

# European Insurance and Occupational Pensions Authority: tasks, objectives, tools

Deutscher Verein für Versicherungswissenschaft  
Hannover, 21 March 2012

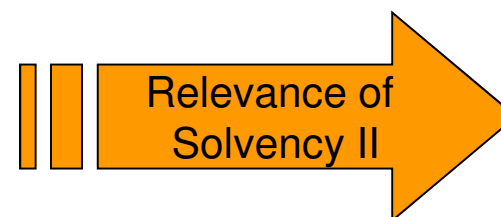
- Financial crisis in **2007 and 2008** prompted a review of supervisory model
- **November 2008**: European Commission mandated a High Level Group, the Committee of Wise Men, chaired by Jacques de Larosière to make recommendations on how to strengthen European supervisory arrangements
- **February 2009**: De Larosière Report published:
  - Committee of Wise Men recommends reforms to the structure of supervision of the financial sector in the European Union
  - Committee also concluded that a European System of Financial Supervisors should be created and recommended the creation of a European Systemic Risk Council
- **March & May 2009**: European Commission proposed to put forward draft legislation and details about its possible architecture.

- **19 June 2009:** European Council confirmed that a European System of Financial Supervision (ESFS) should be established.
- **22 September 2010:** European Parliament approved legislation allowing establishment of European Supervisory Authorities (ESAs)
- **16 December 2010:** EIOPA Regulation enters into force
- **1 January 2011:** EIOPA established
- **10 January 2011:** first meeting of the Board of Supervisors formalizes EIOPA's establishment. Election of the Management Board and acting Chair validates the establishment of EIOPA

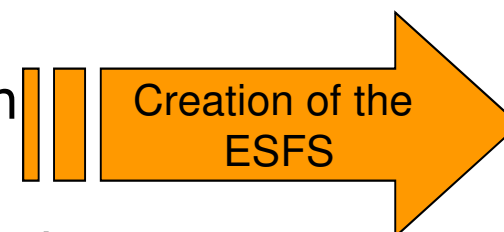
# Consequences of the financial and economic crisis

eiopa

- Need to build a sound system
- Need to work on right calibrations
- Need for sound Internal Controls
- Relevance of quality of capital



- Insurance is NOT Banking
- Need for preemptive risk-based supervision
- Need for *ad hoc* sectoral responses
- Need for strong links between the Macro and Micro levels
- Who does what? Need to allocate tasks and responsibilities
- Need to set a framework that avoids Arbitrage



# The new landscape of European insurance supervision

## **Recital 7 EIOPA regulation:**

- **EU has reached the limits of what can be done** with Committees (CEIOPS)
- EU **cannot** remain in a **situation** where:
  - **No mechanism** to ensure **best cross-border supervisory decisions**;
  - **Insufficient cooperation** and **information exchange**
  - **Joint action** requires **complicated arrangements**
  - **National solutions** are **only feasible option**
  - **Different interpretations** of the same legal text
- **European System of Financial Supervision (ESFS) should:**
  - **Overcome deficiencies**; and
  - **Provide** system linking national supervisors within a **strong EU network**

