



EXTRAORDINARY 61ST BOARD OF SUPERVISORS MEETING VIA TELECONFERENCE

DATE: 13 MAY 2020 10:00-13:00 CET

LOCATION: N/A

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WELCOME AND INTRODUCTORY REMARKS BY THE EIOPA CHAIRMAN

1. The Chairman welcomed the attendees to the sixty-first meeting of EIOPA's Board of Supervisors (BoS).
2. PRA (UK) was invited to participate in the discussion for agenda items 3, 4, 5 and 6, which relate to COVID-19.

AGENDA ITEM 1: Adoption of the agenda

DECISION

3. BoS adopted its agenda for the today's meeting by consensus.

CONCLUSIONS AND ACTION POINTS

4. The Chairman concluded that there is no BoS Member that has interest that could be considered prejudicial to their independence with regard to the any item of the adopted agenda following declaration by all BoS Members of absence of any such interests.

AGENDA ITEM 2: Market Update

5. The Risk and Financial Stability Committee Chair presented the latest market developments. In particular, the latest released economic outlook of the European Commission (the "Commission"), sharp decline in the latest Purchasing Managers' Index release, further flattening of the euro swap curve, slight improvement in equity markets and increased risk of potential downgrades were discussed. Moreover, based on the projection of the International

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Monetary Fund, the worst recession since the Great Depression is expected. The EIOPA Chairman further stressed the importance of work on business interruption as well as the ongoing work of European Systemic Risk Board, related to Covid-19.

DECISION

6. Not applicable

CONCLUSIONS AND ACTION POINTS

7. BoS took note of the update with focus on the new forecast released by the Commission assuming the Eurozone economy GDP to shrink by 7.75% this year overshadowing the worst of the financial crisis in 2009. However, a strong recovery is expected next year with GDP growing by 6.25%.

AGENDA ITEM 3: Covid-19: potential short-term regulatory adjustments (SII)

8. The Head of Policy Department introduced the preparatory work on four potential regulatory measures in response to the Covid-19 pandemic. The measures relate to the symmetric adjustment to the equity risk charge, the general application ratio of the volatility adjustment, the country-specific increase of the volatility adjustment and the risk margin. The Head of Policy Department pointed out that in the current market situation new regulatory measures are not needed and that discussing them at this stage is preparation for a potential significant deterioration of the current situation.
9. BoS welcomed the discussion on the potential regulatory measures. Some Members stressed that the regulatory measures should be separate from the ongoing review of Solvency II. In this respect, members supported the balanced approach achieved for the review of Solvency II. Some Members suggested to distinguish the measures according to their objectives, in particular regarding the objective to reduce volatility in the solvency position and the objective to improve the solvency position. Some Members considered the measures on the symmetric adjustment and the country-specific increase more relevant than the other measures. Members generally supported the need for safeguards to the measures, stressing their temporary nature.
10. The Commission welcomed the discussion and reported that the Commission Expert Group on Banking, Payments and Insurance will discuss regulatory measures in response to the Covid-19 pandemic on 26 June 2020.

DECISION

11. Not applicable

CONCLUSIONS AND ACTION POINTS

12. BoS welcomed the preparatory work on potential regulatory measures in response to the Covid-19 pandemic. They agreed that currently such measures are not immediately necessary, and that those measures should be temporary and include the necessary safeguards.
13. Further analysis of the potential regulatory measures should focus on their impact on volatility and solvency and on the triggers for the measures.
14. Members should provide any written comments on the potential regulatory measures by 22 May 2020.
15. EIOPA to prepare a discussion on the potential regulatory measures, including about their triggers, in the Board in June 2020.

