

Hearing of the Economic and Monetary Affairs Committee of the European Parliament

Introductory statement by Gabriel Bernardino, Chairman of the European Insurance and Occupational Pensions Authority

Via videoconference

SPEECH

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Madam Chair,

Honourable Members of the Economic and Monetary Affairs Committee,

Thank you for inviting me here today for our annual exchange of views. In my intervention, I will touch on the steps that we have taken to mitigate the impact of COVID-19, the broader implications for our supervisory work and the role for insurance and pensions in the recovery.

EIOPA's activities after the outbreak of the COVID-19 pandemic have been focused on coordinating supervisors' actions to ensure a common and consistent supervisory approach across all Member States.

To ensure that businesses could focus on serving their customers, we have put in place measures to alleviate the burden on the industry, in particular on the reporting side. These measures were well received and have worked well.

On the solvency side, due to Solvency II, insurers entered the crisis with a robust capital position and overall have maintained comfortable solvency ratios.

Considering the enormous uncertainty, we advised caution on capital grounds, recommending the temporary suspension of dividends. While the effect of this statement has been positive, we have seen some differences in approaches by market players and also by some supervisors. This is a clear issue for the level

playing field in the internal market, especially in a crisis, and it is a lesson that should encourage the strengthening of EIOPA's powers.

To mitigate the impact on consumers, we issued supervisory statements requesting providers to exercise flexibility, be clear in terms of coverage and asked insurance companies to assess their products, and implement remedial measures if they see signs of unfair treatment.

Overall, we should not be complacent. The crisis is not over and the level of uncertainty is still very high. The full economic impact is still far from being revealed and the insurance business model will continue to be challenged, both on the asset and on the liability side.

The experience from the crisis reinforced EIOPA's approach to the review of Solvency II: an evolution rather than a revolution.

We will deliver our Advice to the EU Commission in December and I am confident that our proposals will achieve the overall objectives set for the review: adjust the framework to the new interest rate risk environment, increase proportionality, foster long-term investment, and complete the framework with proposals on recovery and resolution and insurance guarantee schemes. Moreover, we intend to achieve an overall balanced outcome in terms of capital.

EIOPA's priority on supervisory convergence continued through the COVID-19 crisis, with a greater focus on conduct of business supervision.

We have continued to investigate areas and coordinate supervisory actions where we see the potential for consumer detriment – like life insurance sold with mortgages, and unit-linked products.

As the pandemic has evolved, we have seen an increase in digitalisation across the insurance value chain, all the way from product design to claims handling. We have increased our work on topics like cyber risk and cyber resilience and we are looking at the ethical use of data by insurers.

The pandemic has also shone the spotlight on protection gaps. EIOPA recently published a paper on how the insurance sector can contribute to strengthen the resilience of the society to a future pandemic. The frequency of sudden, far-

reaching and potentially systemic shocks is increasing, be it pandemics, natural catastrophes or cyber attacks and we need solutions as a society. Insurance is not a silver bullet, but it can and should be part of the solution – not part of the problem. At EIOPA, we believe that the EU should have a role in this framework to ensure that we do not increase economic fragmentation and that European citizens have access to similar levels of protection. I would encourage the European Parliament to take a lead in this area.

This brings me to the topic of recovery.

Insurers and pension funds as long-term investors have a particular interest in investing to mitigate the impact of climate change and to facilitate the transition to a more sustainable and resilient economy. That is why EIOPA has been implementing an ambitious strategic plan on sustainability and climate change.

A strong recovery also needs a Capital Markets Union that delivers on other objectives like increasing future pension's adequacy and this can be achieved by fostering the implementation of occupational pensions throughout the EU.

On the pension's side, in August this year, EIOPA delivered to the European Commission a set of draft Standards to implement the pan-European Personal Pension Product, the PEPP.

With our standards, the Basic PEPP will tick many boxes for consumers. The default investment option has in-built risk mitigation mechanisms to fulfil the ambition of outperforming inflation; it raises the bar on transparency with two engaging information documents ready for the digital age; and it also comes with an all-inclusive cost cap, meeting the goal of a cost effective product. Finally, it paves the way for more long-term investment in equity like instruments, in order to increase the potential for better long-term returns for investors and foster sustainable economic growth. This is what savers need in this low interest rate environment.

Honourable Members of the European Parliament, this is my last Annual hearing as Chairman of EIOPA.

It has been both an honour and a pleasure to engage with you in numerous

occasions over the last 10 years. This interaction was essential for our independence and accountability.

I want to thank you for your support in building EIOPA as a credible European Supervisory Authority and helping us to achieve the objectives of our mandate to maintain financial stability and ensure consumer protection for the benefit of EU citizens.

Thank you for your attention and I am at your disposal for any questions you may have.