# Annual Report 2021–2022

insurance europe

# Contents


4 Foreword

6 War in Ukraine
Insurers respond to war challenges
Michaela Koller, director general

**Advancing sustainability & inclusivity**

9 OPINION
Climate adaptation
Measure for measure
Michael Szönyi, flood resilience program lead, Zurich Insurance, Switzerland

12 Sustainability reporting
A clearer perspective
Roman Sauer, chair, Corporate Reporting Working Group

15 Sustainable finance
Green shoots
Olav Jones, deputy director general

18 Diversity & inclusion
Better together
Anu Sajavaara, chair, Social Dialogue Platform

**Improving financial regulation**

20 OPINION
Insurance Capital Standard
Long-standing support
Petra Hielkema, chairperson, EIOPA

22 Solvency II
Safe and sound
Alban de Mailly Nesle, chair, Economics & Finance Committee

25 Recovery & resolution
A solution in search of a problem
Olav Jones, deputy director general

**Serving consumers**

27 Retail investment
Consumer focus
Bart Janknegt, chair, Conduct of Business Committee

31 OPINION
Risk-based underwriting
Dangers in forgetting risks
John Turner, head of life & health underwriting propositions, Swiss Re, Switzerland

**Supporting digitalisation**

35 OPINION
Cyber risks
Under attack
Joachim Wenning, chair of the board of management, Munich Re, Germany

38 OPINION
Artificial intelligence
Aims for AI
Isabelle Santenac, global insurance leader, EY

40 OPINION
Open insurance
Open with care
Sanda Ivankovic, group chief data officer, Allianz SE, Germany

**Ensuring protection**

43 Pandemic risk
Lessons learned
Michaela Koller, director general

46 Pensions
Second sight
Xavier Larnaudie-Eiffel, chair, Personal Insurance Committee

50 Motor
A new generation
Franco Urlini, chair, General Insurance Committee

53 New liabilities
Same again
Marco Visser, chair, Liability/Insurability Working Group

**GFIA & RAB**

56 GFIA OPINION
Worldwide coordination
Global and local benefits
Don Forgeron, president, GFIA

58 RAB OPINION
Open markets
Fewer barriers, more resilience
Denis Kessler, chair, Insurance Europe Reinsurance Advisory Board

**Insurance Europe**

60 Member associations

64 Events

67 Publications

70 Executive Committee

73 Working bodies

77 Leadership


Insurance Europe is the European insurance and reinsurance federation. Through its 36 member bodies — the national insurance associations — it represents all types and sizes of insurance and reinsurance undertakings. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers pay out over €1 000bn annually — or €2.8bn a day — in claims, directly employ more than 920 000 people and invest over €10.6trn in the economy.

www.insuranceeurope.eu

## Glossary

| | |
|---|---|
| EIOPA | European Insurance & Occupational Pensions Authority |
| ESG | environmental, social and governance |
| ESMA | European Securities and Markets Authority |
| IAIS | International Association of Insurance Supervisors |
| NGOs | non-governmental organisations |
| SMEs | small and medium-sized enterprises |
| UN | United Nations |

# Foreword

**Andreas Brandstetter**
**President**

**Michaela Koller**
**Director general**

It is difficult to express the extent of our disbelief and anger over the dreadful events that have unfolded in Ukraine. We had hoped to never again see such violence on European soil, and the war will have significant consequences that will be felt throughout our continent for many years to come.

During such difficult moments, coming together to try to find common solutions to challenges is key. We share the sentiment expressed by Don Forgeron, president of the Global Federation of Insurance Associations (GFIA), when he says that one thing that is heartening when we look at the many grave challenges facing the world today it is that federations such as Insurance Europe and GFIA have members and staff with the ambition and ability to find innovative ways to tackle them.

The specific, insurance-related issues created by the war in Ukraine and the sanctions imposed on Russia are all covered in the next article of this Annual Report. For example, we highlight the speedy coordination by insurers across Europe to offer temporary cover to Ukrainians fleeing into other European countries without motor insurance. And we must salute the extraordinary efforts of the colleagues in our member association in Poland, which, as you know, is the country that faces by far the largest influx of Ukrainian refugees. Our PIU colleagues are running a fundraising initiative — to which you can donate via our website — to finance aid for Ukrainian hospitals and, what is more, they have been personally delivering those medical supplies directly to the hospitals, as well as offering language lessons to refugees in their offices in Warsaw.

It is actions such as these that give us hope in challenging and frightening times.

We saw similar "can do" responses to the COVID-19 pandemic, with insurers going above and beyond their contractual obligations to offer temporary extensions of cover and services, swiftly implementing new online processes so that they could continue to serve their customers, and offering additional support to economies and engaging in charitable initiatives across Europe.

And when it comes to the defining issue of our age — the climate emergency — our industry is at the forefront of adaptation and mitigation measures and sustainable investments.

You can read more about these in the first section of this report on advancing sustainability and inclusivity, where you will also find mention of our new Sustainability Hub, which showcases the vast number and variety of insurance industry initiatives to combat climate change and its effects and to meet sustainability goals. The Sustainability Hub also highlights alliances, coalitions and national public-private partnerships, demonstrating that, of course, it is not just our members who go the extra mile when called upon.

We would like to take this opportunity to express our thanks for the constructive discussions we enjoy with our counterparts in all the institutions with which we and our members engage. It was the initiative of the European Commission, for instance, that led to the formalisation of the best-practice recommendations for the financial services industry at the height of the pandemic. And Commission officials are again currently fully engaged with us to answer questions and offer support in the implementation of Russian sanctions.

Elsewhere, we appreciate the enormous efforts of MEPs to engage with the often complex and technical elements of our industry to ensure that the sector's legislation is tailored to the unique way in which insurance works. Here some obvious examples are the European Parliament's work on the crucial review of the industry's prudential regulation, Solvency II, the development of the Insurance Recovery and Resolution Directive and the AI Act.

Consumer protection is rightly at the core of EU legislation and we value our interactions with all the co-legislators to ensure high-quality insurance regulation that protects consumers effectively and helps them to buy the best products for their needs.

The upcoming Retail Investment Strategy will be crucial to ensure that insurance customers receive the information they need to fully understand the benefits that insurance products offer. Insurance is based on trust, so a firm underpinning of appropriate regulation is essential for a well-functioning industry. This can only be achieved by regular, in-depth dialogue between all stakeholders.

And here we must also not forget the regular interactions with our supervisors — globally at the IAIS, at European level predominantly with EIOPA, and increasingly with ESMA. These discussions are important to convey industry challenges and reinforce the need to fully reflect our business models in their advice to policymakers.

So, in these troubled times, we look forward to continuing our joint efforts to seek solutions to the many challenges we face. We hope many of you will be with us for our 12th International Conference in Prague on 2 June, when we will be looking at ways to reduce or eliminate the numerous protection gaps that still exist in the world.

Truly, we are stronger together.

Michaela Koller
Director general, Insurance Europe

**Action on motor insurance**
One of the first initiatives taken by several insurers has been to facilitate the provision of motor insurance. This means, for instance, granting frontier insurance (a type of cover that allows people from outside of the EU to drive in EU territory for a period of time, usually for one month) for free or for a symbolic price. Likewise, insurers in several EU member states committed to ensuring that accidents caused by uninsured Ukrainian cars would be paid by the local insurance sector or guarantee fund, without recourse to the driver, for a period of usually one or two months, but in some cases up to six. Insurance Europe's Polish member has also translated Insurance Europe's European Accident Statement into Ukrainian to make it easier for Ukrainian drivers involved in an accident anywhere in the EU to settle an insurance claim.

As these are short-term solutions in nature, the industry is currently looking for more medium-term solutions. One option being considered is the provision of standard motor third-party liability (MTPL) coverage without a need to register the car, in order to limit the costs and burden for Ukrainian drivers. Discussions are ongoing at national and EU levels on how to do this efficiently. Another possibility currently being contemplated in some markets is the delivery of frontier insurance policies for a longer time than the usual period of one month.

Having said this, the preferred option would be for Ukrainian people using their own car in the EU to purchase a Green Card issued by the Motor Insurance Bureau of Ukraine, which has maintained operations.

**WAR IN UKRAINE**

# Insurers respond to war challenges

After finding solutions to the short-term challenges, insurers are now moving to address medium- to longer-term issues

On 24 February 2022, much to our collective dismay, a war broke out on Europe's eastern border, as Russia invaded Ukraine.

For those insurers with offices in Ukraine, the immediate priority was to bring their staff to safety. In addition, many insurers, and especially those in neighbouring countries (Poland, Romania, Hungary and Slovakia), swiftly became active in providing assistance to refugees.

It was all hands on deck, with insurers and the national insurance associations, for example, transforming their offices into schools to help Ukrainian children learn the local language. Many insurers across the EU also decided to make donations to charities and organisations providing humanitarian assistance.

As more and more people fleeing the war reached the western part of Europe, initiatives were taken by insurers all over the EU to help refugees settling in a new country. For instance, insurers have provided temporary health insurance to refugees crossing the border, and many insurers provided free insurance to refugees and to the households supporting them, ranging from a free extension of liability insurance to free-of-charge pet insurance. Another area in which many initiatives were taken is motor insurance (see box above).

> **"For those insurers with offices in Ukraine, the immediate priority was to bring their staff to safety."**

Insurance Europe also took swift action in response to the outbreak of the war, most notably by terminating its partnership with the All-Russian Insurance Association, by issuing a statement strongly condemning the actions taken by the Russian government and expressing its absolute solidarity with the Ukrainian people and the country's insurance and brokers associations.

Another important consequence of the war is the need for insurers and other financial services firms to duly implement the sanctions adopted against Russia and Belarus. While this is a task for insurers themselves, Insurance Europe has tried to facilitate the process by passing on questions and challenges arising in the sector to the European Commission and EIOPA for guidance and information, respectively.

### Looking to the future

The war has been a shock since it began on 24 February, and at the time of writing, there is unfortunately no end in sight.

> **"In these extraordinary times, the Ukrainians have shown incredible strength and the insurance sector can also be commended for its resilience and ability to remain operational."**

In these extraordinary times, the Ukrainians have shown incredible strength and the insurance sector can also be commended for its resilience and ability to remain operational. Europe's insurers will continue to seek ways to support their colleagues in Ukraine, as well as the citizens of Ukraine who have had to leave their country, taking account of their evolving situation.

There is also a need for all insurers to assess and deal with the possible consequences of the war, notably in relation to the economy (such as lower economic growth than anticipated and high inflation) and to financial markets. Specific attention is also being dedicated to new cyber threats.

Insurance Europe will continue to act as a platform for its members to exchange views and information in these questions and to engage with the European institutions.

OPINION

**Michael Szönyi**
**Flood resilience program lead, Zurich Insurance, Switzerland**

*Zurich partners with the Practical Action charity, which supported the Nepal Flood Resilience Project to build a 220m biodyke on the Aurahi River, preventing flood water from entering the community of Bangalipur and saving crops.*

*Photographer: Sanjib Chaudhary, Practical Action Nepal*

CLIMATE ADAPTATION

# Measure for measure

## Measures to adapt to the changing climate are just as important as mitigation efforts

Since the topic of flood prevention was discussed in Insurance Europe's 2019 Annual Report by Zurich's Alison Martin, much progress to limit human-induced climate change has been made. In February 2021, the European Commission adopted the new EU strategy on adaptation to climate change. More ambitious targets were set at the UN Climate Action Summit in 2019 and at COP26 in Glasgow in November 2021. But the progress made is nowhere near the effort needed. Indeed, while important pledges were made on reducing deforestation, coal usage and methane, and commitments were made to greener transport, the world is still not on track to meet the 1.5°C target agreed on during COP21 in Paris.

So, while society must continue to make every effort to limit warming to 1.5°C, increased importance must be placed on adaptation. This is because even if the 1.5°C goal were reached — which, currently, seems highly unlikely — climate change would still have dire and sometimes catastrophic consequences[1].

Research, including our own from the Zurich Flood Resilience Alliance[2], confirms that climate change adaptation finance is insufficient and is not reaching the most vulnerable and those who need it most. We must therefore follow through on the commitment to leverage $100bn (€95bn) for climate finance, with an even split between mitigation and adaptation.

### Wise investment

This makes economic sense, as it has been shown that any investment, whether into mitigation or adaptation, is economically sound and pays off, with cost-benefit ratios of 1:5 up to 1:10 consistently found, even from traditional approaches. And this does not even take into account the co-benefits of more modern approaches, for which evidence has become stronger over the years. These include nature-based solutions — such as natural water infiltration instead of channelling it into sewage, biodykes instead of concrete levees, or making room for the river instead of putting it into an artificial narrow bed — as well as solutions that are focused on the human and social aspects on top of financial ones.

However, various hurdles must be overcome and false incentives must be eliminated to massively scale up and speed up climate-smart and risk-informed development approaches that help our society adapt to the future climate.

Here I will focus on four action areas, which expand on parts of the findings from a European Policy Centre paper[3]:

### *Synergising between mitigation and adaptation*

Nowhere is this more obvious than in the built environment. As we move to less resource-intensive, greener buildings and lives, solutions must be implemented that contribute simultaneously to mitigation and adaptation.

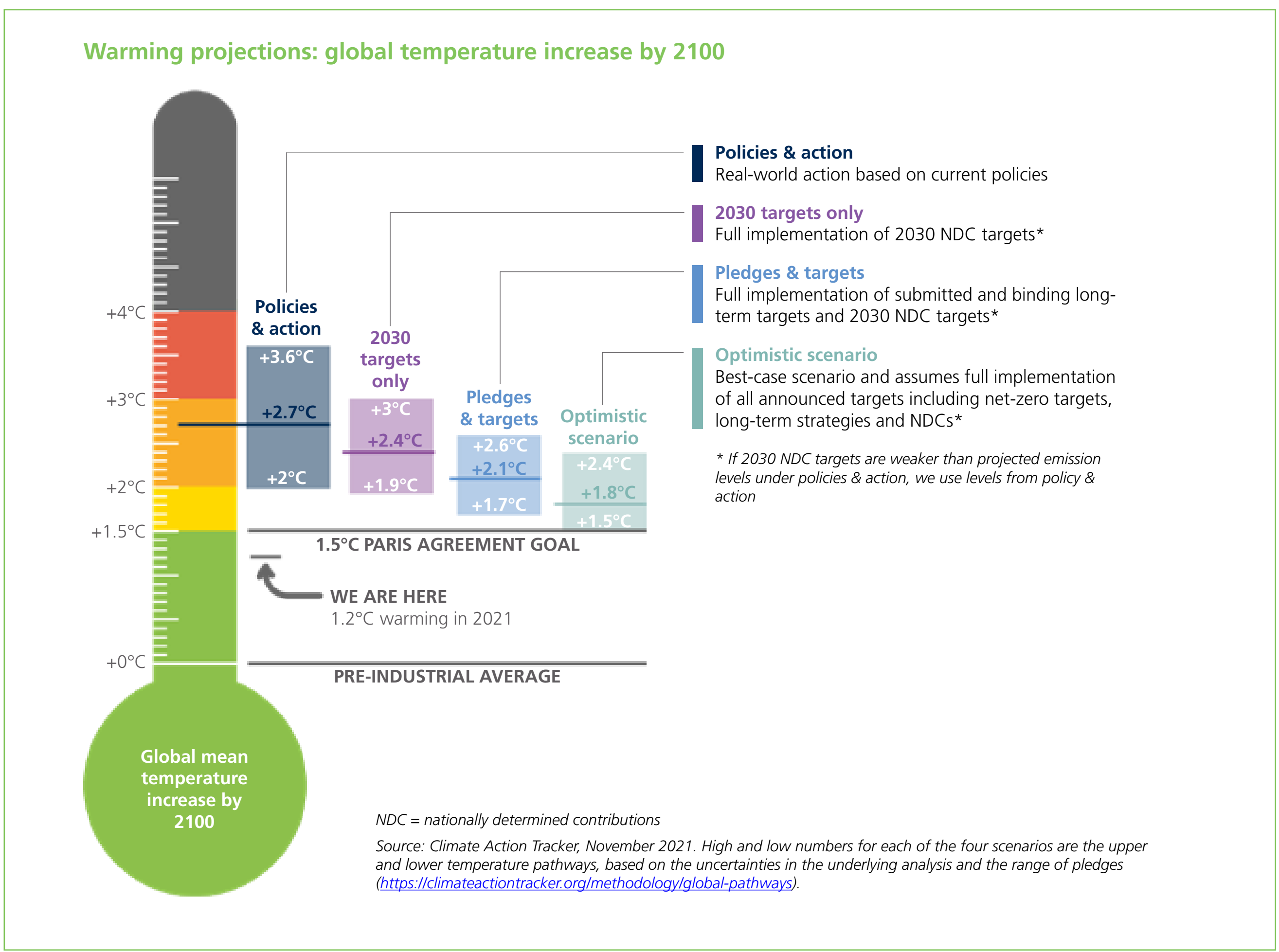
As we increase the pace of the energy transition to new renewables, we must ensure they are also well adapted, using future climate modelling to find the safest location to deal with increased hazards and using construction materials that are able to handle those hazards.

The same is true for buildings. The stock that will be exposed to the climate of the 2050s is being built now. We have no time to lose in understanding what that climate is likely to be and what must be done to adapt to it. A building designed and constructed today can easily meet mitigation targets/be net-zero and be adapted to hotter temperatures, more intense storms, stronger hail and much more.

A simple example is photovoltaic systems for solar power that are certified for bigger hailstones. Or reducing heating and cooling emissions in more variable climates through modern methods of construction and thicker wall and roof insulation that can cope with more intense or new hazards including increasing wildfires or floods.

1 "Climate Change 2022: Impacts, Adaptation and Vulnerability", Summary for Policymakers, B.1.7, IPCC, 2022
2 "At What Cost?: How chronic gaps in adaptation finance expose the world's poorest people to climate chaos", Zurich Flood Resilience Alliance, July 2020
3 "Adapting to change: Time for climate resilience and a new adaptation strategy", European Policy Centre, March 2020

**Warming projections: global temperature increase by 2100**




*NDC = nationally determined contributions*

*Source: Climate Action Tracker, November 2021. High and low numbers for each of the four scenarios are the upper and lower temperature pathways, based on the uncertainties in the underlying analysis and the range of pledges ([https://climateactiontracker.org/methodology/global-pathways](https://climateactiontracker.org/methodology/global-pathways)).*

The insurance industry has a long track record of identifying and assessing emerging risks and providing recommendations for how to reduce them. This goes all the way back to the fire sprinkler. In the years to come, the industry can help the adaptation to climate risks through modelling, risk-assessment capabilities, learning lessons from past and new claims, and providing those learnings to decision-makers, construction experts and society at large. This means embracing a more transparent approach to sharing data on hazards, risks and losses.

In my view, the possession of risk information is not what gives an insurance firm a competitive advantage, but rather knowing how to assess that information. We should therefore not be afraid of sharing data transparently. As an industry, we must also embrace new technologies and help reduce new risks rather than slowing new approaches because we consider them too risky. This is an opportunity to bring our core skillset to the fore and to diversify risk.

### *Prevention is economically and socially right*

The validity of the prevention case both financially and in terms of avoided misery is crystal clear, yet we keep falling at the hurdles of who pays and who profits and when to invest in preventative action. The asymmetries — in space and time — between who pays for prevention and who is better protected as a consequence, and how we justify paying for protection now and account for the avoided losses at a hypothetical time in the future must be overcome. Traditional excuses not to prevent include:

- Undeserved and unconditional *ex-post* compensation mechanisms for those that could have protected themselves. Although ways are, of course, needed to ensure the poorest and most vulnerable can still participate through the use of vouchers or similar means to alleviate the financial burden while still ensuring risk is clearly priced and displayed. Not enough progress has been made to ensure fair, pre-arranged compensation, for example, through the use of insurance as opposed to unconditional, ex-post compensation, such as that implemented after the catastrophic flooding from low-pressure weather system "Bernd" in parts of Belgium, Germany and the Netherlands in July 2021.
- The understandable motivation to improve protection only after a loss. This reduces the benefit, as both the initial loss plus the cost of prevention have to be paid, rather than just the prevention cost. We must therefore better anticipate where the next major loss will occur.
- Macroeconomic excuses such as the opportunity cost and the complexity of carrying out prevention work, when in actual fact prevention can be quite simple and can be successfully implemented at low or even no cost.

Global capital markets should be part of the adaptation solution, yet their focus so far has mostly been on mitigation, so long-term investment vehicles for adaptation and resilience building are still lacking. More willingness to design and implement longer-term resilience bonds and to take the upfront risks are urgently needed. The Coalition for Climate Resilient Investment (CCRI), especially its third track on financial innovation, is an important step in the right direction.

### *Devolving authority and skills to lowest possible level*

I see a big opportunity for adaptation at local level, where communities take decisions on their development objectives and climate risk management processes. In many decisions, the local level has the decision-making power but does not get the necessary support, incentives, skills and qualifications. The Principles for Locally Led Adaptation, developed by the Global Commission on Adaptation[4], are supported by over 70 governments and leading organisations, including Zurich Insurance. They are the right approach to bringing support down to the local communities on the frontline of climate-change impacts. This is where we make or break climate-change adaptation. It will also help us reach those that are most exposed and need the best adaptation, focusing more on people (and their assets) than on high-value assets alone.

### *Reconsidering insurance industry role*

Lastly, we must also reconsider the role of the insurance industry and how it must adapt its business model. Beyond the need to embrace new risks to ensure it is seen as an enabler of the transition rather than shying away from it, we must be part of the shift to accelerated mitigation and adaptation. From a private sector perspective, investing in adaptation — including in the most climate-vulnerable countries — continues to look unattractive and is often considered risky. We must turn this into an opportunity. Let us better understand and handle the new risks. Let us provide the underwriting capacity and risk engineering knowledge for them. We must critically reflect on what incentives we provide to those taking adaptation action. We should reconsider whether it is enough to argue that actuarially sound premiums are reflective of the level of risk and are sufficient motivation for risk owners to reduce their risk. We must make clear that insurance mechanisms alone do not solve the adaptation challenge, since a risk transferred is not a risk reduced. We should consider how we more stringently link insurance mechanisms to adaptation action by providing:

- more direct and clearer rewards, be it better prices, higher capacity, higher limits or lower deductibles for more adapted risks; and,
- improved services, such as follow-on support to flood victims as well as comprehensive build-back-better approaches after losses.

