Association Européenne des Institutions Paritaires
European Association of Paritarian Institutions

Section 1: Long-termism and sustainability of insurers' activities, and priorities of the European framework

Objectives of the framework and priorities of the review

According to the current European legislation, "the main objective of insurance and reinsurance regulation and supervision is the adequate protection of policy holders and beneficiaries. (...) Financial stability and fair and stable markets are other objectives of insurance and reinsurance regulation and supervision which should also be taken into account but should not undermine the main objective".

On a scale from 0 to 9, please note, and if possible classify, each of the following proposals.

- 0 being "Don't know/ No opinion"
- 1 being « Not important at all"
- 9 being "of utmost importance"

Question 1: What could be the renewed objectives of European legislation for insurance companies?

	Score (0- 9)
Policyholder protection	9
Financial stability	8
Fostering investments in environmentally-sustainable economic activities which will be defined in the EU taxonomy	7
Fostering long-term investments in the real economy and providing long-term financing to European companies, including SMEs	7
Ensuring a fair and stable single market	6

If you identify other political objectives, please specify them and give a rating of their importance from 1 to 9 for each of them:

We call for stable regulations over time as well as for efficiency in their application.

Question 2: In light of market developments over the recent years, in particular the low or even negative interest rates environment and the Covid-19 crisis, what should be the priorities of the review of the European legislation for insurance companies?

	Score (0- 9)
Ensuring that insurers remain solvent	8
Ensuring that insurers' obligations to the policyholders continue to be fulfilled even in the event that they fail	6

Ensuring that there are no obstacles for insurance companies to contribute to the investment needs of the European Green Deal, i.e. fostering insurers' investments that help the transition to carbon neutrality by 2050	6
Ensure that there are no obstacles for insurance companies to invest in accordance with the objectives of the Capital Markets Union, i.e. fostering insurers' long-term financing of the European economy, including SMEs	9
Facilitating insurers' ability to offer (sufficiently) high returns to policyholders, even if this implies taking more risks	6
Facilitating insurers' ability to offer products with long-term guarantees	6
Ensuring that insurers do not face liquidity issues (i.e. that they have sufficiently liquid assets) to meet at all times short-term obligations (i.e. cash or other highly marketable securities)	7
Preventing the build-up of systemic risk and ensuring financial stability	7

If you identify other priorities, please specify them and give a rating from 1 to 9 to each of them:

AEIP believes that the change in legislation should not come at the expense of the solvency of insurers in such a period when risk-free rates are historically low and when there is a pandemic crisis. If a measure were to strengthen the solvency capital requirement (SCR), it should at least provide for smoothing mechanisms applicable by law.

Capital requirements for investments in SMEs (both equity and debt), for long-term investments and for sustainable investments.

Question 3: Have the recent changes to the prudential framework regarding equity investments appropriately addressed potential obstacles to long term investments?

☒ **Yes**
☐ No, the recent changes will not have a material impact on insurers' ability to invest for the long term
☐ Don't know/ no opinion

Please specify what the remaining obstacles are, and how to address them while preserving the necessary prudential safeguards to ensure policyholder protection:

These recent changes may have a significant effect, but application criteria still make them difficult to apply (minimum holding period, etc.)

Question 4: Does the prudential framework set the right incentives for insurers to provide long-term debt financing to private companies, including SMEs (i.e. to invest for the long-term in long-maturity debt instruments)?

Please indicate the statements with which you agree.

- ☐ Yes, the framework provides the right incentives
- ☐ No, investments in long-maturity bonds (more than 15 years) should be less costly for insurers, regardless of whether they hold their investments for the long term
- ☒ **No, there should be a preferential treatment for long-term investments in bonds that are held close to maturity, with appropriate safeguards**
- ☐ No, and in order to effectively reduce the cost of investment in bonds, Solvency II should allow all insurers to apply the dynamic modelling of the volatility adjustment
- ☐ No, and I have another proposal to address this issue
- ☐ Don't know/no opinion

Please specify your answer to question 4 (if needed):

The prudential framework should provide for specific treatment for loans which aim to finance the economy. This specific treatment should foresee that, even in the calculation without volatility adjustment (VA), a VA type mechanism specific to these bonds makes it possible to eliminate the volatility linked to the spreads of the bonds held until maturity.

