



# EIOPA Outsourcing Guideline Webinar Sessions

10 November 2022



# Your speakers of today



**Jos Joos**

*Jos is Executive Director in the Procurement and Supply Chain Advisory in Belgium, and has 25 years of experience in Management Consulting, mainly in the domain of Procurement, Supply Chain and Operations. Jos also has working experience across various industry sectors, including Retail, Life Sciences, Telco, Utilities, Transport & Postal, and Defense.*



**Paul Olieman**

*Paul is an Executive Director in the Digital Enablement practice of KPMG Advisory Belgium. Paul is responsible for the Technology Outsourcing advisory services of KPMG Belgium. With over 20 years of international experience, he has assisted clients in every stage of the outsourcing lifecycle, from drafting outsourcing strategies, selection and contracting support, outsourcing governance and improvement of existing outsourcing relationships.*



**Maarten Visser**

*Maarten is a Senior Manager in the Digital Sourcing practice of KPMG Advisory Netherlands. He has extensive experience in both the public and private sector in, amongst others: sourcing strategies, service provider selection & governance.*



**Arnaud Malardé**

*Arnaud Malardé, Senior Product Marketing Manager, joined Ivalua with over 10 years of experience in several procurement positions. An accomplished procurement and financial expert, Arnaud has worked alongside prestigious international Financial Services, Retail, IT and Media organizations.*

# Agenda



**Introduction**



**Survey results 2022**



**Client case and  
lessons learned**



**Demo Ivalua**

**01**

# **Introduction**



# EIOPA – Guidelines on outsourcing to cloud service providers

The European Insurance and Occupational Pensions Authority (EIOPA) published (January 2020) the final version of its guidelines on outsourcing to cloud service providers. While the guidelines apply specifically to insurance and reinsurance undertakings, EIOPA has taken note of the existing guidelines by the European Banking Authority (on outsourcing and cloud services) to limit regulatory fragmentation in the financial market. The Guidelines should be understood under Solvency II.

**What does the  
16 Guidelines on  
outsourcing to  
cloud service  
providers mean  
for insurers?**



**Provide clarification and transparency to market participants avoiding potential regulatory arbitrages**



**Foster supervisory convergence regarding the expectations and processes applicable in relation to cloud outsourcing**



**All agreements started on or after 1 January 2021 need to comply. Existing agreements need to be reviewed by 31 December 2022.**



# EIOPA – Actions to be taken by EIOPA

EIOPA has identified areas of the outsourcing framework and outsourcing supervisory practices where the possibility to achieve higher supervisory convergence and/or more clarity of supervisory expectations should be further assessed. To address those, three domains need to be analyzed further.

## Outsourcing of delegated authority

- EIOPA will consider developing further guidance to NSAs on how to differentiate between the activity of (re)insurance distribution and the outsourcing by an undertaking, with delegated powers to the service provider, of the activities of underwriting and/or settling claims.
- Assess the need to further develop the concept of Managing General Agent, to ensure convergence in the regulation and supervision of these type of entities.

## Definition of material development and meaning of timely notification

- EIOPA will consider developing further guidance to NSAs on what should be considered material development of critical and/or important functions and activities and the meaning of timely notification.

## Supervision of ‘empty shells’ (undertakings that outsource so much it affects their corporate substance)

- EIOPA will consider developing guidance to assist NSAs to assess the existence of corporate substance of undertakings and allow identification of empty shells.

**02**

# **Survey results 2022**



# Profile of Respondents

## ▶ Survey details

Sample size:



