



eiopa
EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

EIOPA's Strategy towards a comprehensive risk-based and preventive framework for conduct of business supervision

IRSG meeting
Frankfurt, 28 October 2015

- **Lessons of the past**

- The importance of sound conduct of business practices is one of the lessons from the latest financial crisis
- Poor conduct of business puts at risk consumers, insurers and market stability
- Traditional approaches (e.g. tick-box) have proved insufficient

- **Way forward**

- More consumer-centric culture by firms
- Looking at policyholder protection from a complementary lens to prudential supervision
- Strong political will to enhance consumer protection



right time to develop a structured approach to conduct of business supervision

- **Current situation**
 - Member States are at different stages of development in their approach to consumer protection
 - Conduct of business regulation and supervision highly fragmented in the EU
- **An integral part of EIOPA's legal remit and strategic goals**
 - Duty to take a proactive role in intervening early to tackle risks of consumer detriment
 - Build coordinated understanding of issues that go beyond one national market
 - Foster convergence across the EU
 - Promote a high, effective and consistent level of regulation and supervision across the EU
 - Ensure a coordinated supervisory response across the EU

- **Risk-based**
 - Identifying depth and scale of risks
 - Focusing priorities and resources

- **Preventive**
 - Anticipate issues early
 - Not solving problems of the past

- **Approach to implementation**
 - Proportionate, calibrated and staggered
 - Consider resource implications for NCAs and the industry (e.g. data collection)
 - Caution on new regulatory measures
 - Work in progress: take on lessons learnt for continuous improvement

- **Consumer Trends Reports**

- Use quantitative and qualitative information reported by NCAs and other sources (e.g. stakeholder groups, consumer associations)
- Provide snapshot of existing cases of consumer detriment
- Enable early detection of evolving trends and risks & assessment of the potential of risks to spread throughout the EU

- **Deep and effective market monitoring**

- Integral part of EIOPA's requirement under its Founding Regulation to "*monitor new and existing financial activities*"
- Scrutinizes new and existing financial activities to identify trends, potential risks and vulnerabilities; further strengthened by regulatory developments:
 - PRIIPs Regulation
 - Insurance Distribution Directive

- **Thematic Reviews**

- Used to target a specific financial activity or product
- In-depth analysis
- Explores issues that go beyond one national market, building a coordinated understanding across the EU

- **Retail Risk Indicators**

- E.g. of ratios used for joint assessment: claims ratios, combined ratios, commission levels and lapse/surrender ratios
- Collect information at regular intervals to pre-emptively assess product characteristics or distribution processes
- Allow to determine if risk is a national problem or if it is problem in several Member States → take coordinated action



eiopa
EUROPEAN INSURANCE

AND OCCUPATIONAL PENSIONS AUTHORITY

Thank you

Jan Parner
EIOPA MB and BoS Member
