Recommendations in response to EC call for evidence for evidence on the Savings and Investments Union

Insurance Europe welcomes the European Commission's effort and ambition to build a Savings and Investments Union (SIU) and will continue to develop proposals and engage in discussions on future solutions to make the SIU a success.

European insurers can play a key role in achieving the SIU goals: they provide protection to citizens and businesses, help people save for old age, are a major long-term investor in the EU economy – with €9.5trn, invested in equity, corporate and sovereign bonds[1] - and a significant employer.

Investing is a fundamental part of insurers' business model. By offering savings and retirement products with protection elements such as guarantees and risk covers, through a range of channels, they meet the needs and preferences of consumers.

Increasing retail savings through insurance products, combined with targeted improvements to regulations, would make a major contribution to the SIU goals. The following actions can help achieve this:

- Ensure that the **Retail Investment Strategy (RIS) contributes to the SIU objectives to allow easy access to investment products for retail investors**. See recommendations here.
- **Improve financial education to increase recognition of the need for savings and insurance** (eg pension dashboards or tracking systems)
- Introduce/Reinforce **tax incentives** which are key for motivating people to save for retirement.
- Consider **sharing good practices** in relation to national products **and assess the feasibility of a common EU label building on products at a national level**. This should aim at generating new savings, while preserving the current diversity of products and distributors.
- Before introducing any alternative new product at EU Level, **take stock of why the PEPP does not work**. To address the barriers to offering PEPPs, fundamental simplification and significant reforms are needed.
- Share with member states positive experience with **automatic enrolment** in pension schemes for employees.

The following would help insurers increase investment in assets which are a key for growth and innovation, eg listed equities, venture capital, SME equity and debt, and infrastructure:

- **Correctly design and calibrate the Solvency II Review Level 2** details. See proposals here.
- **Facilitate cross-border investment** by reducing the fragmentation in insolvency laws and setting up a process for resolving cross-border disputes.
- Increase use of **public-private partnerships** and have a stronger focus of supernational development banks to crowd-in institutional investors. **Partial guarantees** can reduce barriers to greater investment and should be recognised under Solvency II (in line with bank regime).
- To increase scale and access to venture capital, SME debt and equity, **assess national funds** and how their use can be expanded

1 EIOPA blog "How European insurers and pension funds can contribute to further strengthen the Capital Markets Union", 25 April 2024.

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to other EU markets or potentially multi-national/EU versions.

- For **securitisations**, introduce more appropriate risk-based capital requirements in Solvency II and reduce due diligence requirements.
- **Remove IFRS disincentives for equity and venture capital investment**, due to IFRS not allowing certain capital gains to be reflected in profit ("equity recycling issue"). See proposals here.

The regulatory environment must underpin businesses' ability to maintain their competitiveness and to contribute to the EU's objectives of innovation and sustainable growth.

- We welcome the EC's focus on regulatory simplification and improving competitiveness, avoiding new regulatory burdens and reducing existing ones. It is vital that it is applied in regard to ongoing regulatory developments (eg Solvency II, RIS and FIDA).
- When it comes to supervision, we support continued national oversight and efforts by National Supervisory Authorities and EIOPA to use existing tools to continue convergence efforts, while respecting flexibilities allowed in regulatory texts.

Introduction

The European insurance industry welcomes the European Commission's plan to create a new Savings and Investments Union (SIU), which would build on the Capital Markets Union (CMU) project and aim at "*developing a strategy for supporting household wealth creation by increasing the returns on savings of EU citizens (in a risk appropriate manner), while widening the financing opportunities for businesses*."[2]

The much-anticipated SIU, if designed correctly, can act as an enabler to growth and competitiveness by providing the necessary momentum to help mobilize savings and investments in the European Union to the benefit of citizens and businesses. This is particularly important given the unprecedented investment needs Europe faces in order to tackle the challenges of achieving the green and digital transitions and financing innovation and productivity.[3]

Insurance provides protection to citizens and businesses, helps people save for retirement and their future, and is a significant investor in the EU economy, as well as a significant employer. Given its key role for society and the economy, the European insurance sector can make a significant contribution to achieving the SIU aims. Thus, the insurance sector can play a key role in helping achieve the EU's objectives of a globally competitive and sustainable economy, stable high-quality jobs, and high resilience against future crises.

