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**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

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## EIOPA, now a member of the Sustainable Insurance Forum

On 8 August, the European Insurance and Occupational Pensions Authority (EIOPA) announced that it had become a member of the Sustainable Insurance Forum (SIF).

The SIF, which was launched in December 2016, is a network of insurance supervisors and regulators from around the world working together on sustainability challenges facing the insurance sector. It provides a platform for international collaboration among supervisors, facilitating knowledge sharing, dialogue, and the uptake of policy innovations. The SIF is convened by UN Environment, which serves as its Secretariat.

In July 2018, the SIF, together with the International Association of Insurance Supervisors (IAIS), called on the insurance sector to enhance awareness and intensify climate risk scrutiny in a new issues paper on climate change risks.

EIOPA will provide input from a European perspective on taxonomy, fiduciary duty, governance, Own Risk and Solvency Assessment as well as disclosure in EIOPA's Sustainable Action Plan, which it plans to release in autumn of this year.

More information on the SIF (activities, members, publications, ...) can be found [here](#).

Source: EIOPA website, 08-08-2018



## Global Financial Innovation Network to be set up

In collaboration with 11 financial regulatory and related organisations (e.g. French Financial markets Authority, Bureau of Consumer Financial Protection (USA)), on 7 August 2018 the UK Financial Conduct Authority (FCA) announced the creation of the Global Financial Innovation Network (GFIN). The GFIN aims to provide a more efficient way for innovative firms to interact with regulators in different countries. A new framework for cooperation between financial services regulators will be also formed where different experiences and approaches will be shared.

A consultation document has been published and sets out GFIN main functions:

- to act as a network of regulators to collaborate and share experience of innovation in respective markets, including emerging technologies and business models;
- to provide a forum for joint policy work and discussions; and



- to provide firms with an environment in which to trial cross-border solutions

BIPAR and WFII are following up on this issue. After the consultation, the group will review the feedback and agree on next steps, including a timeline for the launch of the GFIN.

Source: FCA's website, 07-08-2018

### Digital signature platform for French insurance brokers

The first online digital signature platform intended for insurance brokers was launched in France on 3 September by EDI Courtage, a company owned by the French organisation representing insurance brokers (CSCA: "Chambre Syndicale des Courtiers d'Assurances", a member association of BIPAR), and several insurers (AXA, Allianz, Generali, MMA). The platform connects the insurer, the broker and the end customer. Contracts can be signed and sent electronically, documents can be exchanged automatically between brokers and insurers, automatic reminders can be sent to customers who have not provided the required information, etc.



This online solution saves time and speeds up the process. Moreover, since it was developed in partnership with insurers and brokers, the platform meets market requirements as well as

legal obligations, such as the Directive on insurance distribution.

Source: Argus de l'assurance, article of 03-09-2018

### Insurance brokers: towards a self-regulated profession in France?

In a joint press release published on 7 September, the three main French organisations representing insurance brokers, CSCA ("Chambre Syndicale des Courtiers d'Assurances"), Planète Courtier and Anacofi ("l'Association Nationale des Conseils Financiers") confirmed that over the last months they have been discussing with the Directorate General of the Treasury of the French Ministry of Economy and Finance on a structural reform aimed at modernising their role and missions towards more self-regulation. The three professional organisations that account for over two-thirds of the brokerage turnover welcome this reform, which they see as a further step towards increased professionalisation of all players, greater consumers' trust and enhanced consumer protection. The project consists in entrusting professional bodies representing the brokerage profession and authorised by the French supervisory authority (ACPR) with the task of helping brokers to comply with regulations (such as the IDD, GDPR) and obligations essential to their activities such as mediation, professional training, conditions for the taking up and pursuit of the profession, etc, as well as to meet the challenges posed by the new technological tools.

In this perspective, CSCA and Planète Courtier have initiated discussions on the possible creation of a united professional organisation that would be "at the service of all brokers in order to support the sector in its evolution, in the light of new regulations and consumer protection issues", as stated by the respective Presidents of both organisations.

Source: Joint press release of CSCA, Planète Courtier and Anacofi, 07-09-2018

### Swiss supervisory authority wants to promote the development of FinTech

In order to promote financial market innovation, on 15 June 2018 the Swiss Parliament approved the introduction in the Banking Act of the "FinTech licence", a new licencing category, which will apply to institutions that accept public deposits of up to 100 million Swiss francs (88.8 million €) but that do not invest or pay interest on them.

