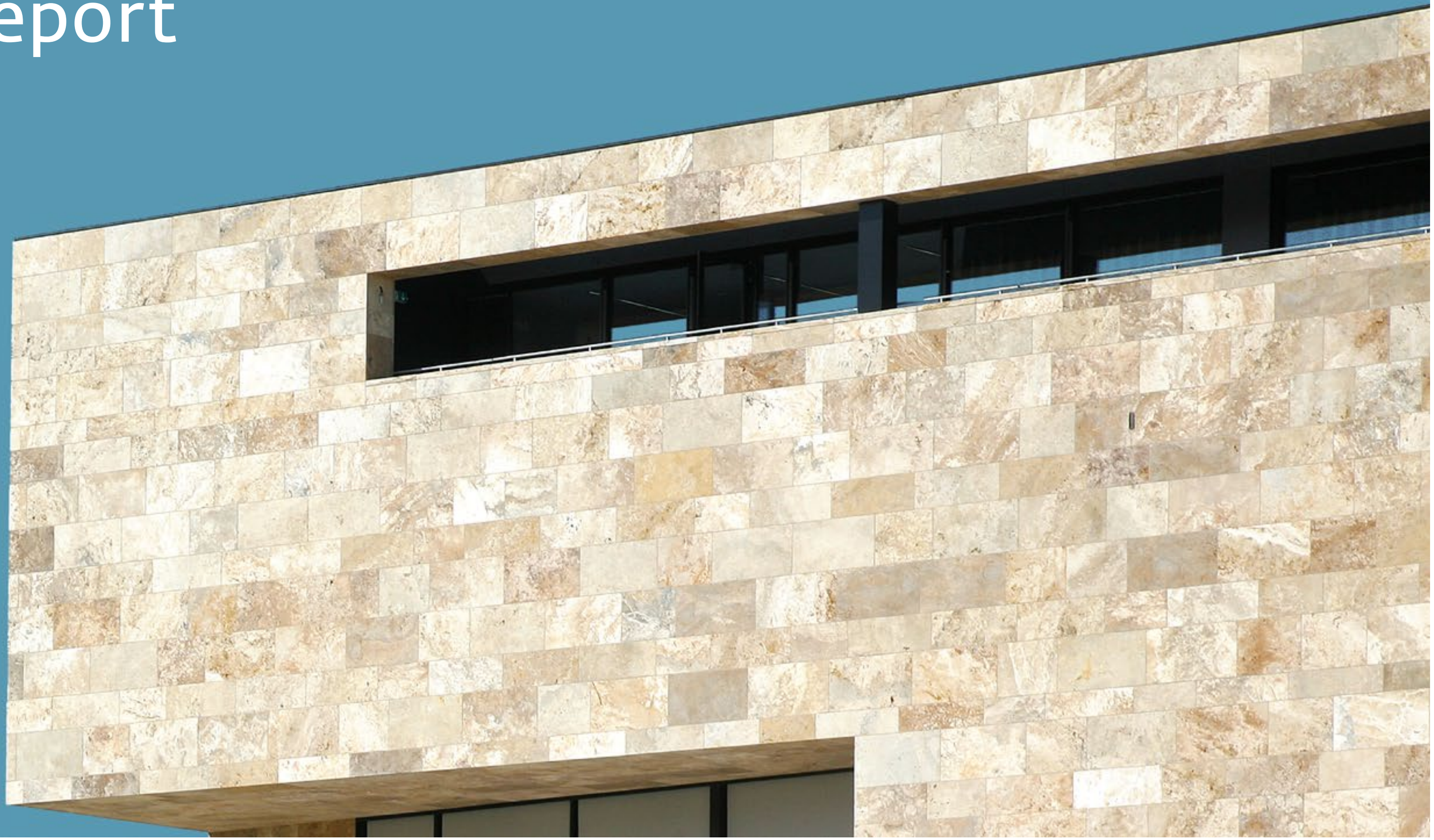
ICIR International Center for Insurance Regulation

GOETHE UNIVERSITÄT FRANKFURT AM MAIN

Annual Report 2017 • 18



Contents

Editorial
Looking Back at a Successful Year at the ICIR

It is with great pleasure that we present the Annual Report of the International Center of Insurance Regulation (ICIR) 2017/18. We have worked hard and with great success to achieve the three main objectives of the ICIR: contributing to internationally visible research in the field of insurance regulation, training students in the fields of insurance and insurance regulation, and providing a platform for academics, regulators, supervisors, and insurance practitioners to discuss and develop topics relating to insurance regulation.

I cordially invite you to read about our activities. We have developed research projects which aim to improve Solvency II, which contribute to the ongoing discussion on the systemic risk of the insurance sector, which look at the implications of a digitalized world on insurance markets, or which investigate possibilities to make life insurance products fit for an aging society in a low interest rate environment. We managed to present our research at different renowned international conferences and have received very good feedback that will enable us to publish the respective articles in top scientific journals.

During the year I have served as a guest editor for a special issue of the "Geneva Papers on Risk and Insurance" on "Insurance Regulation". Presently, I am preparing, together with my co-editor Mirko Kraft, the third edition of a leading text book on Solvency II.

We have also enlarged our teaching activities in the area of insurance and insurance regulation, e.g. by setting up a new master lecture on "The Micro- and Macroeconomic Role of Insurance".

The "second generation" of the ICIR's research assistants – Irina Gemmo, Franca Glenzer, Christian Kubitza, and Jan Weinert – are presently successfully completing their doctoral studies. Jan Weinert and Christian Kubitza are leaving team in the fall 2018. I thank them very much for their excellent work regarding research and teaching at the ICIR.

As to the "policy platform activities" of the ICIR, the Annual Report sheds light on our "Talks on Insurance and Regulation" and a recent joint event in Brussels, where our team has discussed its research results on the systemic risk of insurers with Nathalie Berger from the EU Commission and Allianz' CRO Tom Wilson, whom, by the way, we also thank for offering seminars for our students at Goethe University. Jointly with EIOPA, The World Bank, and SAFE, we have also already started to organize another Conference on "Global Insurance Supervision" in 2019.

I would also like to thank our funding partners, the boards of the ICIR, and our team: many thanks to the GDV and the State of Hesse for sponsoring and supporting the ICIR. As part of the Goethe University, the ICIR is also very grateful for the support of the Goethe University, and for the excellent cooperation with SAFE in the House of Finance.

My thanks also go to the colleagues on the Executive Board and the members of the Advisory Board of the ICIR for their continuous support and great commitment. I also wish to thank the ICIR team members for their great work throughout the year. Without their commitment, none of the outcomes reported here would have been possible.

We hope you will enjoy reading our Annual Report, and we look forward to another exciting year at the ICIR!

H. Gründl

Prof. Dr. Helmut Gründl,
Managing Director of the ICIR

The Year at a Glance

December 7–8, 2017
Goethe University, Frankfurt
Frankfurt Insurance Research Workshop
for doctoral students and post-doctoral researchers in the areas of insurance, risk management and insurance regulation

January 22, 2018
Frankfurt, Germany
Research Presentations
'Rising Interest Rates, Lapse Risk and the Stability of Life Insurers' at the Deutsche Bundesbank
Prof. Dr. H. Gründl, Christian Kubitza, Fabian Regele

February 05, 2018
London, UK
Research Presentations
'Financial Contagion and Diversification of Insurance Activities' at the Bank of England
Christian Kubitza

February 15, 2018
EIOPA, Frankfurt
Research Presentations
EIOPA Advanced Seminar 'Quantitative Techniques in Financial Stability'
Prof. Dr. H. Gründl, Christian Kubitza

February 19, 2018
University of Oxford, UK
Research Presentations
Oxford Talks Postdoc & DPhil Workshop at the Department of Economics
Irina Gemmo

March–May, 2018
New York, USA
International Research Exchange
The School of Risk Management, Insurance and Actuarial Science, St. John's University
Christian Kubitza, Jan-Hendrik Weinert

March 21–22, 2018
Munich, Germany
Research Presentations
Annual Congress of the German Insurance Science Association 2018

April 23, 2018
Goethe University, Frankfurt
Moderation of the Panel 'Insurance Company Resolution' at the ILF Conference
'Resolution in Europe: The Unresolved Questions'
Prof. Dr. H. Gründl

May 24, 2018
House of Finance, Frankfurt
13th Talk on Insurance and Regulation
Life Insurers: Low Interest Rates are Bad. Are Rising Interest Rates Better?
Dr. Frank Grund (BaFin), Dr. Klaus Wiener (GDV), Prof. Dr. H. Gründl

June 14, 2018
Glashütten/Ts., Germany
FIRM Research Prize 2018
for Dr. Elia Berdin's dissertation 'Essays in Microprudential and Macroprudential Supervision in Insurance"

August 5–8, 2018
Chicago, USA
Research Presentations
2018 Annual Meeting of the American Risk and Insurance Association (ARIA)

Sep–Dec, 2018
Philadelphia, USA
International Research Exchange
The Wharton School, University of Pennsylvania, Business Economics and Public Policy Department
Irina Gemmo

October 10, 2018
Representation of the State of Hessen, Brussels
ICIR/SAFE Lunchtime Series
Insights on Systemic Risk in the Insurance Sector
Nathalie Berger, Ph.D. (European Commission), Tom C. Wilson, Ph.D. (Allianz SE), Prof. Dr. H. Gründl

October 17, 2018
House of Finance, Frankfurt
14th Talk on Insurance and Regulation
Climate Risk and Sustainable Finance in Europe: The Role of Insurance
Dr. Manuela Zweimüller (EIOPA), Dr. Christian Thimann (Athora)

The ICIR at Goethe University

ICIR
Its Three Pillars

Research
The International Center for Insurance Regulation (ICIR) is recognized as a leading scientific institution fostering independent research on insurance regulation and market solutions to regulatory questions. As an integral part of Goethe University in Frankfurt, the ICIR is committed to Goethe University's values and mission statement.

Education
The ICIR offers several lectures and seminars within the Bachelor and Master degree programs at the Faculty of Economics and Business Administration of Goethe University in order to increase professional knowledge in the field of insurance economics and insurance regulation.

Policy Platform
The ICIR provides an international and interdisciplinary platform for scholars, executives of the insurance industry, regulatory authorities, and policy makers to exchange ideas and shape strategic thinking about the future development of insurance and insurance regulation.

Funding and Partners

We would like to express our gratitude towards our funding partners, the university, cooperation partners, and all the people within our network, for their continuous trust and tremendous support shaping the ICIR's development.

The ICIR receives generous funding by the State of Hesse (Land Hessen) and the German Insurance Association (Gesamtverband der Deutschen Versicherungswirtschaft (GDV)) for a period of ten years.

Goethe University, a research-oriented university at the heart of Europe's financial center Frankfurt am Main, provides an outstanding and modern infrastructure located on the Campus Westend in the House of Finance.

Goethe University gives the ICIR a unique scientific environment for interdisciplinary research, especially through its research center "Sustainable Architecture for Finance in Europe" (SAFE).

In addition, the ICIR receives further research funding from the German Association for Insurance Studies (Deutscher Verein für Versicherungswissenschaft e.V.) in Berlin, the Frankfurt Association for the Promotion of Insurance Studies at Goethe University (Förderkreis für die Versicherungslehre an der Johann Wolfgang Goethe-Universität) and Goethe Finance Association e.V. (GFA).

People at the ICIR

The ICIR Team

Prof. Dr. Helmut Gründl
Chair of Insurance and Regulation
Managing Director, ICIR

Prof. Dr. Jens Gal
Jun. Prof. for European Insurance Law

Jozefina Kontic
ICIR Management

Dea Lapi
Chair Management

Nana Adwoa Dekyem Amo-Mensah
Research Assistant and Doctoral Student

Irina Gemmo
Research Assistant and Doctoral Student

Christian Kubitza
Research Assistant and Doctoral Student

Fabian Regele
Research Assistant and Doctoral Student

Jan-Hendrik Weinert
Research Assistant and Doctoral Student

The ICIR Team

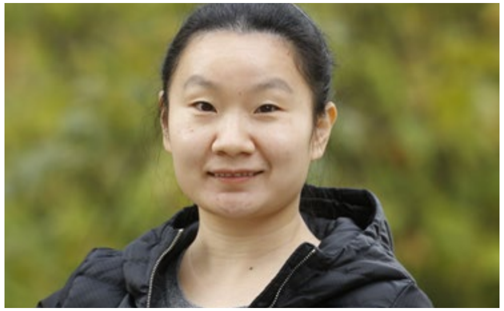
Arina Brutyan
Student Assistant

Victor Krug Kovacs Borges
Student Assistant

Nicolaus Jan Karol Grochola
Student Assistant

Laurin Sander Sponheuer
Student Assistant

Nils Simon
Student Assistant



Mingjie Shi
Student Assistant

The Executive Board

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Chair of Insurance and Regulation
Goethe University

Managing Director
International Center for
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Associate Professor
KU Leuven

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Public Interest Oversight Board (PIOB)

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Chair of Civil Law,
Commercial and Insurance Law,
Private International Law,
and Comparative Law
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Institute for Insurance Law

Founding Director
International Center for
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Prof. Dr. Wolfram Wrabetz
Honorary Professor
Goethe University

Representative of the Federal State of
Hesse for the Insurance Sector

Founding Director
International Center for
Insurance Regulation (ICIR)

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Dr. Frank Grund
Chief Executive Director of Insurance and Pension Funds Supervision, Federal Financial Supervisory Authority BaFin, Bonn

David Hare, PhD
Partner, Actuarial & Advanced Analytics, Deloitte UK, Edinburgh

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Member of the Supervisory Board of Directors, Zurich Insurance Group Ltd. (Chair of the ICIR Advisory Board)

Alberto Corinti
Member of the Board of Directors of IVASS - Istituto per la Vigilanza sulle Assicurazioni, Rome

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Dr. Denis Kessler
Chairman of the Board of Directors and Chief Executive Officer of SCOR SE, Paris

Prof. Dr. Hartmut Nickel-Waninger
Honorary Professor, Goethe University

Dr. Norbert Rollinger
CEO, R+V Group, Wiesbaden
(Vice-Chair of the ICIR Advisory Board)

Prof. Dr. Heinrich Schradin
Director of the Seminar for Business Administration, Financial Economics, Risk Management and Insurance, University of Cologne, Cologne

Dr. Klaus Wiener
Member of the Management Board of the German Insurance Association, (Gesamtverband der Deutschen Versicherungswirtschaft e. V. (GDV)), Berlin

Dr. h.c. Petra Roth
Former Lord Mayor of Frankfurt am Main

Raj Singh
Member Executive Committee and Chief Risk Officer, EFG International

Research
Insurance. Risk. Regulation.

