



ANNUAL REPORT 2020

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European Insurance and
Occupational Pensions Authority

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ANALYSIS AND ASSESSMENT OF THE CONSOLIDATED ANNUAL ACTIVITY REPORT 2020 BY THE BOARD OF SUPERVISORS

EIOPA's Board of Supervisors (BoS) takes note of the Consolidated Annual Activity Report (CAAR) 2020, submitted by the Authorising Officer in accordance with Article 48(1) of the Financial Regulation (FR) applicable to EIOPA. Analysing and assessing the CAAR 2020 BoS has made the following observations:

The report contains a comprehensive and thorough account of the activities carried out by EIOPA in the implementation of its mandate and programme of work during 2020. EIOPA has met its obligations under Article 48(1), providing a detailed account of the results achieved in relation to the objectives set in the Annual Work Programme 2020, financial and management information, as well as the risks related to the organisational activities and measures taken to address them.

BoS acknowledges the challenges posed on EIOPA due to the impact of the Covid-19 pandemic across the EU that affected its work in terms of monitoring and mitigating risks, supporting the recovery of the economy, assisting in building more resilient insurance and pensions sectors and further strengthening a common supervisory culture. BoS acknowledges the continued challenges EIOPA faces in terms of its constrained resources to manage a demanding workload and welcomes EIOPA's efforts to prioritize in order to deal with a demanding workload and a challenging macro-economic environment.

BoS welcomes EIOPA's continued efforts to re-allocate its resources from establishing regulation to overseeing its consistent implementation, recognising the need to maintain sufficient levels of staff in regulatory roles based on ongoing demand for this work. BoS notes that EIOPA adapted well to the new working arrangements under Covid-19 restrictions.

BoS welcomes EIOPA's preparedness relating to the end of UK's withdrawal transition period and the efforts towards the protection of consumers in the area of insurances and pensions in this respect.

BoS welcomes EIOPA's implementation of the review of the Regulations establishing the European Supervisory Authorities (the 'ESA Review') and the resulting publication of the Rulebook for Solvency II¹ as well as the successful set up of the Insurance and Re-insurance Stakeholder Group (IRSG) and the Occupational Pensions Stakeholder Group (OPSG).

¹ https://www.eiopa.europa.eu/rulebook_en

BoS welcomes EIOPA's efforts to embody environmental, social and governance considerations in the regulatory frameworks for insurance and pensions as well as in its financial stability work. This includes the discussion papers on natural catastrophe underwriting risk and on non-life underwriting and pricing in light of climate change. It refers also to the publication of a pilot dashboard on the natural catastrophe insurance protection gap as well on measures to improve insurability of business interruption risk in light of pandemics. BoS also welcomes EIOPA's work in SupTech, FinTech, Cyber Underwriting and monitoring of market developments and the evolution of new technologies, and its efforts towards establishing a supervisory approach that supports the benefits of digitalisation while maintaining protection for consumers.

BoS welcomes the significant contribution EIOPA has made in the field of consumer protection and its work to address conduct risks for consumers through the use of EIOPA's new product intervention powers and a range of supervisory and oversight tools, including the continued consumer trends and market monitoring work, and visits to national competent authorities (NCAs). Furthermore, BoS welcomes the continuation of its extensive market monitoring activities based on available data and continuous engagement with NCAs and third-country parties since the outbreak of Covid-19.

BoS welcomes EIOPA's continued contribution to building an effective and consistent level of supervision across the EU. In particular, BoS welcomes the ongoing focus on cross-border business, particularly with regards to EIOPA's cross-border cooperation platforms. BoS supports EIOPA's supervisory convergence plans and acknowledges the comprehensive set of objectives and activities established in these plans to achieve supervisory convergence.

BoS welcomes EIOPA's opinion on the review of Solvency II to the European Commission, taking into account the importance of assessing the impact of the current Covid-19 situation on the Solvency II Review. Furthermore, BoS welcomes the Report² on the use of reporting limitations and exemptions, the Report³ on long-term guarantees measures and measures on equity risk, and Insurers' asset and liability management in relation to the illiquidity of their liabilities⁴.

BoS welcomes EIOPA's continued monitoring and analysis of vulnerabilities in the market and financial stability risks. In particular, BoS acknowledges EIOPA's efforts to publish its quarterly risk dashboard and half-yearly financial stability report. BoS welcomes EIOPA's liquidity monitoring exercise, especially within the context of Covid-19 crisis. BoS also welcomes EIOPA's Second Discussion Paper on Methodological Principles of Insurance Stress Testing⁵, with a view of further enriching the stress test toolbox with additional elements to be potentially applied in future exercises. Finally, BoS welcomes the detailed assessment and analysis of climate-change related transition risks in the portfolio of European insurers carried out and published in 2020.

BoS welcomes EIOPA's activities following the entry into force of the PEPP regulation and the delivery to the European Commission of a set of draft Regulatory and Imple-

² https://www.eiopa.europa.eu/sites/default/files/publications/reports/2020-report-on-the-use-of-limitations-and-exemptions-from-reporting_o.pdf

³ <https://www.eiopa.europa.eu/sites/default/files/publications/reports/eiopa-ltg-report2019.pdf>

⁴ https://www.eiopa.europa.eu/sites/default/files/publications/reports/eiopa_report_on_insurers_asset_and_liability_management_dec2019.pdf

⁵ https://www.eiopa.europa.eu/sites/default/files/publications/consultations/eiopa-bos-20-341_second-discussion_paper-methodological-principles-for-stress-testing.pdf

menting Technical Standards⁶ and advice on Delegated Acts to implement the framework for the design and delivery of the PEPP⁷.

BoS notes the positive results of successful management of the Authority's tasks and resources, indicated by the high rate of delivery of products and services as planned or within a minor delay, as well as the targets met in terms of EIOPA's key performance indicators on management of its financial resources.

BoS notes EIOPA's diligent response to findings from the European Court of Auditors, the Internal Audit Service and the Authority's Quality Control Committee and supports EIOPA's efforts in its transparent implementation of the respective recommendations.

BoS considers that EIOPA is running effectively and efficiently and is delivering the expected products and services to high standards of quality.

Peter Braumüller

[Signed]

Vice-Chairperson of the Board of Supervisors

6 <https://www.eiopa.europa.eu/content/consultation-concerning-technical-advice-implementing-and-regulatory-technical-standards-pan> and <https://www.eiopa.europa.eu/content/public-consultation-implementing-technical-standards-supervisory-reporting-and-cooperation>

7 https://www.eiopa.europa.eu/browse/pensions/pan-european-personal-pension-product-pepp/eiopa-role-pepp_en

PETER BRAUMÜLLER



FOREWORD BY THE VICE-CHAIRPERSON

I am pleased to present this report on EIOPA's activities in 2020.

The year was dominated by the COVID-19 pandemic, with a large impact on the work of the Authority. Our actions ranged from putting in place immediate measures to enable the sector to focus on their own business continuity and obligations to policyholders and beneficiaries to providing information directly to consumers on what they should expect from their insurance company.

The pandemic highlighted the importance of consumer protection issues. This remains a priority for EIOPA and during the year we set out a statement clarifying supervisory expectations on product oversight and governance requirements in the context of COVID-19. We later defined our approach to the supervision of product oversight and governance. This is just one aspect of the work that we undertook to ensure the protection of consumers throughout the year.

From a supervisory perspective, by and large, the regulatory frameworks set up to ensure the stability of the sectors appear to have functioned as required throughout the pandemic. The risk-based capital buffers built-up with Solvency II helped insurers to withstand the initial severe market shocks experienced with the Covid-19 crisis.

In publishing our Opinion on Solvency II at the end of the year, we were able to collect information on the impact of COVID-19 on the insurance industry and the final Opinion reflected a balanced approach taking account of the challenging times.

In terms of financial stability, in 2020, our effort was centred on monitoring and mitigating the effects of the COVID-19 pandemic. Examples of our work in this area included our Statement on dividends distribution and variable remuneration policies in the context of COVID-19, our Risk Dashboard and regular monitoring and reporting on financial stability.

We made progress in the area of pensions, notably finalising the regulation for the Pan-European Personal Pensions product, or PEPP, as well as furthering our work in the areas of the pensions dashboard and pensions tracking system. All three will be important in closing pensions gaps.

The COVID-19 pandemic accelerated the use of digital technology by consumers and businesses. We continued to advance our work in this area, where our overarching aim is to enable consumer to benefit from digital innovation, but without detriment.

We also made considerable progress in the area of sustainable finance, including supporting the development of the EU taxonomy, and a range of activities in the area of climate change.

I would like to acknowledge the contribution of our Board members in helping us to fulfil our mandate in 2020 and to thank our institutional and wider stakeholder community for their constructive cooperation. I would also like to pay tribute to the chairmanship of Gabriel Bernardino, who steered EIOPA through this difficult year. His leadership skills and strategic vision are appreciated.

Looking ahead, the role of insurers and pension funds in the economic recovery from COVID-19 cannot be underestimated. The European Union's Next Generation EU recovery plan is built on green and digital transitions and fostering a Capital Markets Union and all three go hand-in-hand with the role of insurance and pensions sectors. In the coming years, we will therefore build on our achievements in 2020 to ensure that the insurance and pensions sectors in Europe underpin a sustainable recovery that benefits the economy, society and people.

FAUSTO PARENTE



FOREWORD BY THE EXECUTIVE DIRECTOR

Like every organisation, in 2020, we had to adjust our way of working to take into account the circumstances of the pandemic. We were able to adapt swiftly thanks to our well-established working culture, flexible attitude and stable information technology environment.

We pivoted our core business so that we could quickly and continuously monitor the risks in the market and take the necessary action needed to ensure that the insurance and occupational pensions sectors could continue to bring benefits for their policyholders and beneficiaries.

Nonetheless, we still managed to continue to deliver on our organisational targets and I am pleased to see that we have achieved all our key performance indicators, delivering to a high standard across all four strategic priorities, as well as our cross-cutting themes of sustainable finance and digitalisation.

Throughout the year, we relied on the readiness of our staff to work in difficult circumstances. We adapted our learning and development to the online environment so that we could provide our staff with additional training to foster resilience and overall development. In this regard, I would like to thank the staff for their commitment throughout the year.

In 2020, the Authority undertook an effective and responsible use of resources. The Authority's operating budget in 2020 was EUR 29.4 million and by the end of the year, we had implemented 100% of commitment appropriations and 82.2% of payment appropriations. In terms of human resources, the Authority also grew, with 146 posts filled at the end of 2020.

EIOPA conducts its operations in full compliance with EU regulations, working in an open and transparent manner. As part of our accountability, we are the subject of annual audits by the European Court of Auditors, the European Commission's Internal Audit Service and our own internal auditor. EIOPA welcomes cooperation with all European institutions and regularly participated in scrutiny meetings at the European Parliament including, in October 2020, a hearing before the European Parliament's Economic and Monetary Affairs Committee.

As in previous years, we have benefited from close cooperation with counterparts in national competent authorities and a fruitful relationship with member of our Management Board and Board of Supervisors.

We also continued seek input from a wide selection of stakeholders to inform our work, in particular through our stakeholder groups, as well as through consultations and events.

I would also like to recognise the contribution of Gabriel Bernardino, not only for his leadership in 2020, but also his commitment to develop EIOPA during his two mandates as Chairperson, into a well-recognised and well-functioning European supervisory authority.

As an organisation, we remain committed to operating sustainably and again we have included an environmental statement in this year's report.

Looking ahead, we will continue to adapt our work and ways of working to the new normal, as we continue to focus on the ensuring that the insurance and pensions sectors can play their role in a sustainable recovery for Europe.

EXECUTIVE SUMMARY

Covid-19 has been one of the most globally disruptive events of the century and its impact has been far-reaching, with implications for households and economies around the world. In 2020 after the outbreak of the Covid-19 pandemic, EIOPA's activities have been focused on coordinating supervisors' actions to ensure a common and consistent supervisory approach across all Member States. From the outset, EIOPA's actions centred on ensuring business continuity at the early stages of the crisis, ensuring stability of both the insurance and pensions sectors, and mitigating the impact on consumers.

To that end, EIOPA published information on the risk-free rate and equity dampener on a weekly basis, at first, then bi-weekly, during the period of higher uncertainty. In addition, EIOPA published a consumer guide on insurance coverage during Covid-19 outbreak, statements on the Solvency II recognition of schemes based on reinsurance and Solvency II supervisory reporting in the context of Covid-19. Furthermore, EIOPA published statements on mitigating the impact of Covid-19 on the occupational pensions and insurance sector covering issues related to business continuity and solvency and capital position.

In line with its responsibility to monitor and assess market developments, EIOPA carried out several targeted assessments to support its understanding and decision making in light of the significant effect the Covid-19 crisis would have on financial markets and the real economy. Moreover, EIOPA carefully assessed the situation and its impact in the context of its crisis prevention and management framework.

EIOPA managed its work in an agile manner and continued its efforts to implement its mandate.

DRIVING FORWARD CONDUCT OF BUSINESS SUPERVISION AND REGULATION

EIOPA is mandated through its Regulation to take a leading role in promoting transparency, simplicity and fairness across the internal market.

EIOPA continued to focus on areas where a sounder regulatory framework could be further promoted and consumer awareness enhanced in the anticipation of upcoming

comprehensive legislative reviews planned by the Commission on the Insurance Distribution Directive (IDD) and the Packaged retail investment and insurance-based products (PRIIPs) Regulation.

EIOPA also targeted a number of specific initiatives in 2020 to enhance consumer awareness and understanding in the insurance and pensions sector, issuing the Brexit consumer guide and developing an interactive webpage on financial education.

In 2020, EIOPA continued to implement its comprehensive risk-based and preventive framework for conduct of business supervision through the use of EIOPA's product intervention powers, a range of supervisory and oversight tools, including continued consumer trends and market monitoring work, and visits to national competent authorities (NCAs).

LEADING CONVERGENCE TOWARDS HIGH-QUALITY PRUDENTIAL SUPERVISION

Achieving a common European approach to supervision is central to EIOPA's work.

EIOPA provided its Opinion to the European Commission in December 2020, taking into account the importance of assessing the impact of the current Covid-19 situation on the Solvency II Review. Additionally, EIOPA published the Solvency II Interactive Rulebook I, an online user friendly documentation tool.

During the course of the year, EIOPA continued its oversight activities with active participation in cross-border colleges, and set up further cross-border cooperation platforms to enhance stronger and more timely cooperation between NCAs on concrete cross-border cases, enabling a quicker identification and assessment of risks in cross-border business. By the end of 2020, EIOPA was active in 6 platforms with the involvement of 21 national supervisory authorities.

On the international front, EIOPA contributed to the development of the Insurance Capital Standard (ICS) and the Holistic Framework on Systemic Risks as well as to the European Commission's assessment of whether the UK's

insurance framework is equivalent to Solvency II. EIOPA also carried out information requests and recommendations on preparedness to reduce the impact of Brexit on EU policyholders.

In 2020, EIOPA finished the Peer review on the supervisory practices and outcomes on the use of proportionality regarding the Regular Supervisory Report and performed the Peer review on provisions of exchange of information regarding the authorisation, notification and supervision on a continuous basis, which are included in the EIOPA Decision on the collaboration of the insurance supervisory authorities.

Lastly, EIOPA worked further on ensuring a sound preparation and implementation of the Pan-European Personal Pension Product by developing the Pan-European Personal Pension Product (PEPP) Key Information Document (KID) and the PEPP Benefit Statement.

STRENGTHENING THE FINANCIAL STABILITY OF THE INSURANCE AND OCCUPATIONAL PENSIONS SECTORS

In 2020, in line with its responsibility to monitor and assess market developments, EIOPA carried out several targeted assessments to support its understanding and decision making in light of the significant effect the Covid-19 crisis could have on financial markets and the real economy. Moreover, EIOPA carefully assessed the situation and its impact in the context of its crisis prevention and management framework.

EIOPA published a Supervisory Statement on the impact of the ultra-low/negative interest rate environment, highlighting the significant impact on the insurance sector in the EU, in terms of asset allocation, reinvestment risk, profitability and solvency.

In June 2020, EIOPA published the Second Discussion Paper on Methodological Principles of Insurance Stress Testing for public consultation, with a view of further enriching the stress test toolbox with additional elements to be potentially applied in future exercises.

CROSS-CUTTING THEMES

EIOPA continued its work in the area of sustainable finance by supporting the European Commission's Sustainable Finance Action Plan.

In 2020, the Authority published its first detailed assessment of climate-change related transition risks as well as an issues paper presenting a possible approach for improving societal resilience against risks of a systemic nature through the development of shared resilience solutions.

EIOPA published a discussion paper on non-life underwriting and pricing in light of climate change as a follow-up work from the opinion on sustainability within Solvency II, where EIOPA noted that a very common argument for non-life undertakings not to include climate change-related risks is the short term nature of insurance of most contracts.

EIOPA also published a discussion paper on the methodology on potential inclusion of climate change in the natural catastrophe standard formula, discussing the need as well as possible methodologies for including climate change in the natural catastrophe SCR calibration.

The Covid-19 pandemic accelerated the society's digital transformation. EIOPA conducted work in different aspects of digitalisation, cyber resilience and digital finance. EIOPA defined a Supervisory Technology (Suptech) Strategy with the objective to promote the use of technology by supervisors. Also, EIOPA adopted a Cyber Underwriting Strategy, as part of EIOPA's broader mission to promote sound technological progress for the benefit of the European Union economy and its citizens.

EIOPA conducted a public consultation over the summer 2020 to get a better picture on possible fragmentation of the European Union's insurance value chain and related supervisory challenges and published a discussion paper on (re)insurance value chain and new business models arising from digitalisation.

DELIVERING THE MANDATE EFFECTIVELY AND EFFICIENTLY

In 2020, EIOPA responded effectively to the Covid-19 workplace restrictions and continued to strengthen its organisational capabilities. Managing its resources in an agile manner, allowed accelerated decision-making in these times thus enabling EIOPA to fulfil its strategic objectives set out in the annual work programme for 2020 in Covid-19 environment. All of EIOPA's staff and governing bodies and working groups continued working remotely benefiting from the automatic workflows already in place.

INTRODUCTION

Across Europe, people rely on insurance policies and pension funds to protect them from risks and to ensure an adequate standard of living in retirement. A well-functioning insurance and pensions market therefore not only brings peace of mind to citizens, but also underpins a strong and resilient economy. The role of the supervisor is to ensure that markets function well, consumers are protected and the industry is able to withstand shocks.

As a European Supervisory Authority, the European Insurance and Occupational Pensions Authority (EIOPA, or the Authority) is at the heart of insurance and pension supervision in Europe. EIOPA's overarching mission is to contribute to the stability and effectiveness of the financial system for the benefit of Europe's economy, businesses and citizens. Its main tasks are to enhance supervisory convergence, strengthen consumer protection and preserve financial stability in the field of insurance and pensions.

EIOPA works closely with national competent authorities (NCAs) to fulfil its mandate and activities set out in its annual work programme.

EIOPA's areas of action and annual priorities are established through a rigorous planning process. In 2020, EIOPA adopted a flexible and responsive approach to its annual and multi-annual planning in response to the Covid-19 crisis and the following new priorities, in order to efficiently mitigate direct and indirect knock-on effects on financial stability, markets and consumers. Furthermore, EIOPA has been working on managing its resources in an agile manner to allow reprioritisation and accelerated decision-making. At the end of 2020, the Authority

employed 174 people (full-time equivalents). Its operating budget for 2020 was EUR 29,420,398. Due to the Covid-19 situation, and entailing possibilities to reduce expenses on e.g. physical meetings, a budget amendment has been tabled which reduced EIOPA's budget to EUR 28,386,398.