12

insurers

6



6



2

countries

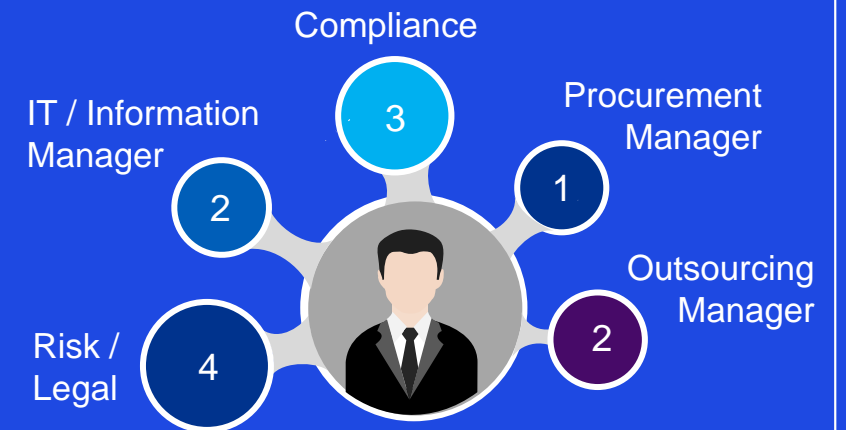
Format:



29

Multiple choice questions

## ▶ Respondents per function





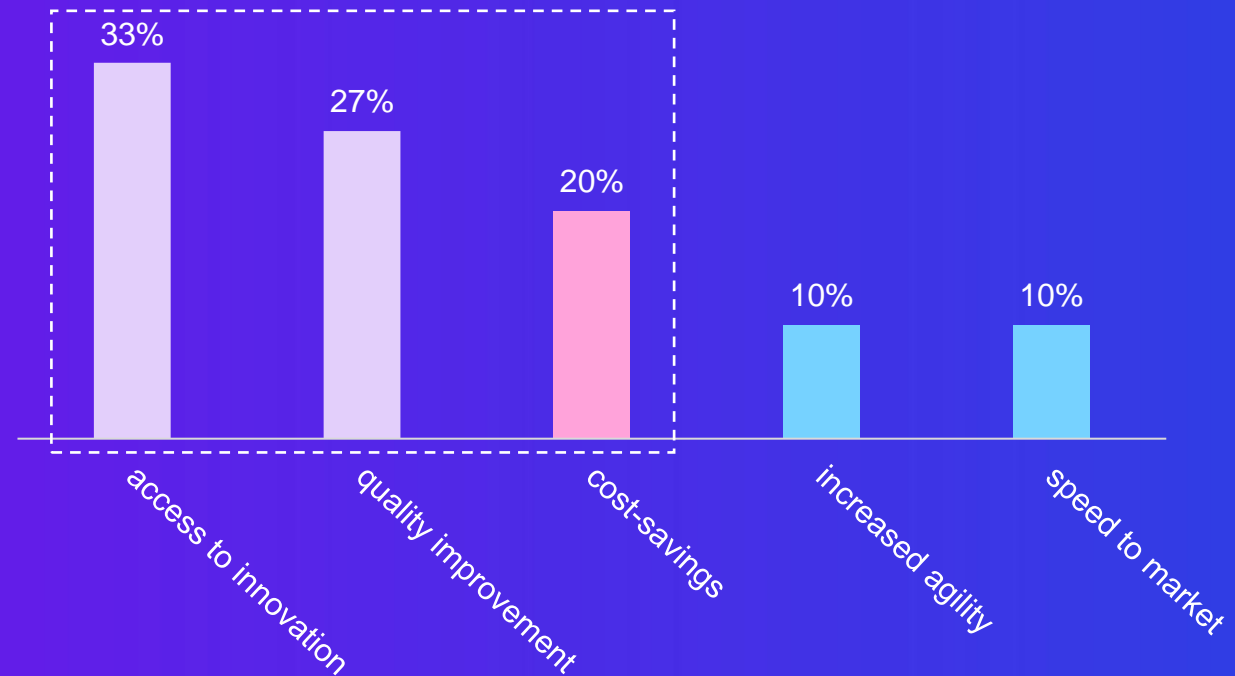


## Key findings

# Outsourcing objectives

“What are the **main objectives** for outsourcing to cloud service providers?”