There are numerous options, and these enable the market to work flexibly. We should also consider how the industry can directly participate in adaptation action by developing co-financing mechanisms at location or policy level or by participating in or conducting adaptation programmes, such as the Z Zurich Foundation's long-standing flood resilience programme[5].

I am hopeful that the insurance industry can continue to provide its ample support mechanisms in a changing world and play a meaningful part in society's journey towards a well-adapted and net-zero future in 2050 and beyond.

**Extracts from "Climate Change 2022: Impacts, Adaptation and Vulnerability", IPCC, February 2022:**

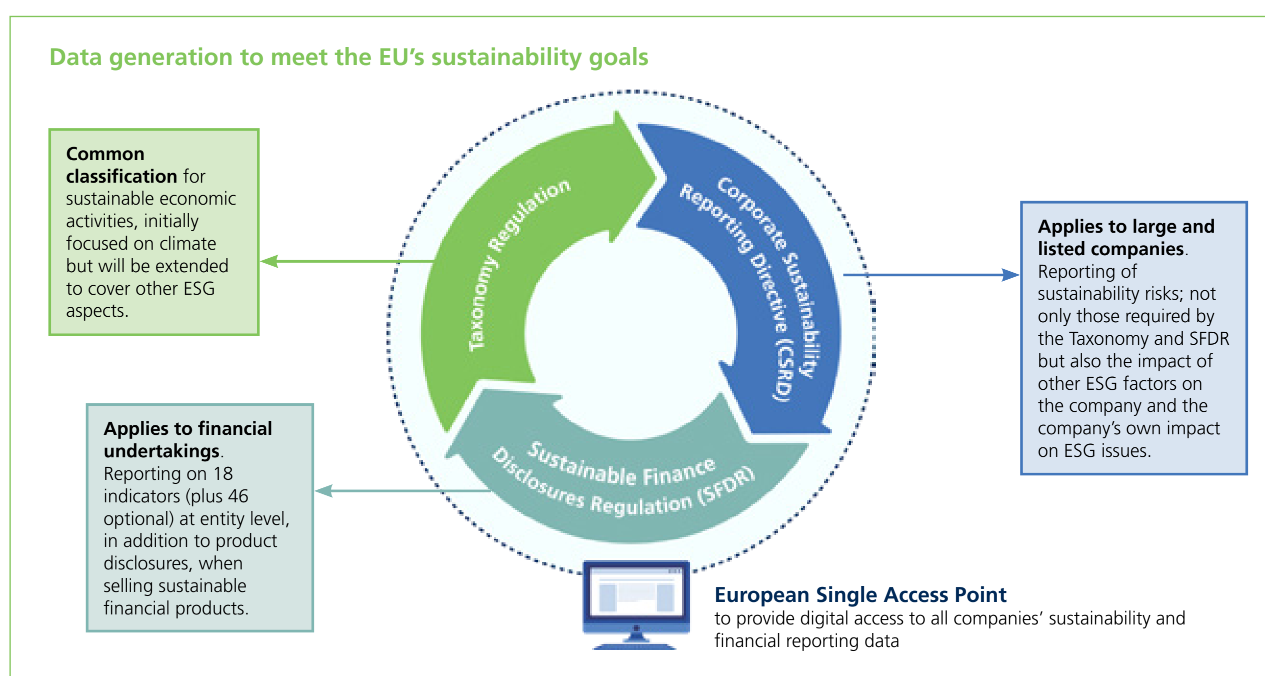
"Climate change is contributing to humanitarian crises where climate hazards interact with high vulnerability." (*high confidence*)

"Climate and weather extremes are increasingly driving displacement in all regions." (*high confidence*)

4 [Principles for Locally Led Adaptation](Principles for Locally Led Adaptation), World Resources Institute, January 2021

5 Flood Resilience Portal, Zurich Flood Resilience Alliance

**Roman Sauer**
**Chair, Corporate Reporting Working Group, Insurance Europe**
**Head of group accounting & reporting, Allianz SE, Germany**




## SUSTAINABILITY REPORTING

# A clearer perspective

New reporting rules will help provide insurers with the data they need to direct investment to sustainable assets

Insurers support the EU's ambitious agenda on sustainability. As Europe's largest institutional investor, with over €10trn of assets under management, the insurance industry is in a unique position to help finance the transition to carbon-neutral, resource-efficient and more sustainable economies.

To make appropriate investment decisions and comply with sustainability regulation it is vital that consistent, comparable and machine-readable sustainability data is available and can be accessed and used efficiently. The Corporate Sustainability Reporting Directive (CSRD), together with the European Single Access Point (ESAP) initiative, can achieve this.

The insurance industry therefore supports many important aspects of the EC's CSRD proposals, which are also supported by the Council of the EU and the European Parliament.

Firstly, it supports the fact that, under the CSRD, there is mandatory reporting for a very large number of companies — expected to be more than 50 000 — in machine-readable format, but there is also a simplified set of standards that listed SMEs will use.

Insurance Europe also welcomes the fact that the data that is needed for the EU Taxonomy Regulation and the Sustainable Finance Disclosures Regulation (SFDR) reporting is prioritised and included in the first set of sustainability reporting standards. EU sustainability reporting standards should build on and contribute to global standardisation initiatives through constructive, two-way cooperation between the European Financial Reporting Advisory Group (EFRAG) and those proposing international initiatives. EFRAG's role in developing the standards, in consultation with stakeholders, is also welcome.

However, Insurance Europe believes certain key points, which are not yet agreed by the co-legislators, should be included in the final text. These include that mandatory reporting should only apply at consolidated (group) level and that companies should be able to use the same audit firm for their financial reporting and sustainability reporting.

And on the subject of SMEs, mandatory reporting should be required of listed SMEs but according to simplified standards. Also, the standard definition for SMEs needs adjusting because even very small insurers can have balance sheets and turnover figures that exceed the limits used.

It will also be important to explicitly allow for a multiphase approach — both for issuing specific sets of standards and for setting their application dates — so that priority can be given to key data points.

### IFRS 17: the end of a journey

After over 20 years of development, International Financial Reporting Standard (IFRS) 17, which applies to insurance liabilities, was ultimately endorsed in the EU in November 2021. During the endorsement, a range of necessary improvements were incorporated to better reflect the special features of insurance liabilities including their long-term nature, the impact of risk-pooling and mutuality and the importance of asset liability management.

One of the last issues that was addressed was the requirement to split product portfolios into annual cohorts, which would have added costs and not adequately reflected the true economic nature of certain insurance products. Fortunately, the EU endorsement includes an amendment to address this issue and IFRS 17 will be applied in the EU from 1 January 2023, in line with the timetable of the International Accounting Standards Board (IASB).

The amendment grants EU insurers the option to exempt contracts that meet certain criteria relating to mutualisation or cash flow matching from the annual cohort requirement. It is hoped that the IASB will apply this amendment globally during the post-implementation review by 2027.

**IFRS 9: recycling should be allowed**

International Financial Reporting Standard (IFRS) 9, which applies to assets, was introduced in 2018 and is now undergoing a post-implementation review by the International Accounting Standards Board (IASB), even though — given the strong links between insurers' assets and liabilities — the insurance industry was allowed to delay its implementation of IFRS 9 to 2023 to align with that of IFRS 17.

One key improvement to IFRS 9 that the insurance industry wishes to see in the IASB review relates to the treatment of profits (or losses) from realised capital gains on equity investments. If it is not fixed, IFRS 9 could make investing in equities look artificially less attractive and so create an unnecessary barrier to insurers' equity investments.

IFRS 9 provides a welcome mechanism to avoid temporary share price volatility from distorting the profit and loss account. This feature is called FVOCI (fair value through other comprehensive income) and is very important for many insurers, but currently IFRS 9 does not allow insurers to recognise any of the actual realised gains from FVOCI equity investments in their profits, which is called recycling.

One reason recycling was not included in IFRS 9 was concern that there could be a lack of comparability in how companies report losses on their equity investments. To address this, the insurance industry has developed a robust standard impairment model to accompany recycling. The EC has also asked the IASB to revisit the ban on recycling, as greater investment in equities is a key part of its Capital Markets Union project.

### ESAP ASAP

As for the ESAP, it will allow insurers to access the data they need in digital format to steer their investment portfolios more effectively towards sustainability objectives and to comply with their disclosure requirements. Insurers welcome the aim to have it established by the end of 2024 and the fact that it does not create new reporting requirements and respects the "file only once principle" to avoid redundant reporting channels.

However, there are certain issues that should still be taken into account in finalising the ESAP text. There should be free or low-cost access for users, such as insurers, who need the ESAP data to make sustainable investment decisions and comply with regulatory reporting. And, as with the CSRD, there should be phased implementation, prioritising the ESG data needed under the CSRD, SFDR and Taxonomy Regulation.

Strong governance, and stakeholder and expert input, is key to the successful development of the ESAP. Insurers support the establishment of an advisory steering board, composed of users, preparers and national and EU competent authorities.

So that EU companies with investments outside the EU can fulfil their reporting obligations, voluntary submission from non-EU companies should be possible. Technical specifications should be finalised as early as possible so that entities can carry out the relevant IT developments. Finally, inclusion of certain product information in the ESAP is premature, in particular PRIIPS (packaged retail and insurance-based investment products), which do not currently provide appropriate information and are under review.

### Timing issues

From a preparer perspective, the mismatch in application dates between the various reporting frameworks creates difficulties meeting the obligations. The financial sector faces a data gap of at least a year because it needs data from the CSRD, which is available from 2024 at the earliest, to comply with quantitative data reporting requirements under the SFDR in 2023. Both the Council of the EU and the European Parliament are discussing potential delays to the EC's proposed CSRD timetable, so the data gap is likely to lengthen.

Therefore, it is important to recognise that it will take a number of years for all the planned reporting to be in place and that, in the meantime, insurers and other investors must be allowed to use third-party data, estimates and proxies on a best-effort basis to fulfil their new reporting obligations.

**Olav Jones**
**Deputy director general, Insurance Europe**

SUSTAINABLE FINANCE

# Green shoots

Insurers welcome the European Commission's renewed actions on financing sustainable growth

Climate change and environmental degradation are defining global challenges of our time. The European Commission estimates that €350bn in additional investment per year over this decade is needed to meet its 2030 emissions-reduction target in energy systems alone, in addition to the annual €130bn it will need for other environmental goals.

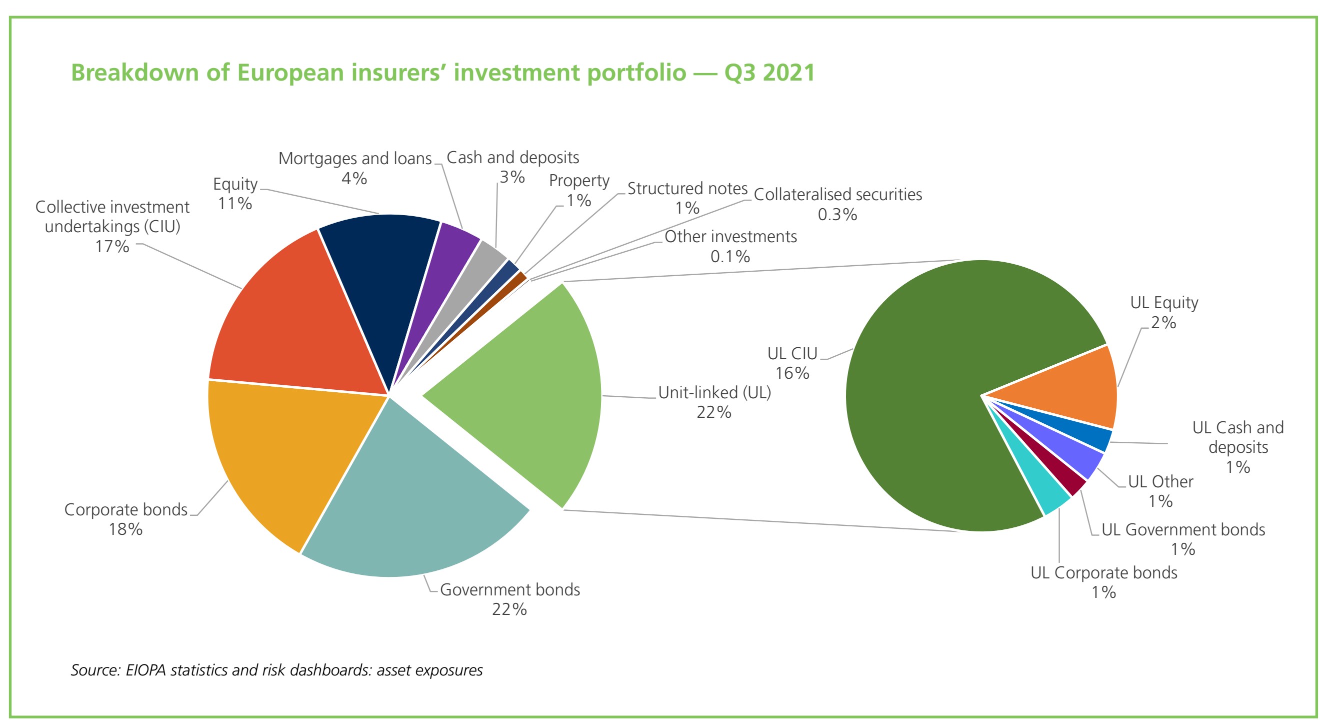
It is important that environmental regulation is complemented by a sustainable finance framework and the right regulatory changes to create the conditions that will allow public and private finance to be channelled to investment that reduces exposure to climate and environmental risks. Insurers recognise the need for urgent action, which has never been more unambiguous and, as demonstrated by the February 2022 IPCC report[1], the costs of abatement, mitigation and adaptation measures pale in comparison to the long-term costs of unmitigated climate change.

### Potentially huge role for insurers

The European insurance industry supports the goals of the Paris Agreement and the European Green Deal, as well as the EU's ambitious targets to reduce its greenhouse gas emissions by 55% by 2030 and achieve a net-zero economy by 2050. Insurers can play a significant role both in mitigating the

1 "Climate Change 2022: Impacts, Adaptation and Vulnerability", IPCC, February 2022

**Breakdown of European insurers' investment portfolio — Q3 2021**




*Source: EIOPA statistics and risk dashboards: asset exposures*

worst climate-change scenarios and in helping citizens and businesses to cope with and adapt to the impacts of the changes that cannot be avoided.

As Europe's largest institutional investor, with over €10.6trn of assets under management, the insurance industry is in a unique position to facilitate the transition to a more sustainable economy.

For many years, the industry has highlighted that three key areas of regulatory change are needed to allow insurers to play their full role in sustainable finance. Insurance Europe welcomes the fact that the Commission has launched initiatives covering each of these three areas.

The first is to improve the EU's Solvency II regulatory framework for insurers to remove the measurement flaws that unnecessarily constrain the industry's ability and willingness to invest long-term, including in sustainable investments.

The review of Solvency II, which is currently under discussion by the Council of the EU and the European Parliament, is the perfect opportunity to make these improvements. Insurance Europe welcomes the fact that the EC said when making its proposals that the "aim of [the] review is to strengthen European insurers' contribution to the financing of the recovery, progressing on the Capital Markets Union and the channelling of funds towards the European Green Deal". (See page 22 for more on the Solvency II review.)

The second area is the need for sustainability data to allow insurers, along with other investors, to identify sustainable investments and transition projects to finance. The EC has launched a very comprehensive set of sustainability reporting initiatives which, within a few years, are intended to generate the data that is needed. (See page 12 for more on sustainability reporting.)

The third area is the need for a significant increase in the supply of suitable sustainable projects and assets in which to invest. The potential capacity to invest is currently not matched by available assets. For example, in October 2021, the EC issued the first NextGenerationEU green bond to be used exclusively for green and sustainable investments across the EU. It was more than 11 times oversubscribed.

Insurance Europe welcomes the Commission's ambitious set of initiatives designed to encourage and require the wider industry to make the changes needed to achieve net zero by 2050 and fully take into account sustainability in how they operate. These initiatives are covered by the Green Deal and include the Sustainable Finance Strategy.

### EU's renewed strategy is welcome

In 2018, the Commission adopted its first action plan on financing sustainable growth and followed it in July 2021 with its Renewed Sustainable Finance Strategy, which contains further welcome steps towards advancing the objectives of the European Green Deal and improving the funding of sustainable projects.

For insurers, the EC's proposal for an EU Green Bond Standard (EUGBS), currently going through co-legislator scrutiny in Council and Parliament, is a particularly important part of the renewed strategy.

Specifically, Insurance Europe welcomes the fact that, as proposed by the EC, the EUGBS:

- will help enhance the availability of attractive sustainable assets;
- will allow investment with confidence in EU green bonds, on the basis of reliable, comparable and standardised information;
- will facilitate sovereign issuance of green bonds;
- will be based on market standards, making it a potential future global standard for green bonds;
- will be voluntary and therefore will not prevent the use of other sustainability bond standards, thus avoiding potential negative effects on the fast-growing and international green bond market.

There are however some improvements that can be made to the EUGBS:

- **Grandfathering** — Under the current proposal, the EUGB designation is not maintained for the entire term of the bond up to maturity, which may result in lower attractiveness for investors and issuers. The regulation should therefore make it clear that outstanding EU green bonds, regardless of subsequent changes to the screening criteria of the EU taxonomy, remain EU green bonds.
- **Use of proceeds for transition** — For EU green bonds to support more new green projects and help achieve the objectives of the European Green Deal, it is vital that European green bonds allow the financing of transitional projects. For this to happen, the EU taxonomy for sustainable activities must be developed to fully embed transitional measures.
- **Accreditation** — Monopolistic market structures increase issuance costs and could act as barriers to issuing green bonds. The accreditation criteria and supervision for EUGB reviewers should therefore not result in situations in which ESG agencies hold market- and price-setting powers, such as in the credit rating agency market.
- **Flexibility** — The industry welcomes the added flexibility of a "flexibility pocket", which allows a small portion of expenditure from EUGBS proceeds not to be aligned with the EU taxonomy, given that companies make a reference to their transition plans as required by the Corporate Sustainability Reporting Directive and that general "do no significant harm" criteria are applied to scan proceeds that are not aligned with the taxonomy.
- **Taxonomy alignment** — The EU taxonomy for sustainable activities is based on criteria at activity level, while bond financing is usually at project level. Issuers will need some discretion over how to align projects under an EUGBS with the activity-based screening criteria (ie, how to apply the taxonomy at project level).

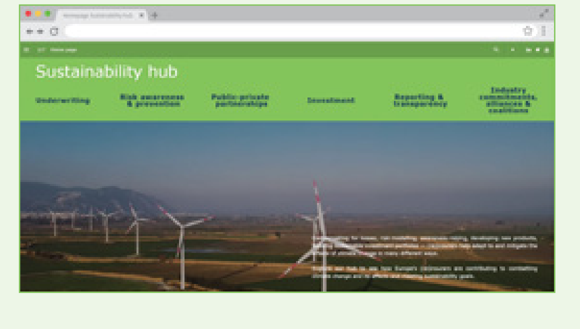
These improvements would ensure the uptake of the EUGBS.

### Insurance Europe's Sustainability Hub

Europe's (re)insurers are contributing in a wide variety of innovative ways to combatting climate change and its effects and meeting sustainability goals.

The Sustainability Hub on Insurance Europe's website showcases the many ways that (re)insurers are compensating for losses, risk-modelling, raising awareness, developing new products and building sustainable investment portfolios.

The Hub also includes details of national public-private partnerships and of industry commitments, alliances and coalitions.



**Anu Sajavaara**
**Chair, Social Dialogue Platform, Insurance Europe**
**Director of negotiations, industrial relations & industrial policy, Palta (Service Sector Employers), Finland**

## DIVERSITY & INCLUSION

# Better together

Insurance Europe signs a joint D&I declaration with the EU insurance social partners

Diversity and inclusion (D&I) are increasingly recognised as important factors in successful modern workplaces. When organisations proactively accommodate and value differences, everyone can thrive professionally.

The insurance sector, with an employee base of some 920 000 people in the EU, has always been at the forefront of promoting equal opportunities and combatting discrimination in the workplace. It is therefore not a surprise to see that so many EU insurers are signatories to European Diversity Charters — national initiatives on D&I supported by the European Commission. Companies that sign the Charters commit to taking effective actions to develop equal treatment policies and diversity management in the workplace.

### Insurers at the forefront

While work still needs be done to achieve greater representation throughout the business world, insurance appears to be making great strides when compared with other sectors. For example, in France, more than half of all managerial positions in the insurance sector are occupied by women (51%, up 6 percentage points since 2009). And in Spain, the insurance sector has set the ambitious goal of reaching a quota of women managers of close to 40% by 2023.

The benefits of a diverse workforce are numerous. Greater trust builds stronger social and professional ties. In turn, this can lead to better communication and a broader sense of community. Overall, more diverse companies are better equipped to attract the best talent and improve employee satisfaction, engagement and decision-making, all of which leads to a virtuous cycle, often rewarding companies with more commercial success, creativity and innovation.

For businesses to really harness all the benefits of diversity, they must focus on inclusion — ensuring that the organisation's culture allows each individual employee to feel they belong and are valued.

Insurance Europe has been taking a proactive approach to improving inclusivity by promoting industry initiatives, working to increase understanding of good practices and engaging with experts and social partners. It recently created a showcase of D&I best practices by its members (see box).

### Signing up for progress

Most recently, Insurance Europe is proud to have signed a landmark joint declaration[1] with the European insurance social partners that makes a committment to support companies in making D&I an integral component of their culture and of their business strategies. The declaration makes a clear statement that respectful, tolerant and inclusive workplaces are key to the sector's growth, innovativeness and sustainability.