INFORMATION BOX



STRATEGIC PRIORITIES

The Authority's strategic priorities for 2020 were:

- Driving forward conduct of business regulation and supervision
- Leading convergence towards high-quality prudential supervision throughout the EU
- Strengthen the financial stability of the insurance and occupational pension sectors
- Delivering EIOPA's mandate effectively and efficiently
- In addition, EIOPA worked on the following cross-cutting priorities:
- Sustainable finance, including climate change
- InsurTech, including Big Data and cyber risk

DRIVING FORWARD CONDUCT OF BUSINESS SUPERVISION AND REGULATION

DEVELOPING AND STRENGTHENING THE REGULATORY FRAMEWORK FOR THE PROTECTION OF CONSUMERS

EIOPA is mandated through its Regulation to take a leading role in promoting transparency, simplicity and fairness across the internal market. A central tool to achieve this is building a sound regulatory framework through a comprehensive single rulebook. In this context, during the course of 2020, EIOPA continued to focus on areas where a more sound regulatory framework could be further promoted and consumer awareness enhanced in the anticipation of upcoming comprehensive legislative reviews planned by the Commission on the Insurance Distribution Directive (IDD) and the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation. This has included:

- › Mandated tasks to support the effective application of the regulatory framework (e.g. such as the development of draft Regulatory Technical Standards [RTS] under Sustainable Finance Disclosure Regulation and publication of sanctions reports);
- › Own initiative work to monitor implementation of the regulatory framework and, as appropriate, propose amendments (for example, as regards the PRIIPs KID);
- › Other initiatives to enhance awareness and promote good outcomes for consumers and other stakeholders (e.g. Brexit guide, financial education)

EIOPA has also initiated thinking on specific strategic areas where fundamental reform should be targeted in the future, such as improving the quality of consumer disclosures.

IN FOCUS



Q&AS ON THE IDD AND THE INTERACTIVE RULEBOOK

EIOPA has continued to further develop Questions & Answers on the IDD and its implementing measures in order to support a consistent application of the directive and enhanced supervisory convergence. EIOPA also started work on developing an interactive rulebook to allow the possibility to cross-reference the IDD and its implementing measures with relevant Guidelines and Q&As. The rulebook went live on EIOPA's website in the first half of 2021.

IN FOCUS



REPORT ON SANCTIONS UNDER THE IDD

EIOPA published its first annual report on administrative sanctions and other measures imposed under the IDD by national competent authorities (NCAs). NCAs are required under the IDD to provide EIOPA annually with aggregated information regarding all administrative sanctions and other measures imposed and EIOPA shall publish that information in an annual report. This first report provides an overview of the measures imposed following the implementation of IDD in 2018 until the end of 2019. The information reported to EIOPA reveals that in 8 Member States, NCAs imposed sanctions under the IDD framework which resulted in a total of 1,923 sanctions. EIOPA will continue to publish an annual report based on the measures imposed during the previous year.

► Read the report: <https://europa.eu/!KF67lj>

EIOPA has also targeted a number of specific initiatives in 2020 to enhance consumer awareness and understanding in the insurance and pensions sector.

IN FOCUS



PRIIPS LEVEL 2 REVIEW

In the course of 2020, the European Supervisory Authorities (ESAs) worked to complete a review of the PRIIPs key information document (KID), which included draft regulatory technical standards (RTS) to amend Delegated Regulation (EU) 2017/653 (“the PRIIPs Delegated Regulation”). The aims of the review were to address the main regulatory issues that have been identified since the implementation of the KID, in particular regarding the information on performance and costs, and to allow the appropriate application of the KID by undertakings for collective investment in transferable securities, or UCITS. In 2020, the draft RTS was adopted at the boards of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), however, at the EIOPA Board, concerns were initially expressed regarding the approach to partially revise the PRIIPs Delegated Regulation, prior to a comprehensive review of PRIIPs Regulation. Following exchanges with the European Commission at the end of 2020 and in early 2021, EIOPA’s Board also approved the draft RTS, taking into account further details provided by the European Commission on their approach to the broader review of the PRIIPs Regulation.

IN FOCUS



BREXIT CONSUMER GUIDE

EIOPA issued in December 2020 a [one-page guide](#) targeted for consumers with a life insurance policy or pension from the United Kingdom (UK) and living in the European Union or considering moving residence from the UK to the EU. The fact that the UK left the European Union on 31 January 2020 and a transitional period ran until 31 December 2020, may impact on how the policies and pension of consumers are serviced in the future. Through this guide, EIOPA drew the attention of consumers to three simple steps to follow to help them to get to know how Brexit could affect their life insurance policy or pensions and how they can protect themselves from possible scams.

➤ Read the guide: <https://europa.eu/IJT98gn>

IN FOCUS



Q&AS ON THE IDD AND THE INTERACTIVE RULEBOOK

EIOPA has continued to further develop Questions & Answers on the IDD and its implementing measures in order to support a consistent application of the directive and enhanced supervisory convergence. EIOPA also started work on developing an interactive rulebook to allow the possibility to cross-reference the IDD and its implementing measures with relevant Guidelines and Q&As. The rulebook went live on EIOPA's website in the first half of 2021.

IN FOCUS



INTERACTIVE WEBPAGE ON FINANCIAL EDUCATION

During the course of 2020, EIOPA worked on developing on its website [an interactive European map with hyperlinks to and descriptions of national financial education websites](#). The map, which went live in early 2021, is targeted to consumers who will have the opportunity to explore information about financial education in an interactive way. The websites typically include practical information about insurance and pensions products, warnings about public scams and unauthorised practices, provide answers to frequently asked questions or contacts where consumers can turn to in case of complaints. The interactive map will help consumers to learn about key concepts about insurance and pensions in different EU Member States. At the same time, it is an important step in promoting EIOPA's mandate in the area of financial education and literacy.

➤ Find out more: <https://europa.eu/InW94cT>

DEVELOPING AND STRENGTHENING A COMPREHENSIVE RISK-BASED AND PREVENTIVE FRAMEWORK FOR APPROPRIATE CONDUCT OF BUSINESS SUPERVISION

In 2020, EIOPA continued to implement its comprehensive risk-based and preventive framework for conduct of business supervision, thereby ensuring consistent regulatory and supervisory practices on consumer protection issues, with the objective of further strengthening the protection of policyholders, pension scheme members and beneficiaries.

EIOPA actively continued its work to address conduct risks for consumers. This was done through the use of EIOPA's product intervention powers, and through a range of supervisory and oversight tools, including continued consumer trends and market monitoring work, and visits to national competent authorities (NCAs), including, in the context of COVID-19, virtual visits.

Furthermore, EIOPA strengthened its work on supervisory convergence – aimed at guaranteeing a similar level of consumer protection across jurisdictions, and thereby ensuring a level playing field – by finalising the first conduct of business chapter of EIOPA's supervisory handbook, and starting work on a second chapter. EIOPA also began work on practically testing a methodology for mystery shopping. EIOPA also further enhanced its use of Retail Risk Indicators and the methodology for this, including such indicators in its consumer trend identification and

thematic review work, to help guide EIOPA and the NCAs in the selection of future consumer protection activities, relying on existing data it further developed new indicators to monitor possible risks stemming out of COVID-19. With a similar objective, EIOPA has also engaged actively with NCAs on the development of an holistic Conduct Risk-Assessment Framework, to drive an eventual Conduct Risk Dashboard, including by publishing for the first time a global heat map of conduct risks in Europe to accompany the consumer trends report. In addition, EIOPA continued to work on cross-border cases with possible detriment to consumers. In particular, the work on cross-border cases leveraged on the product oversight and governance (POG) framework to address product related risks.

The Covid-19 crisis highlighted the need to continue monitoring emerging business conduct risks with possible negative impacts on consumers. As a result, EIOPA has since the outbreak of Covid-19 continued its extensive market monitoring activities based on available data and continuous engagement with NCAs and third-country parties. EIOPA engaged extensively with stakeholders throughout the year, and published two public statements of supervisory expectations in relation to a sound handling of the Covid-19 crisis from the perspective of consumer outcomes, identifying important areas for further work and monitoring to ensure fair treatment of consumers. EIOPA continues monitoring activities with regard to Covid-19 to ensure its guidance is adequately implemented.

In addition, the crisis has led to specific thematic work on certain products showing very poor value for money, leveraging on the POG framework, where further interventions are anticipated during 2021 and 2022.

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CONSUMER TRENDS REPORT 2020

Every year, EIOPA publishes a consumer trends report with the objective to try to identify risks for consumers arising from trends in the market – defined as those consumer behaviour that are significant in terms of impact or novelty – which may require specific policy proposals or supervisory action from EIOPA and/or its Member States.

The 2020 report included a specific focus on COVID-19 and its impact for consumers, using data from both 2019 and the first half of 2020. It highlighted issues in the EU unit-linked market, with changing risk profiles for products in the pandemic, for unclear contract terms and exceptions, but indicated good operational resilience and undertakings' good response by taking forbearance measures in case consumers found themselves in breach of contractual obligations.

Key findings from the 2020 Consumer Trends Report



Amidst the crisis, accident and health insurance products appear to have continued to offer valuable cover to consumers.



Risks have emerged relating to increased fraud against insurance undertakings, pension funds as well as against consumers, members and beneficiaries.



Existing structural problems for unit-linked products persist – such as misselling and high costs – and the impact on consumers may be heightened by the crisis.

Read the report: <https://europa.eu/lwVggrh>

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COSTS AND PAST PERFORMANCE 2020 REPORT

The report provides an analysis of costs for 2018 and past performance for the period 2014-2018 of insurance based investment products and personal pension products. The study showed that unit-linked products can offer high returns but also pose risks for consumers during periods of poor market returns. Overall, performance in 2018 was the lowest for five years. The study also found that costs continue to have a significant impact on net returns, confirming a trend observed in the previous edition of the report. On average, profit participation products continue having lower costs than unit-linked products. Ongoing costs continue being the most prominent cost component, representing 80% of total unit-linked costs and 70% of total costs of profit participation products. Higher risk products, have higher variability of net returns but on average they show higher net returns. Similarly average costs increase with the level of riskiness of the product. In 2020 EIOPA also worked on striving to improve the methodology and an initial data analysis shows efforts have led to much better market coverage across Member States.

Read the report: <https://europa.eu/lt38qK>

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COVID-19 MEASURES

In response to the Covid-19 outbreak, which has caused significant disruption to the economy, business and citizens, EIOPA has worked in close cooperation with NCAs to mitigate its impact on the insurance and occupational pensions sectors in Europe, and well as consumers, policy-holders and beneficiaries.

- 01/04/2020: [Call to action for insurers and intermediaries to mitigate the impact of Coronavirus/COVID-19 on consumers](#) underlining the importance of access to and continuity of insurance services and outlining recommended actions for insurers and intermediaries to take
- 24/04/2020: [CONSUMER GUIDE: Understand your insurance coverage during Coronavirus/COVID-19 Outbreak](#)
- 08/07/2020: [Supervisory expectations on Product Oversight and Governance requirements amidst the COVID-19 situation](#)

LEADING CONVERGENCE TOWARDS HIGH-QUALITY PRUDENTIAL SUPERVISION

Regulation is only effective for as long as it remains relevant. EIOPA pays close attention to how regulation is applied and how effective it remains, with a view to identify proportionality issues, improving fairness and transparency, and with a focus on better and smart regulation.

EIOPA's work to lead convergence towards high-quality prudential supervision is divided into three key areas: a sound, smart and robust regulatory framework, enhancing the use and quality of supervisory information, and improving the quality and consistency of supervision.

ENABLING SUPERVISORY CONVERGENCE WITH A SOUND, SMART AND ROBUST REGULATORY FRAMEWORK RESPONSIVE TO MARKET DEVELOPMENTS

EIOPA actively promotes a common supervisory culture and consistent supervisory practices across Europe to ensure a high, effective and consistent level of supervision, thereby safeguarding a similar level of protection to all European policyholders and beneficiaries across jurisdictions, regardless of the location of the insurance undertaking's head office. Promoting supervisory convergence requires close cooperation with national supervisory authorities to develop a common supervisory culture, thereby underpinning convergence of supervisory practices, including a common interpretation of the laws and regulations, whilst being careful to ensure technological neutrality, developing common standards and considering different and innovative tools going forward.

SUPPORTING THE CONVERGENT AND CONSISTENT APPLICATION OF SOLVENCY II

Since the adoption of Solvency II in January 2016, the insurance industry has better aligned its capital to the risks it runs. Insurers have also significantly strengthened their

governance models and their risk management capacity putting a number of key functions in place and ensuring that boards consider risk and capital factors in strategic decision-making. Furthermore, the data reported under Solvency II provided supervisors and market participant's unprecedented insight into critical market data. Overall EIOPA's assessment is that the Solvency II framework has been effective and worked well, including during Covid-19 pandemic. During the last months of 2020, the Covid-19 outbreak further proved the importance of the Solvency II regulatory framework. The market-consistent and risk based framework assisted insurers to better align capital to risk, increase resilience and enhance their internal risk management practices, while the adjustments included for long-term guarantees allowed insurers to partially mitigate market volatility caused by COVID-19.

In the context of the Covid-19 circumstances, it was of utmost importance to continue to provide a framework for consistent supervisory approaches, therefore EIOPA has issued relevant Supervisory Statements to ensure supervisory flexibility regarding the deadline of supervisory reporting and public disclosure while ensuring that all competent authorities and EIOPA received timely information during the pandemic period, providing EIOPA's supervisory view on the treatment for Solvency II purposes of schemes based on reinsurance implemented by Member States within the Temporary Framework, among others.

EIOPA published in 2020 the Rulebook for Solvency II,¹ an online user friendly documentation tool providing access to key regulatory and supervisory texts, including relevant Q&As, concerning Solvency II within the scope of EIOPA's activity. The Rulebook is publically accessible on EIOPA's website, and its objective is also to promote the consistent application of the regulatory framework.

EIOPA also published in 2020 for public consultations supervisory statements on the use of risk mitigation techniques by insurance and reinsurance undertakings, on supervisory practices and expectations in case of breach of SCR and on ORSA in the context of Covid-19.

¹ https://www.eiopa.europa.eu/rulebook_en

2020 REVIEW OF SOLVENCY II

EIOPA provided its opinion to the European Commission in December 2020, taking into account the importance of assessing the impact of the current Covid-19 situation on the Solvency II Review.

The European Commission requested in its call for advice to EIOPA to perform a review of Solvency II across 19 different areas, which can be broadly divided into three parts:

1. Long-term guarantee measures and measures on equity risk
2. The introduction of new regulatory tools to Solvency II on macro prudential issues, recovery and resolution, and insurance guarantee schemes
3. Revisions to the existing Solvency II framework based on the supervisory experience during the first years of its application, in particular to improve on the proportionate and consistent application of its requirements.

EIOPA's approach to the Solvency II review is to address three areas where improvements are needed:



Balanced updating of the regulatory framework

EIOPA proposes changes in several areas but with balanced overall impact on insurers. This reflects the fact that Solvency II is overall working well.



Recognition of the economic situation

In particular the persistence of low interest rates. EIOPA recommends proper provisions for the risk of interest rate changes.



Regulatory toolbox completion

Including better protection of policyholders via macro-prudential tools, recovery and resolution measures and insurance guarantee schemes.

EIOPA's advice had four broad themes. Firstly, the need for proper recognition of the economic situation, notably with respect to the capital requirement for interest rate risk. Secondly, that apart from the correction of the capital requirement for interest rate risk, the updating of the current regulatory framework should be overall balanced in its European impact consistent with the belief that the Solvency II framework has so far been effective. EIOPA's proposed approach is therefore that of evolution rather than revolution. Thirdly, the need to supplement the current microprudential framework with the mac-

roprudential perspective (including the introduction of specific tools and measures), as well as the need to develop a minimum harmonised recovery and resolution framework and achieve a minimum harmonisation in the field of insurance guarantee schemes. Lastly, proportionality principle, EIOPA developed and included in the final Opinion a new proportionality framework aiming increasing the application of proportionality principle in the different markets and at the same time ensure a more consistent application.

In February 2020, EIOPA consulted on the review of technical implementation means for the package on Solvency II Supervisory Reporting and Public Disclosure.² The objective of the consultation paper was to improve the efficiency and effectiveness of the reporting and disclosure framework, thereby reducing the costs associated to the processes. In this context, EIOPA proposals in this technical area contributed further to the proportionality and cost efficiency of the framework.

Furthermore, in March 2020, EIOPA launched an information request on the impact of the draft advice for the 2020 review of Solvency II.³ Insurance and reinsurance undertakings were requested to report on the combined impact of those proposals with a material impact on the solvency position of undertakings with reference date 31 December 2019. In July 2020, in view of the Covid-19 pandemic and its impact on financial markets and the insurance business, EIOPA made a complementary information request on the holistic impact assessment of the Solvency II review.⁴

REPORTING ON THE IMPLEMENTATION OF SOLVENCY II

In 2020, EIOPA published of the following reports related to different aspects of Solvency II:

- › [Report on the use of limitations and exemptions from reporting during 2018 and Q1 2019](#)
- › [Report on long-term guarantees measures and measures on equity risk 2019](#)
- › [Insurers' asset and liability management in relation to the illiquidity of their liabilities](#)

INTERNATIONAL RELATIONS

EIOPA takes a proactive approach to international relations and is mandated through its Regulation to reach out to third countries to address key global issues in the supervision of insurance and pensions. EIOPA strives to maintain regular contacts and dialogues with key third country jurisdictions, which enable ongoing cooperation

² <https://www.eiopa.europa.eu/sites/default/files/publications/consultations/consultation-paper-review-technical-implementation-means-for-the-package-onsolvency2.pdf>

³ <https://www.eiopa.europa.eu/solvency-ii-review-information-request-national-supervisory-authorities>

⁴ <https://www.eiopa.europa.eu/browse/solvency-ii/2020-solvency-ii-review/complementary-information-request-holistic-impact>

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COVID-19 MEASURES

- › 20/03/2020: [Recommendations on supervisory flexibility regarding the deadline of supervisory reporting and public disclosure](#). Recommendations enable insurers to concentrate efforts on monitoring and assessing impact Coronavirus and are addressed to national competent authorities to help provide a consistent approach to supervision
- › [Extraordinary publication of Solvency II Relevant Risk Free Interest Rate Term Structures and Symmetric Adjustment to Equity Risk](#)
- › 21/07/2020 [Supervisory Statement on the Solvency II recognition of schemes based on reinsurance with regard to COVID-19 and credit insurance](#), which provide EIOPA's view on the exceptional supervisory treatment under Solvency II of national schemes implemented by Member States to support the credit insurance business
- › 27/07/2020 [EIOPA Statement on Solvency II supervisory reporting in the context of COVID-19](#)

and exchange of information on both supervisory and regulatory matters.

EIOPA plays also an important role internationally in the context of the International Association of Insurance Supervisors (IAIS), contributing to the development of global standards like the Insurance Capital Standard (ICS)⁵ and the Holistic Framework on Systemic Risks.⁶ EIOPA continues to focus its efforts on ensuring that the sound principles underlying the Solvency II framework are incorporated in the ICS. Another priority focused on retaining

⁵ The ICS is a consolidated group wide standard with a globally comparable risk-based measure of capital adequacy for internationally active insurance groups (IAIGs) and global systemically important insurers.

⁶ Consisting of (1) an enhanced set of supervisory policy measures and powers of intervention; (2) an annual global monitoring exercise; and (3) implementation assessment activities aimed at assessing and mitigating the potential build-up of systemic risk in the global insurance sector.

the integrity of the ICS as a true global standard by ensuring that the principles for assessing the comparability of the alternative aggregation method are sufficiently robust. EIOPA was also one of the first authorities to publish a list of Internationally Active Insurance Groups (IAIGs).

Brexit was another relevant area of work for EIOPA in 2020. EIOPA contributed to the Commission's assessment of whether the UK's insurance framework is equivalent to Solvency II. EIOPA also carried out information requests and recommendations on preparedness to reduce the impact of Brexit on EU policyholders.