Insurers' contribution to the objective of a sustainable economic growth and policyholder protection

Question 5: Do you agree or disagree with each of the following proposed change to quantitative rules in Solvency II?

	Agree	Disagree	Don't know/ no opinion
We should make it less costly for insurers to invest in SMEs	X		
We should make it less costly for insurers to invest in environmentally sustainable economic activities and associated assets (so-called "green supporting factor")	X		
We should make it more costly for insurers (and therefore provide disincentives) to invest in activities and associated assets that are detrimental to the objective of a climate-neutral continent (so-called "brown penalizing factor")			X

Veuillez expliquer le raisonnement sur lequel repose votre réponse à la question 5 (si nécessaire) :

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……

Short-term volatility, procyclicality, and insurance products with long-term guarantees

Question 6: Does Solvency II appropriately mitigate the impact of short-term market volatility on the solvency position of insurance companies?

- ☐ Yes

☒ **No**

☐ Don’t know/ no opinion

Please indicate how the framework could mitigate the volatility of:

- fixed-income assets
- stock markets

In a situation of extreme volatility (for example in times of financial crisis, pandemic, etc.) regulations should provide a mechanism to mitigate the exceptional and momentary volatility generated by the situation.

To do this, it should be allowed that the economic scenarios used to assess the best estimate provisions and solvency are calibrated by using long-term volatility, which would be not necessarily directly linked to the implied volatility of the markets, especially in times of crisis. The idea is to smooth out excess volatility over time and not instantly.

Question 7: Does Solvency II promote procyclical behaviours by insurers (e.g. common behaviour of selling of assets whose market value is plunging or whose credit quality is decreased), which could generate financial instability?

☒ **Yes**
☐ No
☐ Don't know/ no opinion

Please indicate how the framework could avoid procyclical behaviour by insurers:

See answer to question 6.

Question 8: Some stakeholders claim that Solvency II has incentivized insurers to shift investment risk to policyholders. Do you agree with this statement?

☐ Yes
☒ **Yes, but it is not the most important driver**
☐ No
☐ Don't know/ no opinion

Question 9: Do you agree with the International Monetary Fund that public authorities should aim to provide disincentives to the selling of new life insurance products offering guaranteed returns?

	Yes	No	Don't know/no opinion
From the point of view of a policyholder		**X**	
In terms of financial stability	**X**		

Please explain your reasoning for your answer to question 9 (if needed):

Public authorities should further encourage contractual freedom on new products, in particular through the choice of guarantee (type of guarantee, support, horizon, etc.).

Prudential rules and Covid-19

Question 10 : In light of the Covid-19 crisis, have you identified any major issues in relation to prudential rules that you were unaware of or considered of lesser importance prior to the pandemic?

☐ Yes
☒ **No**
☐ Don't know/no opinion

Please elaborate your answer to Question 10:

No, the Covid-19 crisis has not revealed new problems. The fact remains that the financial crisis linked with the pandemic has once again highlighted the unsuitability of Solvency II in the event of extreme volatility mentioned in question 6.

Other issues

Question 11: From the point of view of policyholders, would it be acceptable to waive Solvency II requirements to insurance companies that belong to a group, if the group as a whole is subject to "strengthened" supervision?

☒ **Yes, it is sufficient for the insurer to rely on the group's wealth**
☐ No, it is not sufficient for the insurer to rely on the group's wealth
☐ Don't know/no opinion

Please explain your answer to question 11 (if needed):-

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Please explain your reasoning for your answer to question 11 (if needed).

