



54TH MANAGEMENT BOARD MEETING VIA TELECONFERENCE

DATE: 10 JUNE 2020 10:00-13:30

LOCATION: N/A

FINAL MINUTES

WELCOME AND INTRODUCTORY REMARKS BY THE EIOPA CHAIRMAN

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

AGENDA ITEM 1: ADOPTION OF THE AGENDA

DECISION

2. The MB members adopted the agenda by consensus.

CONCLUSIONS AND ACTION POINTS

3. The Chairman concluded that there is no MB 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 MB Members of absence of any such interests.

AGENDA ITEM 2: UPDATE BY CHAIRMAN, EXECUTIVE DIRECTOR AND THE EUROPEAN COMMISSION (COM)

UPDATE BY CHAIRMAN

4. The Chairman welcomed Ms Else Bos, newly appointed Member of the Management Board.

ROUNDTABLE DISCUSSION ON COVID-19

5. The Chairman debriefed the MB members regarding his participation to the Roundtable Discussion that took place on 28 May. The meeting was organised by the COM and with the

FINAL MINUTES

participation from industry, businesses and consumers. The meeting focused on the relief measures that the industries have been putting towards businesses and consumers, on the banking and on the insurance side.

6. The Chairman continued by informing on the main messages from the industry: i) sector insured business continuity, ii) the relief measures that both EIOPA and National Competent Authorities (NCAs) have put in place in terms of freeing space for business continuity, iii) differences in relief measures put in place by the different countries dependent on the national situation.
7. Finally, the Chairman underlined some of the points brought forward by the consumers which are calling for a consistent treatment of consumers throughout the European Union (EU), acceleration of the work on insurance guarantee schemes and questioned the lack of transparency in the coverages as a consequence of the pandemic, recognizing the incapacity of the sector to cover the non-damage business interruption and calling for solutions.
8. The Chairman concluded by recognising the need for common principles on how to apply to mitigate consequences for consumers referring to the statements issued by EIOPA and where further work is being done. Possible solutions on the coverage of non-damage business interruption are being discussed involving different members from insurance and businesses alike.

INCAMERA MEEING WITH THE ECON COMMITTEE

9. The Chairman was invited to present EIOPA's work related to COVID-19, the impact of the crisis and EIOPA's measures. The Chairman briefly summarized his introductory remarks, which centered on the actions and measures taken to ensure business continuity, stability of markets both in terms of solvency, liquidity and capital preservation, as well as mitigation of impact on consumers.
10. EIOPA will be working on a short note in response to a concrete request from the European Parliament (EP) for additional information on the rational of the EIOPA statement on dividends considering the insurance business model and how the uncertainty creates issues in that business model.

GENERAL BOARD MEETING OF THE EUROEPAN SYSTEMIC RISK BOARD AND THE GENERAL BOARD

11. The Chairman informed on the outcome of European Systemic Risk Board (ESRB) recommendation on dividends and on ESRB's letter to EIOPA on liquidity, which following round of comments was well received, marking a positive statement from a macro-prudential perspective.
12. EIOPA welcomed the message on the improvement of the liquidity monitoring with a statement.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS (IAIS)

13. The Chairman introduced the item by summarising the developments in relations to the Chairmanship of the IAIS Committees, especially on the MPC, following Alberto Corinti stepping down. The Chairman confirmed that EIOPA would support the candidature from Dieter Hendrickx from the NBB. Discussions with international counterparts are currently taking place to ensure that this candidature will be supported.

PROTECTION GAP AND NON-DAMANGE OF BUSINESS INTERRUPTION

14. The Chairman informed the MB Members of the ongoing contact with the different stakeholders, representatives from the insurance industry, business and the COM with the objective to set-up a common basis for covering the risk of business interruption. He informed that EIOPA intensified contacts with stakeholders such as Insurance Europe, FERMA, BIPAR to generate ideas how the risk will be covered in the future. There was a positive reception to the approach by all participants.
15. Finally, the Chairman gave input on the questionnaire put forward by EIOPA in connection with the 4 main areas: risk assessment, definition of risk, level of coverage and the risk transfer. Contributions are expected to be received within 2 weeks' time and a call will follow on 26 June. EIOPA will update accordingly the Board of Supervisors.

