



Insurance Europe –EU decision-making process and key issues

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Insurance Europe

Who?

- European insurance and reinsurance federation, founded in 1953

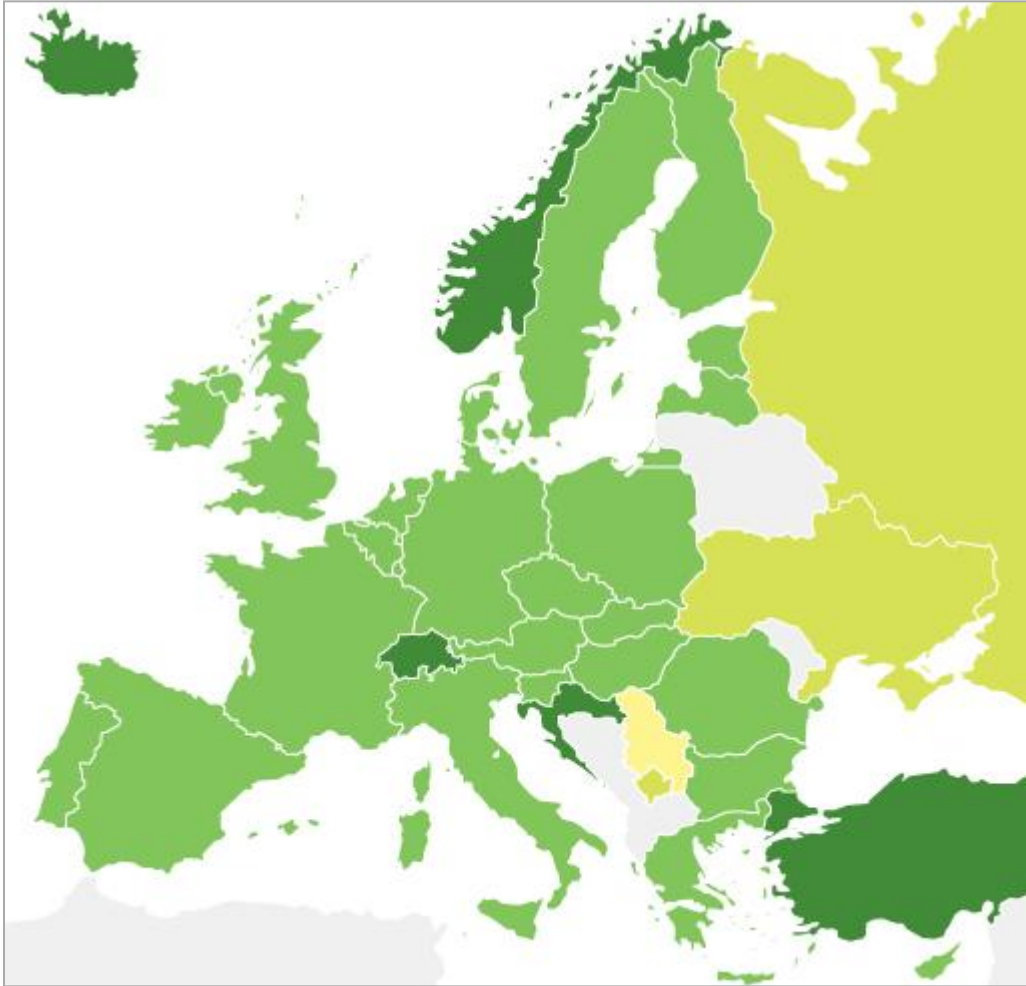
What?

- Represents around 95% of European insurance market by premium income

Why?

- Enhancing the industry's reputation, Protecting and optimising insurers' business environment , Safeguarding insurability, Championing best practice

Members



34 national associations

26 EU member states

6 non-EU markets

Croatia, Switzerland, Iceland, Norway, Turkey, Liechtenstein

2 associate members

Serbia, San Marino

3 partners

Russia, Ukraine, Kosovo

Insurance contribution to the economy



Insurance Europe represents more than 5 000 European (re)insurers, which:

