



**Gabriel Bernardino**  
Chairman of EIOPA

## **2020: Challenges of a changing world**



ABI Biennial Conference 2013  
**London, 9 July 2013**

Ladies and Gentlemen,

Today we are meeting the challenges of a changing world, not only for insurers but for supervisory authorities as well. I would like to thank the Association of British Insurers for the opportunity to explore them, along with you all. The challenges are many, all of them serious. One of the main reasons for being enthusiastic for this opportunity is that you make me face the challenge to beam myself up, not to the Starship Enterprise from Star Trek, but to the year 2020.

I like to share my vision of 2020 on four topics with you, all related to increased consumer protection.

The topics are:

1. Sound risk based prudential regulation.
2. A new paradigm on disclosure.
3. Product governance and suitability.
4. Enhanced supervision.

1. Sound risk based prudential regulation

In 2020 Solvency II is, since some years up and running. Once upon a time there was a financial crisis and a lot of discussion about Solvency II, even some resistance. Since then we moved on. Because basically we all knew that this reform was important and needed.

Looking back at the time, 2013 seemed to be a crucial year for Solvency II. EIOPA's report on the long term guarantees was the basis for the political agreement later on in that year.

Solvency II proved to have good effects on insurers' behaviour. Now we have a robust framework that ensures that undertakings correctly price any options

and guarantees embedded in the contracts and that captures the true economic reality of the asset-liability position of insurers.

In 2020 we see sound risk management by insurers. We see a more diversified investment policy and insurers investing only in assets whose risks they can identify, manage and control.

It is a reassurance to us all that Solvency II has proved to be a lasting supervisory framework. It has inspired many countries to improve their own regimes.

## 2. A new paradigm in disclosure

In 2020 the average consumer has changed, better educated, better informed, older and hopefully wiser. Regulation on disclosure is no longer treating consumers as rational deciders. A new paradigm has emerged based on behaviour science. Consumers are provided with information in layers. A first layer of simple, essential pieces of information that people actually read and understand and a second layer of the more legal and technical substance that is available on request.

No longer is any provider shifting responsibility to consumers. All advice provided to consumers best suits their profile, demands and needs.

In 2020 consumer testing is an integral part of any regulatory initiative in the transparency field.

## 3. Product governance and suitability

By 2020 insurers have incorporated in their governance systems adequate strategies and processes to deal with consumer risk. From product design to crisis management, insurers take full consideration of the consumer related issues.

Product suitability is now on the top of the agenda of the boards of insurance companies. Board members want to make sure that product characteristics are suitable to the target market, that distribution channels are appropriate for that market segment, that full transparency on costs is provided to consumers. This has reduced the potential for mis-selling and increased consumer confidence and loyalty.

#### 4. Enhanced supervision

By 2020 insurance supervision is much more consistent in the EU. EIOPA's efforts have paid off.

The focus on better supervision initiated some years ago proved to be the right way forward. Not only is supervision now more preventive than reactive, but also more intensive supervision avoided the need for a continuous flood of new regulation.

Supervisors have now access to more qualified and experienced resources. Supervisors are addressing the problems early enough and have strengthened their supervision of conduct of business.

Now, could someone please beam me back to 2013. There are serious challenges to meet.

Thank you for your attention.