Only 25% of respondents say they fully achieve these objectives



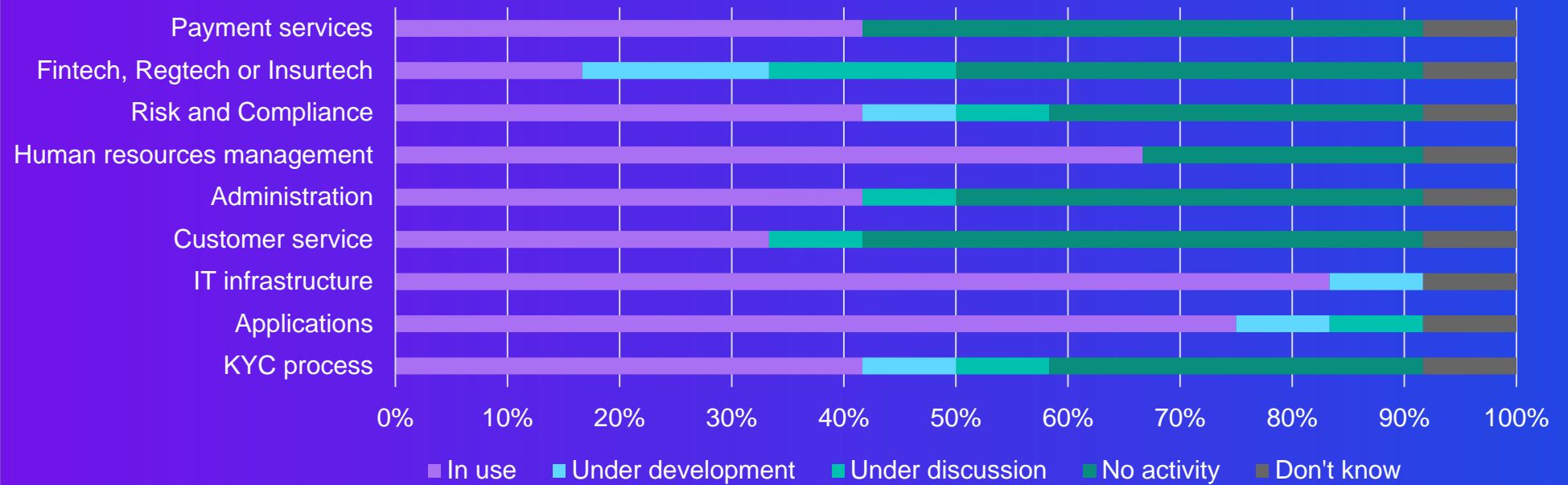
“Outsourcing is seen as a quick way to get access to innovation, quality improvement and cost reduction”



## Key findings

# Outsourcing objectives

To what extent has your company outsourced functions or activities in the following areas:



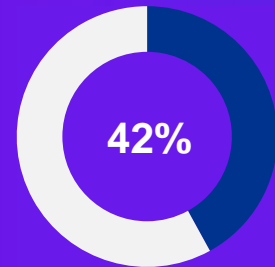


## Key findings

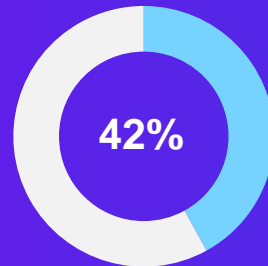
# Outsourcing guidelines confidence

“Only 42% of respondents feel **very confident** that their organisation is **compliant** with the EIOPA outsourcing guidelines”

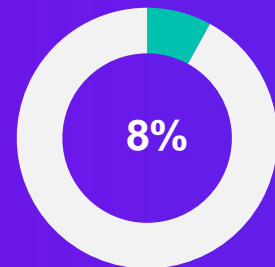
### Confidence level that agreements entered into after 1 January 2021 are compliant



