THE GERMAN INSURANCE INDUSTRY ON THE FIVE INITIATIVE

The German insurance industry sees start-ups and scale-ups as valuable drivers of innovation and technology. We therefore support the initiative “FIVE – Financing Innovative Ventures in Europe”, launched in July 2025, which aims to develop measures for improving financing conditions for start-ups and scale-ups in Europe. This is another important step towards strengthening the European capital market and Europe's long-term innovation and competitiveness. Apart from improving financing conditions we believe that reducing overall bureaucracy that strangle start-ups should be an essential measurement for EU.

The FIVE Task Force report is expected to cover four key areas. From the perspective of the German insurance industry, we would like to give following comments on these areas and on insurers as VC investors in general. We will be pleased to provide further detailed explanations.

German Insurers as VC investors

- German Insurers have capital investments totaling EUR 1.9 trillion and invest EUR 200 to 300 billion annually. Insurers provide long-term funding by investing in infrastructure, real estate, securitisations, private equity, private debt and venture capital. The last three asset classes are key instruments for funding innovation.
- Currently, German insurers have invested around EUR 8 billion in VC. Through targeted investments in innovative companies, the insurance industry contributes to the development of new technologies and business models. This includes capital investments as well as strategic investments and collaborations.
- In general, insurers’ assets must fit their long-term cash flow profile, which is often determined by long-term guaranteed liabilities. Hence, assets with high investment volumes and strong credit quality are needed that generate predictable and steady returns. Moreover, the regulatory insurance framework Solvency II requires good data for analysis as well as significant capital requirements for the risks associated with this asset class. On all these aspects VC doesn’t score highly as it is a complex, non-standardized asset class. To cope with these characteristics, we suggest the following measures:

Comments on the four key areas of the FIVE Task Force:

Areas of action	Possible Aproaches – Our key messages
“Increasing the attractiveness of listing on European exchanges for scale-ups”	• Removing remaining barriers to the **single market** is crucial to boost the EU's competitiveness. This would improve various aspects of the business and investment environment and help ambitions for listing. Also, as a result, larger funds would be possible and VC investments would become more efficient and attractive. • To create a favorable environment for start-ups and to improve innovation financing in Europe more efforts should be undertaken to come to a genuine **capital markets union**. Strong measures to strengthen the capital markets union would have multiple, mutually reinforcing effects, e. g. on the number of suitable investment targets for investors, the number of VC-funds, the size of the investor base or the level of company valuations. All this would contribute to the goal to increase the attractiveness of listing on EU exchanges and to keep growth companies in Europe after their IPO. • Enable attractive models of **employee participations** for start-ups to support listing ambitions.

"Facilitate the emergence of trading platforms for shares in private companies and private equity funds, building on existing successful approaches. This could, for instance, entail creating a regulatory sandbox."	• Even though insurers are long-term investors, they need a minimum level of liquidity. The development of functioning **exit** and **secondary markets** is crucial to enhance the fungibility of growth investments, reduce risks for investors and increase returns. • Co-investment models should be promoted through suitable **platforms** or **fund structures**. This would enable institutional investors to find suitable partners and facilitate market access. • **Regulatory sandboxes** can promote innovation, but at the same time they pose risks for investors in terms of legal certainty, investor protection, and reputation. The right balance between innovation and investors' protection must be struck.
"Improving European public financing mechanisms for innovative European companies, in coordination with national public stakeholders, with the objective of crowding in private capital from institutional investors."	• The practices and guidelines of **EIB** and **EIF** should be better aligned with the entire life cycle of innovative companies in order to facilitate the transition from early-stage to late-stage financing. • Suitable investment instruments can help remove barriers for VC-investments and attract new groups of investors. National initiatives such as the **German Growth Fund**, which is tailored to the needs of specific institutional investor groups, have shown that this approach can be effective. The success of any EU-instrument will largely depend on considering national characteristics, such as different business models of investors or tax incentives. • The establishment of **large European funds** could send a strong signal and strengthen international investors' confidence in the EU market. European funds could complement national initiatives by acting as co-investors and mobilizing private funds. • However, additional EU-instruments could also contribute to **fragmentation** of the investment landscape and thus be counterproductive. Successful national instruments could be made available to other Member States as part of a European know-how management mechanism, without, however, being used uncritically as a blueprint for EU-wide initiatives. • Institutional investors often use VC funds of funds for their initial access to this asset class to build up experience and selection expertise. For both direct and indirect investments they require a high degree of **transparency and reporting standards** that are as comparable as possible, in particular timely, transparent information for scale-ups. • A solid **project pipeline** is essential for the success of any VC fund. This requires further ambitious measures at EU-level. • VC-investments require significant levels of capital under **Solvency II** for the risks associated with this asset class. However, any adjustments in this regard must be evidence-based and risk-appropriate.
"Exploring mechanisms for EU retail investors to access venture capital and private equity opportunities."	• Access to VC for EU retail investors should be facilitated. Measures by the FIVE initiative and a planned **Finance Europe** label could promote growth investments through pensions products. Attractiveness could be increased by tax advantages for such investments made through pension products that guarantee lifelong benefits. We see successful initiatives e. g. in PIR through unit linked life insurances (Italy) and Assurance Vie/PEA (France).