Insurance savings products already act as a proven conduit for channelling retail savings into investment with close to €9.5trn invested in the economy and 69% of insurers' investments in equity, corporate and sovereign bonds are within the EU.[4]

The insurance sector has also been proven to have limited exposure to systemic risk, demonstrating greater resilience during periods of economic turbulence.

Therefore, increasing retail savings through insurance products, combined with targeted improvements to regulations will make a major contribution to the SIU goals. This paper highlights how the insurance sector can contribute to the SIU and proposes recommendations for key actions that would allow the industry to significantly increase its contribution.

2 EC news article "Commission seeks feedback on Savings and Investments Union", 3 February 2025

3 The EU annual investment needs until 2030 are estimated to be €700-800 bn ('The future of EU competitiveness' report by Mario Draghi (September 2024).

4 EIOPA blog "How European insurers and pension funds can contribute to further strengthen the CMU", 25 April 2024

How the European insurance sector already contributes to achieving the SIU objectives

Providing protection to EU citizens and businesses

Insurance is a key enabler of modern living. It provides citizens and businesses with financial protection in the event of adverse events and offers mechanisms to manage, mitigate and cope with the risks they face. The availability of insurance cover is a precondition for all economic sectors to manage and mitigate the growing risks their face. Indeed, risk-taking is necessary for businesses to grow and innovate, and insurers enable them to do so. Thus, Europe will only succeed in creating an economic future based on growth and innovation if the insurance and reinsurance sector can continue to play its role as a key facilitator.

Insurance products boost retail participation in capital markets and help tackle demographic challenges

Insurers play a very significant role in the provision of pension and savings across the EU. They provide retirement savings products, occupational pension and insurance-based investment products (IBIPs); in fact insurance products represent the largest portion of retail investment in Europe (70%[5]), thus having a crucial role in the development of the SIU.

Insurance products can help retail customers invest long-term, prepare for old age, and at the same time provide them with safety due to additional features and benefits. These include financial guarantees and coverage against a variety of health or work related risks, such as longevity, death, hospitalisation, inability to work or unemployment - elements that many consumers value and look for, and which are key to their investment decisions. Moreover, insurers offer a variety of products enabling people with different risk profiles to invest in capital markets. This includes products with high levels of safety, e.g. through profit-sharing and guaranteed products, and in doing so insurers serve the needs of the many small savers who would otherwise not have the confidence to invest at all due to fear of losing their money.

Insurance savings products are available to retail investors through multiple distribution channels, like agents, brokers, bancassurance, or directly through insurance companies themselves. Having a wide choice of distribution allows consumers to have broad access to investment.

One of the largest long-term institutional investors

The insurance industry is one of Europe's largest institutional investors and an important provider of stable, long-term funding for governments and businesses. Insurers are therefore uniquely positioned to contribute to sustainable economic growth and to help finance digitalisation and transition to a carbon-neutral, more sustainable and resilient economy.

Investing is a consequence of the insurance business model: policyholders pay premiums upfront, which insurers then invest to meet future claims and benefits. Insurers' business model allows them to have a long-term investment time horizon, which includes focussing on the long-term performance of assets, investing in illiquid assets and acting as a countercyclical buffer. These advantages benefit the economy and also allow insurers to better invest for the benefit of their customers, thereby contributing to reducing the pension gap.

