



56TH MANAGEMENT BOARD MEETING VIA VIDEOCONFERENCE

DATE: 9 NOVEMBER 2020 09:00-13:15

LOCATION: N/A

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WELCOME AND INTRODUCTORY REMARKS BY THE EIOPA CHAIRPERSON

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

AGENDA ITEM 1: ADOPTION OF THE AGENDA

DECISION

2. MB adopted the agenda by consensus

CONCLUSIONS AND ACTION POINTS

3. The Chairperson concluded that there is no MB Member that has any 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 CHAIRPERSON, EXECUTIVE DIRECTOR AND THE EUROPIAN COMMISSION

UPDATE BY THE CHAIRPERSON

4. The Chairperson welcomed Ms. Larisa Dragomir, the newly appointed Deputy Head of Unit D4-Insurance and Pensions of Directorate-General for Financial Stability, Financial Services and Capital Markets Union.
5. The Chairperson briefed the MB on the process for the selection of EIOPA's new Chairperson and his meeting with the European Parliament, the Council representatives and COM on this regards. The interviews of the pre-selected candidates will take place in the BoS meeting on 19

November 2020, and the Chairperson underlined the importance of a proactive support and involvement from the MB members during the interviews. In this meeting the BoS will decide on the short list of candidates.

6. UPDATE BY THE EXECUTIVE DIRECTOR

COVID-19 - IMPACT ON THE ORGANISATION, UPDATE

7. On the organizational issues, the Executive Director (ED) updated the MB on EIOPA's decision to revert to Phase 0 of the return to office strategy - meaning an obligatory home office system. The decision was taken in light of the most recent developments in Frankfurt and Germany. The state and federal authorities issued decisions and recommendations to maintain physical distancing and to strongly encourage teleworking whenever possible.

BUDGET 2020 IMPLEMENTATION

8. The ED detailed on the budget implementation. A full (100%) execution of the budget as adopted by the Board of Supervisors in September 2020 is expected.

TRAINING AND EVENTS

9. The 2020 budget for Training and Events was considerably reduced in 2020.
10. In regards to the Programme for 2021, EIOPA is currently developing it and aims to inform the Board of Supervisors (BoS) in writing latest by mid-December.

FINANCIAL SERVICE COMMITTEE

11. EIOPA updated FSC on Solvency II opinion clarifying the need to postpone the final opinion to December. The FSC members highlighted the link between Solvency II and the Capital Markets Union Action Plan including its capacity to incentivise long-term investments.
12. Also, EIOPA updated FSC Members on the consultation on climate change scenarios in the ORSA, which was well received by the FSC Members.

UPDATE BY EUROPEAN COMMISSION (COM)

13. The COM representative started his updates by informing the MB Members on the business files, particularly:
 - Solvency II review: The Solvency II open public consultation has finished, with 72 responses (40 from insurance companies and associations, 10 from civil society, 8 from public authorities and 14 from other organizations). On 10 November, at the EGPPI meeting, a general discussion on the key orientations of the review and on the outcome of the consultation will take place, as well as a specific discussion on recovery and resolution.
 - PEPP level 2: the inter-service consultation was completed including the legal service revision of the file. The work on the file is well on track, with an envisaged publication in

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December 2020. The COM representative thanked EIOPA for the good cooperation and progress.

- Pensions issues: i) a call for tender for Best practices and performance of auto-enrolment mechanisms for pension savings was published. Currently the COM is analysis the offer received; ii) cooperation on drafting two requests for call for advice on pension issues regarding the dash-board and the tracking tool.

