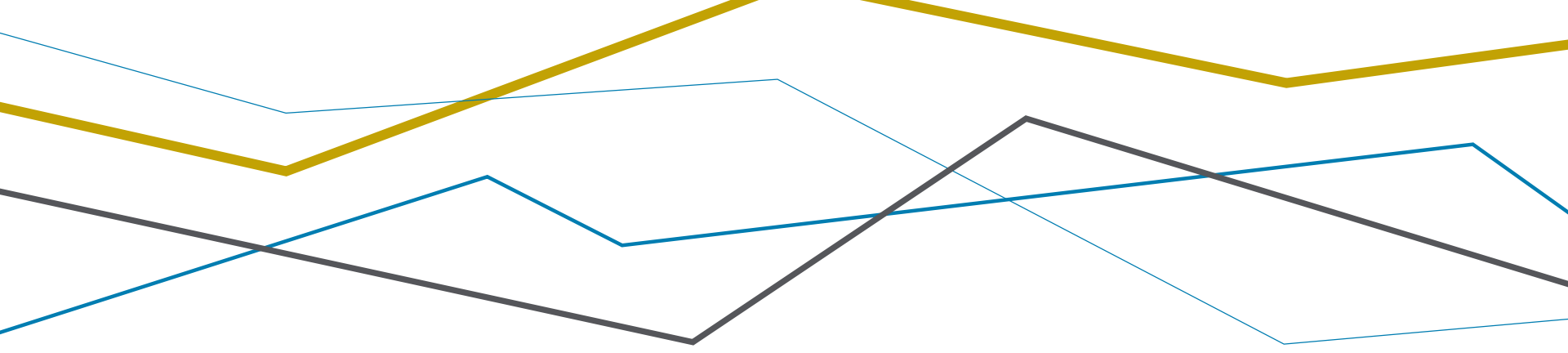




EU Legislative Update – From a Regulatory Perspective

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Introduction

- The financial crisis has developed into a **consumer confidence crisis**.
- Increasing importance of ensuring **effective customer protection** in all financial sectors throughout the EU → strengthening the confidence of the population and the economy in financial institutions, to more unified normative regulation of the distribution of insurance products.

The great economic and social significance of insurance → The great importance of the insurance market regulation which is based on the implementation of prudential supervision:

- implementation of measures to ensure the solvency of insurance companies,
- responsibility and care for the customers' protection,
- maintenance of economic capacity, and
- care for the saving and social security of the population.

EU Legislative Update

- New EU legislation is expected to **improve consumer protection in financial services.**
- Strong, well-regulated retail markets that **place the best interests of consumers at their heart** are necessary for consumer confidence and economic growth in the medium and longer term.
- New EU legislation raises standards and removes loopholes **for the benefit of consumers.**

EU Legislative Update – KID PRIIPs

- **KID PRIIPs** delegated regulation.
- In force since 1. 1. 2018.
- EU rules governing the information provided to investors in financial products.
- Regulators in SLO under KID PRIIPs: Bank of Slovenia, Securities Market Agency (ATVP) and Insurance Supervision Agency (AZN).

EU Legislative Update - IDD

- **IDD** - transposition date July 1st 2018:
 - **Delegated Regulation on POG,**
 - **Delegated Regulation on IBIPs** (Conflicts of interests, Inducements, Assessment of suitability and appropriateness and reporting).
- Application date **October 1st 2018.**
- Intends to:
 - strengthen consumer protection,
 - improve the competitive landscape of the European insurance industry, and
 - reduce cross-sectoral inconsistencies.

Why IDD regulation?

- Connecting the EU markets.
- Level playing field for cross-border operation.
- Higher level of consumer protection.
- Principles: honesty, professionalism, performance in the best interest of the client.

Why IDD regulation?

- Greater transparency in the distribution of insurance products (from development onwards).
- Providing insurance products that fit to the policyholder (demands & needs tests, assessment of appropriateness and suitability).
- Raising the expertise of insurance distributors.
- Reducing the conflict of interests between insurance companies and distributors.

Impact of IDD on the economy

Customers:

- Greater comparability of insurance products on the market.
- Insurance products that meets the needs of consumers.
- Equal consumer protection irrespective of the distribution channel.

Insurance undertakings:

- Increased customers' trust in the insurance market.
- It benefits from the increased stability of financial markets.

