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EIOPA, 6 months on – what are the implications for intermediaries?

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The new European supervisory framework

What does the change mean?

“Protect the public interest by contributing to the short, medium and long-term stability and effectiveness of the financial system, for the Union economy, its citizens and businesses”

✓ EIOPA is:

- A **Union body** with legal personality
- An **independent supervisory authority**
- **Accountable** to the **European Parliament** and to the **Council**

- High-quality **regulatory standards/practices**
- Consistent application of **legally binding acts**
- **Co-operate closely with ESRB**
- **Peer review** analyses
- Monitor and assess **market developments**
- Undertake **economic analyses of markets**
- Foster **protection of policyholders**

- Develop **draft technical standards**
- Issue **guidelines and recommendations**
- In certain cases, **remedy emergency situations**
- **Settle disagreements** in cross-border situations
- Monitor correct **application of EU law**
- Methodologies for **products and distribution**

- **Colleges**
- Expert Groups/Committees
- **Stakeholder Groups**
- Impact Assessment/Consultation
- **Peer Reviews**
- Stress Tests
- **Committee on Financial Innovation**
- Sectoral/Cross-Sectoral Training

- EIOPA and national supervisors = **independent from one another**
- **But closely co-operating!**
- EIOPA governed by Board of Supervisors, integrating national supervisors
- National supervisors = key source of expertise/information
- **National supervisors carry out day-to-day supervision**
- National supervisors keep direct link to industry (e.g. QIS5, stress tests)



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IMD II - Towards a major reform of insurance mediation in Europe?

- **Intermediaries play a key role:**
 - In the distribution of insurance products
 - In fostering good risk management
 - In the fair and transparent treatment of consumers
- **Regulation needs to:**
 - Recognize the diversity of insurance intermediaries
 - Foster convergence without overburdening smaller players
 - Reinforce professionalism and transparency
- **What about supervision?**
 - Need for a convergent risk-based approach
 - Balanced off-site and on-site activities
 - Prevention and enforcement adds credibility and promotes good practices

Some key issues under the IMD Revision



- **Legal Framework**

- Classical Directive or Lamfalussy approach?
- One Directive or Two on professional requirements & insurance distribution?
- How would binding technical standards (**BTS**) fit into framework?
Potential areas – **Professional requirements; Information requirements; Conflicts of interest**

- **Scope**

- Include direct sales from insurance undertakings and if yes, in a separate chapter of IMD2?
- Include reinsurance intermediaries?
- Adopt an activity-based definition, rather than nomenclature?

Some key issues under the IMD Revision



- **Transparency**
 - What form of remuneration disclosure – “On request”?
 - How to deal with remuneration through a chain?
- **Conflicts of Interest**
 - To what extent is MiFID an appropriate benchmark?
 - Need to adapt rules to meet requirements on insurance mediation business
- **Commission proposal on time (7 Dec 2011) or delayed to 2012?**



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Consumer Protection under EIOPA

- Stable/effective **financial system**
- Sound **regulation/supervision**
- Transparent, efficient and orderly **markets**
- **International** supervisory co-ordination
- No **regulatory arbitrage**
- **Equal conditions of competition**
- Appropriate **regulation/supervision of risks**
- **Enhanced customer protection**

Article 9 - Tasks related to consumer protection and financial activities

- Take a **leading role** in promoting **transparency, simplicity and fairness** for consumer financial products/services:
 - i. collect, analyse and report on consumer trends,
 - ii. Review/coordinate financial literacy/education initiatives,
 - iii. develop industry training standards, and
 - iv. contribute to development of common disclosure rules
- Monitor new/existing financial activities
- Adopt guidelines/recommendations
- Issue **warnings** in case a financial activity poses a serious threat
- Establish a **Committee on financial innovation**
- **Temporarily prohibit/restrict** types of financial activities

Article 26 - Development of a European network of national Insurance Guarantee Schemes

- Contribute to the assessment of the need for:
 - a European network of national Insurance Guarantee Schemes
 - which is **adequately funded** and **sufficiently harmonised**

Article 54(2): EUROPEAN SUPERVISORY AUTHORITIES (JOINT COMMITTEE)

Shall serve as a forum in which the Authority **cooperates regularly** and closely and **ensure cross-sectoral consistency** with the other ESAs, **in particular** regarding:

- financial conglomerates;
- accounting and auditing;
- micro-prudential analyses of cross-sectoral developments, risks and vulnerabilities for financial stability;
- **retail investment products;**
- anti-money laundering measures; and
- information exchange with the ESRB and development of relationship between ESRB and ESAs

- Increased focus on **product developments/ characteristics (“product governance”)**
 - Will PRIIPs legislative regime enhance or stifle innovation?
- **Committee on Financial Innovation** needs to be represented by all Members of EIOPA – **CCPFI** created
- Need to **monitor market activities closely** due to Prohibition role – means heavy reliance on communication with Members/Stakeholders
- New tasks on **financial literacy/education** – previously wholly in Members remit
- **„Regular co-operation“ required** under Joint Committee – no longer *ad hoc*

Work done so far and targets for the year



CCPFI discussed how best to organise the work ahead:

- Create various Task Forces under CCPFI entrusted with evaluating national best practices and making recommendations
- Use Joint Committee as forum to work on these issues.

- Consensus among EIOPA Members to work under umbrella of the Joint Committee for the purpose of stock-taking (while implementation is still for each ESA individually) to avoid duplication/triplication of efforts.

- CCPFI working on following initial outputs for end of year:
 - **Best practices for complaints-handling at firm-level**
 - **Stock-take of Financial Education initiatives**
 - **Report on Consumer Trends**
 - **Financial Innovation – report on disclosure/selling of Variable Annuities**

- **Stakeholder input** a legal requisite, but also fundamentally important
- Invited Consumer Stakeholder Group Representatives to our last CCPFI meeting
- Plan to also invite Industry experts in the future
- **“Consumer Protection” panel** at EIOPA Annual Conference on 16 November 2011
- **EIOPA “Consumer Day”** planned for 6 December 2011



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Questions?