

Insurance Europe views on European Commission review of Securitisation Framework

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Introduction

On 17 June, the European Commission (EC) released proposals regarding the EU securitisation framework. The industry has identified the following three items of most relevance for the (re)insurers:

- Solvency II capital and rating requirements,
- Due diligence requirements, and
- Unfunded credit protection eligibility.

These items were highlighted in the Insurance Europe [response](#) submitted to the EC in December 2024 as part of the consultation.

While overall the insurance sector's current investments in securitisations are small, securitisation can be a relevant channel for insurers, as it provides access to exposures that would otherwise be difficult to reach. Also, given the large size of European insurers' total balance sheets (c. €9.5 trillion), even relatively small percentage increases can represent significant amounts and make a meaningful difference. Against this background, improvements to the framework could potentially enable broader and more effective insurer participation.

1. Solvency II capital requirements

Reference: Proposed [amendment](#) to **Article 178** of Delegated Regulation (EU) 2015/35 (Solvency II).

The industry **supports** the decreased capital calibration for Senior Simple, Transparent, and Standardised (STS) and welcomes the alignment between Senior STS AAA and AA with covered bonds AAA and AA. These proposals are aligned with long-standing industry positions, most recently in the December 2024 response to the EC consultation and the recent Insurance Europe SIU position.

Industry concern: The proposed calibrations for non-STs transactions remain a significant barrier to insurers' investment in these assets. In the banking sector, non-STs prudential treatment is marginally higher (c.50%) than comparable STS capital requirements, whereas under the existing Solvency II rules, it is up to 1150% higher. This is no longer an incentive for STS investment, it is a barrier to investment in non-STs. The Commission's proposal to reduce this difference to 285% is a step in the right direction, yet it does not fully reflect the actual risk differential between these investments and would continue to act as a disincentive for investment in non-STs transactions.

Insurance Europe proposal: Further revisions to the non-STS capital calibrations are justified and needed to ensure insurers can participate in this section of the market, which is also a source of financing for European assets.

In general, securitisations with similar credit ratings should benefit from comparable regulatory treatment, regardless of their STS label. Scientific evidence (Duponcheele & Perraudin, *How to Calibrate Securitisation Capital Rules*, March 2025) supports significantly lower, risk-adequate risk factors ([Link](#)).

Reference: Article 6 of Delegated Regulation (EU) 2015/35 (Solvency II).

Industry concern: There is no proposed amendment to reconsider the Delegated Act which currently requires securitisation exposures held by insurers to be double-rated. While originally introduced as a post-crisis safeguard to restore investor confidence, it has increasingly acted as an obstacle to the development of a more competitive and efficient European securitisation market.

Insurance Europe proposal: Deletion of Article 6 of the Solvency II Delegated Act which imposes a double-credit rating requirement on securitisation exposures held by European insurers. Alternatively, if deletion is not possible, the industry urges policymakers to carve out Article 6 for AAA senior tranches (Credit Quality Step 0).

2. Due diligence requirements

Reference: Proposed [amendment](#) of Article 5 Regulation 2017/2402 (Securitisation Regulation).

The industry acknowledges that several of the industry's proposals to reduce the burden associated with due diligence are included in the proposal. These include the following paragraphs of Article 5:

- (1) and (3)(c): Removal of some verification requirements.
- (3)(a) and (3)(b): More principles-based risk assessment.
- (4): More principles-based written procedures.
- (4)(g): An extra 15 days for secondary market documentation.
- (4b): Waiving verification and documentation requirements where the first loss tranche, guaranteed by a defined list of public entities, represents at least 15% of exposure.

Further targeted changes to the securitisation regulation will simplify due diligence rules and transparency requirements. This will make it easier for investors to comply with their obligations in a timely and efficient manner and will reduce the reporting burden on issuers of securitisation.

Industry concern: Some of the proposed changes may act as new barriers to entry in the market. For example, Article 5(5) proposes removing the transfer of legal liability through delegation of responsibility and Article 32 proposes extending the sanctions regime to institutional investors.

In addition, it should be highlighted that the SECR due diligence requirements that need to be fulfilled by an insurance investor are in addition to the Solvency II due diligence requirements (e.g. the Prudent Person Principle) that apply to all investments. Simplification of the SECR due diligence requirements is welcome but it should be stressed that they remain an additional barrier relative to other asset classes.

