



63RD EXTRAORDINARY BOARD OF SUPERVISORS MEETING VIA TELECONFERENCE

DATE: 22 JULY 2020 10:00-12:50 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-third meeting of EIOPA's Board of Supervisors (BoS).

AGENDA ITEM 1: ADOPTION OF THE AGENDA

2. 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.

DECISION AND CHAIRMAN UPDATE

3. The BoS adopted the agenda by consensus.
4. Following the adoption of the agenda, the Chairman updated the BoS on few recent developments, as follows:
 - EIOPA's Occupational Pensions Stakeholder Group (OPSG) and Insurance and Reinsurance Stakeholder Group (IRSG) had their inaugural meetings on 16 July and, respectively, on 21 July. At those, Mr Bernard Delbecque was reappointed OPSG Chair, while Mrs Aleksandra Maczynska and Mr Falco Valkenburg were reappointed OPSG Vice-Chairs; Mrs Michaela Koller was appointed new IRSG Chair and Mr Paul Fox was appointed new IRSG Vice-Chair;
 - Equivalence assessment work on UK: on 8 July EIOPA received from the European Commission (COM) the UK answers. EIOPA's Project Groups are working on processing the answers with a deadline by 7 August to look into how the UK have implemented the previous Solvency II provisions but also on 4 specific areas identified by the UK colleagues and where there is the intention to have some adjustments (risk margin,

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matching adjustment, the operation of internal models and the reporting requirements). The UK will initiate a call for evidence and more information will be available tentatively in autumn. EIOPA will not produce equivalence report but provide input to COM for their analysis;

- European Systemic Risk Board (ESRB) and the work on the analysis of bond downgrades: a technical note will be published on 23 July and the exercise will be repeated with data from Q1 2020 and follows to be presented to the January 2021 Board.

CONCLUSIONS AND ACTION POINTS

5. The BoS took note of the Chairman's update on important recent developments since the last BoS meeting.

AGENDA ITEM 2: MARKET UPDATE BY THE RFSC CHAIR

6. The Risk and Financial Stability Committee (RFSC) Chair provided an update on the latest market developments as well as RFSC work.
7. COM revised down its economic forecast for the euro area and warned that situation could become worse if a second wave of the pandemic forces further lockdowns. Overall positive market developments suggest asset valuation decoupled from growth forecasts and earning prospects. Investors' concerns about economic outlook are reflected in a further flattening of the euro swap curve, that continues to increase on the low end and to decrease on the long end compared to end of March 2020.
8. Regarding the discussion and outcome of the latest RFSC meeting on Friday 10th July, RFSC discussed EIOPA Risk Dashboard methodological review, risk related to insurers' exposures to commercial real estate, liquidity risk monitoring, insurance top-down assessment, open issues on Insurance Guarantee Schemes, and Article 18. In addition, the update on the work of the Holistic Framework for Systemic Risk in Europe was provided.

DECISION

9. Not applicable.

CONCLUSIONS AND ACTION POINTS

10. The BoS took note of the update provided by the Chair of the Risk and Financial Stability Committee (RFSC) on the latest market developments as well as RFSC work.

AGENDA ITEM 3: UPDATES ON LIQUIDITY MONITORING AND BUSINESS INTERRUPTION

11. The Head of the Risks and Financial Stability Department briefly introduced the preliminary outcome of the analysis on liquidity monitoring and the way forward. BoS Members welcomed the assessment and recognised the value added of the collected information. Despite the low

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level of concerns emerging from the preliminary analysis Members agreed to proceed with the assessment in order to evaluate the evolution of the liquidity position over time.

12. Regarding the analysis on liquidity monitoring, some Members suggested improvements on the granularity of the assessment (e.g. treatment of the UL/IL assets) and on the presentation of the results. The improvements will be discussed at technical level.
13. The Chair concluded remarking the need of monitoring liquidity and the importance of having all the jurisdictions represented in the sample.
14. Furthermore, EIOPA aggregated and presented the information collected at NCA level on effects of Covid-19 on the business interruption, event cancellation and travel insurance field. Members discussed and agreed that available information offers a heterogeneous and incomplete picture, not suitable to extract solid conclusions on a phenomena relevant for the financial stability. The lack of sufficient and comparable quantitative information, together with the evolving nature of this issue require a more comprehensive follow up analysis in the last quarter of the year.

DECISION

15. Not applicable

CONCLUSIONS AND ACTION POINTS

16. The BoS positively received the analysis on liquidity monitoring and agreed to proceed with the data collection.
17. EIOPA to refine the analysis in terms of indicators granularity and results presentation, and to put in place interactions at technical level.
18. Towards the end of the year, EIOPA will come up with a proposal to request further information to properly assess the impact of Covid-19 lock down measures on business interruption market. In order to decide on the scope and process, EIOPA will monitor the evolution of information available at NCAs level before addressing any information request to industry.