# Genesis of the European System of Financial Supervisors

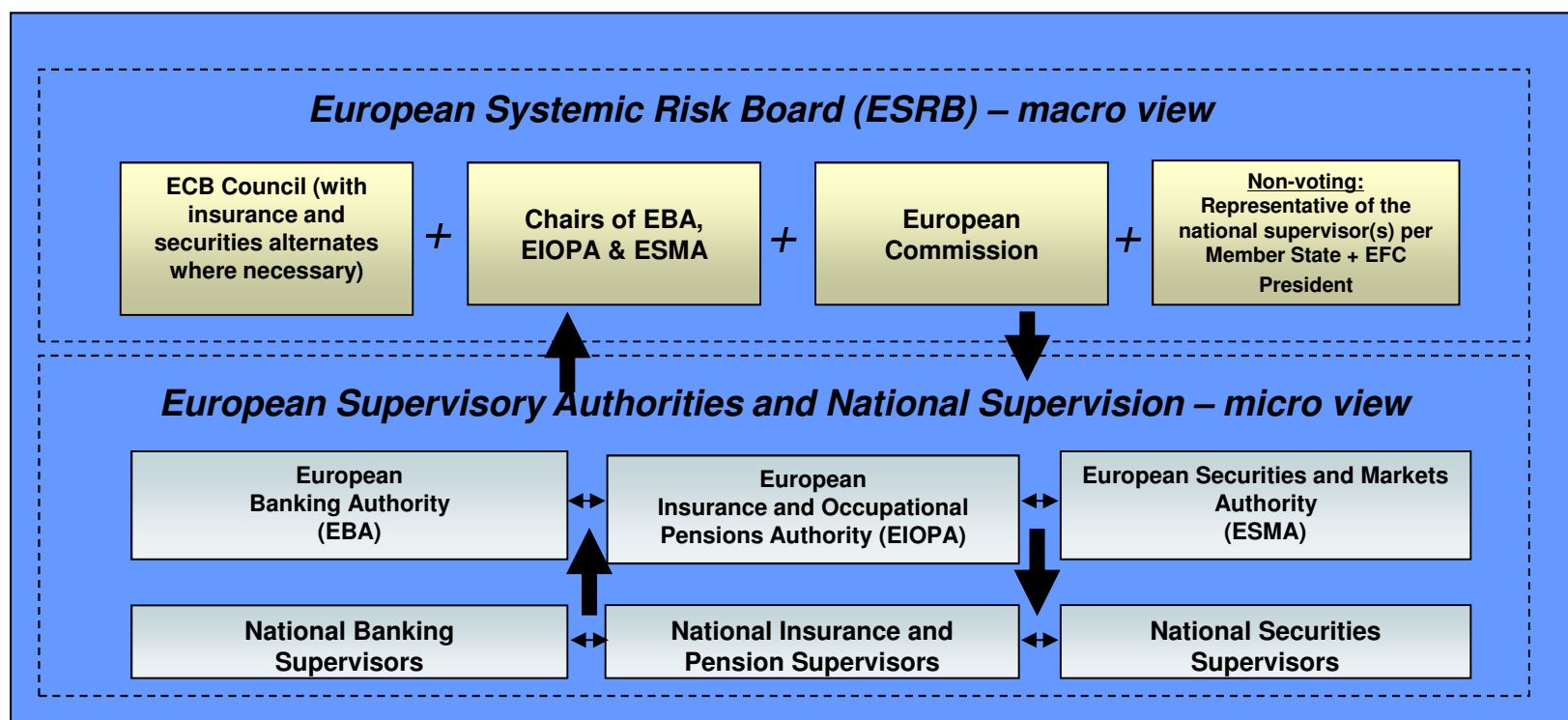


- From “De Larosière” (February 2009) to ECOFIN approval (17 November 2010)
  - **European System of Financial Supervision (ESFS)**
    - National supervisors in Member States,  
plus three new European Supervisory Authorities (ESAs):
      - European Banking Authority (EBA);
      - **European Insurance and Occupational Pensions Authority (EIOPA);**
      - European Securities and Markets Authority (ESMA).
  - **European Systemic Risk Board (ESRB):**
    - Monitor and assess risks to the stability of the financial system
    - Risk warnings, cooperation with the ESA
    - Link between macro and micro levels of supervision
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# Overview of the European System of Financial Supervision



## European System of Financial Supervision



# What is EIOPA?



- **Union body with legal personality** as well as administrative/financial autonomy
- Can be a **party to legal proceedings**
- **Represented by its Chairperson**
- **Autonomous budget** with revenues mainly from obligatory contributions from national supervisory authorities and EU's General Budget
- **All CEIOPS existing tasks and competences** including the continuation of ongoing work and projects
- **Accountable** to the European Parliament and the Council of the European Union



# EIOPA together with national authorities



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

- To 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.
- This mission is pursued by promoting a sound regulatory framework and consistent supervisory practices in order to protect the rights of policyholders, pension scheme members and beneficiaries and contribute to the public confidence in the European Union's insurance and occupational pensions sectors.

