



EIOPA-BoS-19/360
26 June 2019

EIOPA Board of Supervisors Meeting

25-26 June 2019

Final Minutes

Chairman: Gabriel Bernardino

Voting: AT: Peter Braumüller, BE: Jean Hilgers, BG: Vladimir Savov, CY: Victoria Natar, CZ: Zuzana Silberova, DE: Frank Grund, DK: Carsten Brogaard, EE: Andres Kurgpold, ES: Francisco Carrasco Bahamonde (1st day), Sergio Alvarez (2nd day), FI: Teija Korpiaho, FR: Patrick Montagner, GR: Ioanna Seliniotaki, HR: Ante Žigman, HU: Koppány Nagy, IE: Gerry Cross, IT: Alberto Corinti, LT: Marius Dumbauskas, LU: Claude Wirion, LV: Dina Mikelsone, MT: Ray Schembri, NL: Olaf Sleijpen, PL: Damian Jaworski, PT: Margarida Corrêa de Aguiar, RO: Cristian Rosu, SK: Andrea Gondová (PoA), SI: Mojca Piskuric, SE: Asa Larson, UK: David Rule

Non-voting: BE: Dieter Hendrickx, Henk Becquaert, CY: Constantinos Stavrakis, CZ: Jiri Kalivoda, DE: Thomas Schmitz-Lippert, ES: Francisco Carrasco Bahamonde (2nd day), FR: Frédéric Hervo, IE: Andrew Candland, IS: Rúnar Guðmundsson, IT: Alessia Angelilli, Ambrogio Rinaldi, LI: Philipp Fuchs, NO: Ann Viljugrein, PL: Mariusz Smetek, PT: Ana Byrne, SI: Mojca Rome, COM: Didier Millerot, EFTA SA: Marco Uccelli, EBA: Cedric Coraillon-Parquet, ESMA: Joe Heavey, ESRB: Francesco Mazzaferro

Experts:

AT: Gerlinde Taurer, CZ: Hana Marčíková, DE: Petra Faber-Graw, IE: Zita Culliton, LU: Yves Baustert, PT: Hugo Borginho, RO: Valentin Ionescu, SK: Zuzana Kardosova, Zuzana Turčanová, Peter Tkac (2nd day), UK: Morris-Dyer Zachary, Victoria Saporta (item 7), Paolo Cadoni (item 7)

EIOPA Working Group Chairs:

Ludwig Pflieger (CCPFI Chair), Veronique Hijl (ITDC Chair) (2nd day)

Welcome and introductory remarks by the EIOPA Chairman	Information
<p>Remarks: The Chairman welcomed the attendees to the third meeting of EIOPA's Board of Supervisors (BoS) in 2019.</p>	
<p>1. Adoption of the Agenda</p>	<p>Decision by SMV¹</p>
<p>Conclusions: BoS adopted, by simple majority voting, the agenda. Action points: Not applicable</p>	
<p>2. Update by Chairman, Executive Director and COM</p>	<p>Information</p>

Conclusions:		
<ul style="list-style-type: none"> The Board of Supervisors (BoS) agreed with the proposal to extend the mandate of the current Chair and Vice-Chair of the Review Panel till the end of 2019. 		
Action points:		
<ul style="list-style-type: none"> Not applicable 		
3.	Replacement of two IRSG and one OPSG member(s)	Decision by SMV¹
Conclusions:		
<ul style="list-style-type: none"> BoS adopted, by simple majority voting, the proposed candidates for the replacement of two Insurance & Reinsurance Stakeholder Group (IRSG) members belonging to the category of "independent top-ranking academics" and to the category of "consumers", and of one member of the Occupational Pensions Stakeholders Group (OPSG) belonging to the "IORP" category (EIOPA-BoS-19-261, 7 June 2019). 		
Action points:		
<ul style="list-style-type: none"> EIOPA to proceed with the replacement of the two members of the Insurance and Reinsurance Stakeholder Group, and of the member of the Occupational Pensions Stakeholder Group on the basis of the adopted candidates list. 		
4.	Update by the PSC Chair	Information
Conclusions:		
<ul style="list-style-type: none"> BoS noted the update by the Chair of the Policy Steering Committee (PSC). 		
Action points:		
<ul style="list-style-type: none"> Not applicable 		
5.	Solvency II 2020 Review:	
	5.1 Review of Solvency II: Highlighted issues	Discussion
	5.2 Reporting and Disclosure Consultation Paper	Decision by SMV¹
<u>5. Solvency II 2020 Review:</u>		
<u>5.1 Review of Solvency II: Highlighted issues</u>		
Conclusions:		
<ul style="list-style-type: none"> Extrapolation: While BoS expressed mixed views with respect to the need/convenience of changing the last liquid point, they supported exploring alternative extrapolation methodologies. 		

