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From Mr Sergio Balbinot

Last November, political agreement was reached on new EU regulation for Europe's insurers, Solvency II. This was welcomed by the European insurance industry because, while not perfect, it allowed Solvency II to proceed towards implementation and was an acceptable compromise between technical accuracy and practical considerations. Now, however, the detail that is being proposed to flesh out that agreement deviates from the intentions of the EU legislators.

If not corrected, this would seriously limit insurers' ability to provide the long-term investment and stability Europe's economies so desperately need. It would also have a major impact on the availability and price of insurance products, and would harm the ability of European insurers to compete internationally.

Insurance promotes economic activity by providing policyholders with the risk cover and the confidence they need to make investments or to engage in business that they might otherwise consider too risky. Insurers are also major suppliers of the long-term savings and pension products needed to supplement straining state pension schemes. Last but not least, insurers are the largest institutional investors in Europe, with €8.4trn of assets under management.

Europe can — literally — not afford to damage the economic benefits provided by insurance.

The agreement reached last November recognised this. It sought to safeguard very high levels of policyholder protection, while still maintaining the insurance industry's role as an economic stabiliser and a long-term investor. This was achieved by introducing refinements that recognise how long-term, stable insurance liabilities reduce insurers' exposure to short-term market volatility. Yet, in important areas of the current drafts of the regulatory details (the Delegated Acts), the wordings and calibrations would not work as intended.

Insurance Europe, the European (re)insurance federation, is concerned about the repercussions if the Acts do not correctly assess the true risks facing insurers or recognise the advantages of their business model.

From the outset, the European insurance industry has supported the goals of Solvency II. The industry believes that workable solutions exist to the outstanding problems with the Delegated Acts, without delaying the timetable for finalising Solvency II.

In the interests of Europe's economies, we must get this right.

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