

**APPROVED MINUTES OF THE EXPERT GROUP ON BANKING, PAYMENTS AND INSURANCE  
(INSURANCE FORMATION) MEETING VIA WEBEX**

**5 April 2022**

9:30 – 15:30

Adoption of the meeting agenda.

The minutes of the Expert group meeting of 24 February 2022 were adopted after having clarified that the summary of views reported on the different topics, including the risk margin, reflected the interventions made during that meeting.

**1. Status of EIOPA PEPP registry – national provisions on incentives**

Commission representatives recalled that the PEPP Regulation started to apply on the March 22 and invited members to communicate to EIOPA, for inclusion in the registry, on the applicable conditions for the implementation of the new products, including taxes.

**2. Commission proposal for amendments to the Solvency II Directive (Level 1): status of discussions in the Council**

The French Presidency gave its update on the state of play in the Council as regards the amendments to the Directive, in particular on the first compromise text shared with delegations in view of the CWP on 11 April.

**3. Possible amendments to the Solvency II Delegated Acts (Level 2) on “Other topics” (other than Long Term Guarantee measures and Long-term investments)**

A vast majority of members did not raise any concerns on reducing the **correlation between spread risk and interest rate risk** in the downward scenario (from 0.5 to 0.25). Similarly, a vast majority of members supported EIOPA’s new analysis confirming the current **correlation parameter between equity risk and interest rate risk** in the downward scenario, with only one member expressing support for reducing such parameter.

On **risk mitigation techniques**, a majority of members did not raise concerns about EIOPA’s Advice.

On Adverse Development Covers, despite the overall support for the presented policy options, two members expressed concerns on EIOPA’s Advice. Notably, one member expressed concerns on allowing a widespread use of techniques considered complex and not sufficiently tested, while another member questioned instead the proposed limitation to policies with similar risk characteristics.

On contingent instruments and convertible bonds, members supported EIOPA’s Advice and its relevance for both standard formula and internal model users.

On the principle of “effective risk transfer”, members supported EIOPA’s Advice and the application of the proposed safeguards to all types of risk mitigation techniques.

On the issues related to **non-equivalent third country reinsurance**, members expressed overall support for further exploring the presented policy options. Discussions did not reveal a clear preference by members and Commission representatives invited members to send any written suggestions or comments after the meeting.

On the potential recognition of **state reinsurance schemes** as having the same effects on insurers’ balance sheets of reinsurance contracts, members did not express particular concerns about the presented policy options which follow the principles of the EIOPA’s supervisory statement issued in July 2020. One member indicated the need to verify the existence of a sufficient legal basis at Level 2 for such changes.

On the potential recognition of **state guarantees** in the standard formula, views were split on whether to further recognise their risk mitigation effects in the calculation of the market risk-modules of the standard formula. While several members expressed overall support for exploring the presented policy options, some members expressed scepticism on extending the scope of the current framework. Discussions did not reveal a clear preference by members and Commission representatives invited members to send any written suggestions or comments after the meeting.

On **mortgage loans**, views were split on whether to explore amendments to mitigate possible loopholes between insurance and banking regulations. While some members expressed support for introducing input floors to LGD values in line with the CRR approach, others questioned such an approach and the fact it would rely on input values established for banking internal models. Discussions did not reveal a clear preference by members, including on the scope and on the parameters of the potential amendment.

On the other presented changes to **Counterparty Default Risk module**, members did not express any concerns about EIOPA's Advice. One member asked for more clarifications on the interaction between the proposed new LGD formula for bonds in default and the corresponding capital requirement. Commission representatives announced that they will clarify this aspect after liaising with EIOPA.

The proposed amendments regarding the **Best Estimate** calculation, in particular the amendments on laying down the prudent deterministic valuation, did not raise concerns with the majority of members. Only two of them asked for further investigations and clarifications on the proposed method.

On **Remuneration**, a majority of members favoured to follow EIOPA's proposal which would mean that under certain conditions insurers would not be obliged to define a mandatory deferral period of the substantial part of the variable remuneration component. However, some members asked to explore further possibilities to increase national supervisory discretion in this regard. Commission services reiterated that it would be challenging and pointed towards already existing safeguards in the Directive that would give national supervisors powers to exercise their discretion.

On **reporting and disclosure**, members supported the proposed way forward to mirror the changes in Level 1 also in the Level 2. Furthermore, the proposal to deal with sustainability risks, ESG and climate change disclosures in the context of the CSRD did not raise any concerns.

On **group supervision**, a majority of experts expressed support for the general direction of travel of potential Level 2 amendments, although a few expressed reservations on a couple of items, notably the treatment of specific types of undertakings, the assessment of transferability of group own funds or revised transparency and accountability of waivers of group supervision.

A majority of experts also disagreed or expressed doubts about the appropriateness of investigating whether to introduce a temporary 'preferential' treatment of own funds from recently acquired subsidiaries.

On **other topics**, members did not raise any particular concerns about following EIOPA's recalibrated risk factors for the calculation of the minimum capital requirement. One member asked to verify the attribution of some of these factors to the related Lines of Businesses of the Delegated Act. As regards the Green Deal-related items, one member asked to avoid that attention to the suitability of historical data is paid solely in the context of climate change-related risks. Out of five members taking the floor, three explicitly expressed concerns on the proposed changes to the expense risk module. Those members raised concerns that risks may also materialise where expenses are contractually fixed and one of them explicitly suggested further analysis (which was supported by one member that not explicitly raised concerns). No concerns were raised on the alignment of the delegated acts with changes in the Directive or on the areas where EIOPA advised not to change the current rules (property risk, premium and reserve risk for credit and suretyship, health SLT mass lapse risk, health catastrophe

risk – pandemic scenario). One member expressed support for not changing the rules on the calculation of capital requirements in the context of strategic equity investments.

#### **4. AOB**

Commission representatives announced that two more EGBPI meetings will likely be held in May, notably on 5 May and 19 May 2022, with a view to advancing on discussions related to Long-term Guarantee measures (and related items) and Long -term equities.

Members were finally invited to report about any constraints on the possibility of having the meeting on 19 May “in presence” in Brussels.