> **"The declaration makes a clear statement that respectful, tolerant and inclusive workplaces are key to the insurance sector's growth, innovativeness and sustainability."**

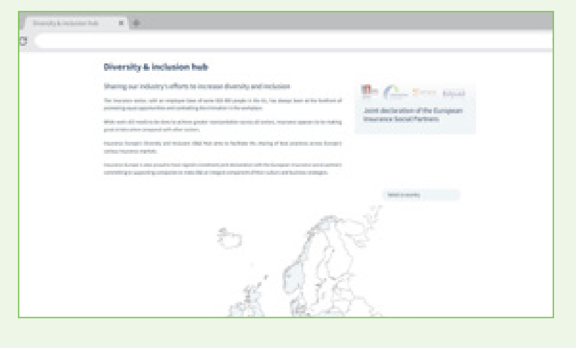
The text of the declaration covers issues such as equal opportunities, training and inclusive recruitment policies. Company-based measures should ensure that there are structures and mechanisms in place that foster equality, diversity, inclusion and non-discrimination in the workplace.

The text is an actionable tool that provides guidance for Europe's insurance companies on the key principles to introduce in any D&I strategy and will ultimately help insurers to be better equipped to thrive in this changing world. The declaration is also a clear signal that the industry intends to continue to widen access to women and minority groups, not only at entry level but throughout their working life, including at the highest management positions.

1 Joint declaration of the European insurance social partners on diversity, inclusion and non-discrimination in the sector, March 2022

**Insurance Europe's D&I Hub**

Insurance Europe's D&I Hub showcases a wide variety of examples of how Europe's insurers are working to support D&I in their workplaces and to embed D&I in their culture.




Everyone, including EU leaders, should play their part in promoting inclusion. When it comes to complex societal changes, though, it is important to keep in mind that legislation is no silver bullet. While legislation could be helpful, social partners are the ones uniquely positioned to drive and promote effective change. They play a crucial role in the governance of the employment relationship and are key players in industrial relations. They are therefore best placed to design initiatives that work in the real world and, at the same time, respond to the needs of different groups of workers.

The Commission is currently reviewing the functioning of the EU sectoral social dialogue. Now more than ever, it is crucial that the Commission renews its support for that dialogue at EU and national level by providing the appropriate funding and resources.

With the latest declaration, European insurers have shown that they are committed to working together as social partners, but also with policymakers, to help achieve change. Only by working together can we ensure that labour markets and education systems make the right shift towards a more diverse, equitable and inclusive society.

OPINION

**Petra Hielkema**
**Chairperson, European Insurance & Occupational Pensions Authority (EIOPA)**

ICS

# Long-standing support

EIOPA is fully committed to the success of the ambitious Insurance Capital Standard project

The development of the Insurance Capital Standard (ICS) by the International Association of Insurance Supervisors (IAIS) as part of its comprehensive, group-wide common framework (ComFrame) for the supervision of internationally active insurance groups (IAIGs) has been, since its inception in 2013, recognised by EIOPA as a key step in the enhancement of global financial stability as well as consumer protection.

Indeed, the 2008 crisis exposed shortcomings in cooperation, coordination, consistent application of supervisory measures and trust among insurance supervisors. The ICS should help prevent regulatory arbitrage, increase financial stability, promote a level playing field and strengthen international supervisory coordination, to the benefit of the economy at large, including financial institutions, consumers and employees.

### College education

Another important advantage of the ICS is that it will reinforce supervisory cooperation by providing competent authorities with a common system. It will facilitate the work of the colleges of supervisors that play an important role in an increasingly globalised market. With the ICS, supervisory authorities present in the colleges will obtain a common understanding of qualitative and quantitative requirements for insurance groups, which is fundamental for the colleges' efficient, effective and consistent functioning.

Working with its worldwide membership, the IAIS has already achieved substantial progress in the development of the ICS, with the agreement of ICS 2.0 and the launch of the monitoring period in 2019 representing the culmination of that progress.

### Use Solvency II principles

From a European perspective, the successful implementation of Solvency II and its proper fine-tuning is, of course, EIOPA's main priority. However, in parallel, we remain as strongly committed as ever to this phase of the ICS journey. We are currently working with our international peers to ensure that the final ICS standard is based on a well-designed, market-adjusted valuation, that capital requirements are sufficiently robust and risk-sensitive, and that the use of internal models is allowed under sound and prudent criteria.

**"The basic sound principles underlying the EU risk-based prudential framework should be applied internationally."**

Indeed, EIOPA believes that the basic sound principles underlying the EU risk-based prudential framework should be applied internationally. This means that the ICS should incorporate its fundamental principles, allowing it to become a practical implementation of the international standard. Our vision is that, in those circumstances, European legislators should be comfortable, at the end of the monitoring period in 2024, endorsing the ICS and considering any necessary adjustments to Solvency II to ensure that European IAIGs are subject to only one capital framework, which meets international standards.

The information collected during the ICS monitoring period until the end of 2024 will, by and large, determine its final design. It is extremely important to collect data from different business models to ensure a proper calibration and risk sensitiveness of the ICS. The monitoring period is therefore a crucial part of the journey and IAIGs throughout the world should participate. EIOPA strongly encourages all European IAIGs to take part in this common effort to shape the ICS.

In particular, one should note that internal models are part of the monitoring period as an additional reporting item, at the discretion of the volunteer groups and IAIGs. In practical terms, this means that internal models are not part of the agreed reference ICS and discussion continues about their potential integration in the future.

At the IAIS, EIOPA has supported the inclusion of internal models, focusing on their use as an enhanced risk management instrument, which enables a more appropriate reflection of the complex risk profile of IAIGs. In our view, these positive aspects are not adequately considered, due to an almost exclusive focus on the capital figures produced, as well as on possible supervisory and comparability issues. Another difficulty arises from the relatively low participation rates in the voluntary reporting of internal model results by IAIGs, in particular using their own internal model structure.

### US develops Aggregation Method

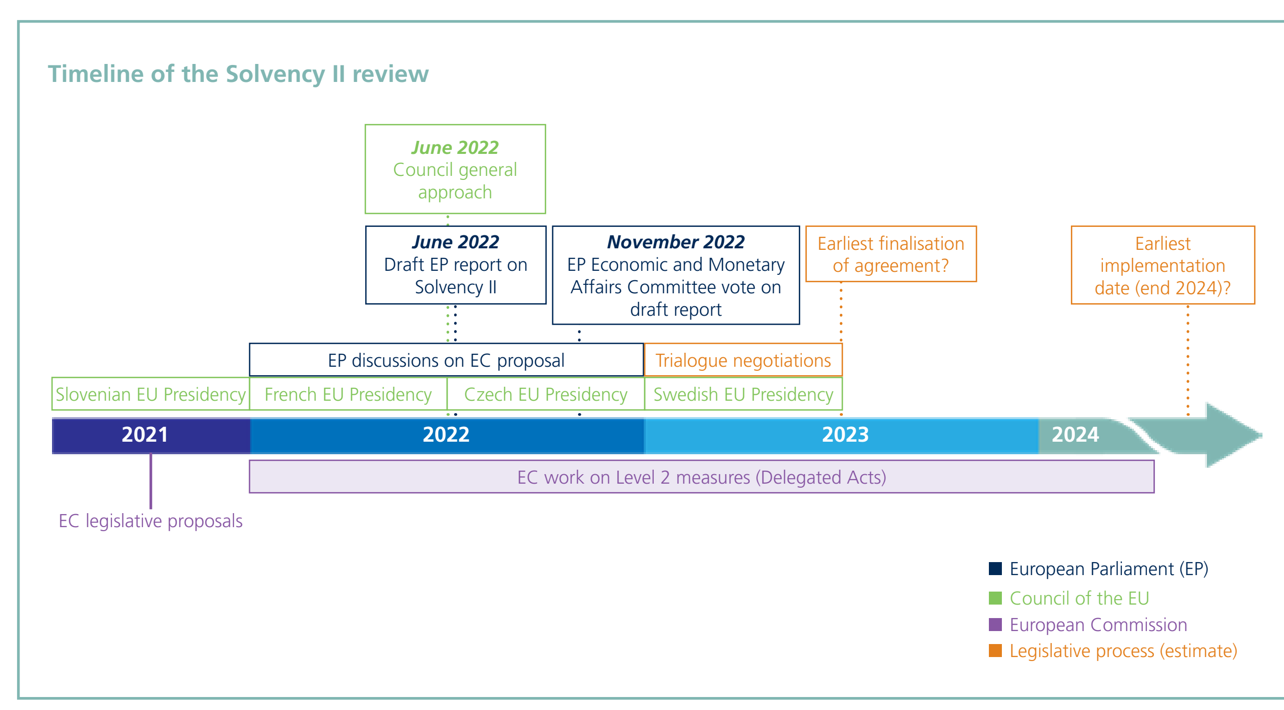
In parallel, the United States and other interested jurisdictions are developing an Aggregation Method (AM) for group capital calculation. Although this is not part of the ICS, the IAIS is helping to collect data from the US and others to aid in developing the AM. The concept aspires to measure group capital adequacy by leveraging existing legal entity jurisdictional requirements and resources as building blocks. Legal entity figures are adjusted and scaled to provide more comparable measures of capital adequacy across jurisdictions.

While recognising that only the worldwide implementation of the ICS will bring the necessary convergence to the supervision of IAIGs, conceptually it could be possible to imagine a situation in which a different capital calculation methodology would deliver substantially the same outcomes and be a proper implementation of the ICS. The recognition of this comparability could help the path towards convergence.

It is in this spirit that EIOPA approaches the assessment of comparable outcomes of the AM. The assessment needs to be based on detailed data showing whether the AM and the ICS produce similar results over time and under different economic and market conditions and whether they trigger similar supervisory action on group capital adequacy grounds. Above all, EIOPA cannot accept that the AM, as a framework for implementation of the ICS, is less prudent than the ICS.

The close of the monitoring period in 2024 will mark the end of a decade-long ICS marathon and the pace will increase to a final sprint towards finalisation. EIOPA thanks all stakeholders, in particular the EU IAIGs, for their continued engagement.

Alban de Mailly Nesle
Chair, Economics & Finance Committee, Insurance Europe
Group chief financial officer, AXA Group, France






## SOLVENCY II

# Safe and sound

Solvency II can be improved while maintaining a high level of protection for consumers and the financial strength of the industry

The European insurance industry has a long history of strength, customer protection and advanced risk management. The EU's prudential regulation for insurers, Solvency II, was introduced in 2016 to create a modern, comprehensive, risk-based framework that matches the best practices in the industry and ensures harmonised, regulatory standards across the EU.

Solvency II has delivered many of those intended benefits, including exceptionally high standards of policyholder protection, risk management and governance, an economic risk-based approach to solvency capital and extensive supervisory and public reporting. There are elements of it, however, that need to be improved, in particular to remove barriers to long-term business and investment.

Given the wholesale and complex nature of the regulatory reform, this is not surprising. Indeed, a "five-year health check" was included in the Solvency II legislation to ensure the new regime works as intended.

Without harming policyholder protection, the insurance industry would like the current review to deliver on four core objectives:

- Enhance the industry's investment capacity
- Adjust the framework to properly embed sustainability
- Increase the operationality and improve proportionality
- Increase the industry's competitiveness within the EU and abroad while preserving policyholder protection

When it published its proposals for the Solvency II review, the European Commission indicated that a capital reduction of around €90bn would help the insurance industry to support the transition to a sustainable and more digital economy, and to help fund post-pandemic economic recovery. However, the Commission's review proposals would deliver only a fraction of this, as while some of the changes proposed are indeed going in the right direction, some others would increase volatility and limit the needed positives to free up capacity for much-needed investment.

### Enhancing investment capacity

Collectively, Europe's insurers are its biggest institutional investor with over €10.6trn of assets under management. But how much it can invest and in what it can invest are impacted by the design of some measures in Solvency II that result in excessive capital requirements. This unnecessarily increases the cost of offering certain products and limits insurers' ability to invest in equities, corporate bonds and property.

Indeed, since Solvency II was introduced, extremely low interest rates and the rising costs of options and guarantees have pushed life insurers towards more shorter-term, less capital-intensive products. While this might be desirable to some extent to avoid excessive risk-taking, the framework should also acknowledge that offering long-term products with guarantees remains necessary, especially in member states where there is not a robust public retirement system. Solvency rules should not unnecessarily increase the cost of these products and lead to all the risk being shifted fully onto policyholders when the insurance industry could actually take it with the appropriate risk measurement. This would also reduce insurers' long-term liabilities and thus their need for long-term investments. And that shift towards short-term investing with the rest of the financial sector reduces insurers' traditional, stabilising role in times of financial turmoil.

### Embedding sustainability

The insurance industry has the capacity through its investments to help facilitate the transition towards a sustainable economy while meeting its commitments vis à vis its policyholders. European policymakers have been at the forefront of sustainable regulatory developments, with an unprecedented number of legislative initiatives. While we support the overarching goal, we believe that proposals from the review should aim to ensure that sustainability is adequately embedded into the Solvency II framework without bending any of its core principles.

Existing Solvency II requirements already take into account sustainability risks which must be considered in risk management, the own risk and solvency assessment

(ORSA), prudent person principle, underwriting, reserving and remuneration policy. They will soon be complemented by future sustainability reporting under the Corporate Sustainability Reporting Directive, the Sustainable Finance Disclosure Regulation and the Taxonomy Regulation.

Therefore, going forward, it will be paramount for the balance of the framework that the outcome remains economically risk-based, especially when it comes to exploring the opportunity of a dedicated prudential treatment of exposure related to assets or activities associated substantially with environmental and/or social objectives.

### Improving operationality and proportionality

The average EU life insurer has to complete around 70 reporting templates containing about 150 000 individual data points. And this will only grow as ESG reporting increases. Is all this data really used? And does it really need to be collected from every company? The vibrant European insurance market is made of a wide variety of insurance providers, both large and small. It is to the benefit of consumers to maintain this diversity and avoid unnecessary reporting costs, which customers — ultimately — would bear.

The principle of proportionality was included in Solvency II in order to avoid unnecessary costs for companies and their customers. However, in practice it is widely accepted that proportionality is not working. The Commission has made some helpful proposals, in particular to introduce the concept of a low-risk-profile undertaking that would automatically be eligible for reduced regulatory requirements, but the Commission's proposals need refinements to make sure proportionality really works as intended.

### Increasing competitiveness and policyholder protection

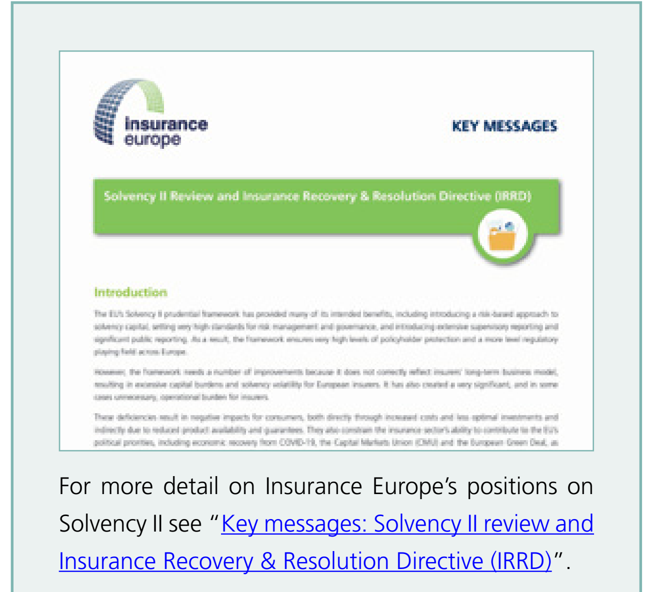
Policyholder protection is, rightly, the primary objective of the Solvency II framework and its capital requirements are based on a modern system of regular stress tests. These ensure that every European insurer has sufficient capital to cope with very extreme stresses — 1-in-200-year events — to protect policyholders. And, in reality, the vast majority of insurance companies set their own capital targets that are significantly above this level.

EIOPA's 2021 EU-wide stress-test exercise showed that the industry is even able to withstand a 1-in-1000-year event. It tested what would happen if the following all happened concurrently: a drop in interest rates to -1% until 2038; falls in equity markets of up to 45%; major disruptions in bond markets; higher than forecast claims; and 20% of customers allowing their policies to lapse. Even then, the industry would have had over €400bn more than it needed to pay all customer claims and meet its other liabilities. EIOPA's exercise also showed that liquidity was not a concern even under the very extreme scenario.

Protecting policyholders requires risks to be measured correctly to avoid excessive capital and volatility which, along with operational costs, can make products prohibitively expensive, restrict investment and innovative product design and impede European insurers' competitiveness on the international capital market, be it for external funding or external growth opportunity.

We are not advocating a race to the bottom but rather a levelling of regulatory standards in order to maintain EU insurers' competitiveness: excess capital, after all, comes with a cost. And even after the adjustments the industry is seeking, Solvency II would remain very much the global gold standard.

We believe that, overall, Solvency II has served its purpose since its implementation and that just a few targeted adjustments will provide an even more efficient framework. We trust that insurers, member states, the European Parliament and the European Commission will be able to strike the right balance which will allow us to reach our common ojectives.


insurance europe

KEY MESSAGES

Solvency II Review and Insurance Recovery & Resolution Directive (IRRD)

Introduction

For more detail on Insurance Europe's positions on Solvency II see "Key messages: Solvency II review and Insurance Recovery & Resolution Directive (IRRD)".

**Olav Jones**
**Deputy director general, Insurance Europe**

## RECOVERY & RESOLUTION

# A solution in search of a problem

The EC's surprisingly extensive proposal for an Insurance Recovery and Resolution Directive is not justified by a real need

In September 2021, the European Commission presented its proposal for an Insurance Recovery and Resolution Directive (IRRD).

Although a history of strong risk management and a focus on customer protection has meant that there have always been very few insurance failures in Europe, proposals on managing failures were expected in order to incorporate international standards developed by the IAIS. However, the decision to create a separate directive and the size and scope of the proposal took many by surprise. And despite the proposal being for a minimum harmonisation directive[1], it is already very extensive.

It includes, among other elements: proposals for the creation of 27 new resolution authorities; a requirement that pre-emptive recovery plans are prepared and updated annually for at least 80% of the EU market; a requirement that resolution plans are prepared and updated annually for at least 70% of the market; new powers of intervention for supervisors and resolution authorities; and extensive new powers for EIOPA.

As an industry, insurers recognise that some of the ideas and new requirements contained in the proposed IRRD may provide some benefits. However, the Commission's proposal needs significant

1 An EU minimum harmonisation directive sets a threshold that national legislation must meet but may exceed

improvements so that it is focused on the limited real needs, is appropriately aligned to the specific characteristics of the insurance industry and is proportionate to the limited risk that Europe's insurers pose to financial stability.

### Banking regulation is not appropriate for insurance

The Commission's IRRD proposal is based on its earlier work in the banking sector, primarily the Banking Recovery and Resolution Directive (BRRD) which was developed and adopted in 2014 folllowing the G20 and Financial Stability Board proposals that were developed after the 2008 global financial crisis to stabilise the financial system and the global economy.

Unfortunately, in the development of the IRRD proposal, the Commission appears to have overly relied on its previous work on the BRRD and its experience of the banking sector without sufficiently considering the limited risk posed by insurance companies and the specific nature of insurance business.

Insurance differs fundamentally from banking, and this has a significant impact on both the need for and the design of a recovery and resolution framework.

Firstly, it is important to note that the EU's regulatory framework provides several safeguards that should be reflected in any recovery and resolution framework for insurers. For Solvency II these include:

- A solvency capital requirement (SCR) that ensures a firm will remain able to meet all obligations to policyholders even after a 1-in-200-year loss event.
- A supervisory ladder of intervention that allows supervisors to begin taking actions when the SCR is breached and to fully take over the company if the lower, minimum capital requirement (MCR) is breached.
- An own risk and solvency assessment (ORSA) that requires insurers to do extensive stress- and scenario-testing.
- Provisions for the winding-up of insurers and national insolvency laws to complement these.

Secondly, traditional insurance business poses very limited systemic risks and is very different from banking. This is because, unlike banks, insurers are not institutionally interconnected. And liquidity risk is rarely, if ever, an issue due to the inverted production cycle business model, where policyholders pay premiums upfront and contractual payments are paid later — sometimes many years later — when an insured event occurs or when the contract ends. In addition, insurers operate with very limited leverage. This means that, in the rare event of an insurer failing, it does not happen suddenly, as insurers' liabilities crystallise gradually over time, allowing for a structured wind-down, so that policyholders are unlikely to be left without cover.

Thirdly, the critical functions that insurers provide are insurance products, which are almost always substitutable by another insurer in the market. No evidence has been provided by the Commission or EIOPA to demonstrate the widespread existence of critical products or a lack of substitutability that would justify the extensive IRRD proposals.

### Tailoring for the insurance sector

Much more detailed discussions are needed to develop a recovery and resolution framework that is fit for the insurance sector. It is clear that the limited amount of systemic risk, lack of critical functions and robust prudential framework mean that a much more limited set of requirements is appropriate:

- **Pre-emptive recovery and resolution planning should only be required where a real, risk-based need has been identified**. The Commission's proposals for minimum national market coverage of up to 80% creates an illusory level playing field given the diversity of the national insurance markets in the EU and only serves to unnecessarily increase regulatory cost and burden. Excessively prescriptive requirements will also reduce the usefulness of these exercises from a risk management perspective and make them a compliance exercise.
- **There should be no changes to the existing supervisory ladder of intervention**. There is no justification for the use of early intervention powers unless there has been a breach of Solvency II's SCR or MCR. The ladder of supervisory intervention already enables supervisors to step in when there is an imminent risk that capital requirements are breached. Further anticipating regulatory intervention would undermine a cornerstone of Solvency II crisis management.
- **EIOPA's role in the development and oversight of the IRRD should be focused on co-ordinating and facilitating good practice and convergence of practices among supervisors and resolution authorities**. The Commission proposes that EIOPA play a central role in the creation of the IRRD through the development of no fewer than 16 technical standards and guidelines. These would have a significant impact on its final scope and design; aspects that should remain in the control of the co-legislators.

