INSURANCE MATTERS

COMPETITIVENESS

The success of EU businesses requires appropriate and effective regulation. In times of uncertainty and a challenging economic reality, 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.

The European (re)insurance sector itself is also a global success story. With its significant business presence internationally, the insurance sector contributes to Europe's competitiveness, global leadership, and financial autonomy. *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.*

With insurance…

Provide protection and maintain consumer trust
The insurance industry supports societies and economies through both the billions of euros it pays in claims to individuals and businesses every day and through its long-term investments.

Support cross-border growth, competition and innovation
Insurance touches all aspects of people's lives and economies — from driving to protecting against catastrophes. It is a specialised sector of the financial services industry whose business model makes it very different from banks and other financial service providers.

Contribute to EU global leadership
With its important international business presence, the insurance sector contributes to Europe's global leadership and competitiveness. There is significant potential for the EU to further strengthen the global leadership of its businesses via its trade negotiations and agreements.

Without insurance…

Increased vulnerability
Individuals would bear the financial burden of unexpected losses or have to hope that governments would step in. Without insurance to help absorb and spread these risks, even minor events could have catastrophic financial consequences.

Limited growth and ability to innovate
The absence of insurance could hinder economic growth by discouraging entrepreneurship, investment, and innovation. Businesses may be reluctant to take on new ventures or expand operations without the financial protection that insurance provides.

Losing ground at the international stage
In order to maintain its competitive edge, the EU needs champions and strong and resilient sectors, such as insurance. However, the (re)insurance industry increasingly faces various market access and trade barriers. 54 major territories have implemented, are implementing, or are considering barriers to global reinsurance.

WHY THE EU REGULATORY FRAMEWORK MAY CURRENTLY NEGATIVELY IMPACT THE COMPETITIVENESS OF EUROPEAN INSURERS

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 are or will be applicable 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.

In 2023, the European Commission made a commitment to rationalise and simplify reporting requirements for companies and administrations and to reduce such burdens by 25%. The industry welcomed the EC's recognition of the need to address the huge reporting burden which forms a substantial part of the regulatory burden for insurers. For this to result in any material benefit, there must be a serious commitment to real changes.

Beyond this, the EU needs to take a different approach to regulation and only introduce new regulation or changes that are truly justified. 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.

INSURERS CAN DO EVEN MORE…

How can policymakers help?

Streamline and tangibly reduce the existing regulatory burden for the insurance sector

- Insurance Europe fully agrees that there is a need to address what has become an excessive reporting burden and has welcomed the EC commitment to rationalise and simplify reporting requirements for companies and administrations and to reduce such burdens by 25%. This must be a serious commitment with real changes made to achieve it. Insurance Europe has provided a range of specific areas where reductions can be made.

Introduce principles to ensure that any new regulation is efficient and proportionate

It is essential to not only simplify and reduce existing reporting burden, but also to avoid, as far as possible, new reporting. To this end, the following principles should be embedded into regulatory initiatives:

- **Minimise new requirements** – the ratio of benefits to cost needs to be high
- **Take a phased approach** so regulation is simpler to develop and agree upon, less expensive to implement and better decisions can be made on how/if to proceed with a next step
- **Report only once** – and avoid reporting overlaps, other overlaps and duplications
- **Involve experts** with knowledge of the sectors concerned in the development of regulation
- **Always embed proportionality**
- **Ensure sufficient time** is given for implementation
- **Conduct thorough consumer-testing** to ensure the requirements really will help and work as intended
- **Avoid over-prescriptiveness and allow flexibility** – monitor concerns rather than trying to cover every possibility with lengthy and detailed regulation. More detail can be added if the need is proven.
- **When detail is needed, get it right** - where requested, by those under scope, provide Q&As quickly and ensure a proper and swift correction process for errors in implementing technical standards (ITS)
- **Seek to avoid extra burdens** created by the European supervisory authorities

Ensure that all insurance regulation is tailored to the specifics of the sector

- An "Insurance expertise centre" should be set up within the European Commission. Serving as an insurance knowledge hub across Directorate-Generals, this centre would ensure that due consideration is given to all risks involved in any new initiative, that the issues at stake are reflected on holistically, and that new (non) legislative efforts meet the intended objectives.

Ensure global standards enhance EU competitiveness

- Global standards can affect Europe in significant ways. Therefore, international regulation and standard-setting should be treated as a political instrument to ensure a global level playing field. In this respect, it is key that there is 1) alignment between initiatives where appropriate and 2) consistent implementation across jurisdictions.

Remove market access and trade barriers

- EU policymakers must target cases of protectionism and discriminatory trade barriers and must prioritise ambitious trade negotiations that lead to more global opportunities for EU businesses.