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Shaping the Regulatory environment in (re) Insurance

*Carlos Montalvo
EIOPA Executive Director
World Bank
1st June 2011*

- Introduction
- Regulation
- Supervision
- Consumer protection
- Financial stability
- Competitiveness

- Bonus Track: EIOPA



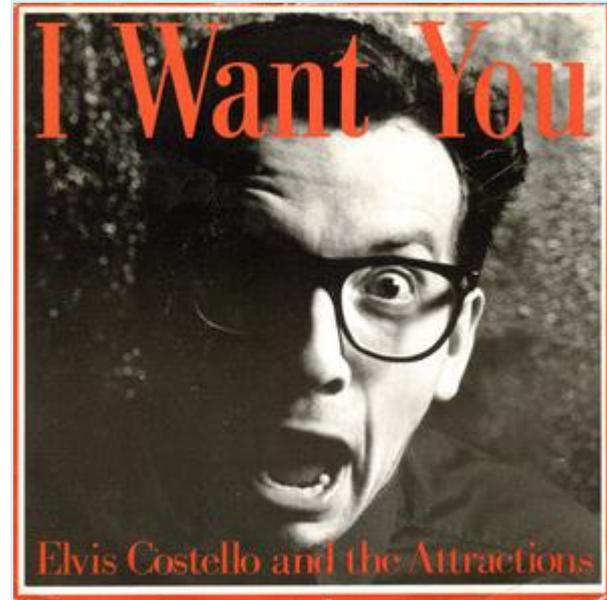


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Introduction

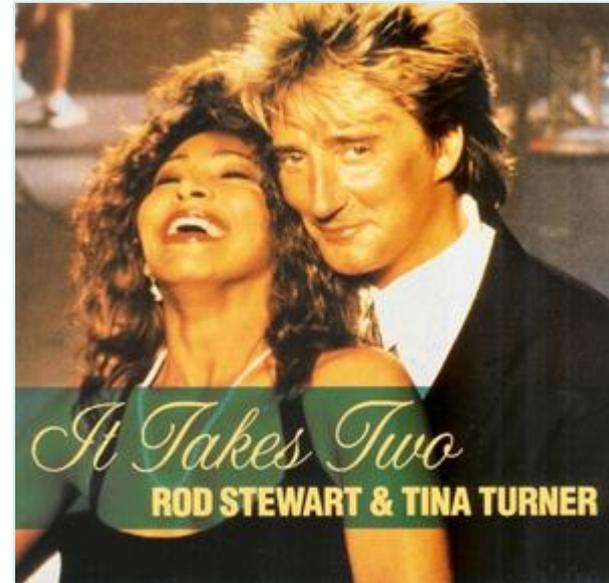
What are the objectives of a Regulatory Environment?

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



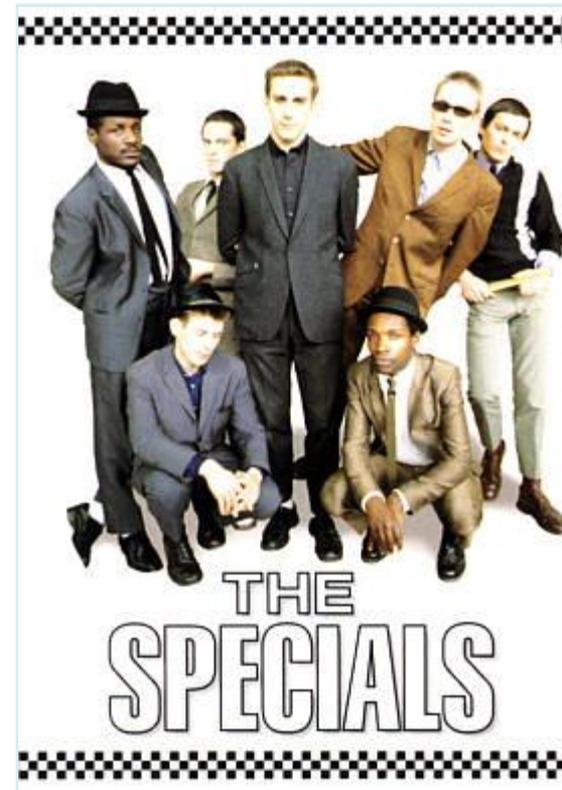
What integrates the Regulatory Environment?