**Bart Janknegt**
**Chair, Conduct of Business Committee, Insurance Europe**
**CEO, VvAA, Netherlands**

Serving consumers

**RETAIL INVESTMENT**

# Consumer focus

The needs of customers should be front and centre of the EC Retail Investment Strategy

Work is well underway on the European Commission's long-awaited Retail Investment Strategy (RIS), which seeks to bolster the retail participation in capital markets that remains so stubbornly low. So far in 2022, there has already been a detailed consultation from EIOPA on its advice to the Commission, three separate EIOPA public hearings, a second consultation from the Commission, the results of an external EC study and a call for evidence from the Commission. This all comes on top of the EC consultation issued in mid-2021.

All of this work is headed towards publication of new legislative proposals before the end of 2022. This could be an ideal opportunity to take stock of the current regulatory environment and to learn lessons from the successes and failures of previous legislative initiatives. But the success of the initiative depends on whether policymakers are able to design proposals that really meet the needs of insurance customers.

There have been too many proposals and requirements in the past that do not take any account of the specific features of insurance products and the needs of insurance consumers. The recent consultation on the options to enhance the existing, well-functioning suitability and appropriateness assessments is a further example of proposals intended to apply to insurance, although entirely designed with other financial products and distribution channels in mind. Such proposals are doomed to fail

to achieve their aims, and invariably do more harm than good. This will be an ongoing issue for insurers, who face an uphill battle to ensure that policymakers always consider the specific characteristics of insurance business before drafting new rules and that they do not prioritise simplicity in an effort to get things done quickly.

One focus of the RIS will be on product disclosures and on ensuring consumers receive the information they need to feel empowered to make investment decisions. Here, EIOPA's recommendations in its advice to the Commission to remove duplicative disclosures and facilitate digitalisation look promising; insurers have called for a more consumer-friendly regulatory framework for a long time and these proposals would pave the way for modern and streamlined disclosures. However, this is not enough. Proper legislative changes are needed to put the unique features of insurance-based investment products (IBIPs) front and centre in the information given to customers. IBIPs are different to other products (see p30) and this needs to be made clear in the information presented to customers. At the moment, consumers are barely informed of the existence of attached insurance cover and are certainly not given the tools they need to compare coverage between IBIPs.

**"The success of the Retail Investment Strategy depends on whether policymakers are able to design proposals that really meet the needs of insurance customers."**

### Too soon to change the IDD

When it comes to changes to the Insurance Distribution Directive (IDD), there are plenty of opportunities but there is also plenty to fear.

The direction of travel in Brussels seems to be towards "MiFIDisation" of the IDD. This would be harmonisation for harmonisation's sake, as there is no clear need for changes to the IDD. Insurers have worked hard over the last two years to implement the new IDD rules, and the result has been an overall improvement in how insurance distribution operates. It is far too soon to look at making more changes. The IDD is different to MiFID (the Markets in Financial Instruments Directive) and with good reason. Insurance is not the same as banking and fund management; insurance products offer something different.

The differences between MiFID and the IDD are not always well understood. The IDD is not MiFID-lite. In fact, the IDD is deliberately different to MiFID in order to meet the needs of the insurance market — and in some areas it goes further than MiFID.

**The importance of financial education**

Improving financial literacy and the understanding of insurance can play an important role in underpinning economic growth and in enabling societies to overcome the significant pension challenges they face. Increasing people's awareness of financial risks and opportunities from an early age can help them to make informed decisions about which financial services meet their needs.

Insurance Europe's 2021 Pan-European Pension Survey (see p46) showed that more than one third of respondents (38%) were not saving for retirement, with a quarter of those saying they were not interested in doing so. It is therefore vital to further raise awareness of the need to save for retirement and to improve levels of financial literacy so that individuals can make the most appropriate decisions for their own circumstances.

Insurance Europe and its members engage in a wide variety of financial education and literacy projects. Insurance Europe's own financial education activities can be found under its InsureWisely brand.

In the EU, there is no single European insurance distribution system but 27 systems that have developed over many years to meet the needs and expectations of local customers. The IDD works with this national variation, not against it.

The IDD also reflects the specific nature of insurance products. IBIPs are long-term products that form an essential part of a customer's financial planning. They are not designed to be switched and traded, and often are not sold solely for investment purposes. The IDD protects the face-to-face personalised advice that customers want and need by respecting the advice systems that are currently in place. Where this is financed by commission, the IDD provides robust safeguards to manage any potential conflicts of interest. Where national regulators favour fee-based advice, they are free to restrict the use of commission. This all serves to ensure consumers can access high-quality advice wherever they are.

### IBIPs offer extra protection

The additional protection offered by IBIPs is also important. Financial guarantees and insurance cover give insurance customers security and the confidence to invest. These features increase the possibility for consumers to access capital markets and regulation should not work against this. Increasingly, IBIPs are being classified as complex on the basis of their structure alone, for the mere reason that they provide insurance protection on top of investment. Unfortunately, this is in line with a long-standing focus of policymakers and NGOs on the price of a product above all else. It is vital that the RIS acknowledges the benefits of additional protection rather that viewing any insurance cover as potentially confusing to consumers. The focus should be on consumer choice and information, making sure customers have the information they need to decide on a product themselves.

The RIS will best serve consumers if it focuses on their main needs. They require better access to a wide variety of products, with the option to buy directly and seamlessly online where that suits them best. They also need policymakers to listen to their views. The EC's external study did include some consumer testing, but this should just be the start. The creation of a new strategy for retail investors should have consumers at its heart, with proper impact assessments and ongoing testing. This is the best way to facilitate participation in financial markets, not trying to fit all sectors into the same regulatory box.

Insurance Europe looks forward to continuing the discussions with the European supervisory authorities and the European Commission to promote a competitive financial market in which consumers have access to a wide range of financial services. This is vital for financial inclusion and for retail investors' participation in capital markets.

**Examples of what insurance-based investment products (IBIPs) can offer retail investors**

| | | |
|---|---|---|
| **Savings** | Different architectures are possible. For example: pure unit-linked (multi-options or not, with open architecture or pre-defined investment lines, linear or structured, etc.), hybrids (multi-options or not, static or dynamic, etc.), with-profit participation, guaranteed products, annuities, index-linked, funeral products, etc. | |
| **Financial guarantees** | Different levels of financial guarantees are possible, usually at maturity. The financial guarantee can cover the premium invested and/or ensure a minimum return. | |
| **Biometric risk cover** | Different risks can be insured, including tailor-made offers. For example: death, disability, health (sickness, accident, hospitalisation, critical illness, maternity, etc.), unemployment, long-term care, etc. | |
| **Services & innovation** | For example: 24/7 telemedicine, second medical opinion, patient transport, psychologist in traumatic situations, imaging diagnostic procedures/ surgeries, ad-hoc medical examinations, regular check-ups, hospital stays abroad, home assistance, etc. Digital solutions, ESG features, alternative funds (real estate, ELTIFS, etc.), capital protection mechanisms. | |
| **Succession planning** | Tax optimisation, possibility to ascertain when, how and to whom the sum should be distributed, etc. | |
| **Payment flexibility** | In the accumulation phase: single or regular premiums, top-ups, premium holidays, etc. In the decumulation phase: lump sum or periodic sums, etc. In the pay-out of the biometric risk cover benefits: minimum guarantee on premiums paid, pre-defined lump sum, extra sum under certain circumstances, in-kind services, etc. | |
| **Claims-paying capacity** | Insurers are subject to extensive capital requirements and have a strong solvency position. | |

OPINION

**John Turner**
**Head of life & health underwriting propositions, Swiss Re, Switzerland**

## RISK-BASED UNDERWRITING

# Dangers in forgetting risks

Without any risk selection, private insurance is not financially viable

Insurance is not like a loaf of bread or a carton of milk that costs the same for every customer. Bread and milk have the same costs of production regardless of who buys them. The costs of insurance products, by contrast, are not fixed, because insurance is about risk and each person has a very different risk profile, driven by multiple factors.

Risk-based pricing is essential to a sustainable voluntary insurance market. This is especially the case for insurance such as cancer coverage and critical illness or disability coverage, which are products that do so much to help affected individuals. Underwriting keeps the price of products affordable. Restricting or removing risk-based selection has a direct impact on price, and therefore reduces the accessibility of insurance. In an era in which regulators are considering limits on this risk-based selection model it is important to explain why we price insurance the way we do.

### Basic risk-related pricing

Private insurance, especially products such as life insurance, is cheaper than most people assume and needs to be appropriately priced as demand for insurance is very elastic; the higher the price, the less people buy. For most, the decision to purchase is an entirely voluntary act, so if it is poor value they do not buy or buy only the minimum. If it is great value, they buy a lot.

In mathematical terms, a typical life insurance product might

be priced at an annual event risk of less than 1 in 1000. In other words, if there are 1000 people insured and all pay the same risk premium and have the same sum assured, there will be sufficient funds in the pool to pay one claim per annum. If the pool needs to pay a second unexpected claim, the cost for everyone doubles to pay that claim. Insurers manage this risk by charging a premium that is proportional to the additional risk that each individual brings to the pool, as this avoids others having to pick up the excess cost.

### What is fair?

The matching of price to individual risk situations is fair as it reflects the individual value of the product and also the costs of providing that insurance. To do otherwise essentially forces others to pay more for a risk they do not bring to the pool, which they are unlikely to consider fair. But what would happen if we charged all people the same price by introducing obligatory insurance, as happens in many markets with more social insurance such as basic healthcare protection?

With regulation or taxation to make everyone buy the same type and amount of insurance, it is indeed possible to remove much of the individual risk considerations from insurance. The challenge here is that people have very different insurance needs; some might want to protect their incomes, for example, while others want to protect their families or their financial liabilities. Therefore, any state-driven obligatory purchase may entail many people having to pay for insurance that does not match what they want and need.

Without such obligatory purchase mechanisms, is it at all likely that everybody would buy the same type and amount of fixed-priced insurance? A 25-year-old might see their current voluntary premium rate for life insurance increase 10- or 20-fold for obligatory life insurance. This would represent very poor value for their risk situation, so few — if any — would buy it. A 90-year-old, however, would see fantastic value in the fixed price, and would not only purchase, but would be well advised to spend all available assets they have on buying as much as possible. Increasing the aggregate price for everyone to pay for the additional risk exposure and more/higher claims among the older age group only further discourages younger people from buying. Insurance requires cross-subsidisation between different risk groups, but if that cross-subsidisation is so great that it influences buying behaviour, the whole system becomes untenable.

### How much deviation can the system absorb?

Some risk variances can be managed at an equal price, as we have seen since the introduction of unisex rates across the EU. Women are lower risk than men for most insurance types, and accordingly previously paid lower prices. The differences were not so huge, however, as to materially disrupt the actual buying behaviour once unisex rates were introduced. Insurers were also able to track the different gender exposures, so they could reserve and set their aggregate price appropriately. Society drives what are acceptable differentiation criteria and regulators enforce those views through anti-discrimination provisions. When setting those regulations, however, it is important to understand that the bigger the variance in risk, the greater will be the disruption to product offerings and to price.

### Is demand for insurance so elastic?

In voluntary, private insurance, the price of insurance is a massive influencer on demand, not only due to individual choice, but also due to the actions of brokers and agents whose job it is to find the best-value product for their customers.

Even for credit protection, insurance is usually optional, and certainly the nature of the covers to be selected is (life, critical illness, disability, unemployment, etc.). Add the flexible choice of whom to name on the loan and therefore the insurance, and it is soon obvious that — even here — any moves away from risk-based selection will result in more claims being payable. Additional claims must be paid for via higher premiums, thereby raising the risk that insurance-protected loans become unaffordable for the majority.

### What about medical history and data?

If you apply those same pricing principles to the state of health, it becomes arguably more sensitive, but the effects are the same. Consider two people of the same age, one with no medical issues and one with significant health issues that make the insured event much more likely to happen. Trying to charge a health-neutral premium to both will be as doomed to fail as in the earlier age-neutral example; the first person will simply not buy, whereas the second will understandably buy a lot of protection coverage. Of course, nobody chooses to get sick, just as nobody chooses to get old, but there remains significant choice in what insurance to buy.

The required consideration of very finite risks by insurers does create some misunderstandings, such as a patient receiving an apparently different message from their doctor than from their insurer. A doctor may tell the patient they are cured or very low risk, as by most clinical standards the statistics suggest that is the case. Insurers, however, need to focus on even small numbers of additional claims payable from a large pool of similar patients. They are often looking at the same clinical studies before making their prognoses, but the starting point for what risks need to be considered, or not, is very different.

### Where does the right to forget cancer fit in?

There is strong debate currently around how the selection

"Cancer is an incredibly varied disease, which needs to be assessed according to the medically proven and risk-relevant elements of each case."

process handles one condition, cancer, with moves to remove many patients with a history of that condition from the risk-based considerations of the insurance process, commonly referred to as the "right to be forgotten". Cancer is an incredibly varied disease, and so insurers use the latest disease type-specific medical studies to make their assessments. This results in many applicants with a history of cancer already being offered the same price and conditions as someone without such a history.

Many other cancers, however, represent a still significant additional risk of the event being insured against, even after many years. Remember we are commonly pricing the insurance at 1 in 1 000, so even a 1 in 100 additional risk due to the cancer history is a very large multiple of the priced-for risk. Forcing a process that removes some patients from risk-based pricing but not others, such as heart patients, seems fundamentally unfair. Yet, forcing a system that removes risk selection for all health conditions would seem to be fair but would not be financially sustainable. Legislation without consultation and adequate consideration of consequences could do more harm than good.

"Forcing a system that removes risk selection for all health conditions would seem to be fair but would not be financially sustainable."

### Where next?

Insurers recognise the issues and are already developing and delivering solutions for those who may be disadvantaged by risk-based pricing. These take many forms across markets and companies. They include but are not limited to:

- Heavy investment in using the latest clinical studies to ensure patients get the benefit of medical advances and insurers price products based on the latest medical, statistical and scientific data.
- Directing customers to insurers better able to support higher risk protection needs.
- Partnering with service providers that can help the customer to better manage their disease.
- Developing disease-specific products, as well as easier to access insurance.
- Constantly pushing the boundaries of maximum insurability.

It is in the interests of both insurers and customers to insure as many people as possible. Insurers pay out billions every year to those in most need, but their ability to provide these benefits depends on adequate risk selection and pricing. Challenges to how insurers do this endanger the availability, and certainly the affordability, of products that benefit so many people.

OPINION

**Joachim Wenning**
**Chair of the board of management, Munich Re, Germany**

CYBER RISKS

# Under attack

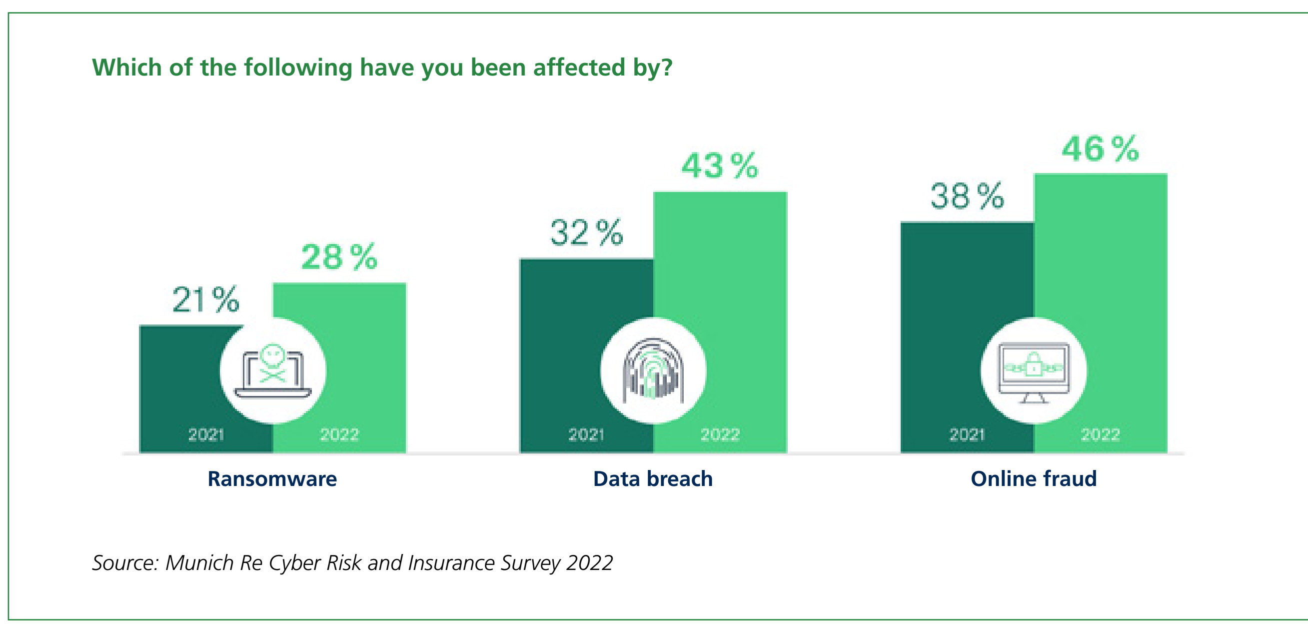
The cyber threat to economies and societies is growing. Systemic risks and accumulation scenarios require sustainable, innovative insurance solutions.

Cyber criminals operate in highly professional, agile and networked ecosystems. The global economic damage can only be estimated, but we have seen a clear rise over recent years. The Munich Re Cyber Risk and Insurance Survey 2022, which surveyed over 7 000 executives and employees from various industries in 14 countries, underlines this development, revealing that, year-on-year, online fraud increased by 22% globally, while ransomware attacks and data theft increased by 33% and 34% respectively.

While prominent incidents create major headlines, the vast majority of successful cyber attacks usually remain uncommented on by the media, yet they cause severe challenges for the affected companies and organisations. Therefore, it is no surprise that the Munich Re Survey showed an increased awareness of this topic amongst global decision-makers. Nevertheless, only 17% of global heads reported that their company is already adequately defending itself against cyber threats. The findings show the importance of further increased resilience and preparedness in general.

### Major threat vectors

In light of the statistics mentioned above, it is crucial to have a thorough understanding of the threat landscape and an organisation's own vulnerabilities. For only then is it possible to protect oneself in a targeted manner by means of adequate prevention. Munich Re experts assume the risk situation will



*Source: Munich Re Cyber Risk and Insurance Survey 2022*

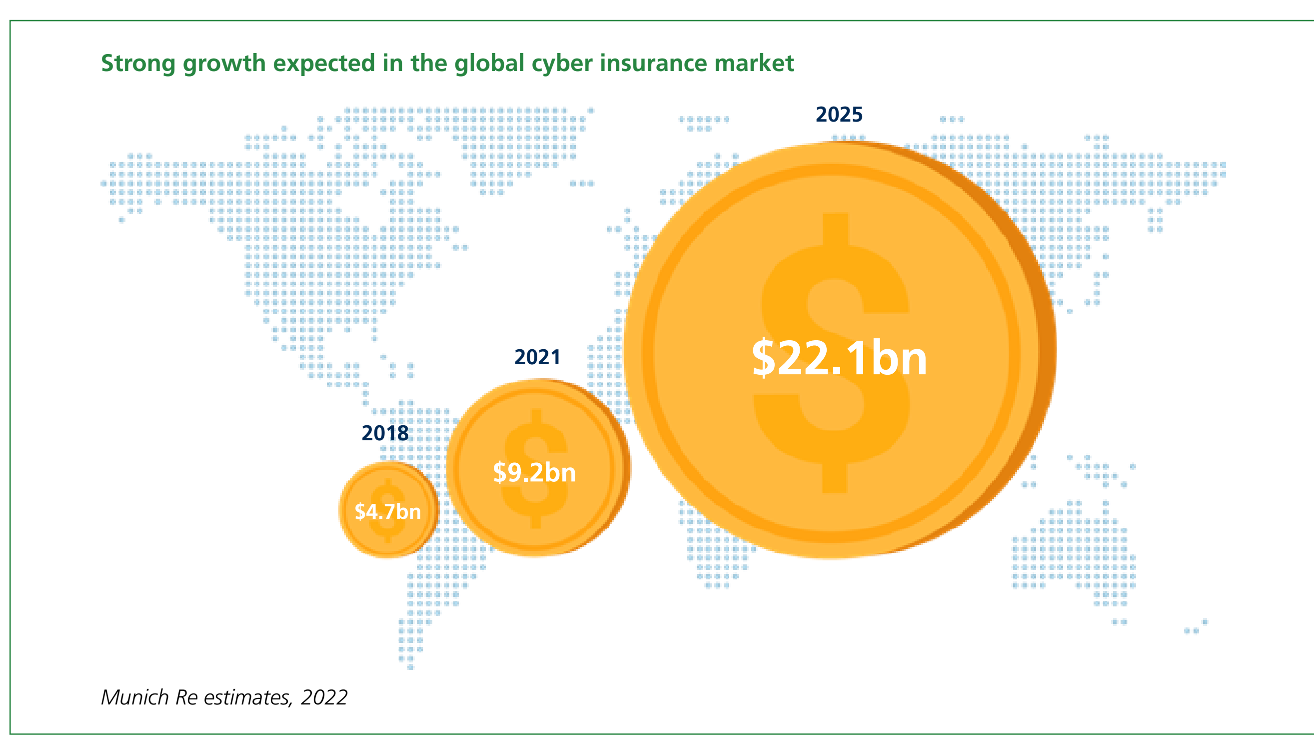
remain extremely dynamic, with rising vulnerabilities and attacks that are not always immediately and fully visible to the victim. We expect that the cyber-threat situation in 2022 and beyond will be mainly characterised by three factors:

- **Ransomware**
  Munich Re anticipates a continuously high number of ransomware attacks conducted by attackers relying on proven methods and on expanding their own tactics and procedures with so-called multiple blackmail schemes. In addition, by passing on their tools and expertise, criminal groups enable the participation of other perpetrators (affiliates), who can carry out ransomware attacks without much know-how of their own. For example, ransomware programs can be rented on the darknet for $40 (€38) per month.Besides an increase in frequency, we also expect more severe impacts due to successful ransomware attacks. This might be especially true when operational technology or critical infrastructure is affected.
- **Supply-chain attacks**
  Criminals are increasingly achieving particular reach-through attacks on or via the supply chains of companies. ENISA, the European Union Agency for Cybersecurity, also confirmed this attack pattern. According to its 2021 report, "Threat landscape for supply chain attacks", there was already a fourfold increase in 2021 in supply-chain attacks compared to the previous year. From an insurer's perspective, a single attack can cause damage to a large number of policyholders. Particularly-critical digital dependencies, such as the use of cloud providers, are therefore included in Munich Re's accumulation scenarios.
- **Attacks on critical infrastructure**
  Digital attacks on energy suppliers, food suppliers, hospitals, administrations and other areas of critical infrastructure reached a new peak in 2021. Given the war in Ukraine, we do not expect this development to slow down this year either. Attackers' motivation for targeting critical infrastructure is not limited to ransom demands. They also aim for destruction of processes and systems in order to trigger economic and political instability. To this end, some criminals also cooperate with state actors.

