



IVASS
ISTITUTO PER LA VIGILANZA
SULLE ASSICURAZIONI



Insurance
Supervisory
Authority
2017 Annual Report

Remarks by the President
Salvatore Rossi

Rome, 27 June 2018



I V A S S
ISTITUTO PER LA VIGILANZA
SULLE ASSICURAZIONI



Insurance Supervisory Authority 2017 Annual Report

Remarks by the President Salvatore Rossi

Rome, 28 June 2017

Contents

<i>The technology</i>	1
<i>International regulations</i>	3
<i>Italian insurance undertakings</i>	5
<i>Supervision</i>	8
<i>Solvency</i>	8
<i>Governance and risk management, disclosure</i>	9
<i>Relations with customers</i>	10
<i>Insurance arbitrator, sanctions, winding up, intermediaries</i>	12
<i>Conclusions</i>	13

The technology

We started talking about digital technologies applied to the insurance market at this event three years ago. We highlighted the great potential for expansion of the Insurtech phenomenon and the consequent possibilities of market disruption, with uncertain timeframe, also given the low actual importance of the phenomenon at that time. This importance has since then increased, more than doubled since the beginning of the decade, even if it remains small compared to the market total.

Like the analogous term of Fintech coined for the banks, Insurtech is a catch-all word that has ended up including any use of digital technologies in the insurance world. The changes that this wave of innovations brings about or could bring about are for all to see: in processes, in products, in customer relationships and in advertising.

The offering of insurance products and their distribution methods may be redesigned. The undertakings may access a flow of information like never before on the habits, buying trends, lifestyles and physical health of current and potential clients, increasing their penetration capacity if they are ready to exploit it. Opportunities for consumers could also increase, though with formidable problems of privacy and data security.

Until now, the approach of many large international undertakings was meant to seek out agreements with young technology start-ups or to buy them. To acquire innovations or to simply get rid of uncomfortable competitors. Or for a wider strategic choice: to keep the client engaged with added services, lengthen the classic value chain of the insurance business beyond the phase of compensation/settlement.

But what is our task as regulators and supervisors in the face of these trends? Certainly not to oppose modernity in the name of defending a small outdated world made up of certainties and rigid roles. It would be suicidal as well as ridiculous. But we can't avoid considering the issue of policyholder protection: we must protect them from the unfair conduct of those who insure them or from marginalization due to the *digital divide*. Innovation is fine as long as it's good, ethically correct and respectful towards the general good.

The principle set at an international level is that the regulation must be neutral with respect to technological developments, so that the same activities and risks correspond to the same obligations. However, we must ask ourselves whether some regulations, issued when the technology was quite different from that of today, might obstruct interesting developments today. I'll make the example of *cloud computing*: regulations on the outsourcing of important functions and activities limit risks but complicate the lives of those who want to move towards *cloud* services.

The international fora are to be carefully monitored, particularly the European ones, in which the new technological regulations and standards are defined.

How is it possible to adequately safeguard both the market and consumers, and guarantee fair regulatory treatment of old and new operators, avoiding regulatory arbitrage but without slowing innovation?

At the moment, it is easier for the insurance authorities to talk about innovation with previously established subjects than with those now appearing on the market, who may have difficulty in understanding the regulations or in implementing adequate controls over compliance with laws and protection. Sometimes our language and theirs are difficult to reconcile. We are thinking over our current regulatory approach, to ensure that it's balanced, neither conservative nor prone to headlong rushes.

To do this, it's necessary to know and understand more. We must talk to the market and improve the quality of the regulations and supervisory actions. We ourselves must use innovative technologies in the regulatory and supervisory activities, even more than we do now. This too is part of what is called Regtech, which is the application of the digital technologies to the regulations, by those who must comply with them, of course, but also by those who make them.

The risk of computer attacks, the so-called *cyber risk*, merits a special mention: malicious actions exploiting the vulnerabilities of an electronic device, or the code that permits its function, to disrupt its operability, obtain unauthorised access to data held therein or compromise its integrity. The financial system is a preferred target for cyber attacks that are motivated by profit or by the intention to disrupt its ordinary function. There is a wide area vulnerable to attack, due to the intensive use of computer technologies and to the numerous interdependencies. A computer attack can cause extensive damage and have repercussions on the whole system.

