

# PAN EUROPEAN INSURANCE FORUM



## PEIF<sup>1</sup> position paper on the European Commission's proposals to reform EU supervision

### General messages on the reform of supervision

- ✓ The reform of the European supervisory architecture should have a **clear objective: restoring financial stability while giving the appropriate incentives to achieve a higher and sustained growth**. It is PEIF's belief that, to make it work, **the new architecture should be integrated, efficient and accountable**.
- ✓ The PEIF welcomes the Commission's proposals to establish European Insurance and Occupational Pensions Authority (EIOPA) and a European Systemic Risk Board (ESRB).
- ✓ **Integration is vital for a genuine single market in financial services**. European institutions must strive, in cooperation with companies, to achieve a single market for financial services in order to ensure financial stability, which will benefit European consumers.
- ✓ **The creation of EIOPA will pave the way for more integrated supervision. Harmonisation of supervisory practices will go some way to ensuring proper group supervision** in the EU.
- ✓ **The desire to establish systemic oversight of the financial system is a legitimate aim**. Public authorities need this in order to better deal with unexpected developments that could endanger the stability of the financial system.
- ✓ **The ESRB's mission is the right one**: monitoring the overall macro-economic risks that could threaten the stability of the financial services sector. The ESRB should focus on this fundamental task and its mandate should not be extended to the oversight of individual financial institutions.
- ✓ **To deliver a high quality supervision, an efficient articulation between the micro and the macro level is critical**.

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<sup>1</sup> The PEIF is a group of CEOs of major insurance companies in Europe (AEGON, Allianz, AVIVA, AXA, GENERALI, ING, MAPFRE, Munich Re, RSA, Swiss Re, UNIQA, ZURICH Financial Services). PEIF Members strive for a strongly competitive and fully integrated European insurance market. The PEIF is currently chaired by AXA.

# EIOPA

## I. Integrated supervision

1. **The introduction of binding technical standards** and the objective of developing a single European rule book will be a major breakthrough. However, there will **still be non-binding guidelines** from which will stem national exceptions and regulatory arbitrage. **We support a broadening of the scope of the technical standards** with the aim of, ultimately, replacing all non-binding guidelines in order to achieve a genuine single market.
2. **We support the strengthening of EIOPA’s powers**, especially the binding mediation power, which will address the shortcomings of Solvency II on group supervision. However, **article 11 should not impinge on the ultimate responsibility of the group supervisor**.

### Amendment 1

#### Article 11 – Settlement of disagreements between national supervisory authorities

##### Paragraph 1

Text proposed by the Commission	Amendment by PEIF
1. Without prejudice to the powers laid down in Article 9, where a national supervisory authority disagrees on the procedure or content of an action or inaction by another national supervisory authority in areas where the legislation referred to in Article 1(2) requires cooperation, coordination or joint decision making by national supervisory authorities from more than one Member State, the Authority, at the request of one or more of the national supervisory authorities concerned, may assist the authorities in reaching an agreement in accordance with the procedure set out in paragraph 2.	1. Without prejudice to the powers laid down in Article 9, where a national supervisory authority disagrees on the procedure or content of an action or inaction by another national supervisory authority in areas where the legislation referred to in Article 1(2) requires cooperation, coordination or joint decision making by national supervisory authorities from more than one Member State, <b>and does not assign the ultimate responsibility to the group supervisor</b> , the Authority, at the request of one or more of the national supervisory authorities concerned, may assist the authorities in reaching an agreement in accordance with the procedure set out in paragraph 2.

## II. Efficient supervision

1. **Decisions, especially on the settlement of disagreement, should be taken by qualified majority** and not by a simple majority. We acknowledge that such decisions are, from a formal point of view, not legislative acts. But judged by their substance, they are “more binding” and material than the acts adopted by EIOPA under articles 7 (technical standards to be endorsed by the Commission) and 8 (non-binding guidelines and recommendations). We therefore see a justified need to extend the qualified majority requirement to decisions under articles 9 – 11.

