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Task Force on Financial Technology set up by the European Commission

European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) and Directorate General for Communications Networks, Content and Technology (DG CONNECT) launched on 16 November 2016 an internal Task Force on Financial Technology (TFFT) which will assess how to foster financial innovation and develop strategies to address the potential challenges that FinTech poses.

The TFFT brings together the expertise of Commission staff across several areas, such as financial and digital services, digital innovation and security, competition and consumer protection. It will also liaise with stakeholders and present policy suggestions and recommendations in the first half of 2017.

Commissioner Valdis Dombrovskis, in charge of DG FISMA, stated: *"We see technological innovation in finance as a development that we need to encourage and enable. It brings huge opportunities for consumers and for industry, both by established players and new Fintech firms. Our Task Force will help us make sure that our policy supports the pursuit of these opportunities, while addressing any risks that may emerge."* Commissioner for Digital Economy and Society Günther Oettinger said: *"Digital innovation is transforming the entire economy and in particular the financial services sector. It disrupts business models and value chains, leads to the emergence of new players and services. The Digital Single Market strategy aims at laying down an appropriate framework and enabling solutions concerning for instance electronic authentication or cybersecurity. Our ambition is to foster financial innovation while preserving financial stability and protecting consumers and investors."*

Source: European Commission's press release of 16/11/2016

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European Commission urges 9 Member States to implement Mortgage Credit Directive

On 17 November 2016, the European Commission requested Croatia, Cyprus, Finland, Greece, Luxembourg, Portugal, Slovenia, Spain and Sweden to fully transpose the EU Mortgage Credit Directive (MCD) which was adopted on 4 February 2014. EU Member States had to implement these rules into national law by 21 March 2016. Having missed the original deadline, these Member States were sent letters of formal notice in May 2016. November's request takes the form of a reasoned opinion. If these Member States fail to act within two months, they may be referred to the Court of Justice of the EU.

The MCD aims to create a Union-wide mortgage credit market with a high level of consumer protection. It applies to both secured credit and home loans.

The main provisions include consumer information requirements, principle-based rules and standards for the performance of services, a consumer creditworthiness assessment obligation, provisions on early repayment, provisions on foreign currency loans, provisions on tying practices and some high-level principles. More importantly, the Directive also establishes principles for the authorisation and registration of credit intermediaries.

According to the Commission, credit intermediaries who comply with the new business conduct rules will gain access to many more potential consumers in the single market via the passport regime, and this will, in the long run, provide lenders with new business opportunities and will be a step towards the creation of a Single European Mortgage Market which is expected to increase competition and to drive down prices.

In this respect, BIPAR informed the EU institutions and the European Banking Authority (EBA) that it is not sufficiently clear in the Directive what precisely triggers the situation where an intermediary carries out activities in freedom of services (FOS) or Freedom of establishment (FOE). BIPAR asked EBA and the EU Institutions for clarification.

Please click here to get an updated overview of the state of implementation of the Directive by the Member States.

Source: European Commission's press release, 17/11/2016

European Commission's proposal of a mandatory Transparency Register for all 3 EU institutions

The European Commission is committed to increased transparency, in the way it operates and in EU decision-making overall. In that context, it has announced its intention to propose improvements to the Transparency Register, which is a tool it put in place with the European Parliament in 2011, in order to cast light on lobbying activities seeking to influence European policymaking.

This Register was updated through an Interinstitutional Agreement (IIA) agreed in April 2014 and currently applies only to the Commission and Parliament. The current voluntary Register includes over 9,800 entities bound by the Code of Conduct. Registrants range from public affairs consultancies and law firms to trade and professional associations, NGOs, religious and academic organisations. BIPAR is registered in the Transparency Register.

At the end of September 2016, the Commission proposed an IIA which will put in place a system ensuring the transparency of lobbying activities, building on the existing voluntary Transparency Register of the Parliament and the Commission. The Commission is proposing that all three institutions, including the Council, be subject to the same minimum standards for the first time. Under these proposals, meetings with decision-makers from the three institutions would become conditional on prior registration in the Transparency Register.

The Commission's proposal also clarifies the scope of activities and bodies covered, bolsters the monitoring and effective enforcement of the Register's Code of Conduct for lobbyists and will simplify and improve the quality of data through streamlined input requirements and increased quality control.

This proposal is an important step towards a common and mandatory transparency regime at EU level. The Commission is inviting the Council and the Parliament to negotiate with a view to establishing as quickly as possible a mandatory Register covering all three institutions.

Source: European Commission's press release of 18/9/2016

The Hamon Law boosts bancassurance in France

The 2016 Barometer on non-life published by consulting firm Facts&Figures shows that bancassureurs are overperforming in private non-life insurance in France as a result of the 2014 Hamon Law, which enables policyholders to terminate their home and motor policies at any point after one year. Since the current low interest rates are having a negative impact on their main activity, i.e. life insurance, bancassureurs have developed diversification strategies. And the Hamon Law appears to have reinforced bancassureurs' ability to attract new customers. Bancassurance is gaining an average of 0.6% per year of private non-life market shares at the expense of traditional players. According to Facts&Figures, the acquisition cost of a client for a bancassureur is 30 to 40% less than for a mutual operating without insurance intermediaries and for a company working with a network of agents. Bancassureurs are also taking advantage of their customer proximity and access to customers' bank accounts, which provide them with data on their clients' financial and insurance needs. They are also digitally well advanced.