In particular, please specify what a "strengthened" group supervision would encompass:

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Question 12: Should the European legislation be amended to better take into account insurers' exposure to and interconnectedness with the broader financial sector and the real economy? Please indicate the statements with which you agree.

☐ Yes, in targeted areas of the framework
☐ Yes, a number of gaps in the framework need to be addressed in areas other than those mentioned in the previous answer (for instance, insurers' significant exposure to specific types of assets)

☒ **No**
☐ Don't know/no opinion

Please specify the additional instruments that you would consider, and the type of systemic/financial stability risks that those instruments would aim to address:

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Section 2: Proportionality of the European framework and transparency towards the public

Scope of Solvency II

Question 13: From the point of view of policyholders, should the scope of small insurance companies, which are not subject to Solvency II be extended?

☐ Yes
☒ **No**
☐ Don't know/no opinion

Please explain your reasoning for your answer to question 13 (if needed):

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Proportionality in the application of Solvency II

Question 14: Should public authorities have less discretion when deciding whether insurers may apply simplified approaches and/or implement Solvency II rules in a more proportionate and flexible way? Please explain your reasoning (if needed).

☒ **Yes**
☐ No
☐ Don't know/no opinion

Please specify the criteria that should be introduced in the European legislation, in order for an insurer which meets them to be automatically granted the use of simplified approaches and/or a more proportionate and flexible application of the rules:

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Scope of reporting obligations

Question 15: Should the exemptions and limitations always be subject to the discretion of the public authorities? Please indicate the statements with which you agree.

Merci d'indiquer les affirmations avec lesquelles vous êtes d'accord : (au moins 1 choix)

- ☒ **The current system of exemptions and limitations is satisfactory**
- ☐ The framework should also include some clear criteria for automatic exemption and limitation
- ☐ The 20% limit should be increased
- ☐ The 20% limit should be reduced
- ☐ There should be no discretion at all
- ☐ I have another answer
- ☐ Don't know/no opinion

Please specify your answer to question 15 (if needed).

In particular, if you think that there should be clear criteria for automatic exemption and limitation, please specify those criteria:

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Specificities of not-for-profit insurers

Question 16: Should the European framework take into account the specific features of not-for-profit insurance companies (e.g. democratic governance, exclusive use of the surplus for the benefit of the members, no dividend paid to outside shareholders)?

- ☒ **Yes**
- ☐ No
- ☐ Don't know/no opinion

Please specify the areas of the framework, which should be adapted (quantitative requirements? governance requirements? etc.):

Taking into account the specific governance of paritarian bodies and better taking into account the exclusive use of surpluses for the benefit of policyholders.

Transparency towards the general public

Question 17: How can the framework facilitate policyholders' and other stakeholders' access to the SFCRs?

	Agree	Disagree	Don't know/ no opinion
The current framework is sufficient, as it already requires insurers to publish their SFCR on their website if they own one	X		
The framework should clearly require that insurers' publication on their website is easily accessible for the public	X		
Insurers should be required to send (electronically or by mail) on a regular basis a summary of the SFCR to each policyholder		X	
Insurers should be required to send (electronically or by mail) the SFCR to each policyholder who explicitly requests for it			X
Other options			X

Please specify your answer to question 17 (if needed).

In particular, if you identified other options, please elaborate:

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Question 18: If you have already consulted a SFCR, did you find the reading insightful and helpful, in particular for your decision making on purchasing (or renewing) insurance, or investing in/rating an insurance company? Please indicate the statement(s) with which you agree.

☒ **The reading was insightful**
☐ The information provided was in the right level of details
☒ **The information provided was too detailed**
☐ The information provided was redundant with what can be found in other public reports by insurers
☐ No, the reading was not insightful
☐ I have never consulted a SFCR
☐ Don't know/no opinion.

Please specify your answer to question 18.

If you are of the view that some information is missing, or on the contrary that information is too detailed or redundant, please elaborate and give examples:

Too detailed for an insurance policyholder. The level of technicality required should be adapted to policyholders.