ICIR Research Portfolio

Insurance Industry and Financial Stability

Diversification of Business Activities and Financial Stability*
Fabian Regele, Christian Kubitza

Systemic Risk and Late Resolution of Economic Shocks
Christian Kubitza, Helmut Gründl

Asset Concentration Risk and Insurance Solvency Regulation
Fabian Regele, Helmut Gründl

The Pitfalls of Central Clearing in the Presence of Systemic Risk
Mila Getmansky (UMass Amherst), Christian Kubitza, Loriana Pelizzon (SAFE, Goethe University)

Financial Literacy and Precautionary Insurance
Annette Hofmann (St. John's University), Christian Kubitza, Petra Steinorth (Universität Hamburg)

The Existence of the Miyazaki-Wilson-Spence Equilibrium with Continuous Type Distributions
Irina Gemmo, Christian Kubitza, Casey Rothschild (Wellesley College)

Comparative Study of African and European Insurance Regulations
Nana Adwoa Dekyem Amo-Mensah

(Life) Insurance and Risk Management

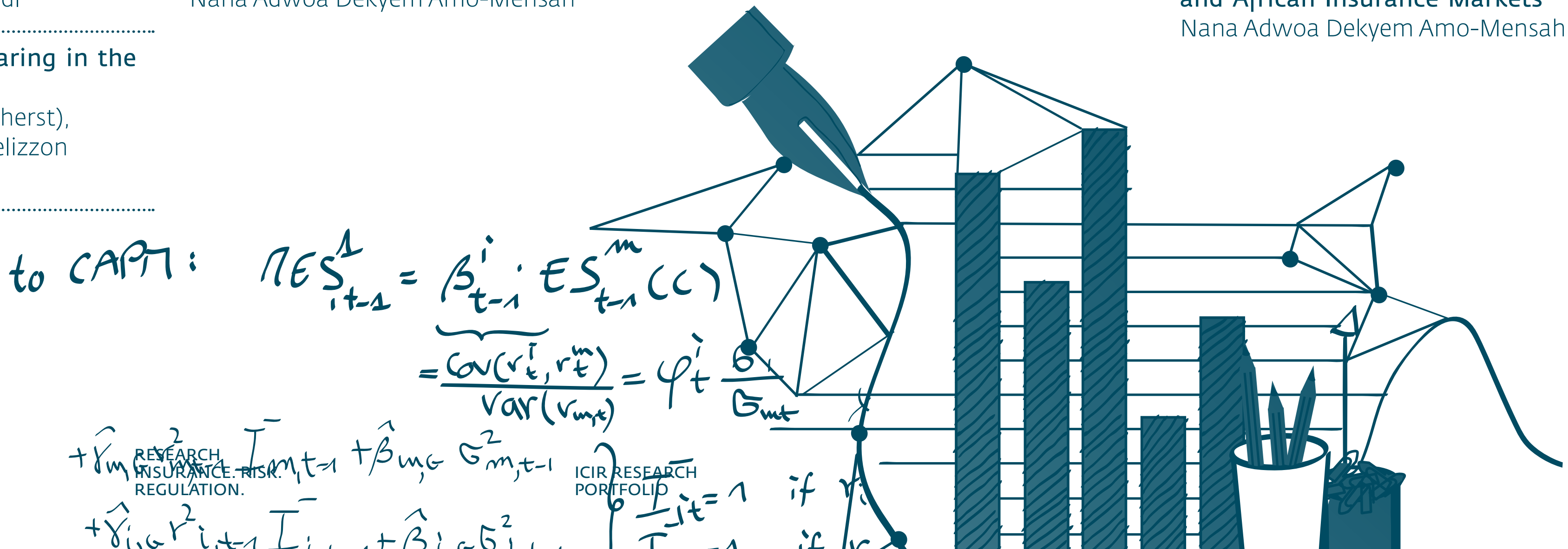
Interest Rate Risk, Longevity Risk and the Solvency of Life Insurers
Elia Berdin (Generali, ICIR Alumnus), Helmut Gründl

Rising Interest Rates, Lapse Risk, and the Stability of Life Insurers
Elia Berdin (Generali, ICIR Alumnus), Helmut Gründl, Christian Kubitza

The Influence of Market Risks on the Stock Return of Life Insurance Companies
Sebastian Schlütter (Hochschule Mainz, ICIR Alumnus), Mark J. Browne (St. John's University, New York), Helmut Gründl

Life Insurance in the Low-Interest-Rate Environment
Elia Berdin (Generali, ICIR Alumnus), Helmut Gründl

Determinants of Life Insurance Demand Among Selected European and African Insurance Markets
Nana Adwoa Dekyem Amo-Mensah



↗ ICIR Working Paper Series

[*] part of SAFE research and partly funded by SAFE

[**], [***] both articles contribute to the subproject "Household Liquidity Risk Management and Insurance Comanies' Investment Behavior" as part of the SAFE Project "Liquidity and Longevity Risk Management of Households and Life Insurance Companies in an Ageing Society"

[****], [*****] DVfVW supported research projects

Digitalization in the Insurance Industry

Privacy Concerns in Insurance Markets: Implications on Market Equilibria and Social Welfare
Irina Gemmo, Mark J. Browne (St. John's University), Helmut Gründl

Who Benefits from More Information?
Christian Kubitza

A Dollar Less for a Pound More: (Price) Discrimination and the Value of Privacy
Irina Gemmo, Wanda Mimra (ETH Zurich) Anastasia Sycheva (ETH Zurich)

Market Insurance, Self-Insurance and Self-Protection if Consumers Value their Privacy
Irina Gemmo

Life Insurance in an Ageing Society

Life Insurance and Demographic Change: An Empirical Analysis of Surrender Decisions Based on Panel Data[**]
Irina Gemmo, Martin Götz (SAFE, Goethe University)

Life Insurance Surrender Risk and Insurance Companies Asset Allocation[***]
Irina Gemmo, Martin Götz (SAFE, Goethe University), Helmut Gründl

The Modern Tontine: An Innovative Instrument for Longevity Risk Management in an Aging Society[****]
Jan-Hendrik Weinert, Helmut Gründl

The Fair Surrender Value of a Tontine[*****]
Jan-Hendrik Weinert

Comparing the Cost of a Tontine with a Tontine Replicating Annuity
Jan-Hendrik Weinert

The Impact of Systematic Longevity Risk on Optimal Lifecycle Portfolio Choice with Tontines
Jan-Hendrik Weinert, Ralph Rogalla (St. John's University), Irina Gemmo

International Research Collaborations

Christian Kubitza as Berkley Fellow at the School of Risk Management, Insurance and Actuarial Science at St. John's University

In early 2017, I already had the opportunity to stay in the United States for two months. During this time, I engaged in stimulating research projects with international researchers. Two new research projects resulted from this stay. In 2018, I was invited again to the United States to continue the work on these projects. In particular, I had the privilege of being a Berkley Fellow at the School of Risk Management, Insurance and Actuarial Science at St. John's University New York.

Financial Literacy and Precautionary Insurance

During my stay in New York City, I closely worked together with Prof. Annette Hofmann on a project we started to-gether with Prof. Petra Steinorth from University of Hamburg in 2017. Our motivation for this project is the substantial complexity of financial products, particularly insurance contracts. For example, a typical UK homeowners' policy has about 20,000 words. Therefore, it seems natural to suspect that consumers rarely understand the full ▸

extent of insurance products. Various studies even find that consumers often do not read their insurance policies at all. And if consumers read an insurance policy, then they frequently do not understand it. This phenomenon is amplified on one hand by the high complexity of the products, and on the other hand by the low financial literacy of consumers.

Motivated by these observations, we propose a novel model to understand the impact of financial literacy and contract complexity in insurance markets. Our main idea is to incorporate contract complexity in classical insurance models as an indemnity-specific background risk. We show that insurance demand is then driven by a trade-off between two second and third-order risk preferences: risk aversion and prudence. Since a consumer's experienced uncertainty increases with a contract's complexity, risk aversion provides an incentive for consumers to purchase less insurance when contracts are more complex. However, prudence provides an incentive for consumers to purchase more insurance when it becomes more complex. This latter phenomenon is known as precautionary insurance, and describes that consumers might react to additional risk by raising wealth in the worst possible state of the world. In other words, the more uncertain very prudent consumers are about the payout of an insurance policy, the more insurance they purchase in order to prepare for the worst that may happen.

Our findings thus show that insurance companies might be able to raise insurance demand by increasing the complexity of their products if consumers are sufficiently prudent. This insight gives a strong rationale for consumer protection, for example in the form of transparency requirements as recently established by the European Union as well as the NAIC.

To further understand the welfare effect of contract complexity, we set up an insurance market equilibrium

Insurance demand is driven by a trade-off between risk aversion and prudence

model where firms may engage in costly effort to reduce contract complexity. We find that a positive level of contract complexity exists in realistic situations since consumers may prefer a high level of complexity over a high price for insurance. In a perfectly competitive market, the equilibrium level of contract complexity is optimal for consumers, implying that any transparency regulation would reduce consumer welfare since it would inefficiently increase prices. Instead, the primary measure for increasing consumer welfare is financial education.

Therefore, our research has important implications for consumer protection, the regulation of insurance markets, and the impact of financial illiteracy and contract complexity. In fully competitive markets, regulation should rather focus on financial education instead of transparency regulation for firms in order to raise consumer welfare. However, if an insurance market is not fully competitive, then oligopolistic structures can provide a strong rationale also for transparency regulation. Indeed, insurance markets in practice may not be fully competitive. For example, the largest 4 insurers in the U.S. and Canadian private passenger auto insurance market had a joint market share of more than 50% in 2017. Thus, while our research provides a strong rationale to increase financial education, there might also exist scope for transparency regulation.

The Pitfalls of Central Clearing in the Presence of Systematic Risk

During my stay in the United States, I was also able to spend one week at Isenberg School of Management, University of Massachusetts (UMASS), in Amherst. In 2017, I began a research project together with Prof. Mila Getmansky Sherman from UMASS and Prof. Loriana Pelizzon from Goethe-University Frankfurt about the impact of central clearing on counterparty credit risk in derivative markets. ▸

The main purpose of derivatives is to hedge and transfer risk by altering cash flow patterns. For example, life insurers use foreign exchange (FX) swaps to hedge currency and counterparty risk in their investment and contract portfolio. International derivative markets, however, also played a main role in the 2007–08 financial crisis by amplifying loss spillovers. Motivated by this dubious role of derivatives, the G20 leaders initiated a fundamental change in the architecture of derivative markets, as part of the Dodd-Frank Act in the U.S. and

The main purpose of derivatives is to hedge and transfer risk by altering cash flow patterns

the European Market Infrastructure Regulation in the EU. A key element is the introduction of mandatory central clearing of standardized OTC derivatives through central clearing counterparties (CCPs). Mandatory central clearing is intended to increase transparency, tighten risk management and, in particular, collateral standards in derivative markets, ultimately reducing counterparty risk. Indeed, the cleared share of Lehman's derivative trades was hedged and closed out by CCPs within three weeks after Lehman's default, indicating that central clearing might be able to stabilize derivative markets.

However, market participants are reluctant to clear derivatives if not forced to. For example, insurance companies are not clearing members at central clearing-houses. In our paper, we develop an intuition for low clearing rates by examining the impact of central clearing on counterparty risk. We highlight several realistic situations in which central clearing does not reduce but increase a market participant's counterparty risk.

We extend previous studies on central clearing in three important dimensions: First, we consider systematic risk, i.e., aggregate shocks that depress or appreciate all derivative prices. Including systematic risk is a vital prerequisite to examine the performance of central clearing during economic crises. We show that during sufficiently severe economic crises, central clearing is not able to reduce counterparty risk.

Second, we account for the impact of collateral. Collateral (or, equivalently, margin) is a primary measure to reduce credit risk in derivatives transactions. We show that even small discrepancies in margin requirements have a detrimental on counterparty risk: If the clearing margin is slightly smaller than that for non-cleared transactions, then a market participant's counterparty risk does not decrease with central clearing compared to a bilateral market. Indeed, to incentivize central clearing, cleared derivative transactions in practice are subject to smaller margin requirements than non-cleared ones.

Finally, CCP recovery tools prescribe liquidity injections from non-defaulted clearing members if a CCP's losses exceed its pre-funded resources. Our analysis of this loss sharing mechanism reveals an important bifurcation of clearing members along the lines of their exposure's

Central clearing might be able to stabilize derivative markets

correlation with systematic risk. Clearing members with an exposure that is negatively correlated with systematic risk (e.g., by a short position in the S&P 500) have positive gains during economic crises. In these times, they are exposed to a high counterparty risk, since naturally their counterparties show a heightened default risk during crises. In contrast, clearing members with positive exposure to systematic risk (e.g., by a long position in the S&P 500) are then exposed to low counterparty risk. As a consequence, loss sharing mainly allocates losses from ▸

clearing members with a negative exposure to those with a positive exposure. It thus creates an incentive for the latter not to clear derivatives.

Overall, these results provide important insights into the role of central clearing for counterparty risk. They provide strong theoretical evidence that central clearing might not reduce but increase a market participant's counterparty risk exposure in comparison to a bilateral market. This explains why many financial institutions, for example hedge funds and insurance companies, are typically not members at clearinghouses. These insights support policymakers in a recent effort to revise central clearing reforms.

Eventually, I am very grateful to Prof. Annette Hofmann and Prof. Mila Getmansky Sherman for inviting me to St. John's University New York and to University of Massachusetts, as well as to the W. R. Berkley Corporation German and Insurance Science Association (DVfVW) that generously provided me with a travel grant. Special thanks go to Prof. Helmut Gründl for enabling my travels and making my stays in New York and Amherst very valuable and enriching – both academically and personally.◆

International Research Collaborations

Irina Gemmo Visits The Wharton Business Economics and Public Policy Department of the University of Pennsylvania

I had the pleasure of spending four months as a visiting scholar at the Business Economics and Public Policy Department of the Wharton School. During my stay in Philadelphia, I started to work on a research project together with Prof. Dr Olivia Mitchell, Ph.D. in the area of financial literacy and individuals' financial decision-making.

Founded in 1881, the Wharton School is the world's oldest collegiate school of business. As part of the University of Pennsylvania, the school is located in Philadelphia.

I had the great pleasure of spending the fall term (September – December) 2018 as a visiting scholar at the Business Economics and Public Policy Department of the Wharton School. The main purpose of my stay was the development of a research project in the area of financial literacy and individuals' financial decision-making.

Financial products, such as insurance contracts, confront consumers with complex information and the details of ▸

Fairer Finance (2018). Misbuying insurance, available at https://www.fairerfinance.com (last checked: October 10, 2018). Technical report.

Lusardi, A. and Mitchell, O. S. (2011). Financial literacy around the world: an overview. Journal of Pension Economics and Finance, 10(4):497–508.

Lusardi, A. and Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. Journal of Economic Literature, 52:5–44.

Policygenius (2016). 4 basic health insurance terms 96% of Americans don't understand. Available at https://www.policygenius.com (last checked: October 10, 2018).

such products are often described in a language that is rarely fully understood by consumers (Policygenius (2016), Fairer Finance (2018)). At the same time, large parts of the population worldwide exhibit low levels of financial literacy (Lusardi and Mitchell (2011), Lusardi and Mitchell (2014)). In practice, financially illiterate consumers, who have difficulties processing economic information and hence struggle to make informed decisions, are confronted with highly complex financial products. Therefore, empirical research on the role of

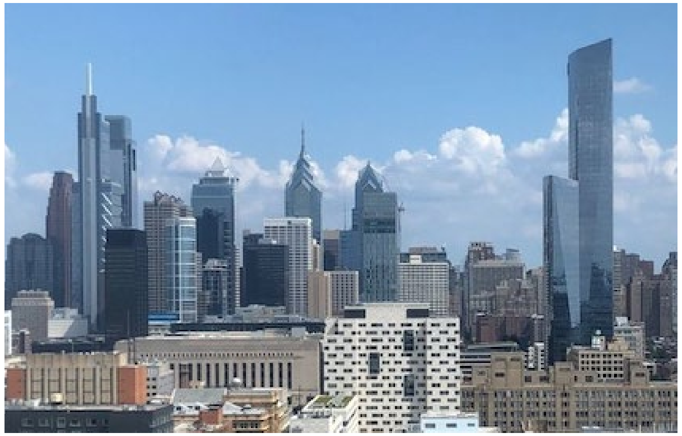
Financial literacy in individuals' financial decision-making is of great importance for policymakers

financial literacy in individuals' financial decision-making is of great importance for policymakers who aim to provide individuals with the opportunity to make economically reasonable savings and investment decisions.

