

CEA urges G-20 to recognise differences between insurers and banks

Releases report on fundamental differences in business models and risk profiles

Brussels, 24 June 2010: The CEA, the European insurance and reinsurance federation, has today called on the G-20 to take full account of the specific characteristics of insurance when designing regulatory initiatives to respond to the global financial crisis. The CEA has also today published a report highlighting the fundamental differences between insurance and banking and making recommendations for the effective regulation of insurers.

In its report, the CEA warns of the risk of applying regulatory solutions developed for the banking sector to insurance. It argues that the distinct business model and risk profile of insurers make it inappropriate to apply regulatory responses that are mainly focused on the banking sector to the financial services sector as a whole.

Launching the report, CEA president Tommy Persson said: "The G-20 is leading the way in important efforts to coordinate and enhance the regulation of the global financial system. We urge the G-20 leaders to recognise in their work that insurance is a unique and distinct sector.

"We strongly believe that regulatory frameworks adapted to each of the financial services sectors is the best way to guarantee that financial sectors behave in different ways, thus avoiding the danger of "herd behaviour", in which all financial services sectors behave in the same way. That would damage the potentially stabilising role insurance plays in the global economy."

The CEA report, entitled "Insurance: a unique sector — Why insurers differ from banks", includes 12 recommendations of ways to strengthen regulatory and supervisory frameworks for insurers while still taking into account the strength of the insurance business model.

The recommendations include calls to address regulatory gaps; to target unregulated entities; to avoid excessive regulatory reaction to the crisis; and to avoid the inappropriate read-across of regulation to insurance from other sectors. They also include calls for debates on financial services taxes to recognise the different risks posed by different financial institutions; and for the cumulative effects of proposed macro- and micro-prudential measures and tax measures to be considered.

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Attachments

- CEA letter to G-20
- CEA report "Insurance: a unique sector — Why insurers differ from banks"

Background

The leaders of the Group of Twenty (G-20) industrialised and developing economies are meeting in Toronto, Canada, on 26–27 June.

The G-20 is made up of 19 countries — Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the UK and the USA — and the European Union.

The G-20 was established in 1999 to bring together systemically important industrialised and developing economies to discuss key issues related to global economic stability.

Notes for editors

1. For further information please contact Janina Clark, head of communications & PR (tel: +32 2 547 5812, clark@cea.eu).
2. Copies of all CEA press releases are available on the CEA's website (www.cea.eu).
3. The CEA is the European insurance and reinsurance federation. Through its 33 member bodies — the national insurance associations — the CEA represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. The CEA, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of over €1 050bn, employ one million people and invest more than €6 800bn in the economy.