

Insurance Europe response to EC call for evidence on savings and investment accounts

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Insurance Europe **welcomes** the EC objective to facilitate citizens' participation in capital markets and the opportunity to provide comments.

Any new initiative **must explicitly include insurers as providers**, to reach a wider audience, ensure a wider uptake, address diverse consumer profiles and create a leverage effect through competition and innovation.

Importantly, insurers can play a key role to achieve the SIU objectives as major institutional investors in Europe and important providers of stable, long-term funding, with €9.5trn assets under management, 70% of which in Europe (EIOPA). Insurers channel people's savings into investments through life insurance investment products (70% of the EU retail market (EIOPA)), personal and occupational pension products. The sector disposes of a wide array of distribution channels and a large network of **distributors that are fundamentally close to European consumers**. Insurance distributors have extensive experience and knowledge of local markets and consumers' needs and this network can play a tremendous role in the uptake of EU investments.

Views on key areas of the EC call for evidence:

Possibility to access a wide range of products

The insurance industry welcomes the decision **to use non-legislative measures** given differences between member states in terms of products, distribution channels, consumers' preferences, taxation and pension systems. The experience with the PEPP, which has failed to gain traction in the EU, shows that new initiatives should take a market-driven approach and focus on enabling increased retail investment rather than prescribing too strict requirements.

To reflect the full range of effective solutions across Europe and to ensure a level playing field between providers, the scope of the initiative should be neutral with respect to eligible products, and it should explicitly include insurance products. The term "account" is rather associated with a banking product. IBIPs give the same possibility to invest in different asset classes, but with extra advantages such as insurance protection. A more neutral term for a future framework would be "solution", "product" or "investment instrument". The importance of including insurance products has also been recognised

by other initiatives such as the “Finance Europe” label, which is open to a wide range of products, including insurance.

The EC approach should be **inclusive, flexible and simple**. The objective must be to attract new retail investments by mobilising the savings currently sitting on bank accounts - not by shifting existing investments, as this would severely limit the benefits and the impact of the initiative. Furthermore, an inclusive approach would encourage competition amongst providers.

Eligibility of products

We welcome the EC intention to ensure access to a wide range of investment products. The initiative should clearly specify that insurance undertakings can be **providers** of the solution.

Since the objective is to serve consumers’ needs in the short or long term, a wider spectrum of providers fit the scope. Insurance products are particularly suited for **long investment horizon**, which contribute to increase returns in the long term, allowing a portion of investments in less liquid asset classes, such as infrastructure, debt/equity, private debt/equity and venture capital. These are important investments that would not be easily implemented in an account that has a shorter time horizon.

Initiatives must also recognise the prudent person principle and the importance for investing based on the customers’ best interests. There should be **flexibility in the scope of eligible assets** to ensure diversification, match different consumers’ risk profiles and respect manufacturers’ freedom to design products.

Tax simplification and advantages

It is important to link any initiative to **tax incentives & a simple taxation system** to be defined at national level. Public funds should only be used when they serve clear societal objectives and general public value, such as closure of pension gap or supporting the EU’s real economy.

Other incentives

Boosting financial and insurance literacy is key to empower consumers.

Initiatives taken across different levels should be aligned, coherent, mutually reinforcing and complementary – all contributing toward Europe’s goals and priorities.

Annex:

With a long-term, risk-managed and consumer-focused approach, the insurance sector stands ready to make the SIU a success. The insurance sector brings the expertise, products and distribution network needed to support a more resilient and competitive Europe.

Role of insurance in achieving the SIU objectives

Life investment products are the preferred choice of many consumers as they can combine investment and protection, in the form of financial guarantees, risk mitigation techniques and/or insurance risk covers (against death, disability, sickness, longevity, etc). Life investment products can also offer many other benefits, such as flexibility in pay-outs, including through annuitisation, insurance guarantees considering risk profile of each individual, assistance and services (eg telemedicine, second medical opinion, etc), succession planning and/or simplified tax declarations. Furthermore, insurers offer ready-made investment solutions and ongoing assistance to consumers who are not willing or able to manage their investment autonomously.

Life insurers are also major providers of occupational and personal pensions, thereby helping diversify retirement income sources, enhancing financial security for individuals and alleviating pressure on public resources. Insurers’ proven long-term experience, backed by the robust regulatory framework applicable to them, help ensure that they can meet all their commitments.

Thanks to a well-developed and wide-spread network of professional distributors (including agents, brokers, bancassurance operators, direct sellers), often regionally rooted, insurers can reach broad segments of the population and raise awareness about the need to prepare and protect their future well-being.

