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### Regulatory simplification and competitiveness: The challenge for supervisors

A robust regulatory framework is essential for a flourishing insurance sector. This is true not just in Europe, but also worldwide.

At a global level, the International Association of Insurance Supervisors (IAIS) is the body responsible for standard setting. The European Insurance and Occupational Pensions Authority (EIOPA) is actively involved in various aspects of IAIS work – EIOPA's Chair was recently elected as Executive Committee Vice Chair and EIOPA participates in other key committees. Together with members of its Board of Supervisors, EIOPA can ensure that global standards are robust, protecting policyholders and financial stability. Furthermore, EIOPA plays an important role in the development of implementation methodologies.

EIOPA's global cooperation efforts are driven by the recognition that the challenges faced in the EU are not unique but rather are shared by other regulators and supervisors around the world. The growing importance of

emerging risks like climate change and cyber risk and protecting consumers while encouraging market innovation are a few examples.

The recently adopted Insurance Capital Standard (ICS) is a good example of this cooperation. The ICS aims to provide a globally comparable, risk-based measure of IAIGs' capital adequacy, creating a common language for supervisory discussions on group solvency and promoting global alignment across group capital standards. It represents a significant step towards global consistency in the regulation and supervision of IAIGs and this can only help to reduce the challenges faced by insurers operating across multiple jurisdictions.

Many of the building blocks of the ICS can also be found in Solvency II, the framework regulation that underpins Europe's insurance sector, reflecting its overall effectiveness.

Nonetheless, a key challenge for regulators and supervisors alike is how to balance calls for regulatory simplification without compromising standards. This is particularly important considering the current debate around competitiveness. Insurers needing to compete on a global scale have cited burdensome regulatory requirements as a hindrance to progress.

Burden reduction was top of mind during the recent review of Solvency II. From supervisory experience, it was clear that improvements could be made to the proportionality framework. Reporting is undeniably an essential component of effective oversight yet can also be cumbersome.

The new framework introduces new rules for so-called small and "non-complex" undertakings, broadening the circle of undertakings that can benefit from proportionality measures, bringing about a more transparent and consistent application of the rules. Small insurers meeting a limited set of qualitative and quantitative criteria will benefit from proportionality measures following a simplified notification process to the supervisor. For all of them, this equals a reduction in administrative burden.

These new proportionality principles are a win for small and medium-sized insurers, for supervisors and the sector. Importantly this approach allows supervisory authorities to allocate their resources efficiently to more closely oversee large and complex firms with higher risk profiles. Finally, this approach supports market diversity, competition and innovation in Europe's insurance industry which are highly important factors for competitiveness.

However, reducing unnecessary burden and streamlining rules cannot be at any cost.

EIOPA's view is that a more efficient and proportionate regulatory framework will enable insurers, pension funds and supervisors alike to focus on what matters most: providing innovative, affordable, and sustainable financial solutions to Europe's citizens and businesses. By cutting red tape and eliminating unnecessary complexity, it becomes easier to unlock new opportunities for growth, investment, and job creation.

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Yet simplification should not undermine financial stability, high standards of consumer protection and the ability of supervisors to properly supervise. Before taking the decision to reduce data requirements, there has to be certainty that losing such data will not diminish a supervisor's ability to assess risk, or measure progress on sustainability and closing protection gaps.

It is therefore important that supervisors work closely with policymakers, regulators and industry to ensure that the right balance is struck between simplification and ensuring that regulatory frameworks remain fit for purpose. This is why EIOPA, in addition to active participation in the IAIS, also engages in bilateral regulatory and supervisory dialogue with third countries. By maintaining open and collaborative relationships with supervisors in Europe and beyond, EIOPA can contribute to a more cohesive and interconnected insurance regulatory landscape, ultimately supporting the stability and integrity of the European insurance market, as well as promoting sound regulatory practices across the globe.