

EIOPA's response to the Coronavirus crisis

Interview with Gabriel Bernardino, Chairman of the European Insurance and Occupational Pensions Authority



SPEECH

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The Coronavirus outbreak has created a huge disruption globally. What does this mean for the insurance and pensions sector in Europe?

Without doubt this is a challenging time for business and for people not just in Europe but around the world. Companies have had to radically adjust their

business operations and people are coping with significant upset to daily routine. Added to this, there is uncertainty surrounding the magnitude of economic disruption, how long COVID-19 will continue to be a threat to public health, and when and how restrictions will be lifted.

This has created an incredibly difficult business environment globally.

The insurance sector must deal with challenging market conditions and maintain operations, while at the same time protecting employees and policyholders. The situation is similar for providers of occupational pensions who also have to maintain business continuity and manage operational risks.

It is therefore important that all economic actors now work together so that we can emerge from the crisis with the insurance and occupational pensions sectors well-equipped to rebound.

What has been EIOPA's response to the crisis?

Mitigating the effects of COVID-19 is the top priority, not only for EIOPA but for the European Union as a whole.

From the outset, we have been working closely with national competent authorities to ensure financial stability, market integrity and consumer protection and as part of our response, EIOPA has put in place measures that will help insurers to focus on ensuring business continuity and continuing to serve their customers.

These measures include recommendations on supervisory flexibility regarding deadlines of supervisory reporting and public disclosure by insurers. In providing operational relief in allowing for delays in reporting and public disclosure, insurers will be able to concentrate on monitoring and assessing impact of Coronavirus/COVID-19 and maintaining operations.

In addition, in the short term, EIOPA will limit its requests for information from and consultations to industry, focussing only on essential elements needed to assess and monitor the impact of the current situation in the market.

Where possible we are also extending deadlines, such as for the Holistic Impact Assessment for the 2020 review of Solvency II.

All the measures that we have taken are part of our overall role to enhance supervisory convergence, strengthen consumer protection and preserve financial stability. Our work puts us at the heart of insurance and pensions supervision and we will continue to work closely with the European supervisory community, European Union institutions and industry to ensure a well-functioning financial system.

What are your expectations from the insurance sector?

I want to acknowledge the actions that many Insurance companies and intermediaries have taken so that they can continue to serve their customers. Many have shown flexibility and consideration of the unusual circumstances that their staff and customers find themselves in.

However, we do have certain expectations from the insurance sector.

While it is true that, since the implementation of Solvency II, the insurance sector has better aligned capital to risk, it is still too early to understand the full impact COVID-19.

Given the overall uncertainty of the scale and duration of the crisis, it is important that insurance companies preserve capital. For this reason, we have urged insurers and reinsurers to adopt a prudent approach and temporarily suspend all discretionary dividend distributions and share buy backs.

This is a temporary measure but a prudent measure and the suspension can be reviewed as the financial and economic impact of COVID-19 starts to become clearer.

We have also asked insurance companies and intermediaries to remember their obligations to their customers and policyholders.

This is a confusing time for consumers, who may be anxious about their health, the health of their loved ones and their finances. They should not be anxious about the service provided by their insurance company.

Consumers still rely on insurance during this difficult time and it is essential that insurers continue to provide access to and continuity of service.

However, trust in the sector is essential for a strong recovery, so it is of paramount importance that insurers treat their customers fairly and use discretion where they can.

We have set out our expectations in a statement on how we believe insurance companies and intermediaries should continue to act towards their customers and policyholders. We have stressed the need for clarity in communication – in being explicit about what is and isn't covered and about contingency measures in place.

In particular, we have asked them to take into account the very particular circumstances that people find themselves in – perhaps they cannot go to get their car serviced, or are unable to submit claims information easily. Insurance fulfils a vital role in society and it is in everyone's interest to have a strong and resilient industry. To achieve this, we need solidarity and a concerted effort from all actors: supervisors, governments, the European institutions and industry.

How do you think this crisis will change the insurance and pensions sector?

What we are seeing – and this is not just for the insurance sector – is how digital technology is becoming more essential, more available and more normal. This is going to continue even after the pandemic disappears.

We have seen already that for many consumers, digital technology has been key in maintaining their access to services. Insurance companies are able to keep consumers informed of changes to policies and contingency measures through their digital channels.

I think that innovation will go beyond this, so that insurers will be able to respond to their customers changing circumstances more quickly. We have seen some insurers offering payments to their motor insurance customers because they are driving less. This could eventually lead to a growth in 'pay-as-you-drive' insurance.

We should also be cautious. We need to make sure that increased digitalisation does not put people at a greater risk to fraud or cybercrime or financial exclusion. Policymakers and supervisors should therefore be looking to provide

environment needed to support this transformation while mitigating the emerging risks.

In terms of pensions, we will see the growth of digital first regimes pension and savings products suited to online cross-border sales, like the Pan European Personal Pension product, or PEPP. Simple products that can benefit from economies of scale through digital platforms and simplified distribution regimes fully leverage the opportunities of digitalisation and these products will play an important role in closing the pensions gap.

EIOPA continues to explore these topics through its InsurTech Task Force and Expert Group on Digital Ethics.

Across Europe, many people, including EIOPA staff, are now working from home. How are you adapting to your new working environment?

I have been very impressed in the way that organisations and their staff have been able to adapt to new circumstances.

At EIOPA, our staff have been working from home since mid-March. For many of us it has been a completely new experience. But I think we have adapted well. We also prepared well, testing our IT systems in advance to make sure that they were resilient enough to cope with all our staff accessing the system from outside the office.

So while we are dedicating considerable resources to monitoring and mitigating the effects of COVID-19, we are also able to continue with our other priorities: the 2020 review of Solvency II, our work on digitalisation, cyber risk and cyber insurance, sustainable finance and contributing to Capital Markets Union.

Having said that, I am looking forward to the day when I see colleagues in person and can welcome our Board members back to Frankfurt. But until then, I – along with all my colleagues – will continue to be flexible so that we can continue to serve the financial sector in this difficult time.

[Read more about EIOPA's actions in addressing the Coronavirus crisis](#)

