



EU Developments

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Contents

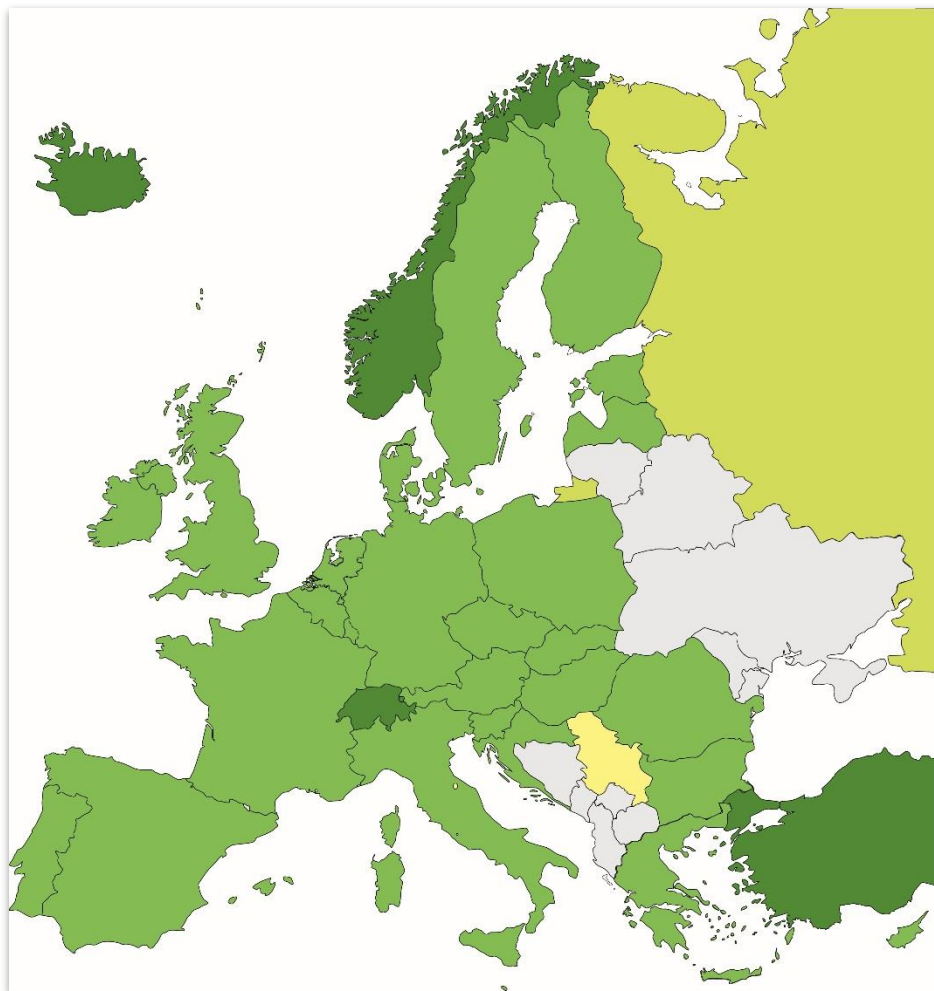
1 EU “landscape”

