup on sustainable finance.
- Members to volunteer by 23 April 2019 to join the Subgroup on sustainable finance.

9. Risks and Financial Stability

9.1. Systemic risk and macroprudential policy in insurance

EIOPA staff introduced the topic and explained that EIOPA’s views on macroprudential policy in insurance is discussed within a dedicated EIOPA Project Group (PG). Since the setup of the PG, three papers have been published. They respectively address the following questions: Can insurance create systemic risk? What tools are already in place in Solvency II to mitigate such risk? What additional tools or measures might be required? Members were also reminded about the Discussion Paper published recently on the topic. The ongoing consultation aims to gather feedback from stakeholders mainly on the additional tools and measures proposed. Finally, it was explained the EIOPA work described above is included in COM’s Call for Advice, and hence incorporated into the overall Solvency II Opinion.

Some Members commented that a one-month consultation timeline is very short to provide valuable feedback on such a complex topic. The group requested additional time to respond to the Discussion Paper and EIOPA agreed. Other Members pointed out that EIOPA’s work goes beyond the scope of the Call for Advice. They questioned whether they should focus on questions in the Discussion Paper that are with a direct link to the Call for Advice. EIOPA explained that it had initiated the work on macroprudential policy already before the Call for Advice, and that it will continue to work on the relevant areas identified.

A few Members reflected on the implications for insurers of the proposed reporting tools. They stressed that the principle of proportionality should be duly applied. Furthermore, they mentioned the importance of assessing the overall impact of all reporting requirements on insurers. EIOPA explained that issues around reporting would be addressed more generally in the context of the overall review of the reporting framework.

Conclusion/Action:

- Xavier Larnaudie-Eiffel to lead the subgroup on the Discussion Paper on Systemic Risk and Macroprudential Policy in Insurance (see link [here](#)).
- Members to volunteer by 23 April 2019 to join the Subgroup on the DP on Systemic Risk and Macroprudential Policy.
- IRSG to respond to EIOPA’s Call for Input by 14 May 2019 (IRSG-specific deadline).
- Members to forward the Call for Input (see link [here](#)) to their network and member organisations, with a deadline for input by 30 April 2019.
- IRSG Opinion to focus on responses directly linked to the Call for Advice from the European Commission, given the short period of consultation.

9.2. Resolution funding and national Insurance Guarantee Schemes

EIOPA staff presented its feedback on the IRSG comments received on the Discussion Paper on Resolution funding and national insurance guarantee schemes (IGSs). EIOPA shared the Members’ opinion on the fact that the harmonisation of IGSs should not be regarded in isolation and should be considered in the context of recovery and resolution. Regarding the technical elements of IGSs, both the comments of the IRSG and EIOPA’s feedback showed that these need careful consideration.

A few IRSG Members responded to EIOPA’s feedback by mentioning that the home-country approach was the preferred option given the alignment with the home-country control principle applied in supervision. One Member pointed out that some Member States currently have an IGS operating on the basis of the host-country approach, whereas another Member commented that the operationalisation of the home-country approach would be more challenging given that the policyholder charges/taxes are included in premiums. Finally, another Member suggested that IGSs should not be used to fund resolution as this might lead to moral hazard behaviour on the part of insurers.

Conclusion/Action:

- The work on Systemic risk and macroprudential policy in insurance as well as the work on IGSs are part of the Call for Advice and will be incorporated in EIOPA' Solvency II Opinion, scheduled for consultation in the period November 2019 - January 2020.

10. Supervisory convergence

The EIOPA BoS Member presented (see link to presentation [here](#)) EIOPA's main achievements in supervisory convergence during 2018 and presented the priorities for 2019 with the view to prepare for the upcoming involvement with the IRSG. This year EIOPA is to focus on further developing supervisory tools, and on supervising emerging risks and risks of supervisory arbitrage. Depending on EIOPA's needs, an informal consultation could be launched on the topic of the supervision of captives or run-off undertakings.

Conclusion/Action:

- EIOPA to specify by 15 April, after feedback from the EIOPA Supervisory Committee, the deadline for comments for the IRSG consultation on the EIOPA Opinion on remuneration.

11. AOB

n/a

Conclusion/Action:

- Members are invited to the next IRSG meeting at EIOPA on 19 June 2019 (10:00-16:00).