



## **Insurance Ireland response to Central Bank of Ireland Consultation Paper 136 Enhancing our Engagement with Stakeholders**

11 May 2021

Ireland is a thriving global hub for insurance, reinsurance and InsurTech. Ireland's insurance market is the fifth largest in the EU, and our reinsurance market is the second largest. Our members represent around 95% of the companies operating in the Irish market, making Insurance Ireland a strong leadership voice for the sector.

Insurance Ireland members are progressive, innovative, and inclusive, providing competitive and sustainable products and services to customers and businesses across the Life and Pensions, General, Health and Reinsurance sectors in Ireland and across the globe. In Ireland, our members pay more than €13bn in claims annually and safeguard the financial future of customers through €112.3bn of life and pensions savings. Our members contribute €1.6bn annually to the Irish Exchequer and the sector employs 28,000 people in high skilled careers.

The role of Insurance Ireland is to advocate on behalf of our members with policymakers and regulators in Ireland, Europe and Internationally; to promote the value that our members create for individuals, the economy and society; and to help customers understand insurance products and services so that they can make informed choices.

Insurance Ireland advocates for 135 member firms serving 25m customers in Ireland and globally across 110 countries (incl. 24 EU Member States), delivering peace of mind to individuals, households, and businesses, and providing a firm foundation to the economic life of the country.

Insurance Ireland welcomes the publication of Consultation Paper 136, *Enhancing our Engagement with Stakeholders*, and is supportive of the stated key priority of the Central Bank of Ireland to "engage with the public and our stakeholders across the whole economy, in particular to listen and learn".<sup>1</sup>

Insurance Ireland is keenly focused on increasing the attractiveness of Ireland as a jurisdiction from which to export insurance throughout the world and attracting new underwriters to service Irish domestic customers and improving product availability and consumer choice. In pursuing this goal, Insurance Ireland has conducted a review of the industry engagement structures in place in other

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<sup>1</sup> <https://www.centralbank.ie/docs/default-source/publications/consultation-papers/cp136/cp136-enhancing-our-engagement-with-stakeholders.pdf>

countries. We have also co-operated with our sister financial services trade associations to bring forward evidence-based proposals on how these structures could be introduced in Ireland. We believe, based on international experience, that active and structured engagement between the regulator and the regulated community results in increased understanding amongst both groups and in turn superior outcomes for customers.

In framing our response to this consultation, Insurance Ireland are clearly stating that none of the recommendations would in any way impact on the independence of the Central Bank of Ireland. In all cases our recommendations are based on international-precedent present in named supervisory authorities and largely grounded in primary legislation. We believe that given the stated desire of the Central Bank of Ireland in Consultation Paper 136, similar structures could be speedily and effectively established if the necessary will exists to do so. Insurance Ireland is committed to working with all parties to ensure the stated goals of Consultation Paper 136 are implemented as efficiently as possible.

The need to develop the engagement between the regulator and the regulated community was acknowledged in the *government's Ireland for Finance* plan published in April 2015. The plan included four pillars to maintain existing achievements and enabling growth across all sectors of Irish Financial Services. The four pillars are Operating Environment, Technology & Innovation, Talent, and Communications & Promotion.

Under the Operating Environment pillar, the *Ireland for Finance* plan rightly acknowledged that “The Central Bank of Ireland is committed to high levels of transparency and effective engagement with stakeholders, including industry stakeholders”<sup>2</sup>. It went on to assert that:

The establishment of a Central Bank stakeholder group will be considered. Such a group could provide for more formal structured engagement on market and regulatory developments and trends. Research will be undertaken to identify international best practice and to draw insights from the implementation of various models in other EU Member States for structures of engagement between central banks and financial services stakeholders, and this research will be analysed to identify how that might translate into the Irish system.<sup>3</sup>

This action was scheduled to be completed by Quarter 4 2019. In our submission, Insurance Ireland will argue that the proposals put forward in Consultation Paper 136, while extremely welcome, are not as comprehensive as available in other jurisdictions.