DEVELOPMENT OF A SOUND AND PRUDENT REGULATORY FRAMEWORK FOR PENSIONS TO IMPROVE THE FUNCTIONING OF THE EU INTERNAL MARKET IN THE FIELD OF PRIVATE PENSIONS

On pensions, EIOPA laid foundations for areas to be further developed in 2021:

- › Development of Pension Benefit Statements on how to provide clear information to members on their pension pot and help them make more informed decision about their retirement savings.
- › Active contribution to the High Level Group on the Capital Markets Union (CMU) showing how pensions can contribute to the capital markets union, to be reflected in EIOPA work in 2021 on a pensions dashboard and a pensions tracking service.

ENHANCING THE USE AND QUALITY OF SUPERVISORY INFORMATION THROUGH EFFICIENT STANDARDISED EXCHANGE MECHANISMS, CENTRALISED QUALITY CHECKS AND THE TIMELY PROVISION OF BUSINESS INTELLIGENCE

Throughout 2020, EIOPA continued to calculate and publish key information fundamental to the effective application of Solvency II. This included the monthly publication of the risk-free rate term structures for the relevant currencies and equity dampener. During the Covid-19 pan-

dem EIOPA has published information on the risk-free rate and equity dampener on a weekly basis, at first, then bi-weekly, during the period of higher uncertainty.

During the year, EIOPA also worked to enhance the quality and use of prudential and financial stability data on insurance and pensions. The use of data was reinforced and prove to be crucial for the Impact Assessments performed in the context of the Solvency II 2020 review and in the analysis of the impact of the Covid-19 pandemic. During 2020 EIOPA also received the first submissions related to the Decision of the Board of Supervisors on EIOPA's regular information requests towards NCAs regarding provision of occupational pensions information. EIOPA developed during 2020 the business intelligence tool to use the data newly received.

The Authority also prioritised security, availability and efficiency measures for core infrastructure and tools for knowledge management and coordination and collaboration at European level.

EIOPA has initiated the programme Business Intelligence 2.0. with the aim of evolving towards a digitally transformed, user-focused and data driven organisation that meets its strategic objectives effectively and efficiently.

IMPROVING QUALITY AND CONSISTENCY OF SUPERVISION TO CONTRIBUTE TO A LEVEL PLAYING FIELD IN THE INSURANCE AND PENSIONS MARKETS

Promoting supervisory convergence requires close cooperation with national supervisory authorities to develop a common supervisory culture that underpins convergence of supervisory practices, including a common interpretation of the laws and regulations.

In 2020, the work on supervisory convergence revealed a good degree of progress, taking also into consideration the significant efforts needed to review the Solvency II framework, where the lessons from supervisory convergence work were key. EIOPA continued to build and enhance a common supervisory culture and promote consistent supervisory practices, minimising risks to the internal market and level playing field, including by taking important steps on the use of product intervention products,

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SUPERVISORY CONVERGENCE PLAN 2020

The following high-level priorities were set out in the Supervisory Convergence Plan for 2020 to strengthen financial supervision in Europe:

- Practical implementation of the key characteristics of the common supervisory culture and further development of supervisory tools
- Risks to the internal market and to the level playing field which may lead to supervisory arbitrage
- Supervision of emerging risks



◀ Read more about the supervisory convergence plan: <https://europa.eu/1xK96gq>

and supervising emerging risks (especially in the field of Big Data analytics in motor and health insurance and ICT security and governance).

The priorities identified for 2020 remained mainly the same as in 2019 – considering the need to further develop some of the areas (e.g. promoting a common supervisory culture, minimising risks to the internal market and level playing field, supervising emerging risks). At the same time, within the high-level above-mentioned priorities, three new areas were identified: Supervisory Technology (SupTech), promoting supervisory convergence in Institutions for Occupational Retirement Provision (IORPs) supervision and risks related to cyber, including cyber security and cyber insurance. In addition, as part of the advice to the European Commission on the Solvency II 2020 review, a number of new areas have also been added (e.g. regarding the development of proportionality framework, revision of reporting requirements for Internal Models,

further harmonisation of technical provisions calculations and supervision, further convergence of group supervision, etc.).

EIOPA continued its oversight activities with active participation in cross-border colleges, and set up further cross-border cooperation platforms to enhance stronger and more timely cooperation between NCAs on concrete cross-border cases, enabling a quicker identification and assessment of risks in cross-border business. To date, EIOPA has facilitated over the last year seven cooperation platforms involving national supervisory authorities from several Member State. For each platform, EIOPA has provided concrete supervisory recommendations to the home supervisor. In some instances, these recommendations were aimed to strongly encourage the home supervisory authority to initiate intrusive interventions towards the firm, such as prohibition of writing new business, in order to limit the risk to prospective consumers.

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GEFION INSURANCE A/S

Gefion Insurance A/S was a Danish-based insurance group operating mainly in Denmark, France, Germany, Ireland, Italy, Poland and United Kingdom.

On 24 March 2020, the Danish Financial Supervisory Authority (DFSA) decided not to approve Gefion Insurance's recovery plan, due to insufficient evidence that the company would be able to fulfill the solvency capital requirement within 6 months and hence to be able to adequately protect the interests of current and future policyholders.

Following the company's application for an extension of the recovery period of three months, the DFSA provided a further assessment and decided not to

grant that extension. As a result, the DFSA withdrew Gefion Insurance's license as an insurance company.

EIOPA supported the work of the home supervisor by the set-up of a cross-border Platform of Collaboration for Gefion Insurance A/S in 2018 to facilitate and coordinate discussions and supervisory measures taken by the respective home and host National Supervisory Authorities. Within the platform, the participating members and EIOPA exchanged information, knowledge and expert judgement about materialising risks to support Finanstilsynet (DFSA) in its decision making towards Gefion. Throughout the whole process, EIOPA has been in close contact with the DFSA to ensure equal treatment of policyholders in Europe.

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NOVIS

NOVIS is a life insurance undertaking established in 2014 in Slovakia and supervised by the Národná banka Slovenska (NBS), the Slovakian national supervisory authority. Besides its home market, NOVIS pursues life insurance activity through freedom of establishment in Austria, the Czech Republic and Germany and through freedom to provide services in Finland, Hungary, Iceland, Italy, Lithuania, Poland and Sweden.

On 18 September 2020, NBS issued an interim measure banning new business from NOVIS Insurance Compa-

ny, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poistovňa a.s. (NOVIS), until specified conditions are fulfilled by NOVIS.

In order to ensure the adequate protection of policyholders throughout the European Economic Area, EIOPA has been working closely with NBS and the other national competent authorities through its cooperation platform to address this issue in the operations of NOVIS, from both prudential and conduct of business perspective.

INTERNAL MODELS

EIOPA continued to work with national supervisors to promote convergence on internal models. This included carrying out the annual technical study on the modelling of market and credit risk study (based on year-end 2019

data) and preparing two new studies: on the modelling of non-life underwriting risk and modelling of diversification. EIOPA also developed a prototype dashboard of indicators for the monitoring of capital requirements calculated with internal models. Further testing is planned for 2021. In 2020, EIOPA also finalized jointly with NCAs

a new chapter of the supervisory Handbook focussing on model validation.

PEER REVIEWS

To foster convergence and strengthen consistency in the outcome of supervisory actions, EIOPA conducts peer reviews on specific activities of NCAs, based on an agreed methodology and with experts from NCAs acting as reviewers. The results of the peer reviews are documented and published.

In 2020 the two-year peer review plan was approved fully reflecting EIOPA priorities looking forward. EIOPA will continue developing a vision for the future based on close monitoring of evolving conditions and acknowledgement of that the pandemic will have long-lasting effects on the European economy and its citizens. The pandemic also underlines the importance of continuing work already initiated and related to EIOPA's supervisory convergence programme and regulatory framework. Ensuring a holistic approach, whereby both prudential and conduct risks are sufficiently addressed is key to ensure the policyholders' protection. As a result, building on ongoing supervisory convergence work, EIOPA will continue, and intensify, its work on conduct areas. The plan for the peer reviews for 2020-2022 are fully consistent with these two objectives.

In 2020 EIOPA finished the Peer review on the supervisory practices and outcomes on the use of proportionality regarding the Regular Supervisory Report and performed the Peer review on provisions of exchange of information regarding the authorisation, notification and supervision on a continuous basis, included in the EIOPA Decision on the collaboration of the insurance supervisory authorities (finalised at the beginning of 2021).

EIOPA has also identified the progress made in the implementation of the recommended actions of three past peer reviews conducted over the period 2014-2016 on Solvency II related issues. The topics covered were governance of colleges of supervisors, pre-application of internal models (going beyond the pre-application phase) and some conduct related aspects in relation to the freedom to provide services.

► Find out more about peer reviews: <https://europa.eu/!MM46j>

PAN-EUROPEAN PERSONAL PENSION PRODUCT (PEPP)

The economic and demographic trends in the European Union challenge the Member States to deliver adequate, safe and sustainable pensions to its citizens. In this context, the EU acknowledges the need to put in practice appropriate strategies and policies for the benefit of EU citizens. The current macroeconomic environment is further putting a strain on long-term savings solutions, making it difficult for people to save for retirement. Supporting citizens to save for retirement is fundamental to closing the pensions gap. It is imperative that citizens have access to smart, digital-first products that meet the needs of today's consumers.

Following EIOPA's advice on the development of a Pan-European Personal Pension Product (PEPP) in 2016, EIOPA welcomed the publication of the PEPP Regulation in July 2019 and EIOPA's mandate to develop technical standards and advice on delegated acts. Twelve months after the PEPP Regulation entering into force, in August 2020, EIOPA delivered to the European Commission a set of draft Regulatory and Implementing Technical Standards (ITS)⁷ and its advice on Delegated Acts to implement the framework for the design and delivery of the PEPP.⁸

EIOPA proposed legal instruments following the objective to unlock the potential of the European personal pension market by setting the right incentives for the creation of future PEPPs, as portable, simple and cost-efficient products. Furthermore, online distribution will be one of the most important opportunities of PEPPs to attract the consumer's interest and to engage with the PEPP saver for the retirement planning. The regulatory provisions include clear and enforceable quality criteria for PEPP to be followed by providers and so to ensure that European consumers will be offered high-quality, safe, transparent and simple P, EPPs. At the same time, EIOPA designed a principle-based framework to leave sufficient room for innovation and competition and to ensure good pension outcomes by setting out enforceable quality criteria. Clear criteria for sound and robust investment strategies and risk mitigation techniques will help in delivering better long-term returns to savers and in managing investment risks to match the European citizen's risk appetite.

⁷ <https://www.eiopa.europa.eu/content/consultation-concerning-technical-advice-implementing-and-regulatory-technical-standards-pan> and <https://www.eiopa.europa.eu/content/public-consultation-implementing-technical-standards-supervisory-reporting-and-cooperation>

⁸ https://www.eiopa.europa.eu/browse/pensions/pan-european-personal-pension-product-pepp/eiopa-role-pepp_en

Further, EIOPA developed two mandatory consumer information documents: the PEPP Key Information Document (PEPP KID) and PEPP Benefit Statement. These standardised information documents will provide consumers with relevant information allowing for easier decision-making before entering into a binding contract and monitoring the savings' performance during the life of the contract. The PEPP consumer information documents introduce a holistic approach for the assessment and analysis of the PEPPs' risk-reward profiles, with a 'summary risk indicator' in the PEPP KID that identifies the riskiness of the different PEPP investment options – as well as comparative information to understand the relative risk to the expected future PEPP retirement benefits. Further, projections of future retirement income are key for consumers to understand the characteristics of PEPPs and to enable the consumer to consider whether the product meets the individual retirement objectives.

In developing its proposals, EIOPA built on the expertise of the supervisory community of both the insurance and pension sectors, as well as of the other European Supervisory Authorities, the European Central Bank and the Organisation for Economic Co-operation and Development. At the same time, EIOPA conducted an active dialogue with a wide range of stakeholders, including EIOPA's Expert Practitioner Panel on PEPP and its two stakeholder groups, the Insurance and Reinsurance Stakeholder Group and the Occupational Pensions Stakeholder Group.

Find out more about PEPP: <https://europa.eu/!MW47ng>
AND INCLUDE IMAGE 11

OWN INDEPENDENT ASSESSMENT

EIOPA conducts own assessment work in close cooperation with NCAs to enhance supervisory convergence and to increase the quality, effectiveness and efficiency of national supervision.

In 2020, work focused on:

- › Supporting the supervisory capacity of NCAs mainly through bilateral engagements and follow up on previous recommendations, as well as technical support;
- › Emphasising prudential and conduct related issues in the markets and cross-border activities through colleges, group supervisor collaboration and specific cooperation platforms;
- › Supervision of emerging risks

An overview of these activities is as follows:

- › **Colleges of supervisors.** In 2020, EIOPA actively engaged with 77 colleges of supervisors, including 12 internal model specific college meetings, 2 financial conglomerates meetings and 3 college meetings in third countries.

Joint on-site inspections. In 2020, EIOPA participated in 4 joint on-site inspections on companies based in Germany, Italy, Slovakia and Malta (actual inspection was in UK as the outsourcing was assessed).

- › **Cooperation platforms.** These continue to prove to be a valuable tool in ensuring valuable and timely cooperation between home and host supervisory authorities. By the end of 2020, were active in 6 platforms with the involvement of 21 national supervisory authorities.

- › **Bilateral engagement with national supervisors.** In 2020, EIOPA carried out 14 bilateral engagements with national supervisory authorities.

- › **Technical assistance.** EIOPA provided technical support to 3 national supervisory authorities.

- › **Equivalence:** in 2020, EIOPA carried out 1 equivalence monitoring exercise.

- › **Exchange Rate Mechanism II accession and Banking Union:** In 2019 EIOPA submitted to the European Commission an assessment of the level of fulfilment of the commitments of the Bulgarian authorities for the Non-banking sector in the context of the Republic of Bulgaria's intention to apply for the ERM II accession and joining the Banking Union.

Given the additional supervisory issues raised by the Covid-19 pandemic's effects on the economy, EIOPA held numerous calls with national supervisory authorities on this specific topic and will continue to monitor the measures taken also in 2021.

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COVID-19 MEASURES

- › 17/04/2020: [Statement on principles to mitigate the impact of coronavirus/COVID-19 on the occupational pensions sector](#)

STRENGTHENING THE FINANCIAL STABILITY OF THE INSURANCE AND OCCUPATIONAL PENSIONS SECTORS

As part of EIOPA's mandate to safeguard financial stability, EIOPA works to identify trends, potential risks and vulnerabilities that could have a negative effect on the pension and insurance sectors across Europe. 2020 was a year marked by the impact of the COVID-19 crisis.

ASSESSING IMPACTS OF THE COVID-19 CRISIS AND SUPPORTING COORDINATING ACTIONS

The pandemic crisis resulted in severe adverse developments with the potential to jeopardise the orderly functioning and integrity of financial markets or the stability of the whole or part of the financial system in the Union. In line with its responsibility to monitor and assess market developments, EIOPA carried out several targeted assessments to support its understanding and decision making in light of the significant effect the crisis would have on financial markets and the real economy. Moreover, EIOPA carefully assessed the situation and its impact in the context of its crisis prevention and management framework, and in line with the Article 18 of its founding Regulation. In this regard, it carried out several facilitation and coordination actions across the NCAs in response to the adverse developments. The work also fed into the regular publicly available risk analysis products with detailed assessments of the situation and its impact.

EIOPA publishes a risk dashboard⁹ on a quarterly basis and a Financial Stability Report¹⁰ twice a year. The July Financial Stability Report 2020 showed that as of year-end

2019 the insurance sector had a solid and comfortable capital buffer (median SCR ratio of 213%), which helped insurers to withstand the initial severe market shocks experienced with the Covid-19 crisis. However, a high level of uncertainty on the magnitude of economic disruption increased downside risks going forward, including the pre-existing challenges posed by the prolonged low yield environment that were also further elaborated in the report on the Impact of ultra-low yields on the insurance sector, including first effects of the COVID-19 published in July. Moreover, the shock has also increased credit risk and corporate sector profitability, resulting in rating downgrades, increased defaults and unemployment. In addition, confinement measures resulted in working from home arrangements, which in turn increased cyber risk and further highlighted the importance of a reliable cyber risk insurance market. Finally, with regard to the pension sector, the financial stability report showed that Institutions for Occupational Retirement Provision may be subject to funding and liquidity concerns due to suspended or lowered contributions from sponsors and members.

Although financial markets have gradually stabilised after the initial sharp drop in asset prices, the new lockdowns in most European countries triggered by the new waves of pandemic cause uncertainty and medium-term risks for the economies. The December Financial Stability Report 2020¹¹ elaborates on the key risks for the European insurance sector in more details. In particular, rating downgrades in light of COVID19, development in commercial real estate and liquidity risks are investigated. Moreover, the report provides a comprehensive framework that captures altogether the key market risk factors - interest rate, credit spreads, equity and real estate.

The main risks identified formed a discussion to further follow up and test resilience of the insurance sector affected by the Covid-19 crisis. The adverse unwinding of the Covid -19 crisis such as a slower than planned recovery of the economy or double dip evolutions is reflected

9 https://www.eiopa.europa.eu/sites/default/files/financial_stability/risk_dashboard/eiopa-bos-20-516_july_2020_risk_dashboard.pdf published on 17 August 2020. This Risk Dashboard refers to Q1 2020 Solvency II data, based on financial stability and prudential reporting collected from 81 insurance groups and 2488 solo insurance undertakings.

10 https://www.eiopa.europa.eu/sites/default/files/financial_stability/eiopa-financial-stability-report-july-2020.pdf published on 30 July 2020.

11 https://www.eiopa.europa.eu/content/financial-stability-report-december-2020_en published on 18 December 2020.

in the adverse market scenario developed in cooperation with the ESRB to be tested within the Insurance Stress Test 2021 launched in May. The final narrative and shocks will be developed in cooperation with the European systemic Board (ESRB) taking into account the latest macroeconomic and market developments. The discussion on the scenario at ESRB level assumes to keep the same narrative for both EIOPA and EBA stress test in 2021. This would allow to assess both sectors jointly and reveal possible broader implications for the European financial sector.

Moreover, based on the recent experience with the Covid-19 outbreak, EIOPA initiated a liquidity monitoring exercise based on the new data submissions recommended also by ESRB. Finally, liquidity risk is considered to be included in the Insurance Stress Test 2021.

IN FOCUS



COVID-19 MEASURES

- 17/03/2020: [Statement on actions to mitigate the impact of Coronavirus/COVID-19 on the EU insurance sector](#) covering issues related to business continuity and solvency and capital position
- 02/04/2020: [Statement on dividends distribution and remuneration practices](#) recommending (re)insurers to temporarily suspend all discretionary dividend distributions and share buy backs aimed at remunerating shareholders.

SENSITIVITY ANALYSIS OF CLIMATE-CHANGE RELATED TRANSITION RISKS

In 2020, EIOPA published its first detailed assessment of climate-change related transition risks. The analysis took the form of a sensitivity analysis of climate-change related transition risks in the investment portfolio of European insurers (for further details, see the section “Cross-cutting themes”).

EIOPA’S WORK ON THE IMPACT OF THE LOW INTEREST RATE ENVIRONMENT

EIOPA published a Supervisory Statement on the impact of the ultra-low/negative interest rate environment, highlighting the significant impact on the insurance sector in the EU, in terms of asset allocation, reinvestment risk, profitability and solvency.¹² The statement also stressed that such an environment constitutes one of the most important sources of systemic risk for insurers for the coming years.

The aim of this statement, which was addressed to the supervisory community and the insurance industry, was raising awareness and ensuring that the insurance sector continues to be financially resilient. It also sought to inform consumers and policyholders about supervisory measures and actions taken to protect their interest. Furthermore, it included a set of recommendations to both NCAs and undertakings.

