Comments Template on EIOPA-XX-16-XXX Discussion Paper on Potential harmonisation of recovery and resolution frameworks for insurers		Deadline 28.02.2017 23:59 CET
Name of company:	Ministry of Finance of the Czech Republic	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. Please indicate if your comments should be treated as confidential, by deleting the word Public in the column to the right and by inserting the word Confidential.	Public
	Please follow the instructions for filling in the template: ⇨ <u>Do **not** change the numbering</u> in column "Reference"; if you change numbering, your comment cannot be processed by our IT tool. ⇨ Leave the last column <u>empty</u>. ⇨ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **Please send the completed template, <u>in Word Format</u>, to CP-16-009@eiopa.europa.eu, by 28 February 2017.** **Our IT tool does not allow processing of any other formats.** The numbering of the questions correspond with the questions included in the Discussion Paper on Potential harmonisation of recovery and resolution frameworks for insurers.	
Reference	**Comment**	
General comment	Proposed initiative would have an impact on an insurance sector when the sector is adapting to significant change related to the introduction of Solvency II. We do not consider this necessary, especially since there is no evidence that the Czech insurance sector manifests	

	financial instability that would require the harmonisation mentioned. As a result of the financial crisis which revealed significant shortcomings in a financial market supervision in particular cases as well as in relation to the financial system as a whole, there have been significant changes in a legal framework of financial sector in the EU. These changes have been focused on eliminating these shortcomings including financial supervision which has failed to anticipate adverse macro-prudential development or prevent the accumulation of excessive risks in the financial system. As a consequence, among other things, European System of Financial Supervision has been established with the aim of increasing quality and consistency of national supervision, strengthening oversight of cross border groups and establishing single European set of rules that would apply to all financial institutions in the internal market. From the point of view of resistance of insurers and reinsurers to overcome crisis situations and prevent financial difficulties, solvency capital requirements have been fundamentally changed for individual insurers and reinsurers, as well as for groups. Prospective approach to management of insurers and reinsurers based on risk-oriented approach with the requirement of calibration of solvency capital on the value at risk of their primary capital at a level of 99,5% in a time horizon of one year should ensure high level of financial stability of individual insurers and reinsurers as well as of the sector as a whole. A shift in supervisory powers can be evaluated similarly. Insurers and reinsurers are required to manage their activities according to strict verifiable rules with the obligation of own risk and solvency assessment and cooperation with the supervisory authority when adopting and implementing measures already at the moment when there is a risk of failure to comply with the solvency capital requirement. Supervisory authorities also have the possibility to increase capital requirements if they come to the conclusion that the calculation submitted by an insurer or reinsurer does not correspond with established prudential requirements.	

	On the contrary, in a period of adverse economic development, when interest rates decrease, investment opportunities become more difficult, deferred consumption of the population decreases etc., or when a catastrophic event with a great impact significantly influences the stability of the sector, the supervisory authority in cooperation with EIOPA has a possibility to declare an emergency situation and allow insurers and reinsurers to achieve solvency capital requirements with regard to this unfavourable development. The attempt to compare activities of banks with activities of insurers and reinsurers is not accurate. Activities of insurers and reinsurers are, as the only ones, limited by EU law only to insurance and reinsurance activities and activities directly arising therefrom, with a minor extension of activities of reinsurers. Insurance and reinsurance itself is a business with risk, which is characterized by inversion of the production cycle and associated specifics related to accruals of revenue and expenditure, creation of technical reserves, risk distribution etc. It allows insurers, considering use of prudential management, to better resist economic fluctuations than in other sectors of the financial market. On the contrary, more detrimental to this sector are administrative and regulatory interventions associated with unexpected costs. The impact of different levels of protection for policyholders introduced by individual Member States needs to be considered. That is nothing new; EU law allows establishing stricter requirements on grounds of public interest in individual Member States. Strengthened requirements for consumer protection must be also followed by host insurers regardless of whether they engage in activities in the territory of a host Member State on the basis of a right to establishment or on the basis of a freedom to provide services. There is no reason to abolish these differences because they help to create competitive environment and every Member State must consider if strengthened requirements do not disproportionately reduce competitiveness of national insurers, reinsurers or other distributors.	

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	Based on the above, we consider the existing system of management and supervision - Solvency II to be sufficient and implementing recovery measures as unjustified.	
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