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HELLENIC  
ASSOCIATION  
OF INSURANCE  
COMPANIES

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Hellenic Association of Insurance Companies

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Good morning!  
Dear Colleagues & Friends,  
Ladies & Gentlemen,

### **Welcome to Hydra!**

It is with great pleasure that I welcome you to the **16<sup>th</sup> Hydra Meeting!**

On behalf of the Hellenic Association of Insurance Companies, we are **delighted** that you honor us with your presence in this lovely island, some consistently for the past **16 years**, and we would like to thank you for your presence and support.

Every year we try to select the themes for this Meeting so as to capture what's on the market's mind and approach topics of interest for further discussion.

This year we will be discussing:

Today "**Emerging Markets**" and in tomorrow's session we will deal with "**Challenges in a Soft Market: affordability for clients, profitability / sustainability for insurers**".

But please permit me not to talk about them, but let our esteemed speakers and guests do so. Allow me, though, to set the stage for this year's meeting, by presenting a **brief overview** of the **European as well as the Greek insurance reality**.

### **Starting with Europe :**

The European economy seems to be growing reluctantly and with some difficulties. However, significant differences are noted in growth across different countries. The problem of low demand of goods & services and unemployment remain high.

### **The European Insurance Market**

#### **❖ Solvency II: the key issue for the European insurance market.**

We are all dancing to the *tune* of Solvency II. We have now passed from the stage of design to the final frenzy of preparation for the transition to the new regulatory environment. And we all know well that this new regulatory framework requires time, effort and money from insurance companies.

The European insurance market supports the objectives of Solvency II which are to enhance the protection of policyholders, to implement transparency and high standards in corporate governance, to

unify the institutional framework of the sector at a pan European level and ultimately to ensure a strong and effective insurance market.

It was a matter of major concern during the design process of the Solvency II Directive, to deal with the risks of the insurance company and in particular to take into account the long-term nature of the insurance transaction. Indeed, after interventions of the market participants, a series of measures were adopted that will protect the ability of insurance companies to provide guarantees, to make long-term investments and to continue to function as a stabilizing and growth providing factor in the economy.

In 2013 total GWP in our industry increased by 2.7% over the previous year to € 1.119 trillion.

**Premiums** as percentage of GDP in Europe is 7.7%, ranging from 1.3% in Romania to 13% in the Netherlands.

**Losses paid** for 2013 were € 943 billion. (€ 618 billion of which for Life Insurance and € 325 billion for General Insurance). (source Insurance Europe).

#### ❖ Investments

The European insurance market is the largest institutional investor in Europe, investing € 8,5 trillion in 2013, + 3.2% more than 2012. (Source: Key Facts booklet, Insurance Europe).

Keep in mind we are the engine for long term growth of the European economy. How the make the rules of Solvency II, will greatly influence future European growth.

#### ❖ Other crucial issues for the European Insurance Market

- **Facing regulatory avalanche** (130 insurance related laws and suggestions in the EU in the last 5 years) → bureaucracy - complexity means additional costs for the policyholders
- **Facing lack of understanding** of insurance from legislators etc.
- **Difference between the banking - insurance model:** the European insurance market is struggling to explain how the insurance market operates, the fundamental differences from the banking sector and hence the need for different treatment. At the end it is all about systemic risk: risk of excessive capital requirements which will burden the insurance product).

#### ❖ Main European Issues

- a. **The future of pension Schemes** is an issue that concerns all European states (major legislative developments on the Institutional Occupational Retirement Provision Directive (IORP) is in progress, for the operation of occupational funds (pillar 2)).
- b. **Ensuring transparency in investment products** (PRIIPs - Packaged Retail Products and Insurance based Investment Products) - consumer protection. (\* creating documents with basic information re investment products, aiming at improving the transparency in the investment market for retail investors). How and where the balance is set, will be crucial for both consumers & market participants.

c. **Supervisory Authorities Structure.** An evaluation of the European Supervisory System for the financial sector is underway. At stake is whether it will be separate (banking, insurance, occupational pensions, capital, etc) or will be unified and this can have profound implications for our industry.

d. **Insurance Mediation Directive, IMD2**

Controversial provisions such as the one stipulating the consumer's information regarding commissions paid to insurance mediators, based on the achievement of agreed targets, is said not to bring added benefit to the consumer. In the meantime there may be a risk of reinforcing the competition between insurance companies. It is also proposed that a strict 3 years professional experience is needed, excluding professionals who have received appropriate training but do not have relevant work experience.

