



**INSURANCE
IRELAND
IN EUROPE**
2019



THE VOICE OF INSURANCE

WHO WE ARE

Insurance Ireland is the Voice of Insurance representing the Irish general insurance, health insurance, life assurance, reinsurance and captive management sectors. The Irish insurance industry employs approximately 28,000 people both directly and indirectly with one in four jobs in financial services being in insurance.

Insurance Ireland's mission is to represent and enable the development of the insurance sector for our customers, our members and the broader economy. Our key functions include enabling a healthy regulatory and competitive environment, building our contribution to society and the economy, and helping deliver the best outcomes for customers. For example, Insurance Ireland is working with the Irish Government to develop the successor to its financial services promotion strategy, IFS2020, and Insurance Ireland holds the secretariat for the industry advisory body for the strategy.

Insurance Ireland's mandate involves proactively representing and supporting the operation of insurance business in the Irish, European and international markets through direct advocacy. In addition, we are closely working together with our sister associations and support the advocacy of Insurance Europe, the European association for national representative bodies, and the Global Federation of Insurance Associations (GFIA) at international level.

As the Irish insurance industry has grown, so has our focus on contributing at an international level. Indeed, as the Irish insurance sector is predominately a European insurance hub servicing EU markets, it is supported by the benefits of being a committed EU member. Having such a market dynamic, Insurance Ireland opened a Brussels office in 2018 to enhance its support to its more than 130 members, and to facilitate greater engagement with key stakeholders in Europe.

There is a compelling strategic rationale for the Irish insurance industry to enhance its position as a constructive stakeholder in European discussions on regulatory and other matters. The move reflects the importance of European regulation for all aspects of insurance in Ireland. More generally, the move emphasises the Irish industry's commitment to Europe at an important juncture.

This brochure provides an overview of some of our industry's positions on key European issues.

WHAT WE DO

The insurance industry in Ireland was a key attribute for the recovery of the Irish economy during the crisis through direct and indirect employment, as well as underpinning economic growth. On behalf of their customers, Irish insurers hold €303 billion in assets, of which €35 billion is invested in Irish infrastructure and government debt. The Irish insurance industry generates €52 billion in premium income from domestic and international customers. Ireland has established itself as a leading centre for insurance services in recent years and this has been driven by the ability to provide insurance products on a pan-European basis. The Irish-cross border sector now writes business into more than 110 countries with more than 25 million customers.

The Irish insurance industry is therefore fundamental to the functioning of the Irish economy as well as providing essential financial and economic services across the European Union. Each year, our members pay out more than €13 billion in claims and benefits to Irish customers and contribute over €1.6 billion in tax to the Irish exchequer.

Given the interconnectedness between the Irish insurance market and the wider European insurance market, European Union membership is a cornerstone of our sector. Public sentiment in Ireland is also strongly pro-European with ninety-two per cent of those surveyed in a nationally representative poll for the European Movement Ireland indicating that Ireland should stay a member of the EU, with support being greatest among 18-24 year olds at 97 per cent. Given our relationships and our constructive outlook for the future of Europe, Ireland and the Irish insurance industry can be a key driver for a more integrated Europe in the near and medium-term future. The Irish insurance and reinsurance industry is a hub for insurance provision in Europe and, as such, will be crucial for a digital and more sustainable Europe. Notwithstanding the outcome of the Brexit negotiations, Ireland will remain a committed member of the European Union and will continue to contribute its energy and expertise to the project.

FOR A BRAVER, STRONGER AND MORE VOCAL IRELAND IN EUROPE

The character of the Irish market and its role in Europe are dependent on the freedom, diversity of interests, mentality and culture which the EU has created. The balance of the different interests and ideas of what the future EU should look like forms the basis for the Union's political and regulatory environment.

The rising Euroscepticism and increase of populist movements across a significant number of the member states are concerning. It will be important for the incoming European Parliament (EP) to work with member states to respond to this challenge. Furthermore, Brexit will change the balance of interests and, probably, powers in the EU institutions, particularly on financial services. The UK and its representatives have always been very vocal on driving a competition-focused, open and integrated EU single market. Losing this important voice in the debate means a change in paradigm. Ireland is particularly affected as it is not only losing a similar mindset but its closest ally.