As a follow-up action, EIOPA carried out a quantitative analysis to find out the impact. The analysis also included the first effects regarding the COVID-19 crisis.¹³ The ultra-low interest rate environment remains a key concern for the insurance market, especially in light of the Covid-19 crisis and the increased likelihood of a “low for long” scenario. While European insurers were on average well capitalised at the end of 2019, ultra-low interest rates affect the sector through the balance sheet channel both on the assets and liabilities side, but also through the income channel. Considering that market yields are at very low levels, this might have an impact on insurers’ profitability in the medium to long-term horizon. In addition, the combined impact of lower yields and increased market uncertainty due to the Covid-19 crisis has led supervisory authorities across Europe to take measures, allowing for flexibility and unburdening of the industry, at the same time providing guidance and calling for prudence.

The results of this study confirm EIOPA’s position published on 2 April 2020 regarding prudence on all discretionary dividend distributions and share buy backs. EIOPA will keep monitoring market developments and the level of uncertainty regarding the pace of economic recovery,

¹² [Supervisory statement on ultra-low/negative interest rate environment | Eioipa \(europa.eu\)](#).

¹³ https://www.eiopa.europa.eu/sites/default/files/financial_stability/impact-of-ultra-low-yields-on-the-insurance-sector-including-first-effects-of-Covid-19.pdf published on 17 July 2020.

market performance, credit outlook as well as a possible increase in claims and, in cooperation with other European supervisory authorities, may issue further communication, if and when, a change in the level of risk is identified.

INSURANCE STRESS TEST METHODOLOGY

in 2019 EIOPA initiated a process of enhancing its methodology for bottom-up supervisory stress testing which resulted in the first Methodological Paper setting out the methodological principles of insurance stress testing¹⁴. Based on a constructive dialogue and feedback re-

ceived from stakeholders in the preparation of the first Methodological Paper, EIOPA followed the same approach and published in June 2020 the Second Discussion Paper on Methodological Principles of Insurance Stress Testing¹⁵ for public consultation, with a view of further enriching the stress test toolbox with additional elements to be potentially applied in future exercises. The feedback received was incorporated in the final version of the paper published on 26 January 2021.¹⁶ This Discussion Paper is part of a broader process to enhance EIOPA's stress testing framework. In this context, EIOPA will work on specific stress testing related topics such as the assessment of liquidity positions under adverse scenarios, assessment of the vulnerabilities towards climate-related risks and potential approaches to multi-period stress tests.

¹⁴ https://www.eiopa.europa.eu/content/methodological-principles-insurance-stress-testing_en

¹⁵ https://www.eiopa.europa.eu/sites/default/files/publications/consultations/eiopa-bos-20-341_second-discussion_paper-methodological-principles-for-stress-testing.pdf

¹⁶ https://www.eiopa.europa.eu/content/eiopa-publishes-second-paper-methodological-principles-of-insurance-stress-testing-focus_en

CROSS-CUTTING THEMES

SUSTAINABLE FINANCE

EIOPA supports the European Commission's Sustainable Finance Action Plan including the aim to integrate sustainability considerations into the prudential and conduct framework for insurers, reinsurers and insurance distributors.¹⁷

Insurers and pension funds have an important role in mitigating the impact of climate change. As large investors, insurers and pension funds should be well-placed to engage with business and also play an important stewardship role in a gradual transition to a more sustainable and resilient economy.

As managers of risks, insurers have a particular role in identifying and reflecting climate change and other sustainability risks. This includes considering how (re) insurance undertakings, through their investment and underwriting practices, can account for sustainability considerations.

¹⁷ EIOPA welcomed the European Commission's consultation on a Renewed Sustainable Finance Strategy as part of its European Green Deal. EIOPA's response to the European Commission's consultation on the renewed sustainable finance strategy is available at: https://www.eiopa.europa.eu/sites/default/files/publications/consultations/eiopa-20-399_eiopa_answers_to_com_sufi_strategy.pdf

IN FOCUS



THE EU SUSTAINABLE FINANCE TAXONOMY FROM THE PERSPECTIVE OF THE INSURANCE AND REINSURANCE SECTOR

EIOPA has investigated how much investment held by insurers may be eligible to the EU sustainable finance taxonomy. To this aim, Solvency II item-by-item investment data is employed. As part of the Green Deal, the Commission presented the European Green Deal Investment Plan, which will mobilize at least €1 trillion of sustainable investments over the next decade.

Our results suggest that currently only a small portion of the insurer's investments are made in economic activities which might be eligible to the EU sustainable finance taxonomy as the insurer's exposures are mainly concentrating toward financial activities.

On one hand, this can be interpreted as an indicator of limited exposure to transition risk for the insurance sector but on the other hand also indicates that insurers have the possibility to contribute more significantly to transitioning to a lower carbon society in the future. As major long-term investors, insurers could play a key role in the transition towards more sustainable society. In this respect, the taxonomy can help insurers by providing clarity in identifying sustainable economic activities and avoiding reputational risks.

► Read more: <https://europa.eu/ljq77P>

IN FOCUS



SENSITIVITY ANALYSIS OF CLIMATE-CHANGE RELATED TRANSITION RISKS: EIOPA'S FIRST ASSESSMENT

In the first detailed assessment of transition risks, EIOPA published in 2020 its sensitivity analysis of climate-change related transition risks in the investment portfolio of European insurers.

The report explores current holdings of corporate bonds and equity that can be related to key climate-policy relevant sectors such as fossil fuel extraction, carbon-intensive industries, vehicle production and the power sector. Moreover, it quantifies potential climate-change related transition risks and presents insights into possible impacts on these investments as economies transition away from fossil fuel-dependent energy production and carbon-in-

tensive production. Finally, the report also draws on earlier work by EIOPA on the assessment of the sovereign bond portfolio of European insurers¹⁸ to provide a consistent narrative and a broader picture which also covers sovereign bonds.

While the report represents an initial assessment, intended to inform future work in this relatively new field, the results still illustrate that losses on equity investments in the high-carbon sector can be high, in particular driven by investments in fossil fuel extraction, especially oil and gas.

➤ Read more: <https://europa.eu/!xd68mF>

IN FOCUS



OPINION ON THE SUPERVISION OF THE USE OF CLIMATE CHANGE RISK SCENARIOS IN ORSA

In this Opinion, EIOPA expresses its supervisory expectations as to the own risk and solvency assessment of insurance undertakings with regard to climate-change related risks. EIOPA considers it essential to foster a forward-looking management of these risks, also in the long term. EIOPA's analysis showed that only a small minority of ORSAs include today climate change risk using scenario analysis. The

Opinion recognises that approaches to scenario analysis of climate change risk need to evolve over time, as new methodologies become available and insurance undertakings gain experience. By applying a proportionate and risk-based approach, EIOPA aims to support and develop these practices, balancing the 'own risk' of undertakings with the need for a degree of standardisation to achieve supervisory convergence.

¹⁸ https://www.eiopa.europa.eu/sites/default/files/publications/reports/eiopa_dec2019_financial-stability-report-thematic_review_climate_risk.pdf

IN FOCUS



DISCUSSION PAPER ON NON-LIFE UNDERWRITING AND PRICING IN LIGHT OF CLIMATE CHANGE

This paper was a follow-up work from the opinion on sustainability within Solvency II, where EIOPA noted that a very common argument for non-life undertakings not to include climate change-related risks in their pricing methodology is the fact that many non-life insurance business have short-term duration of contracts (typically 12-month contracts) which allow them to re-price annually, which also means that they may be able to adjust the price if the risk changes.

However, there are commercial, but also societal limits to non-life insurance repricing. In the context of climate change, climate-related losses are expected to grow. To reflect increasing climate-related risk, the premium would therefore also have to increase. Over the medium to long term, this might lead to the risk of the insurance coverage becoming unaffordable for the policyholder, as well as the industry crowding itself out of certain risks.

To address the protection gap issue in the context of climate change, the insurance sector has the possibility to play a key role by not only transferring and pooling the risk, but also by contributing to climate change mitigation and adaptation. EIOPA has therefore introduced the concept of Impact Underwriting.

The discussion paper aims at highlighting the challenges associated with short-term non-life contracts and annual re-pricing using past Nat Cat events, and the impact of climate change on the premium, affordability and protection gap. The discussion paper also identifies how insurers could address the protection gap issues in the context of climate change and contribute to climate change mitigation and adaptation.

► Read more: <https://europa.eu/!MN43FB>

IN FOCUS



DISCUSSION PAPER: METHODOLOGY ON POTENTIAL INCLUSION OF CLIMATE CHANGE IN THE NAT CAT STANDARD FORMULA

This Discussion Paper constitutes a follow-up to EIOPA's Opinion on Sustainability within Solvency II, which considered that further work is needed to investigate whether additional climate change-related perils such as droughts and wildfire could be better captured in the Solvency II framework under the natural catastrophe risk submodule. The Opinion also mentioned that a regular recalibration of the standard parameters for the natural catastrophe risk module of the standard formula should take into account future

developments, as well as the potential effect of climate change.

The Discussion Paper aims at discussing if and how to include climate change in the Nat Cat SCR calibration in the standard formula by presenting possible methodological steps and process changes to include climate change in the Nat Cat SCR calibration.

► Read more: <https://europa.eu/!GP68wY>

EIOPA is paying close attention to the insurance protection gap, which measures the difference between what is insured and potential economic losses. The higher frequency and severity of natural catastrophes, as a result of climate change, cause a widening of the protection gap for natural catastrophes. The impact of this on households, businesses and the financial system cannot be underestimated. Hence, there is a strong need for concerted action. Insurers, working together with public authorities,

can contribute to mitigate and adapt to climate change risks. There is also the need to share information so that commonly available data on natural catastrophes in Europe can be used to inform policy decisions. In sharing data related to exposure, vulnerability and economic loss, there is the potential to develop an open ecosystem to foster innovation in modelling and risk transfer solutions through insurance and capital markets.

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THE PILOT DASHBOARD ON INSURANCE PROTECTION GAP FOR NATURAL CATASTROPHES

In light of climate change, EIOPA is concerned that affordability and insurability of natural catastrophes (Nat Cat) insurance coverage is likely to become an increasing concern. Currently, only 35% of the total losses caused by extreme weather and climate-related events across Europe are insured. The uninsured part is therefore equal to 65% of the losses for climate-related events, which shows that there is a protection gap. Climate change will continue for many decades to come. Improved climate projections provide further evidence that future climate change will increase climate-related in many European regions.

In order to address the protection gap, increasing the insurance penetration is not sufficient as due to the increasing frequency/intensity of some events, some risks might become uninsurable. Pro-active measures on buildings' vulnerability, localization of exposure and optimized insurance coverages will be important elements of a resilient society. It is therefore key to understand the current insurance protection gap and identify where it comes from. The main purpose of the dashboard is to monitor the risks related to the insurance protection gap for Nat Cat in Europe.

In addition, such a dashboard should also help to:

- › Increase the awareness of the protection gap issues for all stakeholders.
- › Promote a science-based approach to protection gap management and decision-making.
- › Identify at-risk regions and identify the underlying protection gap risk drivers.
- › Develop pro-active prevention measures based on a granular assessment of risk drivers.
- › Identify the potential for synergies between national policies to improve protection against natural catastrophes across borders at European level.

› Read more: <https://europa.eu/lgp86dW>



^ Watch the film: <https://youtu.be/8MRibZugnwc>

Other protection gaps exist, as for example the COVID-19 pandemic has evidenced an insurance protection gap for non-damage business interruption (NDBI) in the context of pandemics. EIOPA has developed a framework for discussing the coverage of risks, where traditional insurance solutions are not sufficiently available, or affordable: shared resilience solutions.

IN FOCUS



ISSUES PAPER ON RESILIENCE SOLUTIONS FOR PANDEMICS

Traditional insurance risk transfer mechanisms rely on risk pooling. This does not always work appropriately in the case of events of overwhelming proportion and when risks are highly interconnected, making losses too great a burden to be shouldered by insurance companies alone.

In July 2020, EIOPA published an issues paper presenting a possible approach for improving societal resilience against risks of a systemic nature through the development of shared resilience solutions (SRS). Building on the following four key elements: (1) Proper risk assessment; (2) Risk prevention and adaptation measures; (3) Appropriate product design; and (4) Risk transfer, shared resilience solutions would require the sharing of costs and responsibilities across the relevant parts of the private and public sector in a meaningful manner. SRS would require a degree of central coordination and would need to be conditional upon implementing efficient and effective prevention and adaptation measures.



Read more: <https://europa.eu/jw64Yx>

In June 2020, EIOPA responded to the European Commission's consultation on the revision of the Non-Financial Reporting Directive (NFRD).¹⁹ In the response EIOPA welcomed the initiative to revise the NFRD. The integration of Environmental, Social and Governance (ESG) factors can contribute to the long-term sustainability of the investments. To empower sustainable investment opportunities and to enable an effective integration of ESG factors, high quality non-financial reporting is needed. Corresponding non-financial reporting standards shall ensure consistency with the important Disclosure and Taxonomy Regulations and be based on the European Supervisory Authorities' experience to develop technical standards in that area.

DIGITILISATION AND FINANCIAL INNOVATION

the use of digital technology and Big Data Analytics continues to bring opportunities to consumers and insurance undertakings, for instance in terms of lower operational costs and more tailored products. However, if not used responsibly, these new technologies could potentially result in negative outcomes, including the risk that the granular approach to data usage or the misuse of data could lead to the unfair treatment of consumers or exclude the most vulnerable ones. EIOPA continues to follow closely the growing use of data and digitalisation to identify ways to better protect consumers without hindering innovation, including by continued engagement with the consultative Expert Group on Digital Ethics in insurance²⁰, so as to better clarify the risks to consumers and identify ways of mitigating these risks. These can include risks arising from the growing use of Artificial Intelligence (AI) techniques throughout the insurance value chain; mitigating critical and material risks will enable the potential of innovation to be realised. Leveraging on the cross-sectorial AI Ethical and Trustworthy guidelines developed by the Commission's High Level Expert Group on AI.²¹

In May 2020, EIOPA took over the chairmanship of the European Forum for Innovation Facilitators (EFIF) from the EBA.

19 https://www.eiopa.europa.eu/content/eiopa-contribution-public-consultation-revision-nonfinancial-reporting-directive_en

20 https://www.eiopa.europa.eu/content/eiopa-establishes-consultative-expert-group-digital-ethics-insurance_en

21 <https://ec.europa.eu/digital-single-market/en/news/ethics-guidelines-trustworthy-ai>

The EFIF provides a platform for European supervisors to meet regularly to share experiences from engagement with firms through innovation facilitators (regulatory sandboxes and innovation hubs), to share technological expertise, and to reach common views on the regulatory treatment of innovative products, services and business models.

To date, the EFIF members have *inter alia* shared updates on developments in the field of innovation hubs and regulatory sandboxes, discussed perceptions around the role of FinTech in responding to the COVID-19 crisis and impact of the crisis on the FinTech industry. Besides thematic discussions about various topics in the broad field of digitalisation (for example on 'Platformisation' or 'RegTech'), EIOPA is in the process of enhancing the visibility of the EFIF within the EU and worldwide, including by reaching out to third countries' authorities. Key to EIOPA is also improving the quality of the discussions within the EFIF by involving data protection authorities.

IN FOCUS



EU-US INSURANCE DIALOGUE PROJECT BIG DATA WORKING GROUP

EIOPA actively engaged in the EU-US Insurance Dialogue Project's Big Data Working Group (WG),²³ which has been focusing on aspects of the relationship between innovation, technology, and insurance, specifically: (1) the increased use of large data sets (Big Data) by insurers; and (2) the use of data analytics in the insurance sector. The penetration of data-driven technologies is seen in almost every segment of the insurance value chain. New technology that relies on the collection and analysis of Big Data is allowing for innovation in the insurance sector in a variety of contexts, including rating, underwriting, marketing, and claim settlement.

²³ <https://www.eiopa.europa.eu/sites/default/files/publications/eu-us-big-data-wg-feb-2020.pdf>

IN FOCUS



DISCUSSION PAPER ON (RE) INSURANCE VALUE CHAIN AND NEW BUSINESS MODELS ARISING FROM DIGITALISATION

Technology continues to evolve, bringing new opportunities, social change and new expectations for consumers. In response, insurance undertakings and intermediaries continue to develop and revise their business models, often in increased co-operation with third parties (e.g. BigTech companies, start-ups and insurance platforms and ecosystems), bringing both beneficial innovation and a new set of emerging risks that have to be taken into account.

In this context, a possible fragmentation of the insurance value chain could occur, including, most pertinently, a potential for a reduced regulatory and supervisory 'grip' on the relevant activities in the value chain, or ways in which the 'lengthening' of the value chain 'stresses' existing regulatory and supervisory oversight. EIOPA has conducted a public consultation over the summer 2020 to get a better picture on possible fragmentation of the European Union's insurance value chain and supervisory challenges related to that. EIOPA is currently analysing the feedback of this exercise in order to plan for next steps.

► Read the discussion paper: <https://europa.eu/!Ux87Vv>

Furthermore, EIOPA has started a broader discussion with different stakeholders on possible balanced, forward-looking and secure approaches to open insurance and its risks and benefits to the insurance industry, consumers and supervisors. This work is currently on-going, but EIOPA considers that there might be potential for the consumers (e.g. easier for consumers to compare offerings and switch providers), sector (increased efficiency) and its supervision (RegTech and SupTech; more effective and responsive oversight capabilities) if handled right. This also links to questions of interoperability and data availability. In addition, EIOPA is currently exploring the benefits and risks arising from the use of blockchain and

smart contracts for (re-)insurance undertakings and consumers, including assessing possible regulatory barriers preventing the deployment of this innovation.

In the context of the analysis performed to answer the European Commission FinTech Action plan and following discussions and exchanges with stakeholders, EIOPA identified the need to promote the digital operational resilience of the insurance sector. In this area two main projects were pursued:

- › develop specific guidance on outsourcing to cloud service providers, which aim to (i) provide clarification and transparency to market participants avoiding potential regulatory arbitrages; (ii) foster supervisory convergence regarding the expectations and

processes applicable in relation to cloud outsourcing. Guidelines on Outsourcing to cloud service providers were finally approved and published in February 2020;

- › develop specific guidance on information and communication technology (ICT) security and governance to (i) provide clarification and transparency to market participants on the minimum expected information and cyber security capabilities; (ii) avoid potential regulatory arbitrage; (iii) foster supervisory convergence regarding the expectations and processes applicable in relation to ICT security and governance. Guidelines on (ICT) security and governance were finally approved and published in October 2020.

IN FOCUS



SUPERVISORY TECHNOLOGY (SUPTECH) STRATEGY

In February 2020, EIOPA defined a Suptech Strategy -- with the objective to promote the use of technology by supervisors in order to deliver innovative and efficient supervisory solutions that will support a more effective, flexible and responsive supervisory system. This is achieved by:

- › implementing a platform between supervisors for on-going exchange of knowledge and experience to promote a culture of innovation and initiative
- › organising and endorsing the analysis of potential development of tools (promoting proof of concepts) chosen from the list identified by supervisors and considering the criteria and objectives described above, and to implement them after a positive decision following the analysis phase.

Under the EIOPA SupTech Strategy EIOPA has issued its first SupTech Program, which includes the revision of the register of insurance undertakings, in particular to solve the inconsistencies identified by some NCAs concerning cross border information.

- › Insurance and reinsurance undertakings are allowed to operate cross-border via Freedom of Services (FoS) and Freedom of Establishment (FoE). This situation should be reflected in three different registers of insurance undertakings: the register of the home NCA, the register of the host NCA and

EIOPA's register. However, these registers do not always show consistent information due to wrong data and different update status. Some NCAs claim that this situation creates the risk for NCAs of consumers issuing claims due to these inconsistencies.

