

The logo for Insurance Ireland features a teal-colored arc above the word "INSURANCE" and another teal-colored arc below the word "IRELAND". The text "INSURANCE" is in a large, bold, dark blue font, and "IRELAND" is in a smaller, bold, dark blue font.

INSURANCE **IRELAND**

IN EUROPE

KEY PRIORITIES OF THE IRISH INSURANCE INDUSTRY

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IN THIS BROCHURE

WHO WE ARE	3
COVID-19	4
WHAT WE ARE WORKING ON	5
THE ROLE OF INSURANCE	6
AN INTEGRATED, INNOVATIVE AND SUSTAINABLE EU	7
ALLOW INSURERS TO TAKE RISK AND INVEST	8
SUPERVISE INSURERS CONSISTENTLY	9
MAKE CONSUMER PROTECTION FIT-FOR-PURPOSE	10
REDUCE THE REGULATORY BURDEN	11
MAKE THE NEW GREEN DEAL WORK IN PRACTICE	12
SHAPE DIGITAL EUROPE	13
STRENGTHEN SOCIAL SUSTAINABILITY	14
LOOKING AT OURSELVES – DIVERSITY AND INCLUSION	15

WHO WE ARE

Insurance Ireland is the Voice of Insurance in Ireland and represents the Irish general insurance, health insurance, life assurance, reinsurance and captive management sectors. Insurance Ireland's membership comprises more than 130 companies providing insurance to more than 25 million policyholders in over 110 countries. Our members pay out more than 13 billion euros in claims and benefits to Irish customers and 1.6 billion euros in tax to the Irish exchequer annually.

The financial services industry in Ireland employs approximately 28,000 people, with one in four jobs being in insurance. The Irish insurance market generates about 67 billion euros in premiums per year.

One of the top 6 EU insurance markets and is the 2nd biggest in reinsurance EU

This makes Ireland one of the top 6 insurance markets in the EU and it is the 2nd biggest reinsurance market. Insurance Ireland is engaged in the

Ireland for Finance 2025 initiative.

Insurance Ireland's mandate is to represent and promote the Irish insurance market for our members, our customers and the wider economy. Ireland is a key hub for international insurers. Therefore, we are engaging at domestic, European and global level – in close cooperation with our sister associations around the globe, Insurance Europe and the Global Federation of Insurance Associations (GFIA).

Innovation and the use of new technology are essential for the Irish insurance industry. Insurance Ireland's aim is to establish Ireland as an InsurTech testbed for Europe. We will collaborate with key stakeholders to build an InsurTech Hub in Dublin by 2021.

COVID-19

Insurance Ireland is very aware that many of our members' customers and businesses are suffering as a result of the very serious disruption caused by the Coronavirus (Covid-19). Insurance Ireland's members want customers to know that we will support them and will be there to deal with claims in the weeks and months ahead. The sector is committed to working with customers during this crisis and to helping as best it can to alleviate the impacts in this challenging environment.

Insurance Ireland created a Covid-19 Hub on its webpage to provide for the latest information. Please visit www.insuranceireland.eu.

WHAT WE ARE WORKING ON

- 1** Assess existing and future regulation to **ensure the global competitiveness of the EU insurance sector** by eliminating unnecessary regulatory burdens to allow insurers to take risks off their customers and to invest in a sustainable Europe.
- 2 Strengthen integration, innovation and sustainability** of the EU single market in the relaunch of the Capital Markets Union initiative and the Solvency II Review.
- 3** Review retail financial services conduct regulations and Solvency II with the aim to **enhance regulatory and supervisory convergence**, a consistent application of the principle of proportionality and clear and comprehensible information for consumers.
- 4** Make the new Green Deal work in practice by **reflecting insurers' risk mitigation capacity and ability to finance the transition** towards a sustainable Europe.
- 5** Shape digital Europe to enhance the EU data strategy and **create a regulatory framework which allows for innovation**, supports the use of new technologies, encourages consumers to more easily engage with their financial planning and strengthens EU insurers in global competition.
- 6** Strengthen social sustainability across the EU to appropriately **reflect the changing economic and social environment and support the development of a more diverse and inclusive Europe**.

THE ROLE OF INSURANCE

The value proposition of insurers is far wider than the settlement of claims. Insurers mitigate and manage risks of their customers, as well as providing peace of mind to consumers and businesses.