> **"Only 17% of global heads reported that their company is already adequately defending itself against cyber threats."**

## Growing demand for cyber insurance

The heightened awareness, as well as the politically and societally stronger focus on the topic of cyber security are a positive signal. It will lead to further demand for cyber insurance, which could continue to grow even faster than market capacity. We expect further demand from all industry segments and company sizes. In particular, loss-exposed sectors such as healthcare, professional services, retail, manufacturing, financial institutions, governmental institutions — including the education sector — and financial service providers are seeking more cyber-risk coverage.



*Munich Re estimates, 2022*

Munich Re estimates annual global cyber premiums at more than $9bn (€8.25bn) as of the first quarter of 2022 and expects the global cyber insurance market to reach a value of approximately $22bn by 2025.

For the insurance industry, it is of the utmost importance to continuously improve its cyber offerings. These are committed to guaranteeing the performance of the insured, while digital dependencies are rising rapidly. The industry must ensure a balance that allows insurers to offer attractive solutions on the one hand and to achieve the necessary sustainability in the volatile cyber business on the other.

## Sustainable insurance — one pillar in risk management

Cyber insurance business can only be written sustainably and reliably for insureds if key conditions are met. Transparency about the risks is an essential element of adequate risk management by companies and organisations. With the spread and use of new technologies and increasing digital dependencies, threat scenarios will also continue to evolve. As a consequence, the distinct definition of insurability of risks is crucial to a sustainable cyber insurance market.

There are systemic risks that exceed the limits of insurability; risk transfer to insurance carriers is therefore not possible. Such non-insurable risks, like the outage of telecommunication infrastructure or acts of war, must therefore be clearly and transparently excluded from cyber coverage. Other systemic risks, however, are considered to be insurable, including widespread viruses, multi-client data breaches or cloud outage scenarios.

As a market leader Munich Re continues to offer capacity in the cyber insurance market with expertise, a clearly defined risk appetite and strict risk management. For the client this means, for example, that implementing adequate cyber-security controls is a prerequisite for gaining access to the cyber insurance market.

Our experts continuously refine internal models based on our own and third-party data with a specific focus on risk accumulation. Together with our customers and partners, we are constantly improving our cyber offering and our data-driven and innovative solutions, thus strengthening the sustainability of the cyber insurance market along with the resilience of insureds.

# OPINION

**Isabelle Santenac**
**Global insurance leader, EY**

ARTIFICIAL INTELLIGENCE

# Aims for AI

The EU's AI rules must allow insurers to continue to innovate for the benefit of their customers

As the use of artificial intelligence (AI) becomes more prevalent across the insurance industry, regulators are examining how its use could potentially impact consumers. Specifically, the European Commission is proposing cross-sectoral regulations that would control — and, in some instances, prohibit — certain practices: for example the use of AI systems by public authorities, or on their behalf, for social scoring purposes.

Given the rising societal concerns about consumer privacy, data security and the potential impact of AI on human agency, it is no surprise that the EC and other entities are exploring new guidelines. In fact, we take the view that a regulatory stance is required and applaud the early position taken by the EC.

However, proposals from certain policymakers could limit insurers' abilities to undertake certain practices: for example, to assess risk and price policies accurately, personalise consumer experiences and mine data assets for actionable insights. Since the industry is already required to adhere to a wide range of regulatory requirements, a sensible step would be for insurers to collectively engage with regulators to explain how they both protect consumer data and ensure a fair, unbiased use of AI in all its forms. They should also reassure regulators that the necessary precautions are being taken by insurers to safeguard against possible problematic cases. Below, I outline the most recent proposed legislation and highlight both concerns for insurers and recommended actions.

**AI in insurance: the current landscape**

As data volumes exploded during the last decade, insurers turned to data analytics tools, now commonly referred to as AI, to streamline and enhance operations across the business. For instance, AI was instrumental in designing and managing usage-based insurance products and in providing "always-on" service and support via mobile phone applications[1]. AI also helped insurers to automate processes and to gain better risk insights during underwriting processes.

There are, however, growing societal concerns about the use of big data and AI. Beyond worries about unprecedented surveillance capabilities, some observers have expressed concerns that the increasing adoption of AI could exclude certain consumer groups, including racial minorities and other historically under-represented groups, from financial services[2]. Many guidelines have cited the need for ethical standards, but the absence of a single guideline on what this means in practice for relatively new AI-based technologies is a potential gap.

Against this backdrop, the EC's proposed AI Act aims to clearly articulate where and how AI can be used. It also seeks to define requirements for internal quality procedures for using AI and to identify penalties in cases of non-compliance. The draft position of the Council of the EU mentions the insurance industry specifically in the context of high-risk AI use.

Reservations about the draft Council position begin with the fact that the proposed AI Act does not appear to leverage existing insurance regulation that already covers the use of data analytics. Future regulation regarding AI in insurance should therefore build on the foundations that are already in place.

Additionally, the definition of AI is broad and activities that fall within the definition cover many procedures and processes that are already subject to sector-specific legislation (eg, reserving, pricing, customer protection). Moreover, complex models have long been a part of the standard toolbox for actuaries and risk modellers, and outputs are subject to existing legislation, such as the Solvency II Directive.

The proposal that different AI use cases need different levels of control is welcome. AI regulation must also reflect the overlapping and nuanced relationship between AI, big data and machine learning, and the impact of AI-driven automation on the risk profile of longstanding industry processes, such as risk evaluation and claims assessment. Technical and performance requirements for existing AI systems already factor in regulatory and industry standards for statistical accuracy, absence of bias and cybersecurity. These existing risk governance processes can also be reinforced to ensure that "reasonably foreseeable misuse[3]", as identified in the EIOPA AI Governance Principles, is addressed.

Similar enhancements to existing standards can address concerns about bias, via stronger risk management vigilance and oversight of risk models, in line with existing regulations. In fact, a well-calibrated AI system can potentially eliminate unconscious human bias far better than a less sophisticated process.

AI does create new risks, such as when data volumes contain patterns that cannot be understood by human operators. But the AI Act reflects a societal concern when these risks impact human beings. This can include such things as: reduced understanding for humans of why certain decisions impacting their life and wellbeing are being made; inducing behavioural change through incentivisation and gaming; and privacy concerns based on what insights can be derived from data. For these new types of exposures, additional legislation can be justified to define "red lines" for practices that are considered unacceptable (eg, in the domain of biometrics) and to create a level playing field across industries (eg, embedded insurance in social networks).

Finally, there is a fine line between genuine risks and ethical problems. From a practical point of view, risks could be exposures that can lead to financial losses or legal non-compliance, while ethical problems are viewed in terms of societal and cultural norms, that require making the trade-off between different stakeholders.

AI has the potential to deliver what consumers are looking for, including speed, simplicity and personalisation by helping to reduce frictions in distribution and servicing. But insurers must not lose sight of customer and market considerations on data protection, and should seek to create more transparency and trust in the use of personal data and the use of AI to support customers' decisions.

1 "Artificial intelligence governance principles: towards ethical and trustworthy artificial intelligence in the European insurance sector", EIOPA, June 2021
2 "Artificial intelligence governance principles", EIOPA, June 2021
3 Article 9 of the EC proposal for an AI Act

Supporting digitalisation

# OPINION

**Sanda Ivankovic**
**Group chief data officer, Allianz SE, Germany**

## OPEN INSURANCE

# Open with care

The right framework is paramount if an EU initiative on data sharing is to positively impact both consumers and insurers

Data has always been key for the insurance sector. Insurers require access to relevant data to carry out risk assessments, to assess the likelihood of an event occurring and to calculate the premium to be paid by the insured. The digitalisation of insurance services and processes has made significant progress over recent years, enabling a new seamless customer experience, new products and fast claims settlement. Cross-sectoral data sharing has the significant potential to further enhance insurers' capabilities in this regard, as the amount of data increases and becomes more accurate.

Greater availability and access to data allows insurers to improve risk monitoring and assessment, and to offer a better customer experience. It also helps to increase innovation and competition in the insurance sector.

A growing focus by policymakers on enhancing data sharing and availability demonstrates their recognition of its importance across the entire economy. Given the potential benefits, the insurance industry is supportive of efforts to facilitate effective data sharing in the EU. The European Commission's plans for an initiative on open finance could have a significant impact in this field and the insurance industry stands ready to actively participate in any discussions on this topic. Open finance, if designed with the right framework, has the potential to positively impact both consumers and insurers.

It is, however, important to get the framework right, so that this potential can truly be achieved. Risks need to be addressed. Consent of, and value for, the customer must be guaranteed. A level playing field must also be ensured between the different market players so that consumers can trust that everybody is subject to the same rules.

Data sharing within the insurance sector (and indeed more broadly within the financial sector) is not new and is, in fact, something from which Allianz and its customers already benefit. Indeed, the insurance industry has ample experience of standardisation and the electronic exchange of data. For many intra-group and intra-industry use cases there are already data-exchange mechanisms in place, which have been implemented by the industry on a voluntary basis.

**"A level playing field must be ensured between the different market players so that consumers can trust that everybody is subject to the same rules."**

For example, in motor insurance, claims experience and the amount of time without an accident are important risk factors for setting tariffs. Therefore, both insurers and policyholders have an interest in migrating this value if a motorist switches insurer. The insurance industry is already accommodating this need with the exchange of claims history information. Similar mechanisms exist in other areas of insurance, such as property insurance.

Here is a concrete example from German motor insurance. The type of vehicle model has a major influence on the premium level for motor insurance. The assignment of vehicle types to type class is solely based on their statistically measured claims history. This data is shared among all German motor insurers, thereby providing a strong base even for models that have lower volumes in the market. At the same time, new vehicle models are assessed via standardised crash tests and technical data for their initial classification. This system has a major influence on vehicle manufacturers and their vehicle designs as they optimise their new models to obtain competitive insurance premiums and total cost of ownership. From a consumer perspective

### Putting drivers in control of their data

The number of connected cars is expected to increase significantly in the coming years. For example, it has been estimated by Statista[1] that by 2025 44% of the vehicles on European roads will already be connected. As cars are becoming computer networks on wheels, there is a huge potential for new services.

However, independent/direct access rights to the vehicle data are a prerequisite to leverage the full potential of data-driven innovation. Today, most telematics-based insurance solutions are based on smartphones as a sensor, sometimes in combination with additional aftermarket devices such as crash sensors.

We expect that data-driven products and services can be brought to a new quality level by making use of in-vehicle data. For example, today's "pay how you drive" insurance products will be extended with data from the use of advanced driver-assistance systems and automated driving functions.

This can help to increase road safety as well as to arrive at risk-adjusted premiums. Another important area will be active claims management in the case of a collision. Immediate and automated notifications of loss can help to trigger the rescue chain or, for lower severity collisions, assistance to the customers.

In-vehicle sensors can not only measure the severity of a collision. An AI solution will also help to understand the amount of damage and the repair needs of the vehicle. This data will also serve as a basis for accident research and to gain a fundamental understanding of new safety and automation features that would not be possible without aggregated accident information.

The EU Data Act is a very important step in this direction. It should, however, be supplemented by sector-specific legislation on access to in-vehicle data and resources to make available crucial data and access modes (see motor article on p50).

1 Statista, January 2022

Supporting digitalisation

> "With market-driven open insurance, new data sharing partnerships and models will need to prove their ability to add value for customers in the competitive process."

this means lower insurance premiums. That holds true across Europe and beyond, keeping in mind that other markets like the UK, Korea and China already use a similar approach.

Cross-sectoral data sharing, however, offers an opportunity for even greater benefits to be realised by going beyond the financial industry and including car manufacturers, the energy sector, etc. This is where we see great potential for the insurance industry, and where we believe consumers can directly benefit from new and innovative data-driven products and services. One good example of this is facilitating access to in-vehicle data.

### Work of the EC Expert Group

Open insurance has the potential to positively shape the insurance sector. However, the design of framework conditions is crucial. In this context, I welcome the opportunity to participate in the Expert Group on the European Financial Data Space as a representative of Insurance Europe and to bring the insurance industry's perspective to the discussion.

The group provides advice and expertise to the EC in relation to the preparation of legislative proposals and policy initiatives in the field of data sharing in the financial sector, to further the establishment of a common financial data space in the EU. The assistance provided to the EC in the preparation of legislative proposals and policy initiatives is a very collaborative effort, with the EC carefully considering the various aspects of data sharing in the financial sector.

### Moving forward

Over recent years, business strategies and offerings in the insurance market have become more diverse. We believe that this trend will continue, with different approaches co-existing in the market. For consumers, this means a broader choice between innovative and more traditional offers. In light of the intense competition in insurance markets, incentives for open insurance solutions are also high. However, with market-driven open insurance, new data sharing partnerships and models will need to prove their ability to add value for customers in the competitive process.

**Michaela Koller**
**Director general, Insurance Europe**

PANDEMIC RISK

# Lessons learned

Conclusions can be drawn from the last two years that can help reduce protection gaps and boost resilience

COVID-19 caught the entire world by surprise, even though there have been pandemics in the past and the potential of a pandemic occurring was known and widely documented.

Building future resilience and preparedness requires societies to spend more time anticipating and preparing for events that could happen. It is important not only to prepare for "grey swans" — risks that are rare but well-recognised, like a pandemic — but also "black swans" — rare and highly unexpected events with a potentially major impact, such as the 11 September 2001 terrorist attacks in the USA.

Since it appeared, the COVID-19 pandemic has not only cost many lives and created immense economic hardship for many people and businesses around the world, but it has also been an extremely challenging period for insurers and their customers. Indeed, 2020 was unprecedented, with insurers' business flows, claims and assets all hit by the pandemic. Thankfully, 2021 saw a gradual return to normality.

### Insurability questions

COVID-19 raised many questions about the insurability of pandemic risk and also about the preparedness of societies for such widely anticipated but rare events (see box on p44).

Important lessons can consequently be drawn from the last two

years, lessons that are not only crucial in boosting pandemic preparedness, but that are also invaluable for reducing protection gaps and increasing resilience in other potentially systemically risky areas, such as cyber, or in the context of climate change. While there are big differences between a pandemic, a cyber attack and a climate change-related event, the COVID-19 pandemic reinforced the importance of making further progress in four key areas: prevention, public-private partnerships, data, and the clarity and understanding of policy wordings.

**"Important lessons can be drawn from the last two years that are invaluable for reducing protection gaps and increasing resilience in other potentially systemically risky areas."**

### Prevention is better than cure

A risk can only be insured if the potential claim associated with it remains within certain limits and can be estimated. If these conditions are not easily met, prevention must play an even more important role. Indeed, whether it is refraining from building in areas exposed to natural risks or raising awareness to reduce cyber-risk exposure, prevention can actually help to render certain risks insurable and enable insurers to expand the cover they are able to provide.

Of course, prevention is not a silver bullet. In the case of pandemics, for instance, which have the potential to affect pretty much everyone anywhere in the world and a large range of economic sectors all at the same time, it is doubtful whether risk-reduction measures could ultimately lead to the risk becoming insurable. This is particularly true for the risk of business interruption. Nevertheless, there are measures that can be taken to make societies more resilient, such as investing in health infrastructures and ensuring the availability of protective equipment and sufficient testing capacity.

Prevention measures and policies that are risk-averse are versatile and depend on the type of risk. And while prevention measures are crucial for insurers to be able to provide cover for certain risks and insurers play an important role in providing prevention advice, the implementation of these measures generally falls to public authorities and usually requires the involvement of many other stakeholders as well. Insurers are keen to take a proactive part in these discussions, whatever the type of risk under consideration.

### Working together

Public-private partnerships (PPPs) have proved to be highly effective instruments in dealing with many risks, allowing the public and private sectors to share and capitalise on available resources, know-how and risk-management experience.

Insurers across Europe have a great deal of experience in collaborating with public authorities through dedicated PPPs, most notably for climate-change-related risks. Insurers have the capacity to withstand hugely damaging events, vast knowledge of risk-modelling and large amounts of data, and these types of collaborations allow insurers to share their knowledge and expertise with policymakers and other key sectors.

A Spanish PPP, which dates back to 1941 and which is managed by the Consorcio de Compensación de Seguros (CCS), is a prime example. A large proportion of natcat perils are covered by the CCS and the system provides for a state guarantee to absorb losses that are too big for the CCS to handle. However, there is no one-size-fits-all PPP solution, particularly in the natcat area, because countries are exposed to different risks and have different traditions or levels of insurance penetration. This is why PPPs need to be tailored to local realities.

**EIOPA's work on shared resilience solutions**

In the wake of the COVID-19 pandemic, Insurance Europe took part in a workstream set up by EIOPA that focused on exploring the possibility of shared resilience solutions.

This work resulted in a staff paper on measures to improve the insurability of business interruption risk in pandemics[1], which underscores the importance of prevention, the added value of multi-peril solutions and the possibility of capital markets serving as an additional layer of risk diversification. So far, this has not led to any concrete follow-up action, either at EU or at national level.

1 Staff paper on measures to improve the insurability of business interruption risk in light of pandemics, EIOPA, February 2021

Joining forces could also be considered for risks that have the potential to become systemic, such as cyber risk. Given the evolving nature of cyber risk, it is vital to maintain a dialogue between all interested parties, and the insurance industry is a proactive instigator of and participant in all debates around boosting preparedness and resilience.

Insurers have also taken an active role in the discussions at EU level and in a number of countries on a possible cooperation between the public and private sectors to cover pandemic risks but, so far, no solution has been identified.

### Facts and figures

One way to help make a risk that is difficult to insure more insurable is by increasing the amount of available data, as by better understanding risks insurers are more likely to be able to cover them.

**"One way to help make a risk that is difficult to insure more insurable is by increasing the amount of available data."**

This is notably the case in the cyber area, where lack of data is considered one of the main barriers to insurers offering cover. (For more on this issue, see the cyber risks article on p35).

Recently adopted EU legislation, such as the General Data Protection Regulation or the Network and Information Security Directive, or legislation currently being adopted, such as the Digital Operational Resilience Act, offer an opportunity to improve insurers' underwriting, as they will generate a wealth of new data. This explains why insurers are engaging with supervisory authorities to identify the conditions under which they could get access to anonymised, aggregate sets of the data generated.

This is also true in the climate area, as data is key to boosting efforts in support of adaptation and mitigation. Natcat is an area in which many insurers are already sharing data through national or local PPPs and there are numerous examples of how data-sharing, as well as the dissemination of public and private data and indicators related to natural hazards, allowed for improved risk analysis, prevention and risk management.

For instance, through a pilot PPP, Norwegian insurers shared asset-level loss data with nine municipalities. By coupling information on extreme rainfall and storms to insurers' data on the location of insurance claims, these municipalities were able to adopt a more evidence-based approach to climate adaptation.

Another example of effective data-sharing is the French National Observatory for Natural Hazards (ONRN), a platform through which public and private data and indicators related to natural hazards can be shared and disseminated, and which allows for more effective risk management and prevention. Insurance Europe's Sustainability Hub showcases many more examples of insurers' initiatives to expand the limits of insurability and absorb more risks.

The availability of data does not, however, mean that any risk can be covered or can be covered at an affordable price. In the case of pandemic risk, for instance, the difficulty is not that the risk itself cannot be modelled, but rather that resulting government actions cannot and, in areas such as business interruption, much of the risk depends on those actions.

### Cover over cost

A focus on what an insurance product covers, as opposed to an almost exclusive focus on what it costs, is already becoming more prominent in all areas. In the wake of the COVID-19 pandemic, policyholders are likely to pay increasing attention to exactly what their policies cover.

If anything, COVID-19 and its effects demonstrated the significance of the provision of information to policyholders —on how insurance works, what a product covers and does not cover, and what the terms and conditions, including exclusions, of policies entail. Insurers have consequently reinforced their focus on addressing any potential misunderstandings between policyholders and the industry.

Tackling this challenge, however, requires more work, including an ongoing dialogue between the industry, customers, supervisors and regulators, first of all to reduce regulatory obstacles so that insurers can provide the necessary clarity, but also to ensure that customers do not solely focus on price and cost comparisons when deciding on their insurance products. (For more on this issue, see the retail investment article on p27.)

**Xavier Larnaudie-Eiffel**
**Chair, Personal Insurance Committee, Insurance Europe**
**Deputy CEO, CNP Assurances, France**

**European Retirement Week**

Insurance Europe was a driving force behind Europe's first ever Retirement Week, which was held in 2021. Supported by 11 European associations, European Retirement Week provided a platform for a wide range of interested parties to debate the future of pensions in Europe and raise citizens' awareness of the need to save for retirement.

The week was opened by Mairead McGuinness, the European Commissioner for financial services, financial stability and Capital Markets Union. Twelve events were organised during the course of the week by the participating consumer and financial associations.

Insurance Europe itself presented and discussed the results of its second Pan-European Pension Survey in a session called "Pension pots and how to fill them — providing for old age". It also co-hosted with the European Banking Federaton and Better Finance an event on the importance of financial literacy in boosting pension resilience.

European Retirement Week 2022 will run from 28 November. Watch the Insurance Europe website for further details.

PENSIONS

# Second sight

## Clear trends emerge from Insurance Europe's second Pan-European Pension Survey

The median age of the world's population has been rising since the 1980s, driven by medical advances and falling birth rates. And recently the increase in the old-age to work-age ratio has accelerated, with the ratio predicted by the UN (pre-COVID-19) to almost double by 2060.

Adequate, affordable and sustainable pension provision is therefore a key concern for policymakers. While pension policy falls under the remit of national governments and comes in a variety of forms depending on a broad range of local factors, there is still much that can be done at EU level to influence pension adequacy, exchange best practices and boost awareness of the need to save for retirement.

