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A conversation with Petra Hielkema about macroeconomic challenges and new risks

Ms Petra Hielkema, Chairperson of the European Insurance and Occupational Pensions Authority will be a keynote speaker at the AZN conference, taking place on 6 September in Ljubljana. Ahead of the event, the AZN has talked to her about the macroeconomic challenges, new risks and necessary actions for narrowing gaps to create a more sustainable and digital future.

The conference will address some of the current challenges. What macroeconomic challenges do you see today?

Current market and economic conditions are shaped by the lingering effects of the pandemic and high geopolitical tensions. The COVID-related supply shocks have persisted longer than originally thought and are impacting real economic activities and prices. Geopolitical tensions in their worst form, with Russia's unprovoked invasion of Ukraine, created volatility in the financial markets and led to soaring prices for energy and raw materials. High inflation and the effect of the geopolitical tensions on the energy and raw materials supply side caused a deterioration in the economic growth with the world recession entering in the debates.

Besides macroeconomic challenges, there are also new, emerging risks. Which ones would you outline as the most urgent ones?

The emerging risks we face today range from climate change and business interruption to digital threats and gender inequality. All of them have something in common - they represent widening gaps. The insurance community - industry, supervisors and stakeholders - are currently confronted with insurance protection gaps, pension gaps, digital and gender gaps.

You have mentioned climate change. The frequency of natural catastrophes, in Slovenia and EU-wide, is increasing. How is EIOPA from supervisory standpoint helping to narrow the insurance protection gap?

As supervisors, we can provide an insight in the actual risks. To do so, EIOPA will finalize the first European-wide dashboard on the natural catastrophe insurance protection gap this year. This will help to identify at-risk regions and the underlying insurance protection gap risk drivers, as well as develop pro-active prevention measures. As part of our assessment of climate related risks, climate stress tests will be an important tool. We also welcome the two new mandates that are proposed as part of the Solvency II review: bi-annual re-assessment of the capital requirements for natural catastrophe risk and an analysis of environmental- and social-related risk differentials. Furthermore, we will actively contribute to the new mandates under the Sustainable Finance Disclosure Regulation and we have recently published guidance on the new insurance distribution rules on the integration of customer sustainability preferences to help customers to better understand the concept of sustainability preferences and their investment choices, but also prevent greenwashing from the very start. Finally, EIOPA will continue to contribute to standard-settings at European but also at global level.

What about digitalisation - what benefits and challenges do you see?

Thanks to our capacity to process ever-increasing amounts of data, digitalisation has been positively transforming the insurance sector. However, markets in the EU remain still divergent in terms of innovation uptake and many insurers are still struggling with their legacy IT systems and overall change management. This includes the ability to find qualified experts, the agility to adapt to new technology, to manage legacy systems and in particular to mitigate cyber risk.

From regulatory and supervisory perspective it is important that we strike a balance between allowing stakeholders to harness the benefits of innovation while at the same time ensuring that consumer protection and financial stability are not compromised and that more innovation does not lead to wide protection gaps and exclusion. While recognising the benefits we need to make sure that people's data is used in a fair way so that they are not excluded from insurance products or policies.

Ms Hielkema, thank you for accepting our invitation.

With pleasure, thank you to the AZN for inviting me. I am looking forward to the conference and also to be able to be physically present in the lovely Ljubljana.