- Matching Adjustment (MA): BoS supported to clarify a look through principle for MA portfolio assets and expressed mixed views with respect to the eventual removal of limitation to diversification benefits for MA portfolios in the solvency capital requirement (SCR) standard formula, advising to elaborate on the rationale.
- Volatility Adjustment (VA): The BoS expressed mixed views on the different options for changes to the current VA design and recommended narrowing down the options, and analysing concrete proposals of combination of options.

Action points:

- Further technical work at PG level to follow, taking into account the above-mentioned BoS steer, including providing clear rationale on the proposed changes and robust impact assessment.

5.2 Reporting and Disclosure Consultation Paper

Conclusions:

- BoS adopted, by simple majority voting, the '2020 Review Reporting Consultation package' (EIOPA-BoS-19-300, 304, 305, 306, 309 and 330 to 357, 25 June 2019).
- BoS supported the package, as presented at the meeting, in particular the proportionality approach.
- BoS had some concerns on the audit requirements and request to keep the proposal for minimum audit requirements only addressing the Balance sheet and allow for national competent authorities (NCAs) discretion for further requirements and advised clarifying the level of assurance of the audit.
- BoS recommended further discussion on some issues during the consultation phase, such as internal models reporting, disclosure of SCR sensitivities in a standard template, availability of the quantitative information of the solvency and financial condition report.

Action points:

- EIOPA to reflect the change regarding the audit requirements in the corresponding document.
- EIOPA to prepare Communication on the Consultation Package with emphasis on the message around proportionality.
- EIOPA to finalise the Consultation package and initiate the public consultation in the first week of July.

6. IORP II Supervisory opinions:

6.1 Opinion on the use of governance Decision by SMV¹ documents in the supervision of IORPs

6.2 Opinion on the practical implementation of Decision by SMV¹ the Common Framework

6.3 Opinion on the supervision of the Decision by SMV¹ management of IORPs' operational risk

6.4 Opinion on the supervision of the

6. IORP II Supervisory opinions:**6.1 Opinion on the use of governance documents in the supervision of IORPs****Conclusions:**

- BoS adopted, by simple majority voting, the 'Opinion on the use of governance documents in the supervision of IORPs' (EIOPA-BoS-19-245), 25 June 2019).

Action points:

- EIOPA to publish the Opinion subject to minor editing.

6.2 Opinion on the practical implementation of the Common Framework**Conclusions:**

- BoS adopted, by simple majority voting, the 'Opinion on the practical implementation of the Common Framework' (EIOPA-BoS-19-246, 25 June 2019)

Action points:

- EIOPA to publish the Opinion subject to minor editing.

6.3 Opinion on the supervision of the management of IORPs' operational risk**Conclusions:**

- BoS adopted, by simple majority voting, the 'Opinion on the supervision of the management of operational risk faced by IORPs' (EIOPA-BoS-19-247, 25 June 2019)

Action points:

- EIOPA to publish the Opinion subject to minor editing.

6.4 Opinion on the supervision of the management of IORPs' ESG risk**Conclusions:**

- BoS adopted, by simple majority voting, the 'Opinion on the supervision of the management of environment, social and governance risks faced by IORPs' (EIOPA-BoS-19-248, 25 June 2019).

Action points:

- EIOPA to publish the Opinion subject to minor editing.

