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# EXTRAORDINARY 57<sup>TH</sup> BOARD OF SUPERVISORS MEETING VIA TELECONFERENCE

**DATE: 24 MARCH 2020** 11:00-13:00 CET

LOCATION: N/A

## FINAL MINUTES

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### WELCOME AND INTRODUCTORY REMARKS BY THE EIOPA CHAIRMAN

1. The Chairman welcomed the attendees to the fifty-seventh meeting of EIOPA's Board of Supervisors (BoS).
2. The Prudential Regulation Authority ('PRA') (UK) was invited to participate in the call.

### AGENDA ITEM 1: ADOPTION OF THE AGENDA

#### DECISION

3. BoS adopted the agenda 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 any item of the adopted agenda following declaration by all BoS Members of absence of any such interests.

### AGENDA ITEM 2.1: RISK UPDATE

5. The Chair of the Risk and Financial Stability Steering Committee (RFSC) provided an update on the last committee meeting held on 20 March 2020. He updated in particular on the latest markets development and its impact on the insurance sector. He also informed that the committee discussed the situation in the most affected countries – Italy, France, Germany and Spain. In the subsequent discussion, it was suggested for the next RFSC telco to discuss the situation in Central and Eastern European countries affected by spread widening and

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Scandinavian countries where insurance companies could be affected via distress of investment funds. Some Members started to monitor solvency positions of the supervised insurance companies on weekly basis. The Members mentioned that some were being contacted by credit insurers in relation to pressures in that market. Members also noted the emergence of so-called 'step-in risk', that is to say pressure on insurers to pay claims for which they were not contractually liable. Conversations with the insurance industry indicated in some cases a highly significant reduction in premium income. Some Members also underlined a growing liquidity risk related to unit linked redemption and margin call.

## DECISION

6. Not applicable

## CONCLUSIONS AND ACTION POINTS

7. EIOPA Recommendations on supervisory flexibility regarding the deadline of supervisory reporting and public disclosure - Coronavirus/COVID-19 were well received by the industry, especially by small and medium companies.
8. The next RFSC telco should focus on Scandinavian and Central Eastern European countries with the National Competent Authorities ('NCAs') updates on the impacts of COVID-19 outbreak.
9. The next RFSC telco should also focus on the situation in the Pension sector, with a presentation from the Netherlands.
10. EIOPA should consider a potential publication of Risk Free Rate curves on weekly basis.
11. Issue of liquidity risk in relation to reduced premium paid as well as potential surrenders should be discussed in the next RFSC telco.
12. Regarding (fund) liquidity related to unit-linked contracts, EIOPA should contact the European Securities and Markets Authority ('ESMA') to provide input on the situation and assess potential impacts on insurers.
13. EIOPA to prepare a note on the treatment under Solvency II of loans and mortgages in relation to potential holiday payments and measures taken for the banking sector in order to prepare a common approach for the insurance sector. This note should be submitted and discussed at RFSC.
14. EIOPA to follow up with the credit insurance sector on the impacts of the current situation in this specific line of business.
15. EIOPA to prepare a note and a possible communication on the impact of Covid-19 on conduct of business to be discussed within the Committee on Consumer Protection and financial Innovation ('CCPFI') and to be brought to the next BoS telco.
16. NCAs to send to EIOPA the type of information that they are requesting or intend to request from the industry on liquidity indicators to be monitored.

## **AGENDA ITEM 2.2: CRISIS MANAGEMENT HANDBOOK AND ASSESSMENT OF COVID-19 IMPACT**

17. The Chair of the RFSC walked the BoS members through the procedures for coordinated action in the context of adverse developments, and for the declaration of emergency situation or exceptional adverse situation, as set out in the EIOPA Regulation and further detailed into EIOPA's Crisis Management Handbook. The leading role of the RFSC in running all such procedures and coordinating EIOPA's relevant assessments and measures was recognised.

### **DECISION**

18. Not applicable

### **CONCLUSIONS AND ACTION POINTS**

19. BoS took note of the process and procedures laid down in EIOPA's Crisis Prevention and Management Handbook which are being followed.
20. It was clearly stressed that any further action should aim to foster cooperation and coordination across the European Union (EU) while the assessment for a possible emergency situation should continue.