Insurance Ireland welcomes the proposed establishment of the industry forum. Based on our research, we believe the concept of an industry forum is in line with established regulatory custom and practice throughout Europe and further afield. Throughout this paper Insurance Ireland will present our belief that the remit of the forum should be linked to supporting the Central Bank of

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<sup>2</sup> <https://assets.gov.ie/24482/278893738e764db79c43eada83c030e3.pdf>

<sup>3</sup> <https://assets.gov.ie/24482/278893738e764db79c43eada83c030e3.pdf>

Ireland to achieve goals as laid down in its strategic plan. In making this recommendation, we believe that we are being consistent with the remits of similar structures operating in Germany, the Netherlands, the UK, France, Spain, and Portugal. In particular, we recommend the use of an annual survey of regulated firms to examine the events of the last twelve months and seek input on likely developments for the coming twelve months. Such input would be extremely useful for the executive of the Central Bank of Ireland and would provide an annual data set which could be measured over time. Insurance Ireland also recommends that the Central Bank of Ireland should conduct similar annual surveys amongst consumers and civil society.

## **International Structures**

### **Germany**

BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht) is the German federal financial supervisory authority. BaFin was established in 2002 through the merger of the Federal Insurance Supervisory Office, the Federal Banking Supervisory Office, and the Federal Securities Office.

There are a number of structures and fora within BaFin, which include financial services industry representatives. For the purposes of this consultation, the two structures that are most relevant are the Administrative Council and the Advisory Board. The composition and mandate of these structures are contained in BaFin primary legislation; section 7 refers to the Administrative Council and section 8 refers to the Advisory Board<sup>4</sup>. In addition to these structures, there is also a Consumer Advisory Council, an Insurance Advisory Council and an Advisory Council on acquisitions and takeovers of listed firms.

### **Administrative Council**

The BaFin Act 2002 provides for an Administrative Council and an Executive Council Board. The members of the Executive Board are the President and five Chief Executive Directors, who are all paid permanent employees.

The Administrative Council monitors the management of BaFin and supports BaFin in the performance of its supervisory functions. BaFin's president is required to keep the Administrative Council regularly informed of BaFin's management activities. The Administrative Council comprises of:

...17 voting members. The Federal Ministry of Finance appoints six members with technical knowledge and expertise in the subject. These can be stakeholders or persons in positions in financial industry associations or supervised entities, or scientific experts. Prior to appointing a member, the

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<sup>4</sup>[https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Aufsichtsrecht/Gesetz/findag\\_aktuell\\_en.html](https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Aufsichtsrecht/Gesetz/findag_aktuell_en.html)

Federal Ministry of Finance will consult with the financial industry associations, which are entitled to recommend three of the six members.<sup>5</sup>

Of the three industry representatives, one is recommended by the credit institutions, one from the insurance undertakings and one from the asset management sector.

### **Advisory Board**

Similar to the Administrative Council, the Advisory Board has its foundations in the BaFin Act 2002 (Section \*). The board is responsible for advising BaFin on issues related to its supervisory duties. The Advisory Board is made up of 24 representatives from a cross-section of society and industry. The industry representatives are drawn from the different market segments in each sector. As a result, the credit institutions have six members and insurance undertakings have five. Meanwhile, asset management companies have one representative, as do the private health insurance companies, occupational pension funds and the Bundesbank. There are three representatives from academia, three from consumer protection and one each from independent professionals, SMEs, trade unions and industry.

The Advisory Board meets twice a year but also has scope to meet or form working groups where it is deemed necessary.

### **Other BaFin Engagement Structures**

The **Consumer Advisory Council** is made up of 12 members drawn from academia, consumer investor protection organisations, extrajudicial dispute resolution schemes, trade unions and the German Federal Ministry for Justice.

The Consumer Advisory Council advises BaFin on issues related to its supervisory duties from a consumer's perspective. The Consumer Advisory Council also reports to BaFin on current and upcoming consumer trends.

The **Insurance Advisory Council** is made up of 24 members drawn from insurance companies which write all lines of business as well as representatives of policyholders, industry, trade unions, academics, and the civil service. There are certain circumstances defined in legislation where BaFin must consult with the Insurance Advisory Council.

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<sup>5</sup>[https://www.bafin.de/EN/DieBaFin/GrundlagenOrganisation/Gremien/Verwaltungsrat/verwaltungsrat\\_artikel\\_en.html](https://www.bafin.de/EN/DieBaFin/GrundlagenOrganisation/Gremien/Verwaltungsrat/verwaltungsrat_artikel_en.html)

## The Netherlands

Two financial regulators operate in the Netherlands: the DNB and the AFM.