7. International Capital Standard: strategic Decision by SMV¹ approach

<p>Conclusions:</p> <ul style="list-style-type: none"> • BoS discussed and Members committed to the negotiations resulting into an ICS2.0 by the end of 2019. • BoS encouraged EIOPA to further pursue a structured approach and respective coordination on EU level. <p>Action points:</p> <ul style="list-style-type: none"> • EIOPA to engage, together with BoS Members, in discussions with the EU undertakings.
<p>8. Update by the SSC Chair Information</p>
<p>Conclusions:</p> <ul style="list-style-type: none"> • BoS noted the update by the Chair of Supervisory Steering Committee (SSC). <p>Action points:</p> <ul style="list-style-type: none"> • Not applicable
<p>9. EIOPA's Opinion on the supervision of the Decision by SMV¹ remuneration principles of insurance and reinsurance undertakings</p>
<p>Conclusions:</p> <ul style="list-style-type: none"> • BoS approved, by simple majority voting, 'Opinion on the supervision of remuneration principles in the insurance and reinsurance sector' (EIOPA-BoS-19-299, 4 June 2019) for a public consultation within a 12-week period. <p>Action points:</p> <ul style="list-style-type: none"> • EIOPA to prepare the public consultation and launch it at the beginning of July 2019.
<p>10. Consultation paper on draft EIOPA guidelines on Decision by SMV¹ outsourcing to cloud service providers</p>
<p>Conclusions:</p> <ul style="list-style-type: none"> • BoS approved, by simple majority voting, the 'Consultation paper on the proposal for Guidelines on outsourcing to cloud service providers' (EIOPA-BoS-19-270, 25 June 2019). <p>Action points:</p> <ul style="list-style-type: none"> • EIOPA to modify guideline 16, paragraph 65 and to launch a public consultation on the Guidelines. • EIOPA to consider how to enlarge the scope of the Guidelines to 'general'

outsourcing and not only on cloud-based one following a roadmap similar to the one used in the past years by EBA.

11. First Report on the IM Non-Life Comparative Study

Decision by SMV¹

Conclusions:

- BoS approved, by simple majority voting, the report 'YE2016/YE2017 Non-Life Underwriting Risk Comparative Study (NLCS) in Internal Models' (EIOPA-BoS-19-283, 7 June 2019).

Action points:

- EIOPA to organise a closing event for feedback to industry.

12. Update by the CCPFI Chair

Information

Conclusions:

- BoS noted the update by the Chair of the Committee on Consumer Protection and Financial Innovation (CCPFI).

Action points:

- Not applicable

13. IDD - Report analysing national General Good rules

Decision by SMV¹

Conclusions:

- BoS approved, by simple majority voting, the report 'YE2016/YE2017 Non-Life Underwriting Risk Comparative Study (NLCS) in Internal Models' (EIOPA-BoS-19-283, 7 June 2019).

Action points:

- BoS to provide final factual corrections to the report and country-by-country analysis and information on any recently updated websites within five working days.
- EIOPA to carry out a legal assessment of what it considered to be problematic general good rules and revert to BoS on this in the future.
- EIOPA to submit the documents to COM and publish them on its website.

14. Report on Thematic Review on Travel Insurance

Discussion

Conclusions:

- BoS agreed that the evidence indicates some serious issues in parts of the

market that could lead to potential consumer detriment.

- BoS agreed that identified issues should be addressed and expressed its support for EIOPA to consider all its tools to do so.
- BoS considered that some of the issues could be common to some other insurance products, e.g. add-on markets more generally.

Action points:

- EIOPA to finalise the Thematic Review in the CCPFI.
- EIOPA to submit the final Review to BoS in a written procedure to take place in towards the end of July 2019.
- EIOPA to propose a package of possible supervisory measures to address the issues identified in the Review at the next BoS in September 2019.

15. Preparations for the 2020 Report on Costs and Past Performance Discussion

Conclusions:

- BoS agreed with the streamlined methodology proposed for the 2020 report, with particular reference to a better timing in launching the survey, longer time for responding, easier template and the size of the sample of products in scope.
- BoS agreed that it is a work in progress and it is necessary to continue to target incremental improvements, while working on better standardisation, including through a potential methodology from the Actuarial Association of Europe.

Action points:

- EIOPA to proceed in CCPFI to finalise the survey along the lines set out in the Cover Note.
- EIOPA to continue working on the costs standardization and definition to improve the harmonisation and ultimately the market coverage.

16. Brexit: 5th information update Information

Conclusions:

- BoS confirmed and re-emphasised the necessity and importance of national supervisors to continue their efforts to ensure contingency planning of undertakings.
- BoS recommended that competent authorities should cooperate on any Brexit-related issues identified or to be identified, in particular in EIOPA's Brexit cooperation platform.

