



### **Industry feedback on Equivalence Assessment (Switzerland, Bermuda, Japan)**

We appreciate the EIOPA report on the equivalence assessment of the 3 following regimes (Switzerland, Bermuda, and Japan for reinsurance) and provide below our high level feedback on these papers. We also take the opportunity to reiterate the need for transitional equivalence for the other regimes (5 years with a review clause for an additional 5 years, with agreed milestones set) to avoid competitive distortions outside Europe.

We think it is a very important step in the right direction with regards to international cooperation and acceptance of supervisory regimes:

- There is a clear need to avoid duplication of supervisory requirements, strengthen supervisory cooperation and rely on existing risk and economic based regimes.
- Furthermore we would like to add that we appreciate the transparency of the process (how the assessment is undertaken and what are the criteria/ principles which are assessed) and the possibility to provide feedback in the public consultation period.
- The assessment approach seems to be rather principle based and considers the overall approach of the supervisory regime of different countries, requiring that basic principles are fulfilled, but leaves room for freedom for individual solutions, but fulfilling the overall principles. This aspect is seen as a positive element compared to box-ticking approaches, which would include the risk that not the overall picture is taken into account. We think this fully fulfils the spirit of equivalence, as equivalence gives room for different applications of the same basic requirements.
- We can understand that the process is time and resource intensive and needs a high level of understanding of technical as well as practical details of insurance supervision in general and therefore we think a close cooperation with the third country supervisor and the entities supervised is absolutely necessary including a clear timetable and remediation plans to reach effectively equivalence (and/ or transitional equivalence).

#### **1. For Switzerland, we welcome the positive assessment for the equivalence of Switzerland.**

We seek however further clarifications for the following points:

- One item which is not fully clear to us, is what does the final assessment 'equivalent with certain caveats mean' and what does it mean for the treatment in the period until equivalence is achieved.
- We also understand that it is a continuous process and that not all questions with regards to a practical application might be solved yet. Finally we see it as an important element that already planned changes of a supervisory regime, are taken into account in the overall process of the assessment.

#### **2. For Bermuda, we appreciate the transparency that EIOPA have provided in this assessment even if EIOPA was not able to provide a full picture for the equivalence assessment so far.**

As evidenced in EIOPA draft report, Bermuda plays an important role for the European insurers in various areas, (i) for reinsurance (40% of the European Cat reinsurance market covered by Bermudan players), (ii) for European players with international business through captive to write business in the US (non-life, life/ Long-

Term). Therefore it's absolutely key to get further clarity on the assessment of equivalence (or at least transitional equivalence) as early as possible.

With regard to the regime for non life insurance, we welcome the 'equivalent with certain caveats' position but we would require further clarification on the remediation plans and what is the exact timeline to achieve effective equivalence.

With regard to the regime for Life/ Long-Term Insurance (covering captive or commercial insurance), we are aware that the BMA has recently invested significant effort in overhauling the solvency regime to bring it into line with Solvency II (including trial runs, CISSA, GSSA internal models etc). We feel that this should place the Long-Term Insurance sector in a strong position for equivalence or at the very least transitional equivalence.

However, EIOPA has stated they are unable to express an opinion on Long-Term Insurance at this stage:

- We would appreciate some more clarity on the next steps for a final equivalence decision on the Long-Term Insurance. And if not, what would be the process to achieve transitional equivalence?
- We would also comment that BMA have issued detailed consultation papers on the new regime for Long-Term Insurance and it should be possible for EIOPA to begin reviewing the equivalence of Long-Term insurance thereof based on those papers (and the recent trial runs) as opposed to waiting until Level 2 is finalised in Europe.

### **3. For Japan**

We note that the assessment has only been made on reinsurance (article 172). In general, we expect the outcome of the full assessment to be positive and understand that there are more gaps between SII and insurance regime in Japan.