THE ROLE OF INSURANCE IN THE EU ECONOMY

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Insurers and the Savings and Investments Union: turning savings into growth

Insurers build long-term investments through life insurance and pension plans. European insurance assets represent more than €10 trillion, among which c. 70 % are invested in the EU, with a duration of c. 12 years. This long-term liability allow insurers to fund a wide range of asset classes, listed or unlisted, domestically or in the EU. It also allows to go through market cycles, dampening shocks while providing capital for green and digital transitions, defence, and growth of innovative businesses.

Allocation of savings of European households is distorted: as of 2024 they hold over €39 trillion of financial assets yet 31 % remain invested in currency and deposits, which is probably too high a proportion to fund the economy properly. In parallel, both Draghi and Noyer reports estimate investment needs in Europe at hundreds of billions of euros yearly. Insurers and pension funds are then the natural bridge to channel savings towards long-term, higher-yielding investments and the Savings and Investments Union's financing needs. And this role will only be growing with Europe's demographic ageing.

Life insurance's great strength lies in its ability to turn countless small, individual savings — the median French policy is worth around €10,000 — into vast reserves of long-term capital which are able to fund what they would not have been able to do individually. Initiatives like Tibi, which rally institutional investors to channel over €30 billion into French and European tech companies, or the 'Prêts Participatifs Relance', through which insurers backed SMEs and mid-caps post-Covid, illustrate how coordinated action can unlock institutional savings at scale, offering a blueprint for similar initiatives across Europe.

Insurers and pension funds contribute to the SIU by channelling savings from investors to businesses.

Recent changes to European legislation sought to facilitate long-term financing of the economy. The adjustments to Solvency II (most notably regarding the long-term equity investment and securitisation) reflect a clear intent to support long-term investment, without compromising the balance for a risk based prudential calibration. The efficiency of these modifications still needs to be measured, particularly in a context where prudential incentives are not the only guiding principle for insurers in their investment decisions.

We need to continue pushing for consistency with SIU objectives across ongoing negotiations, especially for the securitisation and pension packages. The reform of the EU securitisation framework — through lower capital charges and simplified due-diligence and transparency requirements — should deliver on reviving the market for standardised, tradeable asset pools, thereby giving insurers the scale and liquidity of instruments needed to redeploy capital into the economy. The review of IORP 2 directive and PEPP regulation are opportunities for Member States without developed supplementary pensions to develop an ecosystem. In order to better finance European SMEs, we recommend to increase the share of unlisted assets in the Basic PEPP. Finally, while the Retail Investment Strategy aims to strengthen investor confidence in investment, its contribution to fostering retail investment will ultimately depend on the extent to which its implementation preserves efficient distribution channels and access to high-quality investment advice.

In France, our national pension products, notably the PER (Plan d'épargne retraite), contributes to SIU objectives. The PER has experienced remarkable growth (€150 billion of assets in 2025; +46% in two years) and channels savings towards long-term investment: its default life-cycle investment strategy allows for strong risk exposure for younger savers, including through minimum allocation in unlisted assets while more than 70 % of PER assets are invested in the European Union. Its success stems from a strong duty of advice from insurers to consumers, informing savers on how to invest pragmatically in riskier assets based on their financial situation. In addition, the "Finance Europe" label, launched in Paris in June 2025 by seven Member States, should entice retail savings in Europe. Labelled products must invest at least 70% of their assets in the European economic area with a minimum holding period. In France, the PER is one of the two products covered by the label.

Regulatory evolutions are not enough by themselves for transformative change. Ensuring the SIU is effective for savers and investment relies on enhancing two prerequisites. The quality of information and advice provided by insurance providers is key in practice and should be paired with efforts to improve savers' level of financial literacy. The available range of insurance and pension products and guarantees meetings the needs of savers encounter enough available investment options with adequate diversity, volume and liquidity to absorb capital flows and finance the European economy.

PETRA HIELKEMA

Chair – European Insurance and Occupational Pensions Authority

Unlocking insurers' contribution to Europe's economy

The European insurance sector plays a central role in protecting citizens, supporting long-term savings, and contributing to the resilience and growth of the European economy.

