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# Securitisation in Insurance: Balancing securitisation growth with prudence

The relaunch of the EU securitisation market remains a political priority on the Capital Markets Union (CMU) agenda, intended to mobilise private capital and strengthen financial integration. However, for insurers—key long-term investors in the European economy—this market continues to play only a marginal role. It is essential to assess securitisation's role with a clear prudential lens, ensuring that any efforts to revitalise the market do not compromise financial stability or policyholder protection. Policyholder protection must guide any evolution of the prudential framework.

Securitisation can offer benefits, including portfolio diversification and risk transfer. Yet, these benefits must be carefully weighed against the structural complexity and historical vulnerabilities inherent to these products. The global financial crisis showed how securitisation can act as a channel for systemic contagion. It is with these lessons in mind that the current Solvency II framework takes a balanced approach—rewarding high-quality securitisation with reduced capital requirements while maintaining a rigorous, risk-sensitive prudential treatment.

While some argue that capital charges should be further reduced to make securitisation more attractive for insurers, such calls must be met with robust scrutiny. Any rebalancing of capital requirements should be based on sound, empirical risk analysis—not driven by market demand or competitive considerations. The Joint Committee of the ESAs confirmed the current level of capital requirements for insurers' securitisation investments in 2022. No new evidence has emerged that would justify further changes in capital calibrations. We would be concerned if reviving the securitisation market introduces more risk into the insurance sector, while at the same time reducing capital to deal with potential impact of the risk. Prudence is not resistance to innovation—it is a safeguard to ensure that investor confidence and policyholder security are not undermined by a push for short-term market growth.

Improvements to the Securitisation Regulation are certainly possible. The Joint Committee has made recommendations to enhance the requirements, including to advance proportionality of the due diligence and transparency requirements. We find a lot of that reflected in the legislative proposal. But also with regard to the Securitisation Regulation EIOPA has reservations about unfunded credit protection by insurers for synthetic securitisation. Compared to funded protection, unfunded protection increases the counterparty default risk, may increase the systemic risk and could be detrimental to policyholder protection. Limiting the scope of the insurers that can provide unfunded credit protection would address that concern only partially.

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A fundamental question also persists: does securitisation, in its current form, genuinely meet the asset-liability management needs of insurers? The relatively short-dated, often illiquid nature of securitised assets, combined with complexity and limited issuance volumes, makes them a less natural fit for insurers' long-term commitments. Encouraging demand through eased prudential treatment would not resolve these structural mismatches—it would simply introduce new risks.

Supervisory authorities must remain vigilant. EIOPA's focus remains firmly on ensuring that prudential standards are respected, risks are appropriately priced, and policyholders remain protected. At the same time, EIOPA is supportive of measures that improve market functioning, increase transparency, and foster convergence across the EU—measures that strengthen the securitisation market without lowering the regulatory bar.

In the broader CMU context, progress must be consistent with the EU's stability and consumer protection objectives. Deepening capital markets and diversifying sources of funding should not come at the cost of diluting supervisory safeguards. EIOPA remains committed to a strong, stable, and transparent securitisation framework—one that earns investor trust and reinforces the resilience of the financial system.

In conclusion, securitisation may play a role in insurers' investment strategies—but only to the extent that it aligns with their long-term horizons and meets the prudential standards of Solvency II. The road to CMU must be built on solid ground. As the EU reflects on the future of securitisation, it should do so with prudence, perspective, and the unwavering principle that financial stability and policyholder protection are non-negotiable.