

Response to EIOPA consultation on capital requirements in crypto assets

Our reference:	ECO-SLV-24-417	Date:	24-12-2024
Referring to:	Consultation on technical advice on standard formula capital requirements for investments in crypto assets		
Related documents:	Consultation Paper		
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Pages:	2	Transparency Register ID	33213703459-54

Introduction

Q1. Do you have general comments on the consultation document?

The industry welcomes the opportunity to comment on EIOPA's consultation on standard formula capital requirements for investments in crypto assets.

Crypto assets form an extremely marginal portion of insurers' assets. The industry recognises that these assets are volatile and may not be suited to insurers' investment portfolios. With this in mind, the industry **supports Option 3, combined with the implementation of diversification**, as the most technically accurate approach. Alternatively, the industry proposes a different approach that involves accounting for cryptos as intangibles but specifying that they should have a zero value.

Q2. Do you have comments on Section 1.1 'Call for advice'?

N/A

Q3. Do you have comments on Section 1.2 'Context'?

N/A

Q4. Do you have comments on Section 1.3 'Structure of the draft advice'?

N/A

Q5. Do you have comments on Section 2.1 'Extract from the call for advice'?

N/A

Q6. Do you have comments on Section 2.2 'Relevant legal provisions'?

N/A

Q7. Do you have comments on Section 2.3 'Previous EIOPA advice'?

N/A

Q8. Do you have comments on Section 2.4 'Other regulatory background'?

Independent from the outcome of the consultation, EIOPA should ensure there are no conflicts with other legislation.

Q9. Do you have comments on Section 2.5 'Identification of the issue'?

N/A

Q10. Do you have comments on Section 2.6 'Analysis'?

It is not clear whether "no diversification possible" mentioned in Options 2 and 3 means no diversification at all like the Solvency Capital Requirement (SCR) operational risk, thus to be added to the basic SCR (BSCR), or merely no diversification within the module market risk.

Q11. Do you have comments on Section 2.7 'Draft advice'?

- **Calibration of "stressed 100%" appears excessive** - Labelling a calibration as "stressed 100%" seems excessive, given that no such significant loss has been observed in the data (Bitcoin and Ethereum) analysed by EIOPA. The proposed calibration may overstate the risks, especially considering the actual market performance data.
- **Potential conflicts with other legislation** - EIOPA should ensure there are no conflicts with other legislation, especially as much of this regulation is still new. Coordination with existing frameworks is essential to avoid contradictory regulatory requirements for insurance and reinsurance undertakings.
- **Complexity vs. limited exposure** - Given the very limited exposure to crypto assets in the industry, which stands at less than 0.01%, there appears to be limited value in introducing a separate shock in the SCR calculations, specifically for crypto assets.
- **Alternative proposal** - Insurance Europe proposes a simple but equally effective solution. Rather than introducing a specific stress calculation, a zero balance sheet valuation for crypto assets could be applied, setting the market value of these assets to zero. As such, investing in crypto assets will lead to a 100% loss of the own funds, aligning with the outcome of a 100% stress in SCR without the need for diversification adjustments.

Q12. Do you have any other comments?

N/A

Insurance Europe is the European insurance and reinsurance federation. Through its 37 member bodies — the national insurance associations — it represents all types and sizes of insurance and reinsurance undertakings. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers pay out over €1 000bn annually — or €2.8bn a day — in claims, directly employ more than 920 000 people and invest over €10.6trn in the economy.