### DNB

The DNB is the Dutch Central Bank and the principal oversight body for the DNB is the Governing Board. Sitting below the Governing Board is the Bank Council. The members of the Bank Council are drawn from the financial services sector, civil society, and academia<sup>6</sup>. The Bank Council acts as the “Governing Board’s sounding board”. The role of the Bank Council is outlined in the Central Bank Act 1998 which states that:

The President reports to the Bank Council on general economic and financial developments and discusses the policy pursued by the Bank with the Bank Council. Other discussion topics include matters related to the objectives, tasks and activities of the Bank as put forward by one or more members.<sup>7</sup>

The legislation also requires that the shortlisting of members for the Bank Council must be done in such a way ~~that~~ to ensure that various sections of society are represented. The Bank Council is required to meet at least four times a year.

In addition to the Bank Council, the DNB also has a further method of engaging with financial services representatives. Twice a year, the DNB convenes a meeting of an Advisory Panel of Representative Organisations. The Advisory Panel discusses the DNB’s supervisory annual plan and report, the supervisory budget, and levies. As well as representatives from the financial services sector, these meetings are attended by observers from the Ministry of Finance and the Ministry of Social Affairs. The reports of these meetings are publicly available. The legal basis for this structure is Article 12 of the Act on the Funding of Financial Supervision.

In addition to the above structures, the DNB also has a number of thematic platforms which include representatives from the financial services sector. Two of these platforms are the Sustainable Finance Platform and the National Forum on the Payment System.

### AFM

The AFM is the Dutch Financial Markets Authority, and it is also the national authority for market conduct supervision. The day-to-day running of the AFM is overseen by the three-person executive board and there is also a five-person Supervisory Board. The members of the Supervisory Board are appointed by the Dutch Minister of Finance and would be similar to INEDs in Ireland.

There are two dedicated structures within the AFM for Financial Services industry representatives. The first of these is the Advisory Panel of Representative Organisations. The members of the panel come from organisations that have a stake in the AFM supervision. The panel meets at least twice a year to ask questions and give advice about the AFM’s annual plan, budgets, levies, annual report,

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<sup>6</sup> <https://www.dnb.nl/media/oxzd4r3l/8.pdf>

<sup>7</sup> <https://www.dnb.nl/media/qv0fkfyw/1.pdf>

and accountants. The AFM also consults with CEOs of industry practitioners to obtain feedback on the implementation of supervisory tasks as well as future priorities<sup>8</sup>.

### **United Kingdom**

Similar to Germany and the Netherlands, the United Kingdom also has a strong tradition of structured engagement between the regulator and the regulated community. The FCA (Financial Conduct Authority) is the conduct regulator in the UK and is an independent body. The Prudential Regulation Authority (PRA) is a division of the Bank of England. The FCA and PRA were formally established in 2013.

In 2000, the Financial Services and Markets Act put both the Consumer Panel and Practitioner Forum (financial services industry) on a statutory basis<sup>9</sup>. In turn, the Financial Services Act 2012 continued the requirement on the FCA to create and maintain effective arrangements for consulting practitioners and consumers. It also requires the FCA to create and operate:

- A practitioner panel
- A smaller business practitioner panel
- A markets practitioner panel
- A consumer panel<sup>10</sup>

The membership of the FCA Practitioner Panel is constructed to represent the various sectors within which regulated financial businesses operate. Members are drawn from the most senior levels of the industry and are formally appointed by the Financial Conduct Authority. The Chair must have the formal approval of the Treasury.

The Panel's key remit is to represent the interests of practitioners of larger firms, and to provide input to the FCA from industry to help it in meeting its strategic and operational objectives in an effective manner. The Panel sees its main role as being that of a 'critical friend' of the FCA. It aims to speak across all sectors in offering input at a strategic level on important policy issues. The Panel Chairman meets regularly with the Chairman and Chief Executive of the FCA. These meetings provide an opportunity to discuss issues of particular importance and to raise emerging concerns. The Panel also submits a monthly report to the FCA Board, to highlight specific fundamental points raised during its monthly meetings. The Panel's Annual Report will normally be the subject of a formal presentation to the FCA Board and there are frequent informal and ad hoc contacts between Panel members and directors and senior executives of the FCA.

