

Review of Solvency II: EIOPA's opinion fails to offer focused improvements necessary to help Europe's economy, consumers and green transformation

Following the publication of the European Insurance and Occupational Pensions Authority's (EIOPA) opinion to the European Commission on the review of Solvency II, deputy director general of Insurance Europe, Olav Jones, said:

"The review of Solvency II offers the opportunity to fix problems in the framework so that it properly reflects the real risks faced by insurers, and to reduce operational burdens. Doing so would enable insurers to invest more in the economy, provide more long-term savings products and protection to customers, and to be more competitive on the international stage.

"This is why it is disappointing that EIOPA has published an opinion to the European Commission that ignores this potential and would instead make Solvency II even more conservative, without proving that overall capital levels are currently too low. In fact, the advice would, in the long run, result in a less competitive European insurance industry that could invest less in the economy and provide fewer long-term savings products and offer lower returns to customers. Such an outcome is completely unnecessary and must be avoided by the co-legislators¹, who will decide the changes that the review will introduce to the current framework.

"While Solvency II overall works well, it is widely recognised that important areas do need improvement. These are the treatment of long-term business and reducing excessive operational burdens. Work to address the flaws in the treatment of long-term business can and should be done in a way that removes barriers and helps to facilitate the Commission's ambitions in key projects such as the Green Deal and the Capital Markets Union. EIOPA's opinion would not achieve this and overall risks increasing barriers rather than reducing them.

"Operational burdens can be reduced by making proportionality work and by streamlining reporting requirements. This will reduce costs for consumers and allow insurers and supervisors to focus on the material risks faced by the industry, while also supporting a diverse range of large and small insurers in the market. While EIOPA's opinion in this respect is a helpful step in the right direction, it needs important improvements in order to get proportionality to fully work in practice and to avoid increasing the reporting burden.

"Finally, it is important that the review only focusses on the parts of Solvency II that really need to be fixed, and not on an overhaul of the framework, which is what EIOPA's very extensive list of potential changes seems to envisage. The industry therefore calls on the Commission to take an approach to the review that reduces the number of problems in Solvency II, instead of one that increases them."

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Notes for editors

1. The European Commission, the European Parliament and the Council of the EU.
2. For further information, or to be added to our mailing list, please contact Richard Mackillican, policy advisor communications & PR (tel: +32 2 896 48 22, mackillican@insuranceeurope.eu).
3. You can also receive Insurance Europe's news and press releases by following us on Twitter @InsuranceEurope.
4. Insurance Europe is the European insurance and reinsurance federation. Through its 37 member bodies — the national insurance associations — it represents all types and sizes of insurance and reinsurance undertakings. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers pay out almost €1 100bn annually — or €2.9bn a day — in claims, directly employ over 900 000 people and invest nearly €10 200bn in the economy.