CMU HIGH-LEVEL FORUM

16. The Chairman reported on his participation as an observer in COM's High-Level Forum on the Capital Markets Union, informing the MB members that the report was published on 10 June at 10:00 am, and gives a comprehensive set of recommendations to COM on how to move Europe closer to one single market for savings, investments and capital. A key objective is to increase participation of retail investors in capital markets and contribute to the recovery after COVID-19.
17. The Chairman clarified that he mostly contributed on the subjects relating to the pensions area and confirmed the good measures envisaged in the report. He also highlighted that a number of EIOPA ideas put forward for better and more streamlined disclosure and open finance were taken into account. The recommendations on Solvency II are high level and generally in line with the current SII review work.

UPDATE BY THE EXECUTIVE DIRECTOR

COVID-19 - IMPACT ON THE ORGANISATION

18. The Executive Director (ED) reported on the impact of the COVID19-panedemic on EIOPA's operations and the preparatory work to return to the office, providing details on the 3 phases of EIOPA's strategy (Phase 1 -beginning of July, Phase 2 – October, Phase 3- early 2021). More details on EIOPA's approach can be found in the ED briefing circulated to the MB members.

19. The ED informed the MB members on EIOPA's decision to provide financial support to staff purchases of teleworking equipment (specified IT and ergonomic items), and clarified that this approach is aligned to the ESAs' duty of ensuring staff's health care due to extended teleworking. The support amounts to 60% of the actual cost incurred up to a maximum of EUR 350.

IMPLEMENTATION OF BUDGET 2020

20. The ED reported on the impact of the COVID-19 pandemic on the 2020 budget, pointing out that potential budget savings due to mission and physical events reduction can be expected to the amount of around EUR 1 million. The BoS will be informed of the exact amount and it will be reflected into the third budget installment.
21. EIOPA is carefully monitoring the situation and following assessment the members will be informed during BoS in September.

BUDGET 2021

22. The ED briefed the MB Members on COM's communication on the budget reduction of approximately EUR 500.000,00 and requested EIOPA to revise the draft financial statement and the budget 2021.

DISCHARGE PROCEDURE FOR THE IMPLEMENTATION OF EIOPA'S BUDGET

23. With regard to the Discharge Procedure, the ED mentioned the change in the founding regulation, which requires the BoS, instead of the ED, to provide a reasoned opinion on the EP's position regarding the budget discharge.
24. The BoS will be informed about the new procedure via oral update during June BoS meeting and will receive the opinion on 2018 Discharge report (as voted in May in the Plenary) for approval in July via a written procedure. The approach was discussed and agreed with the other two ESA's.

UPDATE BY THE EUROPEAN COMMISSION

25. The COM representative reacted to some of the updates given by the ED, in particular, they:
 - a) took note of the financial assistance to staff to improve teleworking conditions in light of the big budget savings due to travel reduction, and informed that COM itself has not given such an assistance to its own staff; and
 - b) confirmed the reduction in the 2021 budget as a follow-up of the budgetary hearing which took place in March.
26. The COM representative updated the MB members on the meeting that took place on 26 May with the Member States (MSs) in the COM's group of MSs and where EIOPA was represented. Main purpose of the meeting being the collection of views from the MSs on possible urgent measures for the insurance sector in the light of COVID-19. The outcome of the meeting was that only few Member States felt any kind of strong need of different forms of urgent measures.

FINAL MINUTES

27. Another point of updates was the COM's internal reflection work on the question of protection gaps for pandemic insurance and possible solutions in that regards done in close coordination with EIOPA.
28. The COM representative informed the MB members on the COM's recently proposed EUR 715 billion recovery programme which involves largely borrowing, and underlined the importance of the role that the insurance sector can play as investors in the recovery.
29. The COM representative concluded his intervention by informing the MB members that on 8 June the COM published on its better regulation portal the proposed amendments to the delegated acts on IDD, Solvency II, and MIFID for sustainable finance.