- 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**

- 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 of supervisors
- Expert groups and committees
- Insurance/reinsurance and occupational pensions stakeholder groups
- Peer Reviews
- Impact Assessment
- Stress Testing
- Committee of financial innovation
- Consultation
- Sectoral and cross-sectoral training programmes

# Composition of EIOPA



- **Management**

- o Board of Supervisors: principal decision making organ, composed of:
  - Chairperson (non-voting)
  - relevant competent authority in each Member State
  - representative of the European Commission, ESRB, EBA and ESMA to participate as observers (non-voting)
- o Management Board ensures that EIOPA carries out its mission and performs the tasks assigned to it. Composed of:
  - Chairperson of EIOPA
  - Six representatives of national supervisory authorities
  - representative of the European Commission
- o Chairperson
  - full-time Chairperson, appointed by the Board of Supervisors and confirmed by the European Parliament within one month after selection by the Board of Supervisors
- o Executive Director
  - management of EIOPA

- **Joint Committee of European Supervisory Authorities**

- coordinates activities of the European Supervisory Agencies (ESAs) and coordinates functions in relation to financial conglomerates and other cross-sectoral issues

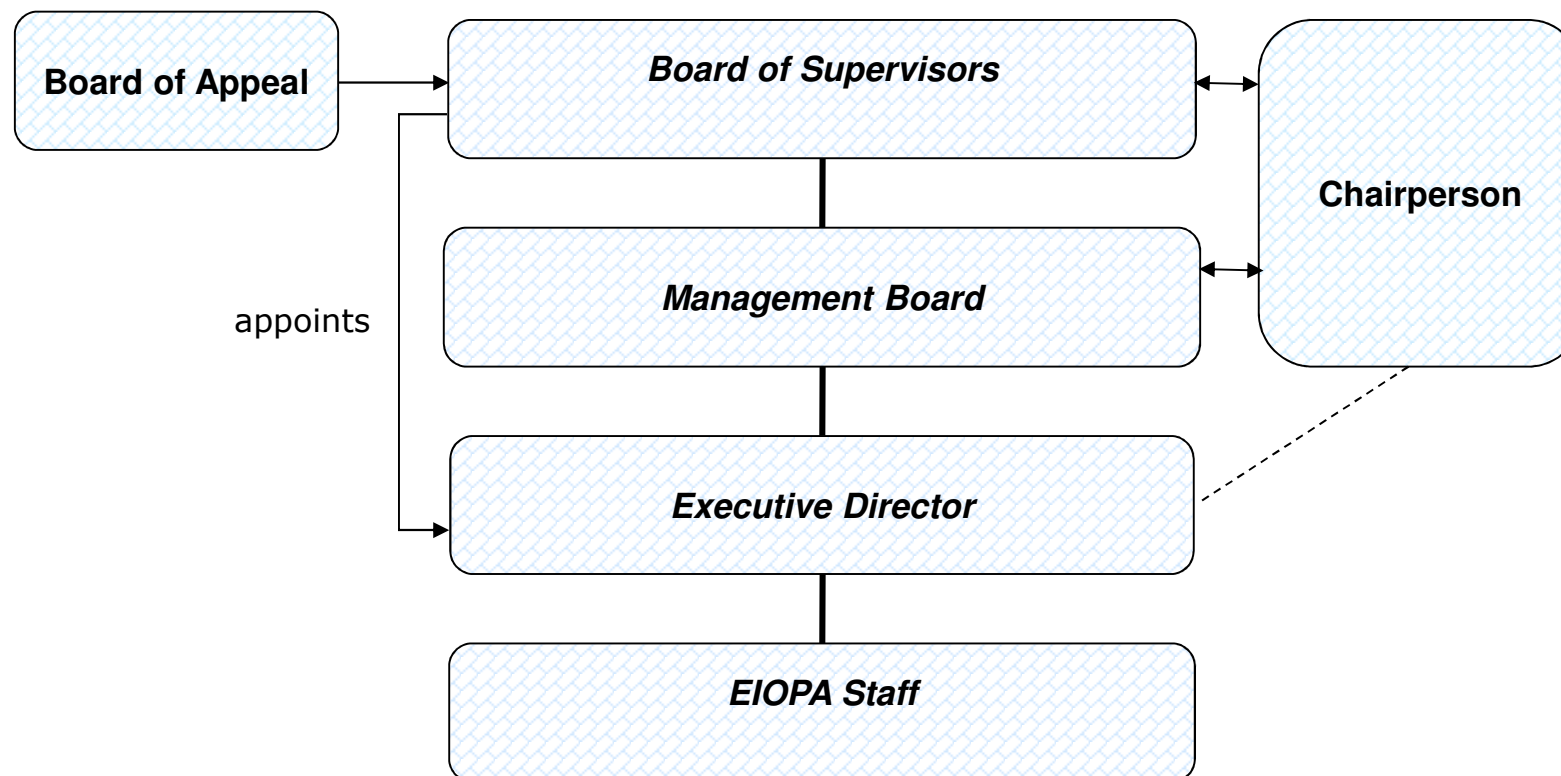
- **Board of Appeal**

Gives parties right to appeal decisions of ESAs. Joint body of ESAs, independent from their administrative and regulatory structures. Composed of six members and six alternates

# Composition of EIOPA

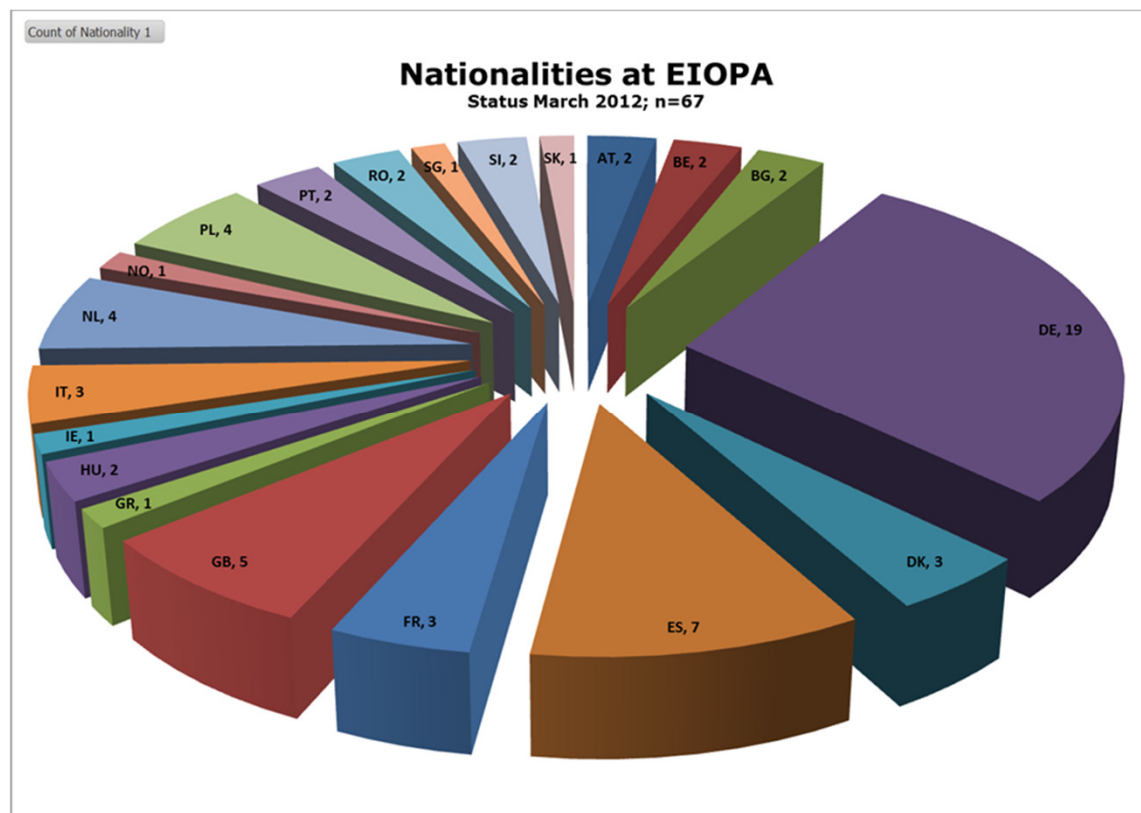


## A Simplified Example





On 1 January 2011 – **27** staff members  
On 21 March 2012 – **67** staff members



EIOPA is governed by a set of values that guide our action and the daily relationship with our members and stakeholders

- Independence
- Responsibility
  - Integrity
- Transparency
  - Efficiency
- Team spirit

Thank you