European Commission - Press release

Reviewing EU insurance rules: encouraging insurers to invest in Europe's future

Brussels, 22 September 2021

The European Commission has today adopted a comprehensive review of EU insurance rules (known as "Solvency II") so that insurance companies can scale up long-term investment in Europe's recovery from the COVID-19 pandemic.

Today's review also aims to make the insurance and reinsurance (i.e. insurance for insurance companies) sector more resilient so that it can weather future crises and better protect policyholders. Moreover, simplified and more proportionate rules will be introduced for certain smaller insurance companies.

Insurance policies are essential for many Europeans and for Europe's businesses. They protect people from financial loss in the case of unforeseen events. Insurance companies also play an important role in our economy by channelling savings into financial markets and the real economy, thereby providing European businesses with long-term financing.

Today's review consists of the following elements:

- a legislative proposal to amend the Solvency II Directive (Directive 2009/138/EC);
- a Communication on the review of the Solvency II Directive;

Comprehensive review of Solvency II

The aim of today's review is to strengthen European insurers' contribution to the financing of the recovery, progressing on the Capital Markets Union and the channelling of funds towards the European Green Deal. In the short term, capital of up to an estimated €90 billion could be released in the EU. This significant release of capital will help (re)insurers ramp up their contribution as private investors to Europe's recovery from COVID-19.

The amendments to the Solvency II Directive will be supplemented by Delegated Acts at a later stage. Today's Communication sets out the Commission's intentions in this regard.

Some key points from today's package:

- Today's changes will better protect consumers and ensure that insurance companies remain solid, including in difficult economic times;
- Consumers ("policyholders") will be better informed about the financial situation of their insurer;
- Consumers will be better protected when buying insurance products in other Member States thanks to improved cooperation between supervisors;
- Insurers will be incentivised to invest more in long-term capital for the economy;
- Insurers' financial strength will take better account of certain risks, including those related to climate, and be less sensitive to short-term market fluctuations;
- The whole sector will be better scrutinised to avoid that its stability is put at risk.

Proposed Insurance Recovery and Resolution Directive

The aim of the Insurance Recovery and Resolution Directive is to ensure that insurers and relevant authorities in the EU are better prepared in cases of significant financial distress.

It will introduce a new orderly resolution process, which will better protect policyholders, as well as the real economy, the financial system and ultimately taxpayers. National authorities will be better equipped in the event of an insurance company becoming insolvent.

Through the establishment of resolution colleges, relevant supervisors and resolution authorities will...
be able to take coordinated, timely and decisive action to tackle problems arising within cross-border (re)insurance groups, ensuring the best possible outcome for policyholders and the broader economy.

Today's proposals build extensively on technical advice provided by EIOPA (the European Insurance and Occupational Pensions Authority). They are also aligned with the work that has been carried out at international level on the topic, while taking into account European specificities.

**Members of the College said:**

Valdis Dombrovskis, Executive Vice-President for an Economy that Works for People, said: "Europe needs a strong and vibrant insurance sector to invest in our economy and to help us manage the risks that we face. The insurance sector can contribute to the Green Deal and the Capital Markets Union, thanks to its dual role of protector and investor. Today's proposals ensure that our rules remain fit for purpose, by making them more proportionate."

Mairead McGuinness, Commissioner responsible for financial services, financial stability and Capital Markets Union said: "Today's proposal will help the insurance sector step up and play its full part in the EU economy. We are enabling investment in the recovery and beyond. And we're fostering the participation of insurance companies in the EU's capital markets, providing the long-term investment that is so vital for a sustainable future. Our growing Capital Markets Union is essential for our green and digital future. We're also paying close attention to the consumer perspective; policyholders can be reassured that they will be better protected in future if their insurer runs into difficulties."

**Next steps**

The legislative package will now be discussed by the European Parliament and Council.

**Background**

Insurance protection is essential for many households, businesses and financial market participants. The insurance sector also offers solutions for retirement income and helps channel savings into financial markets and the real economy.

On 1 January 2016, the Solvency II Directive entered into force. The Commission monitored the application of the Directive and consulted extensively with stakeholders on possible areas for review.

On 11 February 2019, the Commission formally requested technical advice from EIOPA to prepare for the review of the Solvency II Directive. EIOPA's technical advice was published on 17 December 2020.

Beyond the minimum scope of review mentioned in the Directive itself, and after consulting stakeholders, the Commission identified further areas of the Solvency II framework that should be reviewed, such as the contribution of the sector to the European Union's political priorities (e.g. the European Green Deal and the Capital Markets Union), the supervision of cross-border insurance activities and the enhancement of the proportionality of prudential rules, including reporting.

**For More Information**

- Legislative proposal for the recovery and resolution of (re)insurance undertakings
- Communication on the review of the Solvency II Directive
- Question and answers

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