Simplify. Compete. Lead.

Reinforcing EU leadership in insurance to seize Europe's independence moment

In a geopolitical environment marked by growing fragmentation and instability, Europe is confronted with unprecedented threats to its security and democratic systems, alongside significant internal economic challenges and intensified competition on the global stage. The European Commission has rightly identified this period as Europe's Independence Moment. Delivering on this means fully mobilising Europe's economic strength, starting with a robust financial services sector, which is the backbone of the Single Market, enabling investment, fostering innovation, and supporting cross-border integration.

Europe has already lost its global leadership in banking, with the United States and China now dominating the sector, and most dominant providers of asset management services are domiciled outside the EU. By contrast, **the EU is home to some of the world's leading insurers and reinsurers.** More broadly, the EU (re)insurance ecosystem demonstrates excellence and global leadership in managing and transforming both current and emerging risks facing the economy and society, whilst acting as **key institutional investors, major employers, and essential enablers of business activity and infrastructure development**.

Building on this leadership requires decisive action. To strengthen the EU insurance industry for the benefit of European citizens and businesses, Europe must enhance its competitiveness to keep pace with the United States, China, and increasingly self-confident emerging economies such as India. **Supporting EU-based global champions, and reinforcing market diversity, should be a core element of the EU's broader competitiveness agenda.**

This paper explains why Europe's leadership in insurance is critical to realising the EU's independence moment, setting out how to safeguard and strengthen that position by leveraging ongoing legislative processes and proposing an ambitious simplification package for financial services.

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Why EU leadership in insurance matters

The strategic importance of the insurance and reinsurance sector for the EU's competitiveness lies in its unique role in providing cover for the increasing risks faced by households and businesses, as well as in financing the real economy. Insurers and reinsurers are the EU's largest institutional investors, and the availability of insurance cover is a precondition for all economic sectors to manage and mitigate the growing risks they face. Risk-taking is essential for businesses to innovate, and insurers enable them to do so.

In Germany alone, **insurers manage nearly half a billion contracts on behalf of their customers**. In property & casualty insurance, they handled more than 25 million claims in 2024, translating into more than 69,000 claims per day. Related claims expenditure amounted to € 66 billion in the same year, averaging € 189 million per day, or € 131,000 Euros per minute. German life insurers paid out € 101.8 billion in 2024 supporting old-age provision and pensions, an increase of 2.8 percent from the previous year. These payments represent a substantial contribution to the societal functioning of the country.

With around **€ 1.9 trillion in assets**, German insurers represent the largest institutional investors in the country. Each year, they channel from **€ 200 to € 300 billion into new investments, over 70 % of which are invested within the Eurozone**, underlining the industry's role as a key enabler of economic growth in Europe. In addition, insurers contribute about € 26 billion annually to the German exchequer.

The sector is not only an important lender to governments; **German insurers also finance business activity and infrastructure.** Corporate (non-financial) fixed-income investments amount to approximately € 291 billion, infrastructure investments to € 100 billion, equity investments to € 99 billion, and venture capital investments to € 8 billion.

Beyond this dual role as a key enabler of innovation and competitiveness for European businesses, the sector is also a **significant employer**. In 2024, around 480,200 people were employed in the insurance industry in Germany – almost 300,000 as employees of insurance companies and brokerage firms, and about 180,000 as self-employed insurance brokers or advisers. With 11,400 trainees, the share of apprenticeships is above average compared to other industries.

Reinforcing the EU's leadership in insurance and reinsurance means that the **key decisions on which risks are covered, where investments go, and which jobs are created will continue to be taken in Europe.** These central levers of Europe's future prosperity and economic strength are too important to be ceded to competing players on the global stage.

Leveraging ongoing workstreams to reinforce EU leadership in insurance

In its first year, the Commission has delivered legislative proposals that rightly set a high level of ambition for strengthening EU competitiveness. Notable examples include the Digital Omnibus package, the revision of the Solvency II Delegated Regulation, and the work on the Savings and Investments Union. It is essential that this level of ambition is maintained throughout the legislative term – these initiatives can only be the first steps.