DECISION

30. Not applicable

CONCLUSIONS AND ACTION POINTS

31. Not applicable

AGENDA ITEM 3: COVID-19: CRISIS RELATED TOPICS

32. The Head of the Policy Department introduced a proposal for the triggering of the regulatory measures in response to COVID-19. Accordingly the triggering should not be automatic but based on indicators.
33. Some MB members expressed their concerns about bringing forward a part of the changes from the 2020 review of Solvency II, in particular because it puts at risk the balanced approach for the review.
34. The MB discussion evolved around suggestions to: also consider the extension of the recovery period and the transfer of business as a potential regulatory measure in relation to a breach of the minimum capital requirement (MCR); and to include the MCR recovery period in the 2020 review of Solvency II. Moreover, the discussion had it that although there is a distinction between those measures which address volatility and those solvency, in practice they needed to be considered together.
35. COM suggested that the timing of the regulatory measures in relation to the 2020 review of Solvency II should be clarified. It also needs to be explained why regulatory measures are temporary while the same changes are recommended as permanent changes for the 2020 review of Solvency II.
36. The Chairman stressed that the potential regulatory measures need to be distinguished from the 2020 review of Solvency II. The discussion on the regulatory measures is a necessary preparation in order to be able to manage the volatility and level of the solvency position of undertakings if and when the current situation deteriorates.

DECISION

37. Not applicable

CONCLUSIONS AND ACTION POINTS

38. MB members agreed that the proposed approach to triggering the regulatory measures in response to COVID-19 should be put to the BoS. They supported that triggering should not be automatic and the proposed indicators, though sought assurance on what would be the workload for NCAs of their production. They raised points in respect of contemplating an extension to the period for restoration of the MCR as an alternative to these measures.

AGENDA ITEM 4: APPOINTMENT OF EIOPA'S STAKEHOLDER GROUPS (IRSG and OPSG)

39. The ED introduced the context of this Stakeholder Group (SHG) renewal, with the ESA's Review requiring EIOPA to change the number of industry representatives in the groups (increase from 10 to 13 members) and a decrease of academics (4 instead of 5). Furthermore, the length of the SHG mandate was increased from 2.5 to 4 years. The ED noted that EIOPA's Selection Panel (SP) paid particular attention to gender and geographical and stakeholder representation balance, as laid down in Article 37 of the EIOPA Regulation. . With respect to the proposed composition, acknowledging the difficulty to find the right approach balancing all the applicable criteria, the MB endorsed the proposal for the 30 IRSG and 30 OPSG members. While the gender balance in both groups improved slightly, the number of different nationalities increases in the IRSG and is maintained in the OPSG. Following MB comments on two reserve list candidates those two were removed from the proposed reserve list.

DECISION

40. Not applicable

CONCLUSIONS AND ACTION POINTS

41. The MB members discussed and supported the proposed selection of Stakeholder Group members for the IRSG and the OPSG, while making some remarks on two proposed reserve list candidates (one in IRSG and one in OPSG).

AGENDA ITEM 5: PEER REVIEW

5.1 UPDATE ON ONGOING REVIEWS

42. The Head of the Oversight Department updated the MB members on the status of the ongoing peer reviews in relation to the MB's role as foreseen in the EIOPA Regulation, part of this role being maintaining consistency with other peer review reports and ensuring a level-playing field.

FINAL MINUTES

43. The former Methodology for conducting peer reviews is currently being reviewed in terms of improving efficiency by eliminating unnecessary steps such as the process of sending a second evaluation letter to NCAs. This would allow, for example, the peer review on Collaboration to be finalised earlier than November 2020 (currently foreseen) and therefore, resources would become available earlier too.
44. It is also proposed that the Key Functions follow-up peer review to be launched end of Q3 2020, instead of beginning, in order to allow smooth transition of resources from one peer review to the other.
45. The Chairman informed that EIOPA is considering all members of the ad hoc peer review committee as very important, and that it intends to allow sufficient time for the nominations in order to ensure that qualified and experienced EIOPA and NCA staff compose the *ad hoc* peer review committee with a European mind-set and enough capacity in terms of time allocation.

