BIPAR Press

March 2010

CONTENTS:

Editor:
BIPAR Secretariat

Whilst this information is gathered with suitable care, it is only published as a matter of documentation. Given that "BIPAR Press" only mirrors the articles as published in the specialised press, BIPAR cannot assume any responsibility as to the overall accuracy of its contents.

BIPAR, the **European Federation of Insurance Intermediaries**, is a non-profit European organisation grouping professional associations of insurance intermediaries in Europe. It presently has a membership of 45 national associations, established in 31 countries, and represents some 80,000 insurance agents and brokers, employing in all about 250,000 people. Founded in Paris in 1937, BIPAR headquarters were moved to Brussels in 1989. It is today the official and recognised voice of insurance intermediaries with the European Institutions.

Av. Albert-Elisabeth 40 - B-1200 Brussels
Tel: +32/2/735 60 48 - Fax: +32/2/732 14 18 - bipar@skynet.be

BIPAR Press is also available on www.bipar.eu (Member area/publications)

EUROPE

In-depth examination of insurance against natural catastrophes

Michel Barnier, European Commissioner for Internal Market and Services, announced on 9 March at the European Parliament in Strasbourg that the European Commission would carry out an in-depth examination of insurance schemes covering national catastrophes, in particular flooding. This initiative will involve a broad range of stakeholders and dialogue with Member States and insurance experts to exchange examples of best practice and to fix priorities at an appropriate level. The results of this dialogue will be the subject of a conference to be organised by the Commission during 2011.

This announcement came in response to an oral question by Irish MEP, Seán Kelly, regarding the "*inability of the market to provide adequate cover*" against flooding in certain Member States. Mr Kelly's question follows very severe flooding in Ireland and the UK in November and December 2009. It also comes shortly after violent floods caused by the Xynthia storm most notably caused the deaths of more than 50 people in France on 26 and 27 February 2010.

BIPAR will closely monitor this dossier.

Retail Insurance Market Study

Independent consultancy Europe Economics Research's "Retail Insurance Market Study" carried out for DG Internal Market and Services of the European Commission has just been published. The study covers three markets: Third Party Liability Motor Insurance (M3PL), comprehensive motor insurance and home/household insurance. In this respect, the study examines, among others, the market structure including the distribution aspect, cross-border activity, evolution in premiums and innovation in insurance pricing. It covers the whole of the EU27 and incorporates comparisons to either the USA or to six individual USA States.

☞ **The final report of the "Retail Insurance Market Study" (about 400 pages) is available in English at the BIPAR Secretariat upon request.**

EU Member States call for smart regulation of services and financial markets

Further to its meeting on 16 February, the Council of EU Ministers "Ecofin" called for better market monitoring and « *smart regulation initiatives* » to further develop the internal market in the EU2020 strategy. The Council noted the importance of the internal market for ensuring competitive pricing, enhancing competitiveness and increasing potential growth and employment. It called for comprehensive implementation of the Services Directive by the countries that have not met the transposition deadline. It noted that the economic tools developed under the « better regulation » initiative, namely impact assessments of policy proposals and simplification measures, could be a basis for future initiatives, whether regulatory or non-regulatory. Internal Market and Services Commissioner Michel Barnier also stressed that it was *"essential to clean up the financial sector with intelligent and effective regulation that does not stifle innovation. This is an essential condition for relaunching sustainable growth".*

☞ **The Ecofin Council's conclusions are available in English and French at the BIPAR Secretariat upon request.**

SOLVIT and CSS increasingly active

Annual reports released on 1 March 2010 by the European Commission on SOLVIT[1] and the Citizens Signpost Service (CSS) conclude that a growing number of Europeans are turning to the EU's free advice and assistance services to find concrete answers and fast solutions to problems they encounter in the Internal Market.

