bipar
bipar press
September 2017

In this issue

BIPAR,
the **European Federation of Insurance Intermediaries**

Avenue Albert-Elisabeth 40
1200 Brussels
Belgium
Tel: +32-2-735.60.48 - Fax: +32-2732.14.18
bipar@bipar.eu - www.bipar.eu

EU-US landmark agreement on insurance and reinsurance

After more than 20 years of discussions and a year of formal negotiations, on 22 September, the EU and the US signed a landmark bilateral agreement on insurance and reinsurance. The Agreement is said to boost consumer protection by facilitating the exchange of information between EU and US supervisors and cut costs and red tape for EU insurers and reinsurers active in the US. It will progressively eliminate collateral and local presence requirements for EU and US reinsurers operating in each other's markets. EU supervisors will be fully in charge of worldwide group supervision of EU groups active in the USA. This means for instance that EU insurers and reinsurers will have to prepare only one risk and solvency assessment (ORSA) in light of their specific risk profile. This assessment will also be used by US supervisors.

The signature allows parts of the Agreement to become immediately applicable on a provisional basis. The EU and US sides will regularly meet within a Joint Committee to discuss the implementation of the Agreement. The European Parliament and the Council of the EU will need to approve the conclusion of the Agreement.

The EU-US agreement is available here in English only.

Source: European Commission's press release, 22 September 2017

MEPs' proposal to reduce size of EP after Brexit

The European Parliament's Constitutional Affairs Committee (AFCO) published on 7 September a new proposal aimed at reducing the size of the Parliament after the UK has left the EU. AFCO MEPs suggest cutting 51 of the 73 UK seats from the Parliament after Brexit, bringing the institution down to 700 from 751 elected representatives. These vacated seats would then be kept for possible EU enlargement or could also be used for the envisaged pan-European lists of Parliament members. The remaining 22 British seats could be redistributed among the remaining 27 EU countries, to better take into account the principle of "degressive proportionality". According to the EU Treaty, the number of MEPs cannot exceed 750, plus the President. It provides for representation to be "degressively proportional", with a minimum threshold of 6 members per Member State, and that no Member State is to be allocated more than 96 seats.

The EP AFCO draft report is available in English only upon request at the BIPAR Secretariat.

Source: AFCO press release, 12 September 2017

Pilot electronic management platform for French brokers

A new unique platform that will allow the electronic exchange of documents and signatures between brokers and insurers is being tested since June 2017 in France. Launched by Netproassur, a company owned by the CSCA ("*Chambre Syndicale des Courtiers d'Assurances*", a member association of BIPAR), and four major insurers (Axa, Allianz, Generali and MMA IARD), this new service will be added to the already existing EDICourtage 2.0 platform set up for brokers and insurers in order to optimise information exchange and enhance productivity in the day-to-day management. The new innovative and secure platform (operated and hosted in France), which will be tested during a pilot phase of 6 months to 1 year, aims at simplifying, speeding up and securing the exchange of information between insurers, brokers and clients. The ultimate goal is to allow clients to sign insurance contracts directly online, to send signed certificates to clients, to manage claims, etc. via this new platform.

Source: Argus de l'assurance, article of 23 August 2017

British FCA review on advice suitability

The British Financial Conduct Authority (FCA) released the results of its review on advice suitability in May of this year and concluded that the vast majority of advisers provided suitable advice but 40% failed to disclose charges in line with the regulator's rules. The review, which investigated the market for pensions and investment advice, assessed 1,142 individual pieces of advice provided by 656 firms to retail customers during 2015. It found that 93% demonstrated suitable advice, 42% did not meet disclosure standards, and a further 5% were rated as uncertain. The FCA stated that "*the disclosure results demonstrate there is further work required in this area*". It added: "*We consider that these are positive results for the sector. We believe they are a result of the successful adoption of the Retail Distribution Review by advisers and reinforced by our previous supervisory and enforcement activities.*"

Over the rest of the year and 2018, the British regulator will embark on a communication campaign to deliver and intends to repeat this review in 2019, based upon advice delivered in 2018, to allow it to assess how firms have implemented the requirements introduced by MiFID II, PRIIPs and the IDD, which will mean increased requirements for advisers.