The revised Solvency II framework, which applies from 30 January 2027, is expected to enhance the sector's long-term investment capacity. In particular, changes to the calculation of the risk margin for technical provisions are expected to release a significant amount of capital.

This expected capital relief comes with an explicit political expectation: that the released capital facilitates more productive investments that support Europe's strategic priorities, from infrastructure and defence to the green and digital transitions. Whether that capital will be used to invest in the European real economy remains to be seen. EIOPA will monitor its use closely, including changes in investment behaviour and distributions to shareholders, and will report for the first time by the end of 2028.

Other changes introduced by the updated prudential framework also matter for insurers' long-term investment activity. First, more equity investments can be classified as long-term equity investments and thus benefit from lower capital charges. Clarifying and, in some respects, easing the conditions for the class of long-term equity investments should support insurers in holding equity investments over a long-term horizon.

Second, the review introduces a specific treatment for equity investments made under legislative programmes, i.e, schemes that combine public support with private financing to promote investment in strategic sectors such as clean technology, biotech, security and defence. Subject to supervisory approval, insurers using the standard formula may apply a reduced equity capital charge reflecting the extent to which the programme lowers the risk of the investment, in line with the approach already used in banking. The European Commission maintains a public register of eligible programmes.

Third, the review significantly reduces the standard formula capital charges for investments in securitisations, as part of the European Commission's efforts to revive the EU securitisation market. Where a securitisation is fully guaranteed by the EU's own investment institutions – the European Investment Bank or the European Investment Fund – insurers will not need to hold any capital against it. A procedural hurdle is also removed: for the simplest and most transparent category of securitisations, one credit rating is enough instead of two.

Investment capacity, consumer trust and effective supervision must reinforce one another.

These changes may enhance insurers' contribution to the economy. In isolation, however, they are certainly not enough. Whether insurers invest at scale also depends on much that lies outside the prudential framework, including the depth and liquidity of European capital markets, a pipeline of investable projects, and a genuinely integrated Single Market, supported by a supervisory system that is robust, efficient and agile.

It also depends on trust. As part of the Savings and Investments Union (SIU), households are encouraged to shift savings from deposits towards investment-based products, including insurance. People will only do so if products offer good value for money; if they are understandable, fairly priced, well governed and aligned with their long-term needs.

Consumer trust will also be reinforced by clear and reliable protection in the event of insurer failure. Over the past decade, a stronger and more harmonised prudential framework under Solvency II, enhanced conduct rules and the recovery and resolution mechanisms introduced by the IRRD have strengthened the resilience of the sector and reduced both the likelihood and impact of insurer failures. But they cannot eliminate the risk of failure. Insurance is not, and cannot be, a zero-failure sector.

As the Single Market continues to deepen and cross-border insurance activity expands, policyholders should enjoy a consistent level of protection, regardless of where they live or where their insurance company is located. EIOPA has been therefore consistently advocating for a harmonised European framework for insurance guarantee schemes, based on a network of national schemes operating under common minimum standards. Such a framework is a necessary step towards a more integrated, resilient and consumer-oriented European insurance sector, and the successful delivery of the SIU.

Finally, regulatory simplification and burden reduction can help create a more streamlined environment in which businesses are better able to thrive, innovate, and compete – provided that consumer protection, financial stability, and a level playing field are preserved. Simplification should strengthen the effectiveness of the regulatory framework, rather than become an end in itself.

STAVROS KONSTANTAS
Director of Occupational & Private Insurance Supervision Directorate – Bank of Greece

Savings and Investments Union & Solvency II for Europe's capital markets

The Savings and Investments Union (SIU), together with the revised Solvency II framework, offers a unique opportunity to create a more integrated, efficient and competitive European capital market for the benefit of all Member States. As highlighted in the Draghi and Letta Reports (2024), Europe faces significant investment needs to finance innovation, the green and digital transitions, defense capabilities and strategic infrastructure. Achieving these objectives requires mobilizing the savings of European households and enabling institutional investors, including insurance undertakings, to allocate capital efficiently to long-term investments within well-supervised and integrated capital markets.

