

Simplification with impact: 5 steps to streamline EU insurance regulation

At the October 2025 European Council meeting, EU leaders unanimously mandated the Commission to swiftly propose an ambitious simplification package for financial services. The Omnibus simplification packages delivered to date have rightly set a high level of ambition for this workstream, which should also be applied with a view to the highly complex EU rulebook for financial services. Germany and Europe are home to a strong and diverse (re)insurance sector, encompassing both global champions and small, locally rooted businesses. To preserve Europe's global leadership position in (re)insurance, we propose five essential steps to create a streamlined yet prudent regulatory framework.

1. 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.

2. 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. The supervisors themselves have stated that these plans are not necessary to ensure proper supervision of insurers' handling of climate risks. As this requirement also overlaps with the transition plans defined in CSRD / CSDDD, the burden relief for those insurers exempted from the CSRD by the first Omnibus simplification package will be nullified. While the Commission has already acknowledged these issues by deprioritising the relevant technical standards, this requirement should be removed at Level 1 to provide legal certainty.

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

3. 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 EUR 100 million in gross written premiums and EUR 500 million in technical provisions. The quantitative thresholds for SNCU-classification should also be raised to EUR 500 million in non-life gross written premiums and to EUR 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 EUR 12 billion for technical provisions and EUR 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.

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

The classification of companies as Public Interest Entities (PIEs) is intended to ensure that companies with a potentially significant impact on the public and the financial system are subject to stricter supervision and transparency requirements. According to current EU law – specifically the Accounting and Audit Directives – all insurers are automatically classified as PIEs, regardless of their size or listing on the capital market.

However, many small and regionally active insurers do not have a material impact on the financial system. Their portfolios, customer base, and market share are very limited. Many small insurers are also mutual insurance associations, meaning that there is no public interest due to the legal form. In Germany, the smaller half of all insurers subject to Solvency II have a market share of less than 5% based on technical provisions in life and gross premium income in non-life insurance. Applying the same strict PIE requirements to these insurers leads to high costs and administrative burdens that are disproportionate to their risk, putting them at a competitive disadvantage. Complex reporting, audit, and governance requirements also drain management resources without offering real 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.

5. Stop negotiations on the proposed Financial Data Access Regulation

German insurers view the proposed framework for financial data access (FiDA) with great concern, as the expected financial and personnel costs of the project would exceed any perceived benefits for companies and consumers by far. There is no evidence indicating whether customer-side demand exists, or to what extent it does. At the same time, the implementation of FiDA requires enormous effort and investment on the part of companies, which would be lacking for other important digital transformation projects (e.g. introducing AI applications and implementing DORA requirements).

Given the current geopolitical context, it is also concerning that gatekeepers could gain access to the data of European companies and consumers, which would further strengthen the dominance of non-EU players and jeopardise Europe's digital sovereignty. Despite current discussions on a complete exclusion of gatekeepers as data users, a legally certain and politically feasible exclusion does not seem possible at this stage.

- **Solution:** As FiDA poses major risks to European competitiveness, we recommend an immediate stop to negotiations and a fundamental reassessment of the proposal's costs and strategic implications.