Following Brexit and the European elections in May 2019, Ireland's allocation of seats in the EP will increase by two to 13. Irish Members of the European Parliament (MEPs) have always been very active in the EU regulatory debate. This will need to continue to compensate for the missing weight of the UK and its MEPs. In addition, the Irish financial services industry will need a more consistent approach towards its representation in Strasbourg and Brussels. New technologies, innovative industries and financial services competition are a challenge to Ireland's future economic growth. To enable Irish business to continue its success, Irish MEPs will have to be involved in the relevant regulatory work of the EP. The Irish government will need to step-up and fill the gap the UK leaves behind. A joint Irish voice across institutions and stakeholders in the EU will be indispensable. Only a braver, stronger and more vocal Ireland in the EU will ensure that the Irish success story continues.

FOR A CONSUMER FOCUSED, OPEN AND INTEGRATED EUROPEAN INSURANCE MARKET

Ireland is in an outstanding position to drive excellence and specialisation in the insurance market to the benefit of consumers and competition in the EU. However, this market is exposed to the risks of regulatory arbitrage and competitive threats. These risks do not only affect Irish insurers, but customers and taxpayers too.

Consumer protection starts with a sound, sensible and responsible system of supervision. With Solvency II, a consistent prudential supervisory regime is in place. However, although cross-border represents a very small percentage of total EU insurance business, recent insurance failures show that further improvements are necessary. The solution must not be that the four basic freedoms of the EU are undermined and the integration of the single market altered. Instead, the commitment and expertise of all relevant National Competent Authorities (NCAs) and the European Insurance and Occupational Pensions Authority (EIOPA) should increase soundness, robustness and responsibility of the existing framework. Firstly, it must be ensured that the protection of consumers and market stability does not stop at national borders but is understood to be an EU-wide responsibility by all NCAs. Secondly, NCAs will have to exchange information efficiently to ensure that each one can fulfil its role appropriately. Thirdly, EIOPA as the co-ordinating body, must continue to use the existing tool-kit to facilitate this co-operation and, where necessary, intervene in cases.

Where cross-border failures appear, consumers need to be protected. A number of EU Member States have systems in place to continue the payment of claims. However, this deviates significantly from country to country. A harmonisation of certain minimum standards is necessary to ensure that all consumers and claimants are protected. In this respect, EU institutions discuss a recourse mechanism for guarantee funds for motor insurance claims. Unfortunately, the proposals are not accurate. Rather than the piecemeal approach created by the current discussion, a more general debate on common national standards with a focus on a consistent minimum protection for all consumers is necessary.

FOR A SUSTAINABLE EUROPE – UNLEASHING INSURERS' POTENTIAL

Sustainability in environmental, social and governance (ESG) will remain a key priority of the EU during the next number of years. The insurance industry is well positioned to support the plans of the institutions. The investment capacity insurers execute on behalf of their customers allows them to help achieve the sustainability objectives of EU markets, companies and projects. As product providers, insurers support enterprises with their risk-mitigation and transformation capacity. Thus, insurers enable innovation and transformation towards an ESG compliant EU.

Insurers are already assessing and managing risks which are subject to climate change, pollution and scarce resources. This expertise is a core parts of insurers' product design, risk and investment management. Furthermore, insurers have policies in place which ensure a responsible use of ownership rights to improve the ESG factors of their investments.

Contributing to the further development of a sustainable EU and a more ESG-sensitive environment requires that the regulatory framework in place is sound. Unnecessary regulatory burdens and an increased cost of compliance need to be avoided. It is important that the regulation does not discriminate and exclude certain investments and insurance provisions. The ability of certain market participants to provide detailed and complex information to the insurer might be limited – detrimental to SMEs, whose access to finance is already limited.

In addition to the specific regulations on sustainable finance, the insurance supervisory regime, Solvency II, will need to be reviewed. Solvency II requires a risk-based and forward-looking management of insurance companies. As such, it should not set (dis-)incentives for specific activities depending on political interests. However, it needs to be assessed if Solvency II currently hinders insurers from playing their part on the way towards a sustainable Europe. The review of the Directive in 2021 should be used to analyse potential improvements to free unnecessarily bound capital for sustainable investments and calibrate ESG related risks more appropriately.

FOR AN INNOVATIVE AND DIGITAL EUROPEAN INSURANCE MARKET

The rapid advancement in technology has transformed the way in which business is done. And as such, the insurance industry is facing increasing pressure to evolve and transform to remain relevant to its customers. Enter InsurTech, which provides relevant technology solutions for insurers.

Numerous technologies are being explored in the insurance sector; Blockchain, artificial intelligence (AI), robotics, machine learning and the Internet of Things (IoT), to name but a few. Solutions provided through the use of these technologies are prompting insurers to revamp their business to achieve efficiencies and revolutionise processes bringing enhanced accountability, transparency and security.

