Key challenges of the CEE markets in the view of implementation of EU regulations

VVO's perspective

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Solvency II Review: Key issues of concern

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

- Proportionality
- NatCat calibration
- Social housing
- Loss-absorbing capacity of deferred taxes
- Risk margin
- Interest rate risk
Insurance Distribution Directive (IDD)

Implementation as of 23 February 2017

- Draft proposal of ministry of finance consulted with all stakeholders (September 2017)
- NO adoption of national implementation act possible before parliamentary elections on 15 October 2017

- Remuneration
- Conflict of interest
- IPID
- Timeline (legal certainty)
IDD: Activities of VVO

• IDD Symposium in September 2016
• Seminar on (KID and) IPID in September 2017
• IDD Distribution Forum in November 2017
• Elaboration of sample IPID for member companies
Icons
Packaged Retail Insurance-based Investment Products (PRIIPs)

- Implementation of EU-regulation as of 1 January 2018

- Open questions: scope, treatment of insurance tax, comprehension alert
  => further clarification is needed!

- VVO: Elaboration of sample KID for member companies
General Data Protection Regulation (GDPR)

Regulation applicable as of 25 May 2018

- National Adaption Act on Data Protection published in July 2017 (will replace DSG 2000 as of May 2018)

- Practical implications (e.g. right to be forgotten, scanning of existing processes, set-up of new data protection functions (DPO))

- VVO working groups
- VVO contact with specialised international law firm
- VVO data protection officer (DPO)
- Seminars
- Collaboration with WKO (e.g. check-lists, brochures)
Legislative proposal by European Commission (EC) on 29 June 2017

- In addition to national pension products of pillar 3 on entire single market
- Offered by insurers, banks and investment funds
- Cross-border portability

- EU legislative process has already started and should be finalized by end of 2018
PEPP: Key issues

- Life-long annuity payments not obligatory
- Different consumer protection standards between types of providers
- Biometric risk component only option
- Level playing field with investment funds!

- Change of investment option
- Transparent and objective comparison criteria in PEPP-KID
- No implementation phase
 ESA-Review

European Supervisory Authorities - ESAs (EIOPA, EBA and ESMA)

Legislative proposal of EC on 20 September 2017

• Supervisory architecture
• Governance
• Tasks and Powers
• Funding

EU legislative process has already started and should be finalized by end of 2018
What are the main changes proposed?

- Better coordination of supervision across the EU
- More efficient decision-making with clear EU focus
- Enhancing the means for effective supervision

- First steps towards a single capital markets supervisor
- ESAs to be funded not only by taxpayers but also by industry
- ESAs to promote work on FinTech and sustainable finance
- A more effective European Systemic Risk Board
ESA-Review: Key issues

- Small and diversified markets need supervisor which is fully embedded in European structures BUT close to local companies
- Optimization of BUT no additional powers for EIOPA
- 60: 40 funding of EIOPA via National Competent Authorities (NCAs) and EU budget (control function)
- Checks and balances: Linkage of budget and work plan (incl. approval by European Parliament)
- Guidelines in limits of L1 mandate
- No direct request for information by EIOPA
- Discussion on legislative implementation process of 2 years
Review of Motor Insurance Directive (MID)

- Public consultation of EC until October 2017

- Legislative proposal of EC by the end of 2017 (??!!)
  - Implementation of „Vnuk case“ of European Court of Justice on MTPL scope
  - Motor insurance guarantee funds
  - European claims history statement
  - Minimum amounts of cover
MTPL scope

No obligation to insure for vehicles used outside public road traffic for industry, construction, agriculture and motor sports?
Motor guarantee funds

- Extending the mandatory cover from uninsured and unidentified vehicles to the insolvency of insurers including organisational requirements
- Geographical scope
  Home AND host country (FOS)?
- Target level
  e.g. 1.2% of the gross written premium?
- Method of funding by insurers
  Contributions based on market share and/or risk?
  Ex ante / ex post / hybrid?
  Funding period of 10 years?
- Legal carrier & administration body
  National insurance association?
  Motor Insurers' Bureau?
  Insurance supervisory authority for Guarantee Funds?
Standardising the format and contents by EIOPA could trigger a harmonisation of methodologies of calculation of discounts

Status quo

- Policyholders have the right to request at any time a statement on claims at least during the preceding five years or on the absence of such claims.
- Insurers have to provide the statement within 15 days of the request.

Claims history statement

1 Directive 2009/103/EC relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability, Art 16
Single market – same risk?
Recovery and Resolution

**EIOPA Consultation (February 2017)**

- Minimum harmonisation to reduce fragmentation and facilitate cross-border cooperation
- Funding and redimensioning of an insurance undertaking which will continue to exist (vs. Insolvency - Insurance Guarantee Scheemes)

4 *building blocks*:
- Preparation and planning
- Early intervention and recovery
- Resolution
- Cooperation and coordination
Recovery and Resolution: Key issues

- Insurance is different: No copy paste from EU Banking Union
- Solvency II already provides several safeguards (e.g. SCR)
- Harmonisation of existing national legislation
- No value added of „ex-ante“ funds or European resolution authority
Insurance of natural catastrophes (NatCat)

- 2002: NatCat damages insured in Austria on the basis of risk evaluation tool HORA (start 2006)
- 2012: „Strategy on adjustment to climate change“ of Austrian government
- June 2013: green paper of EC incl. consultation
- Since then no further steps (not on agenda of EC Juncker)

VVO position:

- NatCat insurance module as a mandatory, nationwide add-on to fire insurance (market penetration > 90%)
- 100% coverage of all damages resulting from natural catastrophes