The list below includes examples of various savings and investment products offered by insurers across the EU:

- **Unit-linked products:** a type of insurance contract where the value is determined by a reference to the value of a fund and the policyholder assumes the risk of the investment
- **With profit products:** insurance contracts which provide benefits through eligibility to participate materially in periodic discretionary distributions based on profits arising from the insurance undertaking business. These products usually have a minimum guaranteed return or a capital protection.
- **Hybrid products:** insurance contract which combine a unit-linked component with a profit-participation component and/or a capital guarantee.
- **Annuities products:** provide clients with periodic sums until the moment they die (lifelong annuities) or until a certain period (temporary annuities).
- **Guaranteed products:** ensure a guaranteed return at maturity, set in the product contract.
- **Index-linked products:** offer a return that is dependent on how an index is performing.
- **Occupational pension products:** retirement savings plans set up by the employer and managed by an insurer or pension fund, which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement, and which entitle the investor to certain benefits.
- **Personal pension products:** retirement savings plans set up by the individual and managed by an insurer or pension fund, which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement, and which entitle the investor to certain benefits.

Insurers already offer diverse investment and saving products to meet different consumers' needs, risk profiles, investment objectives etc. For example, unit-linked policies may offer higher growth potential with greater risk exposure, depending on how they are built; with-profits policies can provide greater stability; hybrid products can help balance growth and security, etc.

Products are necessarily diverse because consumers, markets and needs are diverse – and it is essential to preserve this choice and ensure that an EU blueprint takes an inclusive approach based on national solutions.

Learning from national models: no one-size-fits-all

Our analysis and experience in the market shows that there is no silver-bullet solution, and what really matters is to preserve consumers' choice, in terms of long-term savings and investments products, providers and distribution channels – while building a stronger investment culture and increasing EU citizens' awareness of the positive societal impacts of investing. Limited financial literacy among retail investors is a key factor behind low capital market participation and weak returns. Professional advice can play an important role to close this gap.

The European Commission and other stakeholders present the Swedish Investment Savings Account (Investeringssparekonto, ISK)¹ as a positive example. It should be noted that in Sweden, there is combination of different products, including insurance and pension ones: the ISK with 3.6 million accounts, a Swedish Endowment Insurance product with nearly 6 million contracts and a strong multi-pillar pension system. This fact has been recently highlighted by CEPS (Learnings from Sweden, page 10): "Private endowment insurance (kapitalförsäkring) has played a central role in Swedish savings and investment practices since being introduced in the 1990s. It provides both individuals and businesses with a tax-efficient and administratively simple alternative to direct investment accounts". The Swedish endowment insurance product enjoys the same tax treatment as the ISK and a significant proportion of money from these insurance products have been used to invest in domestic and European companies. A similar pattern can be observed in Finland, where the Equity Savings Account (osakesäästötili) runs in parallel to a Unit-linked Insurance (sijoitusvakuutus) with similar tax benefits, as well as in Norway where an individual pensions savings scheme (IPS) exists and can be opened with various financial institutions, such as banks and insurance companies.

In other markets, existing long-term savings and investment products, with different characteristics can equally be suitable ways to achieve the SIU goals. It is not appropriate to try to export this exact product to other countries, as a product established in one country is not necessarily suitable for other markets, and the different EU MS already have solutions well adapted to their own background. Indeed, European markets are different and what works in one jurisdiction does not necessarily fit other geographies' culture and habits. In particular,

some markets show a higher level of financial literacy compared to other countries, as well as different levels of integration of banking and insurance.

Comments on other elements of the EC call for evidence:

Easy access to the accounts and to investments including through digital means

We agree that it is important to provide easy access to investment, including through digital means. For example, insurers make use of technology in distribution (eg apps, websites, chatbots, videocalls) and many insurers provide online interfaces where consumers can monitor their products and have easy access to their information. However, it is important to allow both digital and face to face interactions, as there are segments of the population—who do not wish or are unable to use digital channels.

Easy and affordable portability of the account to other providers

Portability across providers entails significant technical and legal challenges in its implementation, to the extent that making it a prerequisite for the functioning of this investment account could ultimately prevent its deployment while not needed to contribute to the main goal of the initiative: creating new investments.

Pre-conditions and limitations on the ability to provide savings and investments accounts to residents in other Member States in order to foster competition and pan-European investments

While potentially desirable, this objective will add complexity with unclear proportional benefits and therefore should be reconsidered. In fact, tax benefits are decided locally, and different countries have different budgets to allocate to fiscal policy. Thus, this measure may create unfair competition between institutions operating in different countries.

Insurance Europe is the European insurance and reinsurance federation. Through its 39 member bodies — the national insurance associations — it represents insurance and reinsurance undertakings active in Europe and advocates for policies and conditions that support the sector in delivering value to individuals, businesses, and the broader economy.