The **Digital Omnibus** package is an excellent example of how regulation can be simplified without weakening protection standards. In particular, the clarification of rules of the **General Data Protection Regulation (GDPR)** on pseudonymisation, automated decision-making, and data breach reporting is welcome. The introduction of a clear legal basis for AI training and operation under legitimate interest is essential to enable trustworthy European AI.

At the same time, targeted technical improvements are needed to ensure that the package delivers in practice. The proposed "unconditional" right to object to AI training is technically unworkable and should be aligned with Article 21 GDPR. Absolute restrictions on the use of sensitive data should be replaced by a risk-based, proportionate approach. Clear legal bases are still missing for health data processing in insurance, intra-group data use, and fraud prevention. Finally, overlapping obligations under the **AI Act, the Digital Operational Resilience Act (DORA), and the Cyber Resilience Act (CRA)** must be avoided to ensure coherence and prevent unnecessary administrative burdens.

With regard to the **Savings and Investments Union**, the revision of the **Pan-European Personal Pension Product (PEPP)** Regulation is particularly important. The Commission has rightly prioritised supplementary pensions as a cornerstone of the Savings and Investments Union, given their potential to address the growing pension gap and Europe's investment gap simultaneously. If the uptake of private pensions is boosted across Europe, insurers can channel more private savings into productive investments and strengthen their global leadership role at the same time.

The Commission's proposal makes the PEPP simpler and more flexible, and the co-legislators should follow suit. If investment restrictions for the Basic PEPP are lifted and customers' preference for security is reflected by including modern products with partial guarantees as Basic PEPPs, this initiative could significantly advance the Savings and Investments Union. The recently agreed **Retail Investment Strategy (RIS)** updates advice and distribution rules under the Insurance Distribution Directive (IDD) and the Markets in Financial Instruments Directive (MiFID) to strengthen trust and transparency. To ensure coherence, prevent duplication and avoid additional implementation burden, PEPP requirements for advice and distribution should build on the existing IDD and MiFID regimes.

With the revision of the **Solvency II Delegated Regulation**, the Commission has delivered a balanced and forward-looking update to insurers' capital requirements. These changes will provide moderate capital relief while maintaining very high levels of policyholder protection and ensuring that Europe's insurers remain a global anchor of financial stability. Monitoring the global level playing field in this area – as called for in the European Council conclusions of March 2025 – remains important. Additionally, there is considerable potential to reduce administrative and operational burdens and to strengthen proportionality within the Solvency II framework. The necessary steps in this regard are outlined below.

Furthermore, **equivalence decisions under Solvency II** are an important tool for strengthening Europe as an insurance location, safeguarding the competitive position of EU insurers in third countries, and avoiding unnecessary calculations for group capital requirements. The Commission's decision to renew the provisional equivalence decisions for Brazil, Japan, Mexico, and the United States was an important step. Going forward, the Commission should also consider granting equivalence to China, India, and Singapore to further reinforce the global leadership of European insurers.

By contrast, work is still ongoing on legislative proposals from the previous legislative term that no longer reflect the changed economic and geopolitical context facing Europe today. The **Financial Data Access (FIDA)** proposal would impose financial, and personnel costs that far exceed any perceived benefits for companies and consumers. There is no evidence indicating whether, or to what extent, customer-side demand exists. At the same time, implementing FIDA would require enormous effort and investment by companies, diverting resources from other critical digital transformation projects, such as deploying AI applications and complying with DORA requirements.

Given the current geopolitical context, it is also concerning that gatekeepers could gain access to the data of European companies and consumers, further strengthening the dominance of non-EU players and jeopardising Europe's digital sovereignty. Despite ongoing discussions on a complete exclusion of gatekeepers as data users, a legally certain and politically feasible exclusion does not appear achievable at this stage. As FIDA poses major risks to European competitiveness, an immediate stop to negotiations and a fundamental reassessment of the proposal's costs and strategic implications are therefore necessary.

