BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

BETTER FINANCE provides feedback on

Draft amendments to Solvency II Delegated rules on the calculation of insurers' capital requirements

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BETTER FINANCE welcomes the European Commission's proposals regarding amendments to Delegated Regulation (EU) 2015/35, which details the requirements laid down by the Solvency II Directive. We, unfortunately, do not have the necessary expertise and resources to provide detailed comments on the appropriateness of the concrete calibrations and parameters that the Commission's proposes for the implementation of the Solvency II requirements.

Nevertheless, BETTER FINANCE would like to express its support for the objective stated in the draft Delegated Regulation that the available capital in excess of the solvency capital requirements be "used to finance productive investments in the real economy of the EU, including in venture capital" and we absolutely share the view that insurance supervisors should "monitor how the free-up capital is being used, including its effect on insurers' capital positions over time".

Adopted at a time of great financial instability, the Solvency II framework—like the Capital Requirements Regulation (CRR) for banks—tightened the prudential framework applicable to insurance activities. That was with good reason: excessive risk-taking and short-termism observed in the run-up to the global financial crisis (GFC) triggered financial, economic, social and political consequences the consequences of which we still live with today. Preserving the relative stability that the post-GFC prudential framework brought to the European financial system is, therefore, paramount.

We sincerely believe that this objective is in no contradiction with that of increasing insurers' long-term investments, notably in asset classes like equity, venture capital and infrastructure. While the insurance business will always entail liquidity needs that are, to a significant extent, unforeseeable (especially in non-life insurance), it is crucial to acknowledge that life insurance at least is, by nature, a long-term business. Holders of insurance-based investment products (IBIPs) are long-term investors: they can tolerate short-term volatility in exchange for a good return further down the road. Enabling insurance undertakings to invest in long-term assets in proportions that match the long time horizon of many of their clients is in the best interest of life insurance policyholders as much as it is in the interest of insurers.

Appropriate reporting and professional standards remain crucial, of course, to ensure that risk assessments are properly done, and that investment decisions are taken based on evidence of sound economic fundamentals. Therefore, we urge the Commission to remain cautious that "cost-cutting" simplification of reporting and look-through requirements do not prevent supervisors and external evaluators from investigating the risk profiles and capital positions of EU insurance undertakings. Insurers are professionals who, we assume, know their trade; but they manage EU citizens money and EU citizens should be able to hold them accountable for this management.

Keywords : Solvency II, insurance, capital requirements, SIU, equity investments

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BETTER FINANCE — the European Federation of Investors and Financial Services Users — is the voice of European citizens as savers, investors, and financial users at the EU level. Working independently from the industry, BETTER FINANCE serves as an independent hub of financial expertise for the direct benefit of individual shareholders, investors, savers, life insurance policyholders, pension fund participants, and mortgage borrowers across Europe. Their work aims to promote research, information, and training on investments, savings, and personal finances to lawmakers and the public. BETTER FINANCE counts 40 independent, national, and international member organisations, sharing similar objectives from the EU Member States as well as Iceland, Norway, Turkey, Lebanon, and Cameroon.

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