The European Commission's Capital Markets Union project, for instance, recognises the role of personal pensions in raising retirement saving and includes various pension-related actions such as investigating best practice in national pension tracking systems, pension dashboards and auto-enrolment schemes. EU legislation has also been passed to introduce a pan-European personal pension product (PEPP) intended to complement national pension products and be portable between EU states (see box on p49).

Insurance Europe, too, is active on pension-related issues. As well as its contributions to EU policy discussions and its own financial education initiatives under the InsureWisely brand, it was a key driver behind 2021's first ever European Retirement Week (see box above) and in 2019 it started a biennial Pan-European Pensions Survey.

### Well over a third not saving

Insurance Europe's second Pan-European Pension Survey, carried out among nearly 17 000 respondents in 16 countries in July and August 2021, revealed that 38% of respondents were not saving for retirement and — perhaps even more worryingly — that 30% of those not saving said they could not afford to. More women than men were not saving, more 18 to 35-year-olds, more unemployed people and more people with lower levels of education.

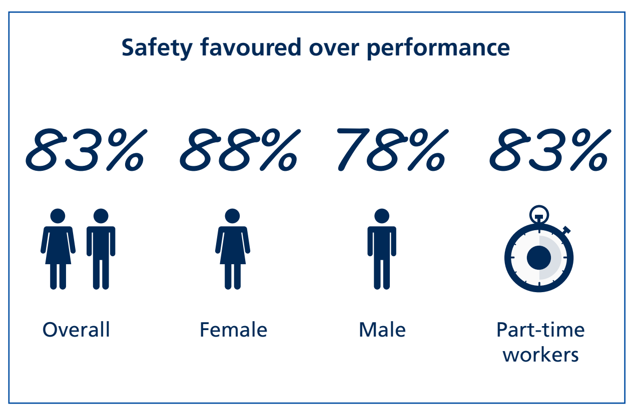
Unsurprisingly, given the impact of COVID-19 and government lockdowns on national and personal finances, 17% of those surveyed said they had reduced, stopped or delayed their pension saving as a result of the pandemic, with the biggest impact among the self-employed, the unemployed and the young.

The pandemic aside, clear trends are starting to emerge from the first and second surveys, even though direct comparisons cannot be drawn between the two due to new countries and new questions being added to the second one.

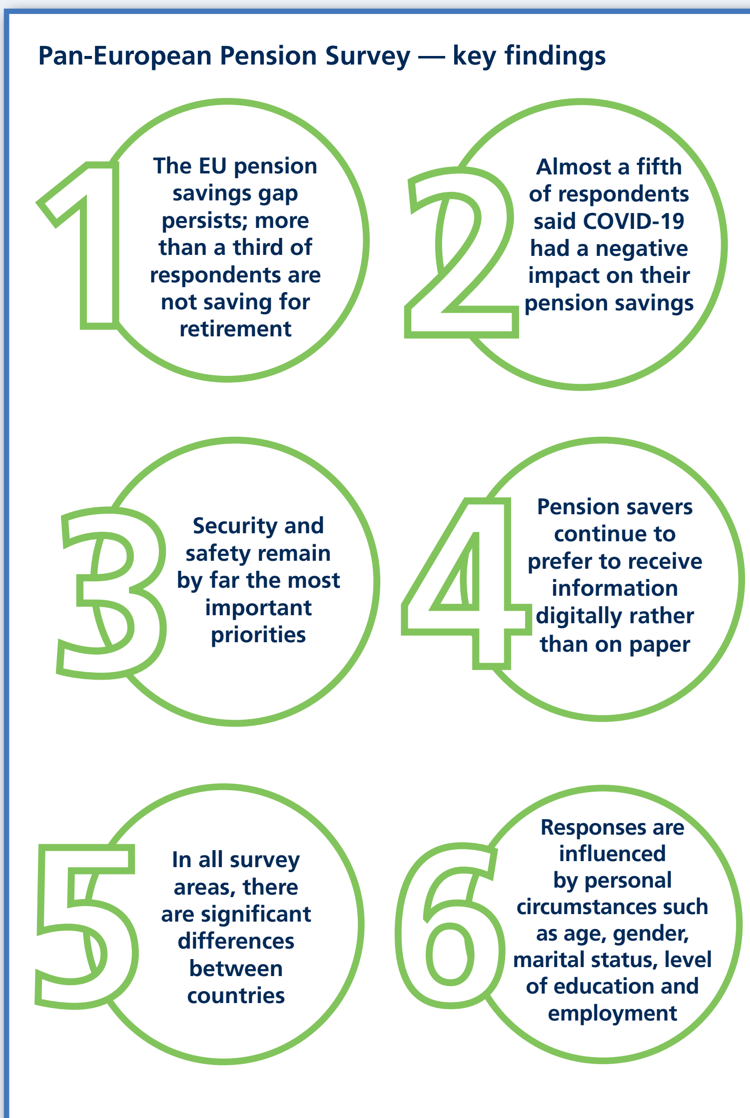
When asked in the second survey about their top three pension saving priorities, there was a clear preference for ensuring the security of the money invested, followed by the importance of the robustness of the pension provider and the flexibility to increase or decrease or to stop or resume contributions. Least important to respondents was the ability to move pension savings between European countries (portability). Security is clearly key; asked to choose between investment security or investment performance, a massive 83% chose security.

### Bias towards higher amounts

How people wish to receive their pension savings at retirement depends on whether they favour an immediate



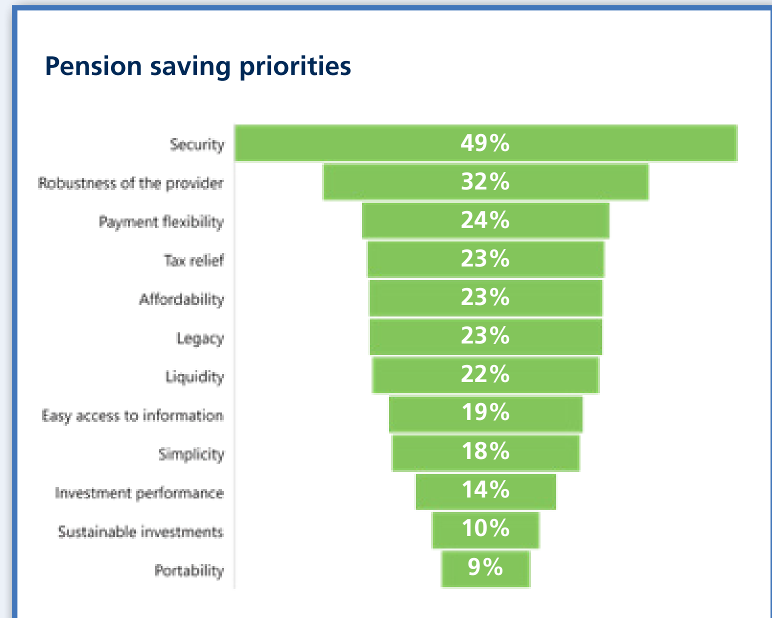

Ensuring protection

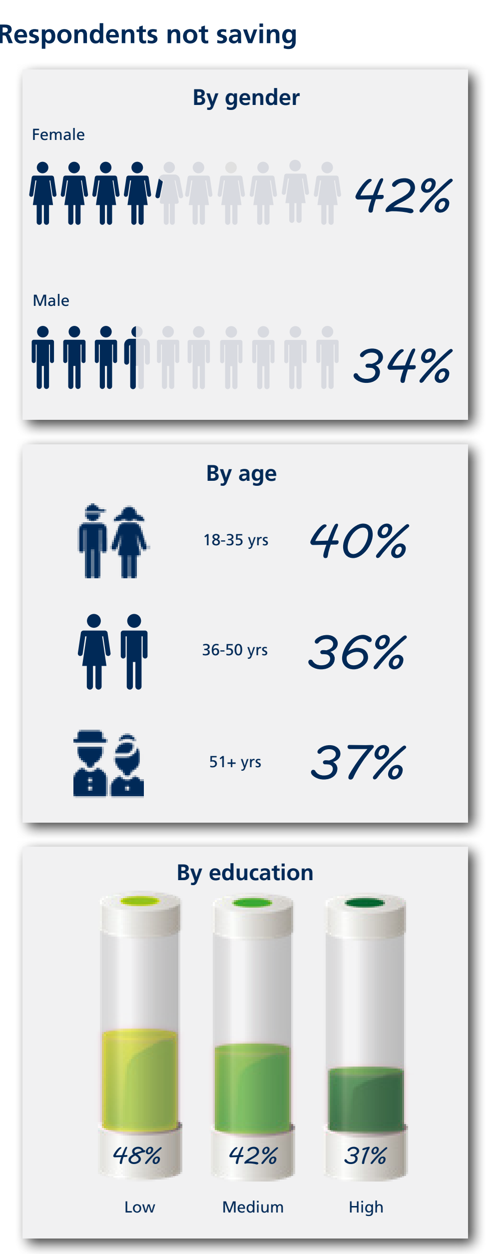


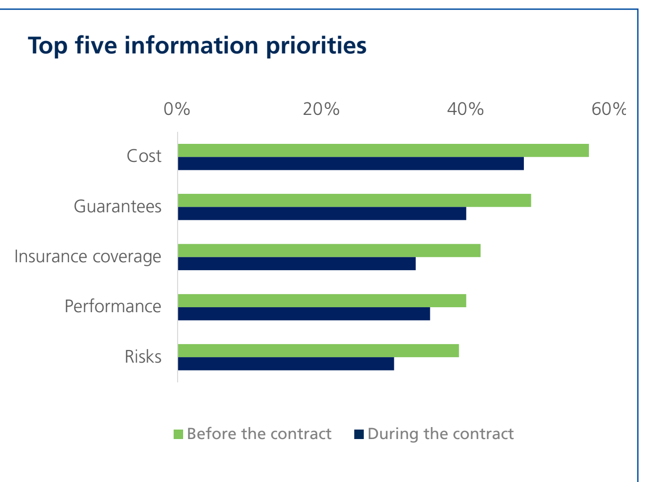

## About the survey

- Date: July and August 2021
- Respondents: 16 799
- 16 countries: Austria, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland
- A representative sample:

  - 50% female, 50% male
  - Aged from 18 to 70
  - Different employment statuses
  - Different education levels
  - Different personal circumstances




lump sum or wish to ensure that they do not outlive their savings. It is interesting to note that preferences shift if monetary projections for the relative amounts of the lump sum or annuity are given.

When not given projections of likely amounts, 43% chose to buy an annuity to guard against the longevity risk, 20% chose to receive a lump sum and only 7% preferred drawdown payments, while 30% chose a mixed pay-out combining different options. However, when monetary projections were given, people were drawn to the higher figure of the lump sum and 54% chose a lump sum over an annuity, indicating both the importance of how options are presented to retirees but also the perhaps unrealistic expectations that people have of the cost of covering longevity risks and the need for more education around retirement planning.

### Definitely digital

72% of survey respondents preferred to receive pension information digitally rather than on paper — confirming the preference seen in Insurance Europe's first survey. The information that respondents were most keen to receive was on costs — both before signing a contract and after — and they were also interested in information on guarantees, insurance coverage and investment performance. Least interesting to them was information on investment strategies, pension portability and pension switching.

Insurers are major providers of pension products and, as greater responsibility shifts to individuals to ensure they have sufficient income in retirement, Insurance Europe will continue its biennial survey to help inform the debates on how to tackle the pension savings gap.

## PEPP: reality falls short of expectations

The EU legal framework for pan-European personal pension products (PEPPs) has finally entered into force. In theory, since late March 2022, European citizens should be able to start saving or further save for retirement by buying new, portable, EU-labelled, cost-efficient and voluntary personal pension products. The reality, however, is different, and the very high expectations of the PEPP's EU architects have had to be scaled back for now. This is the result of multiple factors.

First, many countries are still in the process of adopting national implementing measures. Indeed, despite being an EU regulation and thus directly applicable at national level, many elements were left to national discretion (such as the decumulation phase and tax treatment) to reflect and fit into the variety of pension set-ups in EU countries, and that process is far from over in most states.

And despite PEPPs being billed as simple products, the framework is highly complex and regulates many elements not regulated before at EU level and in many countries. It leaves savers, providers, local regulators and supervisors with many questions. These translate into legal risk for insurers and other potential providers, which are still waiting for clarification before deciding whether to offer PEPPs.

Furthermore, it is questionable whether some of the requirements in the PEPP Regulation can actually be met by providers. The Institute for Finance and Actuarial Science in Ulm, Germany, published research in January 2022 testing the feasibility of the technical requirements applicable to the risk mitigation techniques for the basic PEPP. It showed that, in the current capital market environment, none of the products analysed met the requirement to outperform inflation by at least 80% while limiting losses to a certain probability.

Despite these difficulties, the stakes are too high to give up on the opportunity PEPPs represent for both savers and providers. The insurance industry is ready to contribute to discussions to make PEPPs a success.

**Franco Urlini**
**Chair, General Insurance Committee, Insurance Europe**
**Group P&C, claims & reinsurance director, Generali, Italy**

MOTOR

# A new generation

Connected and automated cars will generate a huge amount of data. Policymakers must safeguard it and ensure drivers control it.

The vehicles we drive are increasingly connected and automated. Our cars have started to assess the traffic situation much faster than we humans can thanks to sensor-based driving assistance systems. Wireless communication between cars, trucks, buses, infrastructure and other networks has also become a reality.

All this is done on the basis of data, an increasing amount of which will be generated in the years to come (see box on p52), creating new opportunities for businesses to develop a wide range of innovative products and services that benefit drivers. Those include theft notification and stolen vehicle recovery, advanced breakdown services, traffic management and other real-time location-based services (eg, directing a driver to the nearest garage or hotel).

This increase in vehicle-generated data will be a game-changer for motor insurers, giving rise to new ways of underwriting risks, new services, new claims-handling processes and new modes of interaction with policyholders.

A key benefit of the data generated by vehicles is that it will enable insurers to further increase their role in risk prevention. For instance, it enables insurers to incentivise safer driving through usage-based insurance (eg, "pay as you drive" and "pay how you drive" policies) and through other features such as driver feedback and coaching. It also enables insurers to incentivise policyholders to drive less and in a way that consumes less fuel, thereby contributing to sustainability. While this is already happening on the basis of mobile phone vehicle-tracking apps or devices fitted in the vehicle, which have become increasingly common in certain markets, getting access to car data directly could facilitate it further.

### Insurance telematics in Italy

In Italy, where insurance based on both pay-how-you-drive and mileage-based policies has been offered to customers since 2011, when dedicated devices started being used, the impacts are clear.

- The claims frequency of vehicles equipped with telematics devices is significantly lower than that of vehicles without such technology, particularly for young drivers. This is a clear sign that those who are aware they are being monitored adopt a more careful driving style.
- There also seems to be a significant, positive correlation between insurance telematics and low insurance fraud. This is because insurers are better able to detect fraud as a result of the data provided by devices. Additionally, having a telematics device seems to positively influence a policyholder's behaviour and to reduce fraud/inflated claims.

Italian insurers are now able to offer more and more-tailored products based on driving styles, as well as to offer more favourable tariffs to lower-risk drivers.

### Data enhances insurance services

Accessing the data that is generated by modern vehicles can also help improve insurers' claims-handling through speedier responses after incidents. The data will also allow insurers to provide sophisticated claims-related services.

The information obtained from vehicles will also be of paramount importance in giving insurers a better understanding of any potential new or emerging risks associated with autonomous driving, thus increasing the insurability of autonomous cars once they become a reality. It will also be key to establishing the circumstances surrounding an accident involving such vehicles.

### Consumers in the driving seat

Safeguards are needed at EU level in order to ensure consumers, insurers and other service providers make the most of the opportunities arising from these technological developments. This can only be achieved through EU regulatory intervention and, in particular, through the adoption of sector specific rules that ensure consumer choice and a genuine digital level-playing field for remote access to in-vehicle data.

Such a legislative initiative (see box above) should ensure that drivers can decide who has access to their data and for what purpose. Drivers should be able to choose which data may flow in and out of the vehicle by easily opting in or out of services and to actively select their preferred service providers at any time and in full compliance with GDPR rules.

Legislative action is also needed to guarantee that insurers and other third-party service providers can access the data directly inside the vehicle, without having to go through the vehicle manufacturers' servers. Access to the data should be direct, independent, not monitored and based on fair contract conditions. Bi-directional communication with the vehicle and its functions should also be possible. Third-party service providers should be able to interact with the driver remotely using the in-vehicle human-machine interface (HMI) functions (eg, via the dashboard or voice commands).

**Looking forward to sector-specific legislation**

In February 2022, the European Commission published its proposed Data Act. While it would establish important access rights for users and third-party service providers to the data generated through the use of connected products, it does not address most of the concerns and structural issues raised by insurers and other service providers in relation to access to in-vehicle data.

Insurance Europe believes that sector-specific legislation is needed that provides concrete legal and technical measures in relation to vehicle data. It therefore welcomes the Commission's confirmation that it intends to propose such legislation by the end of 2022. This could take the form of a separate legislative initiative or be presented as an amendment to the Type Approval Regulation. To feed into its proposals, the EC issued a consultation in April 2022 to which Insurance Europe is responding.

> "Any legislative initiative should ensure that drivers can decide who has access to their data and for what purpose."

All this could be achieved by following a technology-neutral approach, such as a secure onboard telematics platform, which would allow independent applications to be safely and securely implemented in the vehicle, and by laying down specific legal safeguards concerning contract requirements, data availability and price to avoid putting smaller, third-party providers at a competitive disadvantage and to ensure the same conditions for all stakeholders.

Making sure that consumers can decide which providers can have direct and reliable access to in-vehicle data, as well as guaranteeing access to vehicle data to third-party providers, such as insurers, would enhance competition, boost consumer choice and generate a range of new services and products, while guaranteeing a level playing field between providers.

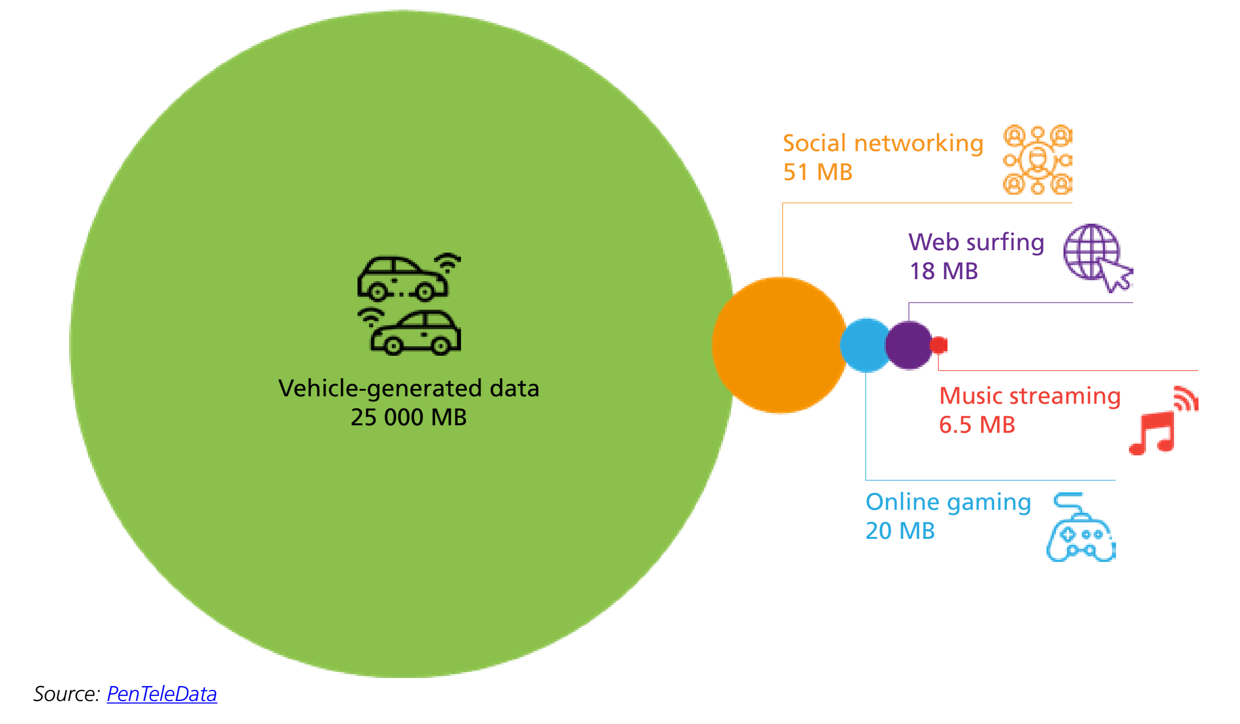
### EU should aim for pole position

Already today, a connected vehicle can generate up to 25 gigabytes of data per hour. That is the equivalent of nearly 510 hours of social networking or around 1 400 hours of web surfing. Autonomous cars are expected to generate far more — up to 3 600 gigabytes of data per hour, according to expert forecasts.

Digitalisation will revolutionise the way we use, maintain, repair and insure cars. And some safeguards should be put in place to ensure that technological developments benefit all parties equally, based on consumer consent.

The European Commission has a key role to play in creating an appropriate regulatory framework. Doing this now — early in the life of the vehicle-generated data market — would make the EU a pioneer in regulating innovations in industrial IoT (Internet of Things) data.