2 Solvency II: A huge change, a huge challenge

3 Distribution

4 Future challenges

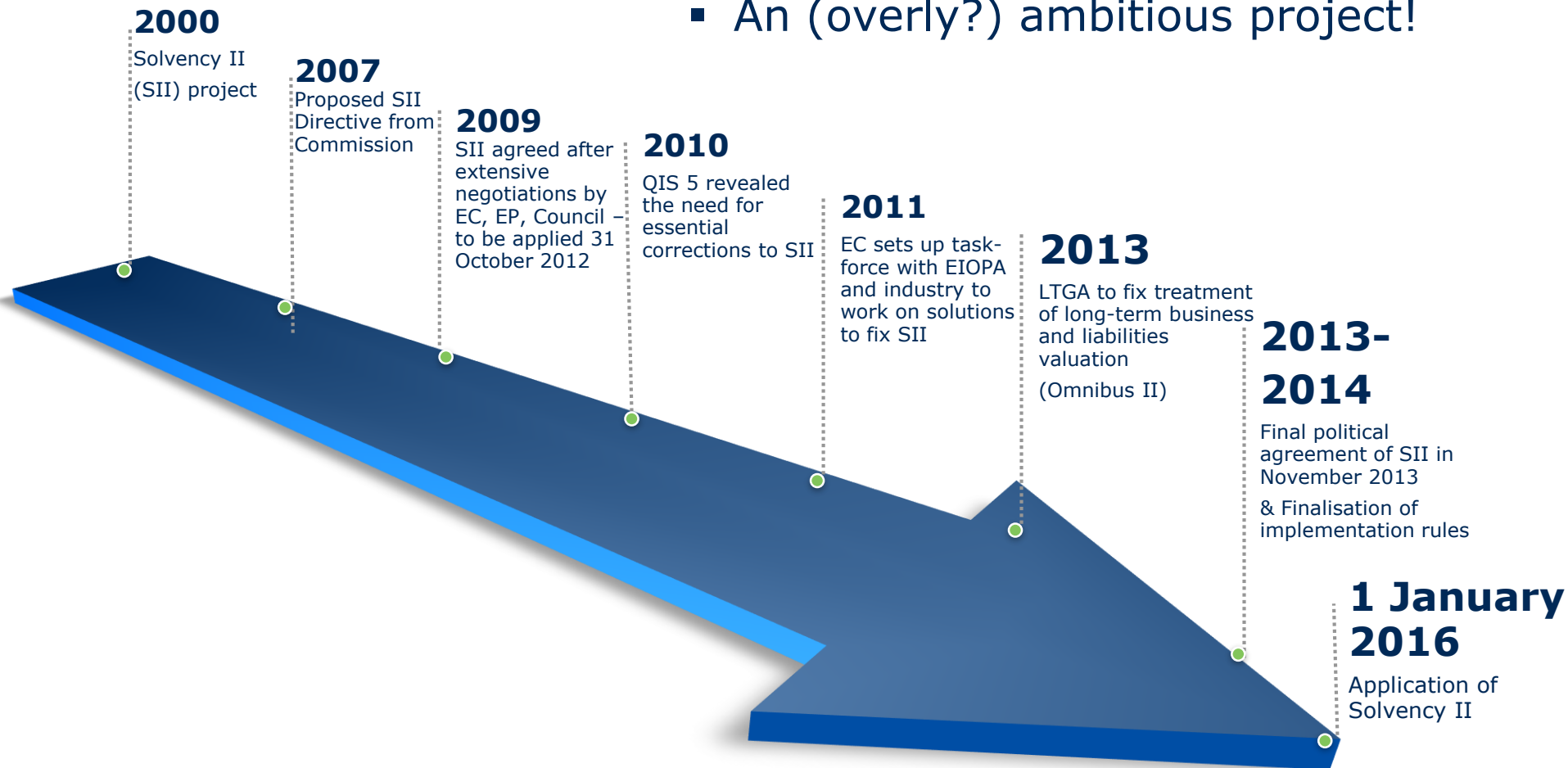
Insurance Europe



- Insurance Europe represents around 95% of European insurance market by premium income
- European insurance market: largest market in the world (35% share in 2013)
 - €9 9trn investments
 - €1 2trn in premiums
 - €0 9trn in claims
- 34 members (national associations)
 - **27 EU member states**
 - **5 non-EU markets** (*Switzerland, Iceland, Norway, Turkey, Liechtenstein*)
 - **2 associate members** (*Serbia, San Marino*)
 - **1 partner** (*Russia*)

Solvency II: Why has it taken so long?

- An (overly?) ambitious project!