Question 19: Which information should be provided to policyholders on insurers' financial strength, business strategies and risk management activities? What should be the ideal format and length of the SFCR?

A maximum double-sided sheet on which one can find a brief history of solvency ratios, results over 5 years as well as an overview of the company's strategy and main risks to which it believes it falls under.

Question 20: Some insurers belong to wider insurance groups, which also have to publish a Solvency and Financial Conditions Report at group level (so-called "group SFCR"). Do policyholders (current or prospective) need to have access to information from group SFCRs?

- ☒ **Yes**
- ☐ No
- ☐ Don't know/no opinion

Please specify the format and content of the information that should be disclosed to policyholders in group SFCRs, and what would be the appropriate frequency of publication of such reports:

Under the same conditions as the solo SFCR.

Question 21: Should all insurers publish a SFCR on a yearly basis? Please indicate if you agree or disagree with the following statements.

- ☐ Yes, all insurers should publish a SFCR on a yearly basis
- ☒ **Yes, but some insurers should only be required to publish a summary of their SFCR on a yearly basis**
- ☐ No, a yearly publication of the SFCR should not be required for some insurers
- ☐ No, a yearly publication of the SFCR should not be required for any insurer
- ☐ Don't know/no opinion

Please indicate what you consider the appropriate frequency of publication of the SFCR (or of its summary) and whether all insurers or only some types should publish them (if the latter, please specify which types):

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Question 22: Some insurers use their own internal models to calculate their solvency requirements, after approval and ongoing supervision by public authorities, and not the prescribed standard approach defined by the legislation. For those insurers that use an internal model, should European legislation require them to also calculate their solvency position using standard methods for information purposes, and to disclose it to the public?

- ☐ Yes
- ☐ No, insurers that use their own internal models should not be required to publicly disclose their solvency position using standard methods, although they should be required to calculate it and to report it to public authorities
- ☒ **No, insurers that use their own internal model should not be required to calculate their solvency position using standard methods**
- ☐ Don't know/no opinion

Please specify the purpose of such a disclosure in your view:

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Please explain the issues stemming from such a disclosure:

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Section 3: Improving trust and deepening the single market in insurance services

Supervision of cross-border business

Question 23: When the Home authority does not take the necessary measures to prevent excessive risk taking or non-compliance with the European rules by an insurer for its cross-border activities, should the Host authority be provided with additional powers of intervention, in order to protect policyholders?

- ☒ **Yes**
- ☐ No
- ☐ Don't know/no opinion

Please specify the additional powers needed:

Insurance products are closely linked to the national regulations of each country, so the host Member State is best placed to assess the specific risks for the products that concern it.

Question 24: Should the supervision of cross-border activities by insurers be exercised by national authorities or by a European authority?

- ☐ By national authorities only
- ☐ By a European authority only
- ☒ **By national authorities, with European coordination where needed.**
- ☐ Other answer
- ☐ Don't know/no opinion

Please elaborate on your answer to question 24:

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Preventing and addressing insurance failures

La majorité des États membres a mis en place des régimes de garantie des assurances (**RGA**) qui offrent un ultime recours aux preneurs. Ces RGA protègent les preneurs contre les conséquences de la défaillance d'entreprises d'assurance qui ne peuvent honorer leurs engagements contractuels. Ils sont généralement financés par le secteur de l'assurance. La protection qu'ils offrent peut consister à verser des indemnités aux preneurs ou à garantir la reprise des contrats.

Question 25: Do you consider that insurers and public authorities are sufficiently prepared for a significant deterioration of the financial position or the failure of an insurer and that they have the necessary tools and powers to address such situations, in particular in a cross-border context?

- ☒ **Yes**
- ☐ No
- ☐ Don't know/no opinion

Please specify the instruments or harmonised powers that are needed at each stage of preparation (i.e. recovery planning, resolution planning, resolvability assessment) and at various stages of intervention (i.e. during early intervention, recovery or resolution):

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Question 26: Question 26: Should it become compulsory for all Member States to set up an IGS, in order to ensure that a minimum level of policyholder protection is provided across the EU?

