

# Shaping the Regulatory environment in (re) Insurance

*Carlos Montalvo  
EIOPA Executive Director  
World Bank  
1<sup>st</sup> June 2011*

- Introduction
- Regulation
- Supervision
- Consumer protection
- Financial stability
- Competitiveness
- Bonus Track: EIOPA





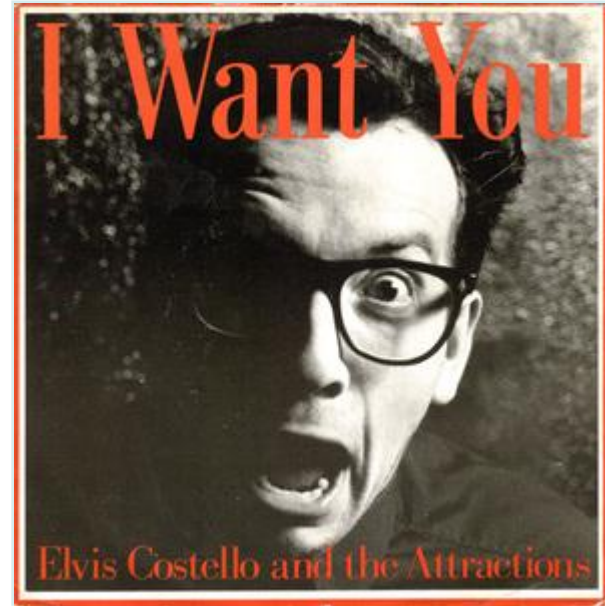
**eiopa**  
EUROPEAN INSURANCE  
AND OCCUPATIONAL PENSIONS AUTHORITY

# Introduction

# What are the objectives of a Regulatory Enviroment?

eiopa

- **Consumer protection**
- **Financial stability**
- **Competitiveness**



# What integrates the Regulatory Enviroment?

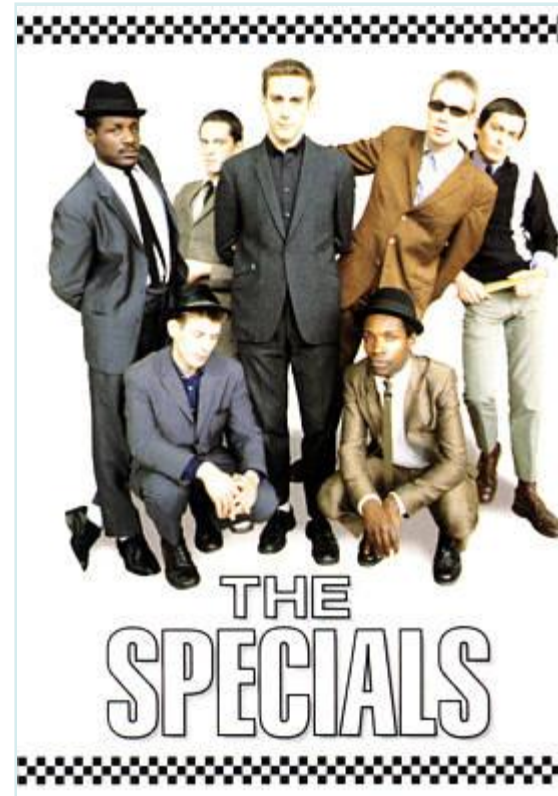
eiopa

- **Regulation**
- **Supervision**



# An Insurance Regulatory Environment?

- **Insurance is NOT Banking**
- **Cannot be treated the same**
- **Must avoid regulatory arbitrage**





**eiopa**  
EUROPEAN INSURANCE  
AND OCCUPATIONAL PENSIONS AUTHORITY

# Regulation

# Regulation

- **Risk based: 3 pillars**
- **Economic based: market consistent**
- **Principle based**