In 2009, SOLVIT helped 1,500 citizens and businesses who ran into difficulties getting their Internal Market rights (i.e. most of the time residence rights, social security and recognition of professional qualifications) recognised by national public administrations. 86% of the cases were successfully resolved within the 10-week deadline that SOLVIT imposes on itself for treating cases.

The Citizen Signpost Service provided free and practical legal advice within three working days to approximately 12,000 citizens in 2009. Most questions received concerned social security, residence rights, work, entry procedures, motor vehicles and taxation.

[1] SOLVIT: on-line problem solving network in which EU Member States work together to solve without legal proceedings problems caused by the misapplication of Internal Market law by public authorities

- ☞ **SOLVIT: http://ec.europa.eu/solvit**
- ☞ **CSS: http://ec.europa.eu/citizensrights**

Consultation on Capital Requirements Directive

On 26 February 2010, the European Commission launched a public consultation on amending the Capital Requirements Directive (CRD) aimed at strengthening the resilience of the banking sector and the financial system as a whole. The proposed changes, known as « CRD IV », follow two earlier Commission proposals amending the CRD and relate to seven specific policy areas, most of which reflect commitments made by G20 leaders at summits in 2009. These commitments included building high-quality capital, strengthening risk coverage, mitigating pro-cyclicality and discouraging leverage, as well as strengthening liquidity risk requirements and forward-looking provisioning for credit losses. Interested stakeholders are invited to reply to the consultation by 16 April 2010.

In the second half of 2010 the Commission intends to adopt and publish a legislative proposal dealing with some or all of the areas discussed in the different consultations. This proposal will be based on responses to the consultations and on an impact assessment examining the anticipated effects of options for achieving the outlined policy objectives.

- ☞ **The consultation is available at: http://ec.europa.eu/internal_market/consultations/2010/crd4_en.htm**

CEA's report on "Why excessive capital requirements harm consumers, insurers and the economy"

On 11 March 2010, the CEA published a report setting out the potential detrimental effects on consumers, the insurance industry and the economy of imposing excessive capital requirements on insurers under the new Solvency II regulatory regime. The CEA strongly supports the EU's Solvency II Framework Directive in the form in which is was approved, which requires that capital requirements are complemented by qualitative supervision in areas such as governance and organisational structure. However, it says that the implementing measures proposed by CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors) may revert to the dated and simplistic Solvency I approach of adding "prudence on top of prudence" in the financial requirements they impose. Policyholders would be hurt the most as the prices of many life and non-life products would increase, the report shows. With investment returns lower, consumers would have to reduce their current spending to fund their retirement. Overly prudent capital requirements would restrict the insurance industry's role not only as a risk-absorber but also as an institutional investor financing long-term economic growth. The likely under-funding of pensions would also have serious social costs. Over-capitalisation would affect the competitiveness of the EU insurance sector and its ability to attract new funding, putting it at a disadvantage in the global market.

According to the report, employment levels in the EU insurance sector might go down significantly, driven mainly by the accelerated consolidation of insurance companies and reduced income opportunities for intermediaries.

The CEA believes that a balance is required between protecting the consumer through capital requirements and guaranteeing the consumer a wide choice of competitively priced insurance products by supporting a healthy and competitive insurance market.

