

## EU regulation must not jeopardise long-term investment

### *Insurers are increasingly important suppliers of long-term financing*

*Brussels, 25 March 2013:* Insurance Europe warmly welcomes today's European Commission Green Paper consultation on the long-term financing of the European economy.

"We fully support the Commission's aim of starting a broad debate on how to address the urgent challenge of satisfying the large-scale and long-term investment requirements in the European economy," said Sergio Balbinot, president of Insurance Europe.

As the insurance industry carries out its primary function as a provider of risk-transfer, protection and pension products, it generates predictable streams of claims over long periods and has historically been a natural investor in long-term assets. In the current economic and financial turmoil, insurers have an important role to play in EU growth and stability.

"In the wave of regulatory reforms currently facing the European insurance industry, it is therefore vital that any changes do not jeopardise insurers' ability to provide this much-needed long-term financing and stability to the economy," said Balbinot. "Europe's renewed economic growth depends on it."

Insurers are the largest non-bank institutional investors in Europe, with over €7 700bn of assets under management at the end of 2011. Insurers invest in a broad range of asset classes, with two-thirds held in corporate and government bonds. Both directly and indirectly, they provide funding for activities on which European economic growth depends, such as infrastructure projects, mortgages, government debt and investments in SMEs and large corporates.

"In the push to implement regulatory reforms, this broader macro-economic picture must not be forgotten," said Balbinot. This important point has already been publicly recognised by bodies such as the Financial Stability Board and the G-20.

Capital requirements and balance sheet volatility in the forthcoming Solvency II regulation, for example, must not make it more expensive for insurers to invest in long-term assets.

As the Green Paper rightly recognises: "... if banks reduce their exposure to long-term real assets as a consequence of increasing liquidity requirements, institutional investors with long-term liabilities could fill the gap as long as the regulatory framework avoids an excessive focus on short-term volatility."

Insurance Europe will now carry out a detailed analysis of the Green Paper and respond to the consultation.

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#### Notes for editors

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2. Copies of all Insurance Europe press releases are available on the Insurance Europe website ([www.insuranceeurope.eu](http://www.insuranceeurope.eu)).



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