insurance europe

Press Release

21 November 2012

Insurance Europe president calls for vital Solvency II solutions

Warns of economic impact if long-term business is damaged

Brussels, 21 November 2012: The European insurance industry supports the goals of the forthcoming Solvency II regulatory regime but vital issues still need to be resolved, Insurance Europe's president, Sergio Balbinot, told the EIOPA (European Insurance and Occupational Pensions Authority) conference in Frankfurt today.

Key among the issues is the need to ensure that the new regime for Europe's insurers fully recognises that insurance is a long-term business. Otherwise the consequences could be severe for insurance customers and for Europe's economic growth and stability.

"The appropriate measures need to be put in place to reflect the fact that — due to their long-term liability profiles — insurers tend to hold assets to maturity and are not forced sellers of assets in volatile markets," Balbinot said.

"Elements that appear to be technical details can in fact have an enormous impact," Balbinot warned. Long-term guarantee issues affect the life industry in particular, and life business accounts for 60% of all gross written premiums in Europe. Life insurers have over €7.7trn invested, and paid out well over €600bn in benefits last year, so Europe cannot afford to damage its insurance industry.

Insurance Europe is calling for all the right alternative solutions for long-term guarantees to be tested in the impact assessment that EIOPA is due to begin shortly. It is of the utmost importance that appropriate alternative measures are tested if suitable solutions are to be found when the EU institutions restart their discussions on the Omnibus II Directive that will update the Solvency II Directive.

The insurance industry is pleased that the European Parliament, Council and Commission have agreed to the need for a package of measures to solve the problems related to long-term guarantees. The package is made up of a matching adjustment to address artificial volatility, a counter-cyclical premium to cope with distressed market conditions and avoid counterproductive and pro-cyclical behaviour, and an extrapolation methodology to extend the interest curve beyond the point at which the market is deep and liquid without creating volatility in the valuation of long-term liabilities.

If appropriately designed, this package would ensure that Solvency II correctly measures risks, including the crucial characteristics arising from the long-term nature of insurance.

Balbinot reiterated the European insurance industry's support for the Solvency II project, provided the outstanding issues are satisfactorily resolved. "Getting the details right will enable Solvency II to fulfil its potential," he said. Solvency II will then ensure high levels of customer protection and encourage good risk management. It will also allow the insurance industry to provide its important economic and social benefits to Europe's citizens, to play a stabilising role in the economy through its long-term investments and to support national governments in stimulating the "real" economy.

The problems in resolving the outstanding Omnibus II issues have delayed the original timetable for bringing in the Solvency II regime. It is important that momentum is not lost in implementing Solvency II and a realistic new timetable is needed so that companies and legislators can plan ahead. Any revised timetable must, however, be workable. Adequate time must be allowed for the legislative process, followed by sufficient time for companies to prepare for the new regime, which includes over 60 new templates for companies' annual reporting to supervisors.

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Photo: [Sergio Balbinot, president, Insurance Europe]

Background

Sergio Balbinot was speaking at the 2012 conference of the European Insurance and Occupational Pensions Authority (EIOPA) in Frankfurt. He was participating in a panel entitled "Insurance regulation — the way ahead".

Balbinot is group chief insurance officer of Generali Group, Italy and has been Insurance Europe president since June 2011.

Notes for editors

1. For further information please contact Janina Clark, head of communications & PR (tel: +32 2 894 30 70, clark@insuranceeurope.eu).
2. Copies of all Insurance Europe press releases are available on the Insurance Europe website (www.insuranceeurope.eu).
3. Insurance Europe is the European insurance and reinsurance federation. Through its 34 member bodies — the national insurance associations — Insurance Europe represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. 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 generate premium income of almost €1 100bn, employ nearly one million people and invest around €7 700bn in the economy.