### Amendment 1

#### Article 29 – Decision making

##### Paragraph 1

Text proposed by the Commission	Amendment by PEIF
1. The Board of Supervisors shall act on the basis of qualified majority of its members, as defined in Article 205 of the Treaty, for acts specified in Articles 7, 8 and all measures and decisions adopted under Chapter VI.	1. The Board of Supervisors shall act on the basis of qualified majority of its members, as defined in Article 205 of the Treaty, <b>for acts described in Articles 7-11 and all measures and decisions adopted under Chapter VI of</b>

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All other decisions of the Board of Supervisors shall be taken by simple majority of members.

**this Regulation. All other decisions of the Board of Supervisors shall be taken by simple majority of members.** ~~for acts specified in Articles 7, 8 and all measures and decisions adopted under Chapter VI.~~

**DELETED** - ~~All other decisions of the Board of Supervisors shall be taken by simple majority of members.~~

- 2. The proposed procedures for article 9 and article 10** could last up to six months, which is far too much for private sector regulation. The PEIF trusts policy-makers to come up with a balanced proposal that would respect both the imperative of a fair process and the corporate imperative to conduct business in a legally certain environment.

# ESRB

## I. Reconciling macro-supervision and micro-supervision

1. **The ESRB, as currently envisaged, is too large a body with an unbalanced membership.** This will be detrimental to its efficiency and to the quality of its analysis. **The insurance sector is underrepresented** (1 representative compared to 30 members with a banking perspective) which means the ESRB could suffer from the lack of expertise on insurance issues. There is also a significant risk **that the ESRB will not be able to properly differentiate between the various financial sectors** and could, for example, inappropriately read across to insurance measures designed for banks. Therefore, the composition and the functioning of the ESRB should be revised to ensure a more balanced representation of the various financial services sectors
  - the **Chairs of the EIOPA and the ESMA could alternatively hold the Vice-Chairmanship of the General Board;**

### Amendment 2 Article 5 – Chairmanship Paragraph 2 (new)

Text proposed by the Commission	Amendment by PEIF
	<b>2. A second vice-Chair shall be created. This second Vice Chair shall be alternatively either the Chairperson of the European Insurance and Occupational Pensions Authority or the Chairperson of the European Securities and Markets Authority. The second Vice-Chair shall be nominated for 2 years and a half.</b>

- **the Steering committee could be streamlined from 12 to 10 Members, to be more efficient**

### Amendment 3 Article 11 – Steering committee Paragraph 1

Text proposed by the Commission	Amendment by PEIF
1. The Steering Committee shall be composed of the following: (a) the Chair of the ESRB; (b) the Vice-Chair of the ESRB; (c) five other members of the General Board who are also members of the General Council of the ECB. They shall be elected by and from the Members of the General Board who are also members of the General Council of the ECB for a period of two years. (d) a Member of the European Commission; (e) the Chairperson of the European Banking Authority; (f) the Chairperson of the European Insurance and Occupational Pensions Authority;	1. The Steering Committee shall be composed of the following: (a) the Chair of the ESRB; (b) the Vice-Chair of the ESRB; (c) <b>three</b> <del>five</del> other members of the General Board who are also members of the General Council of the ECB. They shall be elected by and from the Members of the General Board who are also members of the General Council of the ECB for a period of two years. (d) a Member of the European Commission; (e) the Chairperson of the European Banking Authority; (f) the Chairperson of the European Insurance and Occupational Pensions Authority;

(g) the Chairperson of the European Securities and Markets Authority;	(g) the Chairperson of the European Securities and Markets Authority;
(h) the President of the Economic and Financial Committee.	(h) the President of the Economic and Financial Committee.
Any vacancy for an elected Member of the Steering Committee shall be filled by the election of a new Member by the General Board.	Any vacancy for an elected Member of the Steering Committee shall be filled by the election of a new Member by the General Board.

