**SPEECH**

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# Creating a global insurance supervisory language

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

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Good evening, ladies and gentlemen,

On behalf of EIOPA I would like to thank the International Center for Insurance Regulation for the cooperation and efforts in organising together with us this Conference on Global Insurance Supervision.

I am very happy to see today so many colleagues from the supervisory authorities as well as prominent experts and executive officers of the insurance industry. Our purpose with this Conference is to create a platform of discussion and exchange of views about the international context of insurance supervision. Your presence and contribution to this event is key to its success and will certainly contribute to a better understanding of the different regimes and will foster further convergence of practices of insurance supervision worldwide.

Insurance markets are increasingly global. Many insurance groups have nowadays a huge part of their revenues coming from business outside their home countries. This creates new opportunities but also new challenges for insurers, but also for supervisors.

The promotion of sound and stable insurance markets calls for more international cooperation. We firmly believe that the best way to reinforce financial stability and consumer protection is to develop strong global regulatory and supervisory standards. This will create a level playing field for international players, foster a common language between supervisors and improve international cooperation and information exchange.

I would like to share with you some views on the ways of improving the efficiency of supervision from a global perspective.

**ComFrame** - Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs)

ComFrame is an integrated, multilateral and multidisciplinary framework for the group-wide supervision of internationally active insurance groups.

ComFrame was initiated in response to the recognition that, despite the growing relevance of IAIGs in the global insurance marketplace, no internationally coherent framework exists for the supervision of such large, global groups.

I would like to stress that EIOPA is highly committed to contribute to the establishment of such standards and, in this regard, we consider our participation in the IAIS very important. EIOPA is actively contributing to the work of ComFrame.

We consider it necessary to enhance regulatory capital requirements in order to achieve adequate consumer protection on a global level. Of course, while calling for this measure, we take into account different perspectives and developments worldwide. Seen historically, the EU had experienced comparable discussions a decade ago.

We fully support the move to enhanced group-wide supervision. Cooperation between supervisors in colleges is essential for the proper supervisory approach to Internationally Active Insurance Groups. We believe that information-sharing and supervisory cooperation under conditions of professional secrecy is a key, determinative element of effective supervision. We need more shared supervision.

Furthermore, Comframe should comprise a capital element, establishing strong principles for group capital calculations concerning the risks included, the metrics used to assess them and the overall level of confidence. Without this consistency, there is no level playing field internationally. It is not about one unique system, but about a set of strong principles that would deliver a range of closer and compatible systems.

Comframe should not be another regime on top of the already existent ones. The local regimes should evolve to comply with Comframe.

This is my vision. I recognize that we cannot deliver this immediately, but at the IAIS we need to set a timetable and concrete milestones to develop this concept in a step-by-step approach.

We need to be courageous and open-minded. We need to be open to change and evolution because the industry reality is also evolving and changing.

An extra effort needs to be done by all of us because like Charles Kettering (a famous American inventor) said one day: "*People are very open-minded about new things -- as long as they're exactly like the old ones*."

**Systemic risk in insurance**

The crisis prompted a new look at systemic risk, including in the insurance sector. The identification and regulation of Globally Systemically Important Insurers is currently being discussed under the umbrella of the Financial Stability Board and the IAIS. EIOPA is keen to contribute to a robust identification process of G-SIIs and to develop appropriate regulatory and supervisory tools to deal with their characteristics.

Traditionally, systemic risk was a banking concept. However, the recent crisis showed us that certain activities developed under the insurance sector can also pose systemic risk. Insurance companies or groups that engage in non-traditional, or non-insurance, activities (for example: CDS, financial guarantees or leveraging assets to enhance investment returns through securities lending) are more vulnerable to financial market developments and, importantly, more likely to amplify, or contribute to, systemic risk.

Of course, this assessment may change over time, depending on the innovations and changes in insurance business models, especially in life insurance, as well as in the complex interactions between insurance groups and financial markets. We should be especially attentive to any kind of maturity transformation and leveraging occurring in the insurance sector.

As a consequence, the identification of a systemically important insurer as such, should be a direct reflection of its source of systemic importance. While the size of traditional insurance activity is still an important factor, it should not be the dominant factor in the identification process. Clearly, the non-traditional and non-insurance activities and the degree of interconnectedness with other components of the financial system are more relevant from a systemic point of view.

Consequently, the differences between insurers and banks in the impact of failures suggest that requirements for loss absorbency and resolution regimes for insurers should accept these salient differences and propose solutions that differentiate accordingly.

As a conclusion I would like to underline that we should have no illusions: the creation of global insurance supervisory standards is a very long process that is complicated by the difference of cultures and uneven development of supervisory systems in different countries. But it is important that the regulators all over the world are willing to reach mutual understanding and to develop a common supervisory language, which will help us to promote stability of the financial markets, to enhance their transparency and to foster consumer protection.

Together we can achieve these objectives.