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Solvency II Directive came into effect on 1 January 2016

The European Commission welcomed the entry into force on 1 January 2016 of the Solvency II Directive, which reviews the prudential regime for insurance and reinsurance undertakings in the EU. Under the new system, European insurers are required to assess all types of risk to which they are exposed and to manage those risks more effectively and with greater transparency.

EU Commissioner Jonathan Hill, responsible for Financial Stability, Financial Services and Capital Markets Union, said: *"The entry into force of Solvency II is a very significant moment for the insurance sector and the culmination of years of effort. As part of our work on Capital Markets Union, we have proposed some changes to Solvency II to make it more attractive for insurers to invest in infrastructure: now the main focus is on getting these reforms to bed in, for a strong and competitive sector that can both help people manage risks, and invest in our society for the long term."*

Gabriel Bernardino, Chairman of EIOPA, declared: *"Without a risk-based approach the European insurance supervision would be lagging behind international trends. Now with Solvency II a modern, robust and proportionate supervisory regime will be implemented. This is a huge step forward for enhanced policyholder protection and the single European insurance market."*

Source: European Commission's press release database /"News" from EIOPA website, 4 January 2016

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Will the UK financial authority allow commission payments for some retail financial products?

Tracey McDermott, the acting chief executive of the British Financial Conduct Authority (FCA), said on 9 January 2016 that the FCA was considering the possibility of allowing once again commission payments for certain investment or pension products. Under the Retail Distribution Review in 2013, commission payments to advisers for selling products were banned in a move to eliminate widespread mis-selling and to protect consumers.

Ms McDermott stated: *"We do not want to go back to a world where we had the problems of the pre-retail distribution review, what we do want to look at is actually what is the best way of delivering advice and guidance across the market so I wouldn't rule out that there may be some element of commission, but we are not going to reverse the retail distribution review."*

Source: Financial Times, 9 January 2016

ESRB report on systemic risks in the EU insurance sector

On 16 December 2015, the European Systemic Risk Board (ESRB) published a report on the systemic risks arising from the activities of European insurers and re-insurers.

Since insurance plays an important role in the economy by taking on risks and mobilising savings, and contributes to economic growth and financial stability, the ESRB has identified ways in which insurers and re-insurers can be the source of systemic risks and amplify these.

To address systemic risks stemming from the insurance and re-insurance sector, competent authorities can use a variety of tools, some of which are available under the Solvency II framework. The report looks at the potential need for specific macroprudential tools.

The report has 6 sections: 1) the role of insurance in the economy 2) Interconnectedness of the EU insurance sector 3) Sources of systemic risks in the insurance sector 4) Reinsurance 5) Incentives in prudential regulation 6) Macroprudential policies and measures.

The ESRB report is available in English only at the BIPAR Secretariat upon request.

Source: ESRB press release, 16 December 2015

Adoption of the European Single Procurement Document

On 5 January 2016, the European Commission adopted the new European Single Procurement Document (ESPD), which reduces considerably the administrative burden for companies, in particular SMEs, and which will make it easier for companies to take part in public award procedures.

The ESPD will allow all businesses to electronically self-declare that they meet the necessary regulatory criteria or commercial capability requirements, and only the winning company will need to submit all the documentation proving that it qualifies for the contract. To facilitate its use, a free, web-based system is being developed for Member States and businesses. As the obligation to exclusively use electronic means of communication will apply only from 18 October 2018, the ESPD may be printed, filled in manually, scanned and sent electronically until then.

The ESPD is one of the major elements of public procurement reform which will enter into force on 18 April 2016. On this date, the current EU rules on public procurement (dating from 2004), will be replaced by the two Directives adopted in early 2014, i.e. the one on public procurement and the one on procurement by entities operating in the water, energy, transport and postal services sectors.

During the adoption of these Directives, BIPAR underlined the importance of better access for SMEs to the public procurement procedures and of a more accessible negotiated procedure (which is the standard procedure of public procurement for the insurance sector). The new Directives also facilitate the recourse to the "competitive procedure with negotiation". BIPAR welcomed this improvement as this procedure matches well with the particularities of public insurance services contracts. It corresponds best with the needs of the sector in terms of flexibility and efficiency without prejudicing the basic principles of public procurement: transparency and equality.

Source: European Commission's press release database, 5 January 2016

New platform for alternative dispute resolution

The European Commission has launched its new online dispute resolution (ODR) platform for alternative dispute resolution (ADR), which will enable consumers and online traders to settle their online disputes at the click of a mouse, both for national and cross-border purchases, and to avoid lengthy and costly court proceedings.

