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Pan-European Insurance Forum's views on the EU Commission's public consultation on the operations of the European Supervisory Authorities

Munich, 15 May 2017

Dear Commissioner,

I am writing to you in capacity of Chairman of the Pan-European Insurance Forum (PEIF), a forum for the CEOs of major European insurers (Aegon, Allianz, AVIVA, AXA, GENERALI, MAPFRE, Munich Re, RSA, Swiss Re, UNIQA, and Zurich) to exchange and present views on policy and regulatory issues amongst themselves and with others.

On 21 March 2017, the European Commission initiated a public consultation aimed at evaluating the operations of the European Supervisory Authorities (ESAs) and gathering information on where effectiveness and efficiency of the ESAs can be strengthened. We welcome this opportunity to discuss possible improvements and would like to make the following key observations:

1. PEIF believes that the time for a single supervisory mechanism has not yet come. There is not any evidence that the supervision of insurance companies would be improved by a further centralization at European level. The full transposition of Solvency II is not completed, and must be a first step before further changes are made to the supervisory structure. Once the transposition is complete, there is an obvious mission for EIOPA to ensure that the European common rulebook for financial services is applied consistently across Europe. The group wide model supervisor approach provides for the best understanding between the Group and its supervisor. Supervision, including the internal model validation process, must be kept at the place where the best knowledge of national markets diversity, culture and of consumers' local needs are, i.e. at the national level.
2. Although the insurance and banking industries form part of the broader financial services sector, there are crucial differences between them in terms of their business models, key activities and risk profiles. It is therefore vital that the specificities of insurance are accounted for in the design of the regulatory architecture. Intermingling with banking supervisory bodies is to be avoided. Banks and insurers need differentiated and specific regulatory frameworks that fully reflect the profound differences between the business models and risk profiles of the two industries.
3. The current structure of the ESAs – along with EIOPA as an independent authority responsible for prudential and conduct-of-business risks– should be upheld, since they cannot be separated in the case of insurance. The overarching purpose of insurance prudential regulation, including setting up of capital requirements, is to protect policyholders. As well, there is an inherent tension between market conduct and prudential approach. For example, more flexibility in the design of product may be allowed to clients from a conduct point of view while this flexibility will be constrained for prudential purpose. Besides, existing national twin-peak models have shown serious competency overlaps which further the complexity of supervision. Separating regulation would therefore endanger supervisory expertise within the insurance business and add unnecessary costs, risk duplication, or contradictions, leading to legal uncertainty.

4. PEIF believes that the global cost of supervision must not increase the price of products for policyholders. If an additional system of contributions in put in place to fund EIOPA, contributions to the national supervision must decrease proportionally. If EIOPA remains merely a "standard setter" at technical level, it is inappropriate if its activities should be funded by insurance companies. The EIOPA costs should continue to be met by public sources, such as the EU budget.
5. In setting standards, the EIOPA has sought to expand its mandate. However, there is no adequate legal recourse to review the measures taken by EIOPA. Its governance structure should be re-examined to ensure that there ae adequate checks on the scope of EIOPA's mandate. In particular, a legal basis should be required for any intervention by EIOPA. At the same time, we recommend that additional oversight of EIOPA by the European Commission subject to parliamentary control should be put in place.

The need for stronger coordination to achieve a level playing field does not mean that a change of the supervisory architecture is necessary. EIOPA does not lack the necessary authority and resources. It has only to employ all the prerogatives within its legal framework as the European Parliament recommends. Indeed, Solvency II framework provides EIOPA with sufficient powers and responsibilities to achieve its mission with the role of arbitrage/mediation between national jurisdictions and the draft of regulatory technical standards / guidelines.

We would welcome the opportunity to discuss this topic in further detail with you

Best regards,

Oliver Bäte
Chairman of the Pan-European Insurance Forum

About the Pan-European Insurance Forum (PEIF)

PEIF is an informal forum for the CEOs of major European insurers (Aegon, Allianz, AVIVA, AXA, Generali, MAPFRE, Munich Re, RSA, Swiss Re, UNIQA, and Zurich) to exchange and present views on policy and regulatory issues amongst themselves and with others. PEIF companies represent around two-thirds of the STOXX® Europe Insurance.

https://www.peif.eu/

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