The idea for the project was born at a research meeting with Christian Kubitza (International Center for Insurance Regulation) in Frankfurt and has been further developed in collaboration with Prof. Dr Olivia Mitchell, Ph.D., who is a leading researcher in the area of financial literacy (among others). Her expertise on the subject is invaluable and I am grateful for the opportunity to learn from her. At the Wharton school, I managed to benefit from the numerous interesting presentations at seminars and workshops that provided great insights into current academic research in various areas related to economics and finance. Further, I highly appreciate the many talks with faculty members and other visitors and the constructive feedback and valuable input on several projects that I received during these talks and during my academic presentation at one of the faculty's research seminars.

While located in Philadelphia, I had the chance to present my research at other institutions, such as the Wellesley College in Massachusetts, to which I was invited by Prof. Casey Rothschild, Ph.D., and at the University of Guelph in Ontario, Canada, where I stayed for a week to work with Prof. Mike Hoy, Ph.D.

Overall, I experienced a very open-minded and constructive working environment at the Wharton School. I am very grateful to Olivia Mitchell, Mike Hoy, and Casey Rothschild for inviting me to present my research and to benefit from their expertise and knowledge. I would like to specifically thank the International Center of Insurance Regulation and my advisor, Prof. Dr Helmut Gründl, for enabling this enriching experience. ◆



Irina Gemmo

A Dollar Less for a Pound More: (Price) Discrimination and the Value of Privacy

References:
Kremslehner, D. and Muermann, A. (2016). Asymmetric information in automobile insurance: evidence from driving behavior. CFS Working Paper Series, 543.

Gemmo, I., Mimra, W., and Sycheva, A. (2019). A Dollar Less for a Pound More: (Price) Discrimination and the Value of Privacy. ICIR Working Paper Series. Forthcoming

Together with Wanda Mimra and Anastasia Sycheva from the Management, Technology and Economics Department of ETH Zurich, I have conducted a laboratory experiment to examine consumers' privacy concerns. Our experimental design aims at analyzing the correlation between consumer characteristics and participants' willingness to sell private information under different circumstances with respect to categorization based on this data and pay-off consequences.

Price discrimination based on consumers' personal data has become common practice in many markets. For instance, in various lines of insurance business, such as health insurance, life insurance and automotive insurance, policies are priced based on personal data of the policyholder.

The willingness to share personal information that influences the demand for such products differs across individuals. In a data set for pay-as-you-drive contracts, Kremslehner and Muermann (2016) show that such a car insurance policy that involves information sharing is more likely to be chosen by younger, female consumers who live in urban and/or wealthier areas. Besides the potential direct economic consequences, privacy concerns play an important role for consumers' decision to purchase such products. The value of privacy has been subject to a public debate that has become increasingly relevant with public scandals, such as the Facebook Cambridge Analytica data scandal.

Together with Wanda Mimra and Anastasia Sycheva from ETH Zurich, I have been working on a laboratory experiment to elicit and distinguish the different forms of privacy concerns for personal data and individuals' preferences with respect to their knowledge about usage of this information for discriminative purposes. Specifically, we achieve this goal by combining the following subordinate goals:

1. We examine whether subjects' willingness to sell their private information is affected by inherent privacy concerns, i.e. individuals' preference to not share their private information for non-economic reasons, such as shame or the feeling of losing control about private data. We thus elicit the pure privacy value attached to the personal data.

2. We elicit the effect of non-payoff relevant categorization based on private information on participants' willingness to sell this information.

3. We analyze whether payoff relevant categorization by private information increases or decreases the willingness to sell this information by more than the respective payoff consequences.

In our experiment, we apply a between-subject design. Participants can sell a bundle of private information to the experimenters. Prior to selling their data, subjects receive information about what happens with the data sold to the experimenters, i.e. whether it is used to categorize them and if so, whether and how categorization is relevant for their payoff in a subsequent part of the experiment. The data bundle consists of the following information: The participant's height, weight, gender, bank account balance, and a picture of the participant's face. After making the decision to sell their private information, all participants are subsequently brought into a separate part of the laboratory, the measurement room, that other participants can neither enter, nor can they hear or see anything that is happening inside

Summary of Participants' Categorization and Payoffs Across Treatments

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< 23,5 (MALE)</td><td>< 1000</td><td rowspan="3">C</td><td rowspan="3">C</td><td rowspan="3">20</td><td rowspan="3">C</td><td rowspan="3">10</td><td rowspan="3">C</td><td rowspan="3">0</td></tr>
<tr><td>≥ 22 (FEMALE)
≥ 23,5 (MALE)</td><td>≥ 1000</td></tr>
<tr><td>≥ 22 (FEMALE)
≥ 23,5 (MALE)</td><td>< 1000</td></tr>
</table>

this room. If participants have decided to sell their data, their private information is verified by experimenters in this separate room.

In treatments (II)-(V), participants are classified into one of three groups according to their data provided. Subjects that do not sell their private information are classified as category A. Subjects with a bank account balance above or equal to 1000 CHF and a Body-Mass-Index (BMI) below 22 for female participants and 23,5 for male participants are classified as category B. The remaining subjects, i.e. participants who did sell their data and have a bank account balance below 1000 CHF or a BMI above 22 for female participants and 23,5 for male participants, are classified as category C. In all treatments, participants receive a payoff in a second experimental market. Depending on the treatment, participants' payoffs may depend on their personal information sold. In the baseline treatment (I), participants are not categorized, and all subjects receive the same payoff, i.e. 20 CHF, from this part of the experiment independently of their personal information (and of whether personal data is sold to experimenter). In this treatment, with the BDM mechanism, we thus elicit the pure privacy value attached to the personal data. In treatment (II), subjects are categorized as described above.

Participants' payoff is independent of their category and of whether they sell their personal information to the experimenter. All subjects receive a payoff of 20 CHF from this part of the experiment as in treatment (I). We employ this treatment (II) additionally to the baseline treatment (I), in order to elicit the effect of non-payoff relevant categorization based on private information on participants' willingness to sell this information. In the other three experimental treatments, payoffs from Part II correspond to the payoff in the baseline treatment, if no private information is sold and hence participants are categorized as A. In these treatments, we want to analyze whether

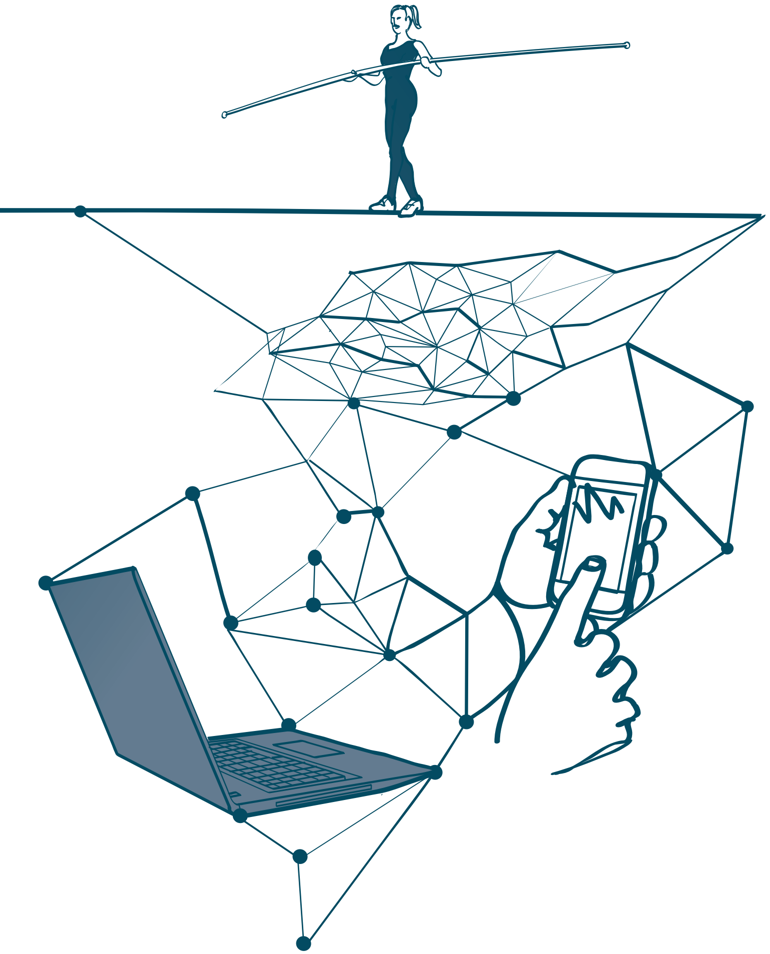
The value of privacy has been subject to a public debate that has become increasingly relevant

payoff relevant categorization by private information increases or decreases the willingness to sell this information by more than the respective payoff consequences, indicating that payoff relevant categorization affects individuals' valuation of private information. If participants sell their private information, the payoff depends on their categorization into B or C. This is done in the following way: In treatment (III), both categories, A and C, receive the baseline payoff of 20 CHF from this part of the experiment. Participants with a high bank account balance and a low BMI, that were classified as category B, receive 30 instead. In both treatments, (IV) and (V), participants with a high bank account balance and a low BMI receive the same payoff as participants who did not sell their data, i.e. the baseline payoff 20 CHF. Subjects that are classified as category C receive a lower payoff from this part of the experiment. In treatment (IV), we employ the same payoff difference between category A and C as we have used in treatment (III) between category A and B. Therefore, participants that are categorized as C receive 10 as a payoff from this part of the experiment in treatment (IV). In order to see whether the negative price discrimination has a disproportional effect on participants' willingness to sell their private information if they do not get any payoff from this part of the experiment in case they are categorized as C, we include treatment (V), in which the payoff for subjects in category C is 0. Table 1 summarizes the categorization of participants by their private information and the respective payoff consequences by treatment. ◆

Irina Gemmo

Consumers' Privacy Concerns and Their Impact on Insurance Markets and Regulation

Research Presentation at the Swiss Risk and Insurance Forum 2018



The Swiss Risk and Insurance Forum brings together experts from various disciplines, such as academia, the insurance industry, and consulting companies to discuss and think about topics that are relevant to the insurance industry.

The Swiss Risk and Insurance Forum in Rüschlikon, Switzerland, is organized jointly by Swiss Re, the University of Lausanne, EPFL, the University of Zurich, ETH Zurich, and the University of St. Gallen. This year's topic of the one-and-a-half-day event was "Insurance: Models, Digitalization, and Data Science". 29 invited participants came together to discuss along the key themes "Methods and Models", "Business Cases", and "Data Availability, Protection, and Regulation" in three plenary sessions. For each topic, the event features break-out sessions that provide room for intensive discussions on specific questions and challenges, such as how to bring together actuarial modelling and data science, or how a digitalization shapes the insurance industry. In the context of the module on "Data Availability, Protection, and Regulation", I gave a presentation on "Consumers' privacy concerns and their impact on insurance markets and regulation" that was mainly based on the research paper "Privacy Concerns in Insurance Markets: Implications for Market Equilibria and Social Welfare" which is joint work with Mark J. Browne (St. John's University New York) and Helmut Gründl (ICIR). In this article, we consider consumers with privacy concerns, i.e. an inherent disutility from sharing private information that does not depend on insurance buyers' risk type. We show that given the existence of such privacy concerns, offering an insurance contract with an option to screen consumers characteristics, can decrease or eliminate cross-subsidies between risk types. Such a screening policy however leads to a Pareto improvement of social welfare, if the market equilibrium the absence of such a screening policy does not entail any cross-subsidies.

One of my key take-aways from our discussions at the Swiss Risk and Insurance Forum 2018 is that customer satisfaction and consumer protection are important factors for the development of the insurance industry in a digital environment. Both, a lively dialogue between insurance experts and experts in data sciences, as well as an active exchange between industry, academia and regulatory authorities can contribute to a successful digital transformation of the insurance industry. ◆

International Research Collaborations Tontines

Jan Weinert Visits the School of Risk Management, Insurance and Actuarial Science at St. John's University

Due to demographic change and the resulting shift in the age structure of the population, it is becoming increasingly difficult to finance pay-as-you-go pension systems in many Western societies. In Germany, falling birth rates combined with rising life expectancy are leading to an increase in the number of beneficiaries of the statutory pension insurance and a simultaneous decrease in the number of contributors.

The associated increase in the so-called pension ratio thus makes it more difficult to maintain pay-as-you-go pension systems, such as the state pension system in Germany. In contrast, funded old-age provision products and private old-age provision are gaining in importance.

This challenge of an ageing society is reinforced by an increasing need for financial resources in old age. Medical progress in recent decades has made it possible to treat a large number of diseases and ailments that led to death

1 A study by Standard Life (2013) shows that an 85-year-old person has on average six times more total expenditure than a comparable 65-year-old person.

2 McKeever (2009), Milevsky (2015) and Li & Rothschild (2017) are working on the historical development of Tontine, Sabin (2010), Milevsky & Salisbury (2015) and Milevsky & Salisbury (2016) are focusing on the actuarially fair and optimal payout structure of a Tontine and Chen et al. (2017) combine Tontine and Annuity to create a common product.

50 years ago. These medical measures and treatment methods, however, are often associated with enormous costs and increase especially in old age, when infirmities accumulate[1]. Thus, for example, an expensive, senior-friendly conversion or extension of one's own home may become necessary, which enables independent living in the accustomed environment for as long as possible. In old age, there are also very high average nursing costs for outpatient and inpatient care. However, specific long-term care insurance policies often depend on the level of long-term care and contain exceptions so that soft factors and uninsured aspects are not covered. These include, for example, costly items to maintain the standard of living (e.g. more taxi rides with impaired eyesight, the use of high-quality food-on-bikes services or shopping delivery services) or the purchase of high-quality care services above and beyond the statutory level (e.g. massages or domestic help).

A tontine offers an age-increasing payout structure without warranties

In addition to the demographic challenges, the insurance industry is also exposed to the influences of the current low interest rate environment. Since the introduction of Solvency II as the European Insurance Regulatory Framework, stricter capital requirements for insurers have been required. On the one hand, insurers are obliged to invest a large part of their premium income in low-risk fixed-interest securities which, however, only generate low interest rates, but on the other hand have to make high guarantee promises to policyholders with existing contracts. In theory, escaping this dilemma is only possible through riskier investments and higher returns. In particular, the newly introduced risk-based solvency regulations constitute an obstacle. Accordingly, insurers will have to hold more capital the higher their risks are.

The challenges just described raise the question of an old-age provision product that provides well-founded solutions to these problems. It would need to be innovative enough to free the insurer from guarantee commitments and longevity risk assumption, while at the same time paying out sufficient capital to meet increasing capital needs at retirement age.

In the course of these developments, the historical concept of the Tontine is becoming increasingly important[2] but has not yet been examined with regard to its suitability as a supplement to traditional pension products under the current challenges described above.

