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# EXTRAORDINARY 60<sup>TH</sup> BOARD OF SUPERVISORS MEETING VIA TELECONFERENCE

**DATE: 29 APRIL 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 sixtieth meeting of EIOPA's Board of Supervisors (BoS).
2. PRA (UK) was invited to participate in the discussion for agenda items 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: Update by the Chair of the Risk and Financial Stability Steering Committee (RFSC)

5. The Chair of the Risk and Financial Stability Steering Committee (RFSC) updated BoS on the main outcomes of RFSC meeting organized on Friday 24<sup>th</sup> April. In particular, the following topics were discussed: market developments, update on the situation in the Czech Republic, Risk Dashboard

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April 2020, Top-down risk assessment and liquidity risk for insurers related to investments in funds. Considering the different stage of the crisis, the frequency of RFSC telcos will be changed to bi-weekly.

DECISION

6. Not applicable

CONCLUSIONS AND ACTION POINTS

7. The BoS took note of the update.

**AGENDA ITEM 3: Adjustment of EIOPA AWP 2020**

8. The Executive Director explained the background to the revised Work Programme 2020, referring to the impact of the COVID-19 situation and the consequent need to reprioritise EIOPA's deliverables. He clarified the planning assumption behind the present revision of the Annual Work Programme (AWP) 2020, which was that by September 2020, there would be a resumption of the normal working practices and meetings. Should the crisis necessitate a prolongation of the present lockdown beyond September, EIOPA will return to the BoS with a further revision of its AWP.
9. The biggest impact of COVID-19 has been related to the increased focus on crisis related activities. EIOPA has also factored into the revision of its AWP 2020 opportunities where it can alleviate the burden on industry and national competent authorities (NCAs). Implementation of video conferencing and other solutions that have facilitated the teleworking of staff have limited the impact of the lockdown on EIOPA's ability to deliver the majority of its work. Some key areas where it has not been possible to mitigate all the issues are: training, workshops, events and recruitment. The Executive Director also mentioned the consequences, including of these issues, on the execution of EIOPA's 2020 budget.
10. The Executive Director also explained the budget amendment, which is the result of an agreement made with the Commission's Structural Reform Service (SRSS) and relates to a project for targeted training on insurance supervision. This additional finance is not subject to the 40/60 of EIOPA's budget and will have no impact on NCA contributions. The Executive Director highlighted the obligation for EIOPA to follow the financial rules laid down for it in EIOPA's Financial Regulation with respect to making this amendment despite the risks EIOPA's budget not being fully implemented.
11. The BoS expressed their support for the revision. Clarification was requested on the way forward to making amendments to EIOPA's crisis management Framework, and the Chair set out his plan for a staggered approach beginning with implementation of the current framework, identifying the tools to make adjustments and then implementing those adjustments. On the topic of the Insurance Distribution Directive (IDD), the Chair indicated his intention to have a

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high-level discussion with BoS on the future of disclosures during the second half of 2020, if this is still possible.

12. The Chair confirmed that should the COVID-19 crisis escalate, EIOPA will need to revise again its plans for the rest of the year. Beyond this, and on a longer-term basis, EIOPA will need to consider the lessons it has learnt and may need to adapt its working practices and structures, including making greater use of solutions for web-conferencing to reduce the need for travel.

#### DECISION

13. Not applicable

#### CONCLUSIONS AND ACTION POINTS

14. BoS agreed with the overall direction of the revisions to EIOPA's Annual Work Programme 2020.
15. BoS to provide any additional comments in writing on the revised Annual Work Programme 2020 and Amended Budget 2020 by 29 April 2020 COB.
16. EIOPA to consider the comments from BoS and to launch a written procedure for the adoption of its revised Annual Work Programme 2020 and Amended Budget 2020.

#### AGENDA ITEM 4: 2020 REVIEW OF SOLVENCY II: IMPACT OF COVID 19

17. The 2020 review Programme Manager explained that BOS members were asked to consider four aspects at the meeting: that the narrative underpinning the review remained sound though specific pieces of advice should be reviewed in light of the impact of Covid-19; that a further information request was needed both in relation to existing items and additional pandemic-specific data such as lapse rates; mandates for further work by project groups on specific pieces of the advice; and a revised timeline for the 2020 review until end-December 2020.
18. The representative of the COM agreed that the advice should be adjusted to reflect the impact of Covid-19 in order to retain credibility. Nonetheless not all items of the review were directly affected and could be agreed earlier. In the circumstances the proposed end-December deadline was the right choice.
19. In discussion of the timeline members expressed various views. EIOPA's proposals for the overall timeline, and for that of the information request, were broadly supported by a number of members. Concerns were nonetheless raised by several members in relation to the ability of undertakings to respond within the timetable and whether extending the current information request might be a more appropriate choice; that using Q1 2020 data rather than Q2 2020 might be more feasible within the time available; that the timeline did not permit sufficient outcomes of the Covid-19 events to be included in the advice; and that the content of the information request should be based on evidence of likely impact.
20. Some members also sought closer examination in the advice of specific issues including impact of downgrades, insurance guarantee schemes, extrapolation, and correlations.

