

To: Solvency II WG  
From: Prudential Team  
cc:  
Date: 23-11-2023  
Reference: ECO-SLV-23-230  
  
Subject: Summary EIOPA BoS meeting

## Summary

Members will find a summary of the relevant areas from a prudential perspective of the Board of Supervisors (BoS) meeting held on September 26-27. For access to the complete minutes, please click [[here](#)].

### ■ Prudential treatment of sustainability risks

- EIOPA staff presented EIOPA's work on the prudential treatment of sustainability risks, with a focus on the three main issues raised by Members at the June BoS: (i) robustness of data, (ii) suitability of a Pillar I treatment of stocks and bonds, and (iii) coherence with the EBA's work.
- Several Members considered the data and evidence sufficient to consult on the proposed policy options on stocks and bonds, while some Members expressed concerns about the robustness of the findings, particularly as regards the model-based assumptions of the forward-looking risk assessment and also whether there was a potential role for transition plans in the risk assessment.

In addition, some Members questioned the need for change given the relatively low materiality of the assets affected.

- As regards the suitability of a Pillar I approach, **most Members considered a dedicated treatment of transition risks in the capital requirements preferable over a Pillar II-approach, given data would provide sufficient evidence for a risk differential.**

#### ■ Other stakeholders' views:

- Most Members considered the differences in the approaches taken by **EBA** and the EIOPA justified, given the different designs of CRD/CRR and Solvency II, though others expressed concern on the differences.
- EBA** noted that it favoured a holistic approach, and that it was starting targeted work on Pillar 1 aspects.
- The **ESRB** supported proceeding with a dedicated prudential framework including in relation to Pillar 1.
- EC** highlighted the importance of reflecting all policy options including all pillars of Solvency II into the consultation.

#### ■ Next steps:

- The BoS agreed to proceed with preparation of a consultation paper, while also expressing concerns on specific topics, notably on robustness of the data.
- EIOPA to finalise its analysis and to present to the December BoS a Consultation Paper including the policy options on stocks and bonds.

- **IAIS executive meeting 21-22 Sept** A call for the chairmanship for the Insurance Capital Standard (ICS) will be launched. BoS Members were invited to express interest.

- **ESRB quarterly meeting:** On 19 September 2023, EIOPA participated at the European Systemic Risk Board (ESRB) quarterly meeting. Focus was on higher interest rates. The Chairperson also reported on the growing attention to non-banking related topics considering the role of EIOPA and the ongoing work of the ESMA in that direction.
- **Micro-states:** interaction is taking place between the three ESAs and the EC in that respect.
- **FSC meeting:**
  - 12 July: EIOPA presented its joint work with the ECB on policy options to reduce the climate insurance protection.
  - 20 Sept: During that meeting EC presented on the ongoing negotiations of an Association Agreement between the European Union and microstates (Andorra, Monaco and San Marino). The ESAs drew attention to the possible risks of a lack of adequate financial supervision if the internal market in financial services is opened without adequate safeguards.
- **IAIS – EIOPA centralised provision of data:**
  - EIOPA centralised provision of data to IAIS on behalf of the NSAs is growing and brings consistency to EEA historical data series. All the administrative arrangements and preparative work necessary were undertaken, thereby ensuring timely and successful delivery of the data.
- **Union-wide strategic supervisory priorities (USSP):** EIOPA will launch a questionnaire on the USSP with focus on the NCA activities following the continuous monitoring of the impact of the macroeconomic environment on the insurance sector, including the combined effect of inflation and interest rate risk.
- **EU Eco-management and audit scheme (EMAS) implementation**
  - EIOPA has committed to a reduction of the number of on-site meetings with external participation by at least 40%. In line with this objective, individual reduction targets have been agreed for different meeting bodies and types of meetings. EIOPA managed to fulfil all agreed targets.
- **Revised single programming document:** EIOPA presented the revised Single Programming Document (SPD) 2024-2026.
  - It contains updates on macroeconomic developments, legislative developments and resulting additional deliverables, resource updates and de-prioritisations as well as improvements in the KPIs.
  - EIOPA has also revised its Annual Work Programme (AWP) 2024. Due to the uncertainties in the discussions regarding the eventual timing of the new legislative initiatives, EIOPA planned its 2024 outputs based on two scenarios:
    - The first is based on the current timeline assumptions and includes the high - priority outputs that will be realistically delivered within the current timeframe.
    - The second includes, additionally, the outputs currently postponed as well as ones which would be subject to partial implementation/limited scope of delivery and would be delivered in their entirety only in case of an effective outcome of the legislative discussions on the timelines of the new legislative deliverables.
  - EIOPA also presented the first iteration of the SPD 2025-2027
- **Presentation of ACP 2024 advice**
  - Members welcomed the Advice which covers two topics: IRRD and Product Oversight and Governance (POG).
  - The Advice should be taken into consideration by the relevant Steering Committees and project groups at EIOPA when delivering their products and services.
- **Group Own funds – treatment of foreseeable dividends from related credit institutions**
  - At issue was the appropriate level of prudence in the treatment of the dividend payments of a related credit institution.
  - Most members supported the current position though some expressed concerns that the current regulation does not properly reflect the economic situation of groups with related credit institutions. All members agreed on the need to reach supervisory convergence on the treatment of foreseeable dividends from related credit institutions.