Solvency II: huge change and improvement

Solvency I

- Cost accounting valuation, limited rules on assumptions for liabilities
- Very simple factor-based approach for measuring risks
- Solo-based regime
- Relatively low minimum solvency requirements
- Little governance and risk-management requirements
- Limited reporting requirements
- Limited powers to intervene before failure



Solvency II

- Market valuation of assets and best-estimates liabilities
- Risks measured by standard formula with 28 risk types or sophisticated approved internal models
- Solo and group based regime
- Minimum capital (MCR) & much higher Solvency Capital Requirements (SCR)
- Very extensive governance and RM
- Massive reporting: >271 templates
- Ladder of intervention: before material risk of failure

From principle-based to enormous complexity and size

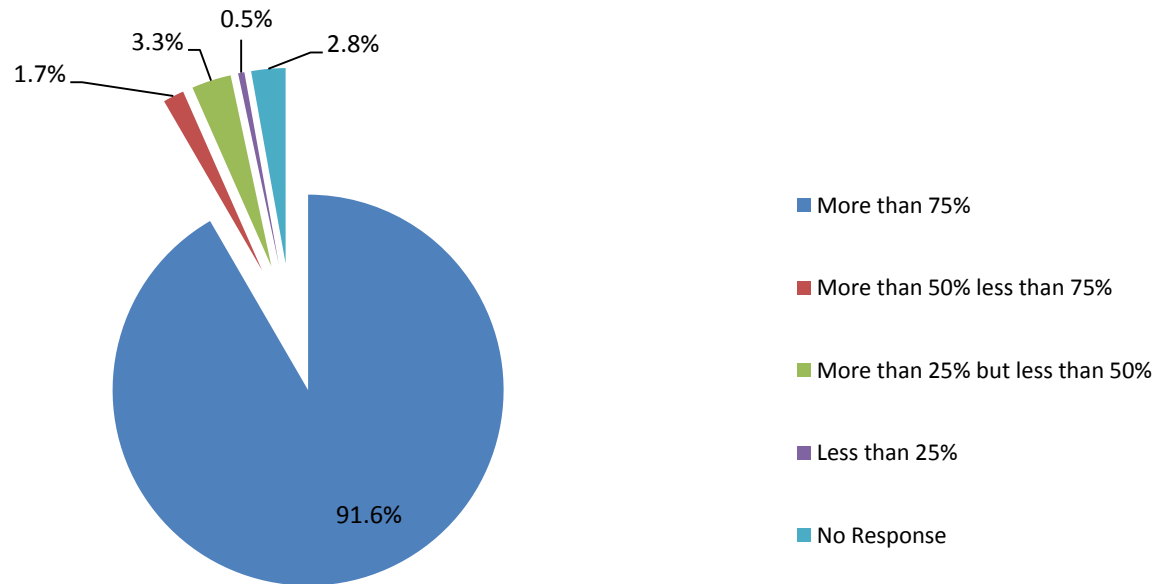
- Over 3,250 pages of text
 - from less than 200 pages in S I
 - over 1,100 pages of Guidelines by EIOPA
- Quantitative Reporting Templates (QRTs) are long overdue
 - 271 reporting templates
 - Not yet adopted
- Industry always asked for at least 18 months for implementation ...

Implementation challenges

- Additional requirements when transposing SII into national law
- Proportionality principle: difficult to implement
- Conservative interpretations by national and EU supervisors
- Stretched supervisory resources to cope with approval processes
 - internal models, ancillary own funds, undertaking specific parameters, matching adjustment, volatility adjustment and the transitionals on technical provisions and interest rates
- Substance over form or form over substance?