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<sup>8</sup> <https://www.afm.nl/en/over-afm/organisatie/ext-stakeholders>

<sup>9</sup> <https://www.legislation.gov.uk/ukpga/2000/8/contents>

<sup>10</sup> <https://www.legislation.gov.uk/ukpga/2012/21/contents/enacted>

The panel meets monthly. The formal terms of reference of the practitioner panel can be viewed at the link below<sup>11</sup>.

### **European Supervisory Authority (ESAs)**

There are 4 stakeholder groups established by the various ESAs, however, they may (and have) issued joint advice under ESA stakeholder group when relevant:

- The Banking Stakeholder Group
- The Securities and Markets Stakeholder Group
- The Insurance and Reinsurance Stakeholder Group
- The Occupational Pensions Stakeholder Group

These groups have a legal footing under the founding ESAs regulations relating to the EBA, ESMA and EIOPA. Specifically, Article 37 of each. During the recent ESAs review, changes were made to the make-up, but they remain intact.

For EIOPA the membership of each group, as specifically laid out in the regs.

shall be composed of 30 members, 13 members representing in balanced proportions insurance and reinsurance undertakings and insurance intermediaries operating in the Union and three of whom shall represent cooperative and mutual insurers or reinsurers, 13 members their employees' representatives, as well as consumers, users of insurance and reinsurance services, representatives of SMEs and representatives of relevant professional associations and four of its members shall be independent top-ranking academics<sup>12</sup>.

There are also similar structures for the banking and the funds regulator. Each of these groups has their own chairperson and they can establish a more technical group if this is required. The board of supervisors of each ESA is required to ensure an appropriate geographical and gender balance and representation of stakeholders across the Union. As a further requirement EIOPA is required to carry out "an impact study" the stakeholder group is the mechanism to achieve this goal<sup>13</sup>.

Insurance Ireland also understands that similar structures exist in France, Portugal, and Spain.

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<sup>11</sup> <https://www.fca-pp.org.uk/sites/default/files/fca-pp-tor-20131212.pdf>

<sup>12</sup> [https://www.eiopa.europa.eu/sites/default/files/publications/administrative/cvs/irsg/eiopa-bos-20-30\\_bos\\_stakeholder\\_group\\_selection\\_procedure.pdf](https://www.eiopa.europa.eu/sites/default/files/publications/administrative/cvs/irsg/eiopa-bos-20-30_bos_stakeholder_group_selection_procedure.pdf)

<sup>13</sup> [https://www.eiopa.europa.eu/sites/default/files/publications/administrative/cvs/irsg/eiopa-bos-20-30\\_bos\\_stakeholder\\_group\\_selection\\_procedure.pdf](https://www.eiopa.europa.eu/sites/default/files/publications/administrative/cvs/irsg/eiopa-bos-20-30_bos_stakeholder_group_selection_procedure.pdf)

Insurance Ireland's responses to the consultation questions is grounded in the research outlined above.

**Question 1: Do you agree with the proposals outlined above to enhance the role of the Consumer Advisory Group? What further enhancements could be made, given its statutory mandate?**

Insurance Ireland believes that the proposals contained in the consultation paper are both welcome and timely. Based on our review of international comparable regulators and the structures in place within the European Supervisory Authorities, the voice of the consumer should be at the core of supervision. In particular, we would point to the role played by the consumer panel in the UK and the DNB as models which contain a great deal of merit.

**Question 2: Do you agree with the proposals outlined above to enhance the role of the Civil Society Roundtable?**

As per our answer to question 1, Insurance Ireland believes that the perspective of Civil Society should be at the core of how the Central Bank of Ireland seeks to implement its mandate. In supporting this view, we would point towards the centrality of Civil Society groups in the functioning of BaFin and the DNB. In designing these structures, it would be important to ensure that there is no duplication between the remits of the Consumer groups and the Civil Society groups. Each is distinct in their own priorities and this distinctness should be maintained.

