

MTPL LIBERALISATION

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MANDATORY MTPL BASICS

- First introduced in 1918 in Denmark;
- Matter of **PUBLIC** interest;
- Highly regulated **INSURANCE COVERAGE**;
- **Green card** system;
- Protection of the victims.

...TO REGULATE or not to REGULATE...

- The contents of the insurance agreement **are regulated**;
- Premiums may or may not be regulated;
- EU position: **competition**
(i.e. deregulation of MTPL premiums)

Case for Regulation

- This line of business **is in public interest**;
- All vehicles **must be insured**,
- If coverage is regulated, premium should also be regulated;
- **Political decision.**

What is Regulation of MTPL market?

- **SAME PRODUCT**
 - (price, conditions, benefits,...)
- Control **OVER PRICE.**
- Control **OVER CLAIMS PAYMENT?**
- Adequacy of technical provisions and assets covering technical provisions.

Experience in the Region

- **AUSTRIA** deregulation in 80es;
- **SLOVENIA** deregulation in 1997;
- **CROATIA** deregulation in 2013.
- Other markets are **regulated**.

Competition

Deregulation works **ONLY** if it is replaced by competition.

- **Questions:**

- What is a competitive advantage in the MTPL market?

- Does competitive market need regulation?

- What kind of regulation?

Case of too LOW premiums (1)

- **REGULATED PREMIUM:**
 - Extremely bad result;
 - MTPL premium as a macro economical tool;
 - Cherry picking by new entrants;
 - Poor technical provisions.

Case of too LOW premiums (2)

- **TRANSITION:**

- Agreement to make business sustainable;
- Gaining actuarial expertise;
- Role of the supervisor.

- **LIBERALISATION:**

- Good technical result;
- Healthy competition based on segmentation;
- Good level of technical provisions.

Typical pre-liberalisation State of Insurance Market

- Low insurance penetration and density;
- Inadequate pricing/reserving expertise:
 - On industry level
 - At supervisory authority level;
- Regulated commission levels;
- Motor insurance accounts for the significant share of insurance market;
- ... and contributes significant share of technical result.

Prerequisites for the Functioning of Insurance Market

- Adequate level of **expertise on both levels**:
 - Industry
 - Supervisory authority
- Transparent “**technical premium**” levels.
- **Adequate data** acquisition & processing systems in place.
- Adequate level of **reserving**.
- Solid solvency position of most participating insurance companies
 - ... **if properly reserved**.

OBSTACLES

- Lack of **expertise**:
 - actuarial,
 - supervisory/regulatory.
- Lack of proper **IT support**.
- Market **ill structured**:
 - high concentration,
 - generally undeveloped market
(share of motor too high).
- **Solvency levels low/financially unsound qualified shareholders.**

PITFALLS

- Race for market share/liquidity at any cost.
- Convergence towards highly concentrated market.
- Reduced claims settlement standards.
- Major solvency problems.
- Decreased reputation of insurance sector.
- Stagnating development of insurance sector.

Steps to take

(in this order)

1. **Build-up** (outsource) expertise.
2. **Improve** reserving standards.
3. **Remove** commissioning regulation.
4. **Introduce** transparency/Improve reporting.
5. **Audit data** acquisition & processing.
6. **Check:**
 - actual profitability of MTPL,
 - solvency positions,
 - market structure (concentration, share of motor),
 - financial strength of qualified shareholders.
7. **Liberalise MTPL** at increased reporting depth/frequency.
8. **Normalize** reporting frequency.

...and an invitation to...



CONFERENCE PROGRAMME

Section 1: CONSUMER PROTECTION IN NEW ERA

Regulatory changes, brought about by the IDD Directive and challenges posed by the regulatory changes.

1. Keynote speech: Manuela Zweimueller, Head of Regulations, EIOPA (25 min)

2. Presentations (each 10-15 min each):

Juan-Ramón Plá, Secretary General of BIPAR – to be confirmed

Jure Kimovec, S&P Global Ratings – to be confirmed

Alexandru D. Ciuncan (EIOPA, XPrimm) Member of EIOPA's IRSG & OPSG

Industry representative

Section 2: INOVATION vs. REGULATION

Digitalisation and innovation in insurance sector. Challenges of digital transformation, to the insurers and to the insurance intermediaries.

1. Keynote speech: Gregor Pilgram, Chief Financial Officer, Member of Management Board, Director and Member of Executive Committee, Generali CEE Holding B.V. (25 min)

2. Presentations (each 10-15 min)

Eugene N. Gurenko, World Bank – to be confirmed

Marjan Trobina, Coordinator of Information Team in EIOPA

Janez Bensa, Parsek GMBH, Austria

Akos Ujlaki & Filip Glavan, Boston Consalting Group

Industry representative from Slovenia



Thank you!