- ☐ Yes
- ☐ No
- ☒ **Don't know/no opinion**

Please explain your reasoning for your answer to question 26 (if needed):

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………

Question 27: Which of the following life insurance products should be protected by IGS?

- ☒ **All life insurance products**
- ☐ Some life insurance products
- ☐ No life insurance products
- ☐ Don't know/no opinion

Please specify which life insurance products should not be covered and explain why:

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………

Question 28: Which of the following non-life insurance products should be protected by IGS?

	Should be covered	Should not be covered	Don't know/no opinion
Health	X		
Workers' compensation	X		
Insurance against Fire and other damage to property			X
General liability	X		
Accident (such as damage to the driver)	X		
Suretyship for home building projects			X
Other			X

Please elaborate your answer to question 28.

In particular, if you consider that other non-life insurance products should be protected please specify which products:

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………

Question 29: Should all mandatory insurance be covered by IGS?

- ☒ **Yes**
- ☐ No
- ☐ Don't know/no opinion

Please specify your answer for your answer to question (if needed):

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Question 30: If your insurer fails, what would you prefer?

- ☐ Receiving compensation from the IGS
- ☒ **That the IGS ensures that your insurance policy continues, for example by transferring it to another insurer**
- ☐ It depends on the type of insurance policy
- ☐ Don't know/no opinion

Please explain your answer to question 30:

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Question 31: The coverage level of IGS determines the level of protection provided to policyholders. Should the European legislation set a minimum coverage level at EU level?

- ☐ Yes
- ☐ No
- ☒ **Don't know/no opinion**

Please specify up to which amount claims should be fully guaranteed as a minimum:

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Preventing financial stability risks and ensuring policyholder protection

Question 32: In order to limit the risk of insurance failures and protect financial stability, should public authorities have the power to temporarily prohibit redemptions of life insurance policies? Please indicate the statement(s) with which you agree.

- ☒ **Yes, at sectoral level, to the extent that such a measure is absolutely necessary to address major threats to the insurance sector**
- ☐ Yes, in cases where a specific insurer is in a weak financial position
- ☒ **Yes, in cases where a specific insurer is in financial distress, and as long as policyholders would be better off than in the event of the insurer's failure**
- ☐ No
- ☐ Don't know/no opinion

Question 33: In order to limit the risk of insurance failures and protect financial stability, should public authorities have the power to reduce entitlements of a life insurer's clients (e.g. reducing the right for bonuses that policyholders were initially entitled to receive)? Please indicate the statement (s) with which you agree.

- ☐ Yes, if the insurer is in deteriorated financial position
- ☒ **Yes, as a last resort measure, and as long as policyholders would be better off than in the event of a failure**
- ☐ No
- ☐ Don't know/no opinion

Flexibility of the framework under crisis situations

Question 34: Please specify whether other exceptional measures than those mentioned in Question 32 and Question 33 should be introduced in order for public authorities aiming to preserve insurers' solvency and financial stability to intervene timely and in an efficient manner during exceptional adverse situations.
Please also clarify if those measures should apply at the level of individual insurers or widely to the whole sector:

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Question 35: In your view, should the framework provide for flexibility to alleviate certain regulatory requirements during exceptional adverse situations?

- ☒ **Yes**
- ☐ No
- ☐ Don't know/no opinion

Please specify which additional provisions/measures would provide for sufficient flexibility of the framework, and which regulatory requirements would need to be alleviated during exceptional adverse situations:

Adapt the prudential framework when a rule leads to a procyclical effect.

Section 4: New emerging risks and opportunities

A. European Green Deal and sustainability risks

Perils of the natural catastrophe module

Question 36: Are there additional types of natural catastrophes that might become relevant to the broader insurance sector in the next years and therefore warrant an inclusion in the standard approach for the calculation of capital requirements (e.g. drought or wildfire)?

