

# **Russian Insurance Summit 2017**

## ***Proportional regulation.***

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# Introduction to MetLife

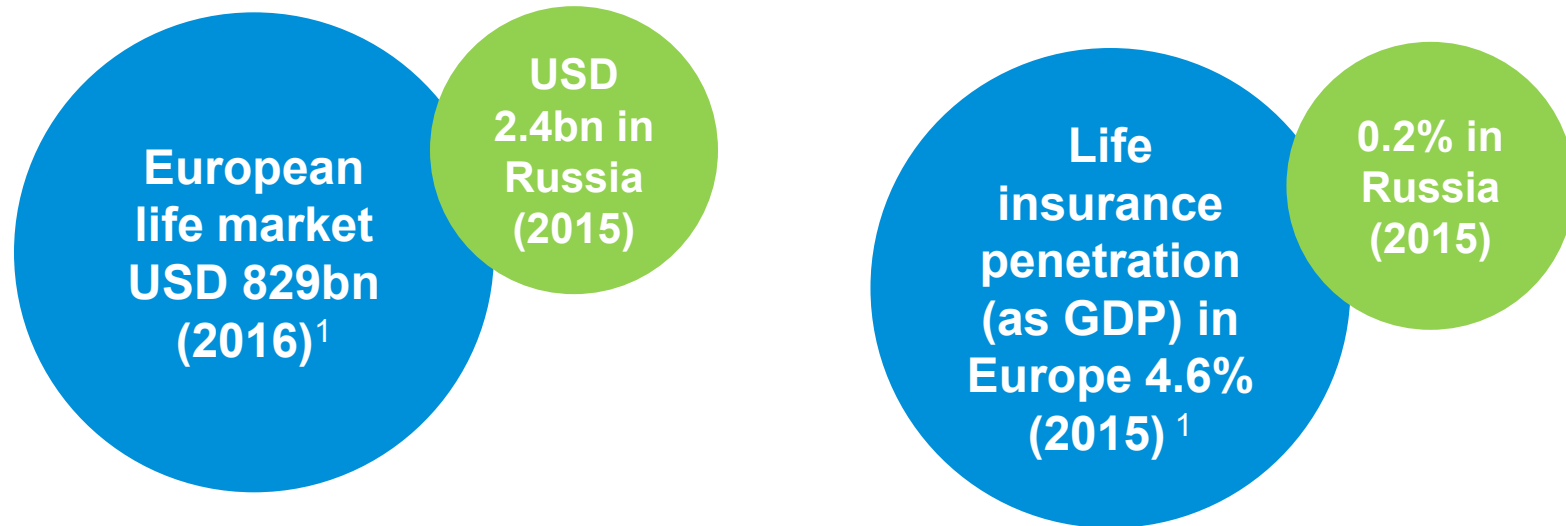
MetLife is one of the world's largest life insurance companies

- Nearly **150 years** of operation
- **100 million** customers
- Operations in **50 countries**  
(including. 14 in EU)
- **In Russia since 1994**
  - **2 million** customers
  - Presence in **20 cities**



# The benefits of life insurance

Significant potential for life insurance in Russia



- **Developing the life insurance market can bring social and economic benefits:**
  1. *Smaller protection gap / more household financial security*
  2. *Invested premiums can deepen local capital markets*
  3. *Deep local capital markets tend to attract long-term foreign investors*

# Proportional regulation



**Well-design regulation crucial for healthy life insurance market development**



**For Russia, regulation must be proportional and focus on basic enablers for market growth:**

- *Product documents*
- *Standardized and realistic investment product illustrations*



**Disproportional regulation (e.g. over-regulation) can result in unintended consequences (e.g. UK advice gap)**

# Case study: unintended consequences

## UK Retail Distribution Review (RDR) and the advice gap

- The Retail Distribution Review (RDR) came into force in Dec 2012, separating the cost of advice from the investment product and making the customer pay for it.
- Following the RDR, around 10% of advisors left the market. Now, over 60% of financial products are sold without professional financial advice, up from 40% before RDR.
- Crucially, advisors do not offer advice to the mass market, because it is not profitable. Also, mass market customers find advice unaffordable.
- In response, in August 2015 the UK Financial Conduct Authority (FCA) launched FAMR (Financial Advice Market Review) to look at solutions for closing the advice gap.
- In July 2016, the CEO of UK Financial Conduct Authority admitted that the RDR created unintended consequences, because advice became unaffordable to the mass market.

# EU Better regulation initiative

A sound regulatory system promotes a sustainable life insurance market, but rules should be appropriate for the domestic market

## EU 'better regulation' initiative



- ✓ *Make evidence-based policy*
- ✓ *Regular impact assessments*
- ✓ *Open and transparent decision-making*
- ✓ *Policies and laws backed up by views from citizens and stakeholders through consultation*
- ✓ *Realistic deadlines and comment periods*

# Conclusion

1. Big opportunity to grow life insurance in Russia
2. Well-design regulation crucial for healthy life insurance market development
3. For Russia, regulation must be proportional for the domestic market and focus on basic enablers for market growth
4. Over-regulation can cause unintended consequences as seen in the UK