



Establishment of EIOPA - Risks and Challenges for State Insurance Supervision in the EU

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Overview

- Introduction
- Short retrospective view
- Preparing the reform
- New architecture of financial supervision
- EIOPA's objectives, organisation, tasks and powers
- Impact on the NSAs
- Conclusions



Introduction

- Centralisation movements in the EU-wide financial supervision after financial crisis 2007/2008
- Insurance supervision also included
- Establishment of the European Insurance and Occupational Pensions Authority (EIOPA)
- What does it mean for the national supervisory authorities (NSAs) in Member States (MS)? Are there any risks or at least challenges ahead for NSAs which deserve closer attention?



Short retrospective view on insurance supervision in the EU (*MS-level*)

- Legal harmonisation process in the insurance sector as of 1960's
- Leads i.a. to:
 - Single-licence principle
 - Home country control and mutual recognition
 - Lead supervisor
- Thus: the cooperation between NSAs becomes more and more important



Short retrospective view on insurance supervision in the EU (*EU-level*)

- But also increased activities on the EU-level
- Thus: specialised Committees have been established, i.a.:
 - The European Insurance and Pensions Committee (EIOPC)
 - The Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) composed of high-level representatives from the NSAs with the following main tasks:
 - Technical advice to the European Commission
 - Promoting convergence in supervisory practices
 - Enhancing the cooperation of NSAs



Preparing the reform

First step towards future reform of the financial, thus also insurance, supervision within the EU:

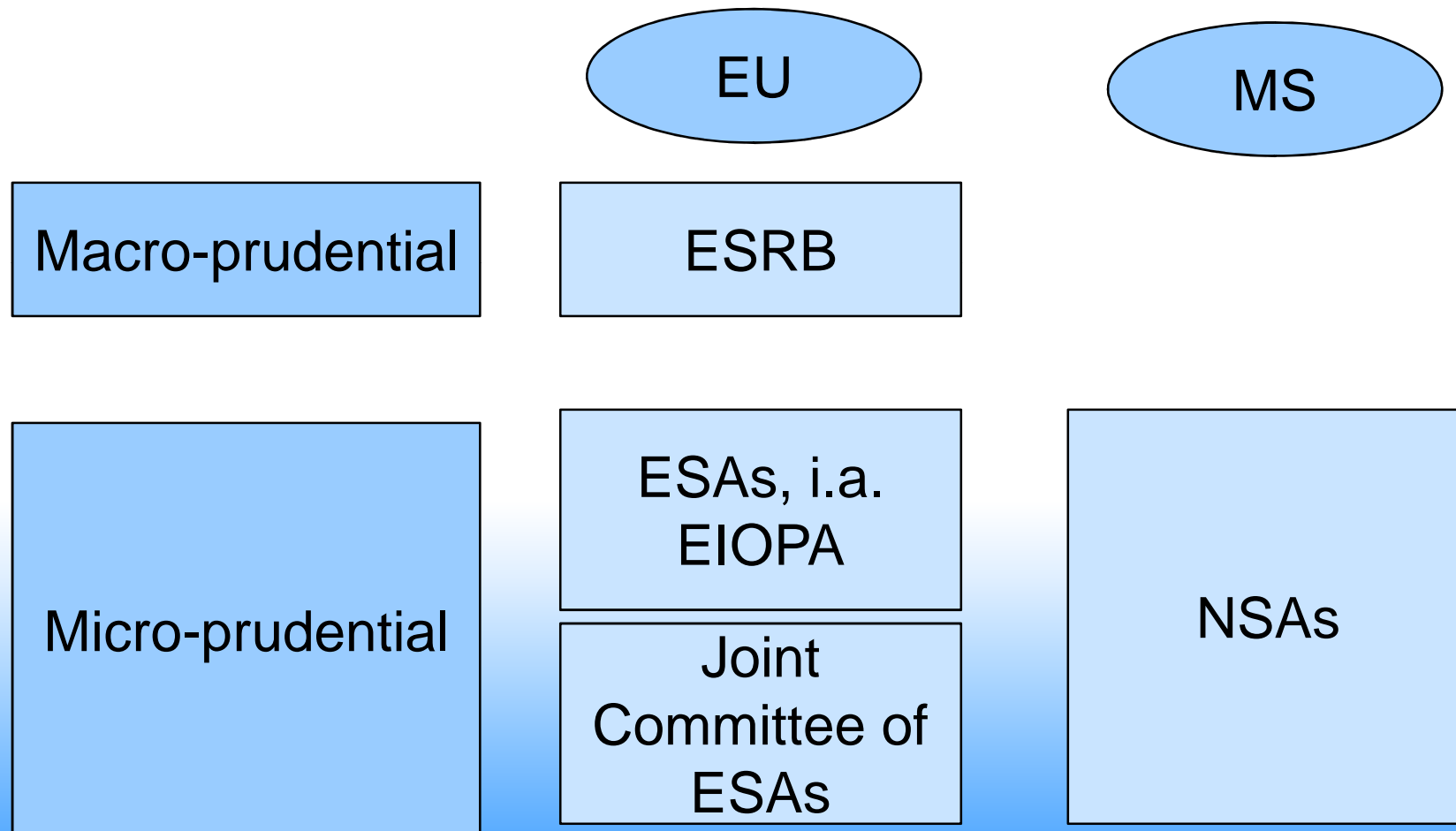
Strengthening the position of CEIOPS and its powers