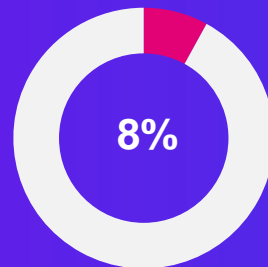
Fully agree



Rather agree

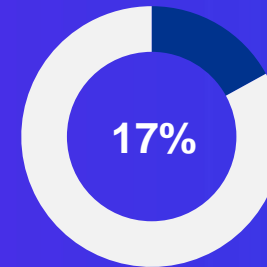


Rather disagree

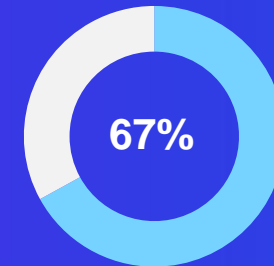


Fully disagree

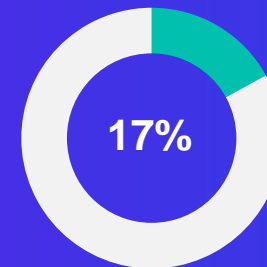
### Confidence level that existing agreements will be reviewed by end of 2022



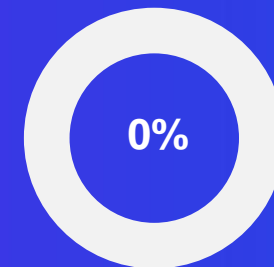
Fully agree



Rather agree



Rather disagree



Fully disagree



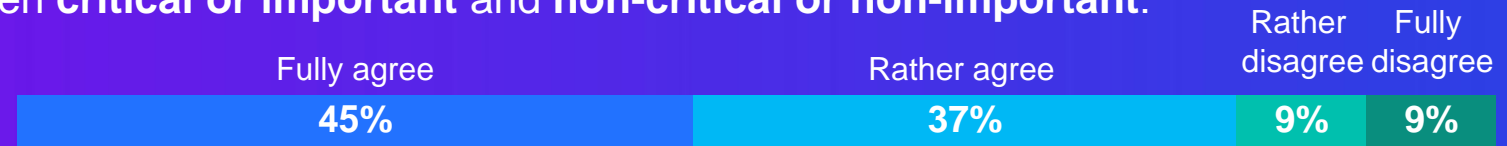
## Key findings

# Control and governance framework

“As part of the **pre-outsourcing analysis**, you undertake **appropriate due diligence** on potential cloud service providers”



“You have **documented** the required information (e.g., in a **register**) with a **clear distinction** between **critical or important** and **non-critical or non-important**.”



“You **perform a risk assessment** to assess the **potential impact** of any **cloud outsourcing agreement**.”





## Key findings

# Control and governance framework

“Do you have predefined workflows, templates and criteria in place for the assessment, approval and onboarding of new cloud service providers?”



82%

18%



“Do you **exercise your access and audit rights** on cloud service providers on a regular basis?”