**Comparison of hourly data generation**




*Source: PenTeleData*

**Marco Visser**
**Chair, Liability/Insurability Working Group, Insurance Europe**
**Head of wordings & reinsurance, HDI Global, Germany**

## NEW LIABILITIES

# Same again

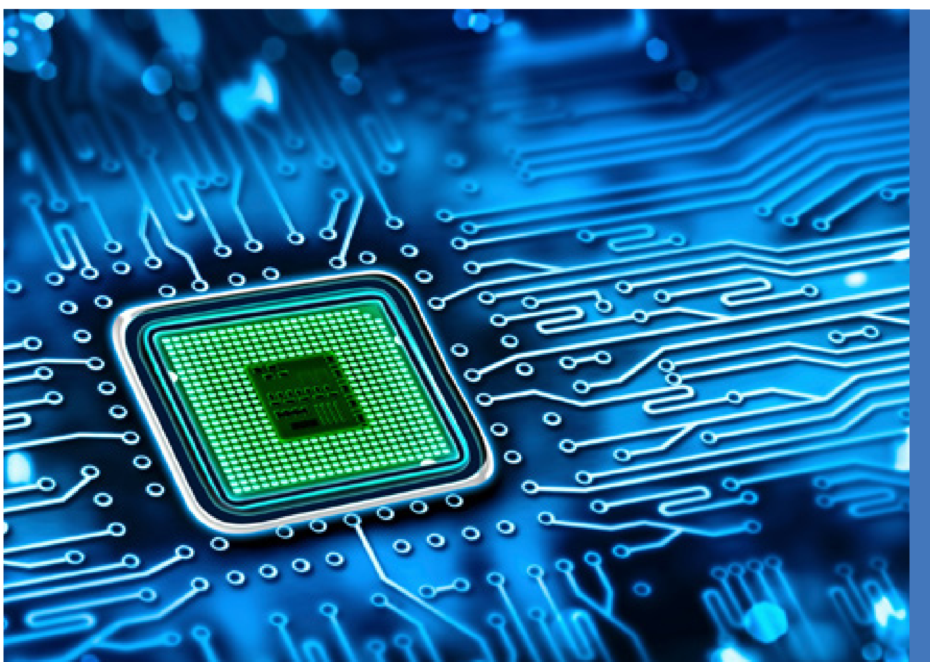
Risks from new technologies can be dealt with under existing EU liability legislation

As new risks emerge, so too do new liabilities for those who attempt to turn those risks into opportunities. For insurers, new liabilities open the door to developing new kinds of products and exploring new kinds of coverage. The new risks may also give rise to discussion of new protection gaps and the need for new liability rules.

Among the most prominent new risks are those posed by new and emerging technologies — particularly artificial intelligence (AI) — which raise many questions about established standards of safety, ethics and liability, as well as about how those standards are applied in an ever-evolving digital world. The European Commission is acting swiftly to address its concerns in this regard and has proposed an AI Act to regulate "high-risk" sectors and promote the ethical use of the technology in European society. (See p38 for an opinion article by EY on AI.)

As part of its work on AI, the EC is considering introducing new rules on liability. Before commenting on this, it is important to stress that, when it comes to liability, rules are defined first and foremost at national level, and national tort law has evolved to reflect EU member states' distinct histories and legal systems, each with its own specific characteristics and precedents.

Over time, certain emerging risks have generated a discussion at EU level about the need to amend liability rules in order to



"The Product Liability Directive remains a well-functioning system of liability, albeit one that could now encounter certain challenges in its application to new technologies and the circular economy."

address imbalances in the rights and obligations of consumers and producers. This has led to the harmonisation of producers' liability under the 1985 Product Liability Directive (PLD).

Liability for new and emerging risks falls under the framework of harmonised producer liability under the PLD, working in conjunction with the law of tort at national level.

### A well-balanced liability regime

The PLD provides the legal basis for consumers to claim compensation in the case of a defective product. Under the Directive, producers are held strictly liable for damage caused by their defective products, while in order to claim compensation, consumers must demonstrate a product's defect, the resulting damage and the causal link between the two. This system of liability places obligations on both consumers and producers, delicately balancing the former's protection with the latter's legitimate interests. As a directive, the PLD establishes full harmonisation at EU level but leaves questions of damages and compensation to be defined by national courts.

"Any substantial revision of the Product Liability Directive is likely to impact the cost and availability of product liability insurance."

Insurers fit into this landscape by offering liability insurance cover to lessen the negative consequences of accidents involving defective products. For consumers, this ensures that they receive compensation when accidents occur, while for producers it means a safety net to continue innovating in new areas through (a degree of) risk transfer to the private (re)insurance sector. General liability insurance is standard for all companies, no matter their country, size or sector. It tends to be written on an "all-risks" basis, covering every risk associated with an insured's business unless expressly excluded. Products incorporating new technologies are no exception and policy wordings apply in the same way as to any "traditional" risk.

### No time for major change

As the PLD dates from 1985, over the course of its lifetime it has been subjected to scrutiny as new types of products have come to market. However, consecutive evaluations have found that it remains a well-functioning system of liability, albeit one that — according to a 2018 evaluation — could now encounter certain challenges in its application to new technologies and the circular economy. Because of the findings of that most recent evaluation, the EC has initiated a revision of the Directive; one that insurers think goes beyond the problems identified in the evaluations.

Insurers believe that any challenges can be addressed by non-legislative guidance clarifying the interpretation and scope of key concepts, such as the definitions of "product", "producer" and "defect". In relation to "defect", it is worth recalling that the PLD operates in tandem with EU product safety legislation, which helps to determine if a product does not provide the safety a consumer may reasonably expect and can therefore be considered defective under the PLD.

Any substantial revision of the PLD is also likely to impact the cost and availability of product liability insurance. The liability insurance market has developed to reflect the balance of interests established by the PLD. This balance is a cornerstone of the Directive, creating an environment in which producers can innovate in the development of new products, including new technologies. Modifying the building blocks of the PLD — lowering the standard of proof, extending the scope of damages covered or modifying limits on and exemptions from liability — will upset this balance of interests and is likely to lead to insurers re-evaluating the products they offer.

In addition to an overhaul of the PLD, the EC is exploring the need to harmonise liability at EU level for operators of high-risk AI systems, as well as to impose on them a requirement to take out mandatory liability insurance. However, sector-specific legislation already exists for many of the AI systems that might be considered high-risk by the EC — such as motor vehicles under the Motor Insurance Directive and aircraft under the Regulation on Liability Insurance for Air Carriers. Any further harmonisation of liability rules must fit into the landscape of existing liability frameworks if it is to have any benefit for society. In Insurance Europe's view, it is questionable whether there is any need for additional rules in this area.

### An ecosystem of trust

The EC says that it is committed to implementing an "ecosystem of trust" when it comes to AI and new technologies. Insurers welcome this and stress that they have an important role to play in this ecosystem by providing compensation and supporting innovation. However, insurers must be granted the freedom to explore new kinds of coverage and develop new products as AI systems come to market and more data becomes available on which to assess the risks. Introducing a requirement to take out liability insurance would be counterproductive. Indeed, mandatory insurance schemes only work when the risks to be covered are all sufficiently similar and specific market pre-conditions are met (see box above). This is not the case for AI, which covers a broad range of uses in a host of different areas.

Harmonising liability rules at EU level can be an effective tool for correcting differences between EU member states and furthering the aims of the single market. However, as a tool that has far-reaching consequences, it should only be used when there is clear evidence of protection gaps and/or obvious issues at national level that warrant shifting the focus to the EU level. When it comes to the PLD, consecutive evaluations and studies mandated by the EC have failed to demonstrate that major changes to the Directive are needed, and harmonising liability rules at EU level for operators of high-risk AI seems premature, given that their associated risks are already covered by existing, sector-specific legislation, complemented by the joint framework of the PLD and national tort law. Major changes to the existing liability regime — which is what the EC's plans would amount to — should only be made if they are backed by clear evidence of need.

**Limits to compulsory insurance**

Inappropriate compulsory insurance schemes can do more harm than good. There are only limited situations in which compulsory insurance can be appropriate because the following basic conditions — at the very least — must be met:

- Sufficient data for insurers to assess the expected frequency and size of claims, so that they can price policies correctly.
- Sufficient similarity in the risks being covered. If risks are very different, complex or not well known, insurers instead need to have the flexibility to tailor their underwriting to specific risks.
- A variety of insurers interested in offering cover, so that there is:
  - sufficient insurance capacity; and,
  - adequate competition.
- Enough reinsurance capacity to allow risks to be sufficiently spread, particularly large and long-term ones.

# GFIA OPINION

**Don Forgeron**
**President, Global Federation of Insurance Associations (GFIA)**
**President & CEO, Insurance Bureau of Canada (IBC)**

## WORLDWIDE COORDINATION

# Global and local benefits

There are many values to a global insurance federation

If we have learned anything in recent months, it is that global problems require global solutions. The existential threats from climate change, the health and economic challenges of the COVID-19 pandemic, and now war on European soil are challenges that will only be solved through collaboration between organisations, governments and individuals. In other words, we all have a role to play.

The value of a body such as the Global Federation of Insurance Associations truly comes to the fore in the face of such challenges.

### Building climate resilience

The member companies of GFIA's member associations protect their policyholders against the effects of climate change, but the world's insurers also come together to advise governments on adaptation and mitigation measures to enhance the resilience of societies.

Many industry colleagues participated in the discussions at the UN's COP26 climate conference in Glasgow in November 2021. GFIA published documentation and organised an event to highlight the unique roles of insurers in climate adaptation and mitigation. These efforts emphasised our decades of expertise in managing climate risks and the $30trn (€28.5trn) of assets that can be mobilised to finance the transition to a low-carbon economy. We also highlighted that the lack of comparable, high-quality ESG data makes it harder for insurers to make sustainable investment decisions, as well as that scenario analysis and stress-testing of climate risks need to be approached with care, as the modelling of climate risks is a highly complex and rapidly evolving field.

### Pandemic best practices

And though COVID-19 had — and continues to have — a devastating effect on lives and economies, insurers came together to share best practices, to support customers with non-contractual actions, to make goodwill gestures and to support societies through monetary and practical voluntary actions. Insurers around the world continue to work with policymakers to shape economies and societies that are fit for the future.

Indeed, one of the key drivers for GFIA's creation in 2012 was to form an appropriate global insurance industry counterpart with which other global bodies— and in particular global policymakers and regulators — can engage.

### IAIS engagement

GFIA has regular, constructive engagement with the IAIS. Most recently that has enabled us to exchange information on the issues affecting insurers that are arising from the war in Ukraine: questions about compliance with sanctions; the extent to which war exclusions in policies are applicable, especially in the grey area between cyber terrorism and cyber warfare; the temporary solutions being offered by European insurers to the uninsured vehicles of Ukrainian refugees; and the likely impact of the war on already-high inflation.

More broadly, our discussions with the IAIS reveal our common aims. After all, well-crafted, appropriate regulation and supervision ensure the consumer protection and financial stability on which the all-important trust of customers in our industry rests. Here, the deployment of supervisory technology, or SupTech, is a hot topic. GFIA believes that using new technologies in supervision has the potential to reduce costs, streamline processes and reduce overlapping data requests, but that it should not lead to real-time supervision or more frequent supervisory intervention.

### G20 liaison

GFIA liaises closely with successive G20 presidencies. In October 2021, I participated in a summit organised by our Italian member, ANIA, in partnership with the Italian G20 presidency. These events with each G20 presidency have become something of an annual tradition for GFIA, and each event builds on the communication we had with past presidencies. The ANIA summit explored the insurance sector's pivotal role in three central priorities of the Italian G20: sustainable investment; integrated welfare systems that optimise public and private pensions, health and long-term care; and mitigating and adapting to climate change.

**"A global federation has local benefits too, since one of its values is the sharing of information and best practices that can then be put to use in national markets."**

### Global but local

A global federation has local benefits too, since one of its values is the sharing of information and best practices that can then be put to use in national markets. In the interests of space, I will limit myself here to the mention of just one of many examples I could choose from the myriad areas in which GFIA works — GFIA's March 2022 Inclusive Insurance Survey. This survey collected information from 22 countries on how insurers are boosting women's access to affordable and adapted insurance, supporting financial education and economic empowerment, and introducing best practices on diversity and inclusion in their own workplaces. This survey will be updated regularly.

If there is one thing that heartens me when I look at the many challenges we face today, it is that federations like GFIA are well-placed to help tackle them.

**A global federation**

Established in October 2012, GFIA now comprises 40 member associations and one observer association. It represents the interests of insurers and reinsurers in 67 countries that account for more than $4trn (€3.8trn) of insurance premiums, or 89% of the global total. GFIA's secretariat is headquartered at Insurance Europe.

# RAB OPINION

**Denis Kessler**
**Chair, Insurance Europe Reinsurance Advisory Board (RAB)**
**Chairman of the board of directors, SCOR, France**

## OPEN MARKETS

# Fewer barriers, more resilience

The reinsurance industry relies on open markets to fulfil its crucial function of fostering economic development and strengthening societal resilience

Recent developments have served as a stark reminder that uncertainties and instabilities of all kinds are multiplying. The world is facing ever more violent shocks and increasingly multi-faceted threats. Broadly speaking, risks are becoming more interdependent, serial and global in scale. Many risks are no longer restricted by time and space, as was traditionally the case. The COVID-19 crisis is glaring proof of this.

Over the past few years, as well as the pandemic, the world has experienced an ever-increasing number of natural catastrophes and rising risks associated with climate change. For example, 2021 was the fifth consecutive year to be marked by heavy natural catastrophe losses, a sharp increase compared to the average losses observed in the past. Furthermore, new risks are multiplying and evolving with increasing speed, notably due to rapid scientific progress and technological innovation.

In a nutshell, our modern societies face an increasingly unpredictable and volatile environment. This multiplication of uncertainties and risks casts doubt neither on the relevance of reinsurance nor its business model. Quite the reverse! An ever riskier world with more catastrophic events demonstrates more than ever the crucial role of reinsurance which, through its fundamental function of pooling risks and its capacity to absorb shocks, helps to ensure resilience and thus support the development of societies and economies globally.

A key distinction must be made between insurance and reinsurance. Insurance markets are largely national, with limited cross-border transactions. Most insurers, therefore, operate domestically, pooling risks only on a *local* scale. The reinsurance market, on the other hand, is by its essence *global*. Reinsurers facilitate risk-sharing worldwide, applying the centuries-old motto of Lloyd's of London — "the contribution of the many to the misfortune of the few" — on a truly global scale, to maximise resilience to shocks of all kinds.

By leveraging the diversification effect at a "higher level", reinsurance reduces the cost of risk coverage, to the ultimate benefit of all policyholders. It also increases the underwriting capacity of primary insurers, allowing them to issue policies with higher coverage limits, notably for peak risks that require a global diversification benefit. Last, but not least, reinsurance increases insurers' ability to absorb peak events and thus protects their solvency. In other words, it allows insurers to provide more substantial and affordable protection, thus contributing to reducing the protection gap.

As reinsurance is a genuinely global industry, a reinsurer may operate optimally if, and only if, it can build an international footprint — without friction — to serve insurers and businesses throughout the world and hence receive unhampered access to all markets. This is the fundamental reason why the RAB's primary mission is to advocate regulatory frameworks that facilitate global risk transfer. Removing barriers to risk transfer is required to bring the full value of reinsurance to individuals and businesses in each and every market.

There are many examples of trade barriers in reinsurance; some are long-standing and others have emerged more recently. They can take many forms, such as collateral requirements, local presence requirements or even restrictions on foreign ownership of businesses. An April 2022 report by the Global Reinsurance Forum shows that barriers to trade in reinsurance are present in over 50 territories, including regional groups, clearly demonstrating the scale of the issue.

Europe itself is not immune. While the EU has generally allowed non-European Economic Area reinsurers to conduct business without prior authorisation, this is not the case in all member states, and new barriers may still arise, as evidenced by some proposals being discussed in the context of the Solvency II review. Any restrictions affecting reinsurers from third countries, such as limitations on cession rates or collateral requirements, would represent a step back from the liberalisation of global reinsurance markets. In addition, the more risk- and economic value-based regulatory frameworks are, the better. Even if it is not a trade barrier as such, a fair recognition of risk transfer is critical to promote the use of reinsurance by insurers. In this regard, the RAB supports improvements to the Solvency II standard formula.

The RAB has focused its advocacy on several priority markets and contributed to some positive developments. Even though significant barriers remain, India has increased foreign investment limits for insurers, subject to certain safeguards, signalling the welcome further liberalisation of the market and increasing its attractiveness to foreign investors. The EU and the US are in the final stages of implementing their bilateral "covered agreement", which, under certain conditions, removes regulatory collateral requirements for cross-border reinsurance.

And the UK regulator has recognised the specific characteristics of reinsurance as a cross-border, business-to-business activity and adopted a waiver of capital reporting requirements for third-country reinsurance branches that materially reduces their reporting burden.

The RAB will continue to be a strong advocate for open markets across the globe, so that reinsurance can operate optimally and contribute to the continued growth, welfare and resilience of the world's economies.

**What is the RAB?**
The Insurance Europe Reinsurance Advisory Board (RAB) is a specialist representative body for the European reinsurance industry. The RAB comprises the seven largest European reinsurers — Gen Re, Hannover Re, Lloyd's of London, Munich Re, PartnerRe, SCOR and Swiss Re — which together represent more than 50% of total reinsurance premiums income worldwide. It is represented at chairman or CEO level, with Insurance Europe providing the secretariat.

# Member associations

| Country | Association |
| --- | --- |
| Austria | Verband der Versicherungsunternehmen Österreichs (VVO)<br>President: Robert Lasshofer<br>www.vvo.at tel: +43 1 711 560 |
| Belgium | Assuralia<br>President: Hilde Vernaillen<br>www.assuralia.be tel: +32 2 547 56 11 |
| Bulgaria | Асоциация на българските застрахователи (АБЗ)<br>Chairman: Konstantin Velev<br>www.abz.bg tel: +359 29 80 51 24 |
| Croatia | Hrvatski ured za osiguranje (HUO)<br>President: Slaven Dobrić<br>www.huo.hr tel: +385 1 46 96 600 |
| Cyprus | Insurance Association of Cyprus (IAC)<br>Chairman: Evangelos Anastasiades<br>www.iac.org.cy tel: +357 22 452 990 |
| Czech Republic | Česká asociace pojišťoven (ČAP)<br>President: Martin Diviš<br>www.cap.cz tel: +420 221 413 350 |
| Denmark | Forsikring & Pension (F&P)<br>President: Laila Mortensen<br>www.forsikringogpension.dk |
| Estonia | Eesti Kindlustusseltside Liit (EKsL)<br>President: Marek Ratnik<br>www.eksl.ee tel: +372 667 18 00 |
| Finland | Finanssiala (FA)<br>Chairman: Juha Koponen<br>www.finanssiala.fi tel: +358 20 793 4200 |
| France | France Assureurs<br>President: Florence Lustman<br>www.franceassureurs.fr |
| Germany | Gesamtverband der Deutschen Versicherungswirtschaft (GDV)<br>President: Wolfgang Weiler<br>www.gdv.de tel: +49 30 2020 5140 |
| Greece | Ενωση Ασφαλιστικών Εταιριών Ελλάδος (EAEE)<br>President: Alexandros Sarrigeorgiou<br>www.eaee.gr tel: +30 210 3334 130 |
| Hungary | Magyar Biztosítók Szövetsége (MABISZ)<br>President: Erdős Mihály<br>www.mabisz.hu tel: +36 1 802 8400 |
| Iceland | Samtök fjármálafyrirtækja (SFF)<br>President: Lilja Björk Einarsdóttir<br>www.sff.is tel: +354 591 04 00 |
| Ireland | Insurance Ireland<br>President: Dónal Clancy<br>www.insuranceireland.eu tel: +353 1676 18 20 |
| Italy | Associazione Nazionale fra le Imprese Assicuratrici (ANIA)<br>President: Maria Bianca Farina<br>www.ania.it tel: +39 06 3268 87 87 |
| Latvia | Latvijas Apdrošinātāju asociācija (LAA)<br>President: Jānis Abāšins<br>www.laa.lv tel: +371 67 36 08 98 |
| Liechtenstein | Liechtensteinischer Versicherungverband (LVV)<br>President & director: Caroline Voigt<br>www.lvv.li tel: +423 237 47 77 |
| Luxembourg | Association des Compagnies d'Assurances et de Réassurances du Grand-Duché de Luxembourg (ACA)<br>President: Christian Gibot<br>www.aca.lu tel: +352 44 21 44 1 |
| Malta | Malta Insurance Association (MIA)<br>President: Anthony Cauchi<br>www.maltainsurance.org tel: +356 21 232 640 |
| Netherlands | Verbond van Verzekeraars<br>President: Tjeerd Bosklopper<br>www.verzekeraars.nl tel: +31 6 1415 38 68 |

| Country | Association |
|---|---|
| Norway | Finans Norge<br>Chairman: Benedicte Schilbred Fasmer<br>www.finansnorge.no tel: +47 23 28 42 00 |
| Poland | Polska Izba Ubezpieczeń (PIU)<br>President: Jan Grzegorz Prądzyński<br>www.piu.org.pl tel: +48 22 42 05 105 |
| Portugal | Associação Portuguesa de Seguradores (APS)<br>President: José Galamba de Oliveira<br>www.apseguradores.pt tel: +351 21 38 48 100 |
| Romania | Uniunea Națională a Societăților de Asigurare și Reasigurare din Romania (UNSAR)<br>President: Adrian Marin<br>www.unsar.ro tel: +4031 130 0605 |
| Slovakia | Slovenská asociácia poisťovní (SLASPO)<br>President: Vladimír Bakeš<br>www.slaspo.sk |
| Slovenia | Slovensko Zavarovalno Združenje (SZZ)<br>Director: Maja Krumberger<br>www.zav-zdruzenje.si tel: +386 1 300 93 81 |
| Spain | Unión Española de Entidades Aseguradoras y Reaseguradoras (UNESPA)<br>President: Pilar González de Frutos<br>www.unespa.es tel: +34 917 45 15 30 |
| Sweden | Svensk Försäkring<br>President: Ylva Wessén<br>www.svenskforsakring.se tel: +46 8 522 785 00 |
| Switzerland | Swiss Insurance Association (ASA\|SVV)<br>President: Rolf Dörig<br>www.svv.ch tel: +41 442 08 28 28 |
| Turkey | Türkiye Sigorta Birliği (TSB)<br>President: Atilla Benli<br>www.tsb.org.tr tel: +90 850 502 96 20 |

**United Kingdom** The British Insurers' European Committee, comprising:

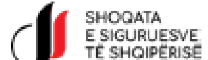
Association of British Insurers (ABI)
Chairman: Barry O'Dwyer
www.abi.org.uk tel: +44 207 600 3333

International Underwriting Association of London (IUA)
Chairman: Rob Kuchinski
www.iua.co.uk tel: +44 207 617 4444

Lloyd's
Chairman: Bruce Carnegie-Brown
www.lloyds.com tel: +44 207 327 1000

## Associate members

**Albania**



Shoqata e Siguruesve të Shqipërisë
Chairman: Avni Ponari
shoqatasiguruesve.al

**Bosnia & Herzegovina**

Udruženje društava za osiguranje u Federaciji Bosne i Hercegovine
President: Damir Hadžić
udofbih.ba tel: +387 33 207 881

**Montenegro**

Nacionalni biro osiguravača Crne Gore (NBOCG)
Executive manager: Boris Šaban
www.nbocg.me tel: +382 20 243 440

**Serbia**

Удружење осигуравача Србије
Secretary general: Duško Jovanović
uos.rs tel: +381 112 92 79 00

# Events

Mairead McGuinness, European Commissioner for Financial Stability, Financial Services and the Capital Markets Union

Due to the global pandemic, Insurance Europe's Resilience Week replaced its annual International Conference.

