

Executive summary of Insurance Europe's response to the European Commission's consultation on the ESAs

An efficient, effective and credible system of financial supervision is needed at EU level. The stability of the supervisory framework is crucial to achieve this.

Appropriate expertise, experience and focus are vital for successful oversight of the insurance industry. The best way to ensure this at European level is for EIOPA to maintain responsibility for both prudential and conduct of business and remain as a stand-alone authority.

- There are significant differences between the business models, risks, products, customer needs and selling processes of banking, fund management and insurance/pensions. EIOPA has built up good levels of expertise in insurance and pensions and this is absolutely core for effective and efficient supervision of areas as complex and important as financial services.
- Prudential and conduct of business supervision cannot be separated at European level. The insurance business model is based on the pooling of risk. Any supervisory action must take into consideration individual and collective interests. There would be a high risk of increased costs, and duplication or contradictions in supervisory measures. Existing national twin-peaks models have shown serious competency overlaps, which have increased the complexity of supervision.

No new powers for EIOPA are needed at this stage; the focus should be on prioritising and optimising existing tasks and ensuring EIOPA can use its existing powers to the full.

- Insurance Europe agrees with the European Parliament observation that the ESAs have not yet used all the prerogatives within their legal framework. However, technical obstacles to using existing powers, if there are any, should be identified and addressed.
- Internal model approval should remain with the lead supervisors, who already know the groups.
- EIOPA has already undertaken effective work on consumer protection, and current tasks and powers are sufficient. Existing powers in the international aspects of EIOPA's work, access to data and reporting are also sufficient and should not be increased.

The European regulatory landscape for insurers, on which supervisory convergence can be built, is new or not yet implemented and therefore it is too early and risky for structural changes.

- Insurers have only recently begun working under Solvency II and significant new European regulation (PRIIPS, IDD, etc) will come into force in the next few years. The regulatory framework on which convergence can be based is still at an early stage and requires significant work. It is therefore the wrong time to create unnecessary distractions. There is also no evidence that other ways of organising the ESAs would be more effective, but it is clear that changes will involve costs, risks and distraction.

Changes to EIOPA's current governance are necessary to ensure it always acts within its mandate and in the interests of Europe as well as ensuring it can act independently.

- The Chairs should not be given more powers and we do not believe having permanent members on the ESAs' Boards would address the concerns on governance.

- Instead, ways to improve the ability of the Council and the European Parliament to ensure accountability of the ESAs should be considered, including the following (non-mutually exclusive) solutions:
 - qualified majority voting for all BoS decisions
 - clarifications and enforcement on guidelines
 - an independent Oversight Board focusing on governance (not technical issues) to ensure EIOPA acts within its mandate and in the interests of Europe, as well as to provide the needed independence from members

EU budget line for ESA funding should be maintained to safeguard EU oversight. The industry is already funding indirectly because the 60% paid by NCAs is in almost all cases paid for by industry. This indirect funding via the NCAs should remain.

- A fairly, efficiently and sufficiently resourced European supervisor is needed, which will enable the supervisor to properly pursue its tasks and empowerments. Funding from the EU budget should be maintained to support accountability to the co-legislature. Accountability of the European supervisor to EU legislators will act as a check and balance, thereby achieving an efficient, effective and credible supervisor.
- Industry funding should remain indirect and flow via the NCAs. However, there should be transparency about the amounts paid, and at national level care should be taken to ensure the costs are fairly distributed between insurers and IORPs.

EIOPA's OPSG and IRSG should be maintained as separate entities, but the OPSG membership needs to better reflect the involvement of insurers in IORPs.

- The workload and range of expertise needed justifies continuing with the separate stakeholder groups. However, with only a single insurance representative, the expertise of the OPSG membership does not reflect the significant involvement of the insurance industry in providing pensions generally and in some markets IORPs. This needs to be addressed.
- The Commission should attend the meetings to be aware of the views and nature of discussions and ensure it takes into account stakeholder views when considering EIOPA advice.

ESMAs powers and responsibilities in relation to enforcement of accounting and audit standards should remain the same and the organisation and mandate of EFRAG should be maintained.

- Enforcement of accounting standards for listed entities in regulated markets should remain a national responsibility. The CEAOB (Committee of European Auditing Oversight Bodies) has only just started operations and it is premature to consider changes.
- Changes to the current endorsement of IFRS in Europe were considered as part of the recent Maystadt Report and rejected for good reason. Instead, welcome and effective changes to governance were made and EFRAG is well placed to continue with its current organisation and responsibilities. A period of stability is now needed.