## THE GREEK REALITY

Environment: The Greek economic, social and political environment is exiting the recession, but levels of unemployment remain high.

### The Greek Insurance Market

The Greek Insurance market remains small compared to the EU average, with premium being around 2.3% as a percentage of GDP. However there is considerable potential for growth. For that to become a reality though, the State's attitude towards the industry must change (cooperation, motivation, etc) as well as the economic situation, since the private insurance industry is a sector closely connected to the state of the economy.

The recession continues to affect the performance of the insurance market, and based on the latest available data, the first 6 months of 2014, the total premium is decreasing 2.2% (+ 7.6% Life insurance - 9% General Insurance).

I would like to remind everyone that after the PSI the shareholders of the insurance market invested € 2 billion. to meet the solvency requirements.

I must note at this point, that the Greek Insurance Market suffered approximately 2 billion € of losses due to the haircut on Greek Government Bonds and this on total assets of 17 billion €. We, however, as an Industry honored our obligations to our shareholders, to the last euro cent. These losses were covered by the shareholders something that in my view we are not given enough credit for as an industry.

### Regulatory framework / supervision

The insurance market enhances its credibility through:

- **Solvency II:** The preparation for the new strict institutional framework is a matter of urgent priority for the insurance companies

- **Supervision:** The insurance market is strictly supervised by the Bank of Greece, who imposes changes in the way the market performs. The role of the supervisor is extremely significant in order to ensure that the same rules will apply for everyone operating in Greece, regardless of where they come, not to create new distortions in the market, and also that bureaucracy will not increase for companies - something that would adversely affect the proper functioning of any insurer (level playing field).
- **Self-regulation:** the market itself must recognize its responsibility towards policyholders and prove its maturity with everyday actions by taking self-regulatory actions and initiatives regarding consumer's protection, transparency, reduction of operating costs, improvement of services to its policyholders and aiming to strengthen operating procedures of the companies themselves.

### Main Greek Issues

#### 1. Pensions (highest replacement ratio in Greece)

- International problem-Immediate need for care for the third age
- Complementary role of Private Insurance: expertise and experience of the insurance market
- Focus on Business Insurance

#### 2. Health

- Costcontrol
- Adoption of medical protocols
- Cooperation with Public Sector (conditions - mutual understanding of different operating model)

#### 3. Natural Catastrophe (earthquake)

- PPP model for dealing with the effects of an earthquake
- Need for dialogue with the State (how the State will face the consequences of an earthquake especially in the current times when finances are limited?)

In summary, the insurance market is in a transitional stage with many open fronts at many different levels. The crucial stage ahead is to provide value to our customers at the best possible price and to create a credible and reliable insurance market!

It is impressive that according to the "17<sup>th</sup> Annual Global CEO Survey: Fit for the future" by PwC, Insurance CEOs think that three big trends will transform their businesses in the coming five years among which the transformation of the regulatory framework is not included: technological advances, such as digital economy, social media, mobile devices and big data, demographic fluctuations and global shifts in economic power.

At a time when capital is scarce and we need more of it and the running cost of business is high, we as an industry run the risk of becoming so introverted that we will lose the next day: our customers are



changing, new risks are emerging, the needs of customers are changing, new ignorant capital can enter through capital markets and upset old balances generating new pricing.

I strongly believe that our industry must be relevant to the man on the street tomorrow, while solving our own industry problems today. This means that there are perhaps too many balls in the air and we must juggle them all. This is the challenge we are facing and I have every confidence that we'll come out stronger in the end.

Before passing the baton to the first speaker of today's program, I would like to thank you all very much for coming and wish you a pleasant and productive stay in Hydra.

I would also like to thank the General Manager of the Association Margarita Antonaki as well as the entire team for working tirelessly so we all could have a great time, as well as the Chairman of the International and Public Relation Committee Mr. Nikos Makropoulos and the members of his committee for their valuable contribution to the events and venues.

Do some work, but do have fun everyone!  
I wish all good work and a pleasant stay in Hydra!  
Thank you & good morning!