Supervision in Slovenia

- **Insurance supervision in Slovenia (under AZN)** is separated from banking supervision and supervision of securities trading.
- The competent authority for consumer protection in general is the Market Inspectorate.
- **AZN takes care of the customer protection through its basic regulatory activities:** supervision whether Insurers and distributors operate legally and in accordance with the rules on risk management.

IDD in Slovenia

- Amendments to the Slovenian Insurance Act.
- By-laws in preparation phase.
- Industry is well prepared for upcoming IDD provisions:
 - activities within Slovenian Insurance Associations,
 - seminars, trainings organized, meetings with industry, information given to the industry on the regular basis.
- Well accepted, positive impact expected on customers and governance of the distributors.

Basic EU Legislative Update

- **GDPR** - rules aimed at implementing a **stricter** and more **uniform** data privacy regime across the EU is due to come into force on **25 May 2018**.
- GDPR refers to all insurance companies conducting business in the EU.
- GDPR → challenges for insurers:
 - managing data protection over multiple systems (mergers),
 - portability of data in case of switch of the insurer,
 - cyber risks – cybersecurity.

Major challenges from a regulatory perspective

Adopting the supervision strategy of AZN to the new IDD provisions and the supervision process itself:

- finding compromise where specific provision does not fit perfectly,
- finding the right limit for disclosures (and transparency) from the customer protection point of view – customers overwhelmed with information
- Applying IDD provisions to distance distribution and to innovations (new products/risks, new sales channels, digitalization).

Major challenges from a regulatory perspective

- Proper implementation and use of the **proportionality principle** (according to the business model of insurer, complexity of products, distribution channel) .
- **Privacy issues and big data (ab)uses, cyber risk.**
- GDPR and distribution.
- Optimize allocation of HR resources to support the complexity of new regulation (implementation, reviews/supervision).

To reflect further...

Could IDD provoke a battle between robots and people?



Is a discussion on social media an Advice?



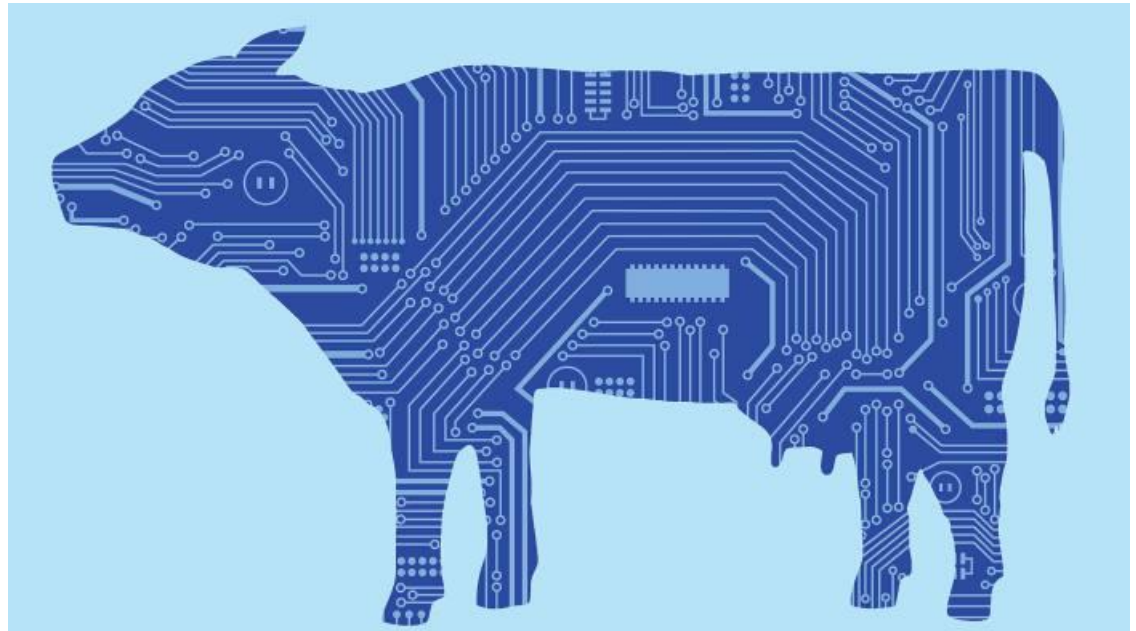
What if some consumers become uninsurable?



How and up to what level to supervise and regulate?

To conclude...

- Meet the „connected cow“.



Source: Financial Times, Nic Fildes, oct. 26, 2017

Thank you