- › A decentralised database would allow to ensure that the information shown in each node (NCA) would always be consistent, since the information in each node would only be updated once there is consensus among (all) nodes. For this purpose, EIOPA and its members are analysing the possibility to revise the existing registers and build a decentralised database including blockchain to secure the data.



◀ Read more about the SupTech Strategy: <https://europa.eu/!qv83bw>

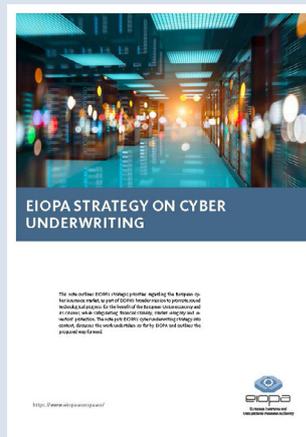
IN FOCUS



CYBER UNDERWRITING STRATEGY

In February 2020, EIOPA adopted a Cyber Underwriting Strategy, as part of EIOPA's broader mission to promote sound technological progress for the benefit of the European Union economy and its citizens, while safeguarding financial stability, market integrity and investors' protection. The main objectives of the strategy include:

- Increased focus on reporting and data quality for cyber underwriting
- Further investigation and development of risk management good practices regarding silent covers and accumulation of risk
- Improve understanding of potential systemic cyber risk
- Continued dialogue with other supervisors and the industry at European and global levels



◀ Read more:
<https://europa.eu/lqR63bT>

COMPLETING CAPITAL MARKETS UNION

eIOPA will continue to support the completion of the Capital Markets Union. Increasing coverage of pensions in pillar 2 and pillar 3 would foster a higher degree of adequacy and sustainability of national pension systems. Enhanced take-up of capital-funded pensions would strengthen the demand-side of the CMU by bringing considerably more assets to be invested in the European economy and hence increase the benefits of the CMU by stimulating investment demand. In line with EIOPA's ap-

proach to designing the PEPP, EIOPA sees benefits in pensions and insurance products that are highly standardised and exhibit high-quality characteristics, including being 'digital ready'. Such product regulation can help overcome the existing fragmented nature of legislation, lead to harmonised consumer and investor protection rules in Europe, avoid regulatory arbitrage risks and will allow the scaling up of innovative services and products to be distributed cross-border by firms. Furthermore, as part of the Solvency II Review EIOPA published advice on long-term guarantees measures and measures on equity risk, taking into account the degree of illiquidity of liabilities.

ENGAGING WITH STAKEHOLDERS

ENGAGING WITH STAKEHOLDERS

EIOPA relies on a constructive and continuous engagement with stakeholders, in particular consumer organisations and industry representatives. In line with its mandate, EIOPA solicits its two stakeholder groups – the Insurance and Reinsurance Stakeholder Group (IRSG) and the Occupational Pensions Stakeholder Group (OPSG) – for consultation on initiatives concerning: technical standards and their implementation, guidelines, recommendations, peer reviews, convergence tools, or assessments of market developments. More information can be found on Annex VII.

To ensure active and comprehensive engagement with stakeholders on a particular subject, EIOPA organises roundtable events, seminars or other outreach activities. In addition, EIOPA engages with consumer groups, industry, students and academics through speaking engagements and visits. A record of visitors and meetings is published on the Authority's website.

In total, EIOPA staff conducted 128 speaking engagements and engaged in 126 visits.

JOINT COMMITTEE

The Joint Committee is a forum with the objective of strengthening cooperation between EIOPA, the European Banking Authority (EBA), and the European Securities and Markets Authority (ESMA). Through the Joint Committee, the three ESAs coordinate their supervisory activities in the scope of their respective responsibilities regularly and closely and ensure consistency in their practices.

- › Find out more about the Joint Committee's activities in 2020: <https://europa.eu/!CK44vW>

COOPERATION AT A EUROPEAN LEVEL

EIOPA is an independent advisory authority and has a strong accountability and transparency framework in place, being accountable to the European Parliament and the Council of Ministers. EIOPA in its capacity as advisory authority interacts closely with the European Commission, the European Parliament as well as the Council of Ministers providing advice in its area of competence. Moreover, EIOPA maintains strong relations with other European institutions such as the ECB, the ESRB, the SSM, the SRM, the EBA and ESMA. EIOPA is furthermore member of the EU Agencies Network.

MANAGEMENT

MANAGEMENT BOARD

The Management Board (MB) ensures that EIOPA carries out its mission and performs the tasks assigned to it. It is composed of EIOPA's Chairperson and six other members of the Board of Supervisors, elected by and from among the Voting Members of the Board of Supervisors. The Vice-Chairperson and the Executive Director of EIOPA participate in the meetings of the Management Board without the right to vote. In accordance with EIOPA's regulation, the Executive Director also has an important role preparing the work of the Management Board. The meetings are also attended by a representative of the European Commission, who has a right to vote only on budget issues. The term of office of members of the Management Board is two and a half years, and it can be renewed once.

The Management Board meets at least five times a year, always before every regular meeting of the Board of Supervisors, and as often as it is deemed necessary. In 2020, the Management Board met 5 times. The Management Board played a key strategic role in planning, budget and assurance, and steered the revisions of EIOPA's Annual Work Programmes and development of the Draft Single Programming Document 2021-2023 and 2022-2024. During 2020, it was necessary for EIOPA to factor into its programming documents the new tasks, powers, and shift of allocated resources due to implications from Covid-19 pandemic. To support the Management Board's role monitoring the budget planning process and allocation of human and financial resources, it received regular updates on EIOPA's tasks and activities.

MAJOR DEVELOPMENTS

2020 has been marked by the impact of COVID-19 pandemic and the different measures put in place by EIOPA towards the staff, visitors and Board members to slow down the spread of the epidemic and to ensure business continuity. Since the debut of the pandemic, as precautionary measures all physical events, including Management Board

INFORMATION BOX



MANAGEMENT BOARD MEMBERS AS OF 31 DECEMBER 2020

- Gabriel Bernardino – EIOPA Chair
- Patrick Montagner - Autorité de Contrôle Prudentiel et de Résolution, France
- Sergio Álvarez Camiña - Ministerio de Asuntos Económicos y Transformación Digital, Spain
- Zuzana Silberova – Czech National Bank, Czech Republic
- Åsa Larson - Finansinspektionen, Sweden
- Else Bos - De Nederlandsche Bank (DNB), The Netherlands
- Alberto Corinti - Istituto per la Vigilanza sulle Assicurazioni (IVASS), Italy

and Board of Supervisors meetings took place exclusively remotely and all staff travels have been suspended. This measures also had a financial impact on the 2020 budget, EIOPA reporting budget savings of around EUR 1 million.

There has been an internal re-organisation to strengthen the supervisory role of EIOPA by moving some teams across departments and transforming some teams into units in the Supervisory Processes Department and the Oversight Department.

Within the context of ESA's Review the composition of the Stakeholder Group (SHG) changed with an increase of the industry representatives from 10 to 13 members and a decrease of academics from 4 instead of 5. Furthermore, the length of the SHG mandate was increased from 2.5 to 4 years.

The conduct of peer reviews and follow-up of peer reviews were brought in line with the new Regulation. Ad hoc peer reviews committees have been put in place and the new peer review governance allowed for improvements in terms of efficiency by taking a project-based approach and consolidating the underlying process.

BUDGETARY AND FINANCIAL MANAGEMENT

On 19 December 2019, the Board of Supervisors adopted the 2020 budget for a total of EUR 29,420,398. The authority signed an administrative agreement with DG REFORM, which increased the budget by EUR 56,000 and led to a first budget amendment in May. In September a second and final budget amendment was adopted by BoS, which reduced the budget by EUR 1,090,000 to a total of EUR 28,386,398 to address the effects of the Covid-19 pandemic. The below text will only refer to the amended budget.

For the EIOPA budget the European Union grants EIOPA a subsidy of 40%. The remaining 60% are contributions from the Member States. The individual Member States contributions are calculated according to the weighting of votes set out in Article 3(3) of the Protocol (No 36) on transitional provisions. EFTA states pay their contributions according to the weighting factor on the top of the Member States contributions. With effect from 2022 the European Free Trade association (EFTA) states contributions will be calculated as part of the Member States contributions. In addition, since 2016 the Member States and EFTA states pay the 'employers contributions to the EU pensions' scheme in accordance with Article 83a of the Staff Regulations. Any surplus (n-2, i.e. from two years before) will be set against the contributions due according to the above model and therefore, reduces the relevant contributions.

EIOPA's 2020 budget included the following contributions: EUR 17,007,857 from NCAs, EUR 483,178 from EFTA countries, and EUR 10,489,363 from COM²³ and EUR 406,000 through administrative agreements with DG REFORM.

The initial adopted 2020 budget, the amendment 1 and amendment 2 of the EIOPA budget 2020 can be viewed in the Annex. A total of seven budget transfer operations

were executed to accommodate budgetary needs throughout 2020.

In 2020, 96.12% of the credits carried forward from 2019 were consumed. The carry forward concerns services and products ordered in 2019 which were invoiced and paid in 2020. More information on the carry forward can be viewed in the Annex.

In 2020, EIOPA managed successfully two open tender procedures, three negotiated procedures without publication of a contract notice; three negotiated procedures for middle value contracts and one negotiated procedures for a low value contract. In addition, fifteen negotiated procedures for very low value contracts (single tenders) and two re-opening of completion under the framework contract were completed. Furthermore, twenty-three direct and framework contracts were concluded; hundred fourteen specific contracts and order forms (under existing framework contracts); sixteen purchase orders; twenty-one memoranda of understanding and service level agreements; one price revision (under a framework contract) and forty-nine amendments of existing contracts were signed.

DELEGATION AND SUB-DELEGATION

The "Charter of tasks and responsibilities of authorising officers by delegation" has been drawn up in accordance with the provisions of the Staff Regulations, the Conditions of Employment of Other Servants, the Financial Regulation, and identifies the tasks entrusted to authorising officers by delegation, their rights and duties and the responsibilities they assume in their capacity as authorising officers by delegation.

EIOPA's Financial Circuits, updated in March 2020, details all the budget lines and thresholds that the Authorising Officers by delegation are appointed to authorise. In line with the Financial Circuits, the ED shall execute the authorising officer function and can authorise all transactions on all budget lines. The Heads of Departments can be the authorising officer by delegation for all appropriations and transactions below or equal to 139.000 EUR on all budget lines, The Heads of Units of the Information Technology, Human Resources, Finance and Corporate Services can be the authorising officers by delegation for all appropriations and transactions below or equal to 60.000 EUR on all budget lines. The Budget Officer can be the authorising officer by delegation for all appropriations and transactions below or

²³ The surplus for 2018, which was deducted from the 2020 contributions was as follows: EU contributions: EUR 41,697, NCAs: EUR 60,818.04, EFTA states: EUR 1,727.79; 2019 – no surplus.

equal 60.000 EUR for the budget lines related to administrative and operational missions. In case on absence of the ED, for operational needs and in order to ensure business continuity of service the authority to approve commitments and transactions for all appropriations with no ceiling can be delegated by the ED to Heads of Departments or Heads of Units, including one Head of Department as permanent delegation.

HUMAN RESOURCES MANAGEMENT

In 2020, due to Covid-19, working remotely, the restrictions in movement and recruitment being done remotely, the focus has been to have the right profiles to ensure continued delivery of the mandate; and the fulfilment of the Establishment Plan to 100% was achieved. EIOPA continued integrating newcomers throughout the year with specific induction sessions and providing the necessary support to join the agency remotely.

Staff and management alike have been provided with dedicated training to deal with the new working situation at their best. In particular, enhancing the leadership and management skills of the management team when dealing with hybrid teams and remote working have been at the core of their training in 2020 and form part of the mindful leadership program which started towards the end of 2020.

The e-HR management system, Allegro, which was used at EIOPA since its establishment has been replaced by SYSPER, which is used by the EU Commission. Thus gaining in efficiency through e-workflows embedded in the new system and benefitting from economies of scale.

During 2020, EIOPA adopted the Commission Model Decision on the non-application of the Commission Decision on the maximum duration for the recourse to non-permanent staff in the Commission services. The amendment concerns the maximum duration of the engagement of national experts seconded in the Commission services, whereby non-applicable to the EU Agencies. It adopted the HR Implementing Rules on leave and on the transfer of pension rights.

In July, a selection procedure was launched to select the new EIOPA Chairperson to replace Gabriel Bernardino at the end of this second mandate. After careful evaluation, the EIOPA's Board of Supervisors decided mid-November not to draw up a shortlist of qualified candidates for the

position, but to launch a new selection procedure. A new pre-Selection Committee was established and the new selection procedure was launched in December.

STRATEGY FOR EFFICIENCY GAINS

In line with its commitment to ensure the responsible use of resources, EIOPA has established a strategy to capitalise on opportunities through cost sharing, improving processes and by investing in technology. Such measures have allowed the Authority to increase year-on-year both the quality and quantity of its work at a pace that outmatches its growth in resources. They have also made it possible to adapt to new demands and changing circumstances, including the move from regulation to supervision and the COVID-19 crisis. The resource allocation trends of recent years showcase that while the organisation is growing, staff allocated to support areas is decreasing from 22% to 20% between 2017 and 2020. Resources are shifted to the strategically important areas of supervision, digitisation, sustainability and financial stability.

The strategy that EIOPA applies to achieve efficiency gains is founded on the following components:

Resource planning and prioritisation – Ensuring that available resources are focused on delivering the greatest benefit is a core component of efficiency. At the centre of EIOPA's strategic resource planning lies prioritisation. During 2020, this approach was essential in EIOPA re-deploying its resources to meet the evolving challenges of the COVID-19 crisis, whilst it continued to deliver against existing commitments. On a more long-term basis, this approach informs the periodical reviews of EIOPA's organisational structure in support of identifying improvements.

Integrated talent management – This system, based on the EIOPA competency framework, efficiently manages talent-related processes such as recruitment and selection, workforce planning, performance management, learning and development, recognition and career management. It allows for better sourcing of candidates as well as more leveraged learning and development. The system also helps decrease staff turnover, allowing EIOPA to preserve institutional knowledge, expertise and the accrued efficiency in executing core tasks.

Business process review and service optimisation – The automation and streamlining of business processes offers many opportunities to improve productivity, quality and

oversight. EIOPA has embarked on an ongoing effort to review its processes, to identify opportunities to remove redundant steps and to exploit new technologies. Examples include the Risk Free Rate production process review, the introduction of several electronic workflows (e.g. in the areas of finance, HR and oversight), and the optimisations of the document management system. Furthermore, the new knowledge management strategy will strengthen capabilities that support knowledge flow, sharing, re-use and discovery.

Capitalising on shared services – EIOPA already relies on a large number of services shared with other institutions. Examples include the sharing of IT providers, procurement services and the use of central systems provided by other institutions. EIOPA will continue to invest in concrete measures to increase efficiency by close cooperation with its members and partners.

Data & IT strategy and digital solutions – EIOPA is on a digital transformation journey. In the domain of data and information management, EIOPA launched its new website and online Solvency II Rulebook, benefiting the NCAs and the general public via enhanced visualisations and improved accessibility of information. EIOPA begun reviewing its data collection and analysis capabilities and actively investigating synergies with European institutions towards a major upgrade of EIOPA's business intelligence capabilities that will leverage the work done by the Commission in the context of their data strategy. Additionally, the online Supervisory Handbook has been made available to supervisors across Europe for day to day consultation. Productivity has also been significantly increased by strengthening collaboration and user experience for example via new tele- and video conferencing and digital interactions as well as extranet improvements.

ASSESSMENT AND FOLLOW-UP OF AUDITS AND EVALUATIONS

EIOPA has put in place arrangements to ensure that all recommendations made by the Internal Audit Service (IAS)

of the European Commission, European Court of Auditors (ECA) and the Discharge Authority are timely and adequately addressed through dedicated action plans and this within the agreed deadlines or in case no specific target date is specified the latest within twelve months after the communication of the recommendation (internal EIOPA KPI).

INTERNAL AUDIT SERVICE

EIOPA is audited by its Internal Auditor, i.e. the Commission's Internal Audit Service. In 2016 the IAS executed a Risk Assessment that formed the basis for defining the IAS Strategic Internal Audit Plan 2017-2019 for EIOPA. From this Strategic Internal Audit Plan, the only topic still ongoing in 2020 was on the Oversight tools in the consumer protection area. The objective of the audit was to assess the design and the effectiveness and efficiency of the management and control systems put in place by EIOPA to manage and implement its activities and actions related to the protection of consumers from unfair business conduct by insurance and pensions sector service providers and, in particular, the oversight tools to monitor and detect any such conduct and behaviour. The IAS concluded that the EIOPA management and control systems put in place for the oversight tools are adequately designed, efficient and effectively implemented and support the Authority in achieving its business objectives. The final audit report includes four recommendations for improvement, none rated as very important or critical. EIOPA prepared a detailed action plan, accepted by the IAS, which includes a set of nine actions to be implemented in 2020-2021.

Also in 2020, EIOPA continued to implement the remaining recommendations from the HR Management and Ethics Audit (2018). The audit was formally closed by the IAS confirming that EIOPA addressed all the recommendations made.

The IAS run in 2020 a new in-depth risk assessment of all EIOPA processes with the aim to define the Strategic Audit Plan for the period 2021-2023. Based on the results of this risk assessment and taking into consideration the major risks included in the EIOPA risk register, the IAS defined the following three prospective audit topics:

Audit topic	Status	Year (when it will take place)
EIOPA intervention measures	Not started	TBC
Procurement and contract management	Not started	TBC
Data management, dissemination and IT-security	Not started	TBC

The IAS also selected the following potential reserve audit topics:

- › Crisis management
- › Risk management

QUALITY CONTROL COMMITTEE

The Quality Control Committee (QCC) supports the work of the Management Board by overseeing and assessing the appropriate implementation of the internal procedures and decisions at EIOPA. It works independently from the Internal Audit that evaluates the effectiveness of EIOPA's risk management, control and governance processes. In 2020 the QCC implemented its work according to its agreed mandate: important deliverables have been the assessment of the EIOPA 2019 Annual Activity Report in support of the BoS, the finalisation of the review of the implementation of EIOPA's Professional Secrecy Rules and the review of the EIOPA Working Group Structure. The QCC welcomed the good follow-up by EIOPA of the recommendations made by the QCC further to the aforementioned reviews. Lastly the QCC started its work in 2020 on the review of the functionality of EIOPA's website, which will be finalised in 2021.

EUROPEAN COURT OF AUDITORS

EIOPA is audited every year by the European Court of Auditors. The audit provides a Statement of Assurance regarding the reliability of the accounts of the Agency and the legality and regularity of the transactions underlying them. In addition, an independent external auditor verifies the income, expenditure and financial position of EIOPA.

The ECA audit over the financial 2020 accounts started in September. Currently EIOPA is in the phase of drafting its

replies to the preliminary observations received on 31 May 2021. The final report is expected to be published during the third quarter of 2021.

The audit report on the accounts 2019 has been adopted by the Court on 22 October 2020. **The Court's statement of assurance provided to the European Parliament and the Council regarding the** the reliability of the accounts and the legality and regularity of the transactions underlying the accounts is the following:

“Opinion on the reliability of the accounts 2019

In our opinion, the accounts of the Agency for the year ended 31 December 2019 present fairly, in all material respects, the financial position of the Agency at 31 December 2019, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with its Financial Regulation and with accounting rules adopted by the Commission's accounting officer. These are based on internationally accepted accounting standards for the public sector.

Legality and regularity of the transactions underlying the accounts

In our opinion, revenue and payments underlying the accounts for the year ended 31 December 2019 are legal and regular in all material respects.”