- Financial support from EU-budget
- Formally remains an „advisory body“
- But.... new options for actions and instruments seem to be much more than only of advisory nature, i.a.:
 - Non-binding guidelines, recommendations, standards
 - Peer reviews
 - Mediation between NSAs
 - New powers in the field of financial stability
 - Qualified majority voting



New architecture of financial supervision in the EU

European System of Financial Supervision





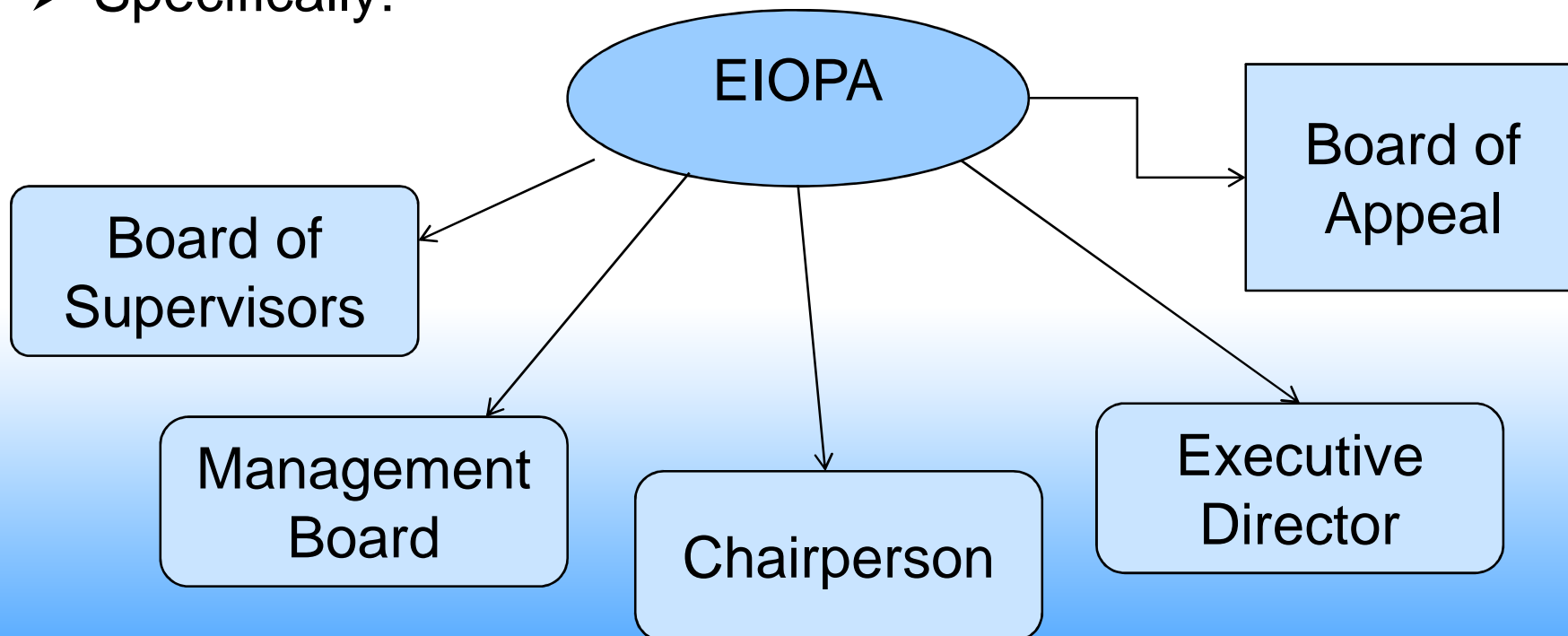
EIOPA and its objectives

- European *Authority* with wide-ranging objectives
- Main objective: protecting public interest while contributing to the stability and effectiveness of the financial system
- Further objectives, i.a.:
 - Ensuring effective and consistent regulation
 - Ensuring effective and consistent supervision
 - International supervisory coordination
 - Enhancing consumer protection



EIOPA and its formal organisation

- Generally:
 - Formally upgraded: an independent body with legal personality
 - Administrative and financial resources
 - Directly accountable before EP and Council
- Specifically:





EIOPA and its tasks and powers (1)

- **Quasi-regulatory competences**
 - Regulatory technical standards (RTS)
 - Implementing technical standards (ITS)
 - Guidelines and recommendations with increased enforcement
- **Individual powers of decisions**
 - Breach of Union law
 - Emergency situation
 - Settlement of disagreement
- **Investigatory competences**
 - Inquiries
 - Collection of information



EIOPA and its tasks and powers (2)

- Coordination function
- Other (new) fields of activities
 - Consumer protection
 - Monitoring financial activities and products
 - International cooperation
