Gabriel Bernardino
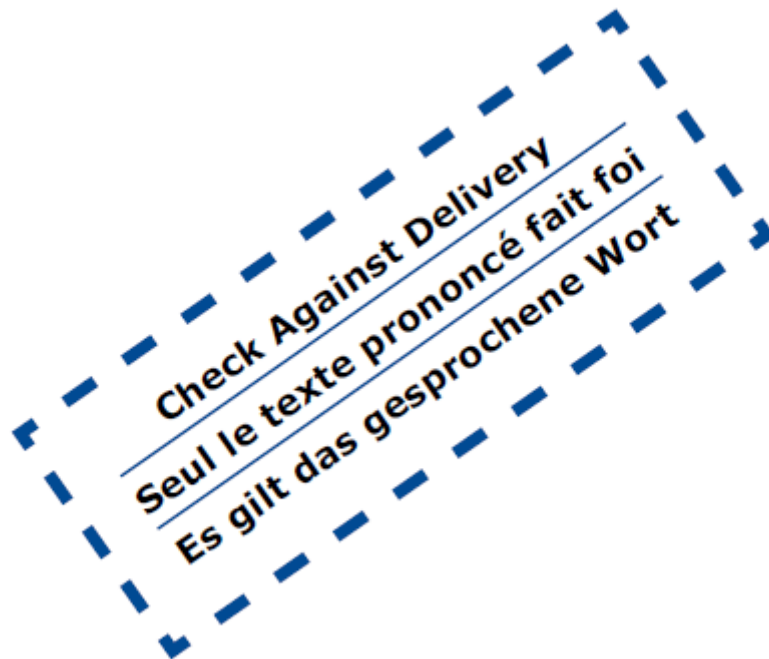Chairman

INTRODUCTORY STATEMENT AT THE HEARING OF THE ECONOMIC AND MONETARY AFFAIRS COMMITTEE OF THE EUROPEAN PARLIAMENT

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

Brussels, 4 November 2019

Madam Chair, Honourable members of the European Parliament

I would like to share with you EIOPA's work in strengthening supervisory convergence, the impact of the current financial and economic environment on the sectors and on our current focus on climate change, cyber risk and the completion of the Capital Markets Union.

Supervisory convergence

Supervisory convergence is at the core of our mission and through our work we aim to foster a common European approach to supervision.

In the last year, 11 cooperation platforms between home and host supervisors have been coordinated by EIOPA for cross-border insurance undertakings, dealing with companies running unsustainable business models, including an insufficient capital basis. These cases have been noticeable in the construction business in France and medical malpractice in Italy.

A number of failures and near misses of insurers doing business on a cross-border basis showed the necessity to protect policyholders and EIOPA called for the establishment of a European network of national insurance guarantee schemes which are sufficiently harmonised and adequately funded.

Over the past year, we have also strengthened our work on conduct of business supervision where we identified four priorities: life insurance sold together with mortgages; unit-linked products; add-on insurances; and claims handling in motor insurance.

A recent example of this work is the thematic review on travel insurance where we identified business models that carry heightened conduct risks, raising significant supervisory concerns. Let me share one example, where the numbers speak for themselves.

In this case, for every EUR 100 paid by consumers for their premium, EUR 77 goes straight to the distributor and only EUR 14 is ever returned as a result of a claim. For that reason, we also issued a warning to insurers and insurance intermediaries to tackle high commissions for travel insurance products.

On product intervention, we gained experience this year by successfully tackling a case with the result that a group of products were removed from the market.

Impact of the current financial and economic environment on the sectors

The persistent low interest rate environment remains challenging for insurers and pension funds. We will address it in our 2020 review of Solvency II.

It is our view that, overall, the Solvency II framework is effective and works well. The fundamentals are not in question. Instead, we see the outcome as evolution rather than revolution. Beyond the necessary adjustment of the interest rate risk calibration, that was not taken on board by the European Commission in the 2018 Solvency II review, EIOPA aims for a balanced impact of its proposals.

One important area is proportionality and EIOPA has put forward proposals aiming at a substantial reduction of reporting requirements to undertakings with a low risk profile.

On Occupational Pensions, the results of the 2019 stress test are expected at the end of this year and, for the first time, will include an assessment of environment, social and governance exposures.

Priorities looking ahead

Climate change

Earlier this year, we published an Opinion on how to integrate climate-related risks in Solvency II. While we see no current evidence to support a green supporting factor in the capital requirements, we set our expectation that insurers play a stewardship role in contributing to climate change adaptation and mitigation, through their investment and underwriting activities.

EIOPA is also paying close attention to the more frequent and severe natural catastrophes and a widening protection gap. The impact of this on households, businesses and the financial system cannot be underestimated. We believe that Europe must act together to meet this challenge.

Digitalisation and cyber risk

EIOPA's thematic review on the use of big data analytics in motor and health insurance showed that digital technology brought many opportunities for the industry as well as for consumers, but also highlighted issues linked to fairness and ethics. This is one of the reasons why EIOPA has set up a consultative

expert group to assist us in the development of principles of digital responsibility in insurance.

The rapid rise of digital technology has given rise to an increasing number of cyber attacks. Appropriate cyber insurance coverage will help businesses and citizens manage their cyber risks. To build a strong, reliable cyber insurance market, Europe needs first to develop a standardised risk reporting framework to allow the sharing of aggregated data, anonymised of course, so that insurers and reinsurers can develop adequate pricing and risk management models.

Capital Markets Union

On the Capital Markets Union, the demand side must be our next focus, so that private savers can benefit from capital markets. We are currently working on the technical standards and technical advice for the implementation of the pan-European Personal Pension Product (PEPP).

Furthermore, Member States should encourage participation in supplementary pensions and EIOPA stands ready to provide a Defined Contribution (DC) blueprint for occupational pensions, helping to develop the basis for sound auto-enrolment solutions.

In conclusion

EIOPA will continue to deliver on its mission and will take on the new tasks and responsibilities, introduced in the recent review of our regulation, focussing on the priorities of supervisory convergence and consumer protection established by you. To deliver to your expectation we need adequate human and financial resources, and I am sure you will continue to support us on that.

We are working for an EU that protects and an EU that empowers. Most of all, we are working for an economy that works for the people.

Honourable Members of the European Parliament, I stand ready to take you questions.