EUROPEAN COMMISSION

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The evolving environment for insurance and pensions

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

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Good afternoon ladies and gentlemen,

Thank you Gabriel [Bernardino] for inviting me to deliver the closing remarks here today.

I trust you have all enjoyed today's conference.

EIOPA's timing in organising it is impeccable, as always.

We have lived through a succession of crises in Europe.

The economy is slowly picking up, but recovery is still fragile.

Citizens are looking for stability, security and a light at the end of the tunnel.

Insurers and pension providers can provide some of the answers.

But this is a key moment for the European insurance and pensions sectors for other reasons too.

Historic decisions are being taken.

Decisions that will affect the shape of these sectors for years to come.

Decisions that will determine how we protect Europe's consumers.

And decisions on how we want to invest in Europe's future in the longer term.

EIOPA is a central player in this context.

First of all, **Solvency II**.

Last week, the European Parliament and the Council finally reached agreement on the 'Omnibus II' Directive. I would like to reiterate my thanks to the rapporteur Burkhard Balz and to the Lithuanian Presidency for the important role they played in that.

This was the last element we needed to apply the Solvency II framework.

This deal covers:

- A package of measures to facilitate insurance products with long-term guarantees
- Transitional measures, both for EU insurers and for third countries moving towards equivalence
- Powers for EIOPA to give it teeth. For example in arbitrating between national supervisors, and in enforcing correct application of EU law.

I cannot stress enough how important this deal is.

Everybody agrees that Solvency II is desirable and necessary.

But everybody had their 'shopping list' of things they wanted to be included.

All parties — Member States, insurance organisations, European institutions — have compromised in order to ensure that Solvency II will apply.

I honestly think we can be pleased with this collective effort.

This is proof that Europe can work and produce results.

I want to pay tribute to EIOPA's vital contribution to this agreement.

Its June 2013 report on long-term guarantee measures was the foundation of this deal.

The agreement follows the broad principles of EIOPA's recommendations, if not all the details, such as calibrations.

The devil is always in the detail!

The elements of the long-term guarantee package include:

- • a **volatility adjustment**, to smooth out the artificial volatility linked to corporate and sovereign bond prices;
- • A **matching adjustment**, for life insurance products backed by matched fixed-income assets; and
- • **Transitional measures** to ease the transition to Solvency II and a progressive adaptation of business models.

We all know that Europe's insurance markets are different. For historical, cultural and many other reasons.

The deal we reached a week ago, just before midnight, recognises this.

But it is at the same time a truly European approach. All the measures can be applied in any market, without national exemptions.

Transparency is another core element of Omnibus II.

Insurance companies must publish the impact of the long-term guarantee package on their financial situation.

This is essential to impose market discipline.

Ladies and Gentlemen,

Solvency II has been a long time coming.

It was conceived before the financial crisis of 2008.

But Solvency II is still necessary and relevant in a new world of low-interest rates.

And the principles behind Solvency II - risk-based supervision and market-consistent valuation - remain central to it.

Insurance and reinsurance companies must apply Solvency II by the date fixed – 1 January 2016.

This will not change.

We must all prepare on that basis.

We all have a lot of work to do in the next two years.

The Commission must produce delegated acts containing detailed implementing rules on many matters. Just to mention some examples:

- calibrations for capital requirements for assets
- calculation of the standard formula
- principles for evaluating internal models
- assessments of third-country equivalence
- the contents of the Own Risk and Solvency Assessment
- and last – but absolutely not least – we have to ensure that the system remains simple enough so that we do not overburden Europe's many small insurers. This issue is particularly important to the Commission.

We aim to produce these technical rules – which are likely to run to hundreds of pages - by the middle of next year.

In this process, we will of course continue the dialogue with all stakeholders.

EIOPA has already produced important 'transitional guidelines' to assist the shift to Solvency II rules.

And insurers must now continue their preparations for Solvency.

There is no time to waste.

The second point I wanted to mention today – **pensions**.

The Omnibus II deal, based on EIOPA's long-term guarantee report, is a landmark achievement.

But EIOPA is not only about insurance, EIOPA is also about pensions.

This year, EIOPA produced a very important study on occupational pension funds.

As you know, the current directive is from 2003.

EIOPA's study was based on the innovative 'holistic balance sheet' concept.

I know that some stakeholders criticised this approach.

But I think we all have to recognise that is was a serious and much-needed attempt to try to compare the different pension funds systems in Europe.

The study confirmed that this is a very complex matter.

And that further work is needed to refine the methodology for determining the solvency of pension funds.

That work is ongoing.

But, as I announced in May, we are working internally on draft legislation which will not cover solvency rules.