- EIOPA should assess measures to ensure supervisory convergence on the treatment of foreseeable dividends from related credit institutions.
- **Report on national supervisory powers:**
  - The final report was presented, outlining the main conclusions and follow-up actions following the analysis on the use of emergency powers under Article 155(4) of Solvency II and joint on-site inspections.
  - Members agreed on the need of enhancing supervisory convergence of practices and reinforcing cooperation among EIOPA, Home and Host supervisors, especially in relation to the use of SII Art 155(4). However, while some Members expressed concerns on the possible involvement of EIOPA as an additional administrative burden, other Members confirmed that a system with a mandatory information to EIOPA could eventually make the supervisory actions of the Home/Host supervisors more solid.
  - BoS adopted, by consensus, the follow-up steps identified in the Report on NSA (Ref.: EIOPA-BoS-23/330, 07 September 2023) regarding joint on-site inspections.
  - EIOPA to prepare a note elaborating further on the context of the follow-up steps proposed concerning the use of emergency power foreseen in SII Dir Art 155 (4).
- **European systemic risk assessment framework (SRAF) 2023 results**
  - A group of experts will be established under the Expert Network on Financial Stability (ENW5) to support the regular production and methodological development going forward, replacing the existing RFSC Project Group (PG) on the Operationalisation of the Holistic Framework for Systemic Risk in Europe.
  - Potential areas of methodological improvement include the enhancement of indicators based on the revised Solvency II reporting and the aggregation of indicators' scores at risk category level.
- **Insurance stress test- project proposal**
  - Members supported the proposal highlighting the need of striking the right balance between desired coverage and feasibility of the exercise and of maintaining flexibility in the definition of the scenario(s) to reflect the evolution of the economy and of the markets. Operationally, information on the planning and on the disclosure of the results shall be defined as soon as possible.
  - BoS supported the launch of the Insurance Stress Test 2024 Project Group and expressed preference for a stress test scope focused on insurance groups complemented by solos to enhance the coverage at national level. Market coverage at national level shall consider the concentration of national markets. Project Group to define the specifics. BoS concluded to maintain a degree of flexibility in the definition of the scenarios within the margins allowed by the planning of the activities in order to reflect the foreseen evolution of the economy and of the markets.
- **Supervision of Captives:** EIOPA presented the draft opinion, highlighting important points from a supervisory convergence perspective such as supervision of Prudent Person Principle or supervision of fitness and propriety requirements.