AGENDA ITEM 4: REVISED NOTE ON PRACTICAL ISSUES OF IMPLEMENTING ARTICLE 138(4) OF THE SOLVENCY II DIRECTIVE

16. The Head of Risks and Financial Stability Department presented the revised note on the practical issues of Article 138(4) of the Solvency II Directive, concerning the declaration of the exceptional adverse situation. It was stressed that EIOPA does not propose here any legal change in the regulatory framework. Rather, the aim is smoothing the process and finding ways to fine-tune the main issues, as identified: Issue 1 - on the difficulties in obtaining the Solvency Capital Requirements ratios (or similar) in order to assess the non-compliance and risk of non-compliance; and Issue 2 - on the potential European declaration of an exceptional adverse situation.
17. BoS welcomed the work done. Regarding issue 1, a majority of Members supported the Option 3 (Forward-looking conditional declaration). As regards issue 2, the preferred option was option 2 (Possibility of an EU-wide exceptional adverse situation declaration). In any case, Members noted that some aspects should be further clarified.
18. Some Members expressed legal concerns and doubts that some of the proposals may not be possible in the current legal framework. The Chairman stressed that the aim of the note was to stay within the boundaries of the current legal framework.
19. As regards issue 1, some Members noted the need to take into account the obligations of the companies to inform national competent authorities (NCAs) in case of breach and also near-breach as per Article 138 of the Solvency II Directive. The Handbook refers currently to the Quantitative Reporting Templates, but the obligation of the insurers to keep NCAs informed is also paramount.
20. As regards issue 2, option 2 (Possibility of an EU-wide exceptional adverse situation declaration), some Members requested additional details on how it would be operationalized. In particular, how to proceed if not all NSAs make the request to EIOPA. Furthermore, it needs to be made sure that individual requests to EIOPA are still possible. Additional work might also be needed to define what is implied by affected market share.

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21. The Commission noted that there seems to be no legal obstacles currently to declaring an EU wide declaration. However, the Commission also added there would be some merit in revisiting this provision in the context of the Solvency II review to make it more practical.
22. It was also noted that the Handbook should be changed to accommodate the different options considered.

DECISION

23. Not applicable

CONCLUSIONS AND ACTION POINTS

24. Large majority of Members expressed support for Option 3 (Forward-looking conditional declaration) with respect to issue 1, and for Option 2 (Possibility of an EU-wide exceptional adverse situation declaration) with respect to issue 2.
25. Further information on how to implement an EU-wide exceptional adverse situation declaration should be included in the note, in order to cover for the different scenarios (e.g. request by all EU countries, by a subset of EU countries or by an individual NCA).
26. Members to provide any written comments by 22 May 2020.
27. The revised and updated note on Article 138(4) of the Solvency II Directive, including possible amendments to the Handbook, will be submitted and discussed in the Board in June 2020.

AGENDA ITEM 5: CONFINEMENT MEASURES – IMPACTS ON RISK PROFILES AND FAIR TREATMENT OF CONSUMERS

28. The Chairman introduced the item, highlighting its aim was to have an initial preliminary discussion on EIOPA's response to possible unfair treatment of policyholders as a result of changes in risks levels because of the Covid-19 situation. In particular, the Chairman highlighted that, while this issue was originally discussed prior to the publication, on 1 April 2020, of the statement outlining EIOPA's expectations on how conduct and consumer protection risks should be mitigated, the situation has evolved since. This introduction was followed by a more detailed introduction by the Conduct Oversight Team Leader who presented the issues observed, the possible risks and the solution proposed, emphasizing that the proposed solution represents a balanced approach aiming at ensuing a coordinated industry-led response, which addresses possible issues on a product-by-product basis.
29. The Conduct Oversight Team Leader also highlighted that the statement was previously discussed at the Committee on Consumer Protection and Financial Innovation (CCPFI), where Members, whilst sharing differing views on the approach, provided useful inputs and shared views which contributed to revising the statement. In particular, the Team Leader highlighted that, following the CCPFI discussion, the statement was revised to include a wide array of remedial measures and also to emphasize the need to take a medium to long-term perspective.
30. While Members recognized the importance of product oversight and governance (POG) and welcomed the changes made to the version of the statement discussed at the CCPFI, Members'

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views on the statement diverged. Some supported the statement as signaling a need for technically sound and balanced approaches to unfair treatment while also helping address mounting political pressures.