The main drivers for an individual risk are the uncertainty about its occurrence, its frequency and volatility. Insurers mitigate risks by reducing the uncertainty of individual risks by creating collectives of risks and smoothing over time.

Consequently, insurers have a strong interest in reducing risk, i.e. frequency and volatility and to make the occurrence of risk more predictable.

4 different measures are taken to fulfil this aim:

- Raise awareness,
- Support preparation,
- Increase resilience,
- Provide insurance.

The provision of protection and the mitigation of risk create value for insurers and customers alike. Irish insurers and reinsurers wrote business worth about 67 billion euros in 2018.

Insurers mitigate risks, provide peace of mind for customers and invest in a sustainable Europe

In addition, insurers collectively invest on behalf of their customers. Each year, Irish insurers invest more than 350 billion euros. With these investments, the insurers are an essential driver of the transition towards a more sustainable economy and society.

AN INTEGRATED, INNOVATIVE AND SUSTAINABLE EU

Irish insurers service customers in almost all EU Member States (MS) and insurers from other MS provide their services in Ireland. The integration of the EU single market is a core foundation for Irish insurers. To enhance its function, Insurance Ireland and its members share the vision of a more integrated, innovative and sustainable EU insurance market.

Further regulatory and supervisory convergence is essential to ensure the consistent protection of consumers across the Union. New regulatory initiatives as well as the ongoing and upcoming reviews of EU regulation should be used to increase regulatory consistency.

An innovation friendly and consumer-centric regulatory environment should be created to ensure the future competitiveness of the EU's economy and its insurance market at global level. The opportunities and challenges of an increased use of technology, e.g. AI, cloud services and digital communication, should also be prioritised.

Align future initiatives for a more integrated, innovative and sustainable EU single market for

should be created to ensure the future competitiveness of the EU's economy and its insurance market at global level. The opportunities and challenges of an increased use of technology, e.g. AI, cloud services

Environmental and social challenges should be addressed at EU level to ensure a consistent approach and avoid fragmentation across the block. Climate, demographic and socio-economic changes pose significant risks to all MS.

The insurance industry provides risk-mitigation and long-term investments to support the necessary response to these challenges. The regulatory and political environment needs to allow insurers to play their role effectively.

ALLOW INSURERS TO TAKE RISK AND INVEST

The insurance industry is highly regulated to ensure a sound sensible and efficient consumer protection framework. A central element of this framework is the prudential regulatory regime, Solvency II. Solvency II determines how much own funds insurers need to cover their liabilities – the Solvency Capital Requirement (SCR).

Solvency II is the most modern risk framework in a global environment. However, some of its requirements appear to be overly conservative and too volatile. This can reduce insurers' risk-taking capacity and ability to invest. An overly prudent Solvency II also limits the global competitiveness of the EU insurance industry.

Solvency II is currently under review and the European Commission (EC) is expected to present a legislative proposal for amending the regime. The European Insurance and Occupational Pensions Authority (EIOPA) is working on its technical advice in preparation for this. EIOPA's recent proposals would lead to a dramatic increase in SCRs making the system even more onerous.

Amend Solvency II to enable insurers to take risk of the society and invest in a sustainable EU

The industry believes that a more balanced approach is necessary and the calibration of elements, which require too much own funds, needs to be changed. Furthermore, Insurance Ireland believes that the Solvency II Review must significantly strengthen regulatory and supervisory convergence across the EU. We are also keen to embed a more pragmatic approach on the proportionate application of Solvency II. In cooperation with the Dutch Association of Insurers (Verbond van Verzeekerars, VVN) we launched an initiative to promote the issue and to provide for a practicable solution.

SUPERVISE INSURERS CONSISTENTLY

The freedom of establishment and the freedom to provide services are indispensable for the Irish insurance market. Regulatory and supervisory convergence are essential to ensure consistent protection of insurance customers across the Union. For insurers, Solvency II and the establishment of EIOPA were milestones in this respect. However, inconsistencies in the transposition of the rules and different interpretations challenge the credibility of the internal market. The Solvency II review looks particularly into key elements of regulatory and supervisory convergence, e.g. cross-border supervision, insurance guarantee schemes and resolution mechanisms.