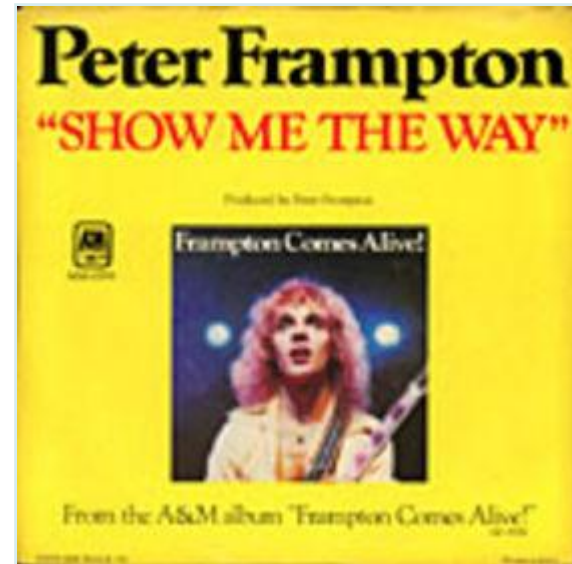
## Pillar 1

- **Quantity and Quality of capital**
- **Complexity**
- **Internal models**



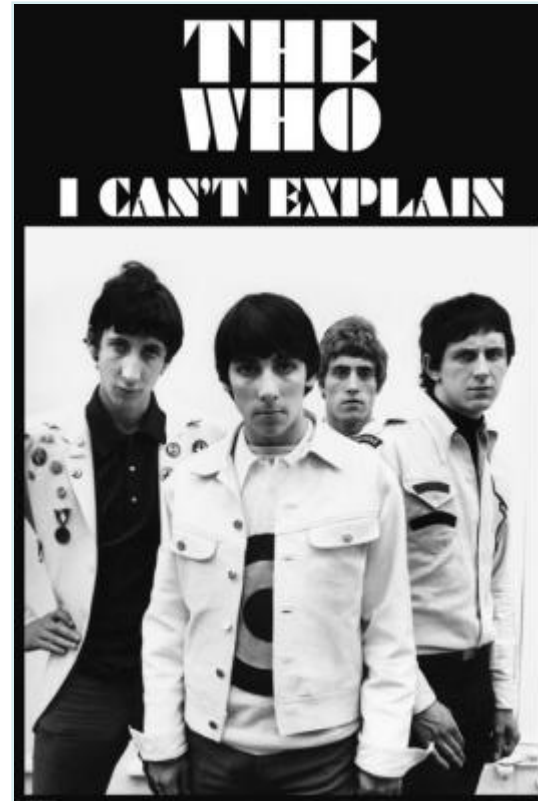
## Pillar 2

- **Need of internal controls**
- **Incentives for sound risk management**
- **Internal models as decision making toolkits**



## Pillar 3

- **Enhance disclosure and transparency**
- **Comparability**
- **Understanding**
- **trust**





