

VVO's view on regulatory priorities and challenges in the EU insurance framework

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Outlook 2019 - 2024



- Better regulation - Lessons learnt
- IDD Review
- PEPP
- MID Review
- IGS, R&R
- European framework for insurance supervision
- Solvency II 2020 Review
- Sustainable Finance
- NatCat
- Etc.

Better regulation - Lessons learnt



- **Amount and density** of regulation is **disproportionate** in comparison to **value-added of consumers**
- Principle based approach vs. **rule based tradition in CEE markets**
- **Principle of proportionality** has to be implemented in reality
- Optimizing legislation process (Lamfalussy-Process):
 - **Standard of 1 year for implementation** once Level 1 and Level 2 measures are published & in force
 - **Time discipline** is a duty for both legislators and regulatory addressees (“Multi-Speed Europe”)

IDD Review

(Insurance Distribution Directive)



!!! TIME for adjustment to new rules and for evaluation of effects of implementation !!!

Important advantages of commission system:

- **Consumers expect advice without costs** and take advantage of informing themselves from different sources about insurance products.
- If consumers have to pay for any advice this can lead to **less or even no advice**.
- Danger of **social discrimination**, as not everyone will be able to afford advice (e.g. low average income and insurance penetration in CEE markets).



PEPP

(Pan European Pension Product)



- PEPP must be a **real long-term pension product** to address the **pension gap** and to deliver **high value to savers**.
- **Workable solutions for Level 2 measures** for consumers and providers necessary:

PEPP-KID:

- **Cost cap** must be **defined in order not to prevent providers from offering** by taking into account different natures of products, coverage of biometric risks, different pay-out forms and different distribution channels.
- **Level playing field** between MS and providers

MID Review

(Motor Insurance Directive)



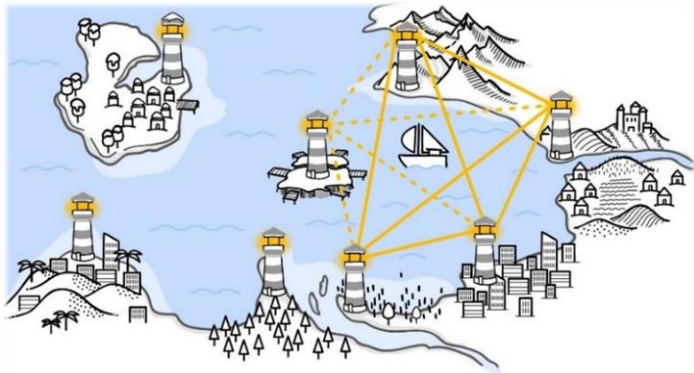
- On the way to a fully harmonised level for the **minimum amounts of cover**, without market disruption in the form of sharp premium increases, a **transitional period of three years** should be granted.
- **Home Member State principle: Insolvency rules** under the MID should be fully **consistent with** the prudential rules under **Solvency II**.

IGS, R&R (Insurance Guarantee Schemes; Recovery & Resolution)



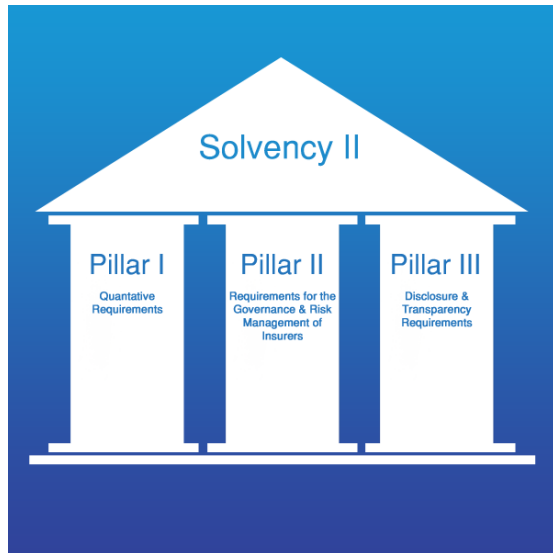
- **Home Country principle:** Any resolution or guarantee system shall be consistent with the **rules under Solvency II**, in particular the ‘home Member State’ principle.
- **Risk-based:** Any resolution or guarantee system shall be risk-based, taking into account the **insurance undertaking’s risk behavior**.
- **Own funds:** Funds dedicated to any resolution or guarantee system shall be **eligible for Solvency purposes** (e.g. separated internal fund instead of ex-ante financed payboxes).

European Framework for Insurance Supervision



- **Small and diversified markets** need a supervisor fully embedded in European structures AND **close to local market specificities**.
- European system of coherent insurance supervision with **strong role of national supervisory authorities (NCAs)** and **colleges of supervisors** assures adequate **expertise about local specificities** (e.g. civil law, pension systems) and **local accountability**.
- Blueprint of Banking Union modell: NCAs of **CZ, HU and SK** would lose their grip on the market!

Solvency II 2020 Review



- Proportionality
- Amount of documentation and reporting (added value, identical content, simplification etc.)
- Complexity & Conservativeness
- Social housing

Sustainable Finance



- **All factors of sustainability** (ESG – Environmental, Social, Governance) have to be **treated equally and together** right from the beginning.
- **Taxonomy first:** Definition of terms have to be first presented before any measures are implemented to avoid unacceptable legal uncertainty & complexity.
- **Obstacles to long-term investments** mainly caused by Solvency II as well as IFRS 9 & 17 (accounting standards) need to be addressed urgently.
- **Alternatives and lack thereof need to be addressed** (e.g. in area of possible “brown punishing”).

NatCat

(Insurance of natural catastrophes)



- **Closing the protection gap and prevention:** Rising impact of natural catastrophes with **protection gap** identified by European Environment Agency of appx. **400 bn Euro/year** and **>90% uninsured economic losses** in some MS.
- **Stronger political efforts on EU level necessary** to deal with the challenge of financing consequences of climate change.
- **Appropriate insurance solutions on national and European level** have to be developed.

Conclusions



- *Quality over quantity*
- *No copy/pasting across sectors*
- *Level playing field between markets and individual market participants*
- *Enable insurers to fulfil important role for positive development of economy and society*
- *Culture of dialogue between stakeholders*



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