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



An Insurance Regulatory Environment?

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





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Regulation

Regulation

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



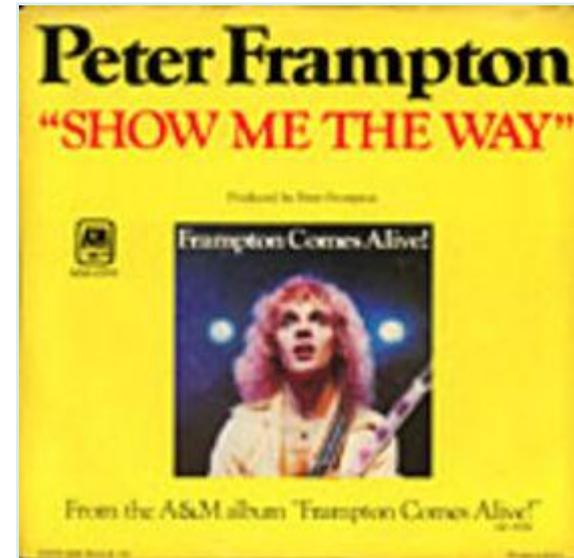
Pillar 1

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



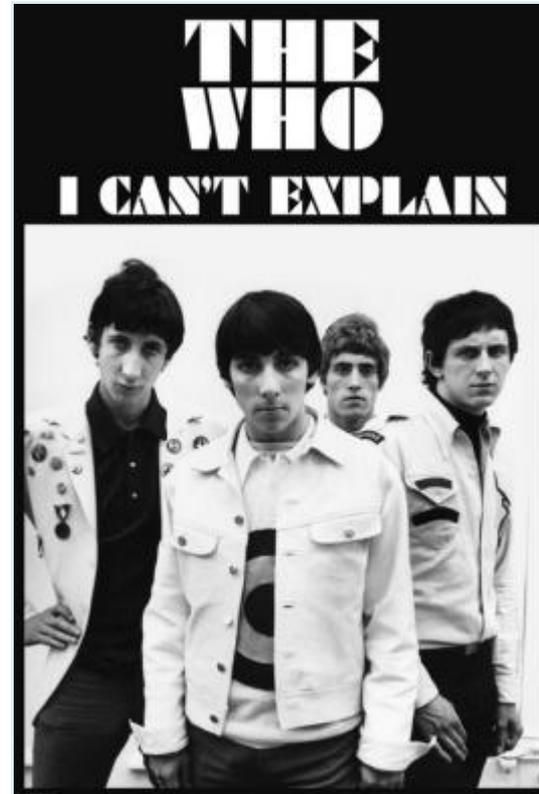
Pillar 2

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



