Update on European agenda

20/4/2023 – IC meeting, Bratislava

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EIOPA IRSG meeting 13th April notes

Update by EIOPA:

- EIOPA is watching closely the market developments, liquidity and how the banking issues are evolving.
- NSA's conference on risk based supervision and solvency II had been organized just recently with some of the East European countries. The idea in future would be to organize this every second year and then in the middle one where IAIS will be involved.
- Regarding Solvency II the trialogues will be delayed until Q3-Q4/2023. I made a question on the need for SCR standard model recalibration and whether EIOPA is doing anything to this as in the current model there is both UK data very much affecting it but also that big part of the risk parameters are based to over 10y history by now. EIOPA did some investigation on this area during the 2019 work but have not picked this up after that. Anyway the recent change in the interest rate environment has caused some work streams on EIOPA's end also and they are keeping this one under radar. I asked also whether EIOPA had done something to better understand the IRRD proposals consequences on national level, possibly on a form of an impact study? EIOPA is discussing with NSA's to increase understanding but are not acting before political decisions, one of the reasons being lack of resources.

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Update by EIOPA:

- There is current insolvency case from Romanian insurer Euroins (Subsidary to a Bulgarian group) where the local supervisor have withdrew their license to operate (press release). EIOPA is closely involved in this one but She didn't go more into detail. In the discussion it was noted that Euroins is a relatively big non-life insurer with almost 3 million customer and 25-30% market share. In 2021 there had been another insolvency case for City insurance. The main problem with Euroins was that they had very aggressive pricing in the market. Anyway, they had solvency problems already last year.
- On sustainability EIOPA has been looking the open source sharing of data where the climate change risk part has been on focus but that they has also learned that even the nature related risks goes easily much more complex if widening the scope just from climate change. Also other areas have been discussed, for instance there was an event on gender equality on 8th April.
- EIOPA have been also working with ICS and will be preparing a consultation paper on some of the details in it. Petra told that the final framework seems to be more or less agreed on and that internal models would be part of the work, this was a deal breaker for EU. Also an impact study would also be expected in near future. In the discussion it was asked whether ICS requires changes to the SII framework (all insurers)? Petra's understanding was that there is no need to make changes to SII and that this should already needed to include into SII review if it was the case. Another questions was about US taking part to ICS? US will not follow ICS but rather use some of their own, comparability is not being looked at. Anyway Canada will follow ICS.

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Some remarks on the various topics from the agenda:

- Demand side aspects of protection gap. EIOPA presented some preliminary results from a work carried out to assess barriers and key issues, from a demand side perspective, driving protection gaps. EIOPA had carried out two studies on demand-side aspects of NatCat Coverage. They looked especially both personal and attitudinal characteristics but also environmental factors more generally. From the work they listed a number of Potential interventions that would; be implementable in terms of costs and feasibility, have significant effect on Natcat coverage take up, tackle risk and price perceptions, make the purchasing of coverage easier, establish trust in insurance and lower the expectancy of Government help. besides this, EIOPA identified also Possible ways to Incentivize consumers to purchase insurance coverage. In the discussion EIOPA was asked to align this work with the climate resilience dialogue discussions. This was noted but also recognized some of the difficulties in those discussion as there was a lot of identifies problems but less solutions found.
- Right to be forgotten was discussed via a short presentation from Insurance Europe. There will be an IRSG own initiative on this one leaded but IE's background work. It will be discussed in the end June meeting. The idea is to look closely on the cancer case but also to make it bit more broader covering also topics like use of data on pricing and UW. Also educational side will be an important one here to increase awareness on how insurance works.

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EIOPA IRSG meeting 13th April notes

Some remarks on the various topics from the agenda:

- EIOPA made a presentation on their work on DORA. They are preparing for a public consulting paper (out on June 2023) which will Include first part of the RTS's and then another paper on end 2023 to cover the rest. On the Pen testing EIOPA is using ECB's cyber resilience framework as a reference/starting point and this have proven to be efficient. It also is already used in some countries for insurance supervision. One crucial part is the RTS to specify the elements to determine and assess when sub-contracting ICT services supporting a critical or important function? EIOPA said they will provide some example in the consultation but a certainly open for comments. EIOPA will give possibilities to give comments on the implementation details around YE 2024.
- Regarding the preliminary results on the discussion paper (DP) on the Prudential Treatment of Sustainability Risks, EIOPA told that there was nearly 1000 answers to their questions but also that a lot of controversial aspects was identified. For instance some of the feedback were in favor of using historical (backward looking) data and then others kept only forward looking (risk measures) of relevance. Also some comments were highlighting the need to cover sustainability risks in Pillar 1 (SCR) and then other comments were placing this solely to Pillar 2 (ORSA). In the discussion it was brought out that transition risk could not be linked to any use of historical data, by definition, as there is not such transition happened. Anyway, also other remarks were brought out. Also it was mentioned that some countries have really poor quality of (sustainability related) data in both private and public side. This amplifies the issue on attempts to harmonize regulation/supervision. Also it was noted that even open data would not be an answer in such a case because one would not getting any reasonable answers from it.
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Other topics on the European agenda