All financial institutions are subject to the



Swiss Anti-Money Laundering Act (AMLA) and its due diligence requirements. However, as most "FinTech licence" applicants are likely to be smaller institutions, FINMA, the Swiss financial market supervisory authority, proposes relaxing anti-money laundering rules for "small" institutions whose gross revenues are less than 1.5 million Swiss francs (1.3 million €). This will necessitate changes to some of the provisions of the FINMA Anti-Money Laundering Ordinance (AMLO-FINMA). FINMA has therefore opened a consultation on AMLO-FINMA which will last until 26 October 2018.

The Federal Council aims to implement the partially revised Banking Act with effect from 1 January 2019. If possible, the amendments to AMLO-FINMA will enter into force at the same time.

Source: Article from L'Agefi Quotidien, 29-08-2018



## Geneva Association's report on "Insurance in the Digital Age"

On 7 September, the leading international think tank of the insurance industry, the Geneva Association, released a paper entitled "Insurance in the Digital Age - A view on key implications for the economy and society". The report focuses on how digitalisation is changing the role of insurance, from pure risk protection towards predicting and preventing risks, and how the risks that insurers cover and the ways they underwrite, distribute and manage claims are also changing.



"Insurance in the Digital Age" is available [here](#).

Source: Geneva Association's website, 07-09-2018

## FinTech Nation 2018

Cicero Group (communications and market research agency) and Innovate Finance (independent membership association representing the UK's global FinTech community) published on 20 July a collection of essays and viewpoints from the UK's leading influencers and innovators, entitled "FinTech Nation 2018".

The *FinTech Nation 2018* is available [here](#).



Source: Cicero website, 20-07-2018

## Swiss Re's latest Sigma report

Swiss Re Institute's latest Sigma report entitled "Profitability in non-life insurance: mind the gap" and released on 8 September, assesses the existing earnings gap in the non-life insurance sector. According to the study, most major non-life insurance markets worldwide are in a phase of below-average profitability. The analysis shows that insurers need to improve underwriting margins if they are to deliver an acceptable return to investors in the future. Current economic momentum will benefit future profitability through higher interest rates and investment returns but it will not be enough to close the gaps. At the same time, tighter labour markets are expected to push up wage and claims inflation. Thus, premium rates need to increase more than claims trends to achieve sustainable improvement in profitability.

Report available in [English](#), [French](#), [German](#), [Spanish](#)

Source: Swiss Re's website, press release 08-09-2018

## Aon's Global Insurance Market Opportunities studies

In the framework of its 2018 Global Insurance Market Opportunities studies, Aon has published the following papers:

### "Blockchain: Mechanics and Magic"

Published in July and written by risk academic and former Aon Benfield Analytics, CEO Stephen Mildenhall.

The study highlights some of the "surprising capabilities" of blockchain in the insurance industry and tackles common misunderstandings and inaccuracies surrounding the technology. According to the author, blockchain provides insurers with access to data where and when required. It also allows individuals to reassert control over their private data.

The study on Blockchain is available [here](#).

### "Demystifying Artificial Intelligence"

Published in July and written by the Managing Director in the Analytics division of Aon's Reinsurance Solutions business, Paul Eaton.

According to the study, while AI definitions can be somewhat vague, the impacts are already being felt in the form of chatbots, image processing, and behavioural prediction algorithms. The article also discusses how carriers can best take advantage of AI opportunities and solutions.

The study on AI is available [here](#).

### "Terrorism Pools show Public Private Enterprises how to adapt to a changing world"

Published in September and written by the leader of the Public Private Enterprise (PPE) specialty practice of Aon's Reinsurance Solutions business, Emma Karhan.

The article deals with terrorism reinsurance pools that have set an example of how public-private enterprises should look to the future and adapt to maintain their effectiveness in a changing environment.

The study on terrorism pools is available [here](#).

Source: Insurance Business, article of 20-07-2018 + Aon's website



## The European Commission's infringement decisions taken in July against Member States

### INFRINGEMENT PROCEDURES

As the Guardian of the Treaties, the European Commission is responsible for ensuring that Community law is correctly applied and may initiate infringement proceedings under Article 258 of the Treaty on the Functioning of the European Union (TFEU) whenever it considers that a Member State has breached Community law.