**eiopa**  
EUROPEAN INSURANCE  
AND OCCUPATIONAL PENSIONS AUTHORITY

# Supervision

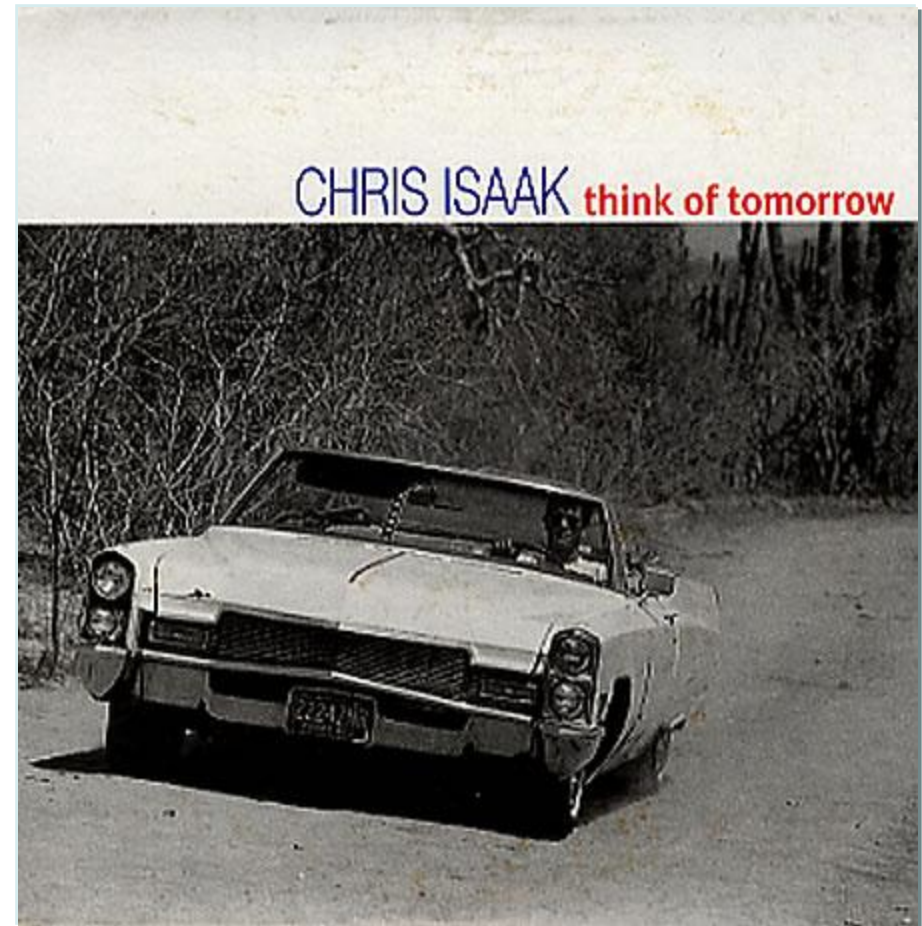
# Supervision (yesterday)

- **Reactive**
- **National interest**
- **Under resourced**



# Supervision (tomorrow)

- **Preemptive**
- **Consistent**
- **Mirroring economic reality**





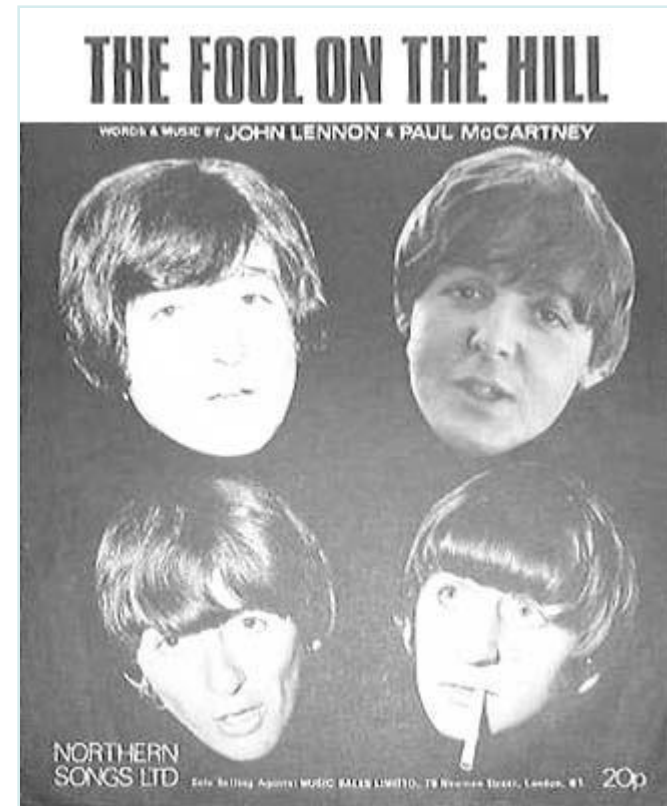
**eiopa**  
EUROPEAN INSURANCE  
AND OCCUPATIONAL PENSIONS AUTHORITY