## **AGENDA ITEM 2.3: POTENTIAL REGULATORY AND SUPERVISORY MEASURES**

21. BoS welcomed the EIOPA paper. Members in general preferred using existing measures compared with those which would require a change in legislation. In particular, BoS favoured use of flexibilities in the supervisory ladder. Some Members identified volatility as a potential objective for mitigating measures, as well as solvency and liquidity. On the last of these, BoS noted both the importance of the need for a tool to address this but also the risks associated particularly with a freeze of policyholders' redemption rights. A number of Members noted the need for safeguards in use of certain measures, for example ensuring that benefits did not flow unintentionally to shareholders. In addition, Members noted the risk of 'cherry picking' of measures with favourable impact and subsequent rejection of currently related measures with a negative financial impact. The representative of the European Commission ('COM') noted the preference for using the existing tools under Solvency II compared with legislating for new ones, the latter would moreover require a high degree of consensus in order to be accomplished quickly.

### **DECISION**

22. Not applicable

### CONCLUSIONS AND ACTION POINTS

23. BoS agreed with the identification of the possible supervisory and regulatory measures listed by EIOPA and thanked for the work done.
24. While careful note was taken of Members' remarks, they were also invited to provide their comments in writing.
25. BoS expressed their preference to start using the flexibility embedded in the current Solvency II framework (for instance in the application of the supervisory ladder) and be prepared to consider at a later stage (depending on the severity of the situation) new regulatory or emergency measures. Any possible new measures should identify clearly what issue are they targeting (solvency, volatility, or liquidity).
26. The BoS stressed the importance to find out harmonised solutions, applicable at the EU level, and agreed with the need to think of safeguards to balance the two objectives of policyholders protection and financial stability.
27. EIOPA to launch a call for candidates to set up a new platform, under the Supervisory Steering Committee ('SSC'), to work on the supervisory practices with regard to the application of the supervisory ladder.

### AGENDA ITEM 3: AOB

### CONCLUSIONS AND ACTION POINTS

28. Not applicable

## Participants at the Extraordinary Board of Supervisor's teleconference (as per registration)

24 March 2020

**Chairperson:** Gabriel Bernardino

<b><u>Country</u></b>	<b><u>Voting member/ Alternate</u></b>	<b><u>Accompanying Experts</u></b>
<b>Austria</b>	Peter Braumüller	Gerlinde Taurer
<b>Belgium</b>	Jean Hilgers/ Dieter Hendrickx	Geoffroy Herberigs
<b>Bulgaria</b>	Dimitar Koychev (PoA)	
<b>Croatia</b>	[-]/Ilijana Jeleč	
<b>Cyprus</b>	Tonia Tsangaris	
<b>Czech Republic</b>	Zuzana Silberová	
<b>Denmark</b>	[-]/ Per Plougmand Bærtelsen	
<b>Estonia</b>	Siim Tammer	
<b>Finland</b>	[-]/Teija Korpiaho	Silvaliisa Virri
<b>France</b>	Patrick Montagner	Mary-Cécile Duchon
<b>Germany</b>	Frank Grund/ Thomas Schmitz-Lippert	Petra Faber-Graw
<b>Greece</b>	[-]/Ioannis Chatzivasiloglou	
<b>Hungary</b>	[-]/Ferenc Szebelédi	
<b>Ireland</b>	Domhnall Cullinan	Zita Culliton, Andrew Nugent (PoA)
<b>Italy</b>	Alberto Corinti/ Alessia Angelilli	Roberto Novelli
<b>Latvia</b>	[-]/Dina Mikelsone	
<b>Lithuania</b>	Mindaugas Salcius	
<b>Luxembourg</b>	Claude Wirion/Anick Felten	Yves Baustert
<b>Malta</b>	Ray Schembri	
<b>Netherlands</b>	Else Bos/Petra Hielkema	Véronique Hijl
<b>Poland</b>	Damian Jaworski/ Mariusz Smętek	
<b>Portugal</b>	Margarida Corrêa de Aguiar/Hugo Borginho	Ana Byrne
<b>Romania</b>	Valentin Ionescu (PoA)	
<b>Slovakia</b>	Júlia Cillíková	Zuzana Kardosova
<b>Slovenia</b>	Goraz Čibej/ Mojca Rome	
<b>Spain</b>	Sergio Alvarez /Francisco Carrasco Bahamonde	
<b>Sweden</b>	Åsa Larson	

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

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

<u>Institution</u>	<u>Non-Voting Member/ Alternate</u>	<u>Accompanying Experts</u>
European Commission	Didier Millerot	
ESMA	Tomas Borovsky	
EBA	Tijmen Swank	
ESRB	Francesco Mazzaferro	
EFTA	Frank Büchel	

<u>Observers</u>	<u>Representative</u>	<u>Accompanying Experts</u>
UK	Anna Sweeney	

**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 Supervisory Processes Department	Ana Teresa Moutinho