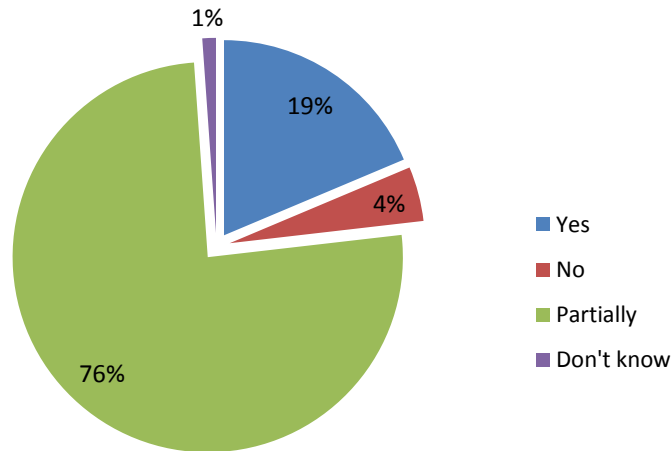
Status of implementation (Prior to implementation date - survey of June 2015)

What is the percentage of (re)insurance companies which are Solvency II compliant or well prepared for Solvency II?

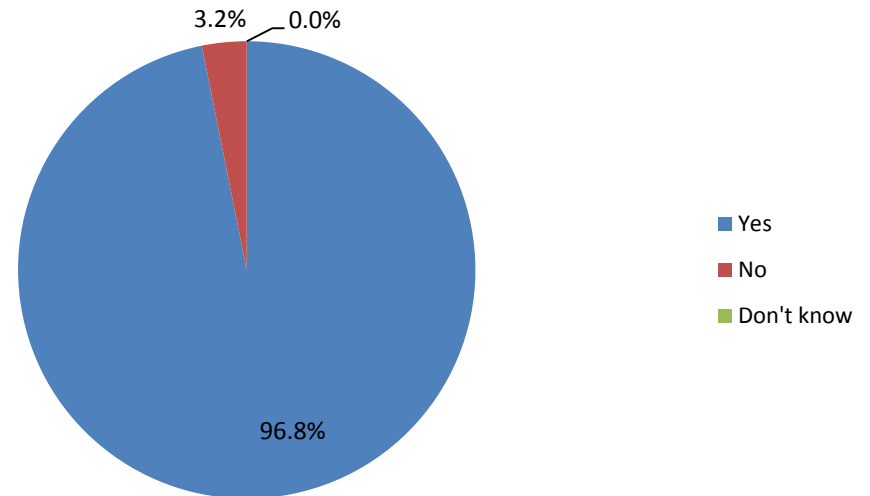


Status of implementation (prior to implementation date - survey of June 2015)

Do undertakings think that there is enough clarity and certainty over reporting for them to continue preparing it?



Does your supervisor add reporting requirements beyond what is requested by the Solvency II reporting requirements?



Concerns remain

- Over 150 concerns ahead of SII finalisation
 - few addressed
- Insurance Europe will be gathering evidence to help prioritise and support the areas under review
- EC and EIOPA should take rapid ad-hoc action when significant problems and unintended consequences arise

Strong political momentum for better regulation

- Juncker Investment Plan: €315bn to attract
- Capital Markets Union: fix prudential barriers
- MEP Balz own-initiative on financial services regulation:
 - A comprehensive impact assessment
- Recent changes in Solvency II, step in the right direction, but not enough:
 - Reduction in the capital charges of infrastructure assets, but remain conservative

Built-in review processes

- End 2018 – Review of the Standard Formula by the EC
 - Methods, assumptions and standard parameters for market, premium, reserve and mortality risks
- Annual review of the long-term guarantee package by EIOPA until 1 January 2021

Solvency II: interim conclusion

- Solvency II is not perfect, but industry committed to timetable
- Implementation is challenging: limited time, significant costs
- Settling-in process during first year – for both insurers and supervisors
- Monitor for unintended consequences and take action to address them

Distribution

EU legislation applicable to the sale of insurance-based investment products

Disclosure requirements
including duplications (on-line sale by a broker)

Sales disclosures

Product disclosures

IMD1 (9)
Life directive (20)
Distance marketing directive (29)
E-commerce directive (17)