AGENDA ITEM 4: ARTICLE 18 OF THE EIOPA REGULATION IN THE CONTEXT OF COVID-19

19. The Head of Risks and Financial Stability Department introduced the note on the Article 18 of the Regulation, which describes the actions taken so far in the context of the COVID-19 adverse developments; however, noting that there was no basis to consider the current adverse developments as an emergency situation. He noted the importance of having an understandable process flow should the COVID-19 situation further deteriorate in the future. Thus, what is the process set up in the Crisis Handbook, the bodies involved (RFSC and BoS), as well as understanding the potential factors to be considered under Article 18(2).
20. The BoS welcomed the work done by EIOPA. Some Members asked what was the level of coordination with the other ESAs and how was it ensured, regarding the operationalization of Article 18(2). The Chairman replied that EIOPA and the other ESAs were discussing the matter of Article 18(2) at the Joint Committee with the ESAs. Nonetheless, based on the Regulation, it

is also true that EIOPA has to individually assess the possible factors for a potential discussion in case of risk on emergency situation. The RFSC Chairman also stressed the importance to identify the criteria that are deemed necessary to trigger a discussion at the RFSC, and then, if necessary, to the BoS, concerning Article 18(2), should the situation further deteriorate.

DECISION

21. Not applicable

CONCLUSIONS AND ACTION POINTS

22. The BoS discussed the content of the note on Article 18 of the Regulation and took note of the proposed way forward in case of further adverse developments.

AGENDA ITEM 5: PAN-EUROPEAN PERSONAL PENSION PRODUCT (PEPP): DRAFT ITSS AND ANNEXES OF DRAFT RTSS

23. EIOPA staff introduced the proposed technical annexes of the Regulatory Technical Standards (RTSs) and the suggested amendments to the Implementing Technical Standards (ITSs). Overall, the BoS agreed with the proposals and the suggested consequential amendments to the main text of the RTSs, yet highlighted some areas for further clarification, in particular on the summary risk indicator, the probability to recoup the capital for the Basic PEPP and the non-mandatory use of the EIOPA stochastic model.
24. Some Members requested amendments to the ITSs, requiring further granularity of the supervisory information of all investment options and supported a possible approach to adapt the granularity in line with the potential significance of the alternative investment options for when the need arises.
25. A few Members highlighted to bring forward some comments on the amortisation of the costs of initial advice and the definition of the capital guarantee of the Basic PEPP as well as potentially on the earmarking requirement for the risk-mitigation techniques.

DECISION

26. The BoS agreed to a written procedure, starting on 29 July, to adopt the proposed Level 2 measures for the implementation of the PEPP Regulation.

CONCLUSIONS AND ACTION POINTS

27. The BoS supported the draft RTSs and ITSs as a well-balanced and good compromise.
28. EIOPA to amend and edit the RTSs to address the comments received. For that, the role of the rewards measure to explain, rather than to determine, the summary risk indicator as well as the non-mandatory use of the stochastic model will be further clarified.

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29. EIOPA to provide further details on the quantification of the probability to recoup the capital for the Basic PEPP.
30. Regarding the ITs, EIOPA to suggest a proportionate and tailored approach to ensure that in case alternative investment options become significant that more granular supervisory information need to be reported.
31. Members to provide further editorial comments, in particular regarding the length of the amortisation period for the costs of initial advice for the Basic PEPP and the definition of the costs of the Basic PEPP's capital guarantee.

AGENDA ITEM 6: SHARED RESILIENCE SOLUTIONS FOR PANDEMIC RISKS

32. The Head of Policy Department introduced the paper, highlighting its main elements as well as the process that was followed up to this point, involving already an exploratory group composed of multiple stakeholders. The link to current developments related to the pandemic was highlighted, although the proposed framework could also be relevant for other perils of a systemic nature. It was also emphasized that the document is to be published as an EIOPA Staff paper, addressing the different options but not making concrete proposals. The publication does not intend to be a formal public consultation, but views from stakeholders will be invited.
33. The BoS generally supported the content of the paper and its relevance for the ongoing discussions on these topics.
34. Some Members highlighted the political sensitivity of some of the elements addressed in the paper. During the discussion, it was cautioned against the use of language which may potentially be misinterpreted in relation to the ongoing discussions concerning insurance coverage of pandemic-related losses. It was also questioned how this initiative will be coordinated in relation to others that are taking place at national, European and also global level, and requested a wider involvement of stakeholders.
35. Some Members raised comments on specific elements addressed in the paper, however acknowledging that the document does not propose specific solutions but instead highlights the different elements to be considered in those areas.
36. COM highlighted the importance of the topic and strongly supported the paper as well as the wider EIOPA work in this area. COM also announced several initiatives that will be carried on in the second half of the year, also involving Member States and EIOPA, which should lead to a concrete proposal to be ready by the beginning of 2021.