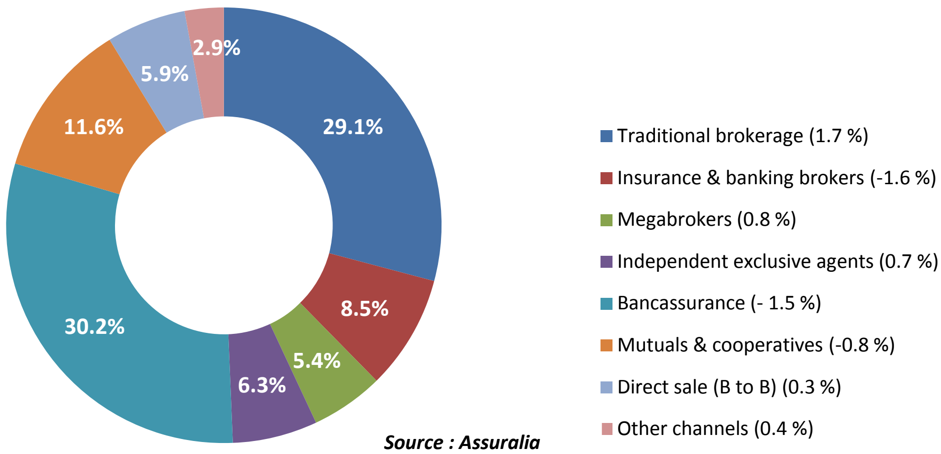
☞ **CEA's full report "*Why excessive capital requirements harm consumers, insurers and the economy*" is available in English at the BIPAR Secretariat upon request.**

BELGIUM

Insurance distribution channels - 2008 Figures

According to a study carried out by Assuralia (Belgian Federation of insurance companies), in 2008, insurers' turnover plummeted by 6.7% compared to 2007, mainly as a result of the financial crisis impact on life insurance that accounts for two thirds of the total premium collection. After a difficult recovery of the sector in 2007 (+5.9%), the turnover dropped again in 2008 to reach the 2004 level. Despite the crisis, bancassurance had over 50% of the shares in the personal life insurance market. Intermediation non-exclusive networks (insurance brokers) remain the main distribution channel on the non-life insurance market. However, exclusive networks (employees of insurers, tied intermediaries) are growing : their share in non-life increased within four years from 9.96% to 10.5% in 2008.

Life and non-life premium collection per channel in 2008 (Evolution compared to 2007)



Source : Assuralia

☞ **Assuralia's full report is available in French at the BIPAR Secretariat upon request.**

FRANCE

State of the E-insurance market

- **Assurland.com**

Assurland.com, a major French insurance price comparison site, studied last year the behaviour of the 3.5 million consumers who visit its website monthly. E-insurance means that consumers can take out insurance online with traditional or direct insurers (who sell exclusively through the internet). Assurland.com observed that 50% of prospective customers choose a traditional insurer (for all kinds of insurance), 70% do not choose the cheapest insurer and 20% are ready to pay more for a known « brand ». According to Assurland.com, the E-insurance market is growing and includes direct insurers who sell online as well as insurers who sell via their networks and who propose complex and varied insurance. The selection criteria of consumers are based on the price, the quality of products and services and brand awareness.

- **LeLynx.fr**

Confused.com, the leading price comparison site in the UK, has moved into the French market. Trading under the name of LeLynx.fr, it wants to differentiate itself from its competitors: instead of giving the lowest prices, LeLynx.fr displays all the tariffs and guarantees offered by the insurers it refers to in order to enable consumers to choose according to their own selection criteria, i.e. the price, the level of guarantee or the brand. For the moment, it compares only 8 brands of car insurance coming from 7 operators, mainly brokers. LeLynx.fr aims at broadening rapidly its product range so that consumers get a global view of the market.

Confused wants to encourage new shopping habits in France where only 5% of consumers use a price comparison site, unlike in the UK where one out of two car contracts come from an aggregator ; sales by phone never took off in France, unlike the UK where there is no tacit renewal which allows consumers to change insurers more easily. According to Ineas, the first online insurer in Europe, some aggregators in Germany or in the Netherlands give their opinion on contracts or ask web surfers to vote and some are remunerated for each new contract they underwrite.

Groupama signs agreement with Banque Postale

The Banque Postale, banking subsidiary of the French post office, signed in October 2009 a partnership agreement with Groupama, one of Europe's largest mutual insurance groups, in order to start selling car and home insurance from the second half of 2010 onwards. These products will be offered first via the internet and by phone and then through the Banque Postale's network (which represents 11,000 counters and 10 million active clients). The partnership has resulted in the creation of a joint venture in which Groupama takes a 35% stake. The two partners bank on a multi-channel distribution, management and client-relation as well as on an improved quality of service and lowest tariffs on the market.

