
55TH MANAGEMENT BOARD MEETING VIA TELECONFERENCE

DATE: 14 SEPTEMBER 2020 09:00-13:00

LOCATION: N/A

FINAL MINUTES

WELCOME AND INTRODUCTORY REMARKS BY THE EIOPA CHAIRPERSON

1. The Chairperson welcomed the attendees to the fifty-fifth meeting of EIOPA's Management Board (MB).

AGENDA ITEM 1: ADOPTION OF THE AGENDA

2. Ms Else Bos informed the MB members that she will attend only part of the meeting and will be replaced by Ms Petra Hielkema, MB Alternate.
3. One MB member expressed the wish to have the EFC–FST covered by the Chairperson in his oral updates.

DECISION

4. MB adopted the agenda by consensus.

CONCLUSIONS AND ACTION POINTS

5. Not applicable

AGENDA ITEM 2: UPDATE BY CHAIRPERSON, EXECUTIVE DIRECTOR AND THE EUROPEAN COMMISSION

UPDATE BY THE CHAIRPERSON

EU ECONOMIC AND FINANCIAL COMMITTEE (EFC-FST), 4 SEPTEMBER 2020

6. The Chairperson debriefed the MB regarding his participation to the Financial Stability Table of the EU Economic and Financial Committee (EFC-FST) which took place in Brussels on 4

FINAL MINUTES

September. The discussions and presentations given at the Financial Stability Table were focused on the direct and second round effects of COVID-19.

7. The general perception coming from all the Institutions present at the meeting and from the comments made by the different Member States (MSs) is that macro-economic risks are still high, exponentially pushed by the geo-political tensions between US and China and by the Brexit outlook, on top of the concerns around the economic consequences of a possible second wave of COVID -19 infections starting around Europe.
8. Other points discussed were the disconnection between market valuations and the underlying macro-economic developments and the importance of analyzing possible cliff effects on the economy and the financial sector coming from the wind down of national support measures.
9. In this sense the Chairperson pointed out to the importance of continuing the work related to the assessment of the impact of credit downgrades and defaults of corporates in the insurers portfolio, directly or indirectly via exposures to banks which will be impacted by an increase in non-performing loans (NPLs).
10. The Chairperson concluded the update by outlining that the situation is evolving and risks are still on the horizon, which might trigger additional measures from the Member States.

UPDATE BY THE EXECUTIVE DIRECTOR

FINANCIAL SERVICES COMMITTEE, 3 JULY 2020

11. The Executive Director (ED) reported on the Financial Services Committee (FSC) meeting which took place on 3 July 2020. At the meeting EIOPA updated the FSC members on its strategy for the provision of insurance for cyber-risks. In addition, the European Supervisory Authorities (ESAs) presented their joint consultation paper on Environment, Social and Governance (ESG) disclosures. The ED underlined that both topics are in high political demand and will most probably stay on the working agenda for the coming years.

COVID-19 - IMPACT ON THE ORGANISATION, UPDATE

12. On the organizational issues, the ED updated the MB on EIOPA's operations and preparatory work for the return to the office, particularly the envisaged 2nd phase. Due to the recent developments of the COVID19-pandemic, the 2nd phase which was initially scheduled to take effect on 1 October is now postponed. EIOPA will continue with its 1st phase, return to office on a voluntary basis.
13. EIOPA is constantly monitoring the pandemic situation and the return-to-office approach taken by COM and other European Institutions and aligns its strategy accordingly.

ETHICS RULES FOR STAFF

14. The ED briefed the MB on the Ethics rules for staff, following the events in the EBA concerning its former Executive Director's move as CEO to the Association of Financial Markets in Europe,

FINAL MINUTES

and on the set of recommendations of the Ombudsman on handling such conflict matters in relation to senior staff members.

15. The ED mentioned that the recommendations have been discussed at EBA board level to define a set of ethics rules for senior staff members that can ensure very high standards of professional conduct. Both EIOPA and ESMA are closely following these recent developments.
16. The ED informed the MB that EIOPA intention is to present for MB approval via written procedure a revised decision on its ethics rules by end September.