DECISION

37. Not applicable

CONCLUSIONS AND ACTION POINTS

38. The BoS generally welcomed the content and timeliness of the paper.

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39. Members are invited to submit additional comments to the paper by Friday 24 July cob.
40. EIOPA to revise the document in light of the comments received during the meeting or in written comments and to proceed with publication of the paper and communication on it early in the following week mentioning there also the relevance of the discussion for other systemic risks.

AGENDA ITEM 7: AOB

DECISION

41. Not applicable

CONCLUSIONS AND ACTION POINTS

42. September BoS Meeting will take place via videoconference. The situation will be reassessed after the summer break.

ANNEX: LIST OF DECISIONS ADOPTED BY WRITTEN PROCEDURE FROM 30.06.2020 TO 22.07.2020

BOS-2020-57

43. Decision adopting EIOPA's draft responses to COM renewed sustainable finance strategy.

BOS-2020-58

44. Decision adopting EIOPA July 2020 Financial Stability Report (EIOPA BoS-20-475) and its publication.

BOS-2020-60

45. Decision adopting the Statement on impacts on risk profiles and fair treatment of consumers.

BOS-2020-61

46. Decision adopting EIOPA Supervisory Statement on the Solvency II recognition of schemes based on reinsurance with regard to COVID-19 and credit insurance.

Participants at the Board of Supervisor's Meeting via teleconference**22 July 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	Geoffroy Herberigs
Bulgaria	Dimitar Koychev (PoA)/[-]	
Croatia	Ante Žigman/[-]	
Cyprus	[-]/Nicos Koullapis	
Czech Republic	[-]/ Jiří Kalivoda	Hana Marčíková
Denmark	Jens Henrik Laursen (PoA)/ [-]	
Estonia	Siim Tammer/[-]	Stina Mander
Finland	[-]/Teija Korpiaho	
France	Mary-Cécile Duchon (PoA)/[-]	
Germany	Frank Grund/ Thomas Schmitz-Lippert	Maria Huentelmann
Greece	[-]/Ioannis Chatzivasiloglou	
Hungary	[-]/Ferenc Szebelédi	
Ireland	Domhnall Cullinan/[-]	Christopher Joyce
Italy	[-]/ Alessia Angelilli	
Latvia	[-]/Dina Mikelsone	
Lithuania	Renata Bagdonienė/[-]	
Luxembourg	[-]/Annick Felten	Yves Baustert
Malta	Ray Schembri /[-]	
Netherlands	Sarah Liebing (PoA)/ [-]	
Poland	Damian Jaworski/ Mariusz Smętek	
Portugal	Margarida Corrêa de Aguiar/Hugo Borginho	Ana Byrne
Romania	Valentin Ionescu (PoA)/[-]	
Slovakia	[-]/Lucia Štefunková	
Slovenia	Goraz Čibej/ Mojca Rome	
Spain	[-]/Francisco Carrasco Bahamonde	
Sweden	Åsa Larson/[-]	

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<u>Country</u>	<u>Permanent Representative/ Alternate</u>	<u>Accompanying Experts</u>
Belgium	Henk Becquaert	
Ireland	[-]/Andrew Nugent	
Italy	[-]/Ambrogio Rinaldi	

<u>EEA EFTA Country</u>	<u>Non-Voting Member/ Alternate</u>	<u>Accompanying Experts</u>
Iceland	[-]/Rúnar Guðmundsson	
Liechtenstein	Beat Waefler/[-]	
Norway	Runa Kristiane Saether /[-]	

<u>Institution</u>	<u>Non-Voting Member/ Alternate</u>	<u>Accompanying Experts</u>
European Commission	Nico Spiegel (PoA)	
ESMA	Tomas Borovsky	
EBA	Tijmen Swank	
ESRB	Olaf Weeken	
EFTA	Marco Ucelli	

<u>Observers</u>	<u>Representative</u>	<u>Accompanying Experts</u>
N/A	[-]	

EIOPA Staff

Executive Director	Fausto Parente
Head of Policy Department	Justin Wray
Head of Risk and Financial Stability Department	Dimitris Zafeiris