UNITED KINGDOM

UK insurance still strong, says ABI

New figures from the Association of British Insurers (ABI) indicate that the UK insurance industry is showing its resilience despite the recession, with the number of people employed in the insurance sector in 2008 up by 1.3% on the prior year and the insurance sector accounted for nearly one third of all U.K. financial services jobs in 2008. Net premium income from general insurance grew 3% to reach £34bn (€±37.5bn), with premium income for overseas business during 2008 up 13% to £54bn (€±59.8bn).

According to ABI, in spite of these positive signs, changes must be made to the UK tax system, otherwise insurers could be forced to redomicile outside the UK. *« Future regulation must strike the right balance between proportionate consumer protection, and ensuring the sector is strong and competitive. This will enable the industry to continue to innovate, and provide products that are relied upon by millions of families and businesses. »,* says ABI.

INTERNATIONAL

Study on commercial liability

Swiss Re's 2009 Sigma study on *"Commercial liability: a challenge for businesses and their insurers"* highlights the challenges of managing and insuring liability risk. Third party liability is among the most important risks that businesses face. Liability insurance is growing in importance around the world, but is increasingly difficult to underwrite. Emerging risks due to technological and social developments are a constant challenge. A growing concern is the rapidly changing culture of compensation. Various countries in the European Union have adopted collective redress mechanisms, i.e. class action mechanisms, which could lead to larger claims.

☞ **The Sigma study is available in English, French, German and Spanish at the BIPAR Secretariat upon request.**

Report on the globalisation of collective redress

Swiss Re's 2009 Focus Report: *"The Globalisation of Collective Redress: Consequences for the Insurance Industry"* provides an update on the global spread of collective actions, assessing both the risks and the opportunities for insurers. Collective action is widely seen as an instrument to make access to legal redress easier and more affordable for all. The EU is interested in using it both to enable compensation for infringement of competition rules and to improve consumer rights within and across Member States. According to Swiss Re, the insurance industry has an interest in actively participating in the ongoing dialogue with governments and lawmakers in order to explain the potentially adverse consequences of unbalanced collective redress systems. For instance, the system as it stands in the US has a number of secondary consequences that have led to a sharp increase in the number of claims and the amount of compensation awarded.

☞ **The Swiss Re report is available in English at the BIPAR Secretariat upon request.**

Report on public-private partnership in risk financing

The rising impact of natural catastrophes is driving up the cost of disaster relief and reconstruction for the public sector. New forms of private-public partnership can make societies more resilient by absorbing their financial impact, allowing governments, semi-governmental agencies, aid organisations and NGOs to manage disaster expenses more efficiently by funding them before a catastrophe occurs. Private sector insurers have developed innovative financial risk transfer products to mitigate the impact of disasters, providing models for public sector entities to leverage their available funds. Budgets can be protected at lower opportunity costs, ensuring more adequate funds for relief activities.

☞ **The Swiss Re report is available in English and Spanish at the BIPAR Secretariat upon request.**

Findings of the Geneva Association's report on systemic risk in insurance

Leading international insurance think tank, the Geneva Association, published on 26 February a special report analysing the role of insurance in financial stability and its systemic relevance, the differing roles of insurers and banks in the global financial system and their impact on the crisis. The key conclusion is that the core activities of insurers and reinsurers do not pose systemic risks due to the specific features of the industry. The report concludes that when applying the most commonly cited Financial Stability Board's (FSB) definition of systemic risk to the core activities of insurers and reinsurers, none pose a systemic risk. The report underlines that supervisors and policymakers should focus on activities when introducing new regulation and that upcoming insurance regulatory regimes such as Solvency II in the EU already adequately address insurance activities.

☞ **The Geneva Association's report is available in English at the BIPAR Secretariat upon request.**