IVASS focuses a great deal of attention on this front, and is taking extensive actions, jointly with the Bank of Italy, to reinforce the computer security of the financial system.

A year ago we carried out a survey of the traditional insurance intermediaries (agents and brokers) on the prevention of computer-related risks. It revealed that, although the awareness of the existence of these risks and of their seriousness was quite widespread, in many cases concrete prevention and correction measures were not yet followed. We have therefore suggested some. The survey will be repeated next year to evaluate the progress made.

International regulations

Now let's talk about international regulations, starting from the European front.

The revision of Solvency II begins this year, which will, firstly, address some aspects of the "standard formula" for the calculation of the own capital in proportion to the risks. Then in 2020, there will be a wider re-examination of the European Regulatory framework, which will include "transitional measures" and "volatility adjustment": these are conventional mechanisms conceived, the first, to spread over time the effect of the passage to a risk-based system, and the second to temper the principle of the evaluation of assets at market prices, given the extraordinary short term volatility that the financial markets may have.

We expect - and we will work to obtain - corrections that affect the objective complexity of the system, the excessive fluctuations measured in a company's solvency due to the volatility of the financial markets, and the fact that the playing field is not levelled, that is the rules written for everyone are not applied uniformly in the various European countries. One year ago I focused my remarks exactly on these issues.

On some fronts - for example the treatment of deferred taxes - our proposals are carrying forward the work in Europe. There is however another issue, not present in the forthcoming revision of Solvency II, but still central to the implementation of the new regulatory framework, which is currently highly debated in Europe, which is the convergence of national supervisory regulations and practices on the cross-border activities of the companies. We are still far from a solution, and some cases of defaults that have involved policyholders in numerous countries have raised the need for an urgent reflection.

The transitional and adjustment measures deserve special attention. The insurance undertakings of some countries (Germany, the United Kingdom, Denmark and Spain) have used them widely. At the end of 2016, the last year for which comparable data are available in Europe, the use of those measures had increased the solvency ratio respectively by 113, 107, 80 and 76 percentage points. In the European average, the increase of the solvency ratio was nearly

70 points, from 148 to 217 per cent. In Italy the increase was only 10 points, from 208 to 218 per cent, and only for the effect of the volatility adjustment: Italian undertakings have not made use of the transitional measures.

They started from an already high average solvency ratio, which originated from the prudent choices of the past. But the disparity was significant, and presumably repeated one year later: at the end of 2017, Italian undertakings registered a solvency ratio of 241, having once again used the volatility adjustment for just ten basis points.

The adjustment is modulated on an average European portfolio: the Italian companies hold more national securities than the average, so when these securities are subject to high volatility they are not sufficiently compensated. In addition the national component of the mechanism, the most effective, only functions if certain limits are exceeded at the end of each month, which creates an irrational and dangerous non-linearity, as seen on the occasion of the recent case of financial turmoil in Italy, when that component was not activated. The spread between ten-year Italian and German bonds then declined, remaining, however, around 250 points. We will monitor the repercussions on the solvency of the single insurers.

Two and a half years ago, the European Directive on insurance distribution (*Insurance Distribution Directive*, IDD) was issued. It was transposed into Italian law last May 21st, and IVASS began the public consultation on its implementation regulations shortly after, on June 8th. We actually anticipated the start date of the consultation by a few days before the publication date of the implementing decree in the Official Journal so as not to reduce the time granted to the operators for participating in the discussion and then complying with the issued regulations, considering that the deadline set at the European level for the application of the new regulations is next October 1st.

This is the second extensive revision of the European regulation in the insurance field after Solvency II. The methods of creation and distribution of insurance products are redesigned to better satisfy the needs of information and protection of the policyholders, making the market at the same time more robust and efficient.

The IDD requires a radical change of mindset. It leaves the pre-existing regulatory framework unchanged in its main lines, but defines the instruments (for example, *Product Oversight Governance*, POG) to guarantee a profound compliance by the operators with the principle of adequacy and fairness in market conduct. I will come back to the regulatory work of IVASS later.

International regulations add up to the European regulations.

Some are under discussion at a global level, at the *International Association of Insurance Supervisors* (IAIS), such as the redefinition of the regulatory framework for the mitigation of systemic insurance risks and the difficult but continuous research of a global capital requirement.

I will mention a very intricate theme, so much that it seems esoteric to many, but full of greatly important potential effects for the undertakings: that of the new accounting principles, issued by the competent international body (the *International Accounting Standards Board*, IASB) last year, and that are scheduled to take effect in 2021.

The introduction of the *International Financial Reporting Standard for Insurance Contracts* (IFRS17) for the accounting of insurance contracts was awaited for more than 20 years. It is undoubtedly a big step forward in terms of transparency and comparability of accounts. It poses problems, however, not only in terms of complexity and compliance costs, but also of consistency in Europe with Solvency II.

Even if the two systems are based on similar principles, of realism and consistency with market values, they obviously pursue different objectives and, therefore, present differences that can't be eliminated; these are, however, to be reconciled in a transparent way. There is much work to do in Europe to resolve the many open questions, and also to prevent distortions in the competition between European and American undertakings. For its part, IVASS will contribute to this work.

Italian insurance undertakings

Now we come to the Italian insurance undertakings. As usual, I summarise their profit and loss account in the previous year, and I begin with revenues.

In 2017, premiums of €132 billion were collected, with a decline of 2.5% compared with 2016. The data on the first quarter of this year shows, nevertheless, a new growth of 2.1% compared with the corresponding quarter of 2017.

The drop in premiums last year was concentrated in the "life" sector, which represents approximately three quarters of the market total. The premiums in this sector had risen in the 2012-15 period, then went down in 2016, and decreased further by 3.6% the following year. In 2017, this amounts nearly to €3,5 billion less of revenues. We are well aware of the main cause of this fall: it is the low returns that can be offered on traditional life policies, the so-called policies of "class I", that reduce their appeal for the clients and that, in fact, collected just €63 billion in premiums, with a decrease of €10

billion compared to the already disappointing 2016. The loss was limited by the contextual growth of *unit-linked* policies, those of class III, that place all or part of the financial risk on the policyholder.

This market shift in favour of products that are potentially more profitable but also riskier for the consumer, was observed throughout Europe.

In the second half of 2017, after a wide consultation of the market, IVASS changed the regulations regarding “segregate funds”, those to which traditional with-profit policies are connected. When doing this, one of the factors considered by IVASS was the weakening of traditional life policies of class I, which have always been the most secure form of savings for families, in favour of products with a higher financial component.

The segregate funds have always been appreciated by policyholders because they combine insurance services with the guarantee of a minimum return and with stable extra returns over time.

The new regulations better define the calculation of the average return rate, eliminating for new contracts the obligation for undertakings to immediately pay back any capital gains from business sale, allowing them to set them aside in a “profit fund” and pass them on to policyholders within eight years. This measure increases stability over time of the return on policies, without taking a cent from the policyholders, but simply spreading the capital gains over more years, thereby compensating the lean years. Some undertakings have already announced the launch of new class I policies with a “profit funds”.

Contrary to the life sector, the non-life sector registered a small increase in premiums (+1.1%) in 2017, that interrupted the regressive cycle started in 2012. The total value of premiums in the compulsory motor liability insurance sector only stabilised. This time, too, we are aware of the main cause of the long decrease of the past years: the reduction of prices due to the reduction of claims, both as a result of the economic recession, which has been over for some time, and of success in the fight against fraud.

In the five-year period between 2013-17, the average premium, net of taxes and parafiscal charges, fell by nearly a quarter, by more than €100. The price disparity in the territory was also strongly reduced: for example, the Naples-Aosta differential was cut by more than half, passing from more than €400 in 2012 to less than €200 last year.

In particular, the increasing use of the “black box”, installed on the vehicles of those policyholders who request one, contributed to the decrease in prices. For the undertakings it is a way to control claims and driving styles, with the secondary but important effect of inducing them to modernise their IT systems; and at the same time policyholders earn a discount on their

premiums. In the period from 2013-17, black box policies passed from 10% to more than 20% of the total, with peaks in southern areas of 60%, making the Italian market the world leader as regards the spread of motor connected insurance. An additional push could come from the law on competition of last July, that promotes, among other things, a further spread of black boxes and reinforcement of the fight against fraud. Last March IVASS issued a new regulation and is ready to perform the other tasks that the law assigns to it, but is awaiting the necessary ministerial implementing decrees.

The black box is not the only innovation that interests the motor insurance sector. Other innovative factors, some for the future but already brought to the attention of the authorities, are for example, the gradual abandonment of private vehicle ownership in favour of the simple use as necessary, as in *car sharing*, the sharing of vehicles like in *carpooling* or the spread of assisted-driving or even self-driving cars. That brings us to the need for the insurance undertakings, as mentioned at the beginning of my Remarks, to make greater use of innovative technologies, even to review contract forms, practices and business models.

IVASS has done and is doing much work in the motor sector, for the aspects falling within its competence: the dematerialization of the certificates, also for the purpose of discouraging circumvention of laws by policyholders, the Anti-Fraud Integrated computer database, a powerful weapon against fraud, the new free app for policyholders so they can make correct estimates, finding their way through the numerous offers from the market. The new app can be enormously useful for the public, also because it is complete and impartial: once perfected and launched it will have to be made familiar to users through means we are currently studying.

The non-life lines of business other than the motor sector show signs of vitality, particularly those of the “health” (accidents and sickness) and “property” (fire, other damage to property and financial loss) segments; today they represent one third of the non-life market and, in the past 10 years, have absorbed the portion lost by the motor sector. Underinsurance in this sector remains high however, in an international comparison: think of natural catastrophes or sickness. Public spending for more than forty years has covered the needs of citizens, but increasingly less and, in the case of natural catastrophes, only after many deaths and injuries. Technological innovation and the increase of the offering of these covers could increase the rate of insurance coverage against these risks. The demand is growing.

Substantially stable in absolute value and in comparison with 2016 is the contribution to earnings of net investment income: €19 billion, for a *Return on Investment* (ROI) of 3.1 per cent (3.3 in 2016).

Moving on to the costs, compensation costs in the non-life sector remained stable at slightly less than €19 billion; there was, however an increase of 13 percentage points in costs relating to the life sector: more than €71 billion in absolute value.

The total profit of the Italian insurance industry last year was nearly €6 billion, with a *Return on Equity* (ROE) of approximately 9%. The breakdown of profits earned was approximately 60 per cent (€3.5 billion) in the life sector, and the remaining part (€2.5 billion) in the non-life sector, of which €0.7 billion in the motor liability sector.

Coming to the balance sheet, the level of undertakings' own funds has made it possible to record a solvency ratio (actual own funds on the minimum requirement) equal to more than double the requirement. As I said before, this result is in line with the European average, but with a much lower use of the transitional and adjustment measures permitted by Solvency II.

Supervision

Solvency

To assess the resilience of the major European insurance groups to adverse events, the *European Insurance and Occupational Pensions Authority* (EIOPA) launched a stress test one month ago, based on three adverse scenarios: a rise of yields and the simultaneous increase in surrenders of life policies and the cost of claims settlement in non-life business (yield curve up); conversely, a reduction in yields and the simultaneous increase in the longevity risk (yield curve down); natural catastrophes that hit Europe simultaneously (nat-cat).

Four major national insurance groups are involved in Italy. IVASS will collect, validate and transmit the data to EIOPA by the middle of September. Publication of the results is expected for the beginning of the coming year.

The solvency of the undertakings, a fundamental element of the first pillar of the Solvency II Directive, is the central concern of the prudential supervisory action of IVASS. The solvency calculation is entrusted to the same undertakings, but IVASS must continuously check that it is performed properly. More than 40% of the national insurance market (if we base it on premiums collected) has chosen the two more complicated methods, the "internal model" and the "undertaking specific parameters"; the rest of the industry has chosen the relatively less complex method, the "standard formula".

These methods have all been subject, undertaking by undertaking, to careful technical scrutiny on our part. For some of the undertakings that chose

the standard formula, we also performed an investigation aimed at verifying the adequacy of the parameters of the formula with respect to the risk profile of the undertaking, estimated by the same. In four cases, deviations emerged that led us to direct those companies towards the more analytic method of the specific parameters, with the application in the meantime of a conservative capital margin.

We then dedicated growing attention to the calculation of the technical provisions in the “life” sector (*Best Estimate of Liabilities*, BEL). I just remind that technical provisions are, in insurance undertakings, the first safeguard for the protection of policyholders, even before the own capital. We intensified off-site supervision as well as inspections on this aspect. In the first two years of application of Solvency II, inspections covered 80% of the BEL of “life” undertakings that have made use of the standard formula.

Every time we found misalignments of the practices with respect to the standards provided by the European and national regulations, we have taken vigorous action. In a letter to the market, published a few days ago, we wanted to raise awareness on the theme of the BEL in all of the undertakings, formally requesting that the letter be brought to the attention of the bodies and people who make the principal decisions.

Governance and risk management, disclosure

The other two pillars of the Solvency II Directive, too - namely corporate governance and risk management on one hand, and the information that the undertakings give to the supervisory authorities and the market on the other hand, are our constant concerns. The undertakings are modifying their internal functioning, and we acknowledge this, but efforts must be intensified.

The insurance undertakings started a reflection some time ago on how to strengthen their corporate governance so that the complexities and sophistication of Solvency II are firstly understood by the top management, and then adequately integrated into their strategies. It is an effort that particularly involves the boards of directors, which must assume a propelling role in the direction and management, properly evaluating risks, which are the fundamental raw material of the insurance activity.

The new IVASS regulation regarding governance, soon to be issued, seeks to grow the effectiveness of the boards of directors, also ensuring their balanced composition. Adequately diversified skills, independent judgement, availability to invest the necessary time in the management of an undertaking, medium-long term performance-oriented incentives are bulwarks against the typical vices that threaten the efficacy of the administrative bodies, such as a feeble internal dialogue, hegemonic figures, low awareness of their role,

excessive sensitivity to short term results; particularly dangerous vices in the case of financial undertakings such as insurance.

Of course all this must be proportional to the size and complexity of the undertaking. The rules and practices of IVASS take this aspect into account when they apply, in a detailed way, the primary European and national rules that simply contain declarations of principles on proportionality.

Our action consists in regulations, interventions on the individual undertakings, and also in “letters to the market” with general suggestions. Among these is the communication that we sent at the beginning of this year containing our comments on the self-assessment of risks and solvency (*Own Risk and Solvency Assessment*, ORSA). As in many other European countries, the path to be followed take by undertakings is still long, and we have indicated some possible steps forward. Another letter, sent last March, regarded the reports that the undertakings publish about their financial conditions and solvency (*Solvency and Financial Condition Report*, SFCR). These reports are meant not only for financial analysts, but also for the big audience of policyholders and beneficiaries of insurance services: if undertakings want them to be read by these subjects too, they must be clear, while ensuring the need for precision and completeness.

2017 was a year of further concentration of the Italian insurance industry, a process already begun some years ago to obtain cost savings and search for greater operating efficiency. Also bank-insurance relations and joint ventures have been involved, in some cases for the crisis of a banking partner.

Solvency II gave it a push, innovating the discipline regarding groups. The current regulation requires the identification of the ultimate parent company as the head of the group. Some Italian groups have been induced to simplify the participation chain.

Relations with customers

With the previously mentioned IDD, supervision is enhanced for us, but becomes more complicated. Not only do the ranks of supervised subjects increase, but IVASS is given more and more complex intervention and sanctioning tasks.

As regards insurance-based investment products (IBIP) the division of the functions between IVASS and CONSOB does not immediately stem from the European law. With the aim of simplifying the regime as much as possible, in the primary interest of the consumer, the Italian legislature has already intervened by putting all insurance products, including the IBIP, in the Code of Insurance, and envisaging numerous situations of regulatory connection

between IVASS and CONSOB. The two institutions have established a permanent round-table on the subject, in a climate of full collaboration.

Fairness in the relations between undertakings and their intermediaries on one hand, and clients on the other hand, is an age-old concern of IVASS, that is combined with prudential supervision in the strict sense. I cite some of our initiatives in this field.

One front to which we have dedicated much effort in the past two years regards “dormant” life policies, which I already focused on last year. Policies, namely, that have entered a type of limbo after the death of the policyholder, either because the insurance undertaking has not been informed of the death or because the beneficiaries of the policy do not know they are the beneficiaries; or policies that the policyholders fail to redeem at their expiration and that the undertakings improperly leave pending. In collaboration with the Agenzia delle Entrate, we have begun to cross the policyholders’ tax id numbers, provided by the undertakings, with death records kept by the taxpayers’ database. In this way, we have, for the moment, “awakened” nearly 190,000 policies for which the rights of the beneficiaries had matured during the life of the policy, giving rise to payment, already made or in progress, for more than €3.5 billion. Verifications by the undertakings are under way on another 900,000 policies. Discussion is in progress with the undertakings on how to prevent the phenomenon, that is neither good for the pockets of the beneficiaries nor for the reputations of the undertakings.

Guidelines have been issued by the market, with the encouragement and help of IVASS, and with the contribution of Consumer Associations, on how insurance contracts should be written so that policyholders understand them well. There is a non-trivial theme of how to combine completeness of information with simplicity and clarity. We told the undertakings to begin to apply these guidelines by the beginning of 2019, at the latest, for new contracts, and to review existing contracts within the next year.

Together with the Antitrust Authority, we are working to resolve the problem of “uncorrelated” policies, sold by financial intermediaries to personal mortgage holders, but without any connection to the financing, and often without the mortgage holder’s awareness.

And finally, the illegal pursuit of insurance business. The Internet is full of phantom sites that perform insurance *phishing*, mainly in the motor liability sector, tricking consumers and distorting the market. There are various profiles of illegal business that range from serious offences such as fraud and identity theft to the abusive practice of the insurance profession. We are continually chasing down these sites. Every time - and it has happened more than one hundred times in three years! - that we discover one, perhaps signaled by a complaint, we inform the Judicial Authorities and we work to take it off-line as

soon as possible, also eliminating it from search engines. We're successful in seven cases out of ten.

It's an exhausting effort. Many blacked-out sites reappear soon after under another name, making one think of a few criminal centres. Only the investigating Authorities, to whom we will continue to provide reports and every possible support, can uproot this weed.

Insurance arbitrator, sanctions, winding up, intermediaries

With the transposition of the IDD, an out-of-court dispute settlement system was introduced in the insurance environment, too, as was already done in the contiguous banking and financial sectors, where ABF and ACF - respectively set up at the Bank of Italy and CONSOB - are making good strides.

The insurance arbitrator will be instituted at IVASS. When there are no problems with the estimate of damages, the arbitrator will offer policyholders, undertakings and intermediaries a quick and inexpensive alternative to the recourse to a judge, with the non-secondary goal of deflation of the litigation: we expect, among other things, a lowering of the premiums requested from policyholders.

As is widely known, IVASS is called upon to issue administrative sanctions on the basis of specific laws. It is a system that has long been termed obsolete and needing revision: it is complex, produces a large number of sanctions that do not dissuade violators. The law implementing the IDD has also introduced rules on this subject, primarily regulating the sanctions relating to the distribution of insurance products, but also redesigning the entire system according to our suggestions.

The principle of the significance of the violation is taken by the banking regulation; direct sanctioning of physical persons is envisaged in the presence of specific assumptions; particularly high limits prescribed by law are introduced, related to the turnover, and new criteria for the scaling of the sanctions; for the first time, non-pecuniary sanctions are envisaged, such as temporary disqualification and the order to cease the violations; for insurance intermediaries, the current double track of pecuniary and disciplinary sanctions for the same case is surpassed, envisaging a single procedure. Finally, we can now sanction more violations of the same nature committed in a given time frame by the same subject with a single important act, rather than opening many small proceedings.

The insurance sector has always been characterised by extremely lengthy compulsory winding ups - sometimes lasting even more than thirty

years! There are many reasons for this, and IVASS has set itself the objective of progressively eroding the heavy inheritance it has received.

Now we're at the halfway point: closed winding up procedures now exceed those still open. And we are accelerating, with five winding up procedures that deposited final acts in 2017, two more in the first months of 2018 and even more in the pipeline. More than €29 million have been paid in favour of creditors. Good results are also expected for the current year.

The renewal of the winding up bodies, implemented just a few years ago, was important, but our other recent initiatives also merit a mention.

At the end of last year, we eliminated every form of compensation for the winding up bodies linked to the mere passage of time, and instead emphasized the results and efforts, with the effect of containing procedure durations and costs, in line with the current bankruptcy system.

We also pushed the winding up bodies to intensify the sale of real estate property, often the only remaining obstacle to closure of the procedure. Although in an unfavourable market, the results of the 2015-17 three-year period have been important: the sale of 29 properties allowed the termination of 11 winding up procedures out of a total of 14 closed in the period.

I close this part with the *vexata quaestio*, of the body that holds the registry list of 226,000 insurance intermediaries: agents, brokers and their collaborators. The implementation law of the IDD has finally included it. IVASS has always favoured the choice of requiring intermediaries to register with a special body, without prejudice to our supervisory and sanctioning powers. Now we can better concentrate on the increased tasks of supervision of the distribution of insurance products that the law has assigned to us.

Conclusions

Authorities, Ladies and Gentlemen,

a bit over two months ago we discussed the future of this business in the world and in our country with the main representatives of the Italian insurance industry. The extremely fast changes in the technologies and rules applied to our world have pushed us to such a short but intense exchange of views. How will insurance be in five or ten years? What can or must the regulators do to best perform their function through time and changing circumstances? Nobody has definitive answers, but it's useful to reflect, each one on their own responsibilities.

I tried to give some elements of technological and regulatory innovation in my Remarks. At IVASS we are addressing the problem of bringing the Institute up to speed with the times, both in its internal organisation and in its resources. The contribution of the Bank of Italy is a great help to us.

Qualified and motivated human resources support us, they are our main resource, and I thank them together with the trade union representatives, also on behalf of the two Board members. They provide the brains and heart to this Institute.

Last year we worked very hard. We invested heavily in information technology to overcome the obsolescence of the systems. Evolutionary maintenance of the organisational system has proceeded with the modification of the internal structure of the prudential supervision and of the supervision over insurance intermediaries. An operational risk management scheme was introduced (ORM) that will find gradual application over the course of this year. We are setting up a new management control system.

Finally, we have launched the second strategic planning exercise for the 2018-2020 period. We ambitiously called it "IVASS 2020". With the new plan, divided into strategic objectives and detailed action plans, IVASS commits to reaching a series of objectives whose ultimate goal is to better fulfil its institutional mission.

Most of all, we don't want to be surprised by the new, that can profoundly change markets, technologies and international regulations. We are already observing how buying habits and consumer needs change, how they tend to confuse the lines between professions and products, how the insurance supply moves from reimbursements/compensations towards services. The themes on the table range from the use of the extensive volume of data arising from interaction with consumers to the balance between customisation of risks and mutuality, just to name a few.

We intend to participate in the front line of this debate, promoting it whenever possible. We want to contribute to the evolution, not only regulatory but also cultural, international and national. I believe that it is our responsibility, especially in the phase we are living in.

*Designed and Printed
by the Printing and Publishing Division of the Bank of Italy*