A key objective of the SIU is to address the fragmentation across European financial markets by strengthening cross-border investment opportunities. A common European framework can help narrow the gap between more developed and smaller capital markets while safeguarding financial stability and consumer protection.

The revised Solvency II framework contributes to this direction, since the updated prudential rules allow insurance undertakings to allocate more capital to long-term investments without undermining policyholder protection or financial resilience. This additional investment capacity can support strategic sectors such as energy infrastructure, digital networks, innovation, and climate transition. However, achieving these benefits across the European Union requires that insurance undertakings, irrespective of the size of their domestic markets, enjoy equal access to high-quality investment opportunities.

In this context, the development of pan-European investment vehicles would significantly contribute to market integration. Instruments such as European Long-Term Investment Funds (ELTIFs), infrastructure funds and private equity funds can provide insurance undertakings with diversified long-term investment opportunities across the European Union. Equally important is the simplification of investment procedures through standardized documentation aimed at reducing administrative costs and enabling smaller insurance undertakings to access cross-border investment opportunities more effectively.

Closer cooperation between public and private sectors is equally essential. Institutions such as the European Investment Bank (EIB) Group and the European Investment Fund (EIF) can leverage public resources to attract additional private capital.

Insurance undertakings play an important role by offering investment and pension products.

Alongside market integration, greater convergence of supervisory practices across Member States is critical for the effective functioning of the single insurance market. Attention should be given to the consistent application of proportionality, internal model approvals, valuation practices, supervisory reposting and governance expectations while ensuring a level playing field for insurance undertakings throughout the European Union.

The European Insurance and Occupational Pensions Authority (EIOPA) is central to achieving this objective, by promoting close supervisory practices and closer cooperation among National Supervisory Authorities, contributing to the development of a more integrated single insurance market. Harmonized supervisory methodologies, data sharing and joint supervisory assessments reduce barriers to cross-border activity while ensuring robust policyholder protection. In addition, effective cooperation between home and host supervisors, supervisory colleges and wider use of digital supervisory tools, including shared data and platforms and supervisory technology (SupTech), can reduce administrative burdens and increase supervisory effectiveness.

At the same time, the success of the SIU is directly related to European citizens' participation in long-term savings and investment. Promoting supplementary pension schemes, Pan-European Personal Pension Product (PEPP), insurance undertakings can contribute by offering investment and pension products that channel savings into the real economy. Simplifying the rules governing the cross-border distribution of these products would enhance competition, expand consumer choice, and maintain a high level of policyholder protection across the European Union.

Insurance undertakings play an important role by offering investment and pension products that direct household savings towards the real economy. A more fully developed Savings and Investments Union (SIU) would facilitate the cross-border distribution of these products, increasing competition and consumer choice while maintaining a high level of policyholder protection.

At the same time, the implementation of the SIU should be firmly based on the principle of proportionality, ensuring that smaller insurance undertakings can participate on an equal footing. Ultimately, the success of the SIU will depend on its ability to create broader investment opportunities across all Member States, thereby strengthening the competitiveness, economic growth, and strategic autonomy of the European Union.

SARAH BOUQUEREL
Group Chief Financial Officer and Deputy Chief Executive Officer – CNP Assurances

Investing over time: the insurers' perspective

Over the past two years, European debates have brought the need to develop patient capital back to the forefront. This ambition addresses a broader challenge: strengthening Europe's ability to finance its transitions and strategic autonomy by making better use of its long-term savings. Against this backdrop, the Savings and Investments Union represents a key opportunity to channel European household savings more effectively towards the financing needs of the real economy and Europe's strategic priorities.

To achieve this, savings must be mobilised through players capable of anchoring them over time, while preserving a protective and diversified framework for savers. Through life insurance, in particular multi-option products and retirement products, we have developed savings solutions suited to long-term horizons. The strength of our model lies in balancing euro-denominated funds and unit-linked products, combining capital protection, diversification and return potential. This balance builds savers' trust, a prerequisite for long-term investment.