UPDATE BY COM

17. The COM representative informed the MB on the recent political shift at COM's leadership, particularly the appointment of Mrs. Mairead McGuinness as commissioner in charge of financial services, financial stability and capital markets union. The COM's Vice-President Valdis Dombrovskis will assume the responsibility for the trade portfolio, as the new trade Commissioner.
18. The COM representative mentioned that the team is preparing the newly appointed Commissioner for her hearing expected to take place at the end of September, and that there is no expected impact on the business continuity agenda.
19. Another reported staff change at COM was the recent move of Mr. Steve Ryan to the Anti-Money Laundry Unit, as Deputy Director. He was replaced by Mrs. Larisa Dragomir, expected to take up her new role of Deputy Head of the Unit D4 as of 1 October.
20. The COM representative continued his updates on business files, particularly:
 - PEPP file: thanking EIOPA for successfully delivering the work and for the good performance. The COM has started their internal process, and launched the inter-service consultation a week ago. Next important milestone is the legal service revision of the file. No delay expected from the set deadlines for the PEPP level 2 package;
 - Solvency II: the report on the ongoing Solvency II open public consultation will run until end of October.
21. In the follow-up discussion, the COM representative clarified that no further staff changes within COM are expected in the short run. With regard to digitalization, in particular the aspect on the lengthening of the value chain, the Chairperson informed that the recent EIOPA discussion paper covers these issues, particularly the impact coming from the increased role of third party providers. EIOPA is currently receiving contributions to this discussion paper and intends to discuss the way forward at the Board of Supervisors (BoS).

CONCLUSIONS AND ACTION POINTS

22. Not applicable

AGENDA ITEM 3: COVID-19: LATEST DEVELOPMENTS

23. The Head of Risks and Financial Stability Department provided an update on the latest developments in the context of Covid-19. Despite a positive development in financial markets, the risk of second wave of pandemic seems to be raised and increases in corporate defaults are expected. Hence, financial market development might be disconnected from the real economy development. In this respect, the question on the impacts after national measures supporting economies will be lifted remains. In this context, there are some concerns on premium inflows for the insurance sector.

DECISION

24. Not applicable

CONCLUSIONS AND ACTION POINTS

25. MB took note of the update on the latest developments, in particular the potential risk of the second wave of pandemic and the disconnection between financial markets and the real economy, as highlighted.

AGENDA ITEM 4: RENEWAL OF EXECUTIVE DIRECTOR MANDATE: INTERVIEW

26. The Vice-Chairperson presented the topic and explained the process so far. The MB proceeded with interviewing the ED. Thereafter, the MB Members exchanged views on the outcome of the interview.

DECISION

27. Not applicable.

CONCLUSIONS AND ACTION POINTS

28. The MB assessors to finalize the evaluation report and to send it to the BoS for approval at its meeting on 29 September 2020.

AGENDA ITEM 5: INSTITUTIONAL TOPICS

5.1 EIOPA ANNUAL WORK PROGRAMME 2020

5.1.1 EIOPA Annual Work Programme 2020: amendment

29. The ED introduced the Revised Annual Work Programme (AWP) 2020. This is the second and final revision of the AWP for the year. It builds upon the changes already introduced in April to address the consequences of the COVID-19 crisis in terms of EIOPA's tasks and powers, and the limitations on how it functions as an organisation.

FINAL MINUTES

30. The ED also discussed the management team's planning on the 'new normal' working arrangements. EIOPA envisages to adopt an approach that exploits the efficiencies of the digital solutions, but at the same time ensures performance and ongoing positive interaction, both within the Authority and with its Members.
31. In relation to COM's Opinion on the Draft Single Programming Document (SPD) 2021-2023, and the request therein for quarterly reporting on progress, the ED drew MB's attention to the annex of the cover note, which provides an overview of status and developments for each of EIOPA's products and services. In 2021, EIOPA will review and enhance its approach to this reporting. Furthermore, COM will receive a response to its Opinion within the letter that is sent alongside the SPD 2021-2023, when it is submitted to the EU institutions following its adoption by BoS.

DECISION

32. MB adopted by consensus the proposal for the 'Revised AWP 2020' (EIOPA-MB-20-072, 14 September 2020).

CONCLUSIONS AND ACTION POINTS

33. EIOPA to address the comments provided by MB in advance of the BoS meeting.
34. EIOPA to submit the 'Revised Annual Work Programme 2020 September' for the BoS adoption in its meeting on 29 September 2020.

5.1.2 EIOPA budget 2020: amendment

35. The Head of Corporate Support Department presented the main changes of the proposed budget amendment. Due to the COVID-19 situation savings will be realized in 2020 in the areas of Human Resources, missions, trainings and events and meetings, while additional costs are forecasted for telecommunication, IT collaboration solutions, online tools supporting remote working arrangements as well as data center and business intelligence investments needed to further turn EIOPA into a data driven organization. The total budget reduction is EUR 1.1 million.