Insurance companies invest in a broad range of assets. Most of these assets are allocated to investment funds, government bonds, corporate bonds and equity. These four categories make up 88% of all investments.[6]

- Government and corporate bonds (including covered bonds) are often favoured by insurers as instruments able to provide cash flow or duration-matching of their assets and liabilities. Via these investments, insurers play a significant role in supplying the funding needs of governments and businesses.
- Public equities, which are a core source of corporate financing through the capital markets and which play an important and not easily replaced role in society.
- Insurers also provide long-term funding via investment in infrastructure, real estate, securitisations, mortgages, private equity and venture capital, the last two being key instruments for funding innovation. Insurers would like to increase their allocations to these investments to expand the diversification of their portfolios and enhance returns for customers.

5 EIOPA estimates, 2021
6 EIOPA estimates, 2023 (link)

The investment mix varies considerably between companies and countries within Europe to meet local requirements and conditions.

- At company level, it typically depends on the types of insurance products sold: that is, on the mix of protection products, life unit-linked and life guarantee-type products. The risk appetite of a company and its areas of investment expertise will also affect its investment mix.
- Variations in investment mix between countries typically reflect differences in national product features, regulation, government policy and taxes.

What measures can help the insurance sector contribute further to chieving the SIU objectives

The insurance industry has identified a number of opportunities and recommends the following actions under the scope of the SIU project to increase retail savings, diversify funding for EU businesses and create an environment for companies to grow.

To increase retail investment…
There are currently behavioural, practical and regulatory barriers that need to be overcome to increase retail participation in capital markets.

Looking at the behavioural barriers, many Europeans underestimate their need to invest for retirement; they often lack the confidence, knowledge, or interest in directly investing in the capital markets. Many Europeans also tend to be highly concerned about the safety of their savings and the risks of investing directly. As many have limited resources and ability to withstand losses, this concern is understandable. This is confirmed in Insurance Europe's Pan-European Pension Survey[7] where by far the safety of the money invested was the highest priority of the representative samples of respondents.

Another barrier to investing is the fact that potential investors can be put off by the overload of information providers are required to give them and by the long and un-appealing process they are required to go through based on the EU legislative framework.

1 Recommendations

- **Make it easier for consumers to invest in savings and pension products and improve prudential rules which act as barriers**
  - Ensure that the **Retail Investment Strategy (RIS) contributes to the SIU objectives to allow easy access to investment products for retail investors**. This means that the RIS trilogue negotiations should focus on making sure that the investment process does not become overly-complicated, reducing the current information overload and removing paper-based requirements. On the supply side, the RIS trilogues should aim at removing unnecessary reporting and bureaucracy, preserving insurers' freedom to design products and avoiding excessive Level 2 details that would make it too difficult to do business. Read more about insurers' key messages for the forthcoming RIS trilogues here.
  - **The Solvency II Review needs to be finalised in a way that helps reduce the current excessive capital requirements and volatility**. If this is not addressed, it will remain too difficult for insurers to offer the guaranteed investments that many consumers are looking for. The political agreement on the Directive review reached in December 2023 needs to be also fully reflected in the upcoming Level 2 legislation. Correctly designing and calibrating the technical details in Level 2 is fundamental to enhancing insurers' investment capacity, avoiding procyclicality and ensuring their competitiveness, while maintaining the high level of policyholder protection of the framework.
  - Providing all European citizens with **clear information about future public and private pension entitlements**, in order to raise awareness of the need for savings for instance by promoting pension dashboards or tracking systems, would help many of them make informed decisions about their pensions. Both Member States and the European Commission

7 Covering 16,000 people across 15 countries (link).

have a pivotal role to play in making sure that this objective becomes a reality all over the EU.

