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Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

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On behalf of EIOPA and the co-organisers, the International Center for Insurance Regulation (ICIR), the Research Center SAFE - Sustainable Architecture for Finance in Europe, and the World Bank Group, I would like to thank you for having accepted our invitation to attend the 5th Conference on Global Insurance Supervision and tonight's dinner.

On this occasion let me also thank our co-organisers for the constructive team work and support which is crucial for the success of this conference.

The theme of our conference is "The Future (Re)Insurance Landscape: Different Perspectives, Inspiring Dialogue" and today's programme has shown how crucial our dialogue is to promote mutual understanding and to build trust for the benefit of consumers, policy holders and the industry.

Given the global and international scope of the conference, let me start by referring to the importance of global cooperation.

First, EIOPA is proud of its cooperation with international partners, whether on practical issues through memoranda of understanding, or on more strategic issues, through participation in international fora.

While we are a European organisation, we are committed to ensuring the highest standards of supervision across the globe through the creation of global, consistent international standards and their effective implementation.

Let me start by presenting a short snapshot of where we are now.

From a macro-economic perspective there are some positive developments: Volatility has decreased and global inflation rates are fluctuating near the 2%

medium-term inflation target. Despite these positive signs, the continuing low-yield environment and the observation that market fundamentals might not properly reflect the underlying credit risk are still important concerns. A material re-pricing of risk is a scenario that we cannot rule out, especially in the context of the current geopolitical situation. This would put extra pressure on insurers' asset portfolios.

From a micro-supervisory perspective, the insurance sector in the European Union is in its first years of implementation of Solvency II. Within a very difficult macro-economic reality with historically low interest rates, the application of Solvency II was carried out smoothly as a result of timely preparation and appropriate transitional periods. In an industry with € 11 trillion of assets under management and € 8.7 trillion in technical provisions, this success is remarkable and has contributed significantly to the stability of the European financial sector. Overall the European insurance sector is adequately capitalised. Specific transition periods are used mostly by life insurance companies with long-term guarantees business. The use of transitional measures is transparent and insurance companies published their solvency ratios with and without the application of these measures.

Transitional measures form an integral part of Solvency II and are intended to limit the procyclicality of the regulatory changes and to facilitate the entry into the new regime by giving companies the time needed to adapt to the new solvency requirements. I continue to believe that this "transparent and constrained forbearance" is an appropriate way to balance micro- and macro-prudential considerations.

I believe that the European insurance industry is much stronger with Solvency II: It is stronger

- because it has its capital better aligned to the risks it runs

- because it uses a more realistic basis to assess and mitigate risks and thus can better price them
- because it has upgraded its governance models, with a complete different emphasis on the role of the Boards, the setting up of key functions and the implementation of the ORSA
- because the updated group solvency requirements and the clear powers assigned to the group supervisor ensure a better level playing field

With Solvency II we also have the basis for a more transparent industry, with harmonised templates for supervisory reporting and enhanced public disclosure.

We now have an industry that is better prepared to face the new challenges and to be on the front line in the necessary adaptation of business models prompted by three main factors:

- the macroeconomic environment with the prolonged low interest rates;
- the advent of new technologies and the growing pace of digitalisation; and
- demographic changes

Prudential and conduct of business regulation and supervision needs to cope with these evolutions and should incentivise a virtuous and stable transition. A transition towards simpler and transparent products, priced according to risks, sold through cost-efficient channels using the highest ethical standards.

A successful transition could also help to bring an increased role for the insurance sector in the management of growing societal risks like the savings and the protection gap. The development of truly long-term simple, transparent and cost-effective retirement products could contribute to minimise the impact of the current savings gap and the development of transparent public-private partnerships could significantly help to reduce the cost of catastrophic events to citizens and governments.

So, in a nutshell, I see the business model changes in the insurance industry as more of an opportunity than a risk.

Talking about opportunities let me specifically mention Insurtech.