DECISION

36. MB approved by consensus 'EIOPA's draft budget 2020 amendment' (EIOPA-MB-20-072, 14 September 2020).

CONCLUSIONS AND ACTION POINTS

37. EIOPA to submit 'EIOPA's draft budget 2020 amendment' for the BoS adoption in its meeting on 29 September 2020.

5.2 REVISED SPD 2021-2023

5.2.1 Revised SPD 2021-2023, including Annual Work Programme 2021

38. The ED informed that given the evolving adverse effects of the Covid-19 pandemic on the insurance and occupational pensions sectors in Europe and beyond, the draft SPD from January 2020 has undergone stringent assessment.
39. The revised document encompasses the following key elements, among others: Continued crisis monitoring, performance and risk assessments; Shared resilience solutions; Continuation of existing cross-cutting themes: digitalisation and sustainability; Focus on new technologies for supervision; Comprehensive risk-based and preventive approach to conduct of business supervision; Enhanced market monitoring activities; activities to assist EIOPA in becoming a data-driven organisation; and organizational element to ensure continued performance and agility.
40. The Head of Corporate Support Department presented the revised draft budget for 2021-2023. The budget proposal is line with the draft EU Multi-Financial Framework budgetary figures.

DECISION

41. MB approved by consensus 'EIOPA's draft budget 2020 amendment' (EIOPA-MB-20-072, 14 September 2020).

CONCLUSIONS AND ACTION POINTS

42. EIOPA to submit 'EIOPA's draft budget 2020 amendment' for the BoS adoption in its meeting on 29 September 2020.

AGENDA ITEM 6: BoS PREPARATION

6.1 INSURANCE STRESS TEST IN 2021: ROADMAP

43. The Head of the Risks and Financial Stability Department introduced the topic providing a brief overview of the content of the Roadmap and of the main feedback received by the Risk and Financial Stability Committee. He also mentioned that the Draft Roadmap is currently under Written Procedure at the Risk and Financial Stability Committee (RFSC) level and that the comments will be reflected into the draft version to be submitted to the BoS.
44. Some members commented that any decision on the liquidity component of the exercise should take into account the feedback from the industry expected in October on the liquidity section of the second discussion paper on the stress test methodology.
45. On the timeline, member views were split between 2 different positions - the traditional timeline, and an extended central validation process as planned for in the early launch option.

DECISION

46. MB endorsed the draft roadmap and agreed to further discuss the document in the forthcoming BoS.

CONCLUSIONS AND ACTION POINTS

47. The liquidity component to be considered taking into account the feedback from the industry.
48. The options for the timeline to be further discussed in the light of the advantages of having three points of validation and the COVID-19 crisis contingency.

6.2 SOLVENCY II REVIEW: SPECIFIC ITEMS FOR DISCUSSION

49. EIOPA Staff introduced the topic and presented the different elements for discussion.
50. The Chairperson highlighted that the objective of the discussion is not to reach final decisions but to collect the main concerns of the MB on the different areas.
51. On the single Regular Supervisory Reporting (RSR), the MB generally supported the improved criteria and the optional nature of the proposal. COM highlighted the need to justify any optionality embedded in the proposal. The Chairperson emphasized the fact that the revised proposal should provide comfort to the supervisors that they will receive the information that they need.
52. In the follow-up discussion, the usefulness of the proposed approach to split the content in several separate documents was questioned by some members; and the need to retain the high quality work developed was highlighted as opposed to sacrificing it due to the pressure to reduce the size of the documents.
53. Concerning the COVID-19 revisions, the MB expressed substantial concerns on the proposal for the own-fund buffer. The Chairperson defended the merits of the proposal as an important tool to curb volatility while agreeing that care is needed to avoid possible duplications with other components of the framework. Concerning the symmetric adjustment, there were some views that the proposed approach will likely add volatility to capital requirements, and of skepticism on the proposal.
54. Regarding the highlighted issue on proportionality, MB Members expressed their support for the proposal, albeit little concern about the possible mix between the concepts of proportionality and simplifications, and criticism linked to the possible administrative burden created by the proposal. Some Members expressed concerns with the proposed criteria and how it will work in particular for smaller member states. COM highlighted the importance of the proposals in light of the difficulties which are faced under the current approach and highlighted the balance which is achieved between providing some guarantees to the industry while ensuring supervisors have some time to assess if the criteria are met. The Chairperson emphasized that the aim of the proposal is not to weaken the supervisory requirements in the case of undertakings making use of proportionality. The Chairperson also stressed that any proposal in this area will need to be complemented by sound supervisory judgement.

