

To: Conduct of Business Committee, Economics & Finance Committee, General Insurance Committee, Personal Insurance Committee, Public Affairs & Communications Committee, Executive Committee, CMU Project Group
From: Public Affairs Department
cc:
Date: 12-09-2024
Reference: PAC-24-122
Subject: The Future of European Competitiveness: Draghi report

Summary

The long-awaited report by Mario Draghi "[The Future of European Competitiveness](#)" was published on 9 September. Draghi, former European Central Bank President and prime minister of Italy, was tasked by the European Commission (EC) to prepare the report presenting a vision for the future of European competitiveness.

The secretariat has prepared an overview of the report, highlighting the key reflections and recommendations of relevance to the insurance sector. It plans to discuss these further with members of the respective Insurance Europe committees. Preliminary views on the Draghi report may be shared with the secretariat (publicaffairs@insurancееurope.eu).

General remarks

While presenting a personal vision, the recommendations included in the report, similarly to the [recent report](#) on the future of the Single Market by Enrico Letta, are expected to have an important impact on the discussions and possible proposals by the new EC. Specifically, the EC has indicated that the findings of the Draghi report will contribute to their work on a new plan for Europe's sustainable prosperity and competitiveness, and, in particular, to the development of the new Clean Industrial Deal for competitive industries and quality jobs, which will be presented in the first 100 days of the new EC mandate.

Overall, the report presents several broad recommendations that align with the issues and priorities highlighted by the industry in its 'Insurance Matters' publication, suggesting a growing political momentum for leveraging the industry messages. These include:

- Make progress on the Capital Markets Union (CMU) and increase the focus on pensions.
- Appoint a new Commission Vice President for Simplification and adopting a single, clear methodology to quantify the cost of the new regulatory "flow".
- Implement the 25% cut of reporting obligations and commit to achieving a further reduction for SMEs up to 50%, upholding proportionality.
- Establish a new "Competitiveness Coordination Framework" to foster EU-wide coordination in priority areas, replacing other overlapping coordination instruments.

From the secretariat's perspective, it is important to point out that, while the Draghi report addresses the key themes of growth, competitiveness, and capital markets, it falls short of capturing the broader context. Notably, while the report has references to the need to fight climate change, many aspects of that particular challenge (eg geopolitical, environmental, social) are not looked at, nor is the fact that climate change itself is expected to have a significant impact on long-term economic prosperity/stability. Indeed, climate change, but also pollution and biodiversity loss, are increasingly believed to call for radical changes in approaches, and this is something the report does not explore.

Key recommendations and objectives relevant to the insurance sector

- **Accelerating innovation**
 - Review Solvency II requirements and issue innovative investment guidelines for EU Pension Plans.
 - Leverage the European Investment Bank (EIB) and National Promotional Banks (NPBs) to mobilise public-private funds and favour co-investment.
 - Better implement the General Data Protection Regulation.
 - Adopt an “EU cloud and AI Development Act,” which should be focused on harmonising cloud architecture requirements.
 - Introduce a new EU-wide statute for innovative ventures (‘Innovative European Company’).
- **Sustaining investment**
 - Reduce regulatory fragmentation to deepen the CMU (harmonise the insolvency framework, synchronise taxation related to capital investments).
 - Encourage retail investors through the offer of second pillar pension schemes where the successful examples of some EU Member States can be replicated.
 - Assess whether further changes to the capital requirements under Solvency II are warranted by further reducing the long-term equity investments capital charges.
 - Reduce capital charges for simple, transparent, and standardised securitisations.
- **Strengthening governance**
 - Appoint a Vice-President for Simplification coordinating a new ‘evaluation bank’ to stress-test all existing EU laws and regulations at the start of each Commission mandate.
 - At the start of each EC mandate, there should be a fixed period of at least six months dedicated to systematically assessing and stress-testing all existing regulations by sector.
 - All new proposals should undergo a revised competitiveness test with a robust methodology for measuring cumulative impact, involving committees of industry representatives.
 - Extend or generalise qualified majority voting (QMV) as opposed to unanimity in the Council, for instance in the case of insolvency law.
 - A new structure could be introduced in specific economic sectors, involving collaboration between the EC, industry, and Member States.
 - A Competitiveness Joint Undertaking would facilitate rapid public-private partnerships among the EC, industry, and Member States.

Next steps

- EC president Ursula Von der Leyen to present the portfolios of European Commissioner nominees
- 14-18 October: EP hearings of European Commissioner nominees
- 1 December (TBC): 2024-2029 EC mandate begins