



## EUROPEAN COMMISSION

Commissioner Mairead McGuinness  
Financial Services, Financial Stability and Capital Markets Union

Brussels, 23 March 2021  
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Dear Ms van Hövell-Patrizi,  
Dear Mr Brandstetter,  
Dear Mr Greco,  
Dear Mr Rueda,  
Dear Mr Buczkowski,

Thank you very much for your letter of 22 February in which you outline the priorities and views of the insurance industry on the Solvency II review. I appreciate your efforts in coordinating the position of the insurance industry on EIOPA's technical advice.

As you know, the Commission has a broad legal mandate for the review of the Solvency II Directive. To this end, the Commission sent a comprehensive call for advice to EIOPA in 2019, which resulted in an extensive and diligent analysis submitted in December 2020. Against this background, EIOPA also developed a comprehensive advice on several aspects to be considered in forthcoming proposals. It is now up to the Commission to set out a legislative proposal.

I welcome that your letter signalled the readiness of the insurance sector to contribute to the political priorities of the Commission. Indeed, to achieve the ambitious targets on the economic recovery, completing the capital markets union as well as the green and digital transitions, we will need investments from the private sector, including from the insurance industry given its prominent position among institutional investors. Under the review of the Solvency II Directive, we are assessing whether prudential rules affect in an unjustified manner the extent of insurers' contributions to these priorities.

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Ms Allegra van Hövell-Patrizi  
Chairperson, CRO Forum  
[allegra.vanhovell-patrizi@aegon.com](mailto:allegra.vanhovell-patrizi@aegon.com)

Mr Andreas Brandstetter  
President, Insurance Europe  
[brandstetter@insuranceeurope.eu](mailto:brandstetter@insuranceeurope.eu)

Mr Mario Greco  
Chairman, Pan-European Insurance Forum  
[mario.greco@zurich.com](mailto:mario.greco@zurich.com)

Mr Delfin Rueda  
Chairman, European Insurance CFO Forum  
[delfin.rueda@nn-group.com](mailto:delfin.rueda@nn-group.com)

Mr Grzegorz Buczkowski  
President, AMICE  
[Grzegorz.Buczkowski@saltus.pl](mailto:Grzegorz.Buczkowski@saltus.pl)

However, I am also very conscious of the needs of consumers and I want to maintain a high level of policyholder protection. I believe the high level of protection of policyholders warranted by our framework is the reason why many consider Solvency II as working well or that it has “proved its value” as you put it in your letter. In that respect, EIOPA has identified some areas where risks are not well reflected and we need to address those shortcomings. For instance, Solvency II needs to reflect better the risks insurers face in an environment of very low or negative interest rates.

Against this background, we need to find the right balance between solid rules to protect policyholders and incentives for insurers to make investments that support our overall economy. In the context of the Commission's impact assessment, we are trying to identify the best way of striking that balance. In addition, it is our objective that the prudential rules are proportionate and avoid undue complexity. We will draw our conclusions later this year and aim to propose legislative changes in the third quarter of 2021. The position that you shared with us is useful for our internal assessment.

To conclude, I would like to thank you again for your engagement on this important initiative. I invite you to continue your engagement in the context of upcoming initiatives and I am looking forward to hearing your views.

Yours sincerely,



Mairead McGuinness