Insurance Europe proposal: Industry **supports** changes towards a more proportionate and risk-sensitive regime. However, industry calls for the EC to reconsider proposed barriers which may act as a drawback to their intentions.

3. Unfunded credit protection eligibility

Reference: Proposed [amendment](#) to **Article 26e** of Regulation 2017/2402 (Securitisation Regulation).

The proposals allow for credit (re)insurers to participate in the STS synthetic securitisation market, noting that (re)insurers have been welcome participants in the non-STs securitisation market since 2018. The industry had shared concerns on this fragmentation previously.

However, the eligibility under the proposal is subject to new requirements, under Article 26e(8). These requirements include criteria for:

- **Internal model:** Using an approved internal model to calculate capital requirements for such credit protection agreements.
- **Solvency:** Compliance with capital requirements under Solvency II (SCR and MCR) and credit quality step 3 or better.
- **Diversification:** Operating in at least two classes of non-life insurance business.
- **Minimum size:** Required assets under management exceeding €20 billion.

Industry concern: The criteria are too restrictive in certain respects and unlikely to be workable in practice - even for EU Solvency II firms - as they do not align with the specific business models of insurers.

A [survey](#) (published September 2025) by the International Association of Credit Portfolio Managers (IACPM) of 23 (re)insurance groups actively participating or planning to participate found only two insurance groups (with one undertaking each) are eligible under the proposed safeguards, and specifically in the criteria of minimum size and internal model.

Industry concern - requirement for internal model:

- The requirement for use of an approved internal model is too onerous, excluding the vast majority of current and potential EU Solvency II credit protection providers.
- The IACPM survey indicates that restricting eligible entities to carriers using regulatory approved internal models under the SII regime would exclude 76% of carriers in the EU, most of them currently active in underwriting EU Significant Risk Transfer (SRT). The restriction would create a major barrier to entry into the market for further (re)insurance companies, EU and non-EU, and drive non-EU based (re)insurers to focus on other markets, benefiting non-EU banks.
- The ORSA is capable of being leveraged to include an assessment of deviations between the risks arising from synthetic securitisations and the standard formula, and the materiality of the deviations on the capital requirements and solvency of the undertaking.

Insurance Europe proposal: The proposed requirement for use of an approved internal model should be removed. Alternatively, a mandate under Solvency II could require the development of parameters relating to eligibility, supervision and reporting for providers of unfunded credit protection under the SECR STS framework (ideally this would extend to compliance with third country equivalent frameworks).

Industry concern - requirement for minimum size:

- The proposed metric, as currently defined (at underwriting company level) would exclude most of the multiline non-life insurers currently active in the European SRT markets. In order to achieve the Commission's objective of diversifying and strengthening protection sellers in SRT securitisation, the proposed metric should be revisited.
- Additionally, "Total assets" would be a more appropriate metric available from an undertaking's audited balance sheet, than "Assets under management".

Insurance Europe proposal: Change the term “assets under management” to “total assets” and expand eligibility to undertakings who are part of a group with consolidated assets of €20 billion, where the group parent undertaking is subject to Solvency II or Solvency II-equivalent supervision .

Industry concern - “resilient” label:

Concerns also remain on the scope of eligibility criteria, but also the potential exclusion of (re)insurance for “**resilient**” transactions. This new category, currently proposed for banks only through the [amendment](#) of the Capital Requirement Regulation (CRR), excludes (re)insurers by excluding unfunded credit protections in the list of criteria required for “resilient securitisation positions”.

Industry concerns:

- Transactions featuring unfunded credit protection provided by insurers, that are eligible in line with proposed changes to the general STS framework, are not eligible for “resilience”. As proposed, this would be regardless of whether the transaction, overall, is STS or non-STS, and whether the unfunded credit protection is the sole form of credit protection in the transaction or is provided in combination with funded credit protection.
- It is also likely to be significantly less costly and time-consuming to achieve non-STS “resilience” than to achieve STS. These major incentives associated with “resilience” would encourage insurers to participate in the market.

Insurance Europe proposal: Transactions featuring unfunded credit protection provided by insurers, eligible in line with proposed changes to the general STS framework, must count as “resilient” to keep the market attractive. This could be achieved by aligning SEC-R and CRR texts.

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