Beyond financial and digital regulation, the EU's competitiveness and resilience will increasingly depend on whether complex and systemic risks remain insurable. The **European integrated framework for climate resilience** could significantly enhance the ability of European (re)insurers to absorb climate risks on a large scale by pooling climate risk data within the EU and encouraging risk prevention in critical regions and sectors.

More generally, policymakers should simplify regulation by **reducing regulatory layering**. The growing complexity of (financial) regulation has increased reliance on subordinated measures and soft law (e.g. guidelines and standards). While delegating technical matters to experts is understandable, such details often affect strategic or political objectives and should not be left solely to technical decision-making. Excessive complexity and prescriptiveness raise regulatory and administrative burdens and undermine the competitiveness of EU businesses. Co-Legislators and the Commission should therefore carefully assess mandates for such measures, with a strong focus on efficiency and proportionality. The Commission and the European Supervisory Authorities (ESAs) should also evaluate and quantify the impact of their drafts and proposals on the competitiveness of EU financial services providers. In parallel, Member States should commit to consistent transposition of EU legislation.

The next step: An ambitious simplification package for financial services

At the October 2025 European Council meeting, EU leaders unanimously mandated the Commission to swiftly propose an ambitious simplification package for financial services. This task should be approached with the same high level of ambition that shaped the Commission's first year in office. In this context, the proposals outlined below would reinforce Europe's global leadership in insurance and reinsurance, without changing capital requirements or compromising on consumer protection or financial stability.

Prudential & supervisory law

Stop the clock on the Insurance Recovery and Resolution Directive

From January 2027, the IRRD will require many insurance undertakings across business lines to allocate considerable resources on a regular basis to the drafting of recovery plans and the submission of exhaustive data and information to national resolution authorities for preparing resolution plans – regardless of whether these undertakings are prone to fail or likely to fail. The provisions on financing arrangements will also lead to significant additional costs for the industry, which would conflict with the Commission's efforts to strengthen the competitiveness of EU businesses. Moreover, it remains unclear how the IRRD will interact with the broad powers of national supervisors towards insurance and reinsurance undertakings in difficulty or in an irregular situation provided under the Solvency II Directive.

→ **Solution:** Propose a stop-the-clock Directive on IRRD to allow more time for implementing a proportionate, risk-based and lean recovery and resolution framework. In particular, due consideration should be given to the option of targeted amendments to the Solvency II Directive instead of implementing a separate framework.

Remove overlapping requirements on transition plans

Insurers are obliged under Solvency II to conduct comprehensive risk management that already includes ESG risks. As part of the Own Risk and Solvency Assessment (ORSA), for example, the analysis of long-term climate change scenarios is mandatory. There is no added value of an additional obligation to draw up extensive plans for dealing with sustainability risks, as introduced by the Solvency II review. The supervisors themselves have stated that these plans are not necessary to ensure proper supervision of insurers' handling of climate risks. As the first Omnibus simplification package removed transition planning requirements for most companies, insurers would be put at competitive disadvantage and lack the necessary data to draw up such plans. The Commission has already acknowledged these issues by deprioritising the relevant technical standards, but this requirement should be removed from the Solvency II Directive to provide legal certainty.

→ **Solution:** Remove the requirement to draw up sustainability risk plans under Art. 44(2b) of the revised Solvency II Directive.

Streamline supervisory reporting under Solvency II

Insurers must inform the public about their solvency and financial position annually in a comprehensive Solvency and Financial Condition Report (SFCR). The report is unsuitable for consumers due to its length and depth of detail. One indicator of the low added value of the SFCR is the very low number of downloads, with an average of nine downloads per month. Professional users access almost exclusively the publicly available quantitative data in the so-called Quantitative Reporting Templates (QRTs). Reporting for the fourth quarter also offers very limited value – especially for smaller companies – due to tight deadlines, simplifications, and low informational value. Instead, the focus should shift to the annual report with validated data, which follows just a few weeks later.

→ **Solution:** The SFCR should be replaced with a simple requirement to provide information on the solvency ratio on the company website for policyholders. The obligation to publish QRTs for professional users should be retained. Static content of the SFCR (e.g., corporate structure), which remains stable over extended periods, can be consolidated and published in a static high-level report. This report can be updated by section in the event of significant changes. Reporting for the fourth quarter is obsolete and should not be required or, at the very least, reduced to an absolute minimum.