This trust also depends heavily on the stability of the regulatory, tax and financial framework. If citizens, insurers and investors are expected to commit over the long term, public authorities must also embrace this perspective. Capital cannot be patient in an unstable environment: long-term investment requires a clear, predictable and coherent legal framework.

This stability is crucial, as directing savings towards long-term investment means reassuring savers without giving up on diversification. For insurers, this requires simple and understandable products, distributed through channels adapted to savers' needs, including digital channels, to facilitate access to long-term savings. This accessibility must, however, remain closely linked to high-quality advice, which is essential to support investment decisions. Financial literacy remains indispensable, but it is not sufficient on its own: savers' attitudes to risk also depend on concrete realities, such as budgetary constraints, liquidity needs, different life horizons and limited risk appetite.

This balance nevertheless has a corollary. The guarantee provided by euro-denominated funds requires insurers to maintain liquidity reserves to meet potential full or partial surrenders. This mechanically reduces the room available for riskier or less liquid assets and increases the associated capital cost. Prudential requirements therefore naturally frame risk appetite.

Patient capital therefore cannot be considered solely from the perspective of products or savers. Once mobilised, savings must be matched with sufficiently diversified and attractive projects, as well as deep investment vehicles. Europe has abundant savings, amounting to close to €35,500 billion; it must now strengthen its supply of assets to absorb these flows at scale.

The strength of our model lies in balancing protection, diversification and returns.

Some initiatives already point the way. In France, the Tibi initiative, to which CNP Assurances has contributed €3 billion, has helped channel institutional savings towards innovation and growing technology companies. It illustrates the ability of public and private players to build vehicles suited to long-term financing.

This approach should be amplified at European level. The Finance Europe label pursues the same ambition: to better channel savings towards European assets, while taking into account tax, regulatory and pricing specificities of Member States. This redirection will only be fully effective if accompanied by real incentives, or at least by the preservation of existing mechanisms that already encourage long-term investment.

Finally, Europe's financing ecosystem still needs to be strengthened. Europe still lacks asset managers of critical scale, while ratings and benchmarks remain too often focused outside the European Union. The consequence is twofold: part of allocations is directed towards non-European assets, and European start-ups, when they reach the critical scale-up phase, still struggle to find the financing they need on the continent.

The success of this ambition requires a comprehensive approach: strengthening savers' confidence and engagement, enabling long-term investors to fully play their intermediation role, and developing a sufficiently deep and attractive pool of European assets. This requires European funds of critical scale, greater use of European agencies and indices, stronger vehicles to support innovative companies, and a realignment of our benchmarks. Only under these conditions can patient capital become a driver of financing, competitiveness and sovereignty for Europe.

ADRIEN COURET
Managing Director – Aéma Groupe

Insurance as an engine for the Savings and Investments Union

The Savings and Investments Union (SIU) is an economic necessity. As highlighted by the Letta and Draghi reports, Europe requires the mobilization of significant private capital to finance competitiveness, infrastructure, and the energy transition. The key challenge for the SIU lies in finding vehicles to effectively channel those savings into long-term investments. The good news is those channels exist. They just need to be promoted.

The Primacy of the Policyholder

Insurance-based investment products (IBIPs) are uniquely positioned to be this channel. Unlike purely market-driven instruments, they combine investment with protection against risk, directly addressing the real-world concerns of European households: preserving accumulated savings, preparing for retirement, and managing uncertainty.

A critical pillar of this debate, which has been one of the puzzles of the RiS discussions, is the definition of "Value for Money." A narrow focus on cost is fundamentally flawed. Consumers do not choose to invest solely for the highest short-term return. They choose investment products for the protection they offer and the overall quality of the investment experience, underpinned by professional advice. Good advice helps savers navigate market stress, protects against poor decisions, and ensures that investment horizons remain aligned with their long-term financial security.

