

## Opinion on maintaining Insurance Block Exemption Regulation

Insurance block exemption regulation (IBER) is an exception from a general rule and should be reasonably justified. Rationalization of usage of IBER can be followed by logical assumptions and hard evidence. Logical reasoning is required; however as the IBER concerns real market it is strongly recommended to concentrate on the hard evidence.

There are three main logical arguments in favour of maintaining IBER for joint calculations, tables and studies in the original scope. The first and the most important is an introduction of Solvency II. This new regime requires high quality of data. Having in mind superiority of statistics essential for internal models it would be wise to allow joint calculations, tables and studies also in case of high frequency risk. For example in motor insurance main accidents are small value frequent claims, but what causes the real problem are road catastrophes that happen rarely but result in very high claims. The other example is health insurance that especially at beginning of activity requires a lot of national data, as the consumer behaviour and epidemiology differ substantially among countries. For now it would be difficult to define scope of required or useful data for purpose of Solvency II regime.

The second logical argument for maintaining IBER is a help it provides for new comers, which are especially interested in massive insurances (often linked with high frequency risks). However it should be stressed that the usage of such data is restricted as they represent the feature of underwriting criterion and should be applied with watchfulness. Moreover, average data might not be appropriate for small communities of risk (small insurer), as they profile of risk could differ substantially from mean. It should be noticed as well, that because of the common usage of reinsurance data sets are often provided by reinsurance company within the contract.

The third reason is a potential usefulness of joint calculations, tables and studies for calculating tail risk and creating stress analysis. The present scope of data could also make it possible to use other than VaR (Value at Risk) measures, like TVaR (Tail Value at Risk) that requires complete distribution of claims, especially for tail risks. That data could be also valuable for present and future insurance guarantee schemes (IGS), and they should be published concerning antidiscrimination directive.

IBER is also an important issue in the context of the new Member States, where it has not been used extensively until now. There are two questions regarding this matter. The first is to what extent joint calculations, tables and studies have helped to develop insurance market in the old Member States. The second is, if the usage of joint calculations, tables and studies has a positive impact on insurance market what is the way to encourage a wider application of IBER in the new Member States.

The first question leads to methodological matters concerning assessment of joint calculations, tables and studies. The most reasonable way of conducting such study is to verify the way such data are used in practice, especially their influence on net premium or what is more difficult the influence on policy conditions.

Assuming positive answer on the first question one should think about reluctance in a wider application of IBER in the new Member States. There are a lot of evidence that insurance markets in the new Member States are characterized by high dynamics of gross written premium and continuing.

Report from the commission to the European Parliament and the Council on the functioning of Commission Regulation (EC) No 358/2003 on the application of Article 81(3) of the Treaty to certain categories of agreements, decisions and concerted practices in the insurance sector says that several insurers and insurance associations argued that cooperation in order to establish SPCs ensures that the costs incurred by insurers and in turn the premiums they charge to customers are kept low. However we could not find such link, furthermore it occurs that it ceases competition and make innovations more difficult to implement. Example from banking standardised contracts shows that it might contain a lot of abusive conditions, and the alleged positive effects are very limited for users. That is the reason why members of FIN-USE supports position of the European Commission in this field.

We agrees that appropriate risk sharing for certain types of risks (such as nuclear, terrorism and environmental risks) is crucial in order to ensure safety of the insured. The importance of proper risk pooling makes the insurance sector different to other sectors and triggers an enhanced need for pools. However maintenance of this BER must be renewed without any preferential treatment- (vis á vis other sectors) in the calculation of market shares. Present evidence shows that regulations concerning pools must ensure consistency with other general and sector-specific legislation. The outcomes of using pools should more clear in assessment.

Agreements on technical specifications for security devices and their installation do not required any particular exemption and could be continued within existing systems. We think that it does not provide any added value for consumers or even insurance industry. Members of FIN-USE are in favour of not renewing this part of the BER.

FIN-USE strongly supports the proposition of the European Commission and once again we would like to stress the conditionality of the renewing of the BER for joint calculations, tables and studies and co(re)insurance pools. The usefulness of the BER for consumers must be obvious, that is why more evidence should be presented for the next renewal.