I started in October 2014 as a PhD student and research assistant at the International Center for Insurance Regulation (ICIR) and the Chair of Insurance and Regulation. At that time, the ICIR had been in existence for almost 5 years and had established an excellent reputation in the insurance world. This unique project gave my colleagues and me a great responsibility and countless opportunities to get in touch and exchange ideas with political decision-makers, industry experts and top-class international researchers. The combination of state-of-the-art research and participation in the political debate was the key to success. In addition, the close cooperation with EIOPA, including the organisation of the “Global Insurance Supervision” conference, made ICIR an absolute reference institution in the debate on insurance supervision. My small contribution to the success of ICIR came mainly from my research in the field of life insurance: At the beginning of my doctoral studies I worked with Prof. Gründl on the Tontine as an innovative product in life insurance and a cost-effective instrument for old-age ▶

The historical concept of the tontine is becoming increasingly important

provision under the aforementioned conditions. The analytical framework developed by us met with lively interest in the academic insurance world and further exciting research questions on the Tontine followed from this project, which I wrote in the following years in several scientific essays, strategy papers and book chapters and led to a doctorate. This experience made it clear to me how much precise research can help in dealing with real problems. My time at the ICIR, which ended in November, was intense but at the same time very pleasant. I learned a great deal as a student and grew enormously as a human being. I especially appreciated the great variety and the independent work in connection with a high degree of self-organisation. The ICIR offered me a unique platform to develop my ideas and participate in the political debate in the insurance industry. In my new career as a risk manager with a German life insurer, I will continue to act as an ambassador of ICIR and the Goethe University of Frankfurt in the world.

The Tontine is a financial product developed by its inventor Lorenzo de Tonti in the 1650s to provide long-term public financing for the French State. In its original form, each Tontine holder received a lifelong annual pension payment in exchange for a one-off payment to the French State. The shares of deceased Tontine members were distributed among the survivors, which increased their pension payments.

Over the years, however, the Tontine disappeared from literature and practice. This has to do mainly with various problems of early Tontines. On the one hand, in the early Tontines it did happen that Tontine members murdered each other to increase individual payments, or it happened that the Tontine provider used the collected money of the Tontine members in settlement of debts. It also happened that deceased people were replaced by living ones. In addition, early Tontines were often not actuarially fair, as older participants had lower payment

The payments are volatile but the structure has the advantage that there is no default risk

expectations than younger participants due to their lower chances of survival.

In summary, a Tontine offers an age-increasing payout structure without warranties, which is generated by the diversification of mortality between policyholders. This special feature makes Tontines appear extremely interesting against the backdrop of an increasing need for capital in old age, since very high payouts can be generated in old age by a small expenditure of funds. However, the amount of the payments realised is uncertain due to a lack of guarantees. However, since the longevity risk is borne jointly by all Tontine holders and does not remain with the provider, the payments are volatile, but this structure has the great advantage that no equity capital has to be held to hedge the longevity risk and there is no default risk. As no risk transformation takes place on the part of the provider, no regulatory risk surcharges or equity capital in the sense of collateral security are required. This is particularly advantageous against the backdrop of the ongoing low-interest phase, which makes it more difficult for insurers to meet guarantee promises of traditional products under the regulatory provisions of Solvency II. Thus, a Tontine can be offered very economically. Although the Tontine's payment structure provides a relatively accurate coverage of the funds required in old age at very low contributions, the payments of the Tontine holder are uncertain in terms of amount and temporal structure, which means that the advantages and disadvantages of tontine have to be weighed up. I analyse this in the essay contained in the dissertation "Comparing the Cost of a Tontine with a Tontine-Replicating Annuity".

An important feature of financial products is their liquidity and the ability to trade them on financial markets at short notice. However, the historical concept of the Tontine does not allow this and is therefore very illiquid. This can ▶

significantly reduce the attractiveness of such a product today and could even contradict consumer protection directives. Among other things, this is the question I get to the bottom of in the essay "The Fair Surrender Value of a Tontine", which is also part of my dissertation, and analyse how a cancellation option can best be integrated into a Tontine.

During the annual conference of the German Association for Insurance Science in March 2017, I was offered the opportunity of a joint research project with Prof. Ralph Rogalla from St. John's University in New York City and an associated research stay. Prof. Rogalla invited me to Manhattan for a 2-month research stay in March and April 2018. The School of Risk Management, Insurance and Actuarial Science is part of the Tobin College of Business at St. John's University. Based in Manhattan, New York City, the university is a world leader in risk and insurance education, attracting candidates from around the world. As a Berkley Fellow at SRM, I worked together with Prof. Rogalla to find out how the optimal investment behaviour behaves over the lifetime of a Tontine and which individual and Tontine-specific parameters influence this optimal investment decision. The collaboration resulted in the essay "The Impact of Systematic Longevity Risk on Optimal Lifecycle Portfolio Choice with Tontines". At St John's University I always felt welcome and involved and the SRM faculty was friendly and helpful in every situation. I personally appreciated the numerous discussions with the faculty members as well as the constructive feedback and valuable input on our project. I was also able to present the project at several scientific presentations during the faculty's research seminars, which led to exciting discussions. Overall, I had a very great time in New York, where I not only enjoyed the nice and encouraging atmosphere at SRM, but also had the opportunity to experience the vibrant city and its many cultural activities. I am very grateful to the School of Risk Management at St John's University, especially Prof. Ralph Rogalla for the invitation and the fruitful cooperation, and Prof. Mark J. Browne for granting the Berkley Fellowship. I would also like to thank the DVfVW, who generously granted me a travel scholarship. Special thanks go to my supervisor, Prof. Dr Helmut Gründl, for making my trip possible and making my stay in New York an amazing and enriching experience – both academically and personally. ◆

Publications and Presentations

Book Chapter
Weinert, J. (2018) – Tontines in Europe Today,
in Chapter 19, The Past, Present, and Future of Tontines,
Duncker & Humblot; Berlin

ICIR Working Papers
Weinert, J., Rogalla, R., Gemmo, I. (2018):
The Impact of Systematic Longevity Risk on Optimal Lifecycle Portfolio Choice with Tontines
ICIR Working Paper

Academic Presentations

04/2018
Travelers Research Symposium and Berkley Scholar Presentation,
St. John's University, New York City, USA
The Impact of Systematic Longevity Risk on Optimal Lifecycle Portfolio Choice with Tontines

08/2018
Annual Meeting of the American Risk and Insurance Association (ARIA) 2018, Chicago, USA
The Fair Surrender Value of Tontines

09/2018
45th Seminar of European Group of Risk and Insurance Economists (EGRIE), Nuremberg, Germany
The Impact of Systematic Longevity Risk on Optimal Lifecycle Portfolio Choice with Tontines

09/2018
14th International Longevity Risk and Capital Markets Solutions Conference, Amsterdam, The Netherlands
The Impact of Systematic Longevity Risk on Optimal Lifecycle Portfolio Choice with Tontines

Research Stays Abroad

03 – 05/2018
Berkley Research Fellow, The Peter J. Tobin College of Business, School of Risk Management, Insurance and Actuarial Science St John's University, New York City, USA

Publications and Working Papers
Insurance Economics

Working Paper No. 32/2018
The Existence of the Miyazaki-Wilson-Spence Equilibrium with Continuous Type Distributions
Irina Gemmo, Christian Kubitza, Casey Rothschild

Working Paper No. 31/2018
The Pitfalls of Central Clearing in the Presence of Systematic Risk
Christian Kubitza, Loriana Pelizzon, Mila Getmansky Sherman

Working Paper No. 30/2017
Diversification of Business Activities and Systemic Risk
Christian Kubitza, Fabian Regele

Working Paper No. 29/2017
Rising Interest Rates, Lapse Risk, and the Stability of Life Insurers
Elia Berdin, Helmut Gründl, Christian Kubitza

Working Paper No. 28/2017
Scenario-Based Capital Requirements for the Interest Rate Risk of Insurance Companies
Sebastian Schlütter

Working Paper No. 27/2017
Corporate Governance of Insurance Firms after Sovency II
Michele Siri

Working Paper No. 26/2017
The Fair Surrender Value of a Tontine
Jan-Hendrik Weinert

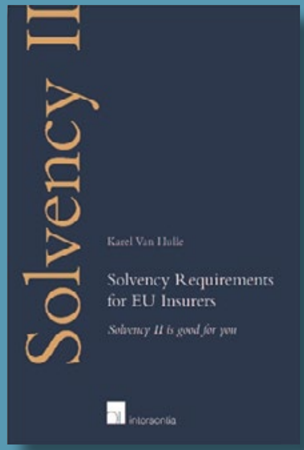
Working Paper No. 25/2017
Transparency Aversion and Insurance Market Equilibrium (new title: Privacy Concerns in Insurance Markets: Implications on Market Equilibria and Social Welfare)
Irina Gemmo, Mark Browne, Helmut Gründl

Book Chapter
Weinert, J. (2018)–Tontines in Europe Today, in Chapter 19, The Past, Present, and Future of Tontines,
Duncker & Humblot; Berlin

Guest Editor

Prof. Dr. Helmut Gründl
The Geneva Papers on Risk and Insurance–Issues and Practice
October 2018, Volume 43, Issue 4, pp 591–593

Forthcoming



Karel Van Hulle
Solvency Requirements for EU Insurers
Solvency II is good for you

Publications
Insurance Law
Prof. Dr. Manfred Wandt

Contributions in Collected Editions

Wandt, Transparency in German Insurance Contract Law, in Pierpaolo Marano/Kyriaki Noussia (eds.), Transparency in Insurance Law and Regulation, Vol I: The Insurance Contract
2018 (in print).

Wandt/Bork, Transparency in German Insurance Supervisory Law, in: Pierpaolo Marano/Kyriaki Noussia (eds.), Transparency in Insurance Law and Regulation, Vol. II: The Insurance Undertakings/Intermediaries and the Supervisory Authorities
2018 (in print).

Wandt/Bork, Pre-contractual Duties under the German Insurance Law, Chapter 10, pp. 261 – 292, in: Yong Qiang Han/Gregory Pynt (eds.), Carter v Boehm and Pre-Contractual Duties in Insurance Law – A Global Perspective after 250 Years
Hart Publishing, Oxford 2018.

Transparency of Insurance Contract Terms, pp. 419-432, in Lambros Kotsiris/Kyriaki Noussia (eds), Liber Amicorum in Honour of Ioannis K. Rokas
Nomiki Bibliothiki, Athens 2017.

Articles

Auskunfts- und Aufklärungsobliegenheiten nach Eintritt des Versicherungsfalls
VersR 2018, S. 321-328.

Wandt/Bork, German National Report on Disclosure Duties in Insurance, in preparation of the AIDA World Congress
published by "Deutscher Verein für Versicherungswissenschaft" (available at: www.dvfvw.de/index.php?option=com_content&view=article&id=188&Item-id=172), 21 pp.

Editorship

VersR (Zeitschrift für Versicherungsrecht, Haftungs- und Schadensrescht)

ZVersWiss (Zeitschrift für die gesamte Versicherungswissenschaft) – Bereichsschriftleiter

Langheid/Wandt, Münchener Kommentar zum VVG
Bd. 1, 2. Auflage 2016
Bd. 2, 2. Auflage 2017
Bd. 3, 2. Auflage 2017

Editorship

Frankfurter Reihe, Verlag Versicherungswirtschaft

Christian Waller, AVB und Quote, Die vertragliche Ausgestaltung der Quotierungsregelung in § 28 Abs. 2 S. 2 VVG
2018

Marcel Straub, Grenzen der Leistungspflicht des privaten Krankenversicherers, Versicherungsfall, Übermaßbehandlung und Übermaßvergütung
2018

Köksal Sahin, Risiko als Vertragsgegenstand, Die Reform der vorvertraglichen Anzeigepflicht im Japanischen Versicherungsvertragsrecht
2018

Solvency II in der Rechtsanwendung 2017, Kapitalanlage und Versicherungsaufsichtsrecht
2018

Publications
Insurance Law
Prof. Dr. Jens Gal

The Recalibration of the European System of Financial Supervision in Regard of the Insurance Sector: From Dreary to Dreamy or Vice Versa?
In: SAFE Policy Letter No. 60 (together with Helmut Gründl).

Rechtsrahmen des Versicherungsmarketing
In: Zerres, Michael P./Reich, Michael (eds.), Handbuch Versicherungsmarketing, 2nd ed., Berlin und Heidelberg 2018.

§§ 1–7 VVG-InfoV [Regulation on Insurance Information Duties]
In: Römer, Wolfgang/Langheid, Theo (eds.), VVG-Kommentar, 6th ed. (in printing process).

Artt. 1–7 EGVVG [International Insurance Law Act]
In: Römer, Wolfgang/Langheid, Theo (eds..), VVG-Kommentar, 6th ed. (in printing process).

Artt. 1–82 EIOPA-VO [Comprehensive Annotated Commentary to the EIOPA Reg.]
In: Prölss, Erich/Dreher, Meinrad (eds.), VAG, 13th ed., at pp. 2149–2518.

Artt. 315–317, 345–358 DVO Solvency II [Solvency II Implementation Regulation]
In: Bürkle, Jürgen (ed.), DVO Solvency II, approx. 50 pages (pending printing).

Research Award
FIRM Research Prize 2018

Dr. Elia Berdin's dissertation "Essays in Microprudential and Macroprudential Supervision in Insurance" was awarded one of the three best dissertations submitted in the Research Prize 2018 of the Frankfurt Institute for Risk Management and Regulation (FIRM).

Dr. Berdin, an alumnus of the Chair of Insurance and Regulation and ICIR, presented his research at the FIRM Research Conference in Glashütten/Ts on June 14, 2018.