CONCLUSIONS AND ACTION POINTS

14. Not applicable

AGENDA ITEM 3: COVID-19: LATEST DEVELOPMENTS

15. The Head of Risk and Financial Stability Department provided a risk update on the latest development in the context of COVID-19.
16. The risk related to the second wave of pandemic and to the expected corresponding drops in economic outputs with significant impact, in particular on the risk for banks with potential substantial increases in non-performing loans was stressed. This could further spill-over to the European insurance sector that has relatively high exposures to banks. Furthermore, the impact of decreasing yields on technical provisions was discussed.
17. Finally, the ongoing discussion in the European Systemic Risk Board (ESRB) on dividend distributions was reflected. In the subsequent discussion, a relatively robust situation of the insurance sector was mentioned, but the high level of uncertainty on further economic development was also stressed. Some members also highlighted a lack of powers of National Competent Authorities (NCAs) in the context of dividend distributions. Moreover, the issue of intra-group dividend distributions within the insurance group and potential home-host issues should be further discussed.

DECISION

18. Not applicable

CONCLUSIONS AND ACTION POINTS

19. MB took note of the COVID-19 latest developments and its impact on the European insurance market.
20. The discussion on dividend distribution will be further brought to the November meeting of the Board of Supervisors (BoS) at which the intra-group dividend distribution within the insurance group will be addressed.
21. The November BoS risk discussion to focus on the forward-looking impact of ongoing lockdowns and include the related risks of exposures to banks.

AGENDA ITEM 4: INSTITUTIONAL TOPICS

4.1 Strategic direction of SPD 2022-2024, including AWP 2022

22. The ED introduced the major strategic drivers expected to influence EIOPA's work in 2022-2024. These include, amongst others, the continued low interest rates, persistent COVID-19 impact, the need for shared resilience solutions, sustainable development challenges, Capital Market Union (CMU) Action Plan, Digital Finance Package, reviews of key legislative instruments, new legislative proposals such as on the digital operational resilience for the financial sector (DORA). These factors have been taken into account when reviewing the strategic action areas for 2022, as presented in the draft Single Programming Document (SPD) 2022-2024 and the Annual Work Programme 2022.
23. The Head of Corporate Support Department presented the envisaged draft budget of EIOPA for 2022. The proposal is in line with the draft EU Multi-Financial Framework budgetary figures and includes the financial resources proposed for DORA, the latter pending final adoption by the EU legislator.
24. MB was informed on the new calculation method pertaining to the European Economic Area - European Free Trade Association (EEA EFTA) states contributions that, as of 2022, will be part of the 60% National Competent Authorities (NCA) budget contribution.
25. MB made reference to the demanding context for EIOPA and the NCAs in the next years in finding good balance between, on the one hand, the envisaged additional EIOPA activities in light of new legislative proposals, emerging risks and market developments, including those related to digital transformation, and, on the other hand, their impact on the NCA's and EIOPA's resources. In view of this the MB asked EIOPA to carefully prioritise the activities in the draft SPD 2022-2024 before its final presentation for adoption in January 2021, and also to demonstrate how EIOPA intends to introduce further efficiency gains in its work and in the collaboration with its Members in the next years.

DECISION

26. Not applicable

CONCLUSIONS AND ACTION POINTS

27. MB overall welcomed the proposed strategic direction for the period 2022-2024.
28. MB stressed the importance for EIOPA to prioritise its activities in light of new legislative proposals, emerging risks and market developments, including those related to digital transformation and their impact on the NCA's and EIOPA's resources.
29. EIOPA to prepare the Draft SPD 2022-2024 reflecting the outcome of the discussions in the MB and BoS November meetings. The document to be submitted for MB and BoS adoption in January 2021.

4.2 Final audit report on EIOPA's Oversight in the area of consumer protection

30. The Head of the Corporate Support Department presented the result of the Internal Audit Service's audit on EIOPA's oversight processes in the area of consumer protection. Overall the outcome of the audit was positive, confirming that the processes related to the oversight tools in the consumer protection area are well established, tasks and responsibilities assigned, the teams are staffed with qualified personnel, activities monitored internally and externally, which altogether ensures the effective implementation of the defined actions and consistent application of the rules in force. The Internal Audit Service (IAS) concluded that the EIOPA management and control systems put in place for the oversight tools are adequately designed, efficient and effectively implemented and support the Authority in achieving its business objectives.
31. The report also highlighted four areas for improvement, namely (1) to review the Strategy for conduct of business supervision, (2) to update the documentation of the methodologies/procedures applied for the oversight tools, (3) to make more benefit of EIOPA's communication portals and (4) to review the detailed planning of the activities related to the oversight tools.
32. EIOPA has agreed with the IAS on a dedicated action plan addressing all the recommendations provided in the report.

