



To: Mr Mika Lintilä,
President-in-office of the ECOFIN,
Minister of Finance of Finland,

Subject: Solvency II 2020 review

Brussels, 09 December 2019

Dear President of the ECOFIN council, Dear Ministers of Finance and members of the ECOFIN council

Europe is currently facing major challenges related to achieving economic growth and technological innovation, global competitiveness and addressing climate change and the aging society. These challenges are, with good reason, at the center of discussions within the European Council, Parliament and Commission.

For achieving the objectives and addressing the challenges above Europe needs more long-term investment, attractive retirement options including long term guarantees and coverage of emerging risks associated with technological innovation and climate change. Insurers, with their long-term business model, are committed and well placed to play a major role in helping to address these needs.

Solvency II has a major impact on the insurance industry. Capital and other requirements drive the industry's capacity to cover risks, the ability to offer guarantees and the level and type of investments that can be made. For four years now, insurers have been subject to the Solvency II regime and overall it works well. Its risk-based approach remains strongly supported and it has been instrumental to ensure very high standards of risk management and customer protection across Europe. However, Solvency II requires targeted important improvements and the current review process is necessary and welcome.

Solvency II has a number of issues which leads to inflated capital requirements overall and artificial volatility, including cliff edge effects. This creates constraints on the industry, unnecessarily limiting its ability to write long-term business, invest long-term and its capacity to cover risks for customers.

In addition, from a global regulatory level playing field perspective Solvency II is an extremely conservative and costly framework. Other geographies appear to have taken much greater account of their economic and social goals in the design and calibration of their regulatory frameworks.

Europe should act to ensure that the Solvency II review addresses the issues related to long-term business and reduce the overall burden while maintaining the strong risk-based foundations of the framework. This will result in a justified reduction in overall capital requirements and thereby increase the industry's capacity to support Europe's needs. Freeing capital resources from non-economic requirements will allow financing EU's agenda, strengthening the leadership of the European insurance industry and pushing further the frontier on insurability, thus contributing to reduce the insurance protection gap, without undermining the resilience and solvency of the sector.



Europe's insurance industry is united in urging you and your ECOFIN colleagues across Europe to provide clear objectives for the review and link its objectives with Europe's economic, societal and environmental ambitions.

We would welcome the opportunity to discuss this topic in further detail with you.

Yours sincerely,

Andreas Brandstetter,
President, Insurance Europe

Thomas Buberl,
Chairman, Pan-European Insurance Forum

Matthew Rider,
Chairman, CFO Forum

Jan-Hendrik Erasmus
Chairman, CRO Forum

Grzegorz Buczkowski
President, AMICE

About Insurance Europe

Insurance Europe is the European insurance and reinsurance federation. Through its 37 member bodies – the national insurance associations – Insurance Europe represents all type of insurance and reinsurance undertakings, e.g. pan-European companies, monoliners, mutual and SMEs. Insurance Europe, which is based in Brussels, represents undertakings that account for 95% of total European premium income.

Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of more than € 1 200bn, directly employ over 950 000 people and invest over €10 200bn in the economy.

About the Pan-European Insurance Forum (PEIF)

The PEIF is a forum for the CEOs of major European headquartered international (re)insurers (Aegon, Allianz, AVIVA, AXA, Generali, MAPFRE, Munich Re, RSA, Swiss Re, UNIQA, and Zurich) to exchange and present views on policy and regulatory issues impacting the European insurance sector. PEIF aims to promote a better understanding and recognition of the role of the insurance business model in the European Union and to provide its Members with the opportunity to discuss major policy and strategic issues affecting the insurance business in Europe and worldwide.

About CFO Forum

The European Insurance CFO Forum ('CFO Forum') is a high-level discussion group formed and attended by the Chief Financial Officers of major European listed and some non-listed, insurance companies. Its aim is to



influence the development of financial reporting, value based reporting, and related regulatory developments for insurance enterprises on behalf of its members, who represent a significant part of the European insurance industry.

About CRO Forum

The CRO Forum is a group of professional risk managers from the insurance industry that focuses on developing and promoting industry best practices in risk management. The Forum consists of Chief Risk Officers from large multi-national insurance companies. It aims to represent the members' views on key risk management topics, including emerging risks.

About AMICE

The Association of Mutual Insurers and Insurance Cooperatives in Europe aisbl (AMICE) is the voice of the mutual and cooperative insurance sector in Europe. Its primary remit is to advocate for appropriate and fair treatment of all mutual and cooperative insurers in Europe. It also provides a platform for mutual and cooperative insurers of all sizes to combine resources and expertise, exchange experiences across national borders and discuss key issues and concerns relating to planned legislative and regulatory changes and developments.

Mutual and cooperative insurance is characterised by customer-membership and democratic governance; such insurers are typically owned by their policyholders. They follow the principles of solidarity and sustainability.

More than half of all insurance undertakings in the EU are mutual and cooperative insurers, accounting for a market share of more than 32%. They provide cover for more than 400 million members/policyholders and employ nearly 440,000 people.