A COMMON SUPERVISORY CULTURE

Key characteristics of high-quality and effective supervision

What are the benefits of a common supervisory culture?

1. Insurance providers act honestly, fairly and professionally in the best interests of policyholders and beneficiaries.

2. Laws and regulations are interpreted in the same way across Europe.

3. Policyholders and beneficiaries have a similar level of protection wherever they are based in Europe.

Who is involved in developing the culture?

- THE EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY
- NATIONAL SUPERVISORS IN EACH OF THE MEMBER STATES
- INSURANCE AND PENSIONS PROVIDERS WHO DO BUSINESS IN EUROPE

What is a common supervisory culture?

A common supervisory culture is one where there is a common understanding of the way supervisors think, behave and work within their community. The culture manifests itself in processes, procedures and behaviours.

Eiopa and national competent authorities are working to build a common culture. The ongoing dialogue and exchange of experience is essential in building a common supervisory culture for Europe.
key characteristics of high-quality and effective supervision

To establish a common culture, everybody involved should have a common understanding of supervisory objectives and a common view of the key characteristics of high-quality and effective supervision.

**Risk-based and proportionate**
- A risk-based system allows NCAs to prioritise and use their own resources efficiently and effectively.
- A minimum level of supervision supported by a proper risk assessment is essential and should apply to all insurance providers.
- A risk-based regime sees the market as a whole and incorporates all developments, including distribution channels and products.

**Forward-looking, preventive and proactive**
- Forward-looking: Supervisors need to be able to consider the evolution of the market to ask ‘what can go wrong?’ rather than ‘what went wrong?’
- Preventive: Supervisory Review Processes should adapt to emerging risks, such as new technologies, and their impact on business and risk management and internal controls.
- Pre-active: Supervisors need to plan ahead for their Supervisory Review Process and executive supervisory actions and timely measures.

**Challenging, sceptical and engaged**
- Challenging: Supervision needs to challenge providers’ assessments, conclusions and decision-making without interfering with a provider’s entrepreneurial freedom.
- Sceptical: Supervisors should apply professional scepticism together with integrity and fairness.
- Engaged: These approaches lead to open discussions between national supervisors and insurance providers.

**Comprehensive**
- A comprehensive view of the relevant markets, entities and products, reduces the risk that supervisors do not identify important risks, including emerging risks.

**Conclusive**
- Supervisors must draw conclusions and follow-up on matters as soon as possible. Identified issues cannot be left without a proper conclusion and action plan.

**The tools needed**

- **Legal standing**
  Supervisors need authority and appropriate powers to fulfil its task.

- **Proper governance structure**
  Supervisors must have adequate processes and procedures for supervision in place. Principles such as independency, transparency and accountability should be applied by all supervisors in their daily tasks.

- **Clear defined strategy**
  Good operational and strategic planning support supervisors to be flexible to take into account evolving financial markets.

- **Proper processes for cooperation with other competent supervisors and EIOPA**
  A continuous exchange of information will give supervisors a detailed view on the products that are being sold and the institutions that are active on the market.

- **Adequate resources**
  From both human and financial perspective.