FINAL MINUTES

55. On the possible role of EIOPA in case resolution authorities are designated, as suggested in EIOPA's Advice, the Chairperson pointed out that a principle-regime requires a certain role for EIOPA to ensure convergence across countries. He also explained that the purpose of adding this topic was to have an initial exchange of views at the BoS, but that further discussion would take place at the RFSC.
56. On the highlighted issues regarding Insurance Guarantee Schemes (IGS), the MB had a brief exchange of views, mostly on EIOPA's proposal to include a transitional phase to comply with the minimum harmonised features proposed in the Advice.
57. On the highlighted issue concerning Long Term Equity (LTE), several MB Members expressed some support for the proposal, considering also that it achieves some simplification compared to the previous approach. Few reservations on the proposal were registered, mainly due to the fact that its scope may be too wide for some markets and requested caution on the definition of the proposal. COM highlighted the political dimension of the topic and thanked EIOPA for the work on the refinement and simplification of the proposal. COM expressed concerns regarding the pass/fail nature of the requirements defined for non-life business, as these may operate in a pro-cyclical way. The Chairperson highlighted the need to take a wider set of elements into considerations when assessing the LTE proposals, such as the need to ensure the provision of long term insurance products by undertakings and the fact that it should be possible to sustain those products based on investments which go beyond government bonds with low or even negative yields. Such elements go beyond the simple ability to justify the approach based on a 99.5% VaR over 1 year time horizon calibration exercise. On the point raised by COM, the Chairperson expressed openness to explore small adjustments to address the issue.

DECISION

58. Not applicable

CONCLUSIONS AND ACTION POINTS

59. EIOPA to continue developing and refining the specific proposals with the support of the relevant Project Groups, as well as strengthening the background and justification in the areas highlighted by MB Members.
60. MB members agreed to highlight the issue of EIOPA's role in case resolution authorities are designated to the BoS for an initial discussion. The issue will then be further discussed at the RFSC.
61. MB members supported approach in the BoS highlighted note, including the consideration of a transitional phase for IGS linked to the discussion on the core principles.

6.3 HIGHLIGHTED ISSUES ON THE REVISION OF THE GUIDELINES ON CONTRACT

BOUNDARIES

FINAL MINUTES

62. The Head of the Supervisory Processes Department presented the note on highlighted issues on the revision of the Guidelines on Contract Boundaries.
63. The Chairperson clarified that the discussion at MB and BoS is not expected to go into the technical details but to agree on the solution to address the existent divergent practices which are currently leading to significant differences in the calculation of the Technical Provisions with consequential impact in the amount of Own Funds.

DECISION

64. Not applicable

CONCLUSIONS AND ACTION POINTS

65. While welcoming the proposal, concerns were expressed on the highly technical content of the first highlighted issue: unbundling. However, it was concluded that clarifying the interpretation of unbundling rules is necessary as the different practices identified have a big impact in the valuation of technical provisions and consequently on the amount of own funds.
66. EIOPA to revise the note to improve drafting in order to facilitate BoS decision.

AGENDA ITEM 7: AOB

67. The Chairperson informed the MB on the extraordinary Board of Supervisors Meeting which will take place on 19 November 2020, dedicated to the interviews of the pre-selected candidates for the new Chairperson position.

CONCLUSIONS AND ACTION POINTS

68. Not applicable

ANNEX: LIST OF DECISIONS ADOPTED BY WRITTEN PROCEDURE FROM 10.06.2020 TO 14.09.2020

MB-2020-09

Decision adopting the Rules for Reimbursement of Travel and Subsistence Expenses of External Persons.

MB-2020-10

Decision adopting the QCC Report on the Review of EIOPA's Working Group Structures.

MB-2020-11

Decision adopting the Management Board adopting a Conflict of Interest policy for non-staff.

MB-2020-12

Decision adopting the Minutes of the 54th Management Board Meeting of 10 June 2020.

Participants at the Management Board's meeting via videoconference (as per registration)

14 September 2020

Chairperson: Gabriel Bernardino

Vice-Chairperson: Peter Braumueller

<u>Country</u>	<u>Member/ Alternate</u>
Czech Republic	Zuzana Silberová /[-]
France	Patrick Montagner/[-]
Germany	Frank Grund /[-]
Netherlands	Else Bos / Petra Hielkema
Spain	Sergio Alvarez /[-]
Sweden	Åsa Larson /[-]

<u>Institution</u>	<u>Non-Voting Member/ Alternate</u>
European Commission	Didier Millerot

EIOPA Staff

Executive Director	Fausto Parente
Head of Corporate Support Department	Danny Janssen
Head of Oversight Department	Patrick Hoedjes
Head of Policy Department	Justin Wray
Head of Risk & Financial Stability Department	Dimitris Zafeiris
Head of Supervisory Processes Department	Ana Teresa Moutinho