↗ Link to FIRM

Academic Conferences
Research Presentations

October 6–7, 2017 |
University of Ulm, Germany
24th Annual Meeting of the German Finance Association (DGF)

The Fair Surrender Value of a Tontine
Jan-Hendrik Weinert

Transparency Aversion and Insurance Market Equilibria
Irina Gemmo, Mark J. Browne, Helmut Gründl

October 23–24, 2017 | Barcelona, Spain
IAALS Life Colloquium 2017

Rising Interest Rates, Lapse Risk, and the Solvency of Life Insurers
Christian Kubitza, Elia Berdin, Helmut Gründl

November 16, 2017 | Leeds, UK
Seminar Presentation at Leeds University Business School

Persistence of Insurance Activities and Financial Stability
Fabian Regele, Christian Kubitza

November 23, 2017 |
Zurich, Switzerland
Research Seminar at the Department of Management, Technology, and Economics, ETH Zurich

Privacy Concerns in Insurance Markets: Implications on Market Equilibria and Social Welfare
Irina Gemmo

January 5–7, 2018 | Philadelphia, USA
2018 ASSA Annual Meeting Poster Session

Business Activities of Insurance Companies and Financial Stability
Fabian Regele, Christian Kubitza

February 19, 2018 | Oxford, UK
Oxford Talks–Postdoc & DPhil Workshop at the Department of Economics, University of Oxford

Privacy Concerns in Insurance Markets: Implications on Market Equilibria and Social Welfare
Irina Gemmo

March 21–22, 2018 | Munich, Germany
Annual Congress of the German Insurance Science Association 2018 DVfVW Internationale Jahrestagung 2018

Diversification of Business Activities and Systemic Risk
Christian Kubitza, Fabian Regele

Life Insurance Surrender Risk and Insurance Comapnies' Asset Allocation
Irina Gemmo, Martin Götz, Helmut Gründl

Self-Insurance and Self-Protection if Consumers Value their Privacy
Irina Gemmo

Insurance Demand and Self Insurance in the Presence of Contract Opacity
Steinorth, Petra; Hofmann, Annette; Kubitza, Christian

The Influence of Market Risks on the Stock Return of Life Insurance Companies
Sebastian Schlütter, Mark J. Browne, Helmut Gründl

April 2018 | New York City, USA
Travelers Research Symposium and Berkley Scholar Presentation, St. John's University

The Impact of Systematic Longevity Risk on Optimal Lifecycle Portfolio Choice with Tontines
Jan-Hendrik Weinert, Ralph Rogalla, Irina Gemmo

July 20, 2018 |
Universität Bonn, Germany
7th Research Workshop in Financial Economics

Systemic Risk and Late Resolution of Economic Shocks
Christian Kubitza

August 5–8, 2018 | Chicago, USA
2018 Annual Meeting of the American Risk and Insurance Association (ARIA)

The Role of Asset Concentration Risk for Individual Stability and Systemic Risk
Fabian Regele, Helmut Gründl

Do Policyholders Benefit from More Informed Insurers?
Christian Kubitza

The Fair Surrender Value of a Tontine
Jan-Hendrik Weinert

September 17–19, 2018 |
Nuremberg, Germany
45th Seminar of European Group of Risk and Insurance Economists (EGRIE)

Financial Literacy and Precautionary Insurance
Annette Hofmann (St. John's University), Christian Kubitza (Goethe University/ICIR), Petra Steinorth (Universität Hamburg)

Who Benefits From More Information?
Christian Kubitza

Lifecycle Portfolio Choice with Natural Tontines
Jan-Hendrik Weinert, Ralph Rogalla, Irina Gemmo

September 20–21, 2018 |
Amsterdam, The Netherlands
14th International Longevity Risk and Capital Markets Solutions Conference

The Impact of Systematic Longevity Risk on Optimal Lifecycle Portfolio Choice with Tontines
Jan-Hendrik Weinert, Ralph Rogalla, Irina Gemmo

September 28, 2018 | Guelph, Canada
Visiting Speaker Seminar Winter 2018, Economics and Finance, University of Guelph

Market Insurance, Self-Insurance and Self-Protection if Consumers Value their Privacy
Irina Gemmo

October 17, 2018 |
Wellesley, Massachusetts, USA
Brown Bag Seminar, Wellesley College

Market Insurance, Self-Insurance and Self-Protection if Consumers Value their Privacy
Irina Gemmo

↗ Link to Event

Frankfurt Insurance Research Workshop (FIRW)

December 7, 2017

Welcome Address
Helmut Gründl
(Chair of Insurance and Regulation, ICIR)

Session 1 (Life Insurance 1)
Funding Life Insurance Contracts with Guarantees: How can we optimally respond to the policyholder's needs?
Peter Hieber (with An Chen, Thai Nguyen)

Minimum Return Rate Guarantees under Default Risk (Optimal Design of Quantile Guarantees)
Sascha Offermann (with Antje Mahayni, Oliver Lubos)

Session 2
(Hedging and Risk Management)
Optimal Reinsurance Program under Default Risk
Lukas Reichel

Natural hedging with fix and floating strike guarantees
Oliver Lubos (with Antje Mahayni, Katharina Stein

Session 3
(Systemic Risk and Financial Stability)
An elusive panacea? The impact of the regulatory valuation regime on insurers' investment behaviour Caterina Lepore
(with Misa Tanaka, David Humphry, Kallol Sen)

Systemic Risk in a Macroeconomic Model with a Banking and a Life Insurance Sector
Nina Wunde (with Gregor Weiß)

Session 4 (Life Insurance 2)
Optimal Saving and Insurance under Generalized Mean-Variance Preferences
Cathleen Sende (with Nicole Branger, Antje Mahayni, Nikolaus Schweizer)

Multi-Year Analysis of Solvency Capital in Life Insurance
Karen Rödel

Lapse risk in life insurance: Correlation and contagion effects among policyholders' behaviors
Flavia Barsotti (with Xavier Milhaud, Yahia Salhi)

December 8, 2017

Session 5 (Behavioral Insurance 1)
Fee for advice: a remedy for biased product recommendation in financial and insurance markets?
Markus Weinert (with Jörg Schiller)

Weighting Privacy Against Insurance Coverage under Ambiguity
Martin Lehmann (with Christian Biener, Martin Eling)

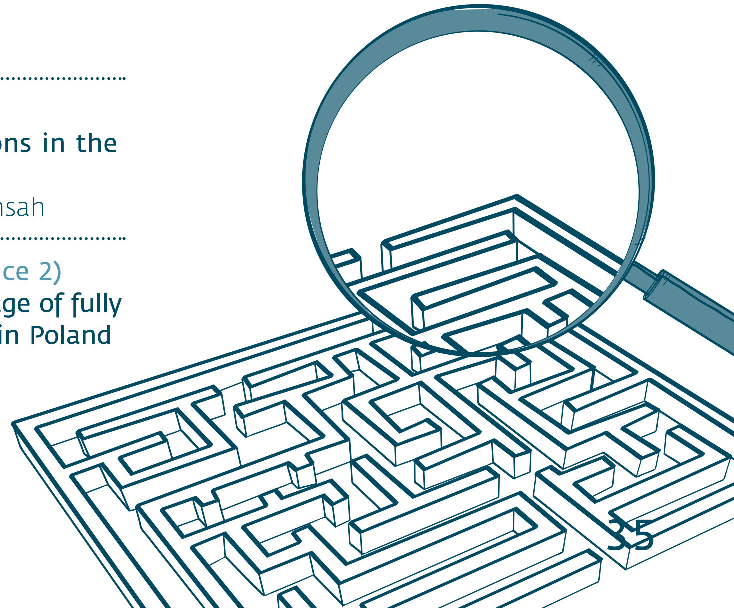
Panel on Writing and Publishing in Academia
(with Prof. Dr. Roman Inderst)

Session 6 (Regulation 1)
Cost Efficiency and Regulations in the Ghanaian Insurance Industry
Nana Adwoa Dekyem Amo-Mensah

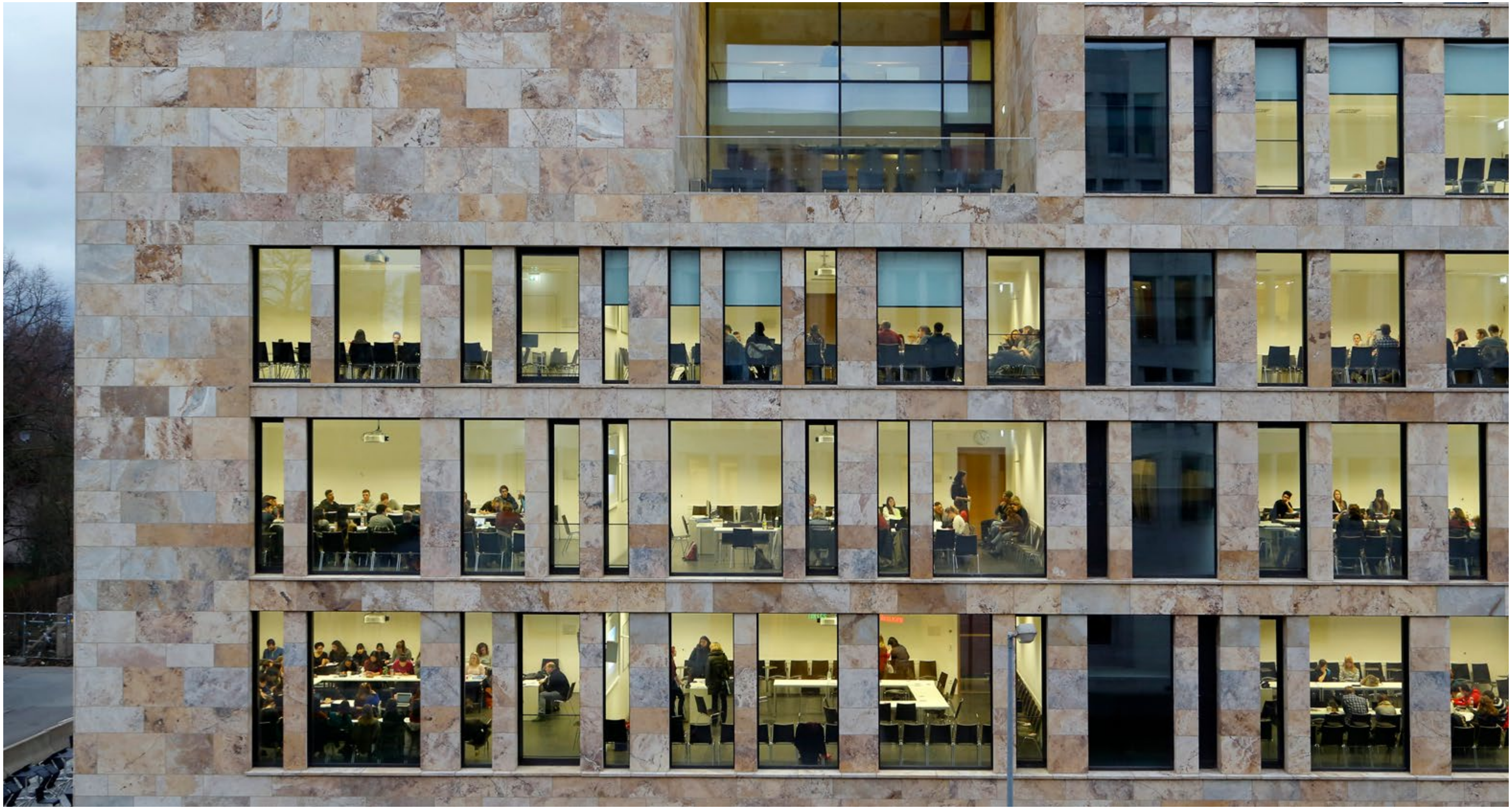
Session 7 (Behavioral Insurance 2)
Adequacy and reality of coverage of fully comprehensive car insurance in Poland
Marcin Kawinski

Comparative Risk Aversion in Two Periods: An Application to Self-Insurance and Self-Protection
Tobias Huber

Session 8 (Regulation 2)
Insurance regulation within the statutory health insurance system – Empirical analysis of status quo, proportionality and necessity of compliance management systems
Anja Bauchowitz



Education
Studies. Lectures. Seminars.



Curriculum
Insurance Economics and Regulation

International Center for Insurance Regulation (ICIR)
Chair of Insurance and Regulation, Prof. Dr. Helmut Gründl

Winter Term

Bachelor Program
Fundamentals: Basic Concepts, Methods and Models in the Field of Finance and Insurance

Lecture
Corporate Finance
Finanzen III
Prof. Dr. Helmut Gründl

Lecture
Insurance Economics
Versicherungsökonomie
Prof. Dr. Helmut Gründl, Christian Kubitza

Seminar
Risk Management in Insurance Companies
Risikomanagement in Versicherungsunternehmen
Thomas C. Wilson, Ph.D.

Master Program
Specialization in the Field of Insurance and Regulation

Seminar
Insurance Technology and Its Limits
Versicherungstechnologie und ihre Grenzen
Prof. Dr. Hartmut Nickel-Waninger

Seminar
Selected Topics in Insurance Regulation
Prof. Karel Van Hulle

Summer Term

Bachelor Program
Fundamentals: Basic Concepts, Methods and Models in the Field of Finance and Insurance

Lecture
Insurance Products and Their Distribution
Versicherungsprodukte und deren Absatz
Prof. Dr. Hartmut Nickel-Waninger

Seminar
European Insurance Regulation
Europäische Versicherungsregulierung
Prof. Karel Van Hulle

Master Program
Specialization in the Field of Insurance and Regulation

Lecture
Asset and Liability Management in Insurance Companies
Prof. Dr. Helmut Gründl

Lecture
The Micro- and Macroeconomic Role of Insurance Companies
Prof. Dr. Helmut Gründl, Christian Kubitza

Lecture (start summer term 2019)
Insurance and Finance
Dr. Christian Thimann

Curriculum
Insurance Law

Winter Term

Seminar
Insurance Law Seminar on „Liability Insurance“
Versicherungsrechtliches Seminar: “Haftpflichtversicherung”
Prof. Dr. Manfred Wandt

Colloquium
European Insurance Contract Law
Europäisches Versicherungsvertragsrecht
Prof. Dr. Jens Gal

Colloquium
European Insurance Law: Substantive Foundations, Conflict of Laws and Legal Harmonization
Europäisches Versicherungsrecht: Materielle Grundlagen, Kollisionsrecht und Rechtvereinheitlichung
PD Dr. iur Leander D. Loacker, Universität Zürich

Colloquium
Liability and General Liability Insurance: European and German Law
Haftpflicht und Haftpflichtversicherung: Europäisches und deutsches Recht
PD Dr. iur Leander D. Loacker, Universität Zürich

Colloquium
German and European Insurance Contract Law: Introduction to Private Insurance Law
Deutsches und Europäisches Versicherungsvertragsrecht: Einführung in das Privatversicherungsrecht
Hon. Prof. Dr. Peter Reusch

Lecture
Introduction to Conflict of Law
Prof. Dr. Jens Gal

Lecture
Commercial Law
Prof. Dr. Jens Gal

Lecture
Law of Obligations
Prof. Dr. Jens Gal

Summer Term

Lecture
German Tort Law (with a focus on the Interdependence with Insurance Law)
Deliktsrecht (mit Bezügen zum Versicherungsrecht)
Prof. Dr. Manfred Wandt

Colloquium
German and European Insurance Contract Law
Deutsches und Europäisches Versicherungsvertragsrecht
Prof. Dr. Manfred Wandt

Seminar
“Cyber Risks: New Challenges for Liability and Insurance Law?”
„Cyber-Risiken: Neue Herausforderungen für das Haftungs- und Versicherungsrecht?“
Prof. Dr. Manfred Wandt

Seminar
Development of Supervision and Regulation of Insurance Markets in the late 2010s: Stagnancy, Innovation or Consolidation
Entwicklung der Beaufsichtigung und Regulierung der Versicherungsmärkte in denausgehenden 2010er Jahren: Stagnation, Innovation oder Konsolidierung
Prof. Dr. Jens Gal

Lecture

Corporate Finance
Finanzen III
Prof. Dr. Helmut Gründl

The bachelor degree lecture "Finance III" covers corporate finance, insurance and risk management topics. The main goal is to equip students with the fundamental concepts of valuation, capital structure and risk management of financial institutions. They learn about the reasons why risk financing matters and how to use derivatives for hedging risks and what the difference is. ◆

Lecture

Insurance Economics
Versicherungsökonomie
Prof. Dr. Helmut Gründl
Christian Kubitza

The objective of the lecture on "Risk Management and Insurance" is to understand the relevance and principles of risk management in the context of insurance. To this end, the life and non-life insurance segments are analyzed, including current developments unfolding from time to time. This approach is based inter alia on the expected utility theory [Bernoulli principle], the (cumulative) prospect theory as well as theoretical risk approaches. In the course of the exercises, an introduction is given to statistical programming, and the content of the lecture is applied to various problem cases to be solved. The students are enabled to understand, reflect on and apply modern theory. ◆

Lecture

Insurance Products and Their Distribution
Versicherungsprodukte und deren Absatz
Prof. Dr. Hartmut Nickel-Waninger

The objective of the lecture is to understand the fundamental concept of insurance as well as the delineation between individual and social insurance. Moreover, selected insurance products are to be introduced from the non-life (motor vehicle insurance, building insurance), life insurance and health insurance segments. The calculations used for the various insurance products are dealt with in detail. The sales policy of an insurance company represents a further focal point of the module. In the process, the sales strategies and sales policy instruments of insurance companies are presented, followed by a discussion of their respective benefits and drawbacks. Students are enabled to understand the fundamental concept of insurance along with the clear delineation between individual and social insurance systems. They acquire an overview of the large variety of insurance products available and receive an in-depth insight into selected insurance products from the non-life, life and health insurance segments. They develop a firm command of quantitative methods of insurance calculation and receive an insight into distribution policy of the insurance industry and are to understand the benefits and drawbacks of various distribution channels. ◆

Seminar

Risk Management in Insurance Companies
Risikomanagement in Versicherungsunternehmen

Thomas C. Wilson, Ph.D.

