

1. How have EU rules on financial services affected you or your organisation? Are they proportionate in their focus and application? Do they respect the principle of subsidiarity? Do they go too far or not far enough?

The International Underwriting Association of London (IUA) represents international and wholesale insurance and reinsurance companies operating in or through London. Its purpose is to promote and enhance the business environment for its members. We estimate that premium income for the London company market in 2012 was approximately £24.225bn.

It is thanks to EU directives that insurance and reinsurance companies are able to trade cross-border inside Europe with very few regulatory barriers. They are similarly able to operate freely as one company through branches in different countries. That enables EEA companies from outside the UK to do business relatively easily in the London market and international insurers and reinsurers to set up in London and thus obtain relatively easy access to the entire European market. Thus, the appeal of the London Market as an access point to European markets has increased and it remains the most prominent hub of insurance activity in Europe.

Most aspects of regulation are now covered by existing legislation or will be covered by Solvency II. Harmonisation of rules should continue to be encouraged as it creates a level-playing field and makes it easier for companies to operate in different countries. However, we believe that subsidiarity is important in relation to the implementation of rules and regulations, because it is important that regulators should be able to exercise their judgement in a flexible manner when dealing with the specificities of local situations and the needs of customers and insurers. For that reason, we do not believe that further regulatory powers should be extended to European institutions.

2. How might the UK benefit from more or less EU action? Should more legislation be made at the national or EU level? Should there be more non-legislative action, for example, competition enquiries?

Additional harmonisation will always be welcome to insurers, but we believe that the Solvency II regime, while fit for purpose, has become too prescriptive. That being the case, there is no need for new laws or reform at the present time. The Solvency II regime should first be implemented and additional changes should only be considered in the light of analysis of the effectiveness in practice of the new regime.

There is no need for further competition enquiries as recent studies commissioned by DG Comp have sufficiently demonstrated that the market is highly competitive.

3. How have EU rules helped or made it harder to achieve objectives such as financial stability, growth, competitiveness and consumer protection?

Rules governing access and solvency, as well as the Insurance Mediation Directive have brought a helpful degree of harmonisation, contributing to competitiveness in the market and consumer protection. Further harmonisation is not fundamentally required at this time, except in some areas of detail, where the application of existing rules allowing free access have not been implemented equally in every jurisdiction.

4. Is the volume and detail of EU rule-making in financial services pitched at the right level? Has the use of Regulations or Directives and maximum or minimum harmonisation presented obstacles to national objectives in any cases?

Please see our answers to Questions 1, 2 and 3 above.

5. How has the EU's approach to Third Country access affected the ability of UK firms and markets to trade internationally?

The EU's ability to negotiate for the whole continent has benefitted international insurers in general, easing access into and out of Europe. More specifically, the equivalence approach under Solvency II could be very helpful, if successful, but it is currently creating a great deal of uncertainty about the future status of companies and jurisdictions. Delays in the implementation of Solvency II have also contributed to the uncertainty.

6. Do you think that more or less EU-level regulation in the area of retail financial services would bring benefits to consumers?

It will be helpful to consumers and providers for EIOPA to co-ordinate member-state requirements and to assist in clarifying how consumer protection rules should be interpreted in a harmonised manner. However, we believe that EIOPA should co-ordinate rather than direct. Please also see our answers to Questions 1, 2 and 3 above.

7. What has been the impact of the shift towards regulation and supervision at the EU level, for instance with the creation of the European Supervisory Authorities? Should the balance of supervisory powers and responsibilities be different?

In our view, it is helpful that the European Supervisory Authorities should co-ordinate and harmonise the implementation of the single market. When rules are interpreted and implemented in different ways, there is a negative economic impact on insurance companies and customers do not receive equal treatment. However, EIOPA already has sufficient powers and should not become another rule-setter alongside and in place of the national authorities and the principal European institutions.

The role of EIOPA should be to increase co-ordination between regulators, ensuring a harmonisation of the implementation of guidelines without taking away the ability of local regulators to use their judgement. The principle of subsidiarity remains important and it would not be beneficial for EIOPA to begin performing the roles of the national regulators. Please also see our answers to Questions 1, 2, 3 and 6 above.

8. Does the UK have an appropriate level of influence on EU legislation in financial services? How different would rules be if the UK was solely responsible for them?

The UK has a large influence in Europe, which matches its prominent financial position, although we note that there has been a decline in that influence as a result of the financial crisis.

In terms of EU insurance rules, it is likely many would remain the same in the event of sole UK responsibility as the UK played a large role in introducing them. We have noted, however, that the specificities of the London insurance market do need to be better understood by European regulators. Catastrophe modelling of non-EU risks, for example, has not been well understood and special lines of insurance business are also often not fully comprehended.

9. How effective and accountable is the EU policy-making process on financial services legislation, for example how effective are EU consultations and impact assessments? Are you satisfied that democratic due process is properly respected?

Overall we find EU processes to be effective and accountable. There is, however, a tendency for insurance specific issues not to be understood by EU directorates-general and EU Parliamentary committees which do not have direct responsibility for insurance. That can give rise to inappropriate proposals that would be difficult to implement and would not be in the interests of customers or insurers. There has also historically been a pattern of high-level policy decisions being made with the banking sector in mind and then to applied to insurance almost regardless of the differences between the industries.

Please also see our answer to Question 8 above.

10. What has been the effect of restrictions placed on Member States' ability to influence capital flows into and out of their economy, for example to achieve national public policy or tax objectives?

We are not in a position to answer that.

11. What may be the impact of future challenges and opportunities for the UK, for example related to non-membership of the euro area or development of the banking union?

We are not in a position to answer that. The general insurance industry is unlikely to be affected directly by such changes, though it will inevitably be affected by the macro-effects of changes in the economic context.

12. Do you have any further comments about issues in addition to those mentioned above?

No.

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