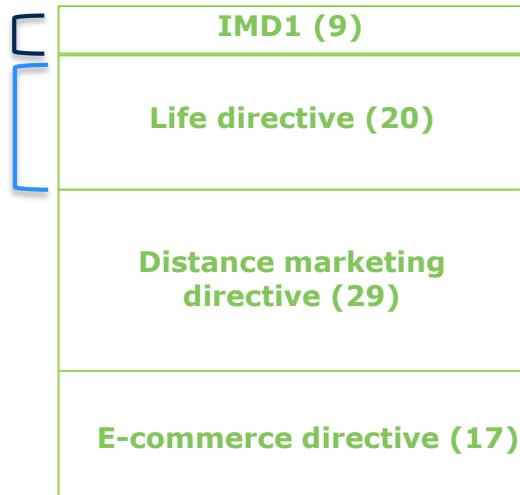
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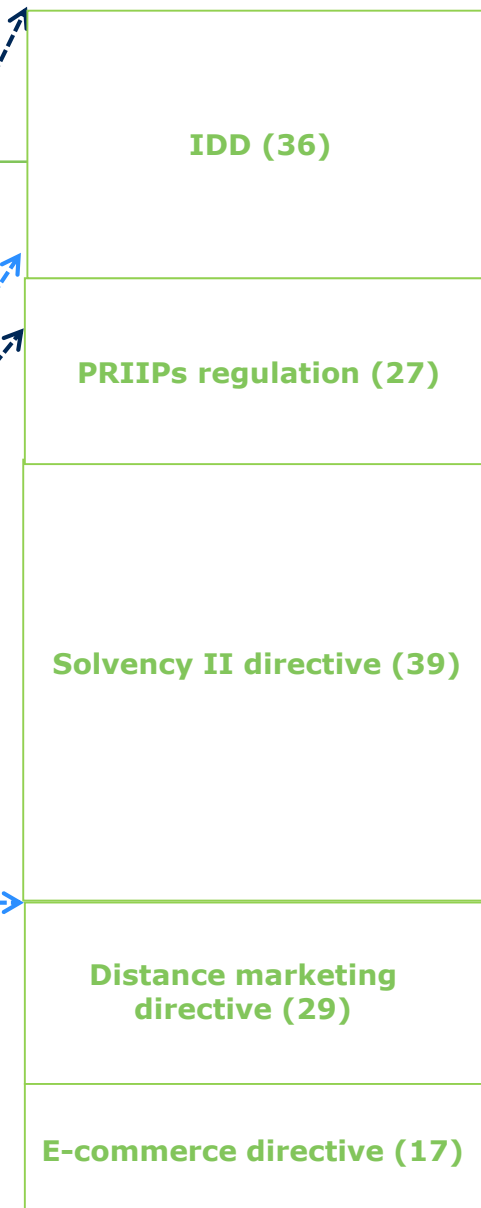
Disclosure requirements
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Sales disclosures

Product disclosures



Today: **75**



Tomorrow: **148**

Sales disclosures

+400%

Product disclosures

+330%

EU legislation applicable to the sale of insurance-based investment products

Duplicative rules

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Today: **75**

IDD Standard

Duplicative rules

IDD PRIIPs chapter

Duplicative rules

PRIIPs regulation (27)

Duplicative rules

Solvency II directive (39)

Distance marketing directive (29)

E-commerce directive (17)

Tomorrow: **148**

Sales disclosures

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EU legislation applicable to the sale of insurance-based investment products

Duplicative rules

Advice

Costs and charges disclosures

Disclosure of similar information

IDD Standard

Duplicative rules

IDD PRIIPs chapter

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PRIIPs regulation (27)

Duplicative rules

Solvency II directive (39)

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Tomorrow: 148

Future challenges

- Technical developments:
 - Motor, Cyber-risks, etc.
- Digital Agenda: impact on insurers and the provision of insurance
- Life insurance business model



For more information

[www insuranceeurope eu](http://www.insuranceeurope.eu)