The current system of cooperation and information exchange of national supervisors needs a significant review. The approach leaves substantial room for arbitrary behaviour and potentially undermines the credibility of the regulatory and supervisory regime.

We strongly believe that this system needs to be based on a permanent and consistent cooperation mechanism. The already existing EI-

Enhance convergence to ensure fair competition and consistent consumer protection

OPA hub should be used to establish digital supervisory platforms for cross-border cases. All relevant supervisors should cooperate and exchange crucial information on these platforms. EIOPA should oversee

these processes and ensure they are effective.

Furthermore, guarantee schemes and resolution mechanisms which protect consumers from potential hardships due to an insurer's insolvency should be harmonised to avoid regulatory arbitration which could cause detriment to consumers.

MAKE CONSUMER PROTECTION FIT-FOR-PURPOSE

For effective and efficient consumer protection sound and sensible conduct regulation and a functioning supervision of the market are essential. Insurance Ireland believes that transparency, an information provision that is fit for purpose and regulatory supervisory convergence are the three key elements in this respect.

We support initiatives which increase the market transparency, improve the provision of information and promote fair outcomes to customers. It is crucial that the information provided is focused on the consumer and does not create multiple layers of information. In order to ensure that the consumer understands the information, simplicity and clarity are indispensable. To do this, insurers require clarity in the interpretation, and adherence to, regulatory requirements.

Take a consumer-focused approach based on simplicity, clarity and comprehensibility

Consumer habits and culture determine which insurance products are purchased by consumers. Nonetheless, a functioning EU regulatory and supervisory conduct framework will enhance consistency and quality of consumer protection across all MS.

The core elements of conduct regulation for insurers are the Insurance Distribution Directive (IDD) and the Packaged Retail Investment and Insurance Products Regulation (PRIIPs). Both will be reviewed during this legislative term. While we believe that the IDD only requires tweaks to improve its consistency, the PRIIPs regulation will need substantial amendments. The methodology of PRIIPs is overly complex, misleads consumers and creates regulatory uncertainty for insurers. A holistic re-design is necessary to address its flaws. A piecemeal approach to changes could cause more harm than good.

REDUCE THE REGULATORY BURDEN

The insurance industry's role for the economy and the society requires a sound and consistent regulatory regime. Regulation needs to be effective and efficient and provide fair outcomes for consumers. Insurance Ireland believes that it is essential to find the right balance between effective regulation and an administrative burden with little corresponding increase to consumer protection.

Solvency II, for example, is highly complex and creates a massive administrative burden. Its complexity demands sophisticated calculations and very detailed reporting. The current review should be used to a) adjust the regime to the nature, scale and complexity of an insurer's risk (proportionate application) and b) review reporting re-

Avoid unnecessary administrative burdens in existing and future regulation

quirements with the aim to reduce the administrative burden. Compliance with market conduct for IDD and PRIIPs has led to an overwhelming amount of information for insurers and customers. A holistic review

is necessary to ensure that a targeted approach is taken to inform consumers in a meaningful way and promote consumers' ability to engage with their financial planning.

In addition to specific regulations, cross-cutting initiatives, e.g. on data protection or taxation, apply to insurers. An example is the currently implemented directive on cross-border tax arrangement, DAC 6. The primary target of DAC 6 is minimising tax evasion by requiring firms to report certain cross-border payments. However, in its current format, this might also include insurers regular payments to customers, e.g. on pensions. That would create a massive additional administrative burden without necessarily meeting the policy intent behind DAC6.

MAKE THE NEW GREEN DEAL WORK IN PRACTICE

The new Green Deal for Europe presents ambitious plans to address climate change at an EU level. Insurers can and will be crucial to make the new Green Deal work in practice.

Climate change is a significant threat to our society and economy. Individual solutions alone will not be sufficient to manage these risks. Insurers' are key to mitigate the related risks and to support economies and individuals to adjust. It will be important that the role of insurers (awareness, preparedness, resilience and insurance) is appropriately considered in the EU strategy on climate adaptation and climate law. Furthermore, it is important that Solvency II will not unnecessarily limit insurers' risk-taking capacity.

In addition to the risk mitigation function, insurers will be major investors of the change. Insurers investments are particularly long-term. Existing regulatory obstacles to fulfilling this function should be removed, e.g. under Solvency II. At the same time, we oppose a specific "green beneficial factor", as an investment decision should not be biased. Furthermore, the amount and scale of sustainable investment projects need to be increased together with a strong public commitment to a more sustainable Europe across MS.