**Question 3: What other formal or informal mechanisms could the Central Bank consider to engage with civil society and consumer groups to ensure their perspectives and insights into the financial system are considered in decision-making?**

Insurance Ireland also believes that there should be a specific remit established to view supervisory policy through the lens of gender, ethnicity, sexual orientation, or disability. We believe that all policy should pass through a review group to ensure the specific concerns are identified at the earliest stage and suitable remedies rolled out.

One model which could prove a useful template is the Australian Government Office for Women<sup>14</sup>. We would recommend that Central Bank of Ireland should undertake a stakeholder audit to identify domestic organisations who could support the mandate of such a group.

In making these recommendations, we believe it is important to acknowledge that outstanding outreach work that have been undertaken by the Central Bank of Ireland in the last number of years. The benefits for the Central Bank of Ireland and for the organisations they have met, both physically and virtually, throughout Ireland will, we are confident, result in superior supervisory outcomes for customers of financial services firms.

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<sup>14</sup> <https://www.pmc.gov.au/office-women>



**Question 4: Do you agree that the Central Bank should look to formalise the current industry forum roundtables to discuss cross-sectoral, strategic issues relating to the financial system as set out above?**

**Question 5: If yes, are there any suggestions you would like to make ~~the~~ regarding the establishment of such a forum?**

**Question 6: If no, how do you think the Central Bank should seek to discuss cross-sectoral, strategic issues relating to financial sector oversight with the relevant industry stakeholders?**

We are grouping together questions 4, 5 and 6.

On behalf our members, Insurance Ireland believe that we have a positive and productive relationship with the Central Bank of Ireland. We believe that our engagements on behalf of our members allows a development of mutual understanding.

To further complement this engagement and to support the continued effectiveness of the Central Bank of Ireland, we welcome the establishment of the industry forum. Based on our research, we believe the concept of an industry forum is in line with established regulatory custom and practice throughout Europe and further afield.

Insurance Ireland believes that the remit of the forum should be linked to supporting the Central Bank of Ireland to achieve goals as laid down in its strategic plan. In making this recommendation, we believe that we are being consistent with the remits of similar structures operating in Germany, the Netherlands, the UK, France, Spain, and Portugal. We recommend the use of an annual survey of regulated firms to examine the events of the last twelve months and seek input on likely developments for the coming twelve months. Such input would be extremely useful for the executive of the Central Bank of Ireland and would provide an annual data set which could be measured over time. Insurance Ireland also recommends that the Central Bank of Ireland should conduct similar annual surveys amongst consumers and civil society.

Given the scale of work required to be undertaken by the industry forum, Insurance Ireland believes that an appropriate frequency of meetings would be one each quarter and that there should also be scope to schedule additional ad-hoc meetings if they were required. In terms of effectiveness and continuity of attendance, Insurance Ireland does not believe that a day-long meeting is the most effective structure. We believe four half-day meetings would be far more efficient. In making this proposal, we are not opting for the monthly schedule of meetings as takes place in the UK.

In line with international practice and as per our previous input to Government and the Central Bank of Ireland, Insurance Ireland believes that the industry forum should be chaired by the Governor of the Central Bank of Ireland. As outlined above, the industry forum should be utilised to support the Central Bank of Ireland to achieve its strategic goals and, as such, the Governor should be the driving

force both of the strategy and the industry forum. If it is to function effectively, Insurance Ireland believes that the senior management team of the Central Bank of Ireland should be available to attend the forum as required based on the topics being discussed by the forum.

Insurance Ireland agrees with the proposal in the consultation paper that the membership will be derived from the relevant industry representative groups from across the Irish financial system. We further agree that the Chief Executive of the representative group and the chairperson / board member is pragmatic.

Insurance Ireland members write business across the Life and Pensions, General, Health, and Reinsurance sectors in Ireland and across the globe. In Ireland, our members pay more than €13bn in claims annually and safeguard the financial future of customers through €112.3bn of life and pensions savings. Our members contribute €1.6bn annually to the Irish Exchequer and the sector employs 28,000 people in high skilled careers. We believe that Insurance Ireland should take part in the proposed industry forum.