#### 1<sup>st</sup> stage

- The Commission sends the Member State a **letter of formal notice** inviting it to submit its observations within 2 months. This exchange of views is not normally publicised.

#### 2<sup>nd</sup> stage

- If no reply to the letter of formal notice is received, or if the observations presented by the Member State are not considered satisfactory, the Commission sends a **reasoned opinion**. The Member State is allowed an additional 2-month period within which to comply. At this stage the Commission issues a press release informing the EU's citizens of the purpose of the procedure.

#### 3<sup>d</sup> stage

- If the Member State still fails to comply with Community law, the Commission may decide to refer the matter to the **European Court of Justice**, whose judgment is binding.

#### 4<sup>th</sup> stage

- If the Member State fails to comply with the Court's judgment, the Commission may seek the imposition of a **penalty payment under Article 260 of the TFEU**.

### MiFID II

#### *Slovenia & Spain referred to the CJEU*

The Commission decided to refer Slovenia and Spain to the Court of Justice of the EU for failing to fully implement MiFID II as well as its supplementing Directive. The revised MiFID builds on the MiFID I rules that are already in place and strengthens the protection of investors by introducing new organisational and conduct requirements. MiFID II rules had to be transposed by Member States by 2 July 2017 and they have applied since 3 January 2018. In January 2018, the Commission issued reasoned opinions against those Member States that had not notified full transposition.

### MOTOR INSURANCE RULES

#### *Letter of formal notice to Romania*

The Commission sent a letter of formal notice to Romania requesting it to submit its observations on its national rules on motor third-party liability insurance. According to the Commission, the current Romanian legislation is contrary:

- to Articles 21 and 181 of the **Solvency II Directive**, because it requires a prior notification obligation of any intended modification of premiums and imposes several limitations on the modalities of calculation by insurers of their premiums;
- to Article 14 of the **Motor Insurance Directive**, as it also contains provisions obliging insurers to issue for certain categories of vehicles a policy valid only on Romanian territory and to set out the premium tariff by taking into account the related risks. EU rules require that motor third-party liability insurance policies cover the whole territory of the Union on the basis of a single insurance premium.

### ANTI-MONEY LAUNDERING RULES

#### *Reasoned opinions to Latvia, Malta & Spain - Greece, Ireland & Romania referred to the CJEU*

The Commission sent reasoned opinions to Latvia, Malta and Greece and called on these 3 States to fully transpose the 4<sup>th</sup> **Anti-Money Laundering Directive (AMLD)**. This Directive constitutes the main EU legal instrument in the prevention of use of the financial system for the purposes of money laundering and terrorist financing. It provides that "obliged entities" shall apply customer due diligence requirements when entering into a business relationship. The 4<sup>th</sup> AMLD had to be transposed into national law by the EU Member States by 26 June 2017.

Greece, Ireland and Romania were referred to the CJEU for failing to fully implement the 4<sup>th</sup> AMLD into their national law. The Commission proposed that the Court charges a lump sum and daily penalties until the three countries take the necessary action.

Meanwhile, in the wake of the Panama Papers revelations and the terrorist attacks in Europe, the 5<sup>th</sup> AMLD was agreed upon and entered into force on 9 July 2018. Member States will have to implement these new rules into their national legislation by 10 January 2020. It complements the existing EU legal framework by setting out additional measures to better counter the financing of terrorism and to ensure increased transparency of financial transactions.

### RECOGNITION OF PROFESSIONAL QUALIFICATIONS

#### *Letter of formal notice to 27 Member States*

The Commission sent letters of formal notice to all Member States except Lithuania for failure to comply with EU rules on the recognition of professional qualifications. The EU has established a modern system for the recognition of professional qualifications and experience across the EU, which makes it easier for professionals who wish to establish themselves or provide their services in other Member States to have their qualifications recognised, while guaranteeing an improved level of protection for consumers and citizens. The letters of formal notice cover issues crucial for the functioning of the **Professional Qualifications Directive**, and, in particular, the introduction of the European professional card, the alert mechanism, the possibility to have partial access to a professional activity, the proportionality of language requirements and the setting up of assistance centres.