Recognise insurers' role in mitigating climate risks and investing in the new Green Deal

The EU taxonomy will allow investment projects to be consistently assessed. But it is important that the data necessary for the assessments is available. Creating a bottleneck around the necessary data will harm ambitions significantly. Therefore, we strongly support initiatives creating open-source data.

SHAPE DIGITAL EUROPE

In February 2020, the European Commission presented its strategy for a Europe ready for the digital age. This strategy can be a major step in the EU single market for financial services. As a data-intense business, insurers are at the forefront of these developments.

Access to data and data sharing, the use of new technologies (e.g. AI) and operational resilience are major aspects for the industry. Open access to data and enhanced data exchange will enable innovation and increase competition. A crucial prerequisite will be that the shared data is of sufficient quality.

The use of new technologies is important for the insurance industry. For example AI and machine learning might allow insurers to

Create a regulatory environment which enables EU insurers to compete at the global stage.

smoothen processes and lead to a better consumer experience and promote consumer engagement with their financial planning. For the regulation and supervision of these processes, we suggest that an outcome-oriented approach is taken.

Overall, the regulatory environment will determine how innovation can shape the insurance industry of the future and, together with a consistent strategy towards EU integration, allow European insurers to compete at global level.

Finally, insurers can contribute to the operational cyber resilience of the EU economy. Insurers make extensive efforts to make their technology platforms future ready. In addition to the provision of risk cover, insurers are using their expertise to help customers to improve own systems. Cyber risks are fast moving and always changing. Therefore, it is essential that future provisions allow for the necessary flexibility.

STRENGTHEN SOCIAL SUSTAINABILITY

While environmental sustainability deserves a high profile, the challenges of social sustainability are often overlooked. The new European Commission initiative of an economy that works for the people reflects the need to act. Insurance Ireland supports the Commission's ambition in this field. Even though social policy is subject to the MS own discretion, we believe that the EU can play an important role to lead European policy making in this respect.

Economic participation of citizens changed significantly over the last years and it can be expected that this trend continues. Platform based working models, discontinuity in careers, changing demands from employers and less reliable social systems are creating new challenges to our economy and society. The answers to these challenges have to be found in a holistic approach of governments, industry and society.

A prominent example which is already under discussion is the Pan-European Personal Pension Product (PEPP). The PEPP initiative aims at developing simple and standardised private pension offerings enhancing people's ability and willingness to save for their retirement. This initiative should go hand-in-hand with policies encouraging participation and savings for retirement. The Irish government, for example, launched an initiative on an auto-enrolment regime. Insurance Ireland supports that initiative with its 70:30 project – 70 % of citizens saving for their retirement by 2030.

Make social sustainability an objective of the EU policy debate and encourage MS cooperation

More integration of EU social policy can support national initiatives and avoid social disparity across the block.

LOOKING AT OURSELVES – DIVERSITY AND INCLUSION

Diversity and Inclusion (D&I) is fundamental to the future of our economy and society. Diversified and inclusive organisational structures are considered as key strategic and cultural elements of ensuring long-term success and ensuring fair outcomes for consumers. The EC as well as supervisors envisage policies how to stimulate and supervise steps taken by the industry.

Looking at ourselves, the Central Bank of Ireland's (CBI) report on its Insurance D&I thematic review (expected in April 2020) will be an important stocktaking of actions. The CBI's demographic analysis of Pre-Controlled Function (PCF) applications found that the insurance sector saw the second largest increase in the share of female applicants for pre-approval functions. While progress has been made, there is still some way to go to see real difference in D&I in practice.

Enhance D&I initiatives as key factors for long-term success and fair consumer outcomes

With its publication the CBI is expected to set out goals for the industry in this area. The CBI will broaden its work on D&I to a wider look at demonstration of culture within insurers. The CBI initiative contributes to the wider framework at European and global level.

The International Association of Insurance Supervisory (IAIS) and EIOPA identify the supervision of culture as strategic targets. D&I are important parameters of the expected approach. Furthermore, the review of the Non-Financial Reporting Directive and initiatives on sustainable governance regimes are going to be core regulatory initiatives reflecting D&I.

Insurance Ireland is committed to contribute to this work.

ABOUT US

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