PETRA HIELKEMA

Chair – European Insurance and Occupational Pensions Authority

Unlocking insurers' contribution to Europe's economy

The European insurance sector plays a central role in protecting citizens, supporting long-term savings, and contributing to the resilience and growth of the European economy.

The revised Solvency II framework, which applies from 30 January 2027, is expected to enhance the sector's long-term investment capacity. In particular, changes to the calculation of the risk margin for technical provisions are expected to release a significant amount of capital.

This expected capital relief comes with an explicit political expectation: that the released capital facilitates more productive investments that support Europe's strategic priorities, from infrastructure and defence to the green and digital transitions. Whether that capital will be used to invest in the European real economy remains to be seen. EIOPA will monitor its use closely, including changes in investment behaviour and distributions to shareholders, and will report for the first time by the end of 2028.

Other changes introduced by the updated prudential framework also matter for insurers' long-term investment activity. First, more equity investments can be classified as long-term equity investments and thus benefit from lower capital charges. Clarifying and, in some respects, easing the conditions for the class of long-term equity investments should support insurers in holding equity investments over a long-term horizon.

Second, the review introduces a specific treatment for equity investments made under legislative programmes, i.e, schemes that combine public support with private financing to promote investment in strategic sectors such as clean technology, biotech, security and defence. Subject to supervisory approval, insurers using the standard formula may apply a reduced equity capital charge reflecting the extent to which the programme lowers the risk of the investment, in line with the approach already used in banking. The European Commission maintains a public register of eligible programmes.

Third, the review significantly reduces the standard formula capital charges for investments in securitisations, as part of the European Commission's efforts to revive the EU securitisation market. Where a securitisation is fully guaranteed by the EU's own investment institutions – the European Investment Bank or the European Investment Fund – insurers will not need to hold any capital against it. A procedural hurdle is also removed: for the simplest and most transparent category of securitisations, one credit rating is enough instead of two.

Investment capacity, consumer trust and effective supervision must reinforce one another.

These changes may enhance insurers' contribution to the economy. In isolation, however, they are certainly not enough. Whether insurers invest at scale also depends on much that lies outside the prudential framework, including the depth and liquidity of European capital markets, a pipeline of investable projects, and a genuinely integrated Single Market, supported by a supervisory system that is robust, efficient and agile.

It also depends on trust. As part of the Savings and Investments Union (SIU), households are encouraged to shift savings from deposits towards investment-based products, including insurance. People will only do so if products offer good value for money; if they are understandable, fairly priced, well governed and aligned with their long-term needs.

Consumer trust will also be reinforced by clear and reliable protection in the event of insurer failure. Over the past decade, a stronger and more harmonised prudential framework under Solvency II, enhanced conduct rules and the recovery and resolution mechanisms introduced by the IRRD have strengthened the resilience of the sector and reduced both the likelihood and impact of insurer failures. But they cannot eliminate the risk of failure. Insurance is not, and cannot be, a zero-failure sector.

As the Single Market continues to deepen and cross-border insurance activity expands, policyholders should enjoy a consistent level of protection, regardless of where they live or where their insurance company is located. EIOPA has been therefore consistently advocating for a harmonised European framework for insurance guarantee schemes, based on a network of national schemes operating under common minimum standards. Such a framework is a necessary step towards a more integrated, resilient and consumer-oriented European insurance sector, and the successful delivery of the SIU.

Finally, regulatory simplification and burden reduction can help create a more streamlined environment in which businesses are better able to thrive, innovate, and compete – provided that consumer protection, financial stability, and a level playing field are preserved. Simplification should strengthen the effectiveness of the regulatory framework, rather than become an end in itself.