- Member States should consider implementing **automatic enrolment schemes** for employees where appropriate and on a voluntary basis. Research indicates that people are more inclined to join pension savings programmes through auto-enrolment, as long as they have the option to opt out if they prefer. National pension systems differ greatly and this is why national circumstances require country-specific solutions. As a result, there is no one-size-fits-all approach to tackling the challenges.
- **Tax incentives should be introduced/reinforced** as these are key in encouraging people to save for old age, which is very important in the context of reducing the pension (gender) gap and old-age poverty. These incentives typically come in the form of tax deductions, credits, or deferrals.
- Consider **sharing good practices** among Members States in relation to national products and **assess the feasibility of a common EU label** building on existing products at a national level, which are already successful with retail consumers. This should aim at generating new savings, preserving, and if possible increasing, at the same time the current diversity of products and distributors. One such successful product is private endowment insurance in Sweden that has a similar simplified tax-treatment as the national savings account (ISK). Given the variety of existing products offered in the market, **there is no need to introduce a new pan-European saving and investment product**.
- It is also important to **take stock of why the PEPP did not work as intended**. There are current many reasons preventing providers, and especially insurers, from launching such products on the market. This includes, but is not limited to, the compartments provision, the fee cap, the many obligations and requirements to be met (such as the need to provide advice, to have returns about inflation and provide safety at the same time, etc.). The fact that the tax treatments of potential PEPPs vary across the EU is also a significant barrier. **To address the identified barriers to the current offering of the PEPP, a fundamental simplification of the PEPP regulation is crucial**.

- **Improve financial and insurance education and nudging mechanisms**
  - Efforts at EU and member state level to **promote financial and insurance education** are needed in order to ensure that European citizens are equipped with the knowledge, confidence and skills necessary to improve their understanding of financial products. Initiatives should be adapted to their different needs and age groups to help them understand the information they receive and ask the right questions. In this respect, Insurance Europe welcomes the RIS proposals on financial education. This could build on the financial competence framework developed by the European Union together with the OECD. Similarly to the Mortgage Credit Directive (MCD) requirement under Art. 6, the EC and/or the European Supervisory Authorities (ESAs) could also be required to collect and publish information on the financial and insurance education initiatives available to consumers in the member states to make them more visible and accessible.
  - The insurance industry is already engaged in a wide range of initiatives to increase consumers' financial literacy and understanding of insurance and contribute to this objective, as displayed in Insurance Europe's InsureWisely campaign and Consumer Hub.
  - Insurance Europe welcomes the European Commission's commitment to presenting a strategy on financial literacy and looks forward to contributing to the discussions on improving financial and insurance education.

To diversify funding for EU businesses…

For insurers, the **excessive Solvency II regulatory capital charges**, including those applying to equity investments, act as a barrier to insurers ability to invest long-term. Capital charges for equities should be based on the risk of long-term underperformance of the asset and not only on a short-term trading risk approach. This would lead to more appropriate, generally lower capital charges, and enable insurers to invest more.

Also, insurers' cross-border investment can be limited by the **lack of harmonisation of insolvency proceeding**s and the lack of clear dispute settlement procedures between investors and member states.

Another current barrier is that **assets**, such as infrastructure, European private debt, private equity, venture capital, and listed equity, **can be hard for insurers to access due to lack of sufficient scale and lack of suitable information** on those assets.