The FCA review is available here in English only.

Source: FCA website

German Financial Supervisory Authority comments on robo-advice

BaFin, the German Financial Supervisory Authority, published an article in early September to help providers assess whether they meet the definition of investment advice when using robo-advice platforms. The automated distribution of financial instruments and similar digital services (known as robo-advice) generally meet the definition of investment advice and therefore need to abide by the German Banking Act (Kreditwesengesetz, KWG) or the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG).

BaFin makes it clear that a disclaimer on the robo-advisor's website stating that the service offered is not investment advice is by no means sufficient to circumvent the consequences resulting from non-compliance with the respective laws. BaFin explains in its article the standard three-step process in order to determine whether the service offered falls under the legal definition of investment advice and highlights the explanations on the definition of investment advice using practical examples.

The German regulator states: "*Even though many new offers are currently coming onto the market, it is therefore not worthwhile to launch a robo-advisor for the sake of speed which tries (in vain) to avoid having to fulfil the requirements applicable to investment advice. Instead, the providers should make use of the opportunities offered by new media to provide full investment advice with the authorisation and under the supervision of BaFin and therefore make a contribution towards the creation of a consumer-friendly market environment*".

BaFin's article on robo-advice is available here in its newsletter of August 2017 (page 18) in German only. A summary is available in English here.

Source: CMS website, article of 21 September 2017

UK financial services companies faced with a steady rise in data thefts

According to the Information Commissioner's Office (ICO), an independent authority in the UK that promotes openness of official information and protection of private information, there has been a sharp increase (nearly 25%) in data thefts from financial services companies in 2016. Insurers experienced the biggest increase in data breaches, with the number doubling last year. Financial advisers also saw a big jump. On the other hand, data breaches against banks were down by 45%. Though smaller businesses are being hit more because of their lack of safeguards, larger companies have also reported a rise in incidents.

The Prudential Regulation Authority, the UK financial regulator, has asked insurers to conduct stress tests to measure the potential damage that a cyber-attack could cause.

With the application of the General Data Protection Regulation from 25 May 2018 in all EU Member States, the number of reported data breaches is expected to step up as breaches will have to be reported to the ICO within 72 hours.

Source: Financial Times, article of 10 July 2017

Irish brokers unite to better challenge regulation

Members of the Irish Brokers Association (IBA) and the Professional Insurance Brokers Association (PIBA) - both member associations of BIPAR - recently voted by a large majority to merge both organisations. The new body called "Brokers Ireland" will have 1,300 firms representing both general insurance and financial brokers. The objective of the merger is to harness the joint resources and expertise of both bodies to better serve Irish brokers, consumers and businesses. Chief Executive of Brokers Ireland, Diarmuid Kelly, stated: "*A single unitary structure (...) will give a powerful representative voice for Irish Brokers in dealing with providers and other institutions*". In order to have a greater influence on legislation and regulatory matters, PIBA and IBA had already been working together on many regulatory issues and had addressed joint submissions to the Central Bank and government departments.

Source: Brokers Ireland, p. 7, August 2017

Swiss Re's publication

The latest Sigma study "*Insurance: adding value to development in emerging markets*", which was published on 9 September, indicates that insurance has grown rapidly in emerging markets but that there are still significant protection gaps. It also points out that according to evidence-based research, insurance facilitates higher income-generating activity by households and small businesses and contributes to improved quality of life. The study shows how innovation, technology and public-private partnerships can extend the reach of insurance in emerging markets.

This paper is available in English, German and Spanish upon request at the BIPAR Secretariat.

Source: Swiss Re's website