Revise the proportionality framework for smaller (re)insurers

The Solvency II Review has introduced a new regime for proportionality measures with automatic simplifications for small and non-complex undertakings (SNCUs) and the possibility to apply for certain proportionality measures for undertakings that are not small and non-complex (non-SNCUs). However, the effect of these proportionality measures is very limited, as the scope of beneficiaries is very narrow due to restrictive cumulative criteria. Based on those criteria, around 40 insurance undertakings in Germany could be classified as SNCUs. This corresponds to 15% of companies by number and less than 1% by total assets. In comparison, 80% of German banks are classified as small and non-complex institutions (SNCIs) by number and 18% by total assets.

→ **Solution:** To provide an effective proportionality framework, the following improvements are needed: The thresholds for application of the Solvency II Directive should be increased, e. g. to € 100 million in gross written premiums and € 500 million in technical provisions. The quantitative thresholds for SNCU-classification should also be raised to € 500 million in non-life gross written premiums and to € 3 billion in life technical provisions respectively, while keeping the other criteria unchanged. Proportionality for non-SNCUs should be fostered by focusing on the quantitative thresholds of € 12 billion for technical provisions and € 2 billion for gross written premiums – insurance undertakings below these thresholds should regularly receive an approval for proportional measures, unless there are special risks. Furthermore, the catalogue of proportionality measures available for both SNCUs and non-SNCUs should be expanded. This revised framework should also ensure effective relief for groups that don't qualify as small and non-complex as well as smaller entities within larger groups.

The role of supervisors

Make competitiveness a core objective for the European Supervisory Authorities

The EU's financial services acquis relies heavily on Level 2 and Level 3 measures, many drafted by the European Supervisory Authorities (ESAs). Given their governance structures and cautious supervisory perspective, the ESAs often take a maximalist regulatory approach, insufficiently considering costs and operational burdens for firms. As the ESAs' regulatory role grows, their decisions should reflect not only financial stability and consumer protection, but also economic impact. The EU could draw lessons from the UK, which has made growth and international competitiveness secondary objectives for its financial regulators. To ensure a better balance of these objectives, the ESAs' accountability to the European Parliament should be strengthened. Competitiveness and stability are complementary, and both are essential to reinforcing Europe's global leadership.

→ **Solution:** Introduce the competitiveness of the respective sector as an additional objective for the ESAs, while retaining the primary mandate of ensuring financial stability.

Refrain from regular EIOPA stress tests

The EIOPA stress tests (since 2011) have become obsolete with the introduction of Solvency II (since 2016). The calculation of the solvency capital requirement is already based on the analysis of numerous individual stress scenarios. Insurers report these results in their extensive regular annual and quarterly reporting. Hence, supervisory authorities already have access to comprehensive company data. The EIOPA stress tests therefore do not create any additional knowledge. Furthermore, supervisory authorities have the option of carrying out special queries if additional data is required. Thus, the massive effort required to carry out the additional calculations is not proportionate.

→ **Solution:** Remove the requirement for EIOPA to carry out comprehensive stress tests in regular intervals. Instead, allow the authority to launch specific stress test exercises where there is a particular supervisory concern or need for additional data.

Digital Operational Resilience

Avoid overlaps and reduce bureaucracy under DORA

The Digital Operational Resilience Act (DORA) requires insurance companies to uphold a high level of cybersecurity through comprehensive obligations, including those related to internal processes and systems. It complements the existing supervisory framework under Solvency II, which primarily focuses on financial stability, by extending regulatory oversight to include the entire digital infrastructure and cybersecurity landscape. In addition to this robust regulatory framework insurers are subject to other legal instruments with overlapping, but distinct, requirements (e. g. GDPR, AI Act, the Cyber Resilience Act). The lack of interoperability between these frameworks creates operational challenges and leads to redundant structures and processes. This fragmentation affects not only incident reporting but also areas such as cybersecurity, data governance, and risk management.