2 Recommendations

- **Improve prudential and accounting rules which unnecessarily hold back insurers' investments**
  - Improvements targeted at capital requirements for long-term holdings of equities are under discussion as part of the Solvency II Review. The insurance industry would welcome **further improvements through the Level 2 delegated act**, which is currently being developed, to enable further recognition of long-term equity holdings.
  - Other areas of the Solvency II Review, aimed at reducing excessive overall capital requirements and volatility also have a major impact on the capacity of insurers to invest. It is therefore key that the **Solvency II Level 2 technical measures are finalised taking into account the impact of the review on achieving SIU objectives**.
    - These include the calibration of the lambda parameter in the risk margin, the Volatility Adjustment risk correction and the residual volume criterion and the convergence parameter in the Extrapolation methodology. The detailed industry proposals can be found here.
  - With respect to **securitisations**, it should be considered if and how barriers impacting insurers' appetite for securitisations can be reduced by:
    - Reviewing and adjusting the European STS Regulation (Simple, Transparent and Standardised) and considering a risk-adequate reduction in capital requirements. Current capital requirements **for securitisations** under the **Solvency II** standard formula are too high in relation to the actual risk.
    - The requirements in the STS Regulation for investors notably in Art. 5 and for STS securitisations should be critically reviewed and limited.
    - In addition, the **supply of securitisatio**ns in Europe should also be expanded. It should be examined whether there are sensible simplifications for issuers without restricting investors' need for information
    - There are other factors impacting insurers' interest in securitisation which should be addresses. Along with looking at reducing capital requirements and other burdens, to create a favourable ecosystem, policymakers should **look at other factors** limiting insurers potential interest and ability to invest in securitisations, including:
      - specialised knowledge required
      - ensuring liquidity
      - ensuring data is available to allow assessment of risks and returns
      - supervisory perception of securitisations
    - It remains to be seen how the market would develop after the changes outlined above, which are expected to have a positive impact on the securitisations markets and lead to a moderate increase in insurers' allocations to these assets.
  - **Allow the recycling of gains or losses** for equity instruments measured at Fair Value through Other Comprehensive Income (FVOCI) **under IFRS**, to promote long-term equity investments in Europe.
    - Under the current IFRS framework, investment in equity, long-term equity and equity-type instruments is penalised where equity instruments are held directly, because the current IFRS model does not allow capital gains (or losses) to be included into profits. This is known as the "recycling issue" and Insurance Europe has long argued it needs to be resolved.
    - Another IFRS issue will arise because, where insurers invest though associates and joint ventures as part of their long-term investment strategy to back insurance liabilities, those returns will not be recognised as part of insurers' operations and net financial results, but will need to be reported separately.

- **Facilitate greater cross-border investment**
  - To spark more cross-border investments, confidence in a stable and reliable investment environment with clear rules, effective remedies and legal certainty is key. To improve confidence, we recommend:
    - **Avoid sudden and retroactive changes of local investment frameworks**. Where necessary, safeguards should be introduced. Moreover, there is a need to explore how EU guidelines can better ensure protection and

legal certainty.

    - **Setting up a practicable process for resolving disputes between Investors and Member States**. The creation of an **EU investment court** would help to settle cross-border disputes and contribute to legal certainty and legal peace.
  - **Reducing the current fragmentation in insolvency laws** is important for facilitating cross-border investment. In this respect, harmonising creditor rights and the legal status and powers of insolvency administrators to trace assets belonging to the insolvency estate would help to ensure that the interests of creditors are appropriately considered and thus contribute to more confidence in a fair liquidation and reorganisation process.
  - The idea of developing a European private company for start-up/scale-up companies and a **28th regime** applicable to them is understandable in view of the limited progress to date in harmonising European insolvency rules. However, this requires not only the development of an additional new harmonised EU insolvency regime, but also, according to the EC, adjustments in the company, tax and labour law. This project is likely to be very complex and, in view of the small scope of application only for start-up/scale-up companies, should be assessed critically from a cost/benefit perspective. The partial harmonisation mentioned above may be more feasible.

- **Increase insurers' access to infrastructure, SME equity, SME debt and venture capital**
  - Further investments in critical European infrastructure are key to foster growth and resilience and enabling Europe's economy to be competitive. More investments could be sparked by **an increased use of public private partnerships (PPP) across Europe**. The identification of best practices for cooperative financing across Europe as well as more standardisation (in terms of contracts and Key performance indicators (KPIs) could free up additional capital. The end goal should be the creation of a deep European PPP asset class.
  - The European Commission should provide **toolboxes for economic feasibility studies** for deciding which purchasing process is economically most efficient.
  - InvestEU and the mandates and financing policies of European development banks such as the European Investment Bank (EIB) should be reviewed with the aim to maximise additionality in terms of private sector engagement in financing the real economy and infrastructure. **Simple and efficient access to infrastructure investments** should be facilitated and the **crowding-in of private capital** ensured.
  - **State Guarantees on risky assets** should be introduced to facilitate investment by insurance companies. Innovation involves mainly venture capital and private equity assets so a partial guarantee on the riskier part of the investment is needed in order to reduce the risk for the investor. Solvency II should allow for a special treatment of partial guarantees, in line with bank regime.
  - There are examples at national level of funds , often created with the involvement of insurers and governments, containing SME equity and debt, venture capital or infrastructure assets. Such funds provide the scale and access for a wide range of insurers, including smaller ones, to invest in these asset classes. Actions should be taken to **assess where and why national funds have been successful** and how their use can be expanded to other EU markets. The potential for multi-national or EU versions of such funds and potential benefits involving financial instruments such as Invest EU should be investigated.