The outcome of the 2019 accounts audit (published in 2020) is that ECA has made two observations which were addressed immediately by EIOPA with concrete actions. The full implementation of these actions took place between Q4 2020-Q1 2021:

ECA observation	EIOPA reply	Status	Year of the audit
<p>19 The EIOPA's budget includes contributions made by the European Commission and EFTA Members' National Competent Authorities (NCAs). The 2019 budget documents do not describe fully how the contributions from EU and EFTA Members' NCAs were calculated. In 2019, NCAs contributed 1 500 000 euros for pensions' contributions to be paid by the employer (EIOPA). This amount was based on estimated figures. The NCAs' contributions were never adjusted to match the actual figures for employer's pensions' contributions (1 261 081 euros) paid by the employer (EIOPA). Nor did we see any evidence that plans had been made to make such an adjustment.</p>	<p>19 EIOPA's founding regulation (Article 62) determines the funding key for the European Union (EU) and the National Competent Authorities (NCA) contributions. The distribution per NCA is calculated according to a weighting. The EFTA contributions are calculated on top of the NCA calculations according to a defined weighting factor. The calculations of the pension contributions represent a percentage of the predicted salaries. The distribution per NCA and EFTA state is calculated according to a weighting factor. The exact calculation methods for the contributions is explained in the recovery order letter to the NCA and EFTA states.</p> <p>The actual pension figures are only known in December and the remaining time until the year-end is not sufficient to prepare a budget amendment.</p> <p>EIOPA will include a more detailed short explanation on the calculation methods applied for EU, NCA and EFTA states contributions in future SPDs.</p>	<p>Open</p> <p>(EIOPA has addressed the recommendation and is currently being followed up by ECA)</p>	<p>2019</p>
<p>20 In 2019, the amount of the contributions made by NCAs and the EU was reduced by 172 939 euros. This was because, in 2017, EIOPA had a budgetary surplus. In 2017, the EU had covered 37,16 % of the contributions, and the NCAs 62,84 %. The same ratio was used in 2019. But the surplus from 2017 was divided differently: by a ratio of 40 % and 60 %. As a result, the NCAs paid 4 911 euros more than they should have done, and the EU paid 4 911 euros less.</p>	<p>20 EIOPA's founding regulation determines the funding key for the EU (40%) and the NCAs (60%). Whereas the NCAs' financing of the employer's contribution to the EU Pensions Scheme (60%) enters the EIOPA budget, as determined by the Staff Regulations, the EU proportion (40%) does not figure in EIOPA's budget. This dilutes the funding key and therefore, in 2017 and 2019, the total percentage for the recovery from the NCA's was greater than that of the EU. EIOPA reimbursed the full budgetary surplus 2017 to the EU. The EU paid it back to EIOPA in 2019 and applied the original funding key 40/60 for the redistribution to the EU and the NCAs. This created the slight imbalance challenged by the Court. ECA's observation does not imply that any legal provisions were breached but rather suggests that a slightly different approach should have been applied.</p>	<p>Open</p> <p>(EIOPA has addressed the recommendation and is currently being followed up by ECA)</p>	<p>2019</p>

In terms of implementation of measures addressing findings from previous years, EIOPA finalised the reporting year having the following open recommendations under implementation:

ECA observation	EIOPA reply	Status	Year of the audit
<p>3.8.10. Interim workers should work under the same working conditions as workers employed directly by the user undertaking. The Authority should analyse the working conditions of its interim workers and ensure they are in line with European and national labour law.</p>	<p>3.8.10. EIOPA acknowledges the importance of the principle of equal treatment and would like to stress its full commitment to honour this key principle at all times. The obligation to comply with the German law implementing Directive 2008/104/EC (i.e. the Arbeitnehmerüberlassungsgesetz, AÜG) is included in EIOPA's framework contracts for interim services. In addition, the interim staff members' integration into EIOPA's work environment respected equal treatment (e.g. same rights to use shared facilities and services, same working hours, rest periods, public holidays, etc.). Therefore, EIOPA is of the understanding it has acted in compliance with the AÜG and will ensure that it continues to do so in the future. Nevertheless, EIOPA will explore additional ways to follow up on the Court's recommendations.</p>	<p>Open</p> <p>(EIOPA addressed the recommendation received; however ECA is waiting for the judgement of a pending case before the CJEU before closing this item, addressing several questions concerning the application of Directive 2008/104/EC of the European Parliament and of the Council of 19 November 2008 on temporary agency work to EU agencies)</p>	<p>2018</p>

FOLLOW-UP ON DISCHARGE

On 13 May 2020, the European Parliament granted EIOPA the Discharge 2018 and approved the closure of its annual accounts ((2019/2091(DEC)). In reply to the Discharge Authority, the EIOPA Board of Supervisors adopted its Opinion and informed accordingly the European Parliament on 31 August 2020 on the measures taken to address any possible deficiency or uncertainty²⁴ raised during the discharge exercise.

ENVIRONMENTAL MANAGEMENT

EIOPA aims to continuously improve its environmental performance and lower the impact of its operations on the environment. In line with the European Court of Auditors' recommendation to all EU institutions and bodies, the Authority is implementing EMAS (European Eco-Management and Audit Scheme). In 2020, the Authority continued to develop its environmental management system, worked towards the improved collection of data relevant for emission calculation, and has taken steps towards a new policy on missions and on-site meetings, aiming to reduce these by 35% compared to 2019. EIOPA aims to adopt its environmental policy, finalise the establishment of its environmental management system and start running related management processes in alignment with EMAS standards by Q2 2021. The registration for EMAS certification is indicatively planned for early 2022.

As EIOPA does not own and operate its own building and facilities but instead occupies rented office space, the scope for environmental improvements is comparatively limited. However, the Westhafen Tower in Frankfurt, which houses all of EIOPA's offices, adheres to very advanced sustainability and environmental standards, as accredited by the building's Leadership in Energy and Environmental Design Gold certification. In addition, EIOPA maintains regular exchanges with the landlord to identify and pursue opportunities for the further environmental improvement of the building infrastructure, especially upgrading automation systems for lights, blinds, heating and cooling.

²⁴ "Opinion of the European Insurance and Occupational Pensions Authority on the decision of the European Parliament in the discharge procedure in respect of the implementation of the budget for the financial year 2018 (2019/2091(DEC))" https://www.eiopa.europa.eu/content/eiopa-submitted-its-opinion-european-parliament-discharge-financial-year-2018_en

In 2020, the Authority has substantially advanced on its on-going workspace improvements and the re-development of its office space. The work aims to make more efficient use of the existing space while still providing its staff with all facilities necessary to effectively carry out their work.

Within the remit of EIOPA's own office, facility and staff policies and processes, the Authority has already implemented several actions to reduce the impact of its administrative operations on the environment, and is pursuing others. Examples include the use of e-workflows for most financial transactions to reduce paper consumption, the automation of blinds to facilitate energy savings by reducing the need for cooling in the summer, the digitalisation of events, trainings and meetings to reduce travel emissions, the upgrade of EIOPA's meeting room and audio-visual facilities to promote the increased use of videoconferencing, and an increasing emphasis on local produce and vegetarian options for on-site catering.

MANAGEMENT ASSESSMENT

The building blocks of management assurance at EIOPA consist of several core elements. These are rooted in the implementation of the Internal Control Standards and continued strong management oversight of both operational and horizontal activities, and adherence to principles such as sound financial management. Regular reviews by EIOPA's Internal Control Coordinator and audits of EIOPA by the Internal Audit Service, the EIOPA Quality Control Committee, the European Court of Auditors provide impartial and thorough reviews of these measures, and are a further element of management assurance.

The Authority has adopted a set of internal control principles, based on international good practices, aimed to ensure the achievement of operational and administrative objectives. The financial regulation requires that the organizational structure and the internal control systems used for the implementation of the budget are set up in accordance with these principles. EIOPA has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended.

In addition, EIOPA has systematically examined the available control results and indicators, as well as the observations and recommendations issued by the Internal Audit Service, the European Court of Auditors, and the Quality

Control Committee and audit firms. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives.

Overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mit-

igated; and necessary improvements and reinforcements are being implemented. With this framework in place, EIOPA is confident there are no significant weaknesses that would create reservations or impact on the validity on the Declaration of Assurance.

INTERNAL CONTROL SYSTEM

EFFECTIVENESS OF INTERNAL CONTROL FRAMEWORK (ICF)

EIOPA's Internal Control Framework was adopted by the Management Board in November 2018 and is applicable since January 2019. The framework consists of five internal control components and 17 principles which are further developed in 49 characteristics. This framework is aligned with the European Commission standards and is based on the best international practices steered by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)²⁵.

CORPORATE RISK MANAGEMENT

Major Risk Areas

During the course of 2020, EIOPA identified, monitored and took measures to mitigate the effects of the following risks:

- High degree of uncertainty in the external political, economic and legislative environment;
- Adapting to changes whilst continuing to deliver EIOPA's existing commitments; and
- Ongoing resourcing challenges, including the allocation of new tasks and powers without sufficient staff and budget to deliver.

To mitigate the impacts of these risks, EIOPA continued to apply transparent prioritisation to competing demands it faces, with ongoing engagement with its Management Board and Board of Supervisors to ensure its growth adds value to their work. EIOPA continued to seek out efficiencies and re-deploy its staff to reduce the effects of resource gaps.

Risk management process

EIOPA's risk management process is intended to systematically identify and assess potential risk events and then plan and, if required, implement responses to them. Such events can originate from within the Authority or be driven by external forces. The likelihood of an event occurring and the impact of its consequences on an objective should it occur will vary. This variance is discussed in terms of risk exposure.

The aim of the process is to provide the management with an overview of the aggregated risks, and in particular to allow the management to focus on those with a potential material impact on its work programme and wider operations, and to offer responses to mitigate and overcome risks as they occur. Based on the level of negative exposure, EIOPA considers steps to prevent the event from happening (if within its power), avoid it or mitigate the negative consequences. Staff at all levels of the Authority are asked to consider risks in their work, assess them using a standardised scale and then consider appropriate and proportionate responses, escalating material risks to management when needed. Such an approach is essential, and will aid the management as it oversees implementation of an ambitious work programme.

EIOPA's risk management process is in line with internal control principle No 7, which defines how risks should be managed to assure the achievement of the institutional objectives.

Anti-Fraud

In line with EIOPA's commitment to combat the threat fraud poses to its resources, assets and its role as an independent ESA, the Authority maintains a comprehensive strategy that, in the first instance, seeks to prevent cases of fraud occurring, but, should they occur has in place measures to identify and report them to the appropriate authorities.

²⁵ <https://www.coso.org/Pages/default.aspx>

This is supported by key initiatives, such as the ongoing programme to automate EIOPA's processes, which enhances oversight and auditability, along with raising staff awareness of their obligations and of issues such as conflict of interest. EIOPA also maintains a secure channel through which staff can report any concerns related to fraud, which can then be reported to the European Anti-Fraud Office, or OLAF, for investigation.

In 2020, EIOPA commenced to revise its strategy for the forthcoming years. With the new strategy in place in 2021, EIOPA will be in a position to devise and implement a new suite of measures that can address the evolving threat of fraud that it faces.

ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL FRAMEWORK (ICF)

EIOPA's internal control monitoring and evaluation cycle includes both ongoing (continuous) and annual (periodical) assessments. In 2020 the Internal Control function ran an annual assessment of the entire system under the internal control framework. The conclusion of this assessment was that all the components and principles are implemented and function as intended, with a number of improvements needed.

In reference to the continuous monitoring, the following control activities were performed during the reporting year and the results were integrated in the overall assessment:

- ABAC (EIOPA's financial system) verification of access rights;
- Ex-post verification of financial transactions;

- Ex-post verification of HR operations;
- Management and reporting of the exceptions and non-compliances;
- Sensitive functions revision; and
- Monitoring of action plans resulting from the audits.

In conclusion, based on the above-mentioned control sources, no significant weakness has been unveiled which could have a material impact as regards the legality and regularity of EIOPA's operations. Therefore, the assessment concluded that the internal control system implemented by the Authority provides sufficient assurance to the adequate management of EIOPA's operations.

STATEMENT OF THE INTERNAL CONTROL COORDINATOR AND RISK MANAGER

[tbc]

I declare that I have reported my advice and recommendations on the overall state of internal control and risk management in EIOPA to the Executive Director and to the Management Board.

I hereby certify that the completeness and reliability of management reporting on the state of internal control and risk management is to the best of my knowledge, accurate, reliable and complete.

Danny Janssen

[SIGNED]

Internal Control Coordinator and Risk Manager

DECLARATION OF ASSURANCE

I, the undersigned,

Fausto Parente, Executive Director of EIOPA, in my capacity as Authorising Officer,

- › declare that the information contained in this Consolidated Annual Activity Report 2020 gives a true and fair view;
- › state that I have reasonable assurance that the resources assigned to the activities described in this report were used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures in place are effective, efficient and provide the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal as presented in this report, including:

- › results of the annual internal control self-assessment, including audits recommendations and implementation of the measures to address the weaknesses identified, exceptions management, ex-ante and ex-post controls;
- › the progress and follow-up of risk management activities;
- › the recommendations of the Internal Audit Service, the accompanying action plans and their follow-up; and,
- › the lessons learnt from the reports of the Court of Auditors for the years prior to the year of this declaration.

I confirm that I am not aware of anything not reported here which could harm the interests of the authority.

Fausto Parente

[SIGNED]

ANNEXES

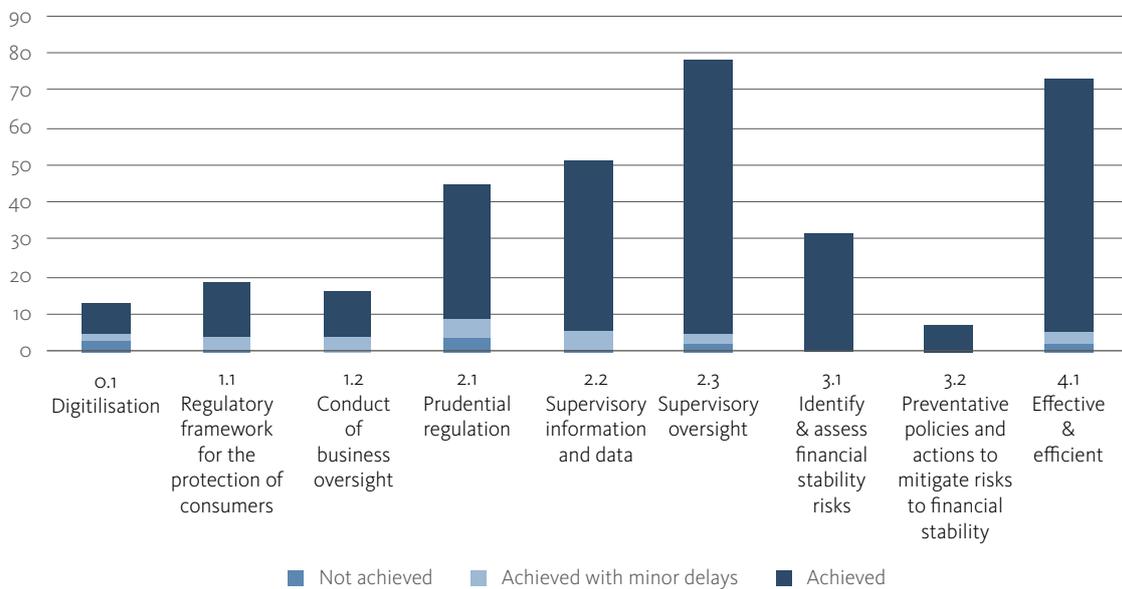
ANNEX I: CORE BUSINESS STATISTICS

PRODUCT AND SERVICES OVERVIEW

EIOPA monitors delivery of its Annual Work Programmes (AWP) through the development of an Annual Implementation Plan (AIP). For each product and service in its AWP, specific milestones are planned, the involvement of different departments and horizontal functions is specified and risks are recorded. Throughout the year, EIOPA's management is informed of the status of this work and decides on changes such as the introduction of new work or de-laying and de-prioritising existing tasks.

EIOPA ended the year with a work programme including 334 different products and services. Following the revision of EIOPA's Annual Work Programme in light of the Covid-19 developments, some target dates were postponed and new products and services were added. The majority of EIOPA's work was delivered as planned and this equates to 295 or 88% of the total. A further 26 products and services experienced minor delays and 13 were not taken forward, often as a result of prioritisation of other more pressing demands caused also by the Covid-19 crisis.

Delivery of EIOPA's AWP 2020



KEY PERFORMANCE INDICATORS

Key Performance Indicators (KPIs) are an important tool for monitoring EIOPA's progress in relation to its defined strategic ambition. EIOPA has set thirteen strategic level targets for performance across its seven main areas of work. Of these, EIOPA achieved or exceeded the target

for 12 in 2020. The only target not achieved is related to the number of supervisory or policy actions taken by NCAs following observations and feedback from EIOPA's Oversight Unit (15 of 20) due to the focus on crisis management. However, it should be noted that if the Covid-19 related actions were to be taken into consideration then the target would have been exceeded.

