

Insurance Europe response to EC call for evidence on the EU venture and growth capital funds reform

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Introduction

Insurance Europe welcomes the European Commission (EC)'s effort and ambition to build a Savings and Investments Union (SIU). Insurance companies are among Europe's largest long-term institutional investors. With approximately EUR 9.5 trillion in assets under management, the sector plays a critical role in financing governments, businesses and infrastructure. This established role as a stable and patient provider of capital also places insurers in a position to contribute to Europe's long term investment needs.

Insurance Europe supports the Commission's efforts to improve operating conditions for EU venture and growth capital fund managers and to strengthen their global competitiveness. The intention to introduce a more proportionate, simplified and cost-effective regulatory framework should help enable these funds to operate at greater scale and expand the financing available to innovative European companies.

Despite recent progress, Europe's venture capital (VC) ecosystem remains less developed than that of other leading markets. VC investment in the EU represents around 0.3% of GDP — less than one third of US levels. Between 2008 and 2021, almost 30% of European unicorns relocated their headquarters outside the EU, often seeking deeper capital markets and more robust late-stage funding opportunities.

The funding gap is particularly evident at the scale-up stage. European late-stage financing markets and IPO channels remain relatively shallow, constraining domestic growth prospects and contributing to capital outflows.

While insurers and pension funds collectively manage substantial long-term capital, their allocation to venture capital remains modest — EU insurers typically allocate less than 1% of assets under management to VC and growth equity. However, while this is small in relative terms to the total portfolio it represents about €100bn and so is significant in absolute terms.

Three core factors explain this:

- First, the overall business environment and competitiveness of the European venture ecosystem remain key determinants of capital allocation. Insurers invest policyholders' funds on the basis of risk-adjusted returns, scalability, exit opportunities and regulatory predictability. Where capital markets are deeper, late-stage financing more developed and administrative burdens lighter, venture investments tend to offer more attractive and reliable pathways to value realisation. Strengthening Europe's competitiveness — including through streamlined regulation, reduced fragmentation and more efficient market structures — is therefore central to attracting greater long-term institutional participation.
- Second, VC investment requires expertise which many insurers do not have and many insurers who have not had experience of investing will not have included any asset allocation for VC. While to some extent external fund managers could provide that expertise, relatively few, often the largest, insurers will have dedicated inhouse VC expertise and experience. There can be a lack of VC focused funds with sufficient diversification and track records for those insurers who do not have their own VC expertise to feel comfortable investing.
- Third, many insurance products with guarantees or predictable payout profiles — are not naturally aligned with the characteristics of venture capital. VC investments are subject to significant performance dispersion and typically — at least in the first years (J-curve-effect) — do not provide income, whereas insurers often need stable cash flows and asset-liability matching. As a result, the appetite for venture capital is not suitable for all insurers, and if it is, it is structurally limited to a carefully managed allocation rather than a core portfolio holding.

In this context, the overall modest share of VC in insurers' portfolios reflects both the nature of the asset class and the current European investment environment. While VC is likely to remain a modest allocation within most insurers' portfolios given the limited fit with the liability structure of many insurers even a small percentage increase can have a large impact in absolute terms. Given the size of insurers' balance sheets, even a relatively small increase in the current percentage of investment in VC by insurers can represent a significant absolute amount. Enhancing market depth and competitiveness would create the conditions under which insurers could increase their participation in a manner consistent with their fiduciary responsibilities and long-term commitments to policyholders.

Recent EU policy initiatives — including the EU Startup and Scaleup Strategy (2025), the planned reviews of the European Venture Capital Fund (EuVECA) Regulation and the Alternative Investment Fund Managers Directive (AIFMD) under the EC SIU strategy — are welcome steps towards mobilising long-term institutional capital for innovation. Ensuring that these initiatives are aimed at improving market depth and competitiveness will be key to translating ambition into increased capital flows.

Beyond this to enable insurers to contribute to Europe's innovation ecosystem — within the boundaries of their liability structures and fiduciary duties — policy action should focus on scale, implementation clarity and institutional efficiency. Those can be achieved through:

1. Reduce Legal Fragmentation

Reducing fragmentation in insolvency and restructuring regimes is essential to strengthening investor confidence. Greater harmonisation of creditor rights and clearer rules regarding the powers of insolvency administrators would enhance predictability in liquidation and reorganisation processes, particularly in cross-border contexts.

2. Strengthening Market Confidence

Political backing for well-structured venture capital initiatives also plays an important signalling role. Building on successful voluntary national programmes — such as the Tibi initiative in France and WIN in Germany — can reinforce long-term commitment to innovation financing and improve market credibility.

In order to improve investors' access to liquidity when investing in growth and innovation capital, efforts should be made to develop deeper and more liquid exit channels, including stronger IPO markets and efficient and transparent secondary markets.

3. Leverage Public–Private Partnerships and Strengthen the Role of Promotional Banks

Public–private partnership (PPP) models can play a catalytic role in crowding in institutional capital. A stronger and more coordinated focus by supranational and national development banks — including the European Investment Fund and the European Investment Bank — can enhance scale, risk-sharing and market credibility.

In particular:

- Partial or first-loss guarantees can reduce downside risk and improve capital efficiency;
- Well-designed PPP models should operate on market terms and crowd in, rather than substitute, private capital.

Such mechanisms can lower entry barriers while maintaining robust prudential safeguards.

4. Develop Scalable European Fund-of-Funds and Access Platforms

Professionally managed fund-of-funds structures and pan-European platforms can serve as effective channels for insurer participation, particularly where direct access is constrained by scale, expertise or operational requirements.

A centrally managed European platform — potentially supported by the European Investment Fund or national promotional institutions — could:

- Conduct standardised due diligence on underlying VC funds;
- Apply harmonised risk assessment methodologies aligned with the Solvency II Directive;
- Provide consolidated reporting tailored to insurers' regulatory needs;
- Ensure governance, diversification and risk controls consistent with prudential expectations;
- Facilitate look-through reporting for capital calculation purposes.

Where regulatory clarity allows insurers to rely appropriately on centralised due diligence and risk management conducted by such regulated vehicles, duplication of oversight could be reduced and operational feasibility improved — without weakening supervisory standards.

In parallel, existing national VC, SME debt and equity vehicles should be assessed with a view to scaling them across borders or developing multinational/EU-level equivalents to enhance diversification and investment capacity.

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