Insurance Europe Response - EC Consultation on Competitiveness in the Single Banking Market

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Insurance Europe's Perspectives on the European Commission's Communication on the Competitiveness of the EU Banking Sector

Insurance Europe welcomes the European Commission's work on competitiveness and simplification, in particular the recently published Communication on the competitiveness of the EU banking sector. We welcome its recognition that a proportionate and coherent regulatory and supervisory framework is essential to support European competitiveness and growth, while preserving financial stability and policyholder protection.

Many of the challenges identified in the Communication, and the measures proposed to address them, are not unique to the banking sector. The concerns highlighted, including regulatory complexity, excessive reporting burdens and the need for greater proportionality in regulation and supervision, are equally relevant to the insurance sector. The Commission should therefore apply the same principles when reviewing the European insurance regulatory and supervisory framework and pursuing its broader simplification and competitiveness objectives.

Against this background, Insurance Europe would like to highlight a number of key messages for consideration.

Supervisory accountability as a driver of competitiveness

Insurance Europe welcomes the Commission's recognition that regulators and supervisory authorities should focus on risks that genuinely matter, rather than seeking to eliminate all risk through increasingly detailed requirements. While this point is made in the context of banking, it is equally relevant to the insurance sector, where excessively risk-averse regulatory and supervisory practices can undermine competitiveness and limit insurers' capacity to support the real economy. As providers of risk protection and major long-term investors, insurers play a key role in supporting growth, innovation and economic resilience. Proportionality is an important safeguard to ensure that regulatory and supervisory requirements remain commensurate with the risks concerned. Supervisory authorities should therefore give due consideration to the proportionality and impact of their decisions on competitiveness and on firms' ability to operate effectively.

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In this context, the Commission should consider how the approach and measures proposed for the EBA could also be reflected in EIOPA's mandate and activities. This should include examining how EIOPA's mandate can more explicitly support competitiveness, proportionality and simplification, including the reduction of unnecessary regulatory and reporting burdens. In particular, accountability for the cumulative impact of regulatory and supervisory requirements should be strengthened, rather than assessing individual measures in isolation.

Ensuring proportionate and accountable Level 2 and Level 3 rulemaking

Similar to the concerns identified in the Commission's communication on the competitiveness of the banking sector, the insurance industry is affected by the growing volume and complexity of Level 2 and Level 3 measures, with many of the same issues arising, including duplication, overlap and limited transparency. Insurance Europe therefore welcomes the Commission's emphasis on stronger impact assessments, greater accountability and more rigorous scrutiny of technical standards and delegated acts.

Insurance Europe would also welcome equivalent scrutiny of EIOPA's Level 2 work. In particular, the stronger focus proposed for the banking framework on impact assessments, the processes for developing and amending technical standards and accountability for Level 2 mandates should, where appropriate, also be reflected in the insurance framework.

Insurance Europe also supports the Commission's call for a clearer distinction between binding requirements and non-binding supervisory guidance. The same principle should apply in insurance, helping to ensure that non-binding measures do not in practice create additional requirements beyond the underlying legislation.

Level 3 measures should also be subject to regular review to ensure that they remain necessary, proportionate and up to date. The insurance sector would equally benefit from improved accessibility and transparency of supervisory guidance, including by linking Level 3 guidance and Q&As to the relevant legislative provisions and removing outdated guidance. This would help reduce complexity and enhance legal certainty.

Reporting simplification and effective data sharing

Reducing unnecessary reporting requirements is essential to strengthen the competitiveness of the insurance sector. While reporting and disclosure obligations play an important role in supporting effective supervision, insurers continue to face significant costs arising from duplicative requirements, overlapping frameworks and inefficiencies in the exchange of information between authorities.

Reporting requirements should be streamlined to eliminate unnecessary data requests. This includes ensuring that the interaction between Solvency II, the IRRD and other legal frameworks is carefully assessed so that reporting obligations remain coherent and do not require firms to submit the same, or substantially similar, information under different legal frameworks. Existing requirements should also be reviewed regularly to identify and remove redundant or no longer necessary data requests.

