insurance europe

Press release

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ESAs review: splitting responsibilities or losing dedicated insurance supervisor would damage quality of supervision

No new powers for EIOPA; instead focus on making full use of current powers

Transferring some responsibilities away from the European Insurance and Occupational Pensions Authority (EIOPA) or merging it with another of the European supervisory authorities (ESAs) would reduce the effectiveness of consumer protection and prudential oversight, according to Insurance Europe, the European insurance and reinsurance federation.

Responding to ideas put forward in a European Commission consultation to either transfer some conduct of business powers from EIOPA to the European Securities and Markets Authority and/or to merge EIOPA with the European Banking Authority, Insurance Europe said that such moves would not lead to better EU-level supervision or increased convergence in the way national authorities supervise insurance.

Conduct of business and prudential issues are interlinked and changes would dilute the insurance expertise that EIOPA has built since it was created. Insurers must comply with different regulation from European banks because they have a completely different business model. Therefore, insurers need a supervisor focused on and able to understand their distinct business model, risks and consumer needs.

There is also no evidence that another EU supervisory structure would work better and justify the costs, risks and years of uncertainty that would accompany any significant structural changes. In particular, insurers only recently began working under Solvency II, and other significant regulation will come into force in the next few years, so the European regulatory landscape on which supervisory convergence can be built is new or not yet implemented. It is therefore too early and too risky to make structural changes.

Michaela Koller, director general of Insurance Europe, commented: "We need a strong, dedicated European insurance supervisor. Insurance is a complex industry that requires a focussed supervisor with a high degree of expertise overseeing all areas of supervision, including both conduct of business and prudential to avoid duplicative and contradictory regulations. To split insurance responsibilities across ESAs or merge supervisors could put this expertise at risk, and would be a bad result."

While no significant changes to EIOPA's structure, powers or responsibilities are justified, improvements to EIOPA's governance are needed. Applying qualified majority voting for all its Board of Supervisor decisions and improving transparency could help in this respect. Other improvements, such as an independent oversight board to support the European Parliament's oversight of EIOPA should also be considered.

Koller added: "Significant governance improvements are key in order to safeguard EIOPA's independence and to ensure that it always stays within its mandate and acts in the interest of the wider EU economy."

While recognising the need for a strong insurance supervisor, Insurance Europe believes that EIOPA should not be given any further powers at this stage. Instead, the focus should be on ensuring that EIOPA can make the most of its existing powers.

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Notes for editors

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