- generate premium income of almost €1 100bn

- employ nearly one million people

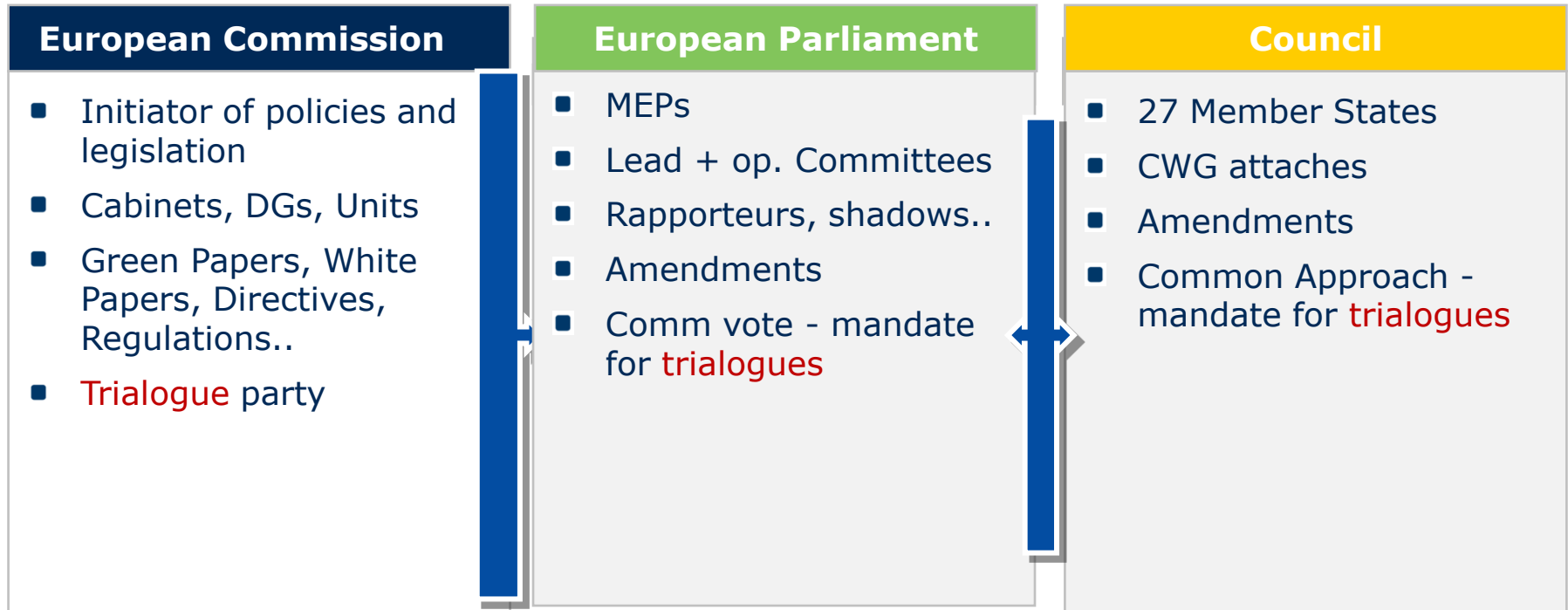
- invest around €7 700bn in the economy

Key stakeholders in the EU legislative process



The EU institutional triangle

EU decision-making institutions and processes



Triologue compromise text between the three institutions finalises process

European Supervisory Authorities
European Systemic Risk Board

New rule-making after Lisbon

**Former
“Level 2 implementing
measures”**

... now called “Delegated Acts”

Who decides?

- EC drafts – after consulting
- EP/Council may object

New ESAs regulatory powers

ESAs draft technical standards

“Regulatory technical standards ” + “Implementing technical standards ”



Part of the ‘EU single rulebook’

Who decides the RTS?

- EIOPA drafts
- EC endorses
- EP/Council may object

..Who decides the ITS?

- EIOPA drafts
- EC endorses
- No EP/Council vote

Regulatory trends

How trends affect insurance

- Global scope
 - Crisis triggered regulatory activities at EU and global level
 - EU/international (G20) parallel objectives – political momentum
- Fast-moving, ambitious goals
 - Broad nature of scope
 - Complex regulation
 - Regulatory pace too quick
- Focus on banks
 - But cross-reading to insurance

- From bank-type regulations to insurance
 - spill-over effects at both EU & international level
 - inappropriate design of regulation
- Intensified work on both prudential and consumer protection
- Little knowledge of insurance business model
- (Un)level regulatory playing field

Stability and supervision

What is expected?

- Broad scope – Global systemically important insurers (GSIIIs)
- Regulatory designs with little consideration of insurance sector's characteristics
- Despite efforts, insurance companies risk being pulled into scope of systemic risk regulation

What are the challenges?

- Risk that measures designed for banks are imposed on insurers
- Risk of unnecessary extra capital and increased supervision
- Moving beyond the message « insurance differs from banking »

Yet a new EU supervisory architecture?

- European Supervisory Authorities (EIOPA, EBA, ESMA)
- +
 - European Systemic Risk Board (ESRB)

=

EU supervisory architecture



(new) “Single Supervisory Mechanism (SSM)”

- for banks, but...



... will the ECB be the EU banking supervisor in the euro-zone?



... what will be the consequences for the insurance sector?

Solvency II / Omnibus II

What is expected?

- OII unfinished (trialogue) discussions
- Possibility for appropriate calibration of long-term guarantees package
 - Impact assessment planned
 - Ex-ante or ex-post?
- Quick Fix 1
 - Transposition 30 June 2013
 - Application date 1 Jan 2014
- Quick fix 2?

What are the challenges?

- Badly designed regulatory changes could have huge adverse impact for insurers, consumers and the economy
 - Well designed and calibrated regulation provides better protection against future crises
 - If not, risk of higher costs for customers, fewer products and less stability in Europe

Conduct of business – sales practices

What is expected?

- EU legislation addressing disclosure & conduct of business
 - Packaged Retail Investment Products (PRIIPs)
 - Insurance Mediation Directive review (IMD2)
- Cross-sectoral approach
- « One-size-fits-all » approach
- Rules at EU and international level

What are the challenges?

- Avoiding additional burden that provides no benefit to consumers
 - Better information rather than more information
- Ensuring regulators address specific insurance-related concerns
- Respecting diversity of consumers' needs and distribution structures
- Preventing diverging/cumulative rules at EU & international level

Differentiation, not discrimination

What is expected?

- 21 Dec 2012: ECJ *Test-Achats* ruling deadline on gender-neutral pricing
- EC report on Gender (2014)
- EU draft Directive on age and disability stalled in Council

What are the challenges?

- Operators to ensure compliance with ECJ ruling in light of EC guidelines
- Economic impact of the ban on gender (Oxera)
- Risk of spill over makes legal certainty on use of age/disability an absolute priority

Pensions

What is expected?

- Follow up to White Paper
 - Several initiatives to achieve sustainable pensions sustainable, ie:
 - Role of complementary retirement savings
 - Resume work on Portability Directive
 - Develop of a code of good practise
 - EP report on the White Paper – first draft Nov 12
- Review of IORP Directive
 - QIS exercise - mid Oct (ends Dec)
 - QIS results – April 13
 - Proposal – poss summer 2013

What are the challenges?

- Discussions both political and highly technical/complex
- Ensure consistent prudential frameworks
 - But pension funds specific features to be taken into account
- Different understanding of pensions can lead to misinterpretations between Member States



For more information

www.insuranceeurope.eu