The insurance sector is a data driven industry. With the help of technologies like AI and machine learning this data can be utilised in various way that will bring drastic changes to insurers, such as the ease of doing business, behavioural policy pricing, customisation of products and faster claims settlements. It will also allow for a more seamless interaction for customers, providing the service and products in the way they want, and indeed expect.

Realising the importance to our sector, Insurance Ireland has been heavily involved in developing an InsurTech ecosystem, providing a platform to incumbent and start-up companies to revamp the 'traditional' insurance market. This ever-growing ecosystem is developing through academic initiatives undertaken at national and international level, industry partnerships, InsurTech providers and engagements with policy and regulatory bodies.

Regulation has a significant role to play in the area of innovation and technology. Having appropriate regulation in place helps to protect and encourage consumers, as well as keeping the sector responsible. However, a flexible approach is required within the regulation to ensure it keeps pace with the rate of change and development. As insurance is a data rich industry, the area of cyber security is also key and we, as an industry, are working together to address and mitigate the associated risks. It is not a case of if a cyber breach happens, it is a case of being prepared when it takes place.

FOR SUSTAINABLE PENSIONS

Driving reform in pensions policy at domestic and European levels is one of our key priorities. In Ireland at present the ratio of workers to pensioners is 5:1 and the Central Statistics Office has estimated that by 2050 this ratio will have fallen to 2:1. A similar trend is present across the EU, with the assertion that the EU is 'turning increasingly grey'. In 2016 there were 3.3 working age EU citizens for each citizen aged over 65, by 2070 this will have reduced to a ratio of 2:1¹.

It is clear that Irish and European pension systems will have to be extensively reformed to respond to these changing conditions. A key feature of these changes will be the gradual introduction of funded arrangements which will have to replace existing pay as you go systems. It is our firm belief that any transitions should have simplicity as a guiding principle. Pension savers are discouraged from engaging with their options because of a perception that it is simply too complex, and they do not feel they have sufficient expertise to make decisions relating to the funding of their retirement. Insurance Ireland believes that pensions systems should seek to utilise behavioural economics to increase coverage and replacement rates.

At a national level, Insurance Ireland is strongly supportive of pensions simplification and the policy to introduce auto-enrolment. We believe that Ireland can leverage from the experiences of other European and OECD countries who have introduced it. At a European level, we are actively contributing to the Pan European Personal Pension Product (PEPP) file and believe that Irish insurance providers are better placed than many to offer this product.

As we move through 2019, we are keenly interested in engaging with stakeholders who would like to exchange views on pensions policy and how we can meet the challenges of the changes in our demographics.

¹https://ec.europa.eu/info/sites/info/files/economy-finance/ip079_en.pdf

SEVEN KEY ASKS OF THE IRISH INSURANCE INDUSTRY IN EUROPE

- 1 Competition:** Advocate in co-operation with like-minded member states to ensure that the characteristics of small, open and competition-driven economies are reflected in EU policy matters relating to insurance.
- 2 Consumer:** Foster the commitment of EU institutions and member states to the fundamental freedoms, i.e. the freedom to provide services and the freedom of establishment, to allow for fair competition and consumer choice in the insurance market across the Union.
- 3 Regulatory supervision:** Pursue the further integration of the EU insurance market based on common sound, sensible and proportionate standards under the co-operative supervision of national supervisory authorities and the co-ordination of EIOPA.
- 4 Simplification:** Facilitate the economic and social role of insurers by reducing the complexity of the insurance supervisory regime 'Solvency II' and avoiding excessive capital requirements to enable insurers to contribute to a sustainable, innovative and digital EU.
- 5 Digital age:** Support an innovative European economy and society by ensuring that the regulatory framework on prudential regulation, data protection and privacy and consumer protection are consistent and flexible to reflect the rapid innovation and changes in consumer habits and needs.
- 6 Sustainability:** Ensure that the future regime towards a sustainable Europe allows for a sound integration of existing policies and avoid the discrimination of investment or insurance counterparts which cannot fulfil the information requirements necessary (i.e. SMEs).
- 7 Social:** Enable insurers to contribute to a sustainable Irish and European framework encouraging personal pensions savings and avoiding old-age poverty and contributing to solutions to the demographic challenge.



European
Insurance
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[EIF2019]

As an industry we respond to the demands of an ever changing world.
EIF2019 will look at the past, present and future to offer an essential insight into factors that are shaping our insurance industry.

THURSDAY, 3 OCTOBER 2019
CROKE PARK

Join us at **Insurance Ireland's** flagship conference.

[europeaninsuranceforum.com]



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