DECISION

33. Not applicable

CONCLUSIONS AND ACTION POINTS

34. MB welcomed the positive outcome of the audit exercise as well as EIOPA's action plan to address the audit recommendations.
35. EIOPA to explore the possibility of making the main audit outcome public on EIOPA's website.

4.3 Final 2021 – 2023 IAS Strategic Internal Audit Plan for EIOPA

36. The Head of the Corporate Support Department presented the new strategic audit plan for EIOPA for the period 2021 to 2023. The plan is the result of a risk assessment of EIOPA's processes conducted in 2020 by the IAS.
37. The prospective audit topics for the next period are (1) EIOPA intervention measures, (2) Procurement and contract management and (3) Data management, dissemination and IT security. The following two topics were selected as reserve audit themes: (1) crisis management and (2) risk management.

DECISION

38. Not applicable

CONCLUSIONS AND ACTION POINTS

39. MB took note of the Strategic Internal Audit Plan for EIOPA for 2021-2023.

4.3 Draft EIOPA Sustainability Policy and COVID-19 impact

40. The Head of the Corporate Support Department presented the Draft EIOPA Sustainability Policy and COVID-19 Impact Note, outlining EIOPA's sustainability-related achievements and on-going activities in the core business as well as its environmental initiatives in the operational support areas.
41. MB was informed of EIOPA's goal to obtain formal certification under the European Eco-Management and Audit Scheme (EMAS) by 2022. In this context, EIOPA has formulated the ambition to reduce its number of on-site meetings and missions as of 2021 by 35% compared to 2019. EIOPA proposes to achieve this by capping the number of on-site meeting for each meeting body and encouraging virtual participation as the default method for attending meetings.
42. MB welcomed EIOPA's proposal to capitalise on developments during the COVID-19 pandemic in order to further improve the Authority's environmental performance. Several Members echoed the importance of striking a good balance between on-site and digital meetings for EIOPA's decision-making bodies. It was seen as essential to adapt the meeting agendas to the respective formats, scheduling more frequent but shorter digital meetings while maintaining a number of physical meetings to facilitate in-depth discussions on important topics.

DECISION

43. Not applicable.

CONCLUSIONS AND ACTION POINTS

44. MB took note of the Draft EIOPA Sustainability Policy and welcomed the proposal to reduce on-site meetings and missions as of 2021 by 35% compared to 2019.
45. MB reiterated the importance of striking a sensible balance between on-site and digital meetings for EIOPA's decision-making bodies, with a view towards meeting efficiency as well as opportunities for interpersonal exchanges.

AGENDA ITEM 5: BOS PREPARATION

5.1 EIOPA opinion on Solvency II 2020 Review

46. EIOPA staff member presented a new extrapolation mechanism noting that it would have an "emergency brake" when interest rates were extremely low. The mechanism would have safeguards in relation to reporting, public disclosure, and when appropriate intensified supervision. EIOPA Chairperson noted that the mechanism was intended to retain the balanced

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approach to the impact of the 2020 review; to be clear and predictable; and to have robust safeguards. The mechanism was still capable of being adjusted.

47. MB members supported the mechanism as the means of securing a balanced approach as well as the proposed safeguards. Members were of the view however that the current proposal was too complex and suggested different approaches for simplification. In particular, their preference is towards a mechanism with a predictable end date and consequently more supportive of a phasing out approach.