18%

82%

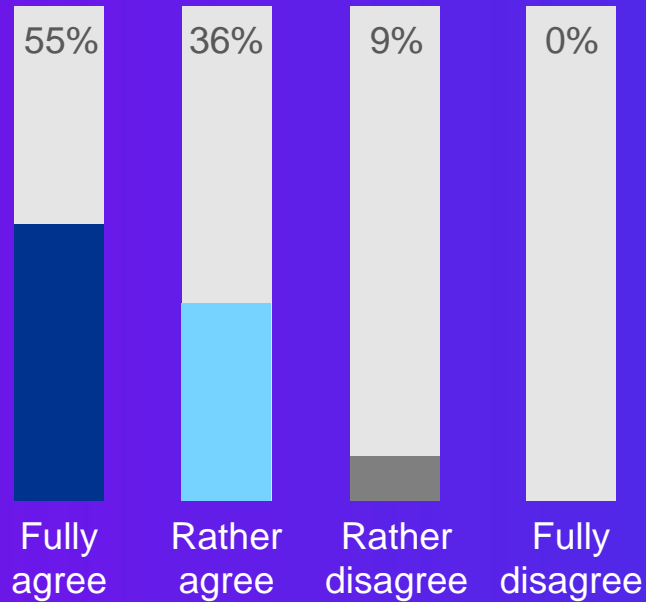




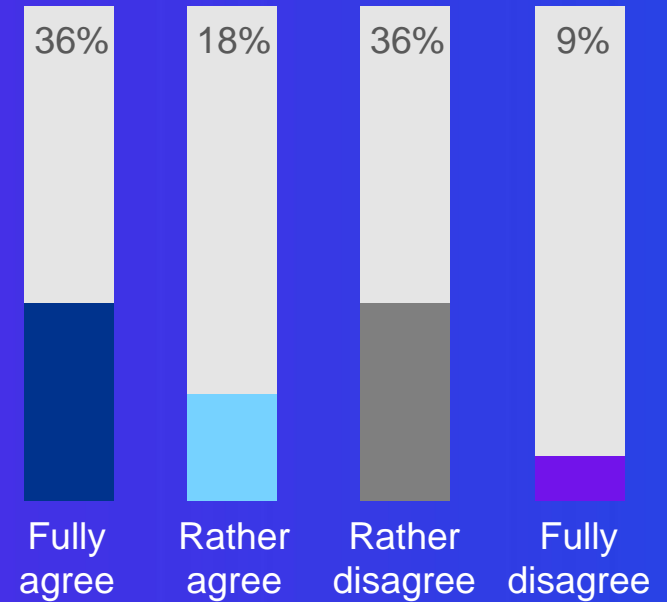
## Key findings

# Outsourcing lifecycle management

“The **performance, the security measures** and the adherence to agreed **service levels** by the cloud service providers **is monitored.**”



“For the outsourced **critical or important functions**, we have a **clearly defined exit strategy** ensuring that we are able to transfer to an **alternative solution.**”



**03**

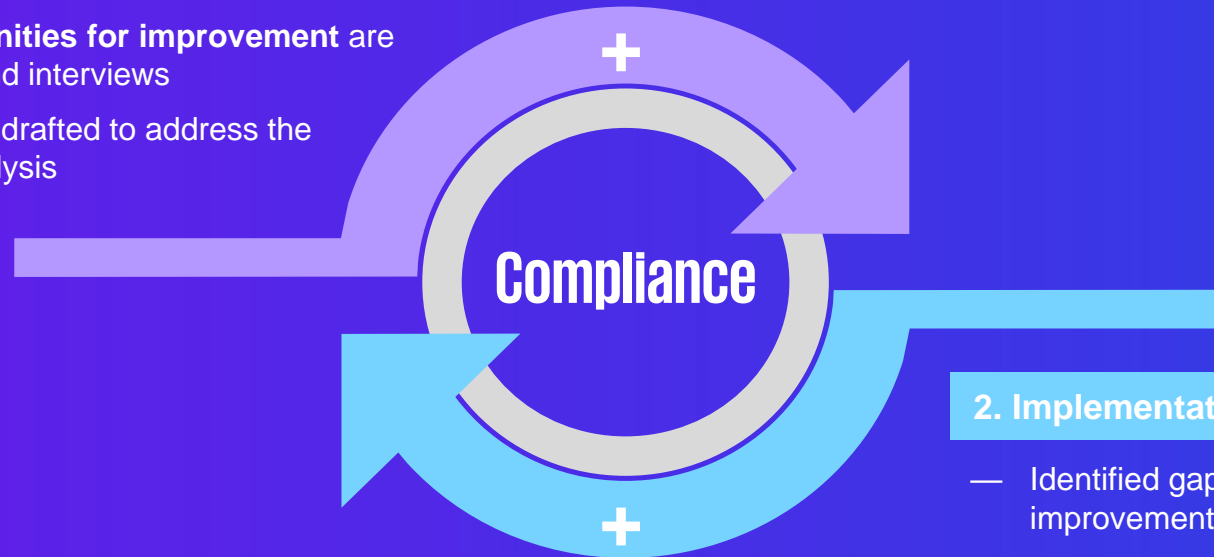
# **Client case & Lessons learned**



# Client case – High-level approach

## 1. Gap Analysis and Improvement Plan

- An **Assessment Tool** is used to perform a **Gap Analysis** on the compliance with the EIOPA Guidelines
- Major **gaps and opportunities for improvement** are identified in workshops and interviews
- An **Improvement Plan** is drafted to address the outcomes of the Gap Analysis



