SERGIO BALBINOT – OPENING REMARKS
9TH INTERNATIONAL CONFERENCE

Good morning ladies and gentlemen,

Our theme today is “digitalisation today and tomorrow”.

When we talk about digitalisation, we often mention disruption.

So, as you can see, we’ve designed the seating plan for this conference in an unusual manner, since we want you to also experience “disruption”, even if it is just in a small way.

How does that make you feel?

Are you happy to try something new?

Or maybe a little uncomfortable?

As our insurance world is under the potential threat of being disrupted, we must **have the vision** to recognise both the threats and the opportunities that digitalisation can bring:

- The threats — such as cyber risks.
- And the opportunities — such as lower costs and innovative products to protect our policyholders.

Digitalisation is already fundamentally changing the way we do business. And, as the conference title suggests, it will keep on changing and challenging us.

Those of us working in the industry itself — wherever we are — need to use the new tools at our disposal to develop cutting-edge products to protect our customers in an ever-more uncertain world. And, to deliver these products in user-friendly and cost-effective ways.

But, to be able to do this, we need to get the basics right. This means we need regulatory frameworks that ensure adequate consumer protection, while allowing us to innovate and evolve. To achieve this, we need policymakers with **vision** as well.

In 2014, when the current European Commission began its mandate, we were hopeful that they have this vision. The announcements we heard were clearly forward-looking and promising. Among other things, there was talk about the Capital Markets Union action plan to trigger (more) long-term investment and the establishment of a digital single market.

So, let's look at what has actually happened.

CUSTOMER FIRST

Let's begin with consumer protection regulation.

Since 2014, the current Commission has been putting the finishing touches to two pieces of legislation that were a legacy of the previous Commission:

- The Packaged Retail Investment and Insurance Products or "PRIIPS" regulation;
- And the Insurance Distribution Directive, or the "IDD".

So, what has this work achieved?

Two sets of rules that, when combined with Solvency II's conduct of business provisions, mean consumers must compare products based on up to 161 pieces of information, some of which are duplicative.

This is the outcome of the current "silo" approach, where each legislative text is discussed and approved in isolation. However, in a simple sales process often multiple texts apply.

Is the resulting information-overload and duplication making things clearer for consumers?

I don't think so.

The rules also mean that this information must be supplied in a paper format by default.

Does this reflect the needs of consumers who shop online or purchase insurance on their smartphones? Let's look more closely at the PRIIPs key information document or KID. What we see is a six-page document full of legal jargon and calculations that can potentially be misleading. In addition, it is simply not fit for a digital world.

Again, I think that this KID does not reflect the needs of the digital consumer.

Let me be clear: we are not calling for new rules for the digital age – we simply ask that policymakers make sure that existing rules are fit for purpose and fit for the digital future.

To be effective in the future, **insurers' existing rules must:**

First, immediately address the duplication problem by clarifying that information should be provided once only.

Second, address the overload issue to facilitate shopping around.

And third, make use of the advantages of digital tools.

For example, standardised information, through the clever use of technology, can help draw the consumer's attention to the information that really matters when comparing products. At the same time, this technology can be used to ensure that additional information can be accessed easily by interested consumers. This is possible, as can clearly be seen in the insurance product information document (IPID) developed by Insurance Europe.

INSURTECH

Another subject much-discussed in our industry is insurtech — the use of technology anywhere from product development, through to distribution, customer service and claims management.

Both traditional insurers and new start-ups are working — sometimes together — to harness new technological developments for the benefit of their clients.

These innovations bring exciting possibilities. But consumers must be confident that they enjoy the same protection, whether they buy an insurance product from a traditional insurer or from a start-up.

At this stage, we would seek reassurance from our supervisors that they are ensuring that a start-up is treated consistently throughout the EU and indeed the European Economic Area. Our supervisors must ensure that we are not running an additional disruption risk by seeing one start-up potentially treated in three different ways:

- In one market as an insurer subject to traditional insurance legislation.
- In another market as an insurer working in a pilot regulatory sandbox.
- And in yet another market as a non-insurer and thus entirely outside insurance regulation, with the risk that customers are not protected.

Supervisors must **ensure convergence of treatment.**

The overall objective for policymakers must be to balance safeguarding consumer protection and fair competition on the one hand, and ensuring the removal of regulatory obstacles to innovation on the other.

CYBER

As I said earlier, digitalisation also brings risks. One prominent risk that will be discussed today is cyber. Here, our industry is in a fairly unique position. While these risks can impact us, they can also create opportunities to provide protection to the businesses and people who need insurance against these risks.

As the recent global WannaCry ransomware attacks have shown, this is a very serious and immediate threat. This attack alone targeted governments, health services and companies around the world. The economic cost could reach billions of euros.

Cyber risk is a growing threat. One group of analysts reported a 36% increase in ransomware cyber attacks in 2016.