DECISION

46. Not applicable

CONCLUSIONS AND ACTION POINTS

47. The MB Members supported EIOPA's approach on current and future peer reviews and the update to the MB.

5.2 WORK PROGRAMME 2020-2022

48. The Head of Oversight Department presented the Work Programme 2020 – 2022 on Peer Reviews to the MB members. The element of rationale has been added to each topic.
49. The topics that fulfil the criteria set are: Outsourcing (outsourcing in general but also looking at specific issues such as Brexit, managing general agent, chain of contracts (starting Q3 2020) and Requirements on product oversight and governance (starting Q2/Q3 2021). As alternatives a peer review on the ORSA (with a focus on the 4 issues in the supervisory statement) or the internal model use test are proposed.
50. The MB discussion evolved around whether the topic on internal model use test should be preferred, and that the scope of the peer review on outsourcing should anyway include chains of outsourcing contracts.
51. Overall, the MB was supportive of the proposed topics as outlined in the document.

DECISION

52. The MB members approved the submission of the proposal for a peer review work plan to the Board of Supervisors (BoS) for adoption at its meeting in September 2020.

CONCLUSION AND ACTION POINTS

53. The MB members noted that following approval of the peer review work plan, the Chairman will subsequently launch an open call for participation into the ad hoc Peer Review Committees.
54. The MB members agreed to the proposal of the topics for the 2020-2022 peer review work plan and noted the further peer review topics on the internal model use test and ORSA.

AGENDA ITEM 6: BoS PREPARATION

6.1 SOLVENCY II 2020 REVIEW

55. The Programme Manager for the 2020 Solvency II review described three aspects of the review which were intended to be brought to the June BoS meeting. First, two highlighted issues on the transitional on government bonds not denominated in local currency and on a single regular supervisory report (RSR). Second, potential revisions to the advice in light of the COVID-19 situation. Third, the proposed complementary information request and specifically how the request was designed to reduce the burden on insurance undertakings.
56. MB members generally supported the principle of a single RSR but noted some concerns regarding how much information would be available at local level.
57. On revision of the advice, some members noted that the information regarding impact on health insurers may not be sufficiently up to date. More generally, members emphasised the importance that the macro-prudential aspects, in particular the new proposals, be duly justified. The representative of COM asked for internal finalisation of the advice on remuneration and on macroprudential aspects to be brought forward. It was noted however that only the former seems to be plausible.
58. In relation to the complementary information request, the MB discussion touched upon the inclusion of the effect of the dynamic volatility adjustment, and of information on mortality and on business interruption.

DECISION

59. Not applicable

CONCLUSIONS AND ACTION POINTS

60. MB members supported putting forward to the BoS the following material on the Solvency II 2020 review: (i) highlighted issues on two aspects of the advice; (ii) potential revision of the advice in light of the COVID-19 situation; (iii) complementary information request
61. MB members supported the proposed position on government bonds not denominated in local currency. On the single regular supervisory report, MB members supported but also agreed that further work on the conditions regarding the information to be provided should be carried out.
62. On potential areas for revision of the advice in light of the COVID-19 situation, MB members noted the interim nature of the material so far. MB members supported that new proposals on

the macroprudential aspects should be duly justified. On timing, the possibility to advance the internal final advice on remuneration to be considered.

63. Regarding the complementary information request, additional information would be sought on mortality and business interruption firstly via NSAs and, if unsuccessful, via the complementary information request.

