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NFU Response to Consultation on the Level 2 implementing measures for Directive 2009 /138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

About NFU

Nordic Financial Unions (NFU) is an organisation for co-operation between trade unions that organise employees in the banking, finance and insurance sectors in the five Nordic countries. At present, eight trade unions are affiliated to the NFU; two in Denmark, two in Finland, two in Sweden, and one in each Iceland and Norway. Through these trade unions, NFU represents 160 000 employees in the Nordic financial market.

General remarks

Most of the questions asked by the Commission in the consultation paper are dealing with matters that are largely oriented towards the industry, and hence not for NFU to comment specifically.

In our reply, we have focused on matters that will, from our perspective, have an impact on employees in the finance sector now and in the future.

Question 8: Should the list of factors to be taken into account by supervisory authorities when deciding whether to grant such a decision be left open? (Please provide reasons)

NFU agrees that such a list should remain open. It is hard to foresee and define every external factor that may lead to challenges in re-establishing the level of eligible own funds covering the SCR. If such a list were to be closed, without the possibility of the discretionary review by supervisors of a company's financial standing, it may lead to unnecessary hardships for the industry.

That said, such discretion must be objective and sound, with a view to re-establishing and maintaining sound finances without imposing extensive costs on relevant stakeholders, i.e. policy holders, employees and tax-payers.

Question 27: Do you agree that the Commission Services' suggested approach would be the most efficient and effective in order to achieve the objectives of:

introducing risk-sensitive harmonised solvency standards; and

harmonising supervisory powers, methods and tools.

(Please provide reasons and examples. If you do not agree, which option in Annex 1 or alternative suggestion meets these objectives in a more efficient and effective way and why?)

Without taking a stand regarding the Commission Services' suggested approach, NFU agrees with the Commission on the necessity of encouraging good risk management and a risk-sensitive assessment of the SCR. Also, as pointed out in the consultation document, a lack of communication between different levels of an undertaking can have negative effects on the risk management of a company.

In this respect, NFU would like to highlight the role of employees in the risk management of a company. NFU is of the opinion that a long-term perspective should prevail in any financial institution, and employee representation in risk-management committees will be a mean to reach that goal, since employee representation ensures a bigger versatility of independence in decision-making or advisory bodies of a company.

Question 36: What are your views on the need for supervisors in the college to systematically exchange information? What information would be the most efficient and useful to be exchanged taking into account the potential burden for supervisors?

NFU fully agrees on the importance of supervisors to systematically exchange information, especially due to the fact that a large number of entities in the financial sector operate on a transnational level.

When discussing supervision, NFU would in this context like to stress the importance of looking beyond governmental supervision as the only viable way to go.

From the employee perspective, ensuring sound and efficient "whistle-blowing systems" would be one measure that would be appropriate. Whistle-blowing is, indeed, about ensuring that early warnings from the bottom and up will reach the competent supervisory authority which should have the power, the mandate and resources to follow-up on the warnings and, where necessary, investigate the entire company. NFU is of the firm belief that employees are the first to recognize a systemic failure or a risky business, since it is part of their day-to-day-operations.

Whistle-blowing would not only ensure a fast and efficient “point of entry” for national supervisors, but also providing employees with a measure where their concerns are taken seriously. This could be done in a way where the national supervisor consults with employee representatives in a suitable fashion, be it through anonymous “hot-lines” or scheduled, consultative meetings with trade unions. It is important to stress that for employees to be able to provide this information in an orderly fashion, the national supervisors must be able to create reliable systems for this, which are not filtered by a strong director or board of directors.

Question 46: What social, environmental or economic knock-on effects could occur as a result of changes to the design, pricing and availability of insurance products? (Please provide examples)

First of all, NFU is surprised that the employees of the insurance sector have not been mentioned at all, but that the focus is solely on consumers. To us the alliance between consumers and finance sector employees is clear. Consumer objectives can only be achieved in close cooperation with and when employees and their organizations are on board.

The enforcement of this framework cannot be solely based on the economic interests of the customer or the tax-payer; the interests of employees must also be taken into account. The introduction of these implementing measures should not lead to a situation where increasing costs for companies are balanced with reduced personnel costs, since staff cuts can have a negative impact on the ability of the insurance sector to maintain an acceptable service level towards customers, as well as satisfactorily fulfilling their obligations towards the regulatory framework.

The Commission points out in the consultation paper that consumer and social benefits that could be realised under Solvency II includes a reduced likelihood of failure of an insurer, greater competition between undertakings leading to downward pressure on prices and a better understanding of risk amongst consumers.

In this respect it must be pointed out, however, that the enforcement of competition law cannot be solely based on the economic interests of the customer; the interests of employees must also be taken into account. NFU warmly supports the idea of a level playing field in terms of competition, but it should not lead to a situation where reduced profits for companies are balanced with reduced personnel costs as pointed out in our above remarks regarding implementation of the framework.

NFU, therefore, urges the Commission to thoroughly investigate what impact these measures will have on employment in the insurance sector and to continuously follow-up on the effects of the framework Directive.



Yours faithfully,
Nordic Financial Unions (NFU)

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