31. Some other supported the statement, highlighting, however, proposed refinements such as avoiding strong language and clarifying certain aspects to avoid misinterpretation from the industry, the press and consumer associations.
32. Some Members strongly opposed the statement for several reasons. In particular, some Members highlighted that while the statement was drafted on a precautionary and prudent basis, there is lack of evidence on the possible consumer detriment and issuing such statement may further contribute to the ongoing debate. Other Members, highlighted that pushing for premium returns and rebates could lead to significant pricing sustainability risks and jeopardize the work carried out in the past to stabilize prices. Some other Members highlighted that such a statement is not needed given that POG is already mentioned in the statement issued on 1 April 2020.
33. The Chairman clarified that the statement does only focus on premium returns and rebates, but rather it covers returns and rebates as one of the possible measures. The Chairman also highlighted that the statement of the International Association of Insurance Supervisors (IAIS) also mentions premium returns. Members, while underlying that generally Motor Third-Party Liability-premium prices are very competitive and that in many instances the market would 'correct' itself, also emphasized that such a balanced statement is not only in line with the IAIS approach but it also helps in proposing a sound technical solution to the possible political pressure.
34. In proposing suggestions for redrafting the statement, some Members questioned the fact that the statement welcomes the initiatives taken to date by insurance manufacturers. Concerns highlighted in particular relate to the fact that such initiatives may have been taken for marketing / PR reasons rather than following a sound and comprehensive product review.
35. The Commission supported the initiative, whilst noting the concerns and possible risks highlighted by some Members.

DECISION

36. Not applicable

CONCLUSIONS AND ACTION POINTS

37. While there is broad consensus on the importance of applying product oversight and governance and in ensuring the fair treatment of policyholders, Members' views diverge on the current draft version of the statement.
38. Some Members supported the statement, also in light of the changes made to address CCPFI comments, some others supported it whilst highlighting the need to further balance the language to avoid possible misinterpretations, and some others did not support the need to

issue such statement given possible risks for the solvency of some insurance undertakings and lack of empirical data on the issue.

39. Members to provide written comments and drafting suggestions by 22 May 2020 and that a revised version of the statement will be presented to the Board in June 2020.

AGENDA ITEM 6: SHARED RESILIENCE SOLUTIONS AND PANDEMIC COVERAGE

40. The acting Head of Policy Department introduced the issue, by raising the question on how society will be covered when the next (wave of the) pandemic will hit. It is clear that the private insurance market alone does not have the capacity to cover the losses arising from the pandemic, already today. Yet recovery from the existing Covid-19 situation will be difficult in the absence of ability to insure against losses in the future. An obvious example is the exclusion of non-physical damage from business interruption from most contracts, a very important risk that has materialised under the lockdown circumstances. If public intervention is needed, the question is under which circumstances. It is proposed to explore the development of shared resilience solutions, which as well as transferring risk, would actively seek to promote risk prevention and adaptation measures. Building on previous ongoing work on the natural catastrophe protection gap, EIOPA would explore with stakeholders elements for possible national or European measures.
41. Members provided views on their current national initiatives, and supported EIOPA's initiative. They expressed reservation as to the outcome of the exploratory work: the work should not pre-empt formal (supervisory) recommendations, which may be in the hands of national or governments eventually. It would be important to define key features of the solutions, and it is not an easy task to identify whether coverage is sufficient in some markets. It would be relevant to make a distinction between the management of the current crisis and long term work on resilience. The suggestion was made to also consider alternative sources of capital (ILD, NAT CAT bonds).
42. The Commission noted the absence of sustainable coverage for pandemic risks and the need to consider how they can be covered in the future. This will involve many stakeholders, and EIOPA will have an important role to play in this debate. The Commission encouraged EIOPA to continue its reflections on the matter.

DECISION

43. Not applicable

CONCLUSIONS AND ACTION POINTS

44. BoS supported EIOPA's initiative to explore pandemic coverage and shared resilience solutions. The exploratory analysis is not pre-empting formal recommendations at this stage.
45. EIOPA to engage with stakeholders in exploring pandemic coverage and shared resilience solutions and report back to Board.