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DECISION

Not applicable

CONCLUSIONS AND ACTION POINTS

21. The BoS agreed that the revised deadline for completion of the 2020 review of Solvency II should be end-December 2020.
22. EIOPA to explore the areas not affected by Covid-19 where a tentative conclusion can be taken by the BoS before the end of the year. Only one set of final advice on all items by EIOPA is to be sent to the Commission.
23. The BoS agreed to a further more focussed information request to selected undertakings on the impact of Covid-19. The information request to begin in July and be completed by mid-September. The information request to comprise the position at end Q2 2020.
24. The BoS to approve the content of the further information request and the rationale for the additional information to be provided.
25. The BoS to provide comments on the proposed mandates to project groups by 6 May 2020, and the finalised mandates to be subsequently circulated for approval by the BoS.
26. EIOPA to communicate publicly on the new timeline for finalisation of the advice on the 2020 review of Solvency II and on the decision to have a further information request and its timeline.

**AGENDA ITEM 5: Monitoring the implementation of EIOPA's dividends statement**

27. The Head of Oversight Department outlined the outcome of the monitoring of the dividend distribution following EIOPA's dividend statement. The monitoring is based on public sources as well as NCA information.
28. Several Members welcomed the monitoring and mentioned it provides a good basis for how the statement is applied in practice and for possible inconsistencies.
29. Some Members mentioned that the outcome of the dividend distribution is not finalized for all insurers in their jurisdictions and that subsequent updates could be further reflected in the monitoring.

DECISION

30. Not applicable

CONCLUSIONS AND ACTION POINTS

31. The Chairman concluded that monitoring of the Statement to be continued, involving updates from supervisory authorities when relevant to be shared with the EIOPA team and/or with the Colleges. Further discussion about different supervisory practices to be tabled in upcoming meetings of the RFSC and in the Supervisory Steering Committee Platform on the supervisory ladder. This discussion is to include a) practices related to assessments of intragroup dividends

in the groups b) practices on the assessments of the level of uncertainties (e.g. stresses), when supervisory authorities are assessing dividend considerations from the groups.

### **AGENDA ITEM 6.1: Practical issues of implementing Article 138(4) of the Solvency II Directive**

32. The Head of Risks and Financial Stability Department presented a note that identified the main possible issues that may arise, in case the process for Article 138(4) concerning the potential declaration of the exceptional adverse situation had to be activated.
33. The Chairman noted the importance of preparing for such situation, which might arrive in the future and to ensure a consistent approach. Looking at the implementation of Article 138(4) as stated in the EIOPA Crisis Prevention and Management Handbook, some aspects could be widely interpreted. Thus the aim of the note to identify and clarify these issues.
34. Some Members supported the inclusion of a fast-track procedure. However, other Members questioned if EIOPA was also intending to seek a change in the legislation. In this context, some Members did not see the need for further reporting to support sharing of forward-looking information. The Chairman explained the rationale for sharing information and clarified that the purpose of the note was not considering a change in the legal framework. Instead, the aim was to consider what could be done from a supervisory perspective, to ensure convergence of supervisory practices and an adequate exchange of information to assess potential non-compliance of the capital requirements.
35. Some Members expressed support to the possibility of an EU-wide declaration, and there was also some support to have a quicker procedure to declare an exceptional adverse situation following a forward-looking approach.
36. Some Members noted the complexities in regards to linking the Article 18(2) of EIOPA Regulation with Article 138(4) of the Solvency II Directive, and proposed to keep them separate.
37. The Chairman concluded that there was a need to be clearer in the note. Firstly, so as to make clearer the separation of the legislative act(s), and clarify that the note did not seek to alter the current regulatory framework. Secondly, the Chairman noted the need to avoid inconsistencies at EU level, ensure a level playing field and contemplate the forward-looking aspects regarding the risk of breaching the capital requirements.

### **DECISION**

38. Not applicable

### **CONCLUSIONS AND ACTION POINTS**

39. The Chairman concluded that the note on “Practical issues of implementing Article 138(4) of the Solvency II Directive” to be revised by EIOPA, in line with the comments made. It will be put forward again for discussion at an upcoming BoS meeting.