DECISION

48. Not applicable

CONCLUSIONS AND ACTION POINTS

49. MB continued to endorse that the impact of the 2020 review should be balanced in respect of economic conditions at end-2019, particularly in relation to interest rates. MB agreed that adjustment of the extrapolation method should be the sole mechanism for achieving such balance when interest rates were lower than end-2019. MB supported the proposed safeguards in relation to reporting, public disclosure, and when appropriate intensified supervision.
50. MB recommended investigation of whether the mechanism could be made less complex in respect of at least the following dimensions: to have one risk free rate curve which combined the impact of old and new business rather than two separate curves; to establish an end point by which the alpha parameter would be 10 per cent (and that 2032 might be a suitable date); and to show pictorially and via narrative the purpose and nature of the mechanism.
51. EIOPA staff to investigate these changes, to reflect on any input received by the Policy Steering Committee, and to present a revised mechanism to the Board of Supervisors meeting of November.

5.2 Product intervention in Unit linked

52. The Head of Conduct Oversight Unit presented the topic, explaining the scope of an intended, local product intervention and setting out some initial concerns raised by EIOPA Members with the justification, proportionality and criteria used. He also summarised the work being carried out by the unit-linked platform to examine issues with value for money more broadly. The MB was informed that the project timeline has been reviewed but remains challenging.
53. Opening the discussion, the Chairperson mentioned the existence of consumer protection concerns in the unit-linked market but not necessarily to the same extent across all Member States; an in-depth and well-grounded assessment was needed, both in view of the opinion EIOPA is mandated to prepare, but also in view of broader supervisory action needed to address conduct risks.

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54. During the subsequent discussion several Members underlined the difficulties in assessing value for money, while supporting the work. The Chairperson acknowledged that value for money is a complex topic but was one that now needed to be considered, and that supervisors needed to recognise that interventions may be needed in certain circumstances. He stressed that the focus should not be on niche products with very narrow target markets, but rather on the mass-market. Further work needs to focus on the nature of the issues and on the supervisory tools that can be used, as product intervention powers should remain a last resort measure.
55. Some Members asked whether the intended product intervention is fully aligned to the PRIIPs Regulation, including on the effective use of existing supervisory tools.
56. By way of concluding, the Chairperson indicated that EIOPA is seeking clarifications from the local supervisor.

DECISION

57. Not applicable

CONCLUSIONS AND ACTION POINTS

58. MB took note of the update on the intended product intervention, and on the work of EIOPA staff and the platform on assessing conduct risk in the unit-linked market.
59. MB supported EIOPA staff and the platform's ongoing work, in particular regarding the assessment of value for money.
60. EIOPA staff and the platform to further develop the analysis also in view of the opinion EIOPA is mandated to adopt.

AGENDA ITEM 6: AOB

CONCLUSIONS AND ACTION POINTS

61. EIOPA to consult via Written Procedure the MB on the composition of the ad hoc Peer Review Committee (PRC). Following the MB consultation, the PRC composition to be submitted for BoS approval.
62. The Chairperson highlighted the importance of having a good European representation in the teams performing the assessment of the holistic framework on systemic risk in the IAIS and encouraged a coordination approach to present candidates for the Core and Thematic Assessment Teams.

ANNEX: LIST OF DECISIONS ADOPTED BY WRITTEN PROCEDURE FROM 14.09.2020 TO 09.11.2020

MB-2020-13

63. Decision adopting by consensus the Minutes of the 55th Management Board Meeting

MB-2020-14

64. Decision adopting by consensus the Ethics Rules for the staff members of EIOPA

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

9 November 2020

Chairperson: Gabriel Bernardino

Vice-Chairperson: Peter Braumueller

<u>Country</u>	<u>Member/ Alternate</u>
Czech Republic	Zuzana Silberová /[-]
France	Patrick Montagner/[-]
Germany	Frank Grund /[-]
Netherlands	[-]/Petra Hielkema
Spain	Sergio Alvarez /[-]
Sweden	Åsa Larson /[-]

<u>Institution</u>	<u>Non-Voting Member/ Alternate</u>
European Commission	Didier Millerot / Larisa Dragomir

EIOPA Staff

Executive Director	Fausto Parente
Head of Corporate Affairs Department	Susanne Rosenbaum
Head of Corporate Support Department	Danny Janssen
Head of Oversight Department	Patrick Hoedjes
Head of Policy Department	Justin Wray
Head of Risk & Financial Stability Department	Dimitris Zafeiris