insurance europe

Press release

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Further action needed to allow insurers to contribute more to sustainable finance

EC work so far welcomed, but more improvements needed to remove unnecessary prudential barriers and to increase sustainable asset pipeline

Insurers already play a variety of roles in promoting sustainability, but want to be able to do more. However, to facilitate this, policymakers must address the limited supply of sustainable assets, avoid crowding out private investors from those assets and adjust the prudential framework on insurers' long-term investments to better reflect the risks faced by insurers.

These were the key messages from a seminar on sustainable finance held in Brussels yesterday, as part of Invest Week[1], by Insurance Europe, the European insurance and reinsurance federation.

Sergio Balbinot, president of Insurance Europe, said: "Insurers are already very much in the sustainability business. We are a long-term industry, covering long-term risks and making long-term investments: and already invest in a wide range of sustainable projects."

While insurers want to be able to increase their contribution, there are still major obstacles that policymakers need to address, said Balbinot. These include a lack of suitable sustainable assets. "The EU Investment Plan and CMU project have already resulted in some very welcome steps forward. However, we believe that — by working together — much more can still be achieved. This is because pipelines of suitable projects still lag behind insurers' willingness and ability to invest," he said.

He also said that, while the European Fund for Strategic Investment (EFSI), together with public investment banks such as the EIB, can help foster private investment, care must be taken to avoid them crowding out private investors, such as insurers.

Lastly, Balbinot stressed the need for the EU's insurance prudential regime, Solvency II, to better reflect the true risks insurers face when making long-term sustainable investments.

"Unfortunately, Solvency II treats insurers as traders and creates disincentives for insurers to invest long-term. Reassuringly, this was recognised in the interim report from the Commission's High-Level Expert Group on sustainable finance. It called for adjustments to Solvency II to be considered to enable greater investment in sustainable and long-term assets. We wholeheartedly agree with this," he added.

[1] Invest Week, 20–24 November, is made up of a series of events by 31 organisations that examine the impact of investment on sustainable growth. It is supported by the Estonian Presidency of the Council of the European Union.

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Notes for editors

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