→ **Solution:** The outsourcing rules under Solvency II and third-party risk management under DORA should be harmonized, and DORA-regulated financial entities should be exempted from the Cyber Resilience Act. Additional changes are needed to reduce bureaucracy, enhance proportionality and reduce duplication within corporate groups. The Commission should also enable more efficient use of recognised certifications and allow financial undertakings to access the audit results conducted by the ESAs' Joint Examination Teams under DORA.

Accounting & audit rules

Rethink the blanket classification of all (re)insurers as public interest entities

The classification of Public Interest Entities (PIEs) aims to subject companies with a potentially significant impact on the public and the financial system to stricter supervision and transparency. Under the Accounting and Audit Directives, all insurers are automatically classified as PIEs, regardless of size or capital-market listing. However, many small, regionally active insurers have no material impact on the financial system, given their limited portfolios, customer base, and market share, and many are mutual insurance associations with no public-interest implications arising from their legal form. In Germany, the smaller half of insurers subject to Solvency II account for less than 5% of technical provisions in life insurance and gross premium income in non-life insurance. Applying the same stringent PIE requirements to these insurers creates disproportionate costs and administrative burdens relative to their risk, placing them at a competitive disadvantage, while complex reporting, audit, and governance requirements absorb management resources without delivering meaningful benefits for public oversight.

→ **Solution:** The classification as public interest entity should be limited to companies whose transferable securities are admitted to trading on a regulated market, as these are truly of public interest.

Define size categories for financial entities in the Accounting Directive

Under the Accounting Directive, companies no longer count as SMEs but as large companies if they exceed two of the following three criteria: Turnover > EUR 50 million; balance sheet total > EUR 25 million; employees > 250. These criteria are not suitable for SME insurers. Due to the nature of the insurance business model, insurers structurally have a higher balance sheet and turnover scaling in relation to the number of employees than companies in the real economy. The higher balance sheet totals therefore do not reflect organisational size or operational scale. As a result, insurance companies can be classified as 'large companies' even though some of them have far fewer than 50 employees. These companies should not have to fulfil the same requirements as international groups in the real economy.

→ **Solution:** Financial companies should have to fulfil all three characteristics to be classified in the relevant size classes under the Accounting Directive. Insurers with fewer than 250 employees would then no longer be classed as large companies, but as SMEs.

Our proposal

In a fragmented and increasingly competitive geopolitical environment, reinforcing EU leadership in insurance and reinsurance is essential to seize Europe's independence moment. Preserving and strengthening this position is vital to ensuring that strategic decisions on risk coverage, investment, and job creation remain anchored in Europe, thereby underpinning our shared economic resilience, competitiveness, and autonomy.

This means **leveraging ongoing workstreams** by:

- → Pursuing swift progress on the Commission's Digital Omnibus package;
- → Further enhancing the Pan-European Personal Pension Product to make retirement savings a cornerstone of the Savings and Investments Union;
- → Using equivalence decisions under Solvency II as a strategic tool to reinforce the global leadership of European insurers;
- → Not pursuing the Financial Data Access (FIDA) proposal further;
- → Proposing an ambitious European integrated framework for climate resilience to enhance the ability of (re)insurers to absorb climate risks on a large scale; and
- → Simplifying the complex financial services rulebook by reducing regulatory layering.

An **ambitious simplification package for financial services**, as called for by EU leaders, should then be used to alleviate administrative burdens and regulatory complexity, without compromising on stability or consumer protection. This could be achieved by:

- → Stopping the clock on the Insurance Recovery and Resolution Directive;
- → Removing overlapping requirements on transition plans under Solvency II;
- → Streamlining supervisory reporting under Solvency II;
- → Revising the proportionality framework for smaller (re)insurers;
- → Making competitiveness a core objective for the European Supervisory Authorities;
- → Refraining from regular EIOPA stress tests;
- → Avoiding overlaps and reducing bureaucracy under DORA;
- → Rethinking the blanket classification of all (re)insurers as public interest entities; and
- → Defining size categories for financial entities in the Accounting Directive.