KPI	Status
Average number and diversity of respondents to public consultations on consumer protection topics per consultation. <i>Target - 20</i>	Target exceeded
Number of national initiatives taking inspiration from deliverables (reports, thematic reviews, conduct oversight country visits and recommendations in the course of oversight work more generally etc.) of EIOPA's conduct of business supervision framework and broader consumer protection work. <i>Target - 5</i>	Target achieved
A technically sound and participatory review of the Solvency II insurance regulation by EIOPA. <i>Target - EIOPA technical advice and annual reports provide a sound basis for regulatory review of Solvency II. The Solvency II framework appropriately reflects the economic context. An evidence-based feedback loop allows for the assessment of the effectiveness and quality of the implemented regulation.</i>	Target achieved
Pursuit of Solvency II as the practical implementation of the International Association of Insurance Supervisors' (IAIS) International Capital Standard (ICS). <i>Target - The adaptations during the monitoring phase of ICS 2.0 remain largely in line with Solvency II.</i>	Target achieved
The development of an appropriate regulatory framework for pensions by promoting a common supervisory culture, consistent supervisory practices and sound European regulation. <i>Target - EIOPA develops approaches which reflect the continuing shift to defined contribution pensions; and initiates development of supervisory approaches.</i>	Target achieved
Data available in the Central Repository calculated as a percentage of number of insurance undertakings reported on with valid data by NCAs and market share of each country, as evidenced by the completeness ratio of technically valid reports of the Quantitative Reporting Templates (QRTs). <i>Target - 97% of number or 98% of market share</i>	Target achieved
Timely and high quality publication of the Risk Free Rate. <i>Target - Twelve publications a year – meeting the deadline of publication within four working days of the beginning of the month.</i>	Target achieved
Number of supervisory or policy actions taken by NCAs following observations and feedback from EIOPA's Oversight Unit. <i>Target - 20</i>	Target not achieved
Number of bi-lateral engagements with National Competent Authorities on oversight topics. <i>Target - 25</i>	Target exceeded
Citations of EIOPA's Financial Stability products in research journals and publications from other public institutions in the field of financial stability. <i>Target - 5</i>	Target exceeded

KPI	Status
The number of financial stability risks with a material impact, within the agreed scope of the Stress Test, not identified by the exercise materialising within one year of the publish date of the results.	Target achieved
<i>Target - 0</i>	
Percentage of audit findings from European Court of Auditors and Internal Audit Service addressed by improvement measures by the agreed deadline, or if no deadline was set, within twelve months of the finding being issued.	Target achieved
<i>Target -100%</i>	
Implementation rate of EIOPA budget: Percentage of the approved budget committed.	Target achieved
<i>Target – 99%</i>	

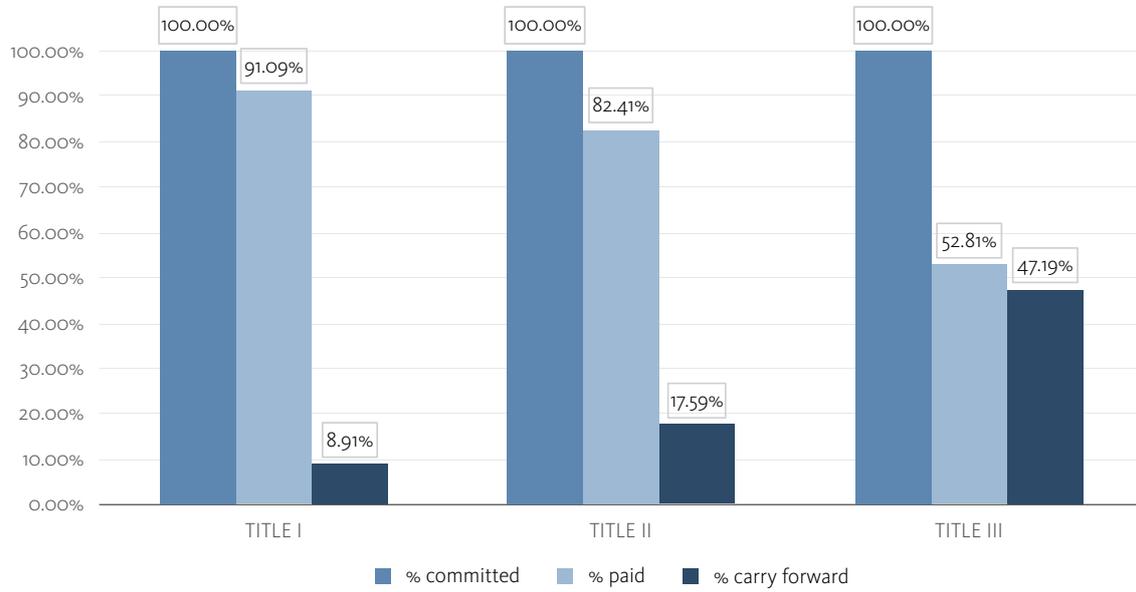
ANNEX II: STATISTICS OF THE FINANCIAL MANAGEMENT

BUDGET EXECUTION

Budget Execution 2020 by Title

BL	BL Description	Initial adopted budget	Amendment 1 budget 2020	Amendment 2 budget 2020	Budget following transfers	Variance % (initial budget vs final budget)	Variance % (amendment 2 to final budget 2020)	committed	% committed	paid	% paid	Carry forward	% carry forward
TITLE I	STAFF EXPENDITURE	20,589,000.00	20,589,000.00	18,209,023.00	19,100,775.72	-7.23%	4.90%	19,100,775.72	100%	17,399,419.60	91.09%	1,701,356.12	8.91%
TITLE II	ADMINISTRATIVE EXPENDITURE	3,683,000.00	3,683,000.00	3,857,500.00	4,054,839.36	10.10%	5.12%	4,054,839.36	100%	3,341,645.97	82.41%	713,193.39	17.59%
TITLE III	OPERATIONAL EXPENDITURE	5,148,398.00	5,204,398.00	6,319,875.00	5,230,782.92	0.51%	-17.23%	5,230,782.92	100%	2,762,143.51	52.81%	2,468,639.41	47.19%
	GRAND TOTAL	29,420,398.00	29,476,398.00	28,386,398.00	28,386,398.00	-3.70%	0.00%	28,386,398.00	100%	23,503,209.08	82.80%	4,883,188.92	17.20%

Percentages of commitments and payments executed of budget 2020 and carry-forward of budget 2020 to 2021 per Title:



NUMBER AND VALUE OF BUDGET TRANSFERS

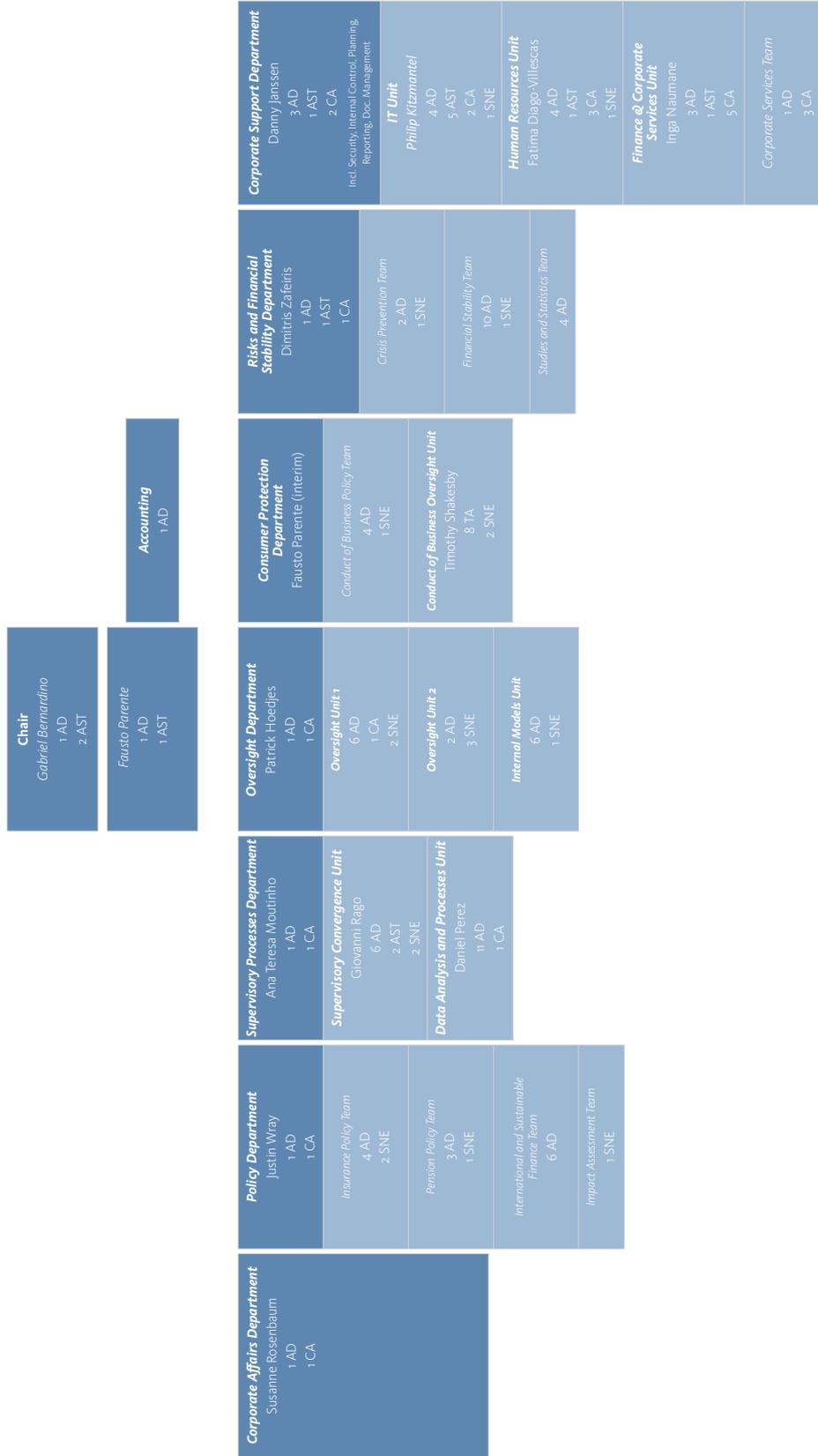
In 2020, seven budget transfers were authorised in the EIOPA financial system:

- Seven transfers from one Title to another within the 10% rule according to Article 26, paragraph 1 (a) of the EIOPA Financial Regulations.

INTEREST CHARGED FOR LATE SUPPLIER PAYMENTS

No interest had to be claimed nor paid for the single late payment executed in 2020.

ANNEX III: ORGANISATIONAL CHART



ANNEX IV: ESTABLISHMENT PLAN AND ADDITIONAL INFORMATION ON HUMAN RESOURCES MANAGEMENT

ESTABLISHMENT PLAN 2020

Function group and grade	2020	
	Final budget	Filled as at 31/12/2020
AD 16	1	1
AD 15	1	0
AD 14	1	1
AD 13	4	1
AD 12	11	4
AD 11	14	3
AD 10	14	12
AD 9	19	12
AD 8	15	8
AD 7	15	21
AD 6	7	27
AD 5	11	23
AD total	113	113
AST 11	1	0
AST 10	1	0
AST 9	2	0
AST 8	3	0
AST 7	3	0
AST 6	2	3
AST 5	2	4
AST 4	0	6
AST 3	0	1
AST 2	0	0
AST 1	0	0
AST total	14	14
TOTAL	127	127

* Some posts are in practice filled at a lower grade.

Contract Agents	Filled as at: 31.12.2019	Filled as at: 31.12.2020
Function Group IV	9	7
Function Group III	23	21
Function Group II	4	1
Function Group I	0	0
Total	36	29
Seconded National Experts	17	19

Entry level for each type of post

Key functions (examples)	Type of contract (official, TA or CA)	Function group, grade of recruitment	Indication whether the function is dedicated to administration support or policy (operational)
CORE FUNCTIONS			
Head of Department	TA	AD 12	Administration support and operational
Head of Unit	TA	AD 9	Administration support and operational
Head of Sector	n/a	n/a	n/a
Senior Officer / Principal Expert	TA	AD 9-11	Administration support and operational
Officer / Senior Expert	TA	AD 7-8	Administration support and operational
Junior Officer / Expert	TA + CA	AD 5-6 + FG IV	Administration support and operational
Senior Assistant/Specialist	TA + CA	AST 4 + FGIII	Administration support
Junior Assistant	TA +CA	AST 2 + FGII	Administration support
SUPPORT FUNCTIONS			
Head of Administration	TA	AD 12	
Head of Human Resources	TA	AD 9	
Head of Finance	TA	AD 9	
Head of Communication	TA	AD 9	
Head of IT	TA	AD 9	
Senior Officer / Principal Expert	TA	AD 9-11	
Officer / Senior Expert	TA	AD 7-8	
Junior Officer / Expert	TA + CA	AD 5-6 + FGIV	
Webmaster- Editor	CA	FGIV	
Secretary	CA	FGIII	
Mail Clerk	n/a	n/a	

Key functions (examples)	Type of contract (official, TA or CA)	Function group, grade of recruitment	Indication whether the function is dedicated to administration support or policy (operational)
SPECIAL FUNCTIONS			
Data Protection Officer	TA	AD 8	
Accounting Officer	TA	AD 6	
Internal Auditor	n/a	n/a	
Secretary to the Director/ Personal Assistant to the Senior Management	TA	AST 3	

Statistics from Job Screening/Benchmarking Exercise

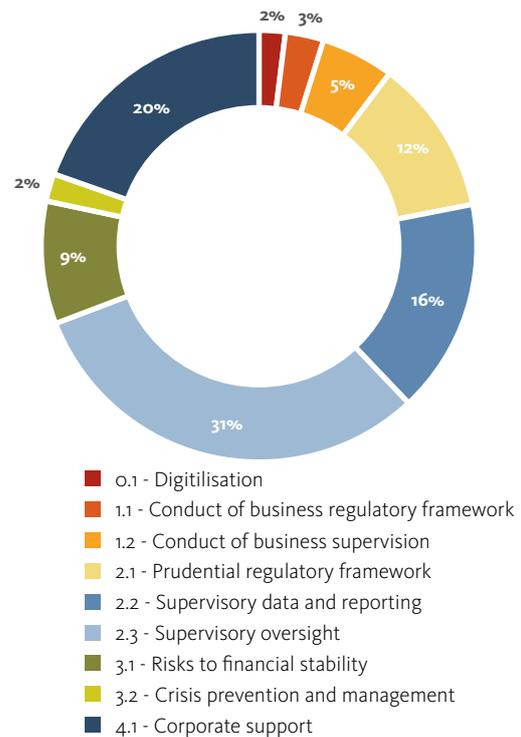
Job type categories	2020 results
Administrative Support and Coordination	13.02%
Administrative Support	11.24%
Coordination	1.78%
Operational	81.66%
Top Level Operational Coordination	2.96%
Programme Management & Implementation	69.23%
Evaluation & Impact Assessment	0.59%
General Operational	8.88%
Neutral	5.33%
<i>Finance & Control</i>	5.33%
<i>Linguistics</i>	0.00%

ANNEX V: ALLOCATION OF RESOURCES BY ACTIVITY

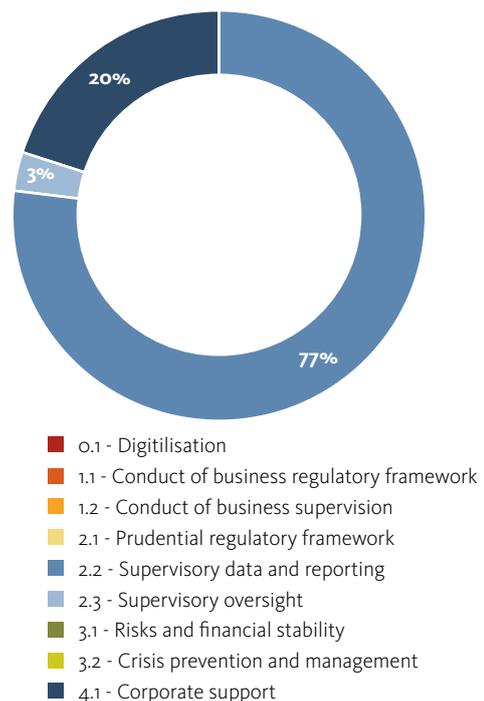
ALLOCATION OF HUMAN RESOURCES

In line with a central recommendation of the European Court of Auditors special report “EIOPA made an important contribution to supervision and stability in the insurance sector, but significant challenges remain”, EIOPA’s human resource allocation in 2020 favoured its work supporting supervisory convergence. This included the activities of conduct of business oversight (5%), supervisory data and reporting (16%) and supervisory oversight (31%). The review of Solvency II in 2020, the work in monitoring implementation of IDD, PRIIPs and IORP II, and the new initiatives on sustainable finance and PEPP, meant that EIOPA needed to maintain sufficient staffing levels for its work on the regulatory frameworks for both conduct (3%) and prudential (12%) matters. Further resources were allocated to identifying, analysing and reporting on risks to financial stability (9%) and crisis prevention and management (2%). The last operational area where EIOPA allocated staff was the cross-cutting theme of digitalisation, making up 2% of available human resources in 2020. EIOPA will continue to grow the allocation of resources to this important area of work. The remaining 20% of staff in 2020 were allocated to horizontal tasks including providing legal support, maintaining IT solutions, running EIOPA’s headquarters and management of the Authority itself (staff, finance and tasks).

Allocation of staff per activity



Allocation of operational budget per activity



ALLOCATION OF OPERATIONAL BUDGET

The allocation of EIOPA’s operational budget (Title III) is largely driven by the demand for services and products, with a particular focus on IT solutions in support of its business objectives. The majority of operational expenditure (76.5%) in 2020 was related to the Authority’s activities of improving the availability of supervisory data and information. This included improvements to EIOPA’s core systems such as the Central Repository, the Cloud Transition Program, and Taxonomy work on both Insurance and Pensions as well Market Data.

The remainder of operational expenditure of 2020 was linked to supervisory oversight work related predominantly to missions (significantly reduced compared to 2019 due to reduced number of staff missions considering the Covid-19 pandemic) and the efficient and effective functioning of the Authority, including communication expenditure, legal advice, translations as well as operation software and consultancy services.

ANNEX VI: COMMITTEES AND TASK FORCES

EIOPA's Board of Supervisors, its main decision making body, is supported by various committees and working groups.

COMMITTEE ON CONSUMER PROTECTION AND FINANCIAL INNOVATION

The Committee on Consumer Protection and Financial Innovation (CCPFI) plays an important role in EIOPA's work in the area of conduct of business regulation and supervision. It is specifically mandated by EIOPA's founding regulation to "bring together all relevant competent authorities and authorities with a view to enhancing consumer protection, achieving a coordinated approach to the regulatory and supervisory treatment of new or innovative financial activities, and providing advice for EIOPA to present to the EU institutions". The Committee facilitates EIOPA in advancing its strategy towards a comprehensive risk-based and preventive framework for conduct of business supervision by:

- Taking a proactive role in intervening early to tackle risks of consumer detriment;
- Building a coordinated understanding of issues that go beyond one national market; and
- Fostering convergence across the EU by promoting a high, effective and consistent level of regulation and supervision, including with regard to data needs.

SUPERVISORY STEERING COMMITTEE

The Supervisory Steering Committee (SSC) contributes to EIOPA's role and tasks with the objective to improve the functioning of the internal market of the EU in the fields of insurance and pensions by strengthening the convergence and quality of supervision. The SSC supports EIOPA in setting the priorities for themes and topics strengthening supervisory convergence and provides a platform for exchange of views and information with regard to the implementation of the Solvency II framework. Furthermore the SSC steers the work on EIOPA tools to achieve supervisory convergence such as the Supervisory Review Process (SRP) Guidelines, Supervisory Statements, Internal Model consistency studies, or the Supervisory Review Process Handbook.

RISKS & FINANCIAL STABILITY COMMITTEE

The Risks and Financial Stability Committee (RFSC) contributes to EIOPA's role and tasks related to preserving the stability of the EU insurance and occupational pensions sectors in accordance with the EIOPA Regulation. The RFSC identifies, assesses and prioritizes financial stability risks and focuses on potential adverse developments that could impact the European insurance and occupational pension sectors.

The analyses are based on a wide range of information, including financial stability analysis, financial market analysis, reporting information, as well as market intelligence and other sources. The RFSC shall operate EIOPA's institutional framework to carry out its crisis prevention, management and resolution responsibilities under the EIOPA Regulation.

The RFSC shall transform analytical conclusions into possible policy actions that EIOPA could take within the powers and responsibilities allocated to it under the Regulation. In particular, the RFSC supports a market surveillance and assessment framework to monitor and report on market trends and financial stability related issues, in line with EIOPA's annual work plan, bringing the relevant topics for discussion and decision to the Board of Supervisors.

POLICY STEERING COMMITTEE

The Policy Steering Committee (PSC) contributes to EIOPA's role and tasks relating to the convergence of European prudential legislation in the field of insurance and pensions in accordance with the EIOPA Regulation. The PSC develops and monitors based on evidence, the appropriateness and effectiveness of the regulatory frameworks, and ensures the execution of major projects dealing with EIOPA's regulatory deliverables, including the review of the regulatory framework, the delivery of new regulation and policy as well as the steering on practical matters on the implementation of the relevant EU legal framework.

IT AND DATA COMMITTEE

The Information Technology and Data Committee (ITDC) delivers advice on information technology and the transfer, storage and handling of data in EIOPA.

In particular, the ITDC deals with pan-European IT-related projects derived from EU legislation and any other area where EIOPA Members or EIOPA consider it necessary or useful to work together on IT and data issues. ITDC is a forum to discuss all IT and data issues between EIOPA and Members.

AD HOC PEER REVIEW COMMITTEES

To foster convergence and strengthen consistency in the outcome of supervisory actions, EIOPA conducts peer reviews in accordance with Article 30(2) of the EIOPA Regulation on specific activities of NCAs, based on an agreed methodology and with experts from NCAs and EIOPA acting as reviewers. Peer reviews also strengthen the dialogue within and between supervisory authorities and in facilitating sharing of best practices. In 2019 and before the peer reviews were coordinated and overseen by the EIOPA Review Panel, comprising representatives of the NCAs and EIOPA.