The seminar aims at introducing students to the basic concepts of risk management in insurance companies. During the seminar, the students will gain insight on how companies develop and assess their risks, and the role of regulation. The range of topics covers all areas of traditional and non-traditional insurance activities and related regulation. Learn how to interpret, classify and critically discuss results of scientific research and more. Generally improve presentation and communication skills. ◆

Seminar

European Insurance Regulation
Europäische Versicherungs-regulierung

Prof. Karel Van Hulle

The seminar aims at providing students with basic knowledge about insurance regulation and supervision in the EU. During the seminar, students will first receive a general introduction about insurance regulation and supervision in the EU. They will then have to research a topic relating to insurance regulation and/or supervision, to present their research and to discuss the outcome with fellow students. Students will be able to select the relevant topic from a list provided in advance. The topics will relate to areas such as Solvency II, market conduct, insurance distribution, supervisory co-operation. ◆

Lecture

Asset and Liability Management in Insurance Companies

Prof. Dr. Helmut Gründl

The goals of the ALMI lecture are to understand asset and liability management strategies used in insurance companies, and to understand the new Solvency II insurance regulatory rules. The contents of the ALMI lecture are separated into three categories: Liability Management, Asset Management, and Asset Liability Management and Solvency II. The first part – Liability Management – focuses on topics such as risk pooling, insurance pricing, estimation of reserves, risk sharing, reinsurance, alternative risk transfer, and capital management. Students are supposed to understand the sources of risks in insurance companies, and to learn techniques to measure and limit these risks. For the Asset Management part, the lecture applies classic pricing methods as well as performance measurements to the insurance context. Specifically, in this part students are expected to practice knowledge such as Markowitz Diversification, CAPM, Performance Measurements, and Dynamic Financial Analysis. In addition, the second part offers insights into the regulatory framework for insurers' investment policies. The last part – Asset Liability Management – integrates both asset management and liability management strategies to arrive at an integrated risk management of insurance companies. It aims to help students understand the motivation and importance of conducting ALM, and to further equip students with methodologies such as simultaneous and classic modeling based on the Markowitz approach. Furthermore, policyholders' reactions on the default risks of insurers are also incorporated as one of the topics. We alsodiscuss the envisaged Solvency II regulatory regime and its implications for ALM. ◆

Lecture

The Micro- and Macro-economic Role of Insurance Companies

Prof. Dr. Helmut Gründl
Christian Kubitza

Insurance companies play a vital role: for individuals that seek to decrease uncertainty of wealth, for businesses that want to manage business risk, for the real economy by providing funds and pooling risks, and for the financial market by being important counterparties in numerous financial transactions. In this course we will shed light on these different roles of insurance companies. We will compare the implications for different stakeholders and (insurance) markets in general. In the first part of the course, we will provide the basics for understanding the different roles of insurance companies, that include the microeconomics of insurance demand and information asymmetries in insurance markets, the specifics of life insurance and its regulation, the relation between economic growth and insurance penetration, the behavior of insurers as asset investors, and the relation between financial crises and insurance companies. In the second part of the course, participants will present research papers that examine specific details about these different roles of insurance companies. Based on their presentation, participants are required to hand in a written homework about the policy implications of the presented research. ◆

Seminar

Insurance Technology and Its Limits

Versicherungstechnologie und ihre Grenzen

Prof. Dr. Hartmut Nickel-Waninger

During this seminar, students establish how enterprises can identify and evaluate their risks so that they can develop concepts for bearing such risks on that basis. The central topic of the seminar varies each year and includes current developments unfolding e.g. in the fields of liability insurance and aviation risks or current topics in the fields of life insurance and health insurance. Apart from the discussion of current theoretical and practical problems posed, a central element of the seminar is the processing of complex insurance theory models by students. In addition, an external expert attends the courses each year and delivers a topic-related presentation on current practical developments of the subject selected. ◆

Seminar

Selected Topics in Insurance Regulation

Prof. Karel Van Hulle

The objective of the seminar is to build on the knowledge acquired in the bachelor seminar on European Insurance Regulation. Students are required to research a specific topic, to report about their research and to discuss the results of the research with their fellow students. As opposed to the bachelor seminar, the topics in the master seminar will have to be researched on a comparative basis. The topics will be provided in advance and will relate to issues such as the ORSA, key governance functions, assessment of fit and proper requirement for key function holders, internal model approval, market conduct issues, insurance distribution, etc. ◆

The ICIR Introduces the Certificate “Insurance. Investment. Pensions. Regulation.” for Master Students

The certificate **“Insurance. Investment. Pensions. Regulation.”** of the Chair of Insurance and Regulation, the Chair of Investment, Portfolio Management and Personal Finance and the International Center for Insurance Regulation (ICIR) serves as a qualified letter of recommendation for graduates of the Master programs at the Faculty of Economics and Business Administration of the Goethe University who have acquired competencies in the areas of insurance, investment, pensions and insurance regulation.

Graduates are entitled to a certificate if they have successfully completed a specified scope of courses and/or their master thesis in these areas.

The certificate certifies all courses (and theses) completed by the applicant in the Bachelor and Master programs, including the ECTS points earned, that are thematically related to the topics of insurance, investment, pensions and insurance regulation.

The certificate can be used for applications for work or internship positions related to insurance, pensions, or insurance regulation, or also for positions in the scientific field.

Facts and Figures
Exams and Theses 2010 – 2018

Number of exams and theses supervised by the Chair of Insurance and Regulation and the ICIR in the Bachelor and Master programs in the period 2010 – 2018.

Bachelor

Number of exams:

2564

Number of theses:

91

Master

Number of exams:

817

Number of theses:

58

Topic Assignments for Bachelor and Master Theses 2017/18:

The Economic Impact of Solvency II on Insurers • Solvency II und Insurance Capital Standard: Überschneidungen und Abgrenzung mikro- und makroprudenzieller Versicherungsaufsicht • Sind Kryptowährungen systemisch relevant? • Blockchain Technology in the Insurance Industry • The Influence of Market Risks on the Stock Return of European Insurance Companies • Insurance Business Diversification and Cost of Capital • Recovery and Resolution for Insurance Companies in the EU and in Germany • The Valuation of Life Insurance Contracts according to IFRS17 and Solvency II • Run-off als strategische Handlungsoption eines Lebensversicherers • The Role of the Surrender Option in Life Insurers' Risk Management • Organisation des Risikomanagements in Finanzdienstleistungsunternehmen • Hedging Life Insurers' Market Risks und Accounting Frictions • Die betriebliche Altersvorsorge in Bedrängnis der Niedrigzinsphase – Der Pensionfonds als Ausweg? • Infrastructure Investments by Insurance Companies: On the Adequateness of Solvency Capital Requirements • IFRS 17 – Implications of the New Accounting Standard for the German Insurance Industry • Telematik Smartphone Apps – Akzeptanzmodell und Einfluss auf das Fahrverhalten • Die Zinszusatzreserve in der Lebensversicherung im Lichte der Niedrigzinsphase • The Impact of Demographic Changes on Insurance Companies' Risk Management • Kapitalallokation als Basis der Steuerung von Versicherungskonzernen • Telematik in der Tarifierung von Kraftfahrzeugversicherungen • Asset and Liability Management in Pension Funds • Catastrophe Bonds as Risk Management Instruments • …

Policy Platform
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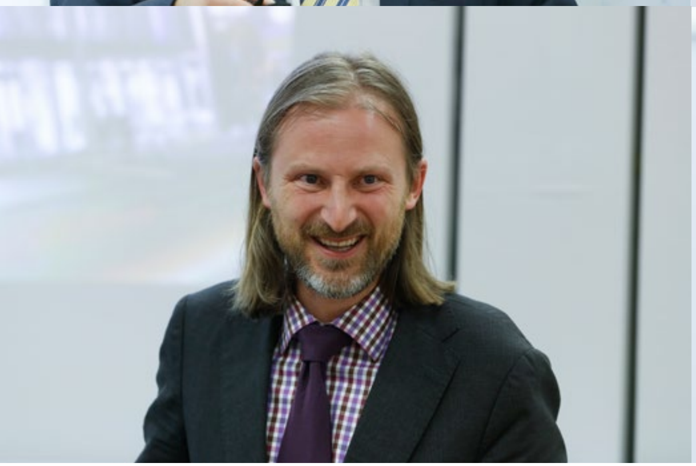
Prof. Dr. Helmut Gründl ♦ Prof. Dr. Jens Gal

The Recalibration of the European System of Financial Supervision in Regard of the Insurance Sector: From Dreary to Dreamy or Vice Versa?*[1]






Coming (great) events cast their (long) shadow before. As the financial crisis gave birth to the creation of the European System of Financial Supervision (ESFS), the imminent Brexit now serves as an impulse to rather extensively reorganize it.

Pursuant to the preferences of the Commission – as revealed in its draft for a regulation amending the regulations founding the European Supervisory Authorities (ESA) – the supervision (and regulation) of the financial sectors should be further centralized and integrated and additional powers should be given to the ESAs. To a large degree these alterations are intended to adjust the competences of the European Securities and Markets Authority (ESMA) to better meet its new objectives under the Capital Markets Union ("CMU"). In view that an equivalent to the CMU or the Banking Union – in the sense of a European Insurance Union – is not yet on the horizon for the insurance sector (or the occupational pensions sector), one could prima vista take the view that insurance supervision and regulation is ▸

* SAFE policy papers represent the authors' personal opinions and do not necessarily reflect the views of the Research Center SAFE or its staff.

1 Some Comments on the EU Commission's Proposal for a Regulation of 20 September 2017 in: COM (2017) 536 final, and the Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions, Brussels, of 20 September 2017 in: COM(2017) 542 final.

2 See for the Solvency II Preparatory Guidelines and further guidelines: https://eiopa.europa.eu/regulation-supervision/guidelines.

once again taken captive by the necessity of regulatory reforms stemming from other financial sectors. However, even if that is partially the case, the outcome of the intended reforms might still be advantageous for the insurance sector and an important step in the right direction. Therefore, it needs to be intensively discussed.

At this stage, some of the most prominent envisioned changes to the structure, tasks and powers of the European Insurance and Occupational Pensions Authority (EIOPA) and their necessity, usefulness or counter-productivity still have to be examined.

Centralization of Supervision

When the ESAs were created – with the exception of ESMA vis-à-vis rating agencies – they were primarily assigned to promote convergence of supervisory practices of the national supervisory authorities, i.e. the European Banking Authority (EBA) in the banking sector, EIOPA in the insurance sector, and ESMA in securities markets. The creation of the Banking Union and the resulting centralization of supervision of many financial institutions under the auspices of a European authority – albeit not under that of the EBA or another ESA but the Single Supervisory Mechanism (SSM) at the ECB – has brought a very significant change. We are currently witnessing a similar development with regard to capital markets. The CMU is intended to unify capital markets in Europe supported by a more integrated European financial supervision. The Commission's proposals can thus be seen as a stepping stone to by and by abolish national supervision of financial markets and creating a fully centralized supervisory system (at least in relation to some financial institutions). Whilst such a centralization appears to be called for in regard of large banking undertakings and groups, financial conglomerates and capital markets, which are defined by a substantive amount of cross-border business, one might question its appropriateness in the insurance sector where business (i.e. the tendering of insurance cover) remains to be local for the most part. On the contrary, one cannot ignore that to a large extent insurance cover is no longer provided by stand-alone insurance undertakings but rather by companies belonging to insurance groups or financial conglomerates which may as such not be efficiently supervised on a purely national level. The current group supervisory system still ails from a certain lack of centralization and thus lends itself to a significant degree to supervisory arbitrage. In view, for example, of pending reform of the regulation of Global Systemically Important Insurers (G-SIIs), e.g. the creating by IAIS of the Insurance Capital Standard (ICS) or the requirements to provide for Higher Loss Absorbency (HLA), one could argue that at least those insurers (and insurance groups) that are of particular importance to the European Union as a whole would be more efficiently supervised by EIOPA directly. Such discussion about the creation of an Insurance Union remains, however, for a later day. For the moment, EIOPA, other than ESMA in respect of certain sectors of capital markets, is pursuant to the Commission's concept not to be granted full and unabated supervision over any European insurance undertakings. Furthered centralization of supervision in the insurance sector is rather limited to certain aspects. For example, EIOPA will be more involved in the authorization and supervision process pertaining to non-EU insurers and, as will be discussed later, in the authorization for the application of internal models. Whilst such tasks will diminish the powers of the national supervisors (and the group supervisor) they will also help to create a more level playing field.

> The current group supervisory system still ails from a certain lack of centralization

Europeanization by Structural Reform of EIOPA

Whereas EIOPA has been a European agency since its creation, with all organs, members of its organs and employees only acting in the interest of the European Union as a whole, reality proved it – and the other ▸

ESAs—to be a horse of a different colour. All significant decisions of EIOPA are taken either by the Board of Supervisors or the Management Board with voting rights only granted to the representatives of the national supervisory authorities (NSAs). Even though the directors of the NSAs or their replacements are in the discharge of their duties within EIOPA subject to a duty (and a right) of independence, thus are barred from accepting instructions from their governments and from acting in the national interest, it may be feared that any decision (at least in face

The majority of decisions is still under the purview of the national supervisors

of a crisis) could be overly oriented towards the safeguarding of national interests. The Commission aspires to further Europeanize the regulation and supervision of the insurance sector by altering the organizational structure of EIOPA. The Commission aims to retain the Board of Supervisors as the main organ of EIOPA, which respectively means that the majority of decisions is still under the purview of the national supervisors. Yet, it plans to rechristen the Management Board and to shift several powers from the Board of Supervisors to the thence-called Executive Board. Under the current structure of EIOPA such would not result in a significant loss of importance of the national supervisors since the Management Board comprises the Chairperson, several members elected by and from within the members of the Board of Supervisors, the Executive Director and a Representative of the Commission, with only the two former categories of members having a voting right (except concerning budget questions where the representative of the Commission has a voting right). Under the previsioned amendments of the EIOPA Regulation, the Executive Board would, however, consist of the Chairperson and a number of full-time members, i.e. employees of EIOPA. The task of this Executive Board would for the most part, as is the case today for the Management Board, remain the preparation of decisions of the Board of Supervisors. Under the current regime the Management Board displayed, however and although a distinct organ on paper, some traits more similar to a preparatory sub-committee, especially in view that voting members were, except for the Chairman, exclusively elected by and from within the voting members of the Board of Supervisors. Under the proposed regime it would rather be a genuinely distinct organ exclusively composed of European staff katexochen. This would dramatically alter the equilibrium between EIOPA and the NSAs, since projects will often be predefined by the preparatory work done by EIOPA sensu stricto. Further, the Executive Board would take over several tasks and powers from the Board of Supervisors. For instance, the Executive Board is intended to take the final decision on the settlement of disputes between NSAs, on the breach of Union law and on the execution of stress tests. These structural changes will in toto result in a significant disempowerment of the NSAs and result in a massive Europeanization of insurance supervision. This means that EIOPA would be granted several areas within which it could take insurance supervisory decisions unchecked by theNSAs but with

Structural changes will result in massive Europeanization of insurance supervision

immediate effect for them. Whether these are happy news, is a question of perspective. One can, however, expect that the NSAs will not greet this proposal with open arms, but rather with teeth and claws.