Action points:

- BoS to continue the discussions and verification of the data of the fifth information update in EIOPA's Brexit cooperation platform and to further monitor the implementation of contingency plans on a company-by-company

basis.

17. Closed Session	Confidential exchange of information
18. Update by the RFSC Chair	Information
Conclusions: <ul style="list-style-type: none">BoS noted the update by the Chair of the Risk and Financial Stability Committee (RFSC) and broadly welcomed the update. In particular, the BoS highly appreciated the information on the feedback collected on the 2018 Insurance Stress Test exercise. Action points: <ul style="list-style-type: none">Not applicable	
19. IORP Stress Test 2019 update	Information
Conclusions: <ul style="list-style-type: none">BoS welcomed the update provided including information on the participation rates for specific countries. Action points: <ul style="list-style-type: none">Not applicable	
20. Discussion paper on insurance stress test methodologies	Discussion
Conclusions: <ul style="list-style-type: none">BoS broadly supported the Discussion Paper.BoS agreed to extend the consultation period, considering the postponement of the Stress Test exercise to 2021.BoS recommended that questions to stakeholders need to clearly touch on both – theoretical and practical aspects (feasibility) – of the Stress Test elements. Action points: <ul style="list-style-type: none">EIOPA to amend the Discussion Paper by reflecting the BoS conclusions and, subsequently, to submit it via a written procedure to BoS for approval and publication.	
21. Note on a potential insurance stress test Decision by SMV¹ exercise in 2020	

Conclusions:

- BoS adopted, by simple majority voting, the decision to postpone the Stress Test exercise to 2021 and, instead, to conduct a Sensitivity Analysis on climate change related risks in 2020.

Action points:

- EIOPA to present a more detailed proposal on the 2020 Sensitivity Analysis to be discussed at the September 2019 BoS meeting.
- EIOPA to use the opportunity of postponing the 2020 exercise in order to further improve the methodological framework, prioritising also top down analyses, liquidity stress testing and assessing the impact of climate change (both transitional and physical risk) on insurers. The work should be carried out by the Project Group (PG) on methodological principles of insurance stress testing.

22. Consultation paper on Insurance Guarantee Decision by SMV¹ Schemes**Conclusions:**

- BoS adopted, by simple majority voting, the 'Consultation Paper on Advice on Harmonisation of National Insurance Guarantee Schemes across the Member States of the EU' (EIOPA-BoS-19-259, 27 May 2019), subject to: (a) deletion of the examples of eligible policies (paragraph 137); and (b) minor (national) factual corrections, as agreed at the meeting.

Action points:

- EIOPA to amend the paper in accordance with the aforementioned changes.
- EIOPA to publish the paper for a 12-week consultation process afterwards.

23. Cyber reach out exercise - update Discussion**Conclusions:**

- EIOPA to initiate a BoS written procedure on the approval of the report.
- BoS broadly supported the work on the Cyber reach out exercise.
- BoS agreed that the results of the exercise highlight that further work in the area of cyber risk needs to follow.

Action points:

- Not applicable

24. Update by the ITDC Chair Information**Conclusions:**

- BoS noted the update by the Chair on IT and Data Developments.

Action points:

- Not applicable

25. IT Strategy 2019-2023

Decision by SMV¹

Conclusions:

- BoS adopted, by simple majority voting, the 'EIOPA IT Strategy 2019-2023' (EIOPA-BoS-19-262, 26 June 2019).
- BoS deemed the IT Strategy clear and transparent and recommended that EIOPA should develop a separate SupTech Strategy in response to the discussions during the Strategy Day.

Action points:

- EIOPA to develop an integrated Data & IT Strategy Implementation Plan.

26. AOB

Information

Conclusions:

- BoS agreed to include paragraphs 3.1.1.1 to 3.1.1.3 and 3.2.1.1 to 3.2.1.3 of the Decision on collaboration between NCAs as assessment criteria of the peer review on collaboration to capture the exchange of information on the activities and risks of the undertaking, and, based on these paragraphs, three questions into the self-assessment questionnaire.
- BoS took note of EIOPA's intention to launch an Expert group on digital ethics with regard to big data, including external members such as academics and consumer representatives.

Action points: Not applicable

¹: Decision by simple majority (Article 44(1) 1st para. EIOPA Regulation)

²: Decision by qualified majority (Article 44(1) 2nd para. EIOPA Regulation)