- The European Supervisory Authorities, in particular EIOPA and ESMA, should also play the role of expert advice to ESRB on the macro-economic risk profile of the insurance and securities industries.
- when the General Board discuss insurance issues, the **Steering Committee should work in close cooperation with the Insurance, Reinsurance and Occupational Pensions Stakeholder Group** to prepare the meeting.

**Amendment 4**  
**Article 4 – Structure**  
**Paragraphs 3 & 6 (new)**

Text proposed by the Commission	Amendment by PEIF
3. The Steering Committee shall assist in the decision-making process of the ESRB by supporting the preparation of the meetings of the General Board, reviewing the documents to be discussed and monitoring the progress of the ESRB's ongoing work.	3. The Steering Committee shall assist in the decision-making process of the ESRB by supporting the preparation of the meetings of the General Board, reviewing the documents to be discussed and monitoring the progress of the ESRB's ongoing work. <b>When the General Board shall take decisions on insurance issue, the Steering Committee shall work in tight cooperation with the Insurance, Reinsurance and Occupational Pensions Stakeholder Group to prepare the documents of the meeting.</b>
	<b>6. The European Supervisory Authorities shall play the role of expert advice to ESRB on the macro-economic risk profile of the different financial services industries.</b>

2. **ESRB warnings and recommendations on specific sectors should be elaborated in close cooperation with the relevant Authority of the ESFS**, in order to leverage the appropriate expertise and achieve the highest quality of analysis (cf supra).

**Amendment 5**  
**Article 16 – Warnings and recommendations**  
**Paragraph 2**

Text proposed by the Commission	Amendment by PEIF
2. Warnings or recommendations issued by the ESRB in accordance with points (c) and (d) of Article 3(2) may be either of a general or specific nature and shall be addressed to the Community	2. Warnings or recommendations issued by the ESRB in accordance with points (c) and (d) of Article 3(2) may be either of a general or specific nature and shall be addressed to the Community

as a whole or to one or more Member States, or to one or more of the European Supervisory Authorities, or to one or more national supervisory authorities. Recommendations shall include a specified timeline for the policy response. Recommendations may also be addressed to the Commission in respect of the relevant Community legislation.

as a whole or to one or more Member States, or to one or more of the European Supervisory Authorities, or to one or more national supervisory authorities. Recommendations shall include a specified timeline for the policy response. Recommendations may also be addressed to the Commission in respect of the relevant Community legislation. **Prior to issue any warning or recommendation on a specific sector, addressed to the Community as a whole or to one or more Member States, or to one or more of the European Supervisory Authorities, or to one or more national supervisory authorities, the ESRB shall ask the relevant European Supervisor Authority for advice.**

## **II. Business friendly environment**

The collection of information and data is crucial for the ESRB to perform its duties. In this respect, close cooperation between micro and macro prudential supervisors is crucial.

In line with the “Better Regulation” principles, **the creation of the ESRB should not increase the administrative burden of companies.** Every information request must be channelled through European Supervisory Authorities and one or more national authorities. In any case, **the ESRB should neither have the ability to directly ask financial institutions for information, nor have access to individual company data,** even through the European Supervisory Authorities.

### **Amendment 1 Article 15 – Collection of Information Paragraphs 4 & 5**

Text proposed by the Commission	Amendment by PEIF
4. The ESRB may address a reasoned request to the European Supervisory Authorities to provide data that are not in summary or collective form.	4. <b>DELETED</b>
5. Before requesting information in accordance with paragraphs 3 and 4, the ESRB shall duly consult the relevant European Supervisory Authority in order to ensure that the request is proportionate.	5. Before requesting information in accordance with paragraphs 3 <del>and 4</del> , the ESRB shall duly consult the relevant European Supervisory Authority in order to ensure that the request is proportionate. <b>The relevant European Supervisory Authority shall, before replying to the request of the ESRB, consult the Insurance, Reinsurance and Occupational Pensions Stakeholder Group.</b>