# Consumer Protection

---

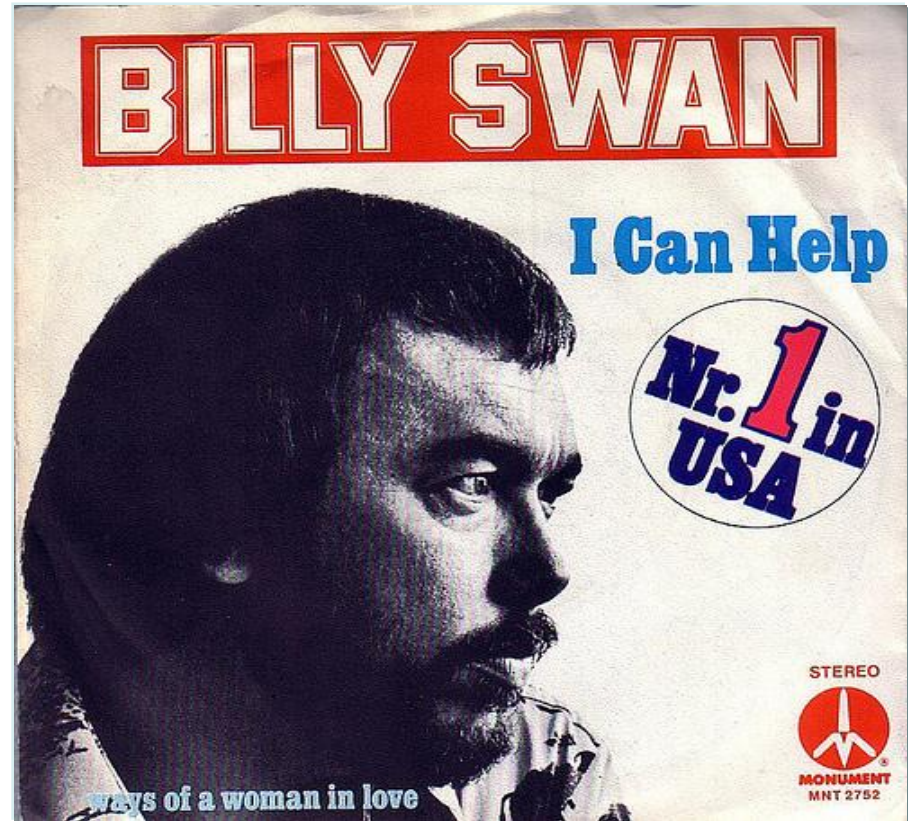
# Consumer protection (I)

- Consumers need to be protected.
- Consumer protection stands as the main objective of supervision



## Consumer protection (II)

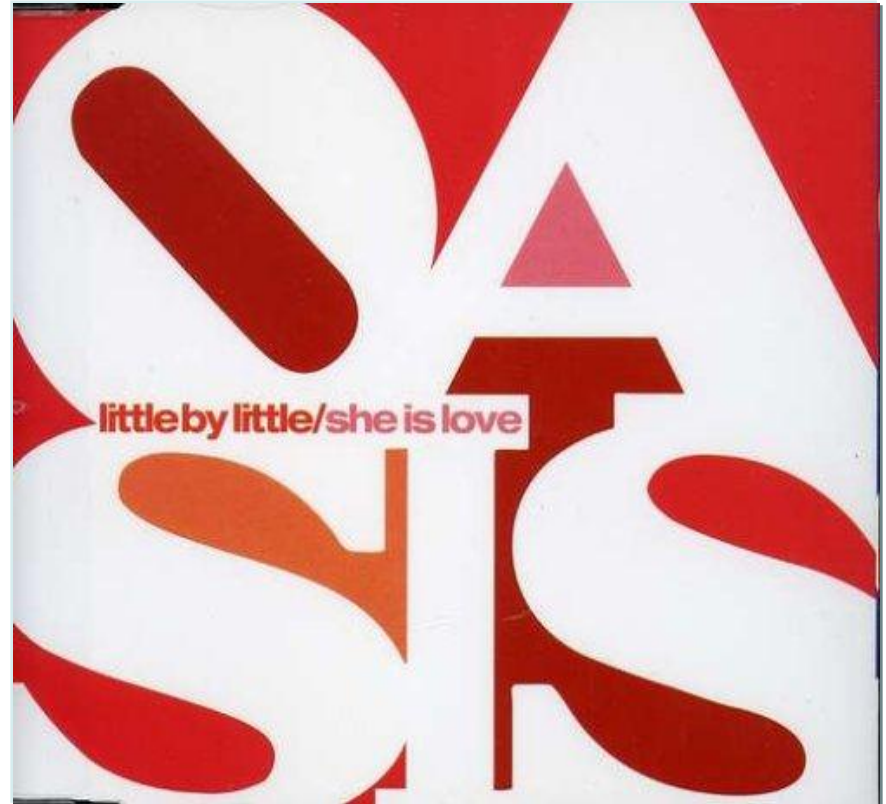
- Protection is the sum of regulation, supervision, self-regulation, right information and understanding.



