

## Insurance Europe comments to the EC consultation on the review of the SME definition

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### General comments

Insurance Europe welcomes the opportunity to provide feedback to the Commission's consultation on the review of the SME definition. Insurance Europe supports the European Commission's goal to provide one common European definition (2003/361/EG) of what is to be considered "genuine" small and medium-sized enterprises (SMEs) in order to ensure a level playing field and avoid distortion of competition.

However, due to the specific characteristics of insurance products and the business model of insurers, the current common definition does not achieve the stated purposes for the insurance sector and could result in small and midsized insurers not being recognised as such.

### *The criteria and thresholds are not appropriate for insurance undertakings*

Insurance Europe believes that two out of the three criteria put forward by the Commission, namely turnover and balance sheet total, and their respective thresholds are not appropriate. Due to the nature of the insurance business, turnover and balance sheet total are not comparable between insurance undertakings and undertakings in other industries as they are in most cases substantially higher for Insurance SMEs for the following reasons:

- Insurers' balance sheets are dominated by technical provisions built up to secure payouts for claims and customers' old-age provisions.
- Similarly, large parts of insurers' turnover, which is usually defined as premium income, are paid out again for insurance claims or consist of old-age saving within a life insurance contract.

Against this background, only a very limited number of insurance undertakings qualifies as an SME according to the criteria/thresholds set out in the SME definition.

### *Proposal*

Insurance Europe believes the definition of SMEs should be amended to better reflect the insurance industry's specificities. Insurance Europe proposes the following changes/clarifications to the definition for insurance undertakings:

- The turnover criterion should be interpreted as the gross written premiums.
- The balance sheet criterion should be replaced with technical provisions.
- Insurance specific thresholds for these criteria should be set.



In addition, it should be examined to what extent an amended definition can be used to strengthen proportionality in the supervision of companies. Indeed, an amended definition may simplify the discussion on proportional solutions for SMEs. SMEs could relate to such a definition and argue that the undertaking's size might represent a handicap. And as such they may benefit from the application of reduced administrative burden.

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