Despite this, many individuals and businesses still don’t take cyber risk seriously. Some don’t understand their risk exposure. Others believe it is the IT department's problem. As a result, many businesses are left unprotected.

This can lead to catastrophic consequences, as firms that have become victims of cybercrime have found out the hard way. Therefore, more needs to be done by policymakers to raise awareness about these risks — especially among SMEs — to ensure Europe's cyber-resilience.

Insurers have a key role to play here, not only in terms of risk transfer, but also by helping policyholders in implementing adequate protection measures and in mitigating the effects of a successful cyber attack.

However, the limited information currently available on cyber risks hampers the insurance sector's ability to offer cyber risk cover and related services.

This is why we urge authorities to give **insurers access to data** on data breaches and cyber incidents, which is gathered as a result of recently adopted legislation, such as the General Data Protection Regulation in Europe.

On that Regulation, we were pleased that our messages were understood:

- the rules on profiling still allow underwriting to continue and
- it also allows insurers to collect and process personal data in the important fight against insurance fraud.

In addition, giving **insurers access to data** on data breaches and cyber incidents will be vital for insurers to increase their understanding of cyber risks and their ability to underwrite those risks more effectively.

AUTONOMOUS AND CONNECTED VEHICLES

Another digitalisation- and data-related topic on today's agenda is autonomous and connected vehicles.

As an industry, we need **the vision** to prepare now for a world of self-driving cars in the future, which will raise a range of new questions, for instance in terms of liability.

Before that, though, we need to create the right environment for cars that are increasingly connected. A fundamental question here is how all market participants can leverage the huge amounts of data these vehicles produce in order to benefit customers.

Free access to raw data and clear rules for the gatekeepers of data (be it car manufacturers or large platforms) are required. This will help to ensure that the benefits of the data economy can be fully leveraged and that strong competition exists to benefit customers.

However, car manufacturers are working on models where the car manufacturers would be the main gateway.

Therefore, the European Commission must take action to ensure that **drivers are the ones who control their data, not the car manufacturers. If drivers keep control of their own data, they can then directly and freely engage with their insurance providers without any artificial barriers**.

SOLVENCY II

As I said before, in order for insurers to be able to provide innovative products in the future, we need to get the basics right. Last, but certainly not least, this brings me to prudential regulation.

Solvency II has now been in operation for nearly one and a half years. After years of preparation, we have had a smooth implementation which now clearly shows the industry's high levels of capital. While Solvency II has succeeded in setting very high standards of solvency, risk management and reporting, important improvements are needed to avoid unnecessary costs for our policyholders and to maintain our ability to offer long-term guarantees and to make long-term investments.

We welcome the fact that the Commission is committed to using the Capital Markets Union project and the review processes built into Solvency II to make these kinds of improvements. We look forward to engaging on these to identify appropriate solutions.

There have been first steps by the Commission and the European legislators to realise the potential of the CMU. But for insurers, these steps have been somewhat "timid", as they only bring more appropriate solutions to between 2 and 5% of our portfolio.

However, the incorrect treatment of our broader long-term business is not addressed in the current discussions, while own-initiative proposals by EIOPA - such as the one on the UFR - could worsen, rather than improve Solvency II.

We therefore hope the Commission will have **the vision** to find suitable solutions.

Our industry has put a great deal of effort into explaining our role as long-term investors and how this helps our customers and the economy.

Policymakers have begun to recognise the importance for growth and stability of the insurance industry, which is Europe's largest institutional investor.

Policymakers have also started to understand that insurers are not traders. In fact, we invest for the long-term. Therefore, some important improvements are needed to Solvency II to better reflect this.

Work needs to start now and we are asking the Commission to set up a mixed stakeholder Expert Group to discuss these very important and complex long-term investment issues. This would allow us, as the regulated industry, to provide direct feedback on the first effects of Solvency II, to explain how they affect our business model and to provide solutions for a broader discussion on addressing these problems.

The Commission can help Solvency II to achieve its initial goals of being a strong risk-based framework.

The European legislator can still ensure that our industry continues to take risk from companies and individuals. They can also ensure that our industry continues to offer long-term pension solutions.

And EIOPA can ensure very high levels of policyholder protection if Solvency II is applied in a converging way across Europe.

What needs to be done now is to launch the necessary workstreams to allow a deep and joint analysis of what works and what can be improved.

Our industry clearly stands ready to contribute to this debate.

CONCLUSION

So, **my call today is for vision**.

The industry needs vision to respond to new risks, and to make the best use of new technology to meet the needs of consumers.

And policymakers need to create the environment to support that vision.

I thank you for your attention. (Pause for applause)

Now I'd like to open the first session of this conference, which is all about vision and looking to the future.

We can certainly learn a lot by looking at what other industries are doing, so it is my great pleasure to introduce **Anna Aebischer-Imfeld, chairwoman of Westiform**. Westiform is a family-run company that has been producing signage for 60 years. It has fully risen to the challenge of going digital, so Anna has some useful lessons for all of us.