- Stress test 2024 – climate stress being one specific topic to cover (J.Berrigans letter to ESA's on 8th March)
- Liability directives under development/renewal and insurance's role there is under discussion – ELD/PLD/AILD (Environment/Product/Artificial intelligence)
- EU Digital agenda - open finance framework and data sharing in the financial sector has not been developing that much since 2022 consultations
- Digital Euro. On end March 2023 the Commission has adopted two multiannual work programmes for the Digital Europe Programme, outlining the objectives and specific topic areas that will receive close to €1.3 billion in funding.
  - The main work programme worth €909.5 million for the period of 2023 - 2024 covers the deployment of projects that use digital technologies such as data, AI, cloud, advanced digital skills. These projects will deliver concrete benefits for innovation ecosystems, open standards, SMEs, cities, public services, and the environment.
  - Alongside the main work programme, the Commission published a work programme focusing on cybersecurity, with a budget of €375 million for the period of 2023 - 2024 to enhance the EU collective resilience against cyber threats.
- Sustainability regulation keeps increasing and widening (see next slide) – a lot of incoherence exists

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European Sustainability Reporting Standards	ESRS	
Non-Financial Reporting	NFRD	NFRD requires public-interest companies in EU Member states with more than 500 employees to disclose certain types of non-financial and diversity information in their yearly management reports. Wil be replaced by CSRD
corporate sustainability reporting (Kestävyysraportointidirektiivi)	CSRD	CSRD requires companies to report on the impact of corporate activities on the environment and society, and requires the audit (assurance) of reported information.
GRI reporting standards	GRI	The GRI Standards represent global best practice for reporting publicly on a range of economic, environmental and social impacts. Sustainability reporting based on the Standards provides information about an organization's positive or negative contributions to sustainable development. DIRECTLY LINKED TO CSRD
sustainability-related disclosures in the financial services sector	SFDR	imposes mandatory ESG disclosure obligations for asset managers and other financial markets participants
1st Report on RTS on SFDR	SFDR RTS	Final Report on draft RTS with regard to the content, methodologies and presentation of disclosures pursuant to Article 2a(3), Article 4(6) and (7), Article 8(3), Article 9(5), Article 10(2) and Article 11(4) of Regulation (EU) 2019/2088
2nd Report on RTS on SFDR	SFDR RTS	Final Report on draft RTS with regard to the content and presentation of disclosures pursuant to Article 8(4), 9(6) and 11(5) of Regulation (EU) 2019/2088
3rd Report on RTS on SFDR	SFDR RTS	Final Report on draft RTS on information to be provided in pre-contractual documents, on websites, and in periodic reports about the exposure of financial products to investments in fossil gas and nuclear energy activities
3rd Report on RTS on SFDR	SFDR RTS	ESAs to deliver fourth RTS to review PAI, add decarbonisation targets to product disclosures and more… To be adopted in DR in 2024
EU Taxonomy	Taxonomy	EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities
Delegated Act EU Taxonomy	Taxonomy DA	establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives
Delegated Act EU Taxonomy	Taxonomy DA	specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation
Delegated Act EU Taxonomy	Taxonomy DA	amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities

Updated Joint ESA Supervisory Statement on the application of the SFDR		seeks to mitigate the risk of divergent application of SFDR and Article 5 and 6 of Taxonomy Regulation within the period from 10 March 2021 to the application date of the Regulatory Technical Standards ("RTS") under empowerments from SFDR which covers the content, methodologies and presentation of sustainability-related disclosures in Articles 2a(3), 4(6) and (7), 8(3), 8(4), 9(5), 9(6), 10(2), 11(4) and 11(5) of the SFDR
EU Greenbond standard	EUGBS	Regulation lays the foundation for a common framework of rules regarding the use of the designation 'European green bond' or 'EuGB' for bonds that pursue environmentally sustainable objectives within the meaning of Regulation (EU) 2020/8521 (Taxonomy Regulation).
EU Greenbond standard Annexes	EUGBS	european green bond factsheet, european green bond annual allocation report, european green bond impact report, contents of pre-issuance and post-issuance reviews
guidance on the content of the Disclosures Delegated Act		EC FAQs on 'What is the EU Taxonomy Article 8 delegated act and how will it work in practice?
guidance on the content of the Disclosures Delegated Act		EC FAQs on how financial and non-financial undertakings should report their Taxonomy-eligible economic activities and assets in accordance with the Disclosures Delegated Act
guidance on the content of the Disclosures Delegated Act		A Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act on the reporting of Taxonomy-eligible economic activities
AIFMD amendment	AIFMD	Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010
markets in financial instruments	MiFID I	markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
Solvency II DA - amendments	SII DA	Small changes to governance requirements on sustainability
Solvency II review	SII	Sustainability to play much more sustantial role in the regulation - ORSA, scenarios, governance, reporting etc.
markets in financial instruments	MiFID II	organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive
Corporate Sustainability Due Diligence	CSDDD	The aim of this Directive is to foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations in companies' operations and corporate governance. Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937.
PRIIPs –review (Packaged retail investment and insurance products)	PRIIPS	

Thank You!

Any comments?

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