A genuine *"report once, use many"* approach should be pursued, supported by more effective data sharing between authorities. More integrated reporting and common data definitions can contribute to this objective, provided they genuinely reduce the information firms are required to produce and do not create an additional layer of reporting complexity.

Additional national reporting and disclosure requirements should likewise be limited wherever possible, helping to reduce fragmentation and unnecessary complexity across the EU.

Promoting competitiveness through proportionate and risk-based requirements

The objective of reducing unnecessary burdens should extend beyond reporting requirements and be reflected more broadly across the regulatory and supervisory framework through a stronger application of proportionality and materiality principles.

In this regard, Insurance Europe welcomes the Commission's approach to proportionality and simplification. To achieve meaningful simplification, proportionality should be embedded across the regulatory and supervisory framework, rather than being limited to a narrowly defined regime for smaller firms. It should therefore be applied consistently across prudential, governance, supervisory, reporting and resolution requirements, and reflected more systematically in Level 2 and Level 3 measures. In this respect, the Commission's proposals for small and non-complex banks provide a useful precedent for ensuring that the small and non-complex undertaking (SNCU) framework in insurance delivers tangible simplification in practice, including through a wider scope of undertakings qualifying for the framework and a reduction in unnecessary requirements and processes.

A stronger focus on proportionality and materiality is also warranted in the context of the IRRD. The development and implementation of recovery and resolution planning requirements should embed proportionality from the outset, taking into account the nature, scale and complexity of undertakings, avoiding unnecessary reporting and procedural burdens, and ensuring a reasonable timeline for undertakings, supervisors and resolution authorities to adapt to the new legal requirements.

The insurance sector has always supported a proportionate implementation of a European recovery and resolution framework, for example, via Insurance Europe's call for a Stop-the-Clock and practical suggestions to simplify and improve the IRRD. As the practical implementation of the IRRD proceeds, we are increasingly concerned about the disproportionate requirements relative to the risks and benefits.

Tackling fragmentation, gold-plating and barriers to cross-border activity

Insurance Europe supports the Commission's focus on identifying national gold-plating and other barriers that undermine the consistent application of EU rules. The same scrutiny should be applied in the insurance sector, with a view to reducing unnecessary national requirements and divergent supervisory practices.

National implementation and supervisory practices should support a level playing field across the Single Market, remain neutral with respect to legitimate organisational models and avoid unnecessarily discouraging cross-border activity, including through branches and the freedom to provide services. The Commission should therefore continue working with European and national authorities to promote greater supervisory convergence and remove obstacles that hinder the effective functioning of the Single Market.

International standards and European competitiveness

Insurance Europe supports the Commission's recognition that international standards should be implemented with due regard to EU market specificities, proportionality and competitiveness. This principle is equally relevant to international insurance standards, whose implementation in the EU should remain risk-based and avoid unnecessary requirements or competitive disadvantages that do not reflect the characteristics of the European insurance market.

Conclusion

Insurance Europe welcomes the Commission's efforts to strengthen the competitiveness of the European banking sector and reduce unnecessary regulatory and supervisory burdens. Many of the challenges identified in the banking sector are, however, equally relevant to insurance and therefore warrant a similar focus on simplification, proportionality, accountability and supervisory efficiency.

The Commission should therefore ensure that the competitiveness and simplification principles set out in the banking communication are reflected consistently across the wider financial-services framework, including insurance. Doing so would help create a more proportionate, coherent and competitive regulatory environment while preserving financial stability, policyholder protection and the ability of insurers to support growth, innovation and investment in the European economy.

Insurance Europe is the European insurance and reinsurance federation. Through its 39 member bodies — the national insurance associations — it represents insurance and reinsurance undertakings active in Europe and advocates for policies and conditions that support the sector in delivering value to individuals, businesses, and the broader economy.