6.2 POLICY PROPOSALS FOR THE IMPLEMENTATION OF THE PEPP REGULATION: DRAFT REGULATORY TECHNICAL STANDARDS AND ADVICE ON DELEGATED ACTS

64. EIOPA staff provided an overview on the current state of the policy proposals for the implementation of the PEPP Regulation, in preparation of the June 2020 BoS meeting. Following the steering from the Members of the BoS in its March meeting, the main text of the Regulatory Technical Standards as well as the technical advices on supervisory reporting and EIOPA's product intervention powers have been further developed. The MB members were asked to provide comments on the direction of travel of the policy proposals and in particular regarding the open issue of the costs for the initial advice in relation to the Basic PEPPs' cost cap.
65. The MB members discussed the viability of offering a PEPP with a mandatory Basic PEPP, for which a cost cap of 1% of the accumulated capital is required. Some Members agreed that they do not expect significant take-up of the PEPP, whilst others thought that the cost cap is feasible and in line with the cost structures of current (occupational) pension providers in a particular Member State.
66. It was highlighted that the mandatory advice for the Basic PEPP has to fulfill the same requirements as the advice for the alternative investment options and that the level of the cost cap can only be amended based on COM's delegated acts. The main issue is to provide for a level-playing field amongst PEPP providers and products, for which the costs of initial advice do not occur in the same way depending on the distribution regime in the different Member States and the timing of providing a PEPP after the initial contract.

DECISION

67. Not applicable

CONCLUSIONS AND ACTION POINTS

68. The MB members supported the proposals to be brought to the June 2020 BoS meeting for discussion.
69. The MB members acknowledged the difficulties to ensure a level playing field amongst different types of providers regarding the costs for providing the initial, mandatory, advice on a Basic PEPP.

6.3 INSURANCE STRESS TEST IN 2021

70. The Head of the Risks and Financial Stability Department introduced the topic presenting the options for the 2021 stress test exercise and the approach based on the adverse unwinding of the COVID-19 crisis.
71. Some Members signaled the innovation brought by the liquidity assessment whose implementation will benefit from consultation with the industry.
72. The Chairman concluded that the current conjuncture is a good incentive to have a system-wide exercise in 2021; and that consultation with the industry will be key for the design of the exercise, and that the documents will be submitted to the June BoS.

DECISION

73. Not applicable

CONCLUSIONS AND ACTION POINTS

74. The MB members supported the note to be brought to the June 2020 BoS meeting for discussion.
75. The MB Members agreed with the proposal of a 2021 Stress Test exercise based on the adverse unwinding of the COVID-19 crisis and its submission to the June BoS.
76. EIOPA to facilitate the consultation with stakeholders before and during the design phase of the exercise in the light of the innovative elements included in the proposal (liquidity).

AGENDA ITEM 8: AOB

DECISION

77. Not applicable

CONCLUSIONS AND ACTION POINTS

78. The Chairman concluded the meeting by:
 - Referring to EIOPA's work on credit insurance and on the effect of the different national state mechanisms and state guarantees and the interpretation vis-a-vis Solvency II.
 - Informing the MB members that the temporary equivalence on reinsurance for Japan will expire at the end of 2020, underlying the importance of maintaining a good relationship and cooperation with Japan. The MB members are invited to provide recommendations on potential retaliations and disruptions that might have an impact on the international relation with Japan.

ANNEX: LIST OF DECISIONS ADOPTED BY WRITTEN PROCEDURE FROM 11.03.2020 TO 10.06.2020

MB-2020-03

79. Decision adopting the Ethics Rules for Staff.

MB-2020-04

80. Decision adopting the HR Implementing Rules.

MB-2020-05

81. Decision adopting the Election of a QCC member.

MB-2020-06

82. Decision adopting the EIOPA's Consolidated Annual Activity Report 2019.

MB-2020-07

83. Decision adopting the Final Minutes of the 53rd Management Board Meeting of 11 March 2020.

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

10 June 2020

Chairperson: Gabriel Bernardino

Alternate Chairperson: Peter Braumueller

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

<u>Institution</u>	<u>Non-Voting Member/ Alternate</u>
European Commission	Steve Ryan (PoA)

EIOPA Staff

Executive Director	Fausto Parente
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