## 2. Implementation of the Guidelines

- Identified gaps and opportunities for improvement are **prioritized**
- The Improvement Plan is executed in a **series of sprints**
- A distinction is made between **short-term and long-term activities**





# Maturity Assessment tool

1. Gap Analysis and Improvement Plan

2. Implementation of the Guidelines

EIOPA-BoS-20-002

**Guidelines on outsourcing to cloud service providers**

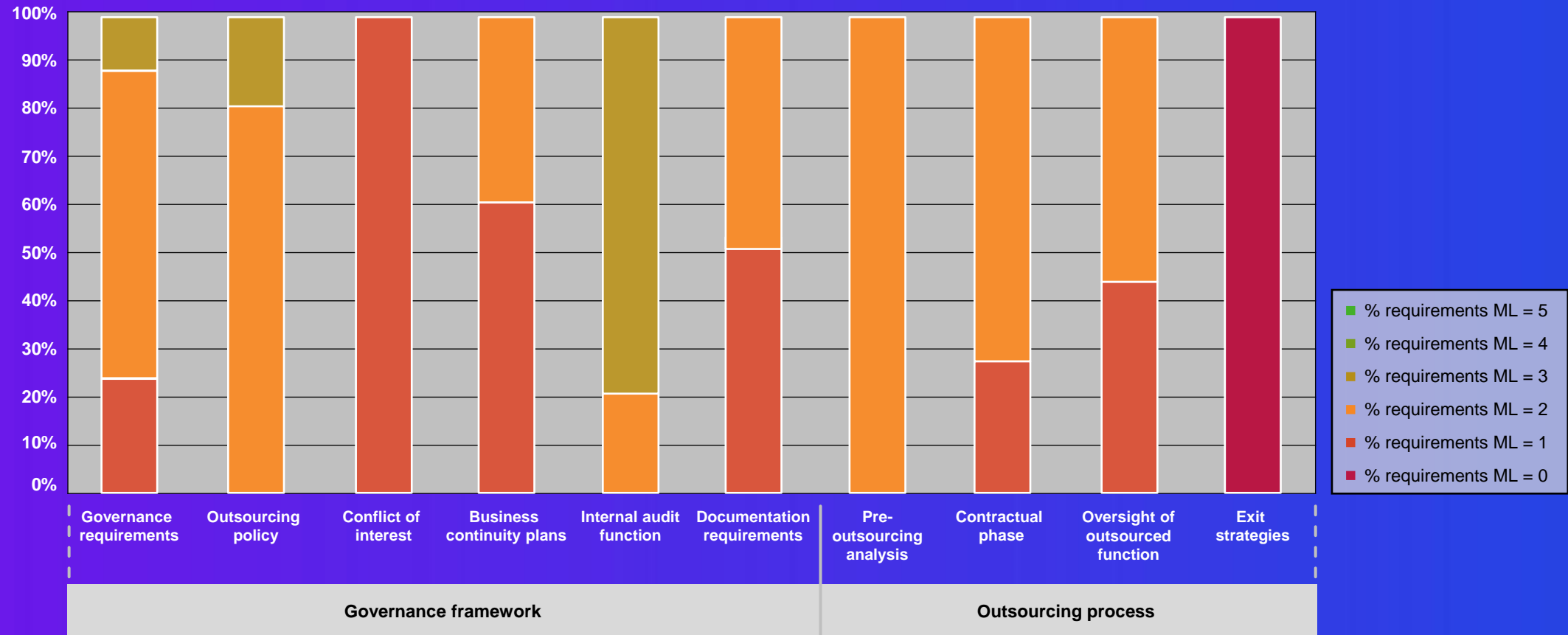
Maturity Assessment Overview		Maturity Assessment Results	
<b>Main Menu</b>	CLICK on the domain name to navigate to the detailed Maturity Assessment-sheet	<b>Assessment Status</b>	<b>Operational maturity level Assessment Current</b>
<b>Domain</b>	<b>Governance framework</b>	<b>Open</b>	<b>N/A</b>
Institutions and payment institutions should have an effective governance framework in place to manage all outsourcing arrangements.			
<b>1</b>	<b>Governance Requirements</b>	<b>Open</b>	<b>N/A</b>
1.1	Responsible and accountable	Closed	2
1.2	Knowledge	Draft	3
1.3	Responsibilities	Open	0
1.4	Compliance staff	Open	1
1.5	Outsourcing function	Open	2
1.6	Retained organization	Open	4
1.7	Internal control functions	Open	5
1.8	Risk management	Open	4
1.9	Processing of sensitive data	Open	4
<b>2</b>	<b>Outsourcing policy</b>	<b>Open</b>	<b>5</b>
2.1	Approved policy	Open	3
2.2	Maintenance of policy	Open	4
2.3	Outsourcing life cycle	Open	2
2.4	Responsibilities	Open	5
2.5	Differentiation	Open	3
2.6	Risk profile	Open	4
<b>3</b>	<b>Conflict of interest</b>	<b>Open</b>	<b>4</b>
3.1	Conflict of interests	Open	3
<b>4</b>	<b>Business continuity plans</b>	<b>Open</b>	<b>3</b>
4.1	Business continuity plans	Open	1
4.2	Testing	Open	0
4.3	Quality disruption	Open	3
<b>5</b>	<b>Internal audit function</b>	<b>Open</b>	<b>3</b>
5.1	Independent review	Open	3
5.2	Audit activities	Open	3
5.3	Quarterly management reports	Open	5
<b>6</b>	<b>Documentation Requirements</b>	<b>Open</b>	<b>4</b>
6.1	Outsourcing register	Open	3
6.2	Information completeness - outsourcing arrangements	Open	5
6.3	Information completeness - service providers	Open	4
6.4	Information completeness - critical or important functions	Open	2
6.5	Outsourcing register	Open	3
6.6	Execution of effective supervision	Open	2
6.7	Critical and important functions, including cloud services	Open	3
6.8	Material changes and/or severe events	Open	3
6.9	Outsourcing strategy	Open	0
<b>Main Menu</b>	<b>1. General information</b>	<b>2. Assessment summary</b>	<b>3. Graphical overview</b>
		<b>4. Governance framework</b>	<b>5. Outsourcing process</b>