All stages of the insurance value chain are being impacted by InsurTech and more broadly digitalisation. Insurance products are increasingly capable of being purchased through smartphones at any time and from any place. Consumers may benefit from the design of more personalised products and services adapted to their evolving and specific needs. New products can also incentivise consumers and society to reduce their risks. All of this is driven by the greater availability of data and an improved capacity for processing it, which also enables the development of increasingly efficient underwriting and claims management processes, thereby reducing costs.

In order to harness the benefits of digitalisation, providers have embarked on ambitious digital transformation projects and increasingly cooperate with InsurTech start-ups to benefit from their cutting-edge data analysis tools and technology. Nevertheless, we should remain attentive to the possible fragmentation of the insurance value chain, which could result in a number of potential supervisory challenges.

The relevance of Big Data for the insurance sector is no surprise; data has always been a highly valuable commodity for the sector. There are multiple potential benefits linked to the use of Big Data analytics and processes, such as the development of tailored products or more granular risk assessments.

But there are also a number of growing risks, such as privacy issues, potential discrimination through price optimisation and cyber threats.

The above developments have the potential to significantly reshape the insurance landscape in the coming years. Regulatory and supervisory authorities have a role to play, by encouraging financial innovation while, at the same time, ensuring a well-functioning consumer protection framework and financial stability. In doing so I believe that it is necessary to respect key supervisory principles such as proportionality, market integrity and technological neutrality.

InsurTech and digitalisation are of strategic importance for the insurance sector and are therefore topics that EIOPA is following closely. Recently in April we organised a roundtable to discuss with stakeholders the benefits and risks of digitalisation for the industry and consumers as well as potential obstacles to effective innovation. During the event, representatives from supervisory authorities, consumers, providers, start-ups, consultancy firms and IT experts exchanged their different experiences and points of views on the impact of digitalisation in the insurance sector. Another roundtable will be organised later this year.

EIOPA's immediate work in the area of InsurTech will focus on three main issues: the use of Big Data by the insurance industry; cyber risks and supervisory approaches to financial innovation where we intend to analyse initiatives such as regulatory sandboxes and innovation hubs.

As this is a global phenomenon, we are also very keen on ensuring a strong cooperation with our colleagues all over the world, be it in the framework of the IAIS or in the context of the EU-US insurance project.

Talking about challenges let me mention Brexit which is now an item on the agenda of many industry participants and supervisors.

In a first step EIOPA published in July an Opinion with the aim to foster supervisory convergence and consistency in the relocation of insurance undertakings from the United Kingdom. The Opinion provides guidance and sets out principles in the areas of authorisation and approvals, governance and risk management, outsourcing of critical and important activities as well as on-going supervision including monitoring.

EIOPA expects undertakings to show an appropriate level of corporate substance and not display characteristics of an empty shell. The supervisors should carefully scrutinise any transfer of risks and require a minimum retention of risks from the authorised undertaking. As an indication, a minimum retention of 10 % of the business written could be envisaged.
Outsourcing of undertakings' important functions should be subject to the full responsibility of the management body for the outsourced activity and shall not materially impair the quality of governance, increase operational risk, impair the ability of supervisors to monitor compliance or undermine continuous and satisfactory service to policyholders.

The principles set out in this Opinion will support national supervisory authorities to secure sound and convergent practices. Sound supervision demands the appropriate location of management and key functions. Empty shells or letter boxes are not acceptable.

In a second step we are now looking at elements related to the possible impact of Brexit on market stability and consumers. Issues like contract continuity, data flows and supervisory cooperation will be thoroughly analysed.

To conclude, I would like to reinforce the message that international dialogue and cooperation between regulators, supervisors, the industry, academia and consumers is a key element to ensure financial stability and consumer protection globally. We face similar challenges and can only benefit from sharing experiences, strengthening the commonalities and understanding the differences. From our side at EIOPA we will continue to do the utmost to foster an open and transparent dialogue. And as already said this conference is an important part of this important dialogue and approach.

Let me thank you again thank you for your participation, constructive contributions to and interest in this conference and your attention.