

The view of the insurance industry

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- European insurance industry's position on supervisory reform and ESRC
- Solvency II - challenges
- Differences between financial services sectors are important and need to be taken into account when reforming EU supervision and regulation

- Timely follow-up to the de Larosière report is crucial:
 - Find appropriate solutions to problems that have been identified for the relevant market actors
 - Reminder: insurance activity was not at the origin of the crisis

- Two key areas for all sectors:
 - European System of Financial Supervision
 - European Systemic Risk Council

■ European System of Financial Supervision

- Strong CEA support for strengthening of 3L3 (phase 1)
- ... and their transformation into EU authorities (phase 2)
 - Maintain national supervisors, but provide for stronger coordination and convergence at EU level
 - Increasing 3L3 capabilities to make binding decisions
 - Increasing scope of mediation
- Merging CEIOPS and CEBS should be avoided

■ European Systemic Risk Council

- Insurance sector is not a driver of systemic risk
- Proposed representation key in ESRC is seen critical in insurance sector.
- CEA proposes to find a **mechanism for inclusion of more insurance “experts/representatives”** whenever cases are discussed which :
 - either concern an insurance company, or
 - a conglomerate with an insurance arm
- Arg: assure relevant level of expertise
- Collection of data: avoid overlap of reporting requirements

- Welcome the support by the De Larosière Group for Solvency II
- Solvency II is the timely answer to the crisis for the insurance sector as it
 - ... will provide a harmonised framework for the EU
 - ... will incentivise greater convergence of supervisory practices
 - ... will align solvency requirements with underlying risks
 - ... will incentivise sound internal risk management
 - ...will – as a consequence – increase policy holder protection
- **However, carving out the group support regime is a missed opportunity**

■ Challenges:

- ...to ensure that economic risk-based principles are not compromised against the back-ground of the crisis
- ... To address and find solution to issues which will allow the introduction of the group support system in the not too distant future
- => precondition to pave the way towards a convincing and workable European response to the crisis

- There are important differences between insurance and other financial services sectors

- Sector specific business models should be taken into account
 - Different financial products might present different risks and therefore require differentiated regulatory treatment.
 - Where (different) products present the same risk, a level playing field should be aspired for
 - Regulatory arbitrage possibilities should then be identified and prevented.

■ Challenges

- Avoid looking only at one sector and simply transfer rules that work there to other sectors
- Organise broad debate to seek inspiration for appropriate solutions in **all** the different sectors
- Avoid combination of different sector solutions to find EU compromise (quality more important than quantity)