Pillar 3

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





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Supervision

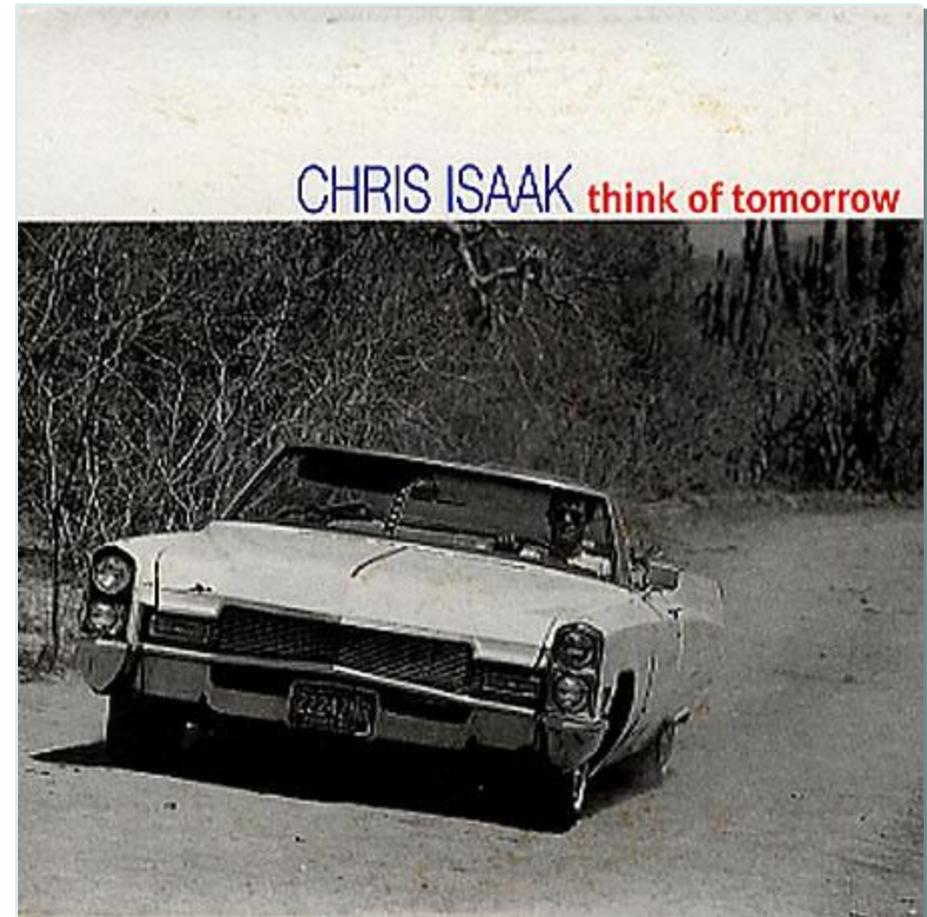
Supervision (yesterday)

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



Supervision (tomorrow)

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





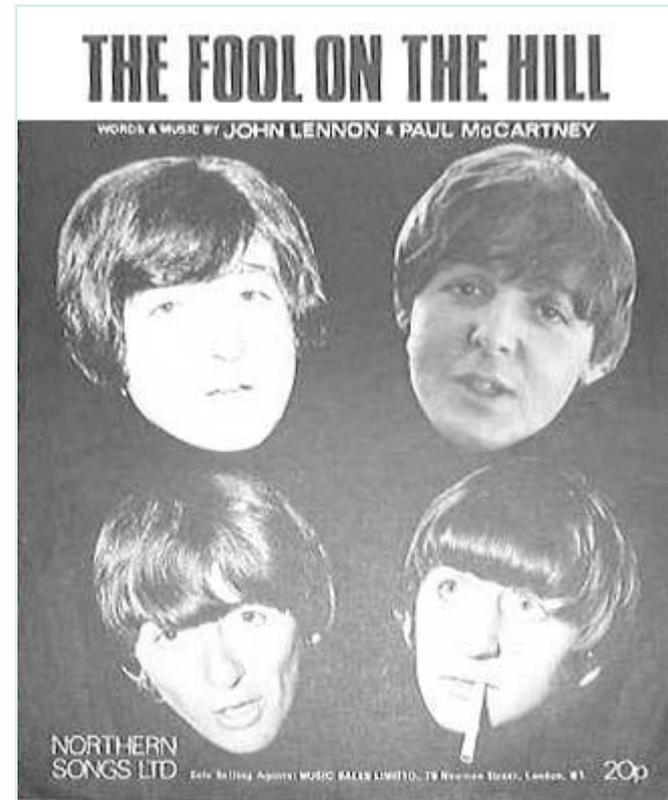
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Consumer Protection