Source: Argus de l'assurance, 13/10/2016

New insurance premium tax increase causes general outcry in the UK

The British government's announcement of a 12% increase of the insurance premium tax (IPT) from June next year is causing an uproar among insurers and motoring groups. In the past 18 months, IPT has been hiked three times, the latest rise came into force on 1 October 2016. IPT, which is applied to general insurance policies, including car, home and private medical covers, (life insurance, permanent health insurance and long-term insurance are exempt) was introduced in 1994 at 2.5%, to raise revenue from the insurance sector. The British Insurance Broker's Association (BIBA, member of BIPAR) reacted by saying that young car drivers are likely to feel the worst of the tax hike. *"Many of these younger motorists benefit from the more affordable insurance* *and increase road safety brought about by using telematics to monitor their driving."*, stated BIBA, which is calling for a removal of the IPT on telematics-based insurance products, which dramatically improves road safety, so that under 25 year-olds are encouraged to take it up.

According to the Automobile Association (AA), *"The affordability of insurance is being fundamentally threatened. The country is already underinsured and ever rising insurance taxation could have the unintended consequence of making this situation even worse."*

The Association of British Insurers (ABI) described the increase as a *"hammer blow for the hard-pressed"*, that people who have the highest insurance costs will end up paying a disproportionately high rate of IPT.

Source: BIBA website / The Guardian, 23/11/2016

Study of the European motor insurance market

Deloitte published the second edition of its "European Motor Insurance Study – The rise of digitally-enabled motor insurance" in November 2016. The study surveyed 15,000 consumers in 11 countries (Austria, Belgium, France, Germany, Ireland, Italy, Poland, the Netherlands, Spain, Switzerland and the UK). Deloitte estimates that the potential market size for digitally-enabled motor insurance in Europe could reach 15 billion € by 2020.

The study reports that connected devices are becoming a prominent part of our daily lives and that in an increasingly standardised and volatile market, the rise of digitally-enabled insurance opens up a window of opportunity for motor insurers to extend the value proposition from claims related services to a large scope of services related to mobility. According to the survey, this kind of insurance offers a way to secure policyholders' loyalty other than through competitive prices alone.

«*Customers are ready for a new insurance offering where insurers would be more than just a risk carrier. Insurers who follow this path could emerge as winners in a redistribution of the market for motor policies. Our study shows a significant correlation between people willing to switch and those willing to share their driving data with their insurers. Insurers are amongst the top 3 actors that people trust in to share their personal data. Nevertheless, data sharing raises ethical issues that should be addressed by the insurance company.* » stated Deloitte.

Deloitte's study is available in English and in French at the BIPAR Secretariat.

Source: Deloitte website

European insurance intermediaries are maintaining their market shares

The third edition of the European Observatory of Insurance Intermediaries, published by CGPA Europe, confirms European insurance intermediaries' leading position in insurance distribution, despite the multiplication of channels. This can be explained by intermediaries' resilience in the non-life sector. Their position is less favourable in the life insurance sector where they are facing competition from the banking networks. Insurance agents and brokers' shares in non-life are assessed in the Observatory at 66%. Except for the British market where insurance intermediaries hold 70.5% of the life insurance market, this percentage drops to 33% for Continental Europe.

Source: CGPA Europe

OECD financial literacy study

The OECD International Network on Financial Education (OECD/INFE) released on 12 October 2016 an international survey entitled "Adult Financial Literacy Competencies". Some 30 countries and economies, drawn from Africa, Asia, Europe, Australasia, North and South America, took part in this study. In total, 51,650 adults aged 18 to 79 were interviewed. The survey shows that adults in many countries around the world display low levels of financial knowledge, fail to engage in financial behaviours that could improve their financial security and have financial attitudes oriented towards the short-term.

The OECD/INFE study is available here in English only.

Source: OECD website

Swiss Re's latest publications

"Cyber: In search of resilience in an interconnected world"

On 13 October 2016, Swiss Re and IBM's Institute for Business Value (IBV) published a joint study entitled *"Cyber: In search of resilience in an interconnected world*".

Following several cyber security breaches over recent years, a growing number of businesses see cyber as a high risk. Swiss Re and IBV aimed to find out more about how corporates perceive the impact of the evolving cyber landscape on their businesses, and the measures they are adopting to monitor and manage the associated risks.

"Global insurance review 2016 and outlook 2017/2018"

According to Swiss Re's paper entitled "Global insurance review 2016 and outlook 2017/2018", which was released on 22 November 2016, the global economy is expected to grow moderately over 2017 and 2018, supporting continued growth in insurance premium volumes. Growth in global non-life premiums is forecast to fall slightly from 2.4% in 2016 in real terms to 2.2% in 2017, and accelerate to 3.0% in 2018. In the life sector, global premiums are forecast to grow by 4.8% in 2017 and 4.2% in 2018. The emerging markets, especially Asia, will be the main driver of premium growth in both the non-life and life sectors.

"The benefit of global diversification: how reinsurers create value and manage risk"

The objective of this study is to "explain the essentials of reinsurance in terms understandable to a broad audience. It describes the principles of life and non-life reinsurance, why insurers benefit from buying reinsurance cover, and how reinsurers deal with risk."

All these papers are available in English only at the BIPAR Secretariat.

Source: Swiss Re's website