INSURTECH TASK FORCE

The Insurance Technology (InsurTech) Task Force (ITF) leads EIOPA's current work relating to issues and aspects arising from InsurTech. In particular, the ITF analyses topics such as cloud computing, new business models, innovation facilitators, licensing requirements and regulatory barriers to financial innovation and the use of Big Data by (re-)insurance undertakings and intermediaries (both incumbents and start-ups). Furthermore, the ITF maps the supervisory initiatives undertaken by the different jurisdictions in the areas of InsurTech, with a view of establishing efficient and effective supervisory practices. The ITF will also concentrate, among other tasks, on Digital Ethics, convergence on supervision of algorithms and explore the benefits and risks arising from the use of blockchain and smart contracts for (re-) insurance and consumers. The ITF will also monitor other developments in the area of financial innovation, including on RegTech and crypto-assets, while recognising that reliable market monitoring can be challenging justifying the combination of different monitoring approaches to improve overall outcomes.

In view of the wide range of issues and aspects arising from InsurTech, the ITF gathers expertise from all the relevant disciplines including consumer protection, financial stability, policy, supervisory oversight, IT, etc. The ITF also liaises with all relevant EIOPA working groups and steering committees as well as with EIOPA's Stakeholder Groups. Moreover, the ITF ensures coordination with the

relevant work being developed in the area of InsurTech by the European Commission, the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and other relevant EU and international institutions and bodies.

ADVISORY COMMITTEE ON PROPORTIONALITY

In 2020, EIOPA established the Committee on proportionality in accordance to Article 1(7) of EIOPA Regulation. This committee constitutes an integral part of the Authority and has as its objective to advise EIOPA as to how, in full accordance with applicable rules, its actions and measures should take account of specific differences prevailing in the sector, pertaining to the nature, scale and complexity of risks, to business models and practice as well as to the size of financial institutions and markets to the extent that such factors are relevant under the rules considered. This Committee has already provided its first advice to the BoS in 2020 regarding EIOPA's 2021 Activities.

QUALITY CONTROL COMMITTEE

The main task of this group is to oversee and assess the appropriate implementation of the internal procedures and decisions. It works independently from the Internal Audit that evaluates the effectiveness of EIOPA's risk management, control and governance processes.

ANNEX VII: STAKEHOLDER GROUPS

EIOPA has two independent advisory bodies: the Insurance and Reinsurance Stakeholder Group (IRSG) and the Occupational Pensions Stakeholder Group (OPSG). On 8 July 2020 the Authority announced the new composition of its two stakeholder groups, after having launched a call for applications on 2 March 2020.

In terms of the groups' achievements, the IRSG (previous group up to July 2020) delivered advice to EIOPA on the following: Consumer Trends and Interest rate risk proposal in the Solvency II review 2020. The new group advised EIOPA on EIOPA's draft Supervisory Statement on the use of risk mitigation techniques by insurance and reinsurance undertakings, product disclosure templates under the Sustainable Finance Disclosure Regulation, Solvency II Review, Shared Resilience Solutions, and Stress Testing.

The OPSG (previous group up to July 2020) provided EIOPA with the following advice: cross-border transfers of pension schemes -IORP II implementation, practices to reduce the gender gap in pension, Consumer Trends, and Occupational pensions stress test 2019. The new group advised on product disclosure templates under the Sustainable Finance Disclosure Regulation, and developed several own-initiative reports.

Both groups worked closely together in 2020 for instance on Environmental, Social, and Governance related disclosures and on the PEPP, delivering two pieces of advice on (i) Format of supervisory reporting and the cooperation and exchange of information between competent authorities for the Pan-European Personal Pension Product, and (ii) implementing technical standards for supervisory reporting and cooperation for the Pan-European Personal Pension Product.

IRSG and OPSG members interacted with the Board of Supervisors and Management Board Members throughout the year and more intensively during a yearly Joint BoS and Stakeholder Groups meeting on 25 November. At that meeting, participants discussed the following strategic topics of common interest: Sustainable Finance and Strategic supervisory priorities of the coming years, in light of the COVID-19 crisis.

You will find a list of SHGs members on the EIOPA website at: <https://www.eiopa.europa.eu/members-insurance-and-reinsurance-stakeholder-group>

<https://www.eiopa.europa.eu/members-occupational-pensions-stakeholder-group>

IRSG membership, as of 31 December 2020²⁶:

Chairperson: Michaela Koller, Germany

Vice Chairperson: Paul Fox, United Kingdom

Member's Name	Nationality	Organisation	
Anthony O'Riordan	Ireland	Society of Actuaries in Ireland/AAE	Professional associations
Antti Talonen	Finland	University of Helsinki	Academics
Benoît Hugonin	France	SCOR	Industry
Bruno Scaroni	Italy	Assicurazioni Generali	Industry
Claudia Donzelmann	Germany	Allianz	Industry
Desislav Danov	Bulgaria	Fintechguardian	Consumers & Users
Galit Saar	Sweden	Länsförsäkringar	Industry
Gisella van Vollenhoven	Netherlands	ASR Nederland	Industry
Greg Van Elsen	Belgium	BEUC	Consumers & Users
Guillaume Prache	France/Belgium	BETTER FINANCE	Consumers & Users
Hugh Francis	United Kingdom	Aviva	Industry
Juan - Ramón Plá	Spain	BIPAR	Industry
Lauri Saraste	Finland	LocalTapiola	Industry
Liane Hirner	Austria	VIG	Industry
Liisa Halme	Finland	Vakuutusväen Liitto	Employees
Marcin Kawiński	Poland	Warsaw School of Economics	Academics
Martin Schmalzried	Czech Republic	COFACE-Families Europe	Consumers & Users
Michaela Koller	Germany	Insurance Europe	Industry
Mireille Aubry	France	COVEA	Industry
Monica Calu	Romania	Asociatia Consumer United	Consumers & Users
Niko Daskalakis	Greece	GSEVEE	SMEs
Patricia Plas	Belgium	AXA	Industry
Paul Fox	United Kingdom	Finance Watch	Consumers & Users
Pauline Azzopardi	Malta	Assoc.for Consumer Rights - Malta	Consumers & Users
Pierpaolo Marano	Italy	Catholic University of the Sacred Heart	Academics
Stefan Materne	Germany	Cologne University of Applied Sciences	Academics
Tito Rodrigues	Portugal	DECO PROTESTE	Consumers & Users
Tomas Paulauskas	Lithuania	Insurance policyholders association	Consumers & Users
Typhaine Beaupérin	Belgium/France	FERMA	Professional associations
Xavier Larnaudie Eiffel	France	CNP Assurances	Industry

²⁶ Information on the members of the stakeholder groups up until June 2020 can be found in the [Annual Report 2019](#)

OPSG membership, as of 31 December 2020²⁷:

Chairperson: Bernard Delbecque, Belgium

Vice Chairpersons: Aleksandra Maczynska, Poland ; Falco Valkenburg, Netherlands

Member's Name	Nationality	Organisation	
Aleksandra Maczynska	Poland	BETTER FINANCE	Beneficiaries
Antonello Motroni	Italy	Assoeuropea	IORPs
Bernard Delbecque	Belgium	EFAMA	Professional associations
Bruno Gabellieri	France	AEIP	Employees
Christian Gülich	Germany	BdV	Beneficiaries
Christian Lemaire	France	Amundi Pension Fund	IORPs
Cosmina Amariei	Romania	ECMI	Beneficiaries
Edith Schiller	Austria	Schiller Consult	SMEs
Elisa Luciano	Italy	University of Torino	Academics
Falco Valkenburg	Netherlands	AAE	Professional associations
Francesco Briganti	Italy	CBBA-Europe	IORPs
Gertrude Pils	Austria	PEKABE	Beneficiaries
Hans Van Meerten	Netherlands	Utrecht University	Academics
Ioannis Tzanakos	Greece	HUIORP	IORPs
Jan Sebo	Slovakia	Matej Bel University	Academics
Janina Petelczyc	Poland	Warsaw School of Economics	Academics
Jerry Moriarty	Ireland	IAPF	IORPs
Kęstutis Kupšys	Lithuania	LVOA	Beneficiaries
Łukasz Budzyński	Poland/France	Sanofi	IORPs
Marjolijn Bulk	Netherlands	FNV	Employees
Matti Leppälä	Finland	PensionsEurope	IORPs
Nele Nys	Belgium	UNI Europe Finance	Employees
Olav Jones	Norway/UK	Insurance Europe	IORPs
Onno Steenbeek	Netherlands	APG	IORPs
Paul Le Bihan	France	MNCAP	IORPs
Pauline Azzopardi	Malta	Assoc. for Consumer Rights - Malta	Beneficiaries
Philip Neyt	Belgium	PensioPlus	IORPs
Stefan Nellshen	Germany	Bayer-Pensionskasse	IORPs
Torun Reinhammar	Sweden	CDP Europe	Professional associations
Valdemar Duarte	Portugal	APFIPP	IORPs

²⁷ Information on the members of the stakeholder groups up until June 2020 can be found in the [Annual Report 2019](#)

ANNEX VIII: ANNUAL ACCOUNTS

EIOPA'S FINANCIAL PERFORMANCE IN 2020

EIOPA's annual accounts have been established in accordance with EIOPA's Financial Regulation, Title IX of the Framework Financial Regulation (FFR)²⁸, and in accordance with the accounting rules adopted by the European Commission's Accounting Officer. The aforementioned regulations and rules are to be applied by all the institutions and union bodies and adapt the International Public Sector Accounting Standards (and in some cases the International Financial Reporting Standards) to the specific environment of the EU. The reports on the implementation of the budget, instead, continue to be primarily based on movements of cash.

The accounting system of EIOPA comprises general accounts and budget accounts. These accounts are kept in Euro on the basis of the calendar year. The budget accounts give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle. The general accounts allow for the preparation of the financial statements as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet as at 31 December.

Disclaimer:

Please note the annual accounts of EIOPA are provisional at the date of establishment of the Annual Activity Report awaiting observations of the external auditor of EIOPA and the opinion of the EIOPA Board of Supervisors.

EIOPA – BUDGET RESULT²⁹

Budget outturn	Amounts in EUR		
	N-3 (2018)	N-2 (2019)	N-1 (2020)
Revenue actually received (+)	25,290,647	26,869,513	28,827,009
Payments made (-)	(21,617,667)	(23,320,569)	(23,607,835)
Carry-over of appropriations (-)	(3,749,498)	(3,991,167)	(5,044,840)
Cancellation of appropriations carried over (+)	100,017	182,308	151,834
Adjustment for carry over of assigned revenue appropriations from previous year (+)	90,129	80,855	81,831
Exchange rate differences (+/-)	(9,385)	(11,673)	(4,485)
Adjustment for negative balance from previous year (-)			(190,733)
Total	104,243	(190,733)	212,781

²⁸ COMMISSION DELEGATED REGULATION (EU) 2019/715 of 18 December 2018 on the framework financial regulation for the bodies set up under the TFEU and Euratom Treaty and referred to in Article 70 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council.

²⁹ The figures are rounded

EIOPA uses only non-differentiated appropriations. In 2020, the authority was funded by contributions from the NCAs of the Member States and EFTA countries as well as by a subsidy from the European Commission. EIOPA also generated other income stemming mainly from an administrative agreement with DG Reform.

The total revenue was EUR 28,827,009. EIOPA's total annual spending from available commitment appropriations, including budget commitments carried forward to 2021, reached EUR 28,652,675. Payments made from the adopted budget were equal to EUR 23,503,210, payments from internal assigned revenue equal to EUR 104,625 and appropriations carried over to 2021 equal to EUR 5,044,840. This led to an outturn of the financial year equal to EUR 174,334. Cancelled appropriations from the carry-over of the previous year as well as appropriations available from 2019 internal assigned revenue increased the outturn while adjustments made for foreign exchange rate differences slightly alleviated the positive effect. The budget result 2020 after deducting the negative result from 2019 (EUR 190,733) was EUR 212,781.

The budget implementation rate for commitments was 100% and 84% for payments made in 2020, including payments from internal assigned revenue and from the prior-year carry-over of appropriations. The ratio of commitments carried forward to the following year achieved 17.20% (14.37% in 2019). Payments made from commitments carried forward in 2019 were high and reached 96.12%.

EIOPA – STATEMENT OF FINANCIAL PERFORMANCE

The financial statements below show all income and charges on accrual basis complying with the accounting rules of COM.

The economic result of the year was equal to 430,592. The reserves increased to reach a total of EUR 7,325,660. This is the effect of additional development expenditure capitalised for IT projects of which the amortisation has started in 2020. The reconstruction of the EIOPA premises increased the value of the fixtures installed. The reserves bound by the appropriations carried over to 2021 are reflected in financial assets held with banks, which increased from 2019 to 2020. The amortisation of the internally generated software and the increase of short-term payables reduced the overall positive effect.

	Amounts in EUR	
	2020	2019
European Union contribution	10,339,128	10,187,173
Other operating revenue	17,915,579	18,699,485
TOTAL OPERATING REVENUE	28,254,707	28,886,658
Administrative expenses	(23,442,953)	(23,516,615)
All Staff expenses	(15,972,481)	(14,918,845)
Fixed asset related expenses	(1,135,511)	(2,247,858)
Other administrative expenses	(6,334,961)	(6,349,912)
Operational expenses	(4,345,410)	(4,734,317)
Other operational expenses	(4,345,410)	(4,734,317)
TOTAL OPERATING EXPENSES	(27,788,363)	(28,250,932)
SURPLUS/(DEFICIT) FROM	466,344	635,726
OPERATING ACTIVITIES		
Financial revenues	o	o
Financial expenses	(35,752)	(15,321)
SURPLUS/ (DEFICIT) FROM	(35,752)	(15,321)
NON OPERATING ACTIVITIES		
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES	430,592	620,405
ECONOMIC RESULT OF THE YEAR	430,592	620,405

EIOPA - BALANCE SHEET- ASSETS

The balance sheet presents EIOPA's assets and liabilities on a full accrual-basis.

	Amounts in EUR	
	31.12.2020	31.12.2019
ASSETS		
NON CURRENT ASSETS		
Intangible assets	1,527,490	2,075,584
Property, plant and equipment	1,462,164	1,290,793
Land and buildings	0	0
Plant and equipment	0	0
Computer hardware	59,312	105,823
Furniture and vehicles	321,596	330,228
Other fixtures and fittings	1,081,256	854,742
Property, plant and equipment under construction	0	0
Long-term receivables and recoverables	0	0
Long-term receivables and recoverables	0	0
Long-term receivables and recoverables with consolidated Commission entities	0	0
TOTAL NON CURRENT ASSETS	2,989,654	3,366,377
CURRENT ASSETS		
Short-term receivables	1,750,851	2,004,575
Current receivables	691,658	940,495
Current receivables consolidated EU entities	0	3,418
Sundry receivables	53,941	48,003
Pre-paid expenses	0	0
Deferred charges and accrued income	814,002	653,361
Deferred charges and accrued income with consolidated EU entities	191,250	359,298
Short-term pre-financing	916	51,789
Short-term pre-financing	916	51,789
Cash and cash equivalents	4,784,759	3,215,430
TOTAL CURRENT ASSETS	6,536,526	5,271,794
TOTAL	9,526,180	8,638,171

EIOPA - BALANCE SHEET- LIABILITIES

	Amounts in EUR	
	31.12.2020	31.12.2019
LIABILITIES		
CAPITAL	7,325,660	6,895,068
Accumulated surplus/deficit	6,895,068	6,274,663
Economic result for the year - profit/(loss)	430,592	620,405
TOTAL	7,325,660	6,895,068
NON-CURRENT LIABILITIES		
Provisions for risks and charges	68,498	59,581
Other financial liabilities	798,628	698,946
Accrued charges and deferred income	100,492	57,384
TOTAL NON-CURRENT LIABILITIES	967,618	815,911
CURRENT LIABILITIES		
Provisions for risks and charges	0	0
Accounts payable	1,232,902	927,192
Current payables	32,904	6,181
Sundry payables	13,504	13,504
Accrued charges and deferred income	949,310	880,417
Accrued charges with consolidated EU entities	24,403	27,090
Accounts payable with consolidated EU entities	212,781	0
<i>Pre-financing received from consolidated EU entities</i>	<i>212,781</i>	<i>0</i>
TOTAL CURRENT LIABILITIES	1,232,902	927,192
TOTAL	9,526,180	8,638,171

EIOPA - CASH FLOW TABLE (INDIRECT METHOD)

The cash flow provides a basis to assess the ability of EIOPA to generate cash and cash equivalents, and the needs of the entity to utilise those cash flows. Cash flows are classified by operating, investing and financing activities.

	Amounts in EUR	
	2020	2019
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	430,592	620,405
Operating activities		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +	825,007	1,686,122
Depreciation (tangible fixed assets) +	310,504	561,736
Increase/(decrease) in long-term provisions for risks and liabilities	8,917	(542,995)
Increase/(decrease) in short-term provisions for risks and liabilities	0	0
(Increase)/decrease in inventories	0	0
(Increase)/decrease in long term pre-financing	0	0
(Increase)/decrease in short term pre-financing	50,873	(51,789)
(Increase)/decrease in long term receivables and recoverables	0	0
(Increase)/decrease in Short term Receivables and recoverables	82,259	(531,696)
(Increase)/decrease in receivables related to consolidated EU entities	171,465	0
Increase/(decrease) in value reduction for doubtful debts	0	0
Increase/(decrease) in long-term financial liabilities	99,682	599,345
Increase/(decrease) in short-term financial liabilities	0	0
Increase/(decrease) in other long-term liabilities	43,108	(633,353)
Increase/(decrease) in other short-term liabilities (accrued charges and deferred income)	66,206	86,367
Increase/(decrease) in short-term payables	26,724	4,820
Increase/(decrease) in Liabilities related to consolidated EU entities	212,781	(104,243)
Other non-cash movements	0	0
Net cash Flow from operating activities	2,328,118	1,694,719

	Amounts in EUR	
	2020	2019
Cash Flows from investing activities		
(Increase)/Decrease in intangible assets and property, plant and equipment	(758,789)	(1,789,555)
Other proceeds from intangible assets and property, plant and equipment	0	0
Net cash flow from investing activities	(758,789)	(1,789,555)
Increase/(decrease) in Employee benefits	0	0
Net increase/(decrease) in cash and cash equivalents	1,569,329	(94,836)
Cash and cash equivalents at the beginning of the period	3,215,430	3,310,266
Cash and cash equivalents at the end of the period	4,784,759	3,215,430

EIOPA – STATEMENT OF CHANGES IN NET ASSETS

	Amounts in EUR		
Net assets	Accumulated Surplus / Deficit	Economic result of the year	Net assets (total)
Balance as of 31 December 2019	6,274,663	620,405	6,895,068
Other	0	0	0
Fair value movements	0	0	0
Movement in Guarantee Fund reserve	0	0	0
Allocation of the Economic Result of Previous Year	620,405	(620,405)	0
Amounts credited to Member States	0	0	0
Economic result of the year	0	430,592	430,592
Balance as of 31 December 2020	6,895,068	430,592	7,325,660

ANNEX IX: ACCESS TO DOCUMENTS REPORT 2020

1. INITIAL REQUESTS IN 2020

Number of received applications and of identified documents, as requested³⁰

Number of applications	Number of identified documents
8	36

Outcome of the applications in number of documents

Full disclosure	2
Partial disclosure	7
Of all which, documents already publicly available	2
Refusal	27
No existing/possession of document	Documents were not found in relation to 3 applications
Decision pending	-

2. CONFIRMATORY APPLICATIONS IN 2020

Number of confirmatory applications and of identified documents, as requested

Number of requested applications	Number of identified documents
2	27

Outcome of the applications in number of documents

Confirmation	23
Partial revision	-
Full revision	4

³⁰ An ATD application containing a general request to any documents relating to a specific subject(s) cannot be quantified in terms of number of requested documents. Such quantification is only possible with regard to an ATD application requesting access to a specific document. Therefore, the figures in this table do not necessarily coincide.

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