In terms of running the meetings, we believe that any member of the industry forum should be allowed to table items for inclusion on the agenda of the next forum. In tabling the items, the forum member should be required to assert how the item will meet the stated objective of supporting the strategic goals of the Central Bank of Ireland. The agenda and background documentation should be distributed to forum members no later than two weeks before the forum meeting. A report of each meeting should be provided to the Central Bank Commission no later than one month after the forum meeting has taken place. The output of the forum's discussions should be to make a recommendation to the Governor and this in turn will become a matter for the Governor and the management team. It would not be appropriate for the forum to have any role in the day-to-day running of the Central Bank of Ireland, and, for the avoidance of doubt, Insurance Ireland is not proposing this. The role of the industry forum is to provide a perspective to the Governor, how they choose to respond to this perspective is entirely a matter for themselves.

Following the DNB model, we believe that the Department of Finance should also be represented on the industry forum as should the IDA. Insurance Ireland respects that the Central Bank of Ireland does not have a role in promoting Ireland as a jurisdiction to domicile financial services business. However, we have become acutely aware of the need to constantly build on the pipeline of new Insurance undertakings that locate in Ireland both to service the international and domestic markets. Insurance Ireland believes that rather than seeking to change the mandate of the Central Bank of Ireland, it would be more beneficial to have the government department that sets financial services policy and the state agency that promotes Ireland as a destination for FDI attending the forum.

Insurance Ireland welcomes the assertion contained within the Consultation Paper that the Central Bank of Ireland's:

... existing engagement with stakeholders will continue but will be augmented by a number of targeted proposals. These proposals will enhance the Central Bank's stakeholder engagement in certain areas and will build on existing engagement with relevant stakeholders to facilitate greater discussion of cross-sector, strategic issues that affect the Central Bank's oversight of the financial system.

Insurance Ireland believes that these existing engagements are the appropriate setting to deal with sectoral issues. We further believe that an element of each industry forum should be given over to forum representatives of each sector giving an update to members of the key developments in their sector over the last quarter. This update would be a positive source of information for all concerned and could, if used effectively, provide valuable perspectives to those present. We agree that the major focus on the forum should be on cross-sectoral strategic issues. As outlined above, members should be allowed to table issues on the agenda of the forum. At no stage will operational supervisory issues or any company specific issues be tabled or discussed.

In making these proposals, Insurance Ireland are advocating for a much less substantive industry forum than exists in other European jurisdictions, namely Germany, The Netherlands, the UK, Spain, France, and Portugal. We believe that our proposals are pragmatic, positive and could be implemented in a short period of time. If the buy-in is there, it would be feasible to have a forum up and running within six months.

**Question 7: Do you have any observations in respect of the proposed Conference?**

Insurance Ireland is supportive of the proposals on the Conference. We do not believe that the industry forum and the conference should be run together; they should be separate strands and the scope of the conference should be wider than industry. We would suggest that the conference should be utilised to bring together all Central Bank of Ireland stakeholders, the industry, consumers, business, government, and civil society. Conference events should allow these stakeholders to interact with one another and share their perspectives. An effective example of such as event is the annual EIOPA conference.

**Question 8. Are there formal or informal mechanisms that you think the Central Bank should consider to ensure the perspectives of the business community are heard and contribute to the Central Bank's decision making?**

As per our earlier comments, Insurance Ireland acknowledges the efforts of the Central Bank of Ireland to interact with the business community over the last number of years. For a long time, there has been an artificial distinction drawn between domestic consumers and commercial customers. Insurance Ireland believes that as well as continuing the business outreach programme, the Central Bank of Ireland should also add a number of business representatives onto the consumer advisory group to ensure their voice has a structured communication channel to the policymakers in the Central Bank of Ireland.

**Question 9: Are there any other matters that the Central Bank should take into account or practical steps it should take, to engage more effectively with domestic stakeholders, as it works to develop its overall strategy for stakeholder engagement?**

Insurance Ireland emphasises the outstanding role which the Central Bank of Ireland plays in the European and global supervisory architecture. Insurance Ireland believe that the proposed enhanced engagement mechanisms can also support the role of the Central Bank of Ireland and the Irish market in this context. Therefore, we consider it important that the structures also reflect exercises in which the Central Bank of Ireland, supported by its engagement bodies, benchmarks its policies, its protection of the public good and the protection of the competitive position of the Irish market against EU and international peers.

**-ENDS-**