AGENDA ITEM 7: AOB

DECISION

46. Next BoS meeting will take place on 29 and 30 June 2020, via Video/Teleconference.
47. The frequency of the BoS meetings will be changed to a monthly basis.

CONCLUSIONS AND ACTION POINTS

48. BoS took note of Chairman's heads-up that:
 - a. the Low-yield report will be circulated for comments via written procedure at the beginning of July, and
 - b. the deadline of the Call for expression of interest for a common pool of BUL, mediation and inquiry panelists, and of the Call for expression of interest for members and chair of the Advisory Committee on Proportionality have both been extended until 27 of May 2020. Members are encouraged to participate in these extended calls for candidates.

Participants at the Board of Supervisor's Meeting via teleconference (as per registration)**13 May 2020****Chairperson:** Gabriel Bernardino

<u>Country</u>	<u>Voting member/ Alternate</u>	<u>Accompanying Experts</u>
Austria	Peter Braumüller	Gerlinde Taurer
Belgium	Jean Hilgers/ Dieter Hendrickx Henk	Geoffroy Herberigs
Bulgaria	Dimitar Koychev(PoA)/[-]	
Croatia	Ante Žigman /Ilijana Jeleč	
Cyprus	Tonia Tsangaris /Nikos Koullapis	
Czech Republic	Zuzana Silberová/Jiri Kalivoda	
Denmark	Carsten Brogaard /[-]	
Estonia	Siim Tammer/[-]	
Finland	[-]/Teija Korpioho	Silvaliisa Virri
France	Patrick Montagner/[-]	Mary-Cécile Duchon
Germany	Frank Grund/ [-]	Petra Faber-Graw
Greece	Ioanna Seliniotaki/Ioannis Chatzivasiloglou	
Hungary	[-]/Ferenc Szebelédi	
Ireland	Gerry Cross/Domhnall Cullinan	Zita Culliton
Italy	Alberto Corinti/ Alessia Angelilli	
Latvia	Santa Purgaile /Dina Mikelsone	
Lithuania	Renata Bagdoniene/[-]	
Luxembourg	Claude Wirion/[-]	Yves Baustert
Malta	Ray Schembri/[-]	
Netherlands	Else Bos /Petra Hielkema	Véronique Hijl
Poland	Damian Jaworski/ Mariusz Smętek	
Portugal	Margarida Corrêa de Aguiar/Hugo Borginho	Ana Byrne
Romania	Valentin Ionescu (PoA) /[-]	
Slovakia	Júlia Cillíková /[-]	Zuzana Kardosova
Slovenia	Goraz Čibej/ Mojca Rome	
Spain	Sergio Alvarez/Francisco Carrasco Bahamonde	
Sweden	Åsa Larson /[-]	

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<u>Country</u>	<u>Permanent Representative/ Alternate</u>	<u>Accompanying Experts</u>
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Belgium	Henk Becquaert	
Italy	Ambrogio Rinaldi	

<u>EEA EFTA Country</u>	<u>Non-Voting Member/ Alternate</u>	<u>Accompanying Experts</u>
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Iceland	Rúnar Guðmundsson	
Liechtenstein	Alexander Imhof	
Norway	Ann Viljugrein	

<u>Institution</u>	<u>Non-Voting Member/ Alternate</u>	<u>Accompanying Experts</u>
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European Commission	Didier Millerot	
ESMA	Tomas Borovsky	
EBA	Tijmen Swank	
ESRB	Francesco Mazzaferro	
EFTA	Marta Margrét Ö. Rúnarsdóttir	

<u>Observers</u>	<u>Representative</u>	<u>Accompanying Experts</u>
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UK	Anna Sweeney	Alan Sheppard Zac Morris-Dyer
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EIOPA staff

Executive Director	Fausto Parente
Head of Policy Department	Justin Wray
Head of Risk and Financial Stability Department	Dimitris Zafeiris
Head of Oversight Department	Patrick Hoedjes
Head of Corporate Department	Danny Janssen