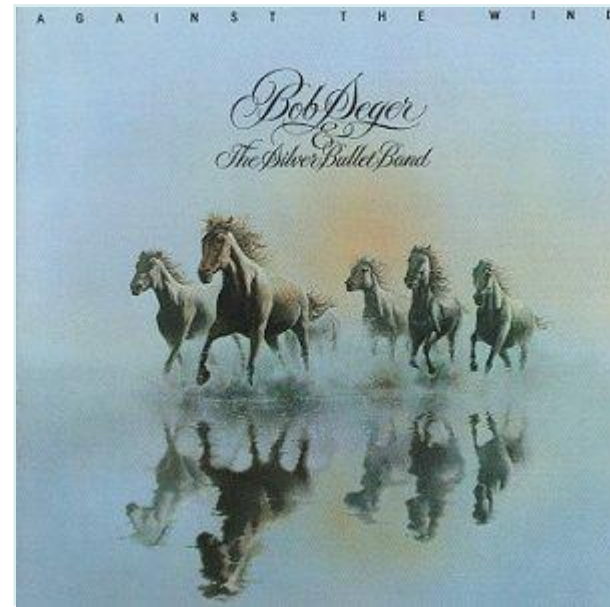
## Consumer protection (III)

eiopa

- The main challenge is threefold: Ignorance, trust and greed.



- **Appropriate links between micro and macro**
- **SiFis debate**



# Competitiveness

- **Insurance is needed... and has to be profitable.**
- **But how much?**



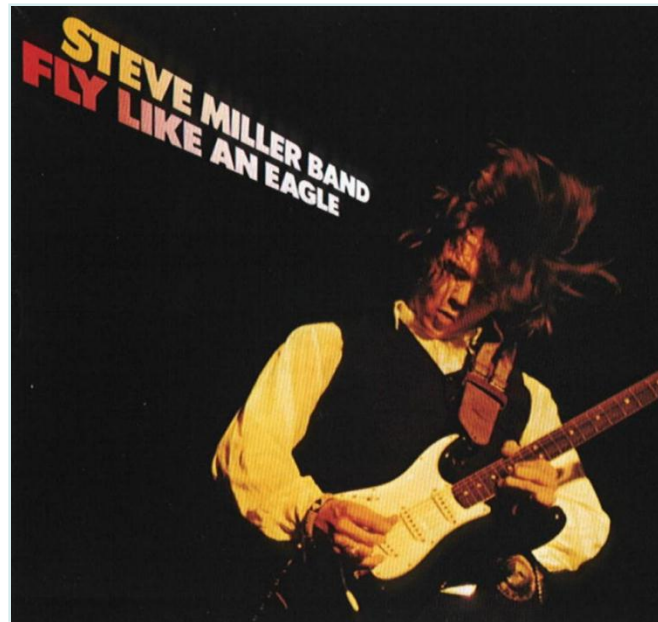
# Bonus track: EIOPA

- **Authority**
- **Supervisory powers**
- **Regulatory powers**
- **International role**



# From CEIOPS to EIOPA

eiopa





**eiopa**  
EUROPEAN INSURANCE  
AND OCCUPATIONAL PENSIONS AUTHORITY

To summarize...

To make it work...

eiopa



Thank you!

*[carlos.montalvo@eiopa.europa.eu](mailto:carlos.montalvo@eiopa.europa.eu)*