The Value of Guarantees

During the financial turbulence associated with the COVID-19 crisis and the interest rate shock of 2022, guarantee mechanisms helped limit losses for households and reduced the risk of abrupt withdrawals from financial markets. In the French market alone, it is estimated that these mechanisms preserved approximately €124 billion of savings during the 2020 crisis and around €229 billion during the 2022 correction. Beyond the direct protection of households, this also contributed to broader financial stability by supporting confidence during periods of uncertainty.

As mutual insurers, Aéma Groupe's primary responsibility is to the policyholder. Our role is grounded in the primacy of long-term outcomes. Value is assessed by determining whether protection is adequate, whether advice supports decision-making, and whether products help households achieve their financial objectives. This perspective aligns perfectly with the broader ambition of a more protective Europe that strengthens citizen trust.

The "Value for Money" framework should therefore assess the actual outcomes delivered to households and the economy, rather than focusing on cost minimization. Furthermore, regulatory frameworks must preserve the diversity of the European financial landscape, ensuring that value is understood not as a uniform metric, but as a commitment to the long-term financial security of citizens.

> **Insurance capital guarantees helped protect €229bn during the 2022 interest rates shock.**

Long-term Investment Capacity

Crucially, insurance-based savings are not passive holdings. They are active instruments through which household wealth transforms into investment capacity. European insurers manage around €9.5 trillion, acting as massive institutional investors, in particular in "real assets". Through initiatives like Zencap Asset Management and SWEN CP, two subsidiaries of our asset management subsidiary OFI Invest focusing respectively on private debt and private equity, we actively channel savings into European infrastructure, corporate debt, and SMEs, while focusing on the green transition, restoring soil biodiversity or financing wind farms (to name but a few). These figures demonstrate that insurance capital is already powering the real economy.

First, channeling this capital effectively requires a genuine industrial strategy in Europe that would enable savings to be channelled in a practical way toward strategic long-term investments.

Second, turning the fast-growing demand for cyber and digital coverage into a European growth market requires an equally concerted strategic effort. The digital and climate transitions carry systemic risks that households and businesses cannot bear alone. By offering robust coverage, insurers facilitate these transitions, making them both insurable and investable. We act as the stewards of this risk, providing the stability necessary for long-term commitment. However, this capacity is often constrained by structural liquidity limits. The tension between the need for flexible, retail-facing unit-linked products and the illiquid nature of strategic private assets remains an obstacle. To unleash the full potential of these investments, public-private liquidity support mechanisms should be proposed at the European level.

The success of the SIU will depend on our ability to transform savings into long-term capital while strengthening the confidence that sustains it. By acknowledging the full value of protection, advice, and long-term investment, we can build a more resilient and sovereign European economy.

JEAN-JACQUES BONNAUD
EUROFI

Reducing the traditional home and sovereign bias through greater public-private partnership

The European Union needs some €750 to €800 billion a year in additional investment — the Draghi Report's order of magnitude — to preserve its competitiveness, finance its climate transition and meet the defence spending called for by the threats on its eastern border. Mobilising long-term capital on that scale is Europe's challenge.

The insurance sector is well placed to play a decisive role within the Savings and Investments Union. With nearly €9.5 trillion of assets managed in Europe, 70% of it invested inside the Union, it acts at once as a protector of households and businesses and as a long-term institutional investor. Yet in 2025 those resources went 19% to sovereign bonds (against 6% in the United States), 18% to corporate bonds, 16% to listed equities and 36% to collective funds, but only 1% each to private equity and infrastructure. A clear home and sovereign bias persists, reinforced by the risk-averse instincts of retail savers.

Structural constraints nonetheless prevent European insurers from deploying the capital released by the 2027 Solvency II framework, which cuts the long-term equity charge to 22%: a shortage of bankable, reliable long-duration projects and a persistent deficit of venture capital at the scale-up stage. Several levers could nevertheless unlock a more productive mobilisation.

The IAIS GIMAR 2025 points to a likely acceleration in allocations to private credit — non-bank, non-public lending, encompassing direct loans, securitised products and infrastructure debt. The orders of magnