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Cross-Border Insurance in Europe

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Johan de Witt

- Begon als pensionaris van Dordrecht
 - Afgevaardigde naar vergaderingen Staten van Holland
- Later Raadspensionaris
 - Functies van MP, Fin, BZ, Buza
- Actief in buitenland
 - Werde daar als koning aangesproken
- En wiskundige
 - Wat zou hij van een Verzekeringsunie vinden?

Agenda

- Comprehensive data on cross-border insurance
 - Helsinki data
- Comparing banking and insurance
 - Banking Union
- Challenges for supervision
 - Advance to Solvency II

Data

- Indicator for geographic segmentation: GWP
- Scattered data sources:
 - EIOPA Statistical Annex: total GWP and branches
 - OECD Insurance Statistics: subsidiaries
 - US list: branches and subs of US insurers
 - Helsinki list: large European insurance groups
- 90% coverage of cross-border

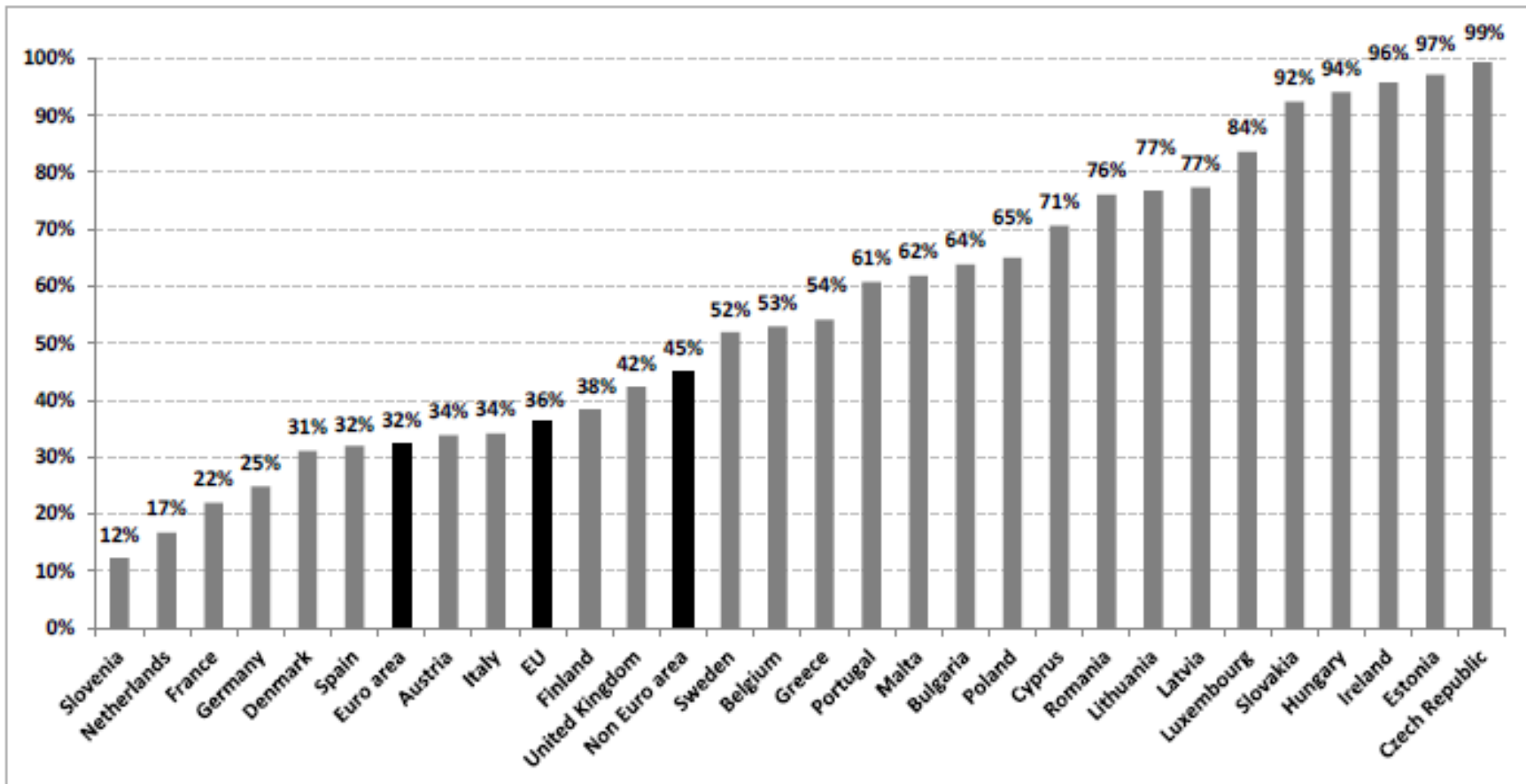
How to calculate cross-border?

Table 2 – Overview for France

France	GWP (€ mn)
National Enterprises	200,337
<i>Of which EU/EEA subsidiaries</i>	36,385
<i>Of which non-EU/EEA subsidiaries</i>	5,792
EU/EEA branches	1,631
Non-EU/EEA branches	585
Total	202,553

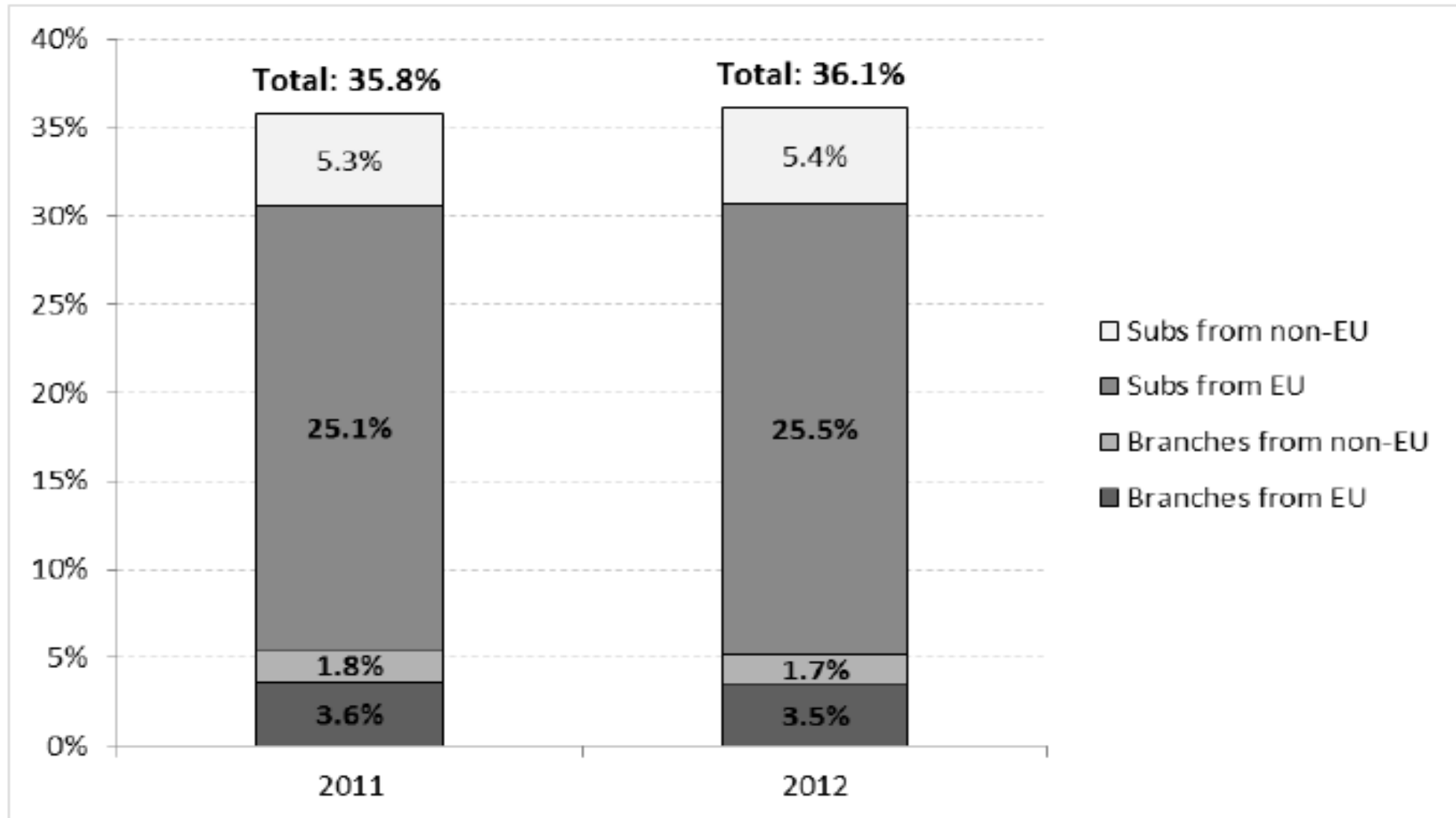
Degree of internationalisation

Figure 5 – Degree of Internationalisation of European insurance markets (% of GWP)



Origin of cross-border

Figure 6 – Insurance: Origin of cross-border activity

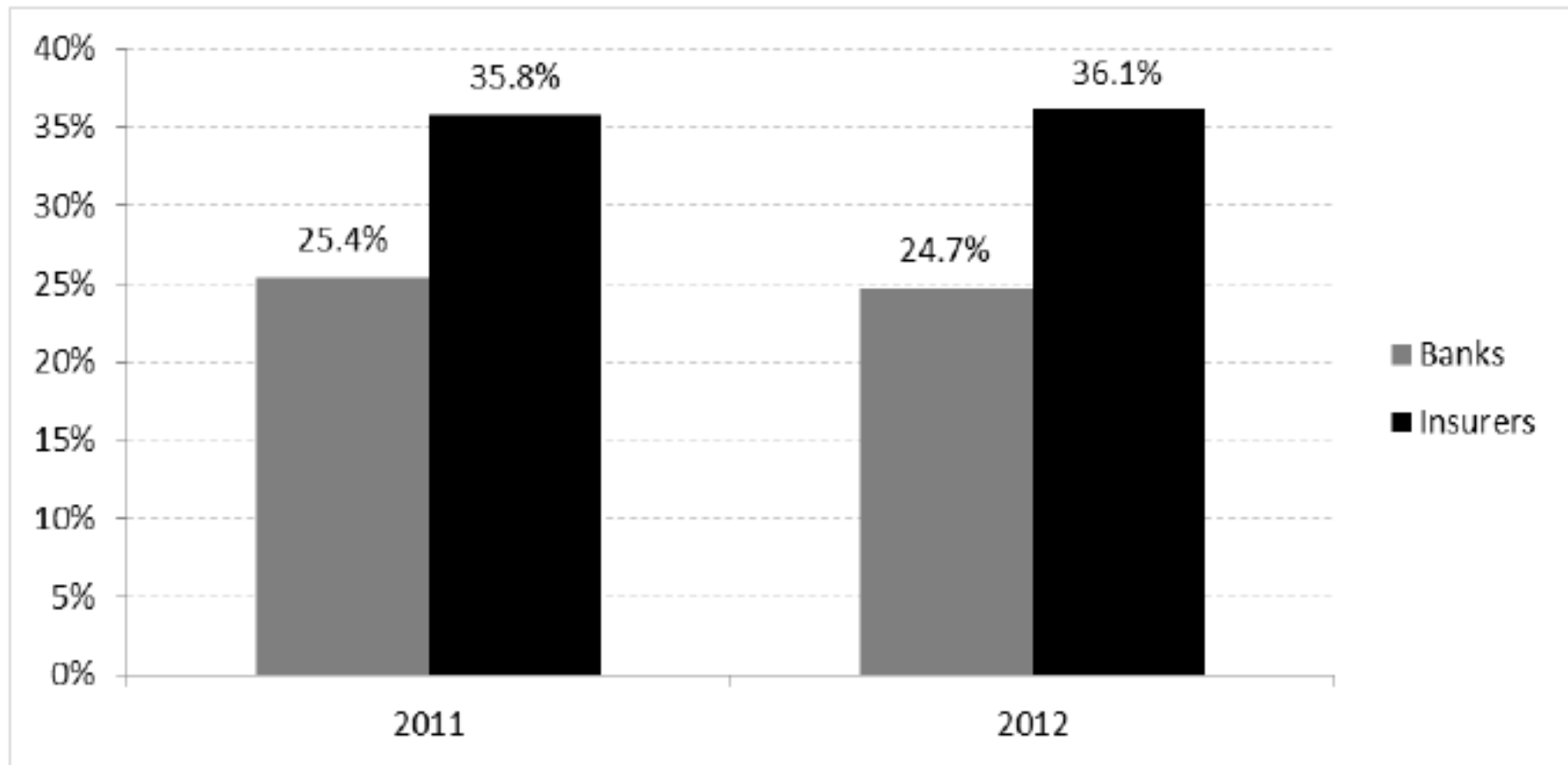


Origin of cross-border

- Main form is subsidiary
 - National supervisor (=host) in charge
 - Supervisory colleges, with EIOPA as coordinator
- Netherlands 17% cross-border
 - 10% EU subs (e.g. Generali)
 - 4% EU branches
 - 3% non-EU subs and branches

Banking versus Insurance

Figure 7 – Cross-border state of banks and insurers in EU countries



Banking vs Insurance

- Insurance is more cross-border
 - But more via subs
 - And less or no systemic risk

Table 6 – Classification of the largest European insurance groups (2012)

Insurance Groups	Country	GWP	Total Assets	H	R	W
Global						
Zurich Financial Services	CH	€ 38,843	€ 309,980	11%	40%	49%
Prudential	UK	€ 36,812	€ 380,165	23%	0%	77%
Talanx	DE	€ 26,659	€ 130,254	35%	32%	33%
MAPFRE	ES	€ 21,579	€ 56,983	37%	7%	56%
ING Group	NL	€ 20,277	€ 339,513	36%	23%	41%
AEGON	NL	€ 19,526	€ 366,118	19%	35%	46%
ACE	CH	€ 21,593	€ 70,094	18%	0%	82%
Royal & Sun Alliance [RSA]	UK	€ 11,566	€ 28,043	36%	30%	34%
SCOR	FR	€ 9,514	€ 32,590	22%	20%	58%
Regional						
AXA	FR	€ 84,592	€ 761,849	23%	50%	27%
Allianz	DE	€ 72,086	€ 694,621	25%	44%	31%
Generali	IT	€ 69,613	€ 441,745	29%	65%	6%
BNP Paribas	FR	€ 19,813	€ 170,000	32%	45%	23%
Swiss Life	CH	€ 9,978	€ 125,787	49%	47%	4%
Vienna Insurance Group	AT	€ 9,686	€ 42,336	43%	57%	0%
Semi International						
Aviva	UK	€ 27,993	€ 388,540	50%	34%	16%
Credit Agricole	FR	€ 22,914	€ 291,100	66%	30%	4%
Ageas	BE	€ 9,947	€ 97,113	64%	33%	3%
Domestic						
Lloyds	UK	€ 31,385	€ 80,736	82%	5%	13%
CNP	FR	€ 26,439	€ 353,216	81%	8%	11%
Achmea	NL	€ 20,455	€ 94,817	94%	6%	0%

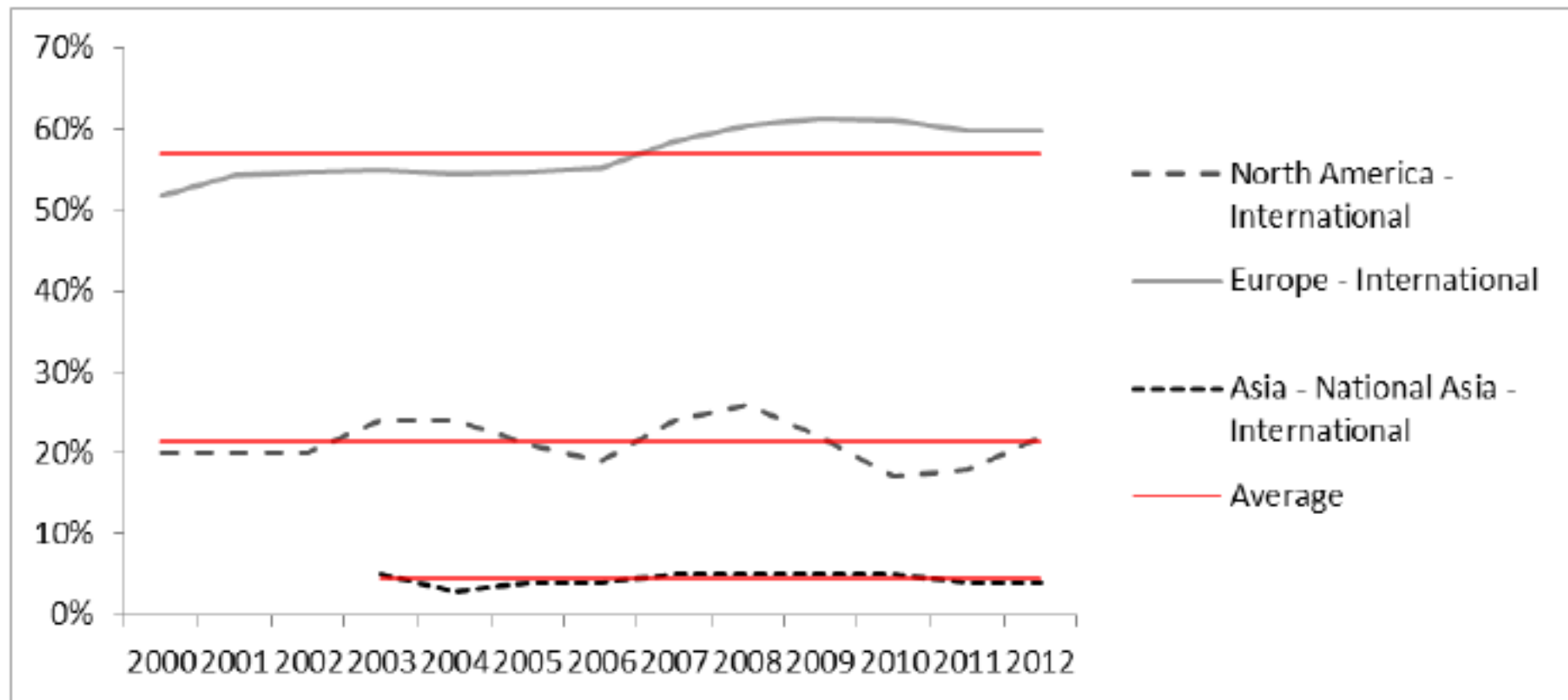
Internationalisation by continent

Table 7 – Degree of internationalisation of largest insurers across continents

Continent	Segment	2000	2004	2008	2012
North America	Home	80%	76%	74%	78%
	Region	5%	13%	11%	3%
	World	15%	11%	15%	19%
Asia	Home	-	97%	95%	96%
	Region	-	1%	2%	2%
	World	-	2%	3%	2%
Europe	Home	48%	45%	40%	40%
	Region	30%	34%	34%	33%
	World	22%	21%	27%	27%

Across continents

Figure 9 – Comparison of internationalisation of Top 20 insurers across continents



Policy implications

- National supervisors versus international insurers
 - > Several supervisory challenges (home vs host)
- Home has no incentive to tell host if problems
 - To prevent precautionary ring-fencing by host
- Branches (less important, but increasing)
 - Availability and transferability of assets

Level playing field

- Key is supervision of subs
- Level playing field issues
 - Home and host supervisors are in charge
 - Home is group supervisor
 - EIOPA can coordinate + advice, but home decides on internal model
 - Several issues: e.g. Pillar 2 add-ons

EIOPA

- Is coordination-model sufficient?
 - Increasing share of cross-border insurance
- Or, more central supervisory role like ECB?
 - Large insurers have integrated asset management
 - Solvency II internal models work group-wide
 - Insurance Union effective answer to level playing field
- Arguments against:
 - Less systemic risk
 - (Retail)insurance is local business
 - National legislation: tax, social security, liability

Conclusions

- Insurance is very international
 - 36% is cross-border
- There may be domestic consolidation
 - After domestic, there will be cross-border
- Level playing field issues
 - EIOPA cannot solve that in coordination model
 - Insurance Union?

Thank you for your time

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