The event was opened by an address by European Commissioner Mairead McGuinness and consisted of daily webinars with a range of high-profile speakers on how the insurance industry can help economies and societies manage pandemic risks, retirement saving gaps, climate risks and more.

**Other speakers included:**
Dubravka Šuica, European Commission Vice-President for Democracy & Demography (left) and Fausto Parente, executive director of EIOPA (right)

Didier Reynders, European Commissioner for Justice (left) and Victoria Saporta, chair of the IAIS (right)

In 2021, Insurance Europe launched its new "bite-sized" webinar series. Called "Cover Notes", these regular, half-hour events showcase the people and topics that are making the news in the insurance world.

## A conversation with Petra Hielkema

The first Cover Note, which took place on 5 October 2021, featured an interview with the new EIOPA chairperson Petra Hielkema, in which she set out her priorities for insurance supervision in Europe.

## Good COP, bad COP?

The second Cover Note, "Good COP, bad COP?", took place on 1 December 2021. It featured a conversation between Philippe Lamberts MEP (left), who is co-president of the Greens-European Free Alliance, and Christian Mumenthaler (right), group CEO of Swiss Re. They reflected on the outcomes of the 2021 UN Climate Change Conference (COP26) and next steps.

## European Retirement Week
## 29 November–3 December 2021

Europe's first ever Retirement Week took place at the initiative of 11 European associations. It aimed to provide a platform for a wide range of stakeholders to debate the future of pensions in Europe and raise citizens' awareness about the need to save for retirement.

The week opened with a keynote speech by European Commissioner Mairead McGuinness and quick-fire contributions from the participating associations on the key priorities for pensions and trends shaping the pensions landscape. The 11 European associations then held a range of their own individual events.

European Retirement Week will return on 28 November 2022.

### Sponsored by

EFAMA

FESE

Insurance Europe organised its own event to present and discuss the findings of its second Pan-European Pension Survey (see p46).

Insurance Europe co-organised a second webinar on the importance of financial literacy in increasing retirement saving with Better Finance and the European Banking Federation.

# Publications

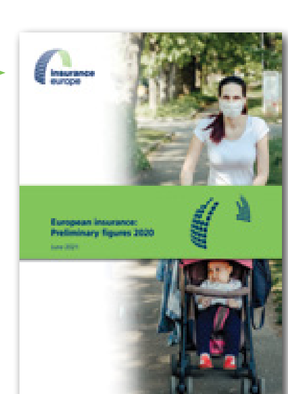
These Insurance Europe publications, and more, are available in print and at www.insuranceeurope.eu

**Factsheet: E-privacy**
(June 2021)

A summary of the ways insurers assist in efforts to increase cyber resilience, including examples of initiatives by national associations.

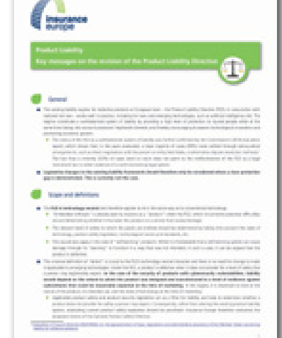
**European Insurance — Preliminary figures 2020**
(June 2021)

Based on first figures from 26 Insurance Europe members, early indications of the year-on-year evolution of premiums, claims and investments.



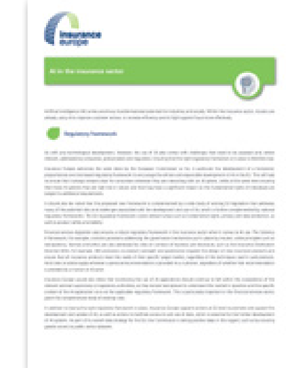
**Factsheets: Market access and trade barriers**
(June 2021)

Individual factsheets on the issues faced by European (re)insurers in Argentina, Brazil, Canada, India and Indonesia.



**Factsheet: Product liability**
(July 2021)

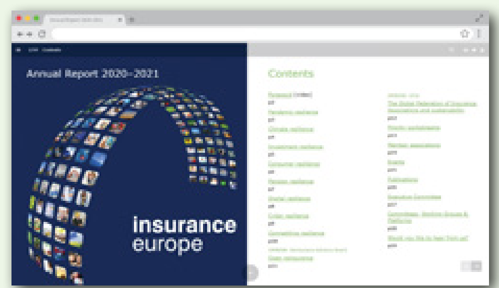
Key messages on the revision of the Product Liability Directive.



**Factsheet: AI**
(November 2021)

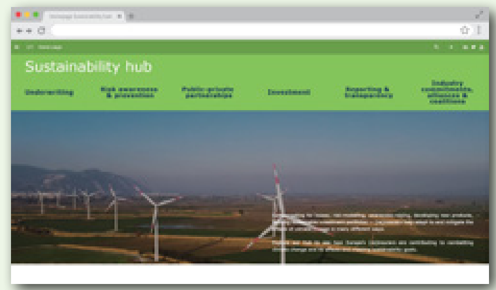
An information sheet on AI in the insurance sector.

## Online only



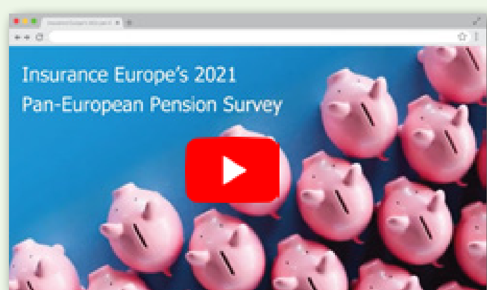
**Annual Report 2020–2021**
(May 2021)

An online publication examining how to build resilience in European societies and economies. Topics include: lessons learned from the pandemic; enhancing climate change adaptation; and ensuring citizens have enough income in retirement.



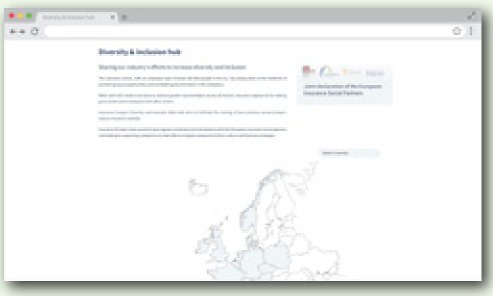
**Sustainability Hub**
(November 2021)

A dedicated section of the website outlining examples of the many ways in which (re)insurers contribute to tackling climate change and facilitate the transition to sustainability.




**Video: 2021 Pan-European Pension Survey**
(March 2022)

A two-minute presentation of the main survey findings. It was published during Global Money Week 2022.



**Diversity & Inclusion Hub**
(May 2022)

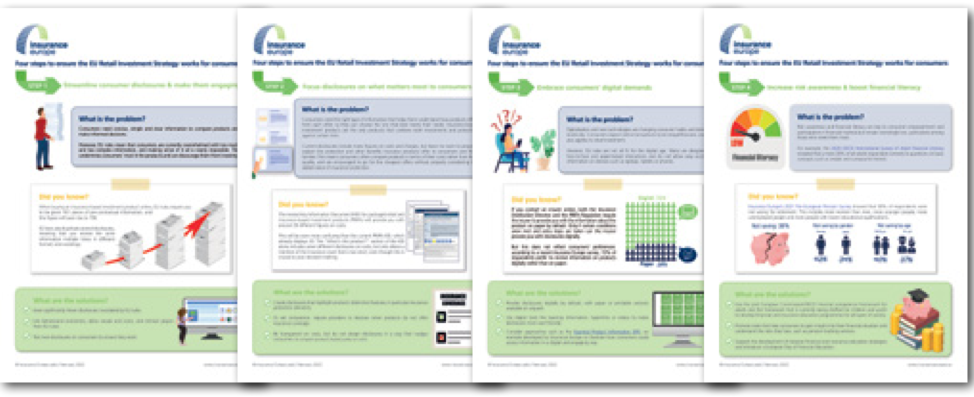
A dedicated section of the website showcasing the industry's efforts to promote diversity and inclusion.

**2021 Pan-European Pension Survey: Key findings**
(December 2021)

The main findings of Insurance Europe's second survey, which asked European citizens how they are preparing financially for retirement and what they expect from their pensions.

**Factsheets: CSRD**
(January 2022, April 2022)

Key messages on the EU Corporate Sustainability Reporting Directive.



**Factsheets: EU Retail Investment Strategy**
(February 2022)

Four steps to ensure the Retail Investment Strategy works for consumers.

**Factsheet: Solvency II/ IRRD**
(February 2022)

Key messages on the review of Solvency II and on the Insurance Recovery & Resolution Directive.

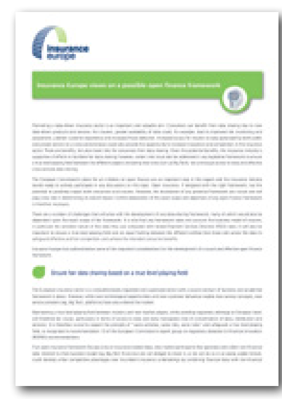
**European Insurance — Key Facts**
(March 2022)

**European Insurance in Figures**
(March 2022)

2020 statistics, including information on European insurers' premiums, claims and investments.

**Indirect taxation on insurance contracts in Europe**
(April 2022)

A full survey of tax rules, tariffs and regulations, giving an overview of taxes applicable to insurance premiums, as well as declaration and payment procedures.



**Factsheet: Open finance**
(April 2022)

Views on a possible EU open finance framework.

# Executive Committee

**Chairman**

**Andreas Brandstetter**
Chairman & CEO
Uniqa Insurance Group, Austria

**Austria**

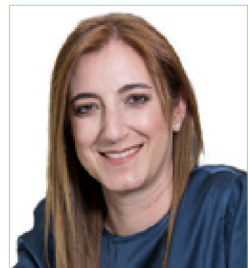
**Louis Norman-Audenhove**
Director general
Verband der Versicherungsunternehmen Österreichs (VVO)

**Belgium**

**Hein Lannoy**
Managing director
Assuralia

**Bulgaria**

**Nina Koltchakova**
Secretary general
Асоциация на българските застрахователи (АБЗ)



**Greece**

**Elina Papaspyropoulou**
Director general
Ενωση Ασφαλιστικών Εταιριών Ελλάδος (EAEE)

**Hungary**

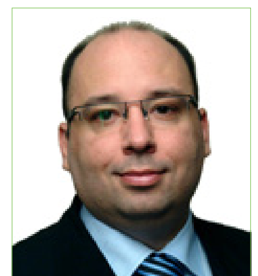
**Dániel Molnos**
Secretary general
Magyar Biztosítók Szövetsége (MABISZ)

**Iceland**

**Katrín Júlíusdóttir**
Managing director
Samtök fjármálafyrirtækja (SFF)

**Ireland**

**Moyagh Murdock**
CEO
Insurance Ireland



**Croatia**

**Hrvoje Pauković**
Manager
Hrvatski ured za osiguranje (HUO)

**Cyprus**

**Andreas Athanasiades**
Director general
Insurance Association of Cyprus (IAC)

**Czech Republic**

**Jan Matoušek**
CEO
Česká asociace pojišťoven (ČAP)

**Denmark**

**Kent Damsgaard**
Director general
Forsikring & Pension (F&P)

**Italy**

**Dario Focarelli**
Director general
Associazione Nazionale fra le Imprese Assicuratrici (ANIA)

**Latvia**

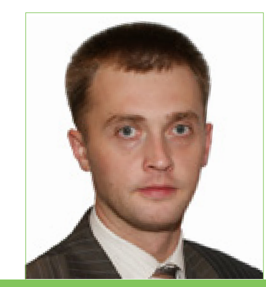
**Jānis Abāšins**
President
Latvijas Apdrošinātāju asociācija (LAA)

**Liechtenstein**

**Caroline Voigt**
President & director
Liechtensteinischer Versicherungsverband (LVV)

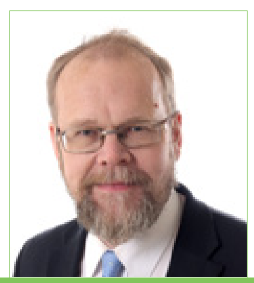
**Luxembourg**

**Marc Hengen**
General manager
Association des Compagnies d'Assurances et de Réassurances (ACA)
*Insurance Europe treasurer*



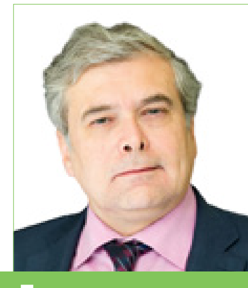
**Estonia**

**Mart Jesse**
Chairman
Eesti Kindlustusseltside Liit (EKsL)



**Finland**

**Esko Kivisaari**
Deputy managing director
Finanssiala (FA)



**France**

**Philippe Poiget**
Director general
France Assureurs

**Germany**

**Jörg Asmussen**
Chairman
Gesamtverband der Deutschen Versicherungswirtschaft (GDV)

**Malta**

**Adrian Galea**
Director general
Malta Insurance Association (MIA)

**Netherlands**

**Richard Weurding**
General manager
Verbond van Verzekeraars

**Norway**

**Idar Kreutzer**
Managing director
Finans Norge

**Poland**

**Jan Grzegorz Prądzyński**
President
Polska Izba Ubezpieczeń (PIU)

## Portugal

**Alexandra Queiroz**
General manager
Associação Portuguesa de Seguradores (APS)

## Romania

**Alexandru Ciuncan**
Director general
Uniunea Națională a Societăților de Asigurare și Reasigurare din Romania (UNSAR)

## Slovakia

**Jozefína Žáková**
Director general
Slovenská asociácia poisťovní (SLASPO)

## Slovenia

**Maja Krumberger**
Director
Slovensko Zavarovalno Združenje (SZZ)

## Spain

**Mirenchu del Valle Schaan**
Secretary general
Unión Española de Entidades Aseguradoras y Reaseguradoras (UNESPA)

## Sweden

**Christina Lindenius**
Managing director
Svensk Försäkring

## Switzerland

**Urs Abter**
Director
Swiss Insurance Association (ASA|SVV)

## Turkey

**Özgür Obali**
Secretary general
Türkiye Sigorta Birliği (TSB)

## United Kingdom

**Hannah Gurga**
Director general
Association of British Insurers (ABI)

## Insurance Europe

**Michaela Koller**
Director general

# Working bodies

## Conduct of Business Committee

Chair
**Bart Janknegt**
CEO
VvAA, Netherlands

Vice-chair
**Maud Vautrain**
Group chief compliance officer
Covéa, France

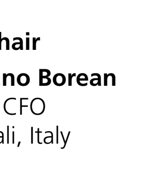
Vice-chair
**Gianfranco Vecchiet**
Head of group EU & international affairs
Generali, Italy

## Economics & Finance Committee

Chair
**Alban de Mailly Nesle**
Group chief financial officer
AXA Group, France

Vice-chair
**Réjean Besner**
CRO, iptiQ division
Swiss Re

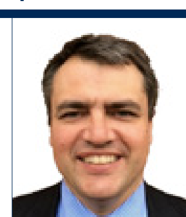
Vice-chair
**Cristiano Borean**
Group CFO
Generali, Italy



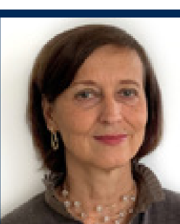
Vice-chair
**Allegra van Hövell-Patrizi**
CEO
Aegon, Netherlands

## Corporate Reporting Working Group (reports to Economics & Finance Committee)

Chair
**Roman Sauer**
Head of group accounting & reporting
Allianz SE, Germany



Vice-chair
**Hugh Francis**
Director of external reporting developments
Aviva, UK



Vice-chair
**Sophie Massol**
Head of group accounting policies
AXA Group, France

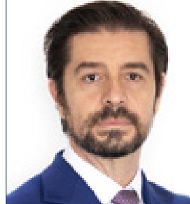
Vice-chair
**Anna Vidal Tuneu**
Accounting policies & regulation director
CaixaBank, Spain

### International Affairs & Reinsurance Working Group (reports to Economics & Finance Committee)

**Chair**
**Benoît Hugonin**
Director of prudential affairs
SCOR, France

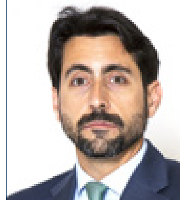
**Vice-chair**
**Marc Radice**
Head of international affairs
Zurich Insurance, Switzerland

### Solvency II Working Group (reports to Economics & Finance Committee)



**Chair**
**Francesco Merlin**
CRO
Gruppo Poste Vita, Italy

**Vice-chair**
**Tobias Bücheler**
Head of regulatory affairs
Allianz SE, Germany



**Vice-chair**
**Carlos Rami**
Head of relations with international institutions
Mapfre, Spain

### Taxation Working Group (reports to Economics & Finance Committee)

**Chair**
**Holger Engelke**
Head of group taxation
Munich Re, Germany

**Vice-chair**
**Emmanuel Gorlier**
European hub tax director
Scor, France

### General Insurance Committee

**Chair**
**Franco Urlini**
Group P&C, claims & reinsurance director
Generali, Italy

**Vice-chair**
**Jaime de Argüelles Gonzalez**
Deputy manager, business & reinsurance
Allianz, Spain

**Vice-chair**
**Thomas Hlatky**
Head of reinsurance
Grazer Wechselseitige, Austria

### Liability/Insurability Working Group (reports to General Insurance Committee)

**Chair**
**Marco Visser**
Head of wordings & reinsurance
HDI Global, Germany

**Vice-chair**
**Lorenzo Natale**
Director, technical portfolio management
Generali, Switzerland

### Motor Working Group (reports to General Insurance Committee)

**Chair**
**Daniel John**
Head of non-life actuarial department
HUK Coburg, Germany

**Vice-chair**
**Erik de Boer**
Managing director, enterprise risk management
Univé, Netherlands

**Vice-chair**
**Fabio Sattler**
Claims management expert
Generali, Italy

### Sustainability Working Group (reports to General Insurance Committee)

**Chair**
**Thomas Hlatky**
Head of reinsurance
Grazer Wechselseitige, Austria

**Vice-chair**
**Roland Nussbaum**
Special advisor, climate risks
France Assureurs, France

**Vice-chair**
**Michael Szönyi**
Flood resilience program lead
Zurich Insurance, Switzerland

### Insurance Crime Platform (reports to General Insurance Committee)

**Chair**
**Per Norström**
Deputy CEO
Larmtjänst, Sweden

### Road Safety Platform (reports to General Insurance Committee)

**Chair**
**Othmar Thann**
General manager, Kuratorium für Verkehrssicherheit (KFV), Austria

### Personal Insurance Committee

**Chair**
**Xavier Larnaudie-Eiffel**
Deputy CEO
CNP Assurances, France

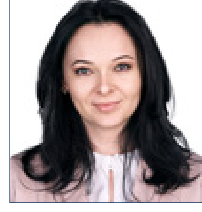
**Vice-chair**
**Juan Fernández Palacios**
CEO
Mapfre Vida, Spain

**Vice-chair**
**Jan Otto Risebrobakken**
Senior vice-president & public affairs director
Storebrand, Norway

## Public Affairs & Communications Committee

**Chair**
**Michaela Koller**
Director general
Insurance Europe

## Communications & PR Platform (reports to Public Affairs & Communications Committee)



**Chair**
**Roxana Baluta**
Programs coordinator
National Association of Insurance and Reinsurance Companies in Romania (UNSAR)

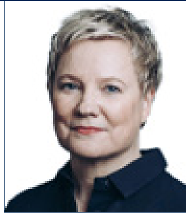
## Statistics Working Group (reports to Executive Committee)

**Chair**
**Alberto José Macián Villanueva**
Head of global P&C retail
Generali, Italy

## Health Platform (reports to Executive Committee)

**Chair**
**George Veliotes**
General manager,
life & health
Interamerican Group,
Greece

## Social Dialogue Platform (reports to Executive Committee)



**Chair**
**Anu Sajavaara**
Director of negotiations, industrial relations & industrial policy
Palta (Service Sector Employers),
Finland

# Leadership

**President**
**Andreas Brandstetter**
Chairman & CEO
Uniqa Insurance Group, Austria

**Vice-president**
**Sandro Panizza**
Group chief insurance & investment officer
Assicurazioni Generali, Italy

## Management team

**Director general**
Michaela Koller

**Deputy director general**
**Director economics & finance**
Olav Jones

**Head of personal & general insurance**
Nicolas Jeanmart

**Head of conduct of business**
William Vidonja

**Head of HR & support services**
Koen Ameye

**Editorial manager**
Janina Clark

Insurance Europe's Annual Report 2021–2022 is available on the Insurance Europe website: www.insuranceeurope.eu

© Insurance Europe aisbl
Brussels, June 2022
All rights reserved

Design: Insurance Europe

"Insurance Europe Annual Report 2021–2022" is subject to copyright with all rights reserved. Reproduction in part is permitted if the source reference "Insurance Europe Annual Report 2021–2022" is indicated. Courtesy copies are appreciated. Reproduction, distribution, transmission or sale of this publication as a whole is prohibited without the prior authorisation of Insurance Europe.

Although all the information used in this publication was taken carefully from reliable sources, Insurance Europe does not accept any responsibility for the accuracy or the comprehensiveness of the information given. The information provided is for information purposes only and in no event shall Insurance Europe be liable for any loss or damage arising from the use of this information.

E-mail: info@insuranceeurope.eu
Twitter: @InsuranceEurope

www.insuranceeurope.eu