

<b>CP-14-042</b>		<b>Comments Template on Consultation Paper on EIOPA Advice to the European Commission Equivalence assessment of the Bermudian supervisory system in relation to articles 172, 227 and 260 of the Solvency II Directive</b>		<b>Deadline 23 January 2015 23:59 CET</b>	
Name of Company:	International Underwriting Association (IUA)				
Disclosure of comments:	Please indicate if your comments should be treated as confidential:			Public	
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ Do <b>not</b> change the numbering in the column "reference"; <b>if you change numbering, your comment cannot be processed by our IT tool</b></li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment/response in the relevant row. If you have <u>no response</u> to a question, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments/responses which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, in Word Format, to <a href="mailto:CP-14-042@eiopa.europa.eu">CP-14-042@eiopa.europa.eu</a> . Our IT tool does not allow processing of any other formats.</b></p> <p>The numbering of the questions refers to <b>Consultation Paper on EIOPA Advice to the European Commission; Equivalence assessment of the Bermudian supervisory system in relation to articles 172, 227 and 260 of the Solvency II Directive</b></p>					
Reference	Comment				
General comments	The International Underwriting Association of London (IUA) represents international and wholesale insurance and reinsurance companies operating in or through London. Its purpose is to promote and enhance the business environment for its members. We estimate that premium income for the London company market in 2013 was some £24bn.			Public	

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	<p>The IUA welcomes the view of EIOPA that Bermuda largely meets the criteria set out in EIOPA’s methodology for equivalence assessments under Solvency II for insurers under Articles 172, 227 and 260. The IUA has focused on classes 3B and 4 for the purposes of its responses to this consultation paper.</p> <p>The Bermudian reinsurance market is an important source of diversification in reinsurance capacity for the insurance market as a whole, being home to 15 of the top 40 reinsurers in the world (from ABIR 2014). It is also specifically beneficial to EU and UK markets, having provided 51% of the overall property reinsurance market for the UK/Ireland insurers, while Bermudian reinsurers wrote 20% of the broker-placed European property catastrophe reinsurance. Additionally, Bermuda-based reinsurers covered 50% of the reported losses for the 2012 Costa Concordia cruise liner sinking and paid an estimate 60% of the insured liability claims for the 2005 Buncefield oil terminal explosion and subsequent fires, noted to be the UK’s largest ever peacetime catastrophic explosion. The significance of this capacity highlights the importance of a positive decision on equivalence.</p> <p>The IUA feels it is important to recognise the significant efforts made by non-EU jurisdictions, such as Bermuda, to conform to the requirements of Solvency II. As noted in the consultation paper, the BMA expects to implement an Economic Balance Sheet (EBS) framework by 1 January 2016 for class 3B and 4 insurers which would be used to calculate its higher capital requirement (ECR). The BMA’s supervision of these classes is largely equivalent under the currently applicable rules. Furthermore, it is encouraging to note that EIOPA found that the Bermuda Monetary Authority (BMA) is sufficiently empowered to ensure insurers have effective systems of governance in place. Importantly, Bermuda also meets international insurance regulatory standards and is a full and active participant of the International Association of Insurance Supervisors (IAIS) and International Organisation of Securities Commissions (IOSCO) Multilateral Memoranda of Understanding. A failure to encourage non-EU jurisdictions to work towards equivalence by insufficiently acknowledging the work done by countries such as Bermuda would be counter-productive to the</p>	

