

PRESS RELEASE

EIOPA CALLS FOR IMPROVEMENTS TO THE ASSESSMENT OF THE PROPRIETY OF BOARD MEMBERS AND QUALIFYING SHAREHOLDERS OF INSURANCE COMPANIES

- *The peer review examines how national competent authorities (NCAs) assess the propriety of those responsible for managing insurance companies and, when relevant, the companies' shareholders*
- *In general, NCAs dedicate considerable resources to the initial assessment, but very few NCAs perform any ongoing assessments as part of their supervisory activities*
- *Diverging assessment practices continue to exist among NCAs, which can lead to different outcomes in different countries for the same individual*
- *The review resulted in 80 recommended actions for 29 NCAs*

Frankfurt, 25 January 2019 – Today, the European Insurance and Occupational Pensions Authority (EIOPA) published the findings of its [peer review](#) examining how national competent authorities (NCAs) assess the propriety of administrative, management or supervisory body (AMSB) members and qualifying shareholders.

EIOPA reviewed national regulatory frameworks and supervisory practices followed by NCAs to assess the propriety of AMSB members and qualifying shareholders at solo and group level, both at the moment of authorisation and on an ongoing basis. Furthermore, EIOPA assessed the effectiveness of cross-border cooperation.

A key requirement of Solvency II is for insurers to be owned and run by persons of integrity. The primary responsibility to ensure the fitness and propriety of AMSB members at all times rests with insurers, with NCAs carrying out their assessment following the assessment by insurers. Similarly, any acquisition of or changes to qualifying shareholders are subject to review and approval by NCAs.

This report presents the overall findings of the peer review, including identified best practices, case studies and recommended actions. The findings are published on a named basis.

In general, NCAs invest considerable resources in the initial assessment of AMSB members and qualifying shareholders. However, these tend to be seen as a one-off task with few NCAs undertaking any ongoing assessments as part of their supervisory activities. Ongoing assessment should involve proactive, risk-based and proportionate engagement resulting from the NCAs' own initiative, as part of its supervisory activities.

Other areas requiring action from NCAs were related to the national legislation or regulatory framework; propriety assessment questionnaires; as well as guidance and supervisory records.

The review was initiated following a number of cross-border cases indicating a lack of harmonisation in relation to the propriety assessment across the European Economic Area, leading to potentially divergent outcomes in different countries in relation to the same person. The review found that complex cross-border cases of propriety assessment can take a long time, hampered by cumbersome information sharing processes. In relation to the definition of propriety of ASMB members, a significant variation with respect to whether and when to consider ongoing prosecution and pending investigations for criminal and administrative offences became apparent. As a result of this peer review, EIOPA will seek to strengthen and support processes of cross-border assessments.

A shorter [Executive Summary](#), [the full report](#) and the [methodology](#) applied in the conduct of the peer review can be obtained via EIOPA's Website.

Gabriel Bernardino, Chairman of EIOPA, said: *“Behaviour steers business. Character influences governance. Conduct dictates the integrity of financial health and reporting of business. Behaviour, character and conduct often contribute to the likelihood of failure and unfair treatment of consumers. Therefore, propriety is an essential element of the governance and supervision framework of Solvency II. This peer review highlights differences in national legal and regulatory frameworks as well as in supervisory processes in relation to propriety assessments. In addition to improvements that NCAs are already implementing, EIOPA will further strengthen convergence of practices by supporting the process for information gathering and, where necessary, sharing, processes related to complex cross-border cases as well as identify possible ways to strengthen the legal powers of NCAs. In this way, we can protect both the integrity of the internal market and consumers across Europe.”*

Background

The European Insurance and Occupational Pensions Authority (EIOPA) regularly conducts peer reviews of supervisory practices, working in close cooperation with national competent authorities (NCAs) to strengthen supervisory convergence and the capacity of NCAs to conduct high-quality and effective supervision. Peer reviews are conducted in the context of EIOPA's oversight work on the basis of the Methodology for Conducting Peer Reviews. NCA representatives for part of the peer review team.

The reference period for this peer review was 1 January 2016 to 15 May 2017. Any improvements implemented by NCAs after the end of the reference period were outside the scope of this peer review.