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Panel 2: Cross-border business — why motor insurers' need
a local presence

CEA Motor Insurance Conference, 4 March 2010

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- Question: do you believe that there is customer demand for cross-border products?
- Reply: liberalisation of internal market has resulted in lower insurance premiums and innovative products for customers.

Moreover, customers are largely unaware of possibility of buying cross-border insurance products.

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- Question: in motor insurance after-sales services such as car repair are traditionally local and consumers look for more and more additional services. How do you think efficient after-sales services can be guaranteed, if a cross-border product is offered?
- Reply: internal market enables industry to innovate and develop services that benefit customers. EU encourages this development by reducing intra-EU barriers.

- Question: would you agree that in certain cases qualitative legal frameworks such as the motor insurance directives result automatically in cross-border business, if there is sufficient consumer demand?
- Reply: internal market enables insurers and customers to do cross-border business. Need to change exclusive national outlook of parties concerned: many cross-border opportunities to benefit from.

Jean-Paul Coteur
Coordinator for insurance matters, Test-Achats, Belgium



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Information about car insurance from foreigners

- 800 calls and files each month about car insurance
- But few (very few, unhappy few) consumers are asking questions about price comparison between Belgium and abroad or the opposite (mainly French people coming here for their studies or their work)

Differences in premiums

We explain that it is mainly caused by differences in:

- insured amounts;
- costs of repairs;
- amount of compensation by the courts;
- taxes;
- own costs of the company;
- costs (non-transparent) of intermediaries.

Additional services

More and more assistance

- *For car* : breakdown service
replacement car during car repairs
- *For home (and contents) insurance* :
assistance not only for the covered risks but when there is an urgent problem for instance central heating doesn't work in the winter
- *For health insurance* :
coverage of assistance normally covered by specific contract: this means repatriation, rescue and research costs, ...

Useful but they are more important things

- *For car insurance* :
insured amounts: unlimited in Belgium (and France)
- *For home insurance* :
a real all risks cover (without exaggerated exclusions and limitations)
- *For health insurance* : difference in the exclusion (or not) of preexisting diseases

Phil Bell
Chairman, CEA general liability steering group
Group casualty director, RSA, UK



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Demand for portable or cross border products

- **RSA operates out of 15 EU member states**
- **We see no demand for cross border motor insurance products**
- **Our customers want to buy locally from brands they know and trust**
- **Local service, especially for claims, is important to customers**
- **Third party suppliers are managed best at the local level**
- **Local language is also important, for people to talk to as well as for policy documentation**
- **Local policies are designed and priced for the local markets**
- **The Green Card system facilitates cross border travel.**

Individual vehicle owners

- **Large international companies regularly buy insurance and other services on a multinational basis – Property, Marine, Liability, Motor**
- **However, within a multinational programme, local policies may well be issued to meet local needs and requirements e.g. evidence of insurance**
- **Multinational insurance is usually provided by multinational insurers that have the infrastructure to support customer needs**
 - **Claims and risk management services**
 - **Collect and pay taxes**
- **Single country commercial enterprises usually buy insurance locally**
- **Individual vehicle owners show no interest in buying motor insurance outside of their country of domicile**
- **No incentives for motor insurers to develop products. The premiums for commercial fleets make them attractive to insurers**
- **The extra cost to motor insurers would probably make them uncompetitive compared to local insurers.**

Obstacles to cross border business

- **In many countries, insurance premiums are subject to tax**
- **The tax has to be collected and paid in the country of the risk, not policy issue**
- **Many insurers do not have the capability to collect and pay tax locally**
- **Would need to appoint fiscal representatives in each country, which brings additional risk and expense**
- **Access to claims data in other member states**
- **Understanding of legal processes and procedures in other member states**
- **Depth of understanding of compensation systems and levels in other member states**
- **Membership of uninsured driver schemes?**
- **It does not make good business sense to invest in creating an infrastructure for products for which there is no demand.**

Rochus Gassmann
General counsel Europe, Zurich Insurance Company,
Switzerland



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Premium differences in member states



- Premium must be different in the various member states
- Key factor for difference in pricing is amount of claims payments – high claims payments mean higher premium
- Claims payments are different in the member states due to:
 - different economic environment: cost of living, salaries, property, medical care, etc.
 - different risk environment: driving habits, natural hazards, lifestyles, etc.
- Therefore: although same person is moving residence from one member state to another member state (e.g. same driver) the risk is different
- Therefore: even same/similar claims ratios do not mean same absolute amounts of claims payments as it is only a ratio

Local service for customer



- Customer wants to be served locally
- Applies to sales and claims handling
- Examples include
 - Language and design of policy
 - Advice and disclosure
 - Coverage features reflecting local habits
 - Claims handling: repair, medical care, etc.
- Zurich does provide local service using
 - Own branch network
 - Local service providers based on agreements

Impediments to cross border insurance offers



- Very good regulatory framework within EEA; outstanding compared to the rest of the world
- Obstacle Insurance Premium Tax (IPT)
 - Different per member state/per line of business
 - Huge compliance efforts, cost and admin
 - Cost and admin not justified by small income for member states
 - Cost necessarily to be borne by customer
- General good
 - Uncertainty what exactly forms part of general good
 - Uncertainty about responsibilities and powers of home and host regulator with respect to general good
 - Need to avoid duplication and gaps
 - Aspire to one approach in EEA

Andreas Kößl
Member of the board, Uniqa Sachversicherung, Austria



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- ⇒ little demand from private customers
- ⇒ some customers who have secondary residences abroad ask for the same insurance cover in comprehensive insurance
- ⇒ sometimes customers ask for additional cover if the insurance sum for motor TPL in the foreign country is lower than at home
- ⇒ Commercial customers who are located in different European countries have a need for cross-border products or for international insurance packages

Need for international insurance package

- ⇒ International companies require cross border insurance packages, especially if the insurance is steered by the head office; this means
 - A standard reporting
 - Same or similar insurance cover
 - Standardized guidelines
 - Premium advantage by balance of risks

- ⇒ These companies also ask for local services concerning loss handling and car registration

- ⇒ Main obstacle for cross border business are additional costs, costs which result out of different national insurance contract laws
- ⇒ Different national regulations concerning the payment of premium, the duration of the insurance contract and its renewal etc. result in different workflows, documents, IT-solutions etc and this leads to a multiplication of costs
- ⇒ Furthermore there are costs for guarantee funds and green card bureau in each country

- ⇒ UNIQA operates in 20 countries (subsidiaries in Italy, Switzerland, Germany and CEE and EEM markets) offering motor and property insurance but also life and private health products. We offer local services and insurance cover according to the local claims costs
- ⇒ For commercial fleets we provide additional framework agreements which define the reporting and premium calculation
- ⇒ In some European countries we operate under the freedom of services for comprehensive insurance and passenger's accident insurance; in TPL we use fronting solutions with insurance partners who provide the local services