This new online platform has been developed in accordance with the ADR Directive and the ODR Regulation that were adopted on 21 May 2013. Both

Directive and Regulation are cross-sector texts and apply to the insurance sector. The Directive concerns all disputes between non-professional consumers and "traders" (for example insurance intermediaries) in the context of the sale of goods or provisions of services.

ADR bodies will act as a referee between the two parties to resolve the issue. The ODR platform transmits disputes only to ADR bodies that are included in the national lists of ADR bodies that comply with the binding quality requirements established by the ADR Directive.

The ODR platform has been opened to ADR bodies since 9 January 2016. They can sign up and familiarise themselves with the platform before it is opened for use by consumers and traders on 15 February 2016. Online traders will have to provide a link to the ODR platform on their websites.

The ODR platform aims at strengthening trust in online purchases and thus make an important contribution to the EU's Digital Single Market strategy.

The online platform will be accessible here from 15 February. The Commission's factsheet "*Settling consumer disputes online*" is available in English only at the BIPAR Secretariat upon request.

Source: European Commission's press release database, 8 January 2016

Interinstitutional Agreement on Better Law-Making and REFIT Platform

On 15 December 2015, the European Commission endorsed a new Interinstitutional Agreement (IIA) on Better Law-Making in order to improve the quality and the results of European legislation. The text of the agreement has been negotiated with the Parliament and the Council and must now be approved by all three institutions before entering into force.

The IIA on Better law-Making will bring changes across the full policymaking cycle, from consultations and impact assessment to adoption, implementation and evaluation of EU legislation, including EU texts on financial services.

The Commission also approved on 15 December the appointment of the 18 members of the stakeholder group of the new REFIT ("Regulatory Fitness and Performance Programme") Platform that aims at supporting the better achievement of policy objectives by suggesting how to simplify EU law and Member State implementing measures and how to reduce unnecessary regulatory burdens.

These are important steps in implementing the "Better Regulation for Better Results" Communication that the Commission adopted in May 2015

Source: European Commission's press release database, 16 December 2015

The Internet of Things: more than a mild disrupter in the insurance world

According to Richard Breavington and Amy Parr from the British RPC law firm, the number of connected devices used in insurance is skyrocketing, and concerns many different types of insurance, from building to agriculture. This goes hand in hand with a whole new amount of collected data that help with claims, risk detection, predict maintenance, increase productivity for industries, etc., and is set to increase in the coming years.

However, the rise of connected devices also means that a wider variety of losses and risks is on the go, since the devices themselves are under certain risks. Indeed, a data collecting device can be the target of hackers, and most of them are for the moment insufficiently secured (passwords, software updates, etc.), and yet are massively popular. Security professionals have for example proven that it is possible to hack a car's internal computer and remotely drive it, which leads one to think that stealing data is easily doable. Moreover, a claim for a car that crashed after being hacked could be covered by more than one type of insurance.

This is a sign that the Internet of Things will not only disrupt the world of technology, but will also strongly impact the insurance world as a whole, and there are still many changes to come and decisions to be taken.

Source: Insurance Day, 14 December 2015

Digital insurance makes a difference

According to Colin Dean, Sales Manager EMEA Insurance and Financial Services for Hyland, the insurance market today is undergoing its biggest change since decades, with the arrival of digitalisation. On the one side, tech giants like Amazon and Google are known to contemplate entering the market, and on the other, successful newcomers have implemented crowdfunding-like platforms. The success of these digital-based new players is huge. In the US, 50,000 customers have changed from their "traditional" car insurance to a digital offer, and Google Compare's strategy to sign up local insurance agents has been fruitful too.

Some insurers now offer insurance contracts monitored via a mobile app, with automated claim systems, demanding less human intervention than traditional insurance.

Source: Insurance Day, 11 December 2015

Sigma study on “life insurance in the digital age”

Swiss Re’s latest Sigma study entitled *"Life insurance in the digital age: fundamental transformation ahead”* looks at how new technologies are set to revolutionize the way insurers write business, handle data and interact with consumers. The report explores issues, such as Big Data and cognitive computing. It looks at the new challenges for life insurers of keeping up with regulatory changes, especially with regard to data privacy, and dealing with partnerships or competition from non-traditional players.

Swiss Re's Sigma study is available in English, French, German and Spanish at the BIPAR Secretariat upon request.

Source: Swiss Re, 16 December 2015