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Reviving securitisation requires more than lower capital charges

Europe's ambition to deepen its capital markets has placed securitisation at the centre of the policy debate. The Commission presented its reform package in June 2025. The Council and Parliament have since adopted their positions, and trilogue negotiations moved into full swing in June 2026. There could hardly be a better moment to ask what would make securitisation a credible asset class for insurers.

Insurers have long been seen as natural anchors of a deeper market. As large institutional investors with long-dated liabilities, they can provide stable funding across market cycles. An active debate is underway over whether capital requirements are holding back their investment in securitisation. Yet, participation remains limited for reasons beyond capital requirements.

EIOPA's analysis found that investment decisions are driven mainly by risk-return profiles, asset-liability management and product complexity. Many securitisations have short duration and prepayment risk and thus cash flows that are difficult to match against long-term obligations. Fragmented issuance, limited liquidity and specialised expertise reduce their appeal. For these reasons, rather than because of capital requirements, the securitisation investments of insurers are low.

The Solvency II regulatory framework for European (re)insurers has recently been reviewed, with the revised framework taking effect in January 2027. One important change is a reduction in the capital requirements for investments in securitisations. While this may support the European Commission's broader objective of revitalising the EU securitisation market, EIOPA does not expect the Solvency II revisions, on their own, to be a significant driver of insurers' investment into securitisations. Among other reasons, the amendments to the standard formula will not directly affect large insurers that use internal models to calculate their capital requirements.

Other factors, however, could support insurers' investments in securitisations. Data quality and product design are at least as important as prudential calibration. Simplifying due diligence and transparency requirements can reduce costs, but must not weaken investors' ability to understand underlying exposures. Reliable loan-level data, consistent definitions and clear documentation are prerequisites for sound pricing and risk management. The Simple, Transparent and Standardised (STS) label should support standardisation, not replace investors' own assessment or dilute the originator's responsibility.

Products also need to reflect long-term investors' needs. More predictable cash flows, transparent prepayment assumptions, diversified pools and greater standardisation would help. European or national platforms could aggregate granular assets and create issuance at scale, particularly for SME, infrastructure or transition financing. But a platform cannot substitute for robust underwriting, pricing or risk retention. Public involvement should help catalyse market developments while maintaining transparent risk allocation.

In this context, the most sensitive question concerns unfunded credit protection for synthetic securitisations. Broadening eligible providers could increase risk-sharing and reduce costs. However, for insurers, the exposure is a contingent liability that may crystallise when credit conditions deteriorate. This creates counterparty and concentration risks and may strengthen interconnectedness between banks and insurers. Thus, it may increase the systemic risk and could be detrimental to policyholder protection. The monoline experience during the global financial crisis remains relevant: guarantees that appeared profitable generated severe losses when securitised portfolios deteriorated and aggravated the crisis. In EIOPA's view, the safeguards currently under discussion do not adequately address these concerns.

A durable market needs investable products, trustworthy data and genuine risk transfer.

Better alignment across the Securitisation Regulation, Solvency II and bank prudential rules should mean coherent incentives, not identical treatment. Risk retention must preserve alignment between originators and investors. Due diligence should be proportionate but substantive. Common data standards and coordinated supervision should reduce duplication and regulatory arbitrage. The final calibration should promote sound risk allocation to institutions best equipped to manage it, and limit incentives driven solely by prudential differences.

Europe can revive securitisation, but the objective should be a market built on investable products, trustworthy data and genuine risk transfer. Capital treatment is an important element of that ecosystem, but not its only foundation. A successful reform can expand funding for the real economy while keeping policyholder protection and financial stability non-negotiable.