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	<p>long term aims of Solvency II.</p> <p>It is of particular concern to the IUA that decisions on equivalence are made promptly to allow time for (re)insurance companies properly to accommodate them in their internal models. Equivalence assessments now form a crucial part of (re)insurance companies' financial planning and management, with multinational groups in particular relying on making the right decisions to remain competitive in foreign markets. Many Bermudian insurance groups have subsidiaries in the EU and UK, while a number of EU-domiciled multinational groups have interests in Bermuda. Adequate time to prepare for the new regime will be essential to ensure good planning and compliance.</p> <p>A positive decision on equivalence would also ensure better regulatory efficiency in group supervision. It was noted in the consultation paper that the BMA already implements equivalent systems in this respect, allowing for a dual flow of information, and has entered into various cooperation agreements with 23 supervisors across the world, including the Prudential Regulation Authority (PRA) in the UK. The additional access to regulatory knowledge for EU jurisdictions represents a real and tangible opportunity and the IUA acknowledges the positive comments made by EIOPA with regard to Principles 8 and 9 under Article 260.</p> <p>The IUA hopes its comments will be useful to EIOPA and the European Commission and eagerly awaits the Commission's decision on equivalence for Bermuda.</p>	
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40.	<p>The IUA is pleased to note EIOPA’s advice that Bermuda largely meets the criteria for equivalence under Article 172. It is encouraging to see that Classes 3B and 4 in particular have been deemed largely equivalent across paragraphs 40 to 46 and that outstanding issues are set to be resolved by 1 January 2016. As we have noted in the general comments section, the reinsurance capacity offered by Bermuda is significant and is an important source of diversification for the insurance market as a whole.</p>	Public
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47.	<p>The IUA is pleased to note EIOPA’s advice that Bermuda largely meets the criteria for equivalence under Article 227. It is encouraging to see that Classes 3B and 4 in particular have been deemed</p>	Public

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	largely equivalent across paragraphs 47 to 49 and that outstanding issues are set to be resolved by 1 January 2016. As we have noted in the general comments section, equivalence assessments form a crucial part of (re)insurance companies' financial planning and management, with multinational groups in particular relying on decisions to remain competitive in foreign markets.	
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50.	The IUA is pleased to note EIOPA's advice that Bermuda largely meets the criteria for equivalence under Article 260. As we have noted in the general comments section, a positive decision on equivalence would also ensure better regulatory efficiency in group supervision.	Public
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87.	The IUA believes that Bermuda is a well regulated jurisdiction and agrees with EIOPA's findings regarding the BMA.	Public
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96.	It is important to note that the BMA already has a good track record of working with other regulators abroad. As we have noted in the general comments section, a positive decision on equivalence would also ensure better regulatory efficiency in group supervision.	Public
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99.	The IUA acknowledges the comments made by EIOPA regarding the BMA's proven track record of information-sharing through the numerous agreements into which it has entered. As noted in the general comments section, that includes the PRA in the UK. Moreover, we believe that a positive equivalency assessment would lead to additional access to regulatory knowledge for EU jurisdictions.	Public
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120.	It is positive to note that the BMA is empowered to obtain all the necessary information for licensing and that highlights the solid system of supervision in Bermuda.	Public
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155.	The system of governance was noted to be effective and largely equivalent to that under Solvency	Public

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	<p>II. Furthermore, we are pleased that the supervisory regime as a whole was deemed largely equivalent in paragraph 158.</p>	
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180.	<p>It is encouraging to see that changes have been implemented to ensure that the Bermudian regime and BMA supervision are largely equivalent with regard to principles 5 and 11. As noted in the general comments section, the IUA feels it is important to recognise the significant efforts made by non-EU jurisdictions, such as Bermuda, to conform to the requirements of Solvency II.</p>	Public
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269.	The IUA is pleased to note EIOPA’s positive findings regarding the BMA’s supervision and regulation. That supports the view held by the International Monetary Fund that the insurance regulatory framework is “highly observant” of international solvency regulation standards.	Public

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312.	<p>We are pleased to note that the BMA has been deemed by EIOPA to have comprehensive powers and arrangements in place to take part in supervisory colleges, either as a member or as a group-wide supervisor. That is of particular interest to the IUA, as many subsidiaries of Bermudian insurance groups do business in the EU and the UK and a number of EU-domiciled multinational groups have interests in Bermuda.</p>	Public
Annex 1		
Annex 2		