New Tasks and Powers (Especially Pertaining to Internal Models)

EIOPA would also be assigned several new tasks and powers. It will e.g. be entrusted with monitoring and addressing issues pertaining to technological innovations ▶

and environmental, social and governance factors. One could question if these tasks and powers are truly new or were already entrusted to EIOPA under some of the catch-all competences. However, in view of the upcoming challenges in these fields it is certainly useful that the EIOPA Regulation would explicitly state that these factors should also be taken under consideration by EIOPA. An important clarification is provided by the draft in obligating EIOPA to not only help the European Commission to prepare equivalence decisions on the insurance supervisory systems of third countries, as has already been the case. EIOPA should also continuously monitor the regulatory and supervisory developments in those countries which have been afforded equivalence status in order to re-evaluate the decision in the event of any changes. EIOPA would also be explicitly tasked with developing and maintaining an up-to-date supervisory handbook; an obligation hitherto only assumed to exist implicitly.

A true innovation, or in some respects rather reinforcement of existing tasks and powers, is planned with regard to the approval process for internal models. The Commission's draft makes it incumbent on supervisory authorities including group supervisors to inform EIOPA about completed applications for the usage of internal models or internal group models and to provide the underlying documentation where requested before deciding on the application. For internal group models this appears to only be a clarification since EIOPA is already a member of the supervisory colleges and thus takes part in the joint decision on relevant applications. For decisions on single entity basis this, however, is a true innovation which enables EIOPA to efficiently supervise the national practices of authorizing the implementation of internal models. This empowerment seems very appropriate since a divergence in supervisory practices concerning the allowance of internal models, especially within a principle based system, increases the risk of supervisory arbitrage.

A true innovation is planned with regard to the approval process for internal models

By putting EIOPA in a position of being an information juncture it is not only able to better assess deficiencies and best practices. It should also be explicitly assigned to use such information, though this power already existed implicitly in the past, to issue guidelines on the assessment of internal models.

Altered Review over Guidelines and Recommendations

Following the issuance of the Solvency II Preparatory Guidelines2, the legal instruments of guidelines and recommendations and the imperfect judicial protection against this rather hard category of soft law has received much attention. The Commission is to be lauded in trying to close the protective gap by providing for a new appeal mechanism. The draft allows the EIOPA Stakeholder Group (in the case of EIOPA this can only be the particular Stakeholder Group whose sector is addressed by the guidelines) to submit a petition to the Commission, if it believes that EIOPA has exceeded its competences. The Commission would be entitled to order EIOPA to alter or withdraw the relevant guidelines. The advantage of only granting petition rights to (the majority of the members of) the Stakeholder Group would be that guidelines became appealable whilst avoiding the creation of a burdensome actio popularis. In view of its continuous tendency to usurp additional powers also by excessive use of soft law instruments, one could, however, question if the Commission is really the best forum to decide such questions. To many, such a mechanism might seem like allowing the hens to appeal to the wolf for protection against the fox.

Reformed Funding System

The amendment which is most likely to spark an extreme amount of controversy relates to an envisioned change to the funding of EIOPA. Currently EIOPA is funded by a proportional contribution of the NSAs (amounting to 60% of the total budget) and a balancing contribution ▸

out of the EU-budget (of 40%). In addition, the EIOPA Regulation allows that fees can be collected from insurance undertakings. However, this only applies to undertakings directly supervised by EIOPA, which currently do not exist. The Commission's draft is intent on creating a tabula rasa and making all European insurers directly liable for funding EIOPA. Pursuant to the proposed concept, all entities supervised indirectly by EIOPA, that is all entities supervised by the NSAs belonging to the insurance and occupational pensions

The Commission's draft is intent on making all EU insurers directly liable for funding EIOPA

sector of the ESFS, would be obligated to contribute in a proportional manner to the annual budget of EIOPA. The remainder of the budget would be paid through a balancing contribution by the EU (with direct fees by directly supervised entities remaining possible, but for the time being irrelevant). This proposition apparently stems from the fact that in the past some NSAs were reluctant or even unable to forward their contributions to the ESAs, because they were themselves underfunded. The reason for this is most likely that some European NSAs are still exclusively funded from the general state budget (maybe with additional fees for supervisory actions), without an annual contribution of the supervised entities.

In a way, the Commission's proposition now circumvents national legislators' decisions of who has to pay for the soundness of the insurance sector (i.e. the tax payer or the insurance undertakings and, thus, indirectly the policyholders). This appears questionable in itself. Further, it remains unclear and needs to be substantiated in subsequent EU legislation, how the contributions should be levied. It can be expected that it will be the NSAs who collect the contributions for the account of EIOPA. Hence, it is difficult to see the true advantage of this procedure compared to the current system. Most likely the changes and making the insurers directly liable to EIOPA are intended to pave the way for future changes. Thusly understood, the Commission wants to create a system which can be switched at a moment's notice to make the ESAs, including but not limited to EIOPA, the direct supervisor of the supervised entities – with contribution channels already established – and to eradicate national supervision. Irrespective of one's thoughts about the prospect of a fully centralized supervision of the insurance sector, one cannot but fear that the proposed amendment will increase the contributory burden on the undertakings at least in those countries, such as Germany, that have in place a funding system that reliably provides for an annual contribution to the NSA. In conjunction with the establishment of EIOPA most of such NSAs increased the fee in order to allow for the payment of their obligatory contributions to EIOPA. Once a direct contribution to EIOPA is established, such system would be expected to again lower the national contributions in order to avoid a sort of "double-taxation". However, given past experience, it seems more likely for a camel to go through the eye of the needle than for the state to lower taxes or contributions once raised. In conjecture, it would be safe to assume

Making the insurers directly liable to EIOPA paves the way for future changes

that the proposed amendment would mean a cost increase for supervised entities. This is even more true in light of EIOPA being expected to increase its staff by one-third in reaction to the planned amendments.

Information Request with a Bite

EIOPA's power to request information from the NSAs, other national authorities and insurers is intended to put it into a position to discharge of its duties in an orderly fashion. Whilst the EIOPA Regulation already creates an ▸

obligation for NSAs, other national authorities and insurers to appropriately respond to an appropriate request of information, it does not provide for any legal consequences where such obligation is breached. Though this has not been a problem thus far, the Commission sees fit to provide legal consequences and hence provide EIOPA with a means to force parties to comply. EIOPA should be given the power to impose fines on insurers, nota bene not on NSAs, if they neglect their duty. Currently, EIOPA may only request the provision of information directly from insurers as an ultima ratio-measure, meaning when the necessary information cannot be provided by the NSA or other state authorities. Insofar the imposition of fines in the insurance sector – other than in the sectors supervised by ESMA – will remain, for the time being, hypothetical.

Power of Strategic Planning for NSAs

One of the planned amendments that appears rather benign at first sight but might have a very pronounced impact relates to the new power of EIOPA to address so-called strategic supervisory plans to NSAs. This instrument enables EIOPA to identify for the NSAs with a three-year-horizon (in conjunction with the work programmes of EIOPA) the specific priorities for supervisory activities. The NSAs are, furthermore, obligated to assess EIOPA's annual work programme and adopt their own work programme and report towards EIOPA. This ties the concrete supervisory practices of the NSAs much closer to the control and the steering of EIOPA. The Commission's propositions are quite vague as to the level of abstractness that the strategic supervisory plans are supposed to have. Hence, it is not inconceivable that EIOPA could use this power to directly supervise certain (big) insurance undertakings.

Résumé

Other than the changes to the governance structure, i.e. the creation of the Executive Board in lieu of the Management Board, and the funding scheme, the proposed

> Concerning pan-European insurance groups one should entertain the idea of a centralized supervision

amendments of the EIOPA Regulation seem in praxi rather minor and often only of declaratory nature. In many instances, however, the alterations seem to be intended to prepare for future recalibrations of the ESFS. One might understand the proposed amendments, thus, as an effort to softly steer the EIOPA Regulation towards a future implementation of an Insurance Union with a single supervisory authority, i.e. EIOPA. Viewing reactions from many stakeholders, on the one hand, it appears that such a fruit is not yet ripe for plucking. On the other hand, it seems contradictory that most Europeans regard the American system of state based supervision and regulation of the insurance sector as anachronistic, yet cling onto a system of national supervision. At least concerning large undertakings and pan-European insurance groups one should entertain the idea of a centralized supervision. This would support the creation of a truly Internal Market of insurance and, if only by reducing supervisory expenditures, further increase the competitiveness of European insurers on a global level. For those who for one reason or another are opposed to centralized supervision, the proposed amendments should come as a warning. The EU is out to centralize, it is out to integrate and it is not taking prisoners. With Great Britain, one of the biggest opponents to centralized financial supervision, out of the Union, the creation of a fully integrated financial market seems more feasible. Since the British financial market now enters into competition with the European Union market, centralized financial supervision and a resulting robust fully integrated market might be just what the doctor ordered. ◆

Prof. Dr. Helmut Gründl

Life Insurance: Rising Interest Rates Can Lead to Challenges

↗ SAFE Policy Blog

↗ ICIR Working Paper No. 29

In the short term, a strong and rapid increase of interest rates can be problematic for insurance companies.

The persistently low interest period and the large number of long-standing contracts with a guaranteed interest rate of up to 4 percent pose major challenges for European life insurers. Many of these companies are therefore looking forward to a higher level of interest rates. And indeed, interest rates have already risen slightly over the past two years. At first glance, it seems that higher interest rates have a stabilizing effect on the balance sheets of life insurers. Everything all right then?

Not quite: The reason lies in different interesting effects of rising interest rates on the trade balance and the solvency balance sheet according to Solvency II. Under the principle of lowest-value ("Niederstwertprinzip"), insurance companies would have to swiftly write-off bonds in the trade balance sheet, while the value of the obligations on the liability side would even rise in the short term due to the additional interest rate reserve regulations, and would only drop thereafter. This would lead to short-term trade losses for the company. In the sense of a "true and fair view", it would therefore be advisable, in the case of rising interest rates, to amend the regulations on additional interest rate reserves so that insurance companies can dissolve them quickly.

In the solvency balance sheet, however, rising interest rates for life insurance companies have a clearly positive effect due to the appropriate market-consistent valuation. Solvency, i.e. the endowment of the insurance company with own funds, improves.

However, a sudden, sharp increase in interest rates may pose risks for the insurance industry and thus for clients as well, if policyholders discontinue their contracts due to rising interest rates and invest in higher yielding assets. Although, cancellations usually result in trade balance profits due to cancellation fees, they can contribute to a reduction in own funds in the solvency balance sheet.

In conclusion, it can be said that on the one hand a moderate, slow increase in interest rates would clearly have positive effects for life insurance companies. On the other hand, a very strong and rapid increase in interest rates could lead to problems. ◆

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Life Insurers: Low Interest Rates are Bad. Are Rising Interest Rates Better?

Experts Call for a Recalibration of the Additional Interest Reserve

Prof. Dr. Helmut Gründl, Dr. Frank Grund and Dr. Klaus Wiener discussed the effects of rising interest rates.

The prolonged period of small returns on assets and the large amounts of legacy contracts which grant a minimum rate of return to policy holders of up to 4% poses a major challenge to European life insurers.

Therefore, many of them hope for a near-term reversal in interest rates. However, a sudden rise in interest rates could also entail risks for the insurance industry and thus also for insurance customers. What are the effects of rising interest rates on life insurers' solvency and liquidity? This question was addressed at the 13th Talk on Insurance and Regulation on May 24, at the Goethe University Frankfurt, organized by the International Center for Insurance and Regulation (ICIR).

Prof. Dr. Helmut Gründl, outlined the results of a recent joint research work with Elia Berdin and Christian Kubitza which simulates the effects of a sudden interest rate shock. According to the researchers, a significant and above all rapid rise in interest rates would worsen the liquidity and solvency of life insurers over several years. "Even a gradual increase in interest rates would

substantially worsen the liquidity situation and slightly reduce the solvency of the life insurer", Gründl said.

At first sight, rising interest rates might stabilize the balance sheet of life insurers. However, policy holders may find it more attractive to lapse their contracts and to invest in new saving opportunities with higher returns. In this case life insurer could face a significant outflow of liquidity.

Also, diverging accounting requirements of Solvency II and GAAP caused frictions, Gründl stated. Under the principle of lowest-value (Niederstwertprinzip), insurance companies would have to swiftly write-off bonds in the trade balance sheet in the case of rising interest rates. At the same time, the value of the obligations on the liability side would even rise in the short term due to additional interest rate reserve regulations, and would only drop thereafter. This would lead to short-term trade losses for the company. In the solvency balance sheet, however, rising interest rates for life insurance companies have a clearly positive effect due to the appropriate market-consistent valuation. The solvency improves. However, cancellations of insurance contracts may have an adverse effect. Due to cancellation fees, cancellations usually result in trade balance profits, while they can contribute to a reduction in own funds in the solvency balance sheet. "In this situation any surrender leads to loss", Gründl said.

Dr. Frank Grund, Chief Executive Director Insurance and Pension Funds Supervision of the Federal Financial Supervisory Authority (BaFin), agreed to Gründl's assessment that rising interest rates could bear some risks, however, "there is no need to panic", he said. Grund pointed out that buffers would mitigate the lapse risk in case of a substantial hike. Not all insurance policies could be surrendered so easily. The surrender charge or the loss of tax incentives and government subsidies for policy holders of Riester contracts provided strong lapse barriers. Contracts with occupational pension funds even could not be mitigated at all.

Grund doubts that an interest rate rise of 5 percentage points in two years, as suggested by Gründl et al., was realistic. Even current stress tests of the European Insurance and Occupational Pensions Authority (EIOPA) were based on a less severe scenario, Grund said.

With reference to the additional interest reserve (Zinszusatzreserve) Grund conceded that life insurers may face diverging effects from financial reporting and prudential regulation. "The problem of the additional interest reserve can only be solved by changing the law", Grund said. Therefore, he advocated a modification of the actual reserve ordinance (Deckungsrückstellungsverordnung).

In his speech **Dr. Klaus Wiener**, Member of the Executive Board and Chief Economist at the German Insurance Association (GDV), also called for some regulatory adjustments and pleaded for a recalibration of the additional interest reserve. "The instrument is in principle sensible however, the pace of additional reserve accumulation is way too fast", he said. Interest rate provisioning already amounted up to 60 billion euros. Even with surging interest rates buffers would further increase.

Wiener pointed out that since the onset of the financial crisis lapse rates have decreased continuously. He considered it unlikely that higher yields would lead to higher lapse rates because a surrender would imply a loss of biometric risk protection for policy holders and surrender charges would apply. Wiener does not expect a rise in capital market yields of more than 3 percent. However, even 3% would not be high enough to trigger a mass termination of life insurance contracts, he stated. "To avoid frictions, surrender values of life insurance policies should be adjusted to changing market conditions", Wiener suggested. ◆

ICIR and SAFE Lunchtime Series, October 10, 2018, Brussels

Systemic Risk in the Insurance Sector:
Micro- and Macroprudential Policies are not yet Aligned

SAFE/ICIR Lunchtime Series in Brussels: Nathalie Berger, Helmut Gründl and Tom Wilson discussed systemic risk in the insurance sector and its regulatory implications.

A functioning insurance sector is important for society, said Helmut Gründl (SAFE, International Center for Insurance Regulation, ICIR, and Goethe University Frankfurt) in his introductory presentation at the second SAFE Lunchtime Series event on 10 October 2018. The event was jointly organized by SAFE and ICIR at the Representation of the State of Hessen in Brussels, bringing together perspectives on systemic risk in the insurance sector from academia, regulators and practitioners.

