Interview with Gabriel Bernardino, Chairman of EIOPA, conducted by Paul Carty, General Editor of the Irish Broker (Ireland)

EIOPA has been in existence for almost three years what do you think are your achievements in insurance and occupational pensions since the establishment of the Authority?

The last almost 3 years have been very challenging for us. On 1 January 2011 we had just 27 staff members, insufficient infrastructure, no solid organisational structure and under-developed business processes. It has been very challenging for us to overcome the difficulties created by the crisis situation but despite this we managed to produce high quality work both in insurance and pensions.

In the insurance area our main achievements are related to the implementation of the Solvency II framework. This year we produced the Long-Term Guarantee Assessment and are finalising the report on the possible calibration and design of regulatory capital requirements for insurers' long-term investments under Solvency II. I am confident that EIOPA's independent supervisory assessment as a core element of these two important studies provides a reliable basis for an informed political decision on the long-term guarantee measures to be included in Solvency II.

Another important achievement is our work on preparing of supervisors and undertakings for Solvency II implementation. In September this year, following the public consultation, EIOPA published the final Guidelines on preparing for Solvency II. These Guidelines aim to ensure that national supervisory authorities will put in place certain important aspects of the new prospective and risk based supervisory approach from 1 January 2014. I am confident that these Guidelines are an important step towards consistent and effective supervisory practices in the preparation for the Solvency II implementation. They will play an important role in supporting the good function of the internal market in the insurance sector and will ensure a higher quality of information.

In the pensions area we contributed to the Commission's objective to have a properly revised IORP Directive in order to reach adequate, safe and sustainable pensions. This year, we delivered the results of the Quantitative Impact Study for occupational pensions. The QIS was part of our technical advice to the

Commission on the IORP Directive review, which was issued in 2012. I am glad that the QIS results confirmed that the concept of the holistic balance sheet suggested by EIOPA is sustainable and in general can provide a comprehensive and comparable view of how far occupational pension promises are supported by financial assets, sponsor support and pension protection schemes and of how far benefit adjustments are expected to occur.

This year we also extended our work from occupational to personal pensions. In May we published a Discussion Paper on a possible EU-single market for personal pension products and in June held a public event on personal pensions.

We believe that there has been a great deal of operational convergence between the member state supervisors since the establishment of EIOPA, in particular with the concept of a college of supervisors becoming a reality. Do you agree and if you do what do you think the results of this will be over time?

I fully agree: participation in the colleges of supervisors is one of the priorities in our work. Every year we prepare the Action Plan for colleges, monitor its implementation and in the end of the year produce the reports about functioning of the colleges. We are also participating in joint on-site inspections. In order to support the supervisors in their preparation for Solvency II, EIOPA is setting up a Centre of expertise in internal models. This work requires from us a thorough knowledge of different EU countries, their economic and business culture, in order to ensure more coordinate validation and supervision of internal models. (travelling, participating in teleconferences, all types of negotiations). Our final objective - to guarantee consistent, coherent and effective EEA-wide supervision of cross-border insurance groups - is worth those efforts!

As the readers of this journal are both intermediaries and insurers both life and non-life what impact do you think EIOPA is likely to have on their lives/business already or indeed in future years?

Since the very first year of our existence we call for a paradigm shift on transparency and fairness towards consumers. In order to regain the trust and confidence of consumers, insurers need to develop more simple and understandable products, devote further attention to the fairness of contractual conditions and to review the charges and commissions applied, ensuring that they are not disproportionate.

Furthermore, insurance companies need to develop a new approach towards conflicts of interest because “bad behaviour" in this area will not continue to be tolerated.

I am proud that our first set of Guidelines was dedicated to complaints-handling by insurance undertakings. Currently we are finalizing the Guidelines on complaints-handling by insurance intermediaries.

We want to make sure that consumers receive the appropriate degree of protection and that their benefits outweigh any related costs. This is a change that every single insurance company and intermediary will need to implement.

The insurance market in Ireland (both life and non-life) is a relatively mature and sophisticated market, it is also intensely competitive with all forms of distribution participating actively in the marketplace, in that context intermediaries in particular are in fear that Europe might intervene with a regulatory development that might destroy the level playing field between the differing forms of distribution, do you think that they are right to be concerned?

EIOPA welcomes the initiative of the European Commission to recast the existing Insurance Mediation Directive (IMD). The IMD2 refers not only to intermediaries, but also to undertakings, which is not the case of the current directive. So from this point of view, the IMD2 is going to bring in a more level playing field.

Of course in Ireland you have a Consumer Protection Code, which is indeed a very good tool that already ensures a good degree of consumer protection. But in a single market we need to have a European approach: the level playing field should be of an EU-wide nature.

For some time you have been a vocal proponent of EIOPA’s operational independence, why do you think it is important?

I think every manager would agree with me that the efficiency of any company depends on its possibility to get good experts on board and on financial certainty that allows for dynamic decision-making. In case of EIOPA, this could be better achieved if EIOPA for example gets 100% financing through an independent budget line in the EU General Budget instead of getting funding directly from each EU Member State.

At the same time I am convinced that the independence of our Authority must be accompanied by the highest standards of accountability. And the more independent we are, the more transparent and detailed we should be while reporting about our deliverables and expenditures. Independence and accountability are two sides of the same coin – this principle should be applied to every EU public institution.

How based on your experience of the last few years do you see the role of national supervisors like the Central Bank of Ireland evolving in the context the establishment of the three ESA's including EIOPA ?

I will not exaggerate if I say that in the European System of Financial Supervision, national supervisors play a role of the system's "eyes" and "ears". They are in charge of daily supervision and, thus, have a direct link to industry, collect information and statistical data from companies and are aware of all the developments on the national markets. All the working groups and committees of EIOPA consist of experts from national supervisors, including the Central Bank of Ireland. And I am convinced that only like this we can create the common supervisory culture – by basing our work on the expertise and best practices of all the EU Member States.

Furthermore, two main decision-making bodies of EIOPA – the Board of Supervisors and the Management Board – comprise the national supervisory authorities of the European Economic Area. EIOPA Management Board is in charge of preparing the Board of Supervisors' meetings, it adopts our policy plans, budget expenditures et c. Since the existence of EIOPA and until June 2013, one of the Management Board members was Matthew Elderfield, Deputy governor Financial Regulation of the Central Bank of Ireland. Matthew contributed a lot to all EIOPA initiatives and projects and we are very thankful for all the work he has done and for his truly European spirit.

As you know in Ireland we have a single regulator for virtually the entire spectrum of the financial services arena, in other markets such as the UK they have moved to a "twin peaks" approach, one for prudential supervision and the other for consumer protection, do you think it really matters and do you think that there may be a similar development at an EU level with some level of convergence of the three ESA's? And most importantly will this impact on consumers or will they even care?

I would not call the "twin peaks" approach mandatory - it depends on the situation with the respective markets in each country. From the EU point of view it is important that supervisory authorities not just strongly focus on consumer protection issues, but do it in a consistent and convergent way. Together with industry we need to rebuild trust of consumers in financial services - doesn't matter whether it is done by a single regulator or by a separate body.

As you are aware next year after the European elections we will have a new EU Parliament and Commission, how do you think this will influence or impact upon EIOPA and its work going forward?

I am confident that in their next composition the Parliament and the Commission will have the same vision that the ESFS and EIOPA in particular should keep fulfilling its twofold mission which is to protect the public interest by contributing to the short, medium and long-term stability and effectiveness of the financial system, and on the other hand to protect the rights of policyholders, pension scheme members and beneficiaries and to contribute to the public confidence in the European Union's insurance and pensions sectors.