



Presentation on EIOPA priorities

Joint committee meeting – Insurance, Risk management and Pensions

11.4.2019 – Lauri Saraste

ESA's review process

- there was an agreement in the trilogies - final document not out yet
- There has been some progress in the tools for EIOPA to better ensure supervisory convergence; e.g. for cross border business
- governance on supervisory level – basically the same structure remains but some changes to powers of the chairs
- there will be a change of compositions of stakeholder groups

ISG and macroprudential policy

- 4 papers from EIOPA last year
- One consultation going on right now which repeats many of the ideas from last year
- EC has asked only a 4 item list from EIOPA.
- The industry asks EIOPA to use more efficiently the existing tools, measures and reports
- As one specific topic more understanding and even reporting on liquidity risks might be needed
- EIOPA might introduce new reporting requirement on liquidity, but not measures
- There's a close relation with Solvency II changes. Risk Margin one important single topic

Sustainability:

- Going in a separate line and might trigger changes into Solvency II and IDD already on 2020.
- definition on sustainability risks: risks that affect in adverse way due to ESG factors
- EIOPA could be more specific on what sustainability risks means but they are not sure this is the optimal way to proceed
- EIOPA needs to answer on green vs. brown - capital requirements this year (consultation in Q3/2019). EIOPA preliminary idea is that this needs to align with the underlying risks - is there any basis of evidence? The idea of introducing long term risks has been in the discussions – might have serious legal concerns..

PEPP:

- Help needed on implementing the PEPP regulation
- Will need a favourable tax treatment
- Seems to need much more visibility
- The political agenda behind this seems to be strong 'to make it work'.
- The information documents like PEPP KID and PEPP benefit statement needs to be designed
- Cost cap 1% of savings
- Co-operation between EIOPA and NCAAs - powers on intervention
- Not sure how much appetite there is for this. National schemes are strong and there might not be that much expats (is there any market for this?)
- Approved now by EU parliament
- EIOPA wants to have stakeholder groups close to the implementation process of PEPP → Joint sub-group from IRSG and OPSG members to further the work

IFRS 17:

- EIOPA has been engaging with stakeholders, EC and EFRAG.
- No indication that SII would be changed because of IFRS 17.
- In EIOPA's opinion IFRS17 should learn from SII and even use some of its concepts.

SII SCR proportionality:

- new guidance which allows that some modules can be calculated only every three years if of minor importance to the overall SCR
- Approved on March Bos meeting by EIOPA

Conduct of Business Supervision Strategy:

- EIOPA has been bringing tools from 2015 onwards to this; Thematic reviews, consumer trends report, Retail risk indicators, enhanced market monitoring, ways to ensure supervisory convergence
- In future also: analysis of business models and risk dashboards. Especially focus on UL products
- EIOPA's focus also on new business model arriving; e.g if with wide amount of different features incl. assets classes, in-built re-insurance, etc.

Consumer trends report 2019:

- Machine learning is coming to the market but still not widely used
- EIOPA ideas of improvements: Dig data ethics needs to be brought into discussion as there's something happening already. Also artificial intelligence and use of algorithms will be important aspect to cover.

Report on general good on IDD from EIOPA.

- General good rules - proper functioning of IDD and internal market (IDD Art 11)
- Definition of what are general good rules: no specific definition in EU law
- Only those directly relating to insurance distribution are studied
- All countries (except, France and Luxembourg) has got these
- A lot of diversity exists among member countries → will make it difficult for pass porting insurance companies to access markets
- EIOPA publication out by June 2019.

Thematic reviews:

- Travel insurance and big data analytics have been covered by now
- EIOPA finalizing a report to be published soon. Will cover e.g. Commission levels, contracts, processes which might have some market impacts as insurers learn more about the market and consumers are better informed
- EIOPA actions because of thematic reviews can be e.g. policy interventions, changes of supervisory practices but also establishing working groups (like the innovation hub case)

Cost and past performance reporting:

- Standardizing the different definitions on cost on insurance products seems to be important
- It will take time to get comparable data. EIOPA sees that this would be good for consumers; they could learn more
- AAE work was emphasized on trying to understand the participating life business. EIOPA appreciates AAE's effort to understand this market and waits for any outcome on this work

Fin-tech & Cyber:

- EIOPA has opened the discussion on the need for regulatory improvements. One idea being that there should be a EU framework for cyber resilient testing
- There will be a public consultation on June about this. On end March there was a work shop on cyber insurance with some 70 participants + more participating online
- More standardized way of incidents reporting needs to be put in place

Thank You!

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