Again, I want to be very clear on this point. Our legislation will only deal with governance and transparency of pension funds. Along with cross-border issues.

Our aim is to create a framework in which occupational pension funds can grow and develop in the internal market.

Not only cross-border but also domestically.

Especially in Member States where they hardly exist today.

However, Member States that already have a developed occupational pension fund sector, with high standards of governance and transparency, should not be greatly impacted by this proposal.

I know that some of you wonder why I am so keen on this proposal, only a year before the end of the mandate of this Commission.

But I remain convinced that we need this improved framework.

Because it is important to ensure that pension funds – Europe's long term institutional investors per excellence – can continue to play their important role in the EU economy.

That brings me to my third point - **long-term investment and financing**.

All of the institutions which EIOPA covers, namely insurance, reinsurance and pension funds, are major investors.

And especially life insurers and pension funds have considerable long-term liabilities. So they are the perfect long-term investors.

Their role is key to economic growth.

But all too often insurers and pension funds invest outside the EU, in a search for growth.

This is understandable, given the low interest-rate environment in the EU.

But we must find ways to allow and to encourage financial institutions to make long-term investments in the EU.

For example in infrastructure, green energy projects and in SMEs.

The Commission launched a debate on this in March with a Green Paper on Long-Term Investment.

Over 300 replies were received, and they were overwhelmingly supportive of the objective.

The Commission has already started taking initiatives to follow up on the Green Paper.

Here are two examples:

Firstly, the Commission tabled a proposal on European Long-Term Investment Funds (ELTIFs) in June this year.

ELTIFs are designed to meet the needs of institutional investors, such as pension funds and insurance companies.

But also the needs of private individuals who are willing to lock away their money for a longer period of time and in exchange get a higher return than their bank account can offer.

I know the interest of the European Parliament and the forthcoming Greek Presidency in this proposal, so I really hope that the legislative work will progress.

Secondly, the Regulation on European Venture Capital Funds was formally adopted earlier this year.

This Regulation will ensure that a high percentage of investments is spent on supporting young and innovative companies. Offering a passport for Venture Capital Funds. With a European label.

Thirdly - EIOPA will shortly report to the Commission on how best to stimulate long-term investment in the asset calibrations for Solvency II.

These will feature in the Commission Delegated Act to which I referred earlier.

I look forward to seeing that report.

Ladies and Gentlemen,

The fourth and final point I wanted to touch on today – **<u>consumer protection</u>**.

EIOPA has significant competences for consumer protection.

Our proposal to revise the Insurance Mediation Directive, presented in June 2012, is one hundred per cent consumer-oriented.

Unfortunately, it has been crowded out of the co-legislators' agenda so far, although the European Parliament has given it some attention.

We all agree that right now, priority has to be given to the Banking Union.

But I still hope that the IMD 2 will become a higher priority under the Greek Presidency of the Council, and then under the new European Parliament.

And I am glad to see that EIOPA's work plan includes a priority to work on consumer protection for pensions.

EIOPA itself has limited resources for consumer protection.

It cannot deal with individual cases.

But EIOPA can monitor consumer trends, exchanging best practices and highlighting less good practices in Member States.

And EIOPA has an important power.

It can, for a fixed period of time, ban new financial products in the EU which are deemed potentially risky to consumers.

EIOPA should not hesitate to use this power if necessary.

We must not allow consumer protection to slip down our list of priorities.

Consumers are our constituents. Our customers. Our neighbours. Our families.

We need to remember that.

In conclusion, ladies and gentlemen, 2013 has been a year of great productivity and influence for EIOPA.

A year of key achievements.

We can be proud of what we have achieved together on Solvency II.

After more than 10 years of work.

A world-leading regulatory framework will soon be in place.

The question marks are gone.

In the coming years, we need to move into a phase in which the legislation is implemented and applied.

So that EIOPA can concentrate more on applying the legislation and coordinating national supervisors. Using its powers under the founding Regulation.

The start-up phase for the ESAs, including EIOPA, is coming to an end.

The ESAs are now a well-established and integral part of the landscape of EU bodies.

Very shortly, the Commission will produce a report evaluating the first three years of the ESAs.

Taking into account the responses to our public consultation and the Parliament's own initiative report.

The question is not how the ESAs have performed

— it is clear that they have performed well.

The question is whether their tasks, powers and legal framework need to be adapted.

We must continue to move forward together.

Respecting each other's roles and competences.

Implementing Solvency II, and developing a modern pensions regime.

Ensuring that opportunities for long-term investments are encouraged and further developed. While constantly bearing in mind the consumer dimension of our work.

The first three years of EIOPA give me great confidence that this will be the case.

And that the European insurance and pensions sectors will be well served in future by EIOPA and its members.

Thank you.