AMBITIONS FOR EUROPE

CREATE A GREENER, MORE SUSTAINABLE EUROPE

RESPOND TO THE CHALLENGES OF AN AGEING SOCIETY

FINANCE SUSTAINABLE EU ECONOMIC GROWTH

MAINTAIN A GLOBALLY COMPETITIVE EU (RE)INSURANCE INDUSTRY

INTRODUCTION

The European insurance industry makes major contributions to the European Union's economic growth and development.

- It facilitates economic transactions by providing risk transfer and compensation for losses.
- It encourages risk management and the promotion of safe practices.
- It encourages stable and sustainable savings and pension provision.
- And it promotes financial stability by providing long-term investment in the economy.

This means that it is well placed to contribute to the ambitions of the 2019–2024 European Commission to create a prosperous, sustainable and competitive Europe. This booklet looks at the role of insurers and sets out how to achieve four objectives:

- Create a greener, more sustainable Europe
- Respond to the challenges of an ageing society
- Finance sustainable EU economic growth
- Maintain a globally competitive EU (re)insurance industry

Insurance Europe is the European insurance and reinsurance federation. Through its 37 member bodies — the national insurance associations — it represents insurance and reinsurance undertakings that account for around 95% of total European premium income.

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OBJECTIVE

CREATE A GREENER, MORE SUSTAINABLE EUROPE

THE CHALLENGES

- Embed a sustainable transition into the real economy.
- Adapt to the increasing frequency and magnitude of natural catastrophes.

WHAT INSURERS OFFER

The insurance industry is uniquely positioned to contribute to sustainability, given its role as both **an investor and a provider of protection**.

Sustainable investments
As Europe's largest institutional investor, with **€10 200bn of assets** under management, the insurance industry can help to finance the transition to carbon-neutral, resource-efficient and more sustainable economies. It has already developed a number of sustainability approaches and made sustainable investment commitments.

Insurance products & risk management expertise
Insurers **provide compensation** to businesses and individuals for the effects of increased extreme weather events, allowing them to plan with more certainty and recover more quickly.

The industry also:
- Raises awareness of risks and offers incentives to increase prevention and risk management.
- Can help policymakers with tools such as risk-mapping, land-use planning and building codes.
- Contributes to a better understanding of risk, eg by developing forward-looking risk models.

WHAT POLICYMAKERS SHOULD DO

EU policymakers and EU member states need clear and ambitious plans to promote and incentivise the adjustments to sustainability.

Increase the availability of sustainable assets
Beyond the European Commission's Capital Markets Union project and public-private partnerships, policymaker action is needed to stimulate the supply of suitable sustainable assets for investment. Policymakers need to:
- Create a simple and clear sustainability taxonomy for investments.
- Remove regulatory disincentives to long-term investment, since regulatory barriers to long-term investing are also barriers to sustainable investment. The 2020 review of the Solvency II insurance regulatory framework offers an excellent opportunity to contribute to sustainability objectives.

Enhance climate adaptation & address the protection gap
- National and local authorities should enhance resilience by implementing effective prevention measures.
- Member states must tackle the underinsurance of natural catastrophe risks.

OBJECTIVE

RESPOND TO THE CHALLENGES OF AN AGEING SOCIETY

THE CHALLENGES

- Provide Europeans with an adequate income in retirement.
- Close the estimated €2trn annual EU pension gap.

WHAT INSURERS OFFER

Life insurers are **major providers of occupational and personal pensions**.

Traditional insurance pension products play a key role in building up a retirement income: they provide **minimum return guarantees**, so offer peace of mind and incentivise risk-averse individuals to save.

Insurers also use **innovative risk-sharing mechanisms** to ensure a good income in retirement.

What also marks out insurers is their ability to provide **services that increase the scope of protection**, such as protection for dependants, against disability or against living longer than expected.

Insurers also provide **different decumulation options**, such as lifetime annuities, lump sums and other innovative solutions.

WHAT POLICYMAKERS SHOULD DO

At EU level
- Ensure through appropriate Level 2 measures that the pan-European personal pension product (PEPP) is attractive to buyers and sellers.
- Adjust the Solvency II insurance regulatory framework to reflect the real risks of insurers' long-term pension liabilities.
- Raise awareness among European citizens of the need to plan for and manage their financial future.

At member state level
- Introduce appropriate and stable tax incentives. Avoid taxes that disincentivise pension saving.
- Stimulate the uptake of supplementary pensions through appropriate enrolment systems.
- Provide information on pension entitlements, eg through tracking services or dashboards.

OBJECTIVE

FINANCE SUSTAINABLE EU ECONOMIC GROWTH

THE CHALLENGES

- Close Europe's estimated €645bn annual investment gap.
- Complete the EU Capital Markets Union (CMU) project.

WHAT INSURERS OFFER

The insurance industry is the **largest institutional investor** in Europe, with €10 200bn in bonds, equity and other investments.

In addition, the nature of the insurance business model allows insurers to have a **counter-cyclical and stabilising effect** on financial markets and the economy.

The insurance sector **contributes significantly to sustainable economic growth** in Europe.

As a consequence of its long-term insurance business model, the insurance industry is an important **provider of stable, long-term funding** for governments and businesses.

Insurers' **investment in infrastructure** supports inclusive economic growth and fills funding gaps across Europe.

Insurers are a **source of direct funding for SMEs**, making such companies less dependent on bank lending when entering new markets or improving productivity.

WHAT POLICYMAKERS SHOULD DO

Address regulatory barriers to insurers' long-term & sustainable investment
Adjust the Solvency II insurance regulatory framework to address flaws in the treatment of long-term business and introduce improvements that allow insurers to continue to provide long-term pension and savings products and make long-term investments in the European economy .

Increase the availability of long-term & sustainable assets
Key areas in which the supply of suitable assets needs to be fostered include infrastructure and, more broadly, sustainable assets.

OBJECTIVE

MAINTAIN A GLOBALLY COMPETITIVE EU (RE)INSURANCE INDUSTRY

THE CHALLENGES

- Create the right EU and international regulatory environments for EU (re)insurers to maintain their competitiveness on the world stage.
- Create the right global trade conditions to enable EU (re)insurers to access international markets.

WHAT INSURERS OFFER

Today the European (re)insurance industry is the **world's most international (re)insurance sector**. Almost half of all internationally active insurance groups are European.

In reinsurance — insurance for insurers — Europe is the global leader. **European reinsurers write around half of the world's reinsurance business**.

WHAT POLICYMAKERS SHOULD DO

Consider global competitiveness when setting EU regulation
The regulatory environment must allow European businesses to maintain their global competitiveness and their ability to contribute to the EU objectives of sustainable, innovative and inclusive growth.

In the current review of the Solvency II insurance regulatory framework, policymakers must include the objective of ensuring international competitiveness in their assessment.

Ensure global standards do not harm EU competitiveness
It is essential that Europe's negotiations and decisions in the area of global standards for insurance do not create additional disadvantages for EU (re)insurers but rather support their ability to compete globally.

While global standards may have the merit of addressing regulatory fragmentation, they can achieve their potential only if designed appropriately and implemented consistently across jurisdictions.

Seek to remove market access & trade barriers
The (re)insurance industry faces a variety of market access and trade barriers in all regions of the world. EU policymakers must prioritise ambitious trade negotiations that lead to more global opportunities for EU businesses.