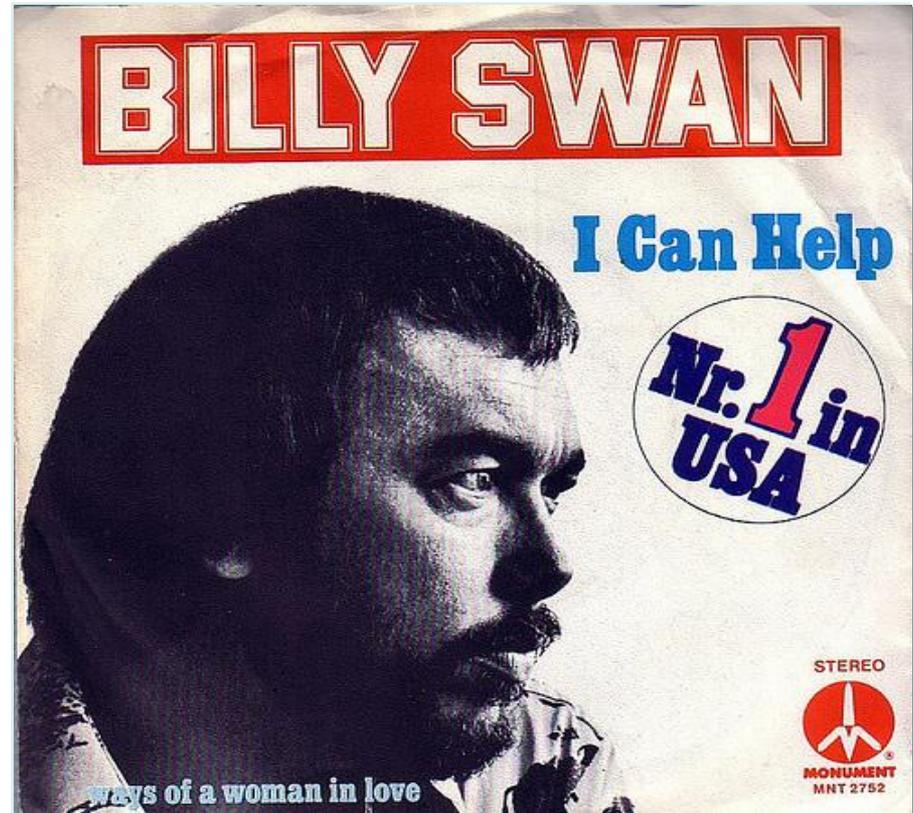
Consumer protection (I)

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



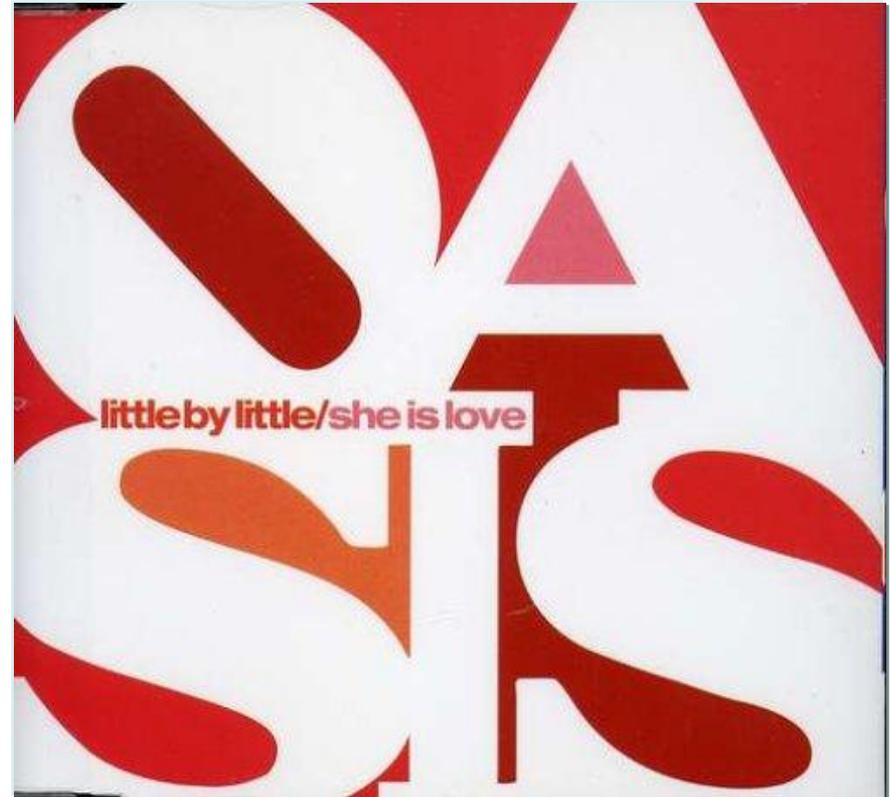
Consumer protection (II)