- Further developments
 - Current developments
 - Insurance guarantee systems (IGS)
 - Sanctions
 - Generally: strong review clause in Regulation 1094/2010 establishing EIOPA as well as defining further supervisory competences in specific sector regulation



Impact on the NSAs (1)

Any challenges ahead for NSAs?

- Challenges following from the relationship EIOPA/NSAs?
 - Formally upgraded EIOPA vs. NSAs
 - Investigatory competences and coordination function with analysis focus on collecting information and colleges
 - Quasi-regulatory competences
 - Individual decisions
 - Right to appeal before the Board of Appeal
 - Other (new) fields of activities with analysis focus on international coordination and IGS/sanctions



Impact on the NSAs (2)

Any challenges ahead for NSAs?

- Tensions between NSAs
 - ‘Committee on financial innovation’
 - Peer reviews

- Organisational matters with focus on objectivity within EIOPA and insurance representation within ESRB

- Further developments



Conclusions

- Influential EIOPA
- Better cooperation between NSAs
- But also loss of influence
- NSAs still responsible for daily supervision of financial institutions and nationally accountable
- Great challenges ahead for NSAs:
 - Acting locally with daily supervisory tasks and in the Union's interest as part of a central authority with enhanced powers
 - Rebuilding and maintaining their authority in relation to market players where it has been weakened due to EIOPA's actions or decisions directly addressed to financial institutions
 - Dealing with new tensions between NSAs which may follow from the centralisation and reorganisation of the European supervisory architecture



Thank you for your attention!