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COVER NOTE

From:	Mr Gabriel BERNARDINO, Chairman for the European Insurance and Occupational Pensions Authority
date of receipt:	28 July 2020
To:	Mr Olaf SCHOLZ, President of the ECOFIN Council
Subject:	EIOPA issues paper on shared resilience solutions for pandemics

Delegations will find attached the cover letter for the above mentioned document which can be consulted and downloaded in EIOPA's website:

<https://www.eiopa.europa.eu/content/issues-paper-resilience-solutions-pandemics>

Encl.: [...]

E-MAIL

IM: 007270 2020
28.07.2020

Gabriel Bernardino
Chairman



Mr Olaf Scholz
Federal Minister of Finance
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EIOPA-20/460
27 07 2020

Pandemic recovery: shared resilience solutions

Dear Mr Scholz,

The current Covid-19 pandemic shows the importance of strengthening our society's resilience. The ability to insure against costs of future pandemics is crucial for the recovery and resilience of the European economy.

Traditional insurance may not however work as expected given the widespread nature of the pandemic. Solutions involving both public and private sectors are needed. In this respect EIOPA was already working on areas such as natural catastrophes where "protection gaps" exist between what is insured and total losses. Given the read across from this work to the Covid-19 situation, EIOPA has been exploring, together with representatives of the insurance industry, commercial insurance buyers, and brokers, what we term "shared resilience solutions". The outcome is the attached Issues Paper by EIOPA staff, to be published today, which sets out options for solutions, with their pros and cons. At this stage no specific recommendations are made.

Shared resilience solutions build on four key elements: (i) proper risk assessment, (ii) investment in prevention and adaptation measures, (iii) appropriate product design and (iv) residual risk transfer. These are underpinned by four main principles:

- I. A shared resilience solution would require the sharing of costs and responsibilities across the relevant parts of the private and public sector ("skin in the game").
- II. An efficient shared resilience solution will require an element of central coordination across public and private entities.

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III. Any solution involving the public and private sectors would be conditional upon implementing efficient and effective prevention and adaptation measures.

IV. A shared resilience solution can only insure against a portion of the economic costs.

The Issues Paper identifies different possibilities for an EU role. For example a blueprint for a shared resilience solution could be developed at EU level and implemented nationally. Another possibility is the EU forming another layer of risk transfer in addition to national solutions. Options for EU involvement are both in respect of being part of an insurance mechanism and also in terms of providing structures, for example establishment of an EU expert group for data sharing and risk modelling of pandemic risk.

The paper notes in addition that the shared resilience solutions framework is also potentially applicable to other risks such as climate change and cyber for which private sector solutions alone are unlikely to be available.

I hope the present issues paper contributes to the debate on pandemic risk and wider issues.

I remain at your disposal to discuss the content of the issues paper and the contributions that EIOPA may provide to this important debate on future resilience solutions.

Yours sincerely,



Gabriel Bernardino

cc: Jeppe Tranholm-Mikkelsen, Secretary-General of the Council of the European Union,
Chair of the Working Party of Financial Counsellors,
General Secretariat of the Council of the European Union,
Jörg Kukies, Secretary of State, Federal Ministry of Finance, Germany