To create a conducive environment for EU companies (start-ups, SMEs, listed companies) to innovate, compete globally and grow…

Sound and trusted regulation is vital for healthy EU industries that can thrive at home and abroad. At the same time, the **regulatory environment must allow European businesses to maintain their competitiveness** and their ability to contribute to EU's objectives of sustainable, innovative and inclusive growth.

3 Recommendations

- **Take a new approach to regulation that enables insurers to invest and innovate and ensure regulation and supervision of the sector is tailored to its specifics**
  - Insurance Europe **welcomes the EC's focus on regulatory simplification** and the clear target to reduce reporting burdens by at least 25%. Excessive and overlapping regulation limit the companies' ability to innovate, grow and invest, and its costs are ultimately borne by consumers. In this respect, the 'Omnibus simplification package' presented by the EC in February 2025 is a very good and crucial step towards simplifying and improving EU rules. It is **vital that the objective to improve competitiveness, to avoid new regulatory burdens and reduce existing ones, is also fully applied to ongoing regulatory developments**. For example, key proposals currently in the process of development or finalisation, including the Retail Investment Strategy (RIS), the Financial Data Access (FIDA) regulation will add very significantly to insurers' already high regulatory burden.
  - The regulation and supervision of insurers should be designed to **take into account the specific features of insurance**. This will ensure that the insurance regulatory regime is focused on the right risks and, ultimately, that consumers and society at large can continue to reap the benefits of a resilient, efficient, innovative, and reliable insurance sector. It is thus important to refrain from simply copying the approaches developed for other sectors, such as banking.
  - Insurance is captured in a multitude of sector-specific regulations. For this reason, regulation should not be produced in a "silo" that does not take account existing laws in all areas affected by it. For example, current proportionality frameworks are not sufficiently tailored to the specifics of the insurance sector. This leads to very small insurance undertakings being subject to the same requirements as global players in the real economy – an imbalance that must urgently be addressed.
  - When it comes to supervision, the industry supports continued national oversight and efforts by National Supervisory Authorities (NSAs) and EIOPA to use existing tools to continue convergence efforts, while respecting the flexibilities recognised by the regulatory texts as necessary. Therefore, the costs and risks involved in making changes are not justified by potential benefits and needs. There is a clear rationale for a single banking supervisor due to the systemic risks posed by banks. There may be logical arguments to consider the European Securities and Markets Authority (ESMA) playing a larger role in view of encouraging growth in European capital markets and stock markets. For insurance, the same logic does not apply. Insurers present limited systemic risk and national supervision and knowledge is particularly relevant for insurance because the need for and design of many insurance products vary nationally. This is because of the strong links of insurance to national tax, pension, health, judicial, liability and social security systems. The industry however has acknowledged the need for targeted improvements in cross-border supervision. The ongoing Solvency II review will introduce changes to enhance cooperation and coordination between home and host supervisors, and the industry supports evaluating the effectiveness of these changes before taking further actions.

Insurance Europe is the European insurance and reinsurance federation. Through its 39 member bodies — the national insurance associations — it represents insurance and reinsurance undertakings that account for around 95% of total European premium income.