## **AGENDA ITEM 6.2: Liquidity risk assessment Framework**

40. Members expressed the view that liquidity risk did not materialise yet, however structured initiatives to its monitoring and assessment limited to crisis period are needed. To that aim, and following EIOPA's update, where the balance between the flexibility of the new version of the template and the lower comparability it allows was assessed, the proposed framework was positively received with the following distinctions. Process-wise most members consider the reporting frequency too high, asking for monthly submission (this allows to reduce the burden on undertakings and provides NCAs sufficient time for the data validation. Content-wise the majority of the Members consider the template a good compromise with some Members requesting additional technical specifications.

### **DECISION**

41. Not applicable

### **CONCLUSIONS AND ACTION POINTS**

42. BoS members agreed with the need to increase the information received on liquidity risk and welcomed the progress made in the design of the template. The frequency of the reporting to be done on a monthly basis while the whole process to be revisited once the COVID-19 crisis seems to de-escalate.
43. EIOPA to incorporate the comments received in the first stage of the written process as well as the conclusions of today BoS telco and to launch the process for approval.

## **AGENDA ITEM 7: AOB**

### **DECISION**

44. Next extraordinary BoS meeting to tentatively take place via teleconference on 13 May 2020.

### **CONCLUSIONS AND ACTION POINTS**

45. The Chairman concluded by making reference to the issues on which EIOPA is working in order to prepare the following Board meetings:
- a note discussing the practical implementation of possible short-term adjustments to the current Solvency II framework in case of need according to the evolution of the COVID-19 crisis.
  - a note discussing the basis, triggers and purpose of a possible operationalization of Article 18 of the EIOPA Regulation in case of need according to the evolution of the COVID-19 crisis.
  - a note on credit insurance, describing the different state mechanisms put in place at national level and analyzing the possible risks and how EIOPA can mitigate some of them.

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Focus to be put on ensuring a common interpretation on the way each of mechanisms are treated from a Solvency II perspective.

- a note on a possible EIOPA statement regarding the reflection by the insurance undertakings of the changing risk profile in certain business lines impacted by the lockdown measures in the different countries.
- a note on the basis for a possible framework to increase the societal resilience regarding catastrophic risks, including pandemic risks, involving different layers of coverage, both private and public.

**Participants at the Board of Supervisor's Meeting via teleconference (as per registration)****29 April 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 Henk	Geoffroy Herberigs
<b>Bulgaria</b>	Dimitar Koychev/[-]	
<b>Croatia</b>	Ante Žigman /Ilijana Jeleč	
<b>Cyprus</b>	Tonia Tsangaris/[-]	
<b>Czech Republic</b>	Zuzana Silberová/Jiri Kalivoda	
<b>Denmark</b>	Carsten Brogaard	
<b>Estonia</b>	Siim Tammer	
<b>Finland</b>	[-]/Teija Korpioho	Silvaliisa Virri
<b>France</b>	Patrick Montagner	Mary-Cécile Duchon
<b>Germany</b>	Frank Grund/ Thomas Schmitz-Lippert	Petra Faber-Graw
<b>Greece</b>	Ioanna Siliotaki/Ioannis Chatzivasiloglou	
<b>Hungary</b>	[-]/Ferenc Szebelédi	
<b>Ireland</b>	Gerry Cross/Domhnall Cullinan	Zita Culliton
<b>Italy</b>	Alberto Corinti/ Alessia Angelilli	
<b>Latvia</b>	Santa Purgaile /Dina Mikelsone	
<b>Lithuania</b>	Mindaugas Salcius	
<b>Luxembourg</b>	Claude Wirion/Annick Felten	Yves Baustert
<b>Malta</b>	Ray Schembri /[-]	
<b>Netherlands</b>	Else Bos /Petra Hielkema	
<b>Poland</b>	Damian Jaworski/ Mariusz Smętek	
<b>Portugal</b>	Margarida Corrêa de Aguiar/Hugo Borginho	Ana Byrne
<b>Romania</b>	Cristian Rosu	Valentin Ionescu
<b>Slovakia</b>	Júlia Čillíková /[-]	Zuzana Kardosova
<b>Slovenia</b>	Goraz Čibej/ Mojca Rome	
<b>Spain</b>	Sergio Alvarez/Francisco Carrasco Bahamonde	
<b>Sweden</b>	Åsa Larson /Bertil Sjöö	

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<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	Olaf Weeken	
EFTA	Marco Uccelli	

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

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