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

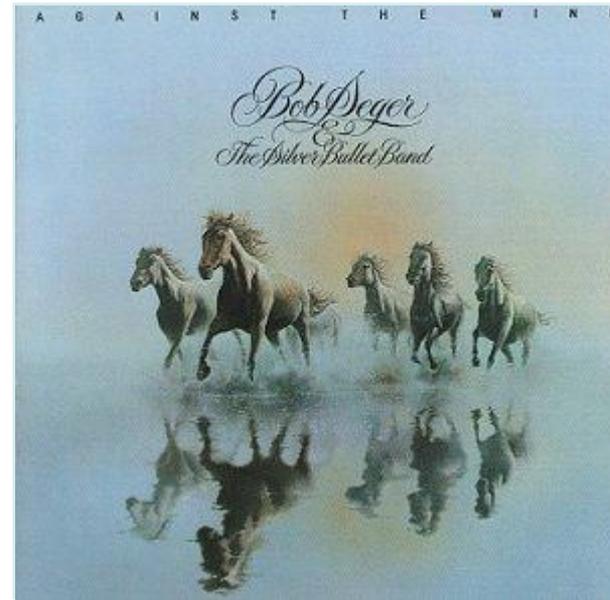


Consumer protection (III)

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



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



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





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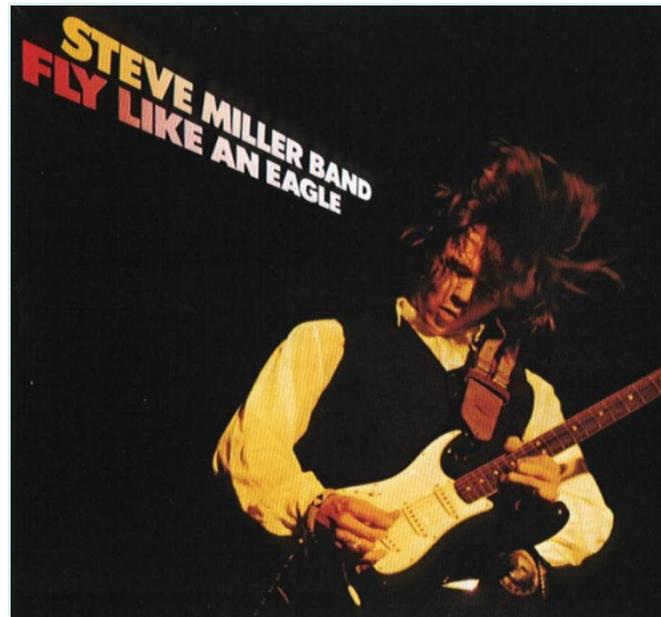
Bonus track: EIOPA

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



From CEIOPS to EIOPA

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To summarize...

To make it work...

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Thank you!

carlos.montalvo@eiopa.europa.eu