# Gap Analysis – Maturity score per topic

1. Gap Analysis and Improvement Plan

2. Implementation of the Guidelines





# Improvement Plan





# Outsourcing Process: Templates and Procedures

1. Gap Analysis and Improvement Plan

2. Implementation of the Guidelines

- Procedures for Notifications to the Competent Authority (Supervisor)
- Outsourcing Register
- Documentation maintenance (Classification, Risk Assessment, SLA's, Exit Plan, etc.)

- Monitoring Guiding Principles
- Risk Assessment
- Escalation Procedure
- Business Continuity Plan
- Exit Plan
- Exit Strategy

4. Reporting and documentation requirements

1. Pre-Outsourcing

- Outsourcing Classification
- Risk Assessment template
- Due Diligence Guidance
- Conflict of Interest Analysis
- Knowledge Retention Analysis
- Business Continuity Plan template
- BIA and PIA templates
- Exit Strategy template

3. Monitoring, Evaluation & Optimization

2. Contracting

- Standard Contract Schedules
- EIOPA Addendum
- Minimal Contract Requirements checklist
- Exception Procedure
- Contract Management (incl. tooling)



## Client case: Lessons Learned



Make it a **multidisciplinary initiative**. Allocate sufficient time to explain all aspects of the guidelines in order to increase **awareness**.



The guidelines are up for **interpretation**, which can lead to many semantic discussions. Facilitate discussions on the intent and goals of the guidelines.



Make templates and procedures **pragmatic and fit for purpose**.



**Maintain focus**. The guidelines touch many topics that can be related to other guidelines and/or organizational shortcomings. You cannot solve all issues at once.



Do not just focus on compliance: strive for **business value** in the process.

**04**

**DEMO I VALUA**



# Demo



**05**

**Q&A**





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