insurance europe

High-level comments on EC call for evidence on the Single Market Strategy for 2025

Introduction

Insurance Europe welcomes the European Commission's efforts and ambition to strengthen the EU single market.

Insurance is a key enabler of modern living. It provides citizens and businesses with mechanisms to manage, mitigate and cope with the risks they face. The European (re)insurance sector is also a global success story. Among the 58 Internationally Active Insurance Groups subject to the IAIS's ComFrame regulatory regime, 18 are based in EU countries and a further 10 in Switzerland and the UK. This represents a stark contrast to Europe's standing in other key sectors. With its significant business presence internationally, the insurance sector contributes to Europe's competitiveness, global leadership, and financial autonomy.

The availability of insurance cover is a precondition for all economic sectors to manage and mitigate the growing risks their face. Risk-taking is necessary for businesses to 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.

With around €9.5trn assets under management, and a business model which allows a long-term perspective, the insurance industry is also one of the largest institutional investors and makes an important contribution to the European economy, to the sustainability transition and to financial stability. The sector is also a significant employer, employing over 920 000 people in the EU. More details on how insurers contribute to key challenges facing Europe and the sector's recommendations to policymakers can be found here.

Insurance Europe welcomes the focus of the upcoming Single Market strategy on removing existing regulatory and administrative barriers and preventing new ones from materialising. The industry would like to share some high-level views below, as well as some reflections on the link between the Single Market Strategy and other key projects, notably the Savings and Investments Union (SIU).

Regulatory burden needs to be streamlined and reduced and a new approach to regulation is needed

The success of EU businesses requires appropriate and effective regulation. The right regulatory environments are needed for companies to be able to maintain their competitiveness on the world stage and to contribute to the EU objectives of sustainable, innovative and inclusive growth. Every Euro that is spent on meeting overly burdensome requirements cannot be used to increase investment or to provide additional insurance cover.

For insurers, efficient and effective regulation can help maintain customer trust and confidence, preserve the level playing field and allow cross-border growth and competition. However, in recent years, the (re)insurance sector has been subject to a very significant increase of regulatory and reporting requirements. Insurers were impacted by 12 texts in 2012. Today, there are about 70 which impact insurance, or will do so going forward. The complexity and level of detail has also increased dramatically. European regulation on sustainability reporting, digital issues, solvency requirements, conduct of business, due diligence and much more, all tend to be more onerous and expensive than those applied to international competitors. This results in a heavy and costly compliance burden. In turn, it negatively impacts customers, eg through higher costs and less innovation, and puts the EU insurance industry at a competitive disadvantage.

The report on the future of the Single Market by Enrico Letta also proposes that "a comprehensive approach not only elucidates the path towards a more efficient and competitive Single Market but also advocates for a streamlined and vibrant economic ecosystem". Likewise, the report by Mario Draghi on the future of EU competitiveness called for rules to be simplified, noting that the European

Union had issued 13 000 new regulations between 2019 and 2024, compared with 5500 in the United States. Burden is created not only by too many requirements, but by regulation which is not well designed for the sector, by duplications and overlaps across different pieces of legislation, lack of sufficient time to implement the requirements, as well as lack of clarity and timely provisions of Q&As.

The industry welcomes the European Commission's recognition of the need to address the huge reporting and general regulatory burden. For this to result in any material benefit, there needs to be material reduction to reduce both the burdens from existing regulation but also those in the process of finalisation including Solvency II, the Retail Investment Strategy and FIDA. In addition, a new approach to any new regulation needs to be developed and enforced so that additions are only made if truly necessary (with a high benefit to cost ratio), are kept as simple as possible and enough time is taken to develop and given for implementation.

The Omnibus Simplification Package announced by President von der Leyen also represents a crucial opportunity to address the issues outlined above. The European insurance industry remains strongly committed to supporting the green transition of the EU economy, both as providers of risk coverage and as major institutional investors. We are convinced that an effective sustainable finance framework is necessary to accelerate the transition to a sustainable economy. The sheer volume, the level of granularity and potential overlaps of the individual frameworks developed over the last 5 years, however, are putting the competitiveness of Europe's world-leading insurance industry at risk.

Regulation impacting the insurance sector should be tailored to its specifics
The regulation and supervision of insurers should be distinct from that for banks and other financial institutions and 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. 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.

The detailed Insurance Europe recommendations on ensuring a regulatory environment in the EU that supports innovation, competitiveness, and growth can be found here.

To allow the EU economy to be more competitive, innovative and resilient, the future SIU needs to be designed correctly
The European insurance industry welcomes the European Commission's intention to create a new SIU which would build on the Capital Markets Union (CMU) project. Giving new impetus to the CMU project, which aims at building a single market for capital, is one of the recommendations by Enrico Letta and Mario Draghi in their reports. Given the unprecedented investment needs Europe faces today, if designed correctly, the much-anticipated SIU has the potential to mobilise savings and investments in the European Union to the benefit of European citizens and businesses. To achieve this, the SIU should focus on three key objectives in order increase prosperity for EU citizens, stimulate growth, innovation and competitiveness for EU businesses and to meet the EU's massive needs for climate, digital and other investment. In particular, delivering on these objectives will help ensure the private sector can play its role in financing the green transition as well as European venture capital, SMEs, infrastructure and listed companies thereby ensuring growth and jobs, and paving the way for a financially and economically stronger Europe.

The three objectives are increasing retail participation in capital markets, diversifying sources of funding for EU businesses and creating a conducive environment for EU companies (start-ups, SMEs, listed companies) to innovate, compete and grow. Please find here the detailed Insurance Europe views on the future of the CMU.

However, regulatory simplification and a successful Savings and Investments Union are just two dimensions of a comprehensive programme needed to maintain Europe's competitive edge in insurance and beyond. It is equally important that prudential rules enable insurers to compete globally, that the industry can access the data and technology necessary to innovate and improve efficiency, and that systemic risks are addressed in partnership with the sector.