ACTUARIAL ASSOCIATION OF EUROPE

Update on European agenda

30/9/2021 – hybrid IC meeting, Sursee Switzerland / teams

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Notes from EIOPA IRSG meeting 15th July 1/2

Update on general topics:

- **Data request** to companies and National Competent Authorities (NCAs) **on Natural Catastrophe**. EIOPA will develop and publish an updated **natural disaster dashboard on insurance protection gaps** based on a collection of data and information with regard to insurance penetration, historical loss data (from undertakings) and national schemes for nat cat protection (from NCAs).
- On 17 June EIOPA published a **report from the Consultative Expert Group on Digital Ethics in insurance on governance principles for the use of Artificial Intelligence**. This report will on the September BoS agenda with the decision what kind of supervisory actions or recommendations it might imply, if any.
- On 4 June, **EIOPA issued Guidelines on PEPP Supervisory Reporting**. On 31 May the **EIOPA survey on the potential offering of PEPP** was closed. There were 167 respondents from 19 countries. Almost 20% of the respondents considered favorably the offering of a PEPP, one third responded they might start this. This polling exercise might be repeated closer to the implementation date.

Exchange on Proportionality.

- IRSG is expected to comment on proportionality areas in EIOPA's 2022 Annual Work Program and to start reflecting on further areas that would benefit from increased proportionality and to consider the opportunity to volunteer for participation in EIOPA's ACP task forces next year.

Notes from EIOPA IRSG meeting 15th July 2/2

Value-for-money risks in the unit-linked insurance (and hybrid) market.

- Members exchanged views on the performance of products, and on the reference to data sources to be annexed to the IRSG advice which was being finalized after the meeting. In addition to the lack of aggregated data on performance, Members acknowledged the difficulty to identify a specific purpose for, and services offered by, unit-linked products. Even in cases where data is available, a consistent interpretation of costs (in relation to e.g. distribution, entry, or contract fee) and performance (in relation to e.g. customer price index) is key.
- There was a strong disagreement about both the performance and how it should be measured amongst the industry and consumer representatives. There seemed to remain a lot of issues to be discussed in the future even though the consultation will already be closed.
- EIOPA commented that as they see it, there is serious issues in some EU countries which needs their attention and actions. They will try to concentrate to how the end consumer is treated in the end.

EIOPA presented the process and focus of the upcoming EIOPA's Consumer Trends Report 2021.

- Next to the usual input from stakeholders (IRSG/OPSG) and supervisors (NCAs), this year's edition will benefit from a consumer survey, which will focus on claim management and price optimization practices.

Blockchain and smart contracts.

- The purpose of (time-bound) "regulatory sandboxes" was discussed, as well as the position of the European Forum for Innovation Facilitators (EFIF).

Notes from EIOPA IRSG meeting 15th July 2/2

Insurance Distribution Directive (IDD) Review – Initial Strategic Discussion.

- EIOPA explained the content of its IDD application report to be submitted to the European Commission (COM) by end of 2021. EIOPA further mentioned that the current COM priority is to deliver its Retail Investment Strategy and the envisaged holistic framework for the disclosure/sale of retail investment products (insurance-based investment products in the insurance sector), with corresponding Calls for Advice expected to be sent separately to EIOPA and ESMA, and also to the Joint Committee.
- There's also a new framework for BaFin to carry out mystery shopping ("covert test sales") in Germany.

Informal fact-finding survey: Questions to IRSG Members related to the COM's Call for Advice to EIOPA on certain aspects relating to retail investor protection. The main areas included in the Call for Advice are the following:

- Addressing and enhancing investor engagement with disclosures
- Drawing out the benefits of digital disclosures
- Assessing the risks and opportunities presented by new digital tools and channels
- Tackling damaging conflicts of interest in the sales process
- Promoting an affordable and efficient sales process
- Assessing the impact of complexity in the retail investment product market

Other topics to note

EC Digital finance package

- **Digital Euro.** On 14 July 2021, the ECB decided to launch the investigation phase of the digital euro project. The investigation phase consists of looking at the various design options, user requirements and at how financial intermediaries could provide services based on the digital euro. During this phase, the Commission will continue to closely cooperate with the ECB on analysing and testing the various design options in view of policy objectives.

EC Sustainability work on Finance

Two publications during the summer:

- Publication of the strategy for financing the transition to a sustainable economy
- Delegated act on Taxonomy disclosures under Article 8 of the Taxonomy Regulation

Commission's answered to ESA's questions related to the Sustainable Finance Disclosure Regulation (SFDR) requiring interpretation of Union law. The Q&As related to:

- Scope of SFDR in relation to registered and non-EU Alternative Investment Fund Managers (AIFMs);
- Principal Adverse Impact disclosure requirements under Article 4 SFDR: calculation of the 500-employee threshold to the parent undertaking of a large group to be applied to both EU and non-EU entities ;
- Products with a sustainable investment objectives under Article 9 SFDR: including use of benchmarks and whether some investments might not be sustainable;
- The scope of products falling under Article 8 SFDR: clarification on the notion of "promotion" linked to sustainability restrictions laid down by law, information disclosed in marketing or legal disclosures, name of financial product; and
- The treatment of tailored products such as portfolios and dedicated funds.

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