- ☐ Yes, and sufficient data is available for the calibration of capital requirements for the additional types of natural catastrophes
- ☐ Yes, but the calibration of capital requirements is not possible at this stage, as the data will only become available over the next years
- ☐ No, additional types of natural catastrophes will continue to have lesser relevance for insurers, and they can be addressed by internal models and qualitative requirements ("Pillar 2").
- ☐ **Don't know/no opinion**

Please indicate the source of available data:

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Please elaborate your answer to question 36:

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Use of historical data

Question 37: Beyond the general rules on the use of data, should Solvency II rules explicitly require insurers to assess whether the data used in the valuation of liabilities to policyholders captures sufficiently trends caused by climate change?

- ☐ Yes, and requiring this assessment is of high importance
- ☐ Yes, and requiring this assessment is of medium importance
- ☐ Yes, but requiring this assessment is of low importance
- ☒ **No**
- ☐ Don't know/no opinion

Question 38: Beyond the general rules on the use of data, should Solvency II rules explicitly require insurers to assess whether the data used in an internal model captures sufficiently trends caused by climate change?

- ☐ Yes, and requiring this assessment is of high importance
- ☐ Yes, and requiring this assessment is of medium importance
- ☐ Yes, but requiring this assessment is of low importance
- ☒ **No**
- ☐ Don't know/no opinion

Scenario analysis

Question 39: Should Solvency II rules for insurers explicitly require climate scenario analyses as part of the qualitative rules ("Pillar 2")?

- ☐ Yes, and climate scenario analyses are of high importance
- ☐ Yes, and climate scenarios analyses are of medium importance
- ☐ Yes, but climate change scenario analyses is of low important
- ☒ **No**
- ☐ Don't know/no opinion

Please explain what opportunities and challenges you foresee for the insurance industry when it comes to climate scenario analyses including, for example, whether standardisation of these scenarios would be useful:

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Please explain your answer to Question 39:

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Impact underwriting

EIOPA recently suggested that insurers engage in 'impact underwriting', whereby insurers develop new insurance products, design and price products with the aim to contribute to adaptation to and mitigation of climate change without disregard for actuarial risk-based principles of risk selection and pricing.

Question 40: In your view, does Solvency II contain rules that prevent the practice of impact underwriting by insurers?

- ☐ Yes
- ☐ No
- ☒ **Don't know/no opinion**

Please specify which rules (ideally with legal references) and rate their importance (high, medium, low):

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Question 41: Do you have proposals for changes others than those provided in your answers to Question 5 and Questions 36 to 40 that would make Solvency II a more conducive framework for sustainable activities by insurance and reinsurance companies?

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B. Challenges arising from digitalisation and other issues

Question 42: Should the European legislation introduce enhanced requirements for insurers to monitor and manage information and communication technology (ICT) risks, including cyber-risks as part of their risk management practices ("Pillar 2")?

☐ Yes
☒ **No**
☐ Don't know/no opinion

Please specify your answer to Question 42:

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Question 43: Should the European legislation consider that cyber-insurance is a distinct class of insurance, which would need to be subject to its own authorisation process by public authorities?

☐ Yes
☐ No
☒ **Don't know/no opinion**

Please specify your answer to question 43:

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Question 44: Should the legislation differentiate intragroup and extra-group outsourcing, and introduce “lighter” requirement in the former case?

- ☒ **Yes, but the lighter requirements should be conditioned to the satisfaction of some criteria at the level of the group, for instance appropriate centralized risk management processes and internal control mechanisms of the group**
- ☐ Yes, and those lighter requirements should not be conditioned to any additional criterion
- ☐ No
- ☐ Don’t know/no opinion

Please specify which requirements should be alleviated in the case of intragroup outsourcing, and the criteria to be satisfied at the level of the group to benefit from the "lighter" requirements:

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Please specify which requirements should be alleviated in the case of intragroup outsourcing:

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