

LLOYD'S

Reforming european and uk financial regulation

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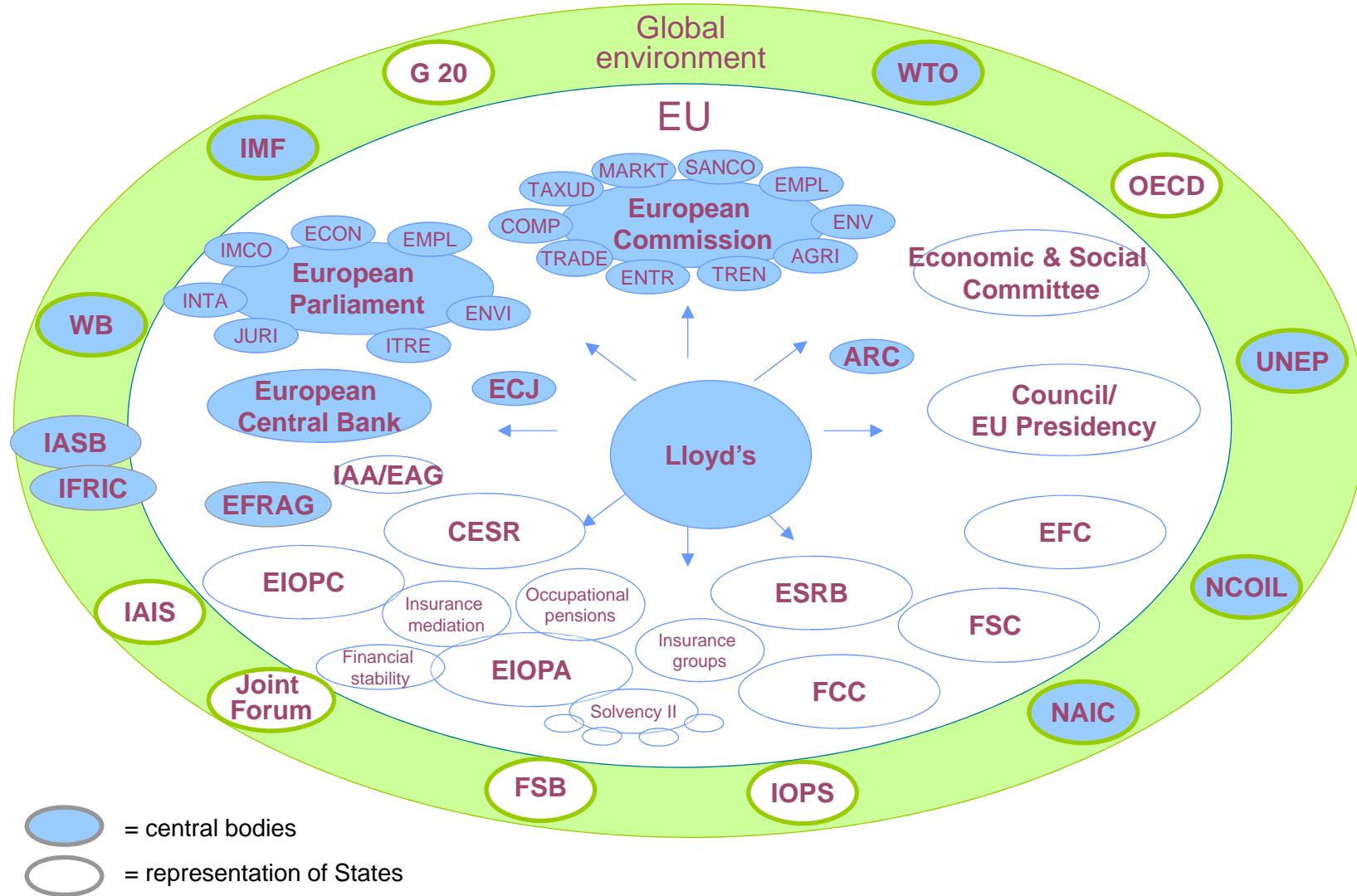
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# Insurance Legislative and Regulatory Environment

- Lloyd's
- Formidable array of debates, challenges and change internationally, affecting both the substance and architecture of insurance regulation.
  - Individual countries, e.g. US (Dodd-Frank, establishment of FIO).
  - EU: ESRB, EIOPA, Solvency II, revision of Mediation Directive, insurance guarantee schemes, data protection, anti-discrimination proposals (gender, age and disability)
  - Globally: work of IAIS on systemic risk, regulation of internationally active insurance groups.

# The Lobbying Environment



# Reform of UK Financial Regulation

- Reforms were principally a response to the banking crisis.
- Government's first condoc (July 2010): insurance supervision hardly mentioned.
- Insurance has different features from banking (business model, performance during crisis).
- New structure applies across the financial sector.

# Reform of UK Financial Regulation (cont'd)

- Main issues identified in our responses:
  - FPC should have access to sufficient levels insurance expertise.
  - PRA should include a separate insurance division headed by individual of same level of seniority as for banking.
  - PRA and FCA must be under obligation to publicly consult on rules.

## Reform of UK Financial Regulation (cont'd)

- The regulatory bodies' rule making process must be subject to the full range of statutory safeguards that exist under FSMA.
- There must be proper co-ordination between the new regulatory authorities.
- There must be proper co-ordination between the authorities in making input into EU debates.
- Transitional arrangements must be well managed given other regulatory challenges currently faced by the insurance industry
- PRA should prudentially supervise Lloyd's market. Supervisory co-operation arrangements between regulator and Lloyd's should continue.

# Reform of UK Financial Regulation (cont'd)

- These concerns largely taken on board by Government in recent condocs, in draft Financial Services Bill and proposed Memorandum of Understanding between the regulators.
- Welcome establishment of shadow PRA and FCA teams within FSA.
- Will continue to monitor draft Financial Services Bill closely.



# Solvency II

- Complete overhaul of EU system of insurance supervision.
- Objectives
- Three Pillars
- Omnibus II/Level 2 measures.
- Challenging Legislative Timetable
- Some unresolved issues (length of provisional equivalence period for third countries, currency risk).
- Lloyd's: £300m expenditure on preparation.
- Supportive of overall regime.
- 2014: implementation date for firms.