In his introductory presentation, **Helmut Gründl** stressed the importance of a well-functioning insurance sector for the society and discussed potential channels how insurers could contribute to systemic risk. He further emphasized that micro- and macroprudential policies are not yet aligned and discussed differences between the entity- and the activity-based approach for identifying systemically important insurers. Gründl presented two current research projects of the ICIR on systemic risk in the insurance sector that help to ▸

better understand and counteract systemic risk in the insurance sector.

The first research project introduces a measure of systemic risk that accounts for the slow resolution of economic shocks and illustrates the long-term impact an insurer's distress can have on the financial system. The second research project, an empirical work, shows how insurance companies can exploit a diversification potential between life and non-life insurance business that can minimize their contribution to systemic risk. He pointed out that both projects can have important implications for the adequate regulatory treatment of systemic risk.

Tom Wilson, CRO of Allianz SE, opened the subsequent panel discussion from an industry perspective, highlighting the risks originating from large exposures of insurance companies to bank and sovereign debt. According to him, a lack of broad and deep debt capital markets, current insurance and banking regulations, as well as the strong interdependencies between sovereign and bank bonds further impair the situation. He noted that bank debt and sovereign bonds, which can be highly correlated during times of crisis, represent a large proportion of fixed income investments for insurance companies in Europe. To mitigate these systemic concentrations for the insurance sector, he called for a completion of the Capital Markets Union in Europe and for a deeper and vibrant corporate debt market, helping to further diversify the insurers' portfolios and reduce insurer's exposure to systemic risk.

A Stronger Cooperation Among Policymakers

Moreover, a well-functioning debt capital market would allow for a more direct way for insurers to finance real economic activity. In addition to dissolving the bank-sovereign systemic risk nexus, taking the pro-cyclicality out of the current Solvency II capital requirements by implementing a broader "matching adjustment" is a second important step to improve the status quo in his opinion. According to Wilson, it is critical that these policies be put in place while assuring a level-playing field for insurers on the global level.

Stressing the importance of a level-playing field for global insurance companies

Nathalie Berger, Head of Unit Insurance and Pensions at the European Commission, insisted on the importance of a level-playing field for global insurance companies, which is only achievable through a stronger cooperation among policymakers. Berger underlined the strong financial stability of insurers in the EU since the introduction of Solvency II, but also highlighted the need for continuously taking future developments of the insurance sector into account. She continued with an overview of measures that are currently applicable on the European level to assure stability in the insurance sector and to mitigate systemic risk, including stress tests, the Own Risk and Solvency Assessment (ORSA) or capital add-ons. With regard to the development of Solvency II, she focused on the long-term guarantee package and several countercyclical tools. To make the reassessment successful it is necessary that all stakeholders contribute, particularly by providing detailed data. Berger concluded by stating support for further work on activity-based regulation and for the development of global standard. She emphasized the Commission priority to ensure a level-playing field for European insurers on a global basis. ◆

Photos: Vivian Hertz

Climate Risk and Sustainable Finance in Europe: The Role of Insurance

Dr. Manuela Zweimüller and Dr. Christian Thimann discussed the impact of climate change on insurance and its role in the transition towards a more sustainable economy.

The insurance sector as the largest institutional investor with a long-term investment prospect plays a key role in financing sustainable growth. At the same time, insurance companies are particularly affected by climate change. They have to pay out more to policyholders as extreme weather events become more severe and more frequent. Also, they face losses as climate change hits the companies they invest in. Thus, climate change poses risks for insurance companies that have to be evaluated and priced. What is the impact of climate-related risks on the insurance sector and how can investment portfolios of the insurance sector be mobilized to finance the transition towards a sustainable economy? Those questions were addressed at the 14th Talks on Insurance and Regulation hosted by the International Center of Insurance Regulation (ICIR) at the House of Finance.

In his speech **Dr. Christian Thimann**, Chief Executive Officer of Athora Deutschland Holding, emphasized the importance of the financial sector and its regulators in ▸

financing a sustainable European economy. He reminded that the Paris Agreement in 2015 for the first time had mentioned the financial sector's key role in re-directing private capital-flows towards sustainable investments. As chairman of the EU-Comission's High-Level Expert Group (HLEG) Thimann had been substantially involved in developing a comprehensive program of reforms on sustainable finance. Based on the HLEG's recommendations the EU-Commission had come forward with an Action Plan in March this year, which set the re-orientation of private capital-flows towards sustainable investments as number one priority.

Thimann pointed-out that a lot of progress had already been made in understanding how environmental risks affect the financial system. "Also, we have a good notion of how to assess, and report those risks. However, on the action level we do not move fast enough," he criticized. "There is still a risk that we fail on the issue, not because we are not aware of the risks, but because there are still not enough capital flows in renewable energy, in CO2-reduced transportation and in resource-protecting food production." According to the EU-Commission to achieve to EU's climate targets agreed in Paris, additional 180 billion Euros a year are needed.

Thimann considers the focus in financial markets on short-time investment horizons one of the major obstacles in re-directing private capital streams towards sustainable projects in infrastructure. Especially the accounting principles of IFRS which are based on mark-to-market values were damaging. "The regulator concentrates on the short-term, although we would need long-term investments," Thimann said. The focus on short-term value extraction from equities created a lot of volatility and instability in the market which made it very difficult to finance sustainable projects.

He reminded the audience that a few regulators have the power to steer the financial sector in a different direction, through common guidelines and by determining capital weights on long-term investments such as infrastructure. "By turning a few switches they can have an enormous impact on the economy," he stated.

Dr. Manuela Zweimüller, Head of the Policy Department of the European Insurance and Occupational Pensions Authority (EIOPA), answered that long-term investments were desirable, in order to account for long-term liabilities. "However, we will not serve political interests but keep a risk- and evidence-based approach in regulation," Zweimüller stated and pointed-out that the relaxation of capital requirements for certain "green" investments could come at a price for consumers." First of all, the risk of such investments had to be analyzed and ▸

evaluated properly as EIOPA had already done for investments in infrastructure projects and infrastructure corporate bonds. Besides, the result of such risk analysis could also mean that capital charges for "green" investments may go up.

Zweimüller argued against a specific mandate for EIOPA to foster sustainable investments. Considering EIOPA's role to protect consumers and strengthen financial stability, sustainability considerations are already embedded in its activities. Also, she questioned the need for a major adaption of the prudential regulatory framework, as ESG (environmental, social and governance) factors are inherently included in Solvency II and particularly in its risk management requirements, and also referred to in the IORP II Directive (Institutions for Occupational Retirement Provisions).

Zweimüller outlined several activities of EIOPA in line with the EU-Commission's Action plan. EIOPA for example participates in developing a sustainable taxonomy, which helps to create an EU classification system as well as standards and labels for "green" financial products.

Zweimüller stated that more robust stress testing were needed to evaluate the effects of climate change for insurers on both sides of the balance sheet, on their assets as well as their liabilities. Moreover, it had to be examined to what extent "green" investments are suitable for private investors and how to avoid "greenwashing". The entire product development cycle should take ESG factors into account from product design to distribution. "EIOPA does not intend to prescribe how insurers should invest or whom/what to insure but rather has a challenging role how the forward looking aspects of climate-related risks are addressed. Our responsibility as a supervisor is to foster a so-called stewardship approach of the insurance sector to use its influence for a gradual transition towards a more sustainable economy," Zweimüller concluded. ◆

Policy Platform
Presentations and Moderation

October 12–13, 2017
Vienna, Austria
Austrian Financial Market Authority (FMA)
Moderation of the Conference on "Current Challenges for Insurance Markets and Supervision in the Central, Eastern and South Eastern European Region"
Prof. Karel Van Hulle

November 13, 2017
Frankfurt, Germany
Deutsche Bundesbank
Persistence of Insurance Activities and Financial Stability
Helmut Gründl, Christian Kubitza, Fabian Regele

November 29, 2017
Arandjelovac, Serbia
Association of Serbian Insurers
Serbian Insurance Days
From Solvency I to Solvency II
Prof. Karel Van Hulle

December 13, 2017
Allianz, Munich, Germany
China Insurance Regulatory Commission (CIRC)
Integrated Financial Supervision in Germany
Helmut Gründl

January 22, 2018
Frankfurt, Germany
Deutsche Bundesbank
Rising Interest Rates, Lapse Risk and the Stability of Life Insurers
Helmut Gründl, Christian Kubitza, Fabian Regele

February 5, 2018
London, UK
Bank of England
Financial Contagion and Diversification of Insurance Activities
Christian Kubitza

February 14, 2018
House of Finance, Frankfurt
Meeting with IMF Euro Area Financial Sector Assessment Program (FSAP)
Helmut Gründl

February 15–16, 2018
Frankfurt, Germany
EIOPA Advanced Seminar
"Quantitative Techniques in Financial Stability"
Rising Interest Rates, Lapse Risk, and the Stability of Life Insurers
Helmut Gründl, Christian Kubitza

February 22, 2018
Skopje, Macedonia
XPrimm and the Insurance Supervisory Agency of the Republic of Macedonia
Moderation at the International Insurance Forum–CEE and SEE Regional Actuarial Insurance Conference
Prof. Karel Van Hulle

February 27, 2018
Frankfurt, Germany
Institutional Money Kongress 2018
Solvency II und internes Rating
Prof. Karel Van Hulle

March 15, 2018
Casablanca, Marocco
Association Marocaine des Actuaires
5th Actuarial Congress
Keynote Presentation "Developing a Risk Based Solvency Regime– Lessons From Solvency II"
Prof. Karel Van Hulle

April 23, 2018
House of Finance, Frankfurt
ILF Conference "Resolution in Europe: The Unresolved Questions"
Moderation of the Panel "Insurance Company Resolution" at the ILF Conference
Helmut Gründl

May 16, 2018
Karlsruhe in Baden-Baden, Germany
40th Anniversary Celebration of the Insurance Committee of the Industrie- und Handelskammer
Versicherungsregulierung: Quo Vadis?
Prof. Karel Van Hulle

May 21, 2018
Poznan, Poland
70th Anniversary Celebration of the Insurance Department of the Economic University
Early Lessons From Solvency II: Are We on the Right Track?
Prof. Karel Van Hulle

May 24, 2018
Madrid, Spain
Insurance Europe
Moderation of the 10th International Insurance Conference
Prof. Karel Van Hulle

September 12, 2018
Vienna, Austria
Institutional Money and the Austrian Association of Insurers
Insurance Day
Kapitalmarktunion: Was liegt noch auf dem Tisch, insbesondere für die Versicherungswirtschaft?
Prof. Karel Van Hulle

October 8, 2018
Frankfurt, Germany
Deutsche Bundesbank
The Influence of Market Risks on the Stock Return of Life Insurance Companies
Sebastian Schlütter, Mark Browne, Nicolaus Grochola, Helmut Gründl

October 17, 2018
Münster, Germany
Forschungsstelle für Versicherungswesen and the Bundesverband Deutscher Versicherungskaufleute
6th Versicherungsvertriebsrecht-symposium
Participation in a Panel Discussion on "PRIIPS, IBIPS und Co. – gelebter Verbraucherschutz oder Haftungsfalle"
Prof. Karel Van Hulle

October 25, 2018
Amsterdam, Netherlands
EIOPA and the Nederlandsche Bank (DNB) Seminar on Recovery and Resolution in Insurance
Recovery and Resolution and Macro-prudential Implications
Prof. Karel Van Hulle

November 5 – 6, 2018
Rüschlikon/Zurich, Switzerland
Swiss Risk and Insurance Forum | Consumers' Privacy Concerns and Their Impact on Insurance Markets and Regulation
Irina Gemmo

November 6, 2018
London, United Kingdom
S&P Global Ratings
2018 European Insurance Conference
Participated in a Panel Discussion on Regulation at the "Low Rate Fog Lifts, But is the Future Clear?"
Prof. Karel Van Hulle

November 7, 2018
Frankfurt, Germany
ECB Workshop on Money Markets, Monetary Policy Implementation and Central Bank Balance Sheets
The Pitfalls of Central Clearing in the Presence of Systemic Risk
Christian Kubitza

November 16, 2018
Frankfurt, Germany
8th Bundesbank-CFS-ECB Workshop on Macro and Finance
Rising Interest Rates, Lapse Risk, and the Stability of Life Insurers
Christian Kubitza

November 30, 2018
Brussels, Belgium
European Commission
High-level conference on "The future of corporate reporting in a digital and sustainable economy"
Moderation of the Panel "Is Corporate reporting still fit for purpose and upcoming challenges?"
Prof. Karel Van Hulle

ICIR Events 2017/18

ICIR Events 2018

May 24, 2018
House of Finance, Frankfurt
13th Talk on Insurance and Regulation

Life Insurers: Low Interest Rates are Bad. Are Rising Interest Rates Better?
Dr. Frank Grund, Chief Executive Director of Insurance and Pension Funds Supervision, Federal Financial Supervisory Authority (BaFin)
Dr. Klaus Wiener, Member of the Management Board of the German Insurance Association (GDV)
Prof. Dr. Helmut Gründl, Chair of Insurance and Regulation, Goethe University, ICIR

October 10, 2018
Representation of the State of Hessen, Brussels
ICIR & SAFE Lunchtime Series

Insights on Systemic Risk in the Insurance Sector
Nathalie Berger, Head of Unit Insurance and Pensions, DG FISMA, European Commission
Prof. Dr. Helmut Gründl, Chair of Insurance and Regulation, Goethe University, ICIR
Tom Wilson, PhD, CRO, Allianz SE

October 17, 2018
House of Finance, Frankfurt
14th Talk on Insurance and Regulation

Climate Risk and Sustainable Finance in Europe: The Role of Insurance
Dr. Manuela Zweimüller, Head of the Policy Department, EIOPA
Dr. Christian Thimann, Chairman of the Management Board, Athora, Athene Deutschland Holding GmbH & Co. KG

November 15, 2018
House of Finance, Frankfurt
15th Talk on Insurance and Regulation

Insurance Market and Regulatory Developments in the Western Balkan Countries – Challenges and Perspectives
Dr. Klime Poposki, President of the Council of Experts of the Insurance Supervision Agency, Republic of Macedonia

November 22, 2018
House of Finance, Frankfurt
Frankfurter Vortrag zum Versicherungswesen (Frankfurt Association for the Promotion of Insurance Studies at Goethe University (Förderkreis für die Versicherungslehre e.V.) in cooperation with the ICIR)

Diversification of Insurance Activities and Systemic Risk
Fabian Regele, M. Sc., Wissenschaftlicher Mitarbeiter, Stiftungsprofessur für Versicherung und Regulierung, ICIR, Goethe-Universität Frankfurt

Coinsurance in a Changing Regulatory Environment: A Workshop Report
Prof. Dr. Jens Gal, Juniorprofessur für Europäisches Versicherungsrecht mit Schwerpunkt im Versicherungsaufsichtsrecht, ICIR, Goethe-Universität Frankfurt

November 29–30, 2018
Goethe University, Frankfurt
ICIR Research Workshop
Frankfurt Insurance Research Workshop 2018

A research workshop for doctoral students and post-doctoral researchers in the areas of insurance, risk management, or insurance regulation

Events 2019

SAVE THE DATE

6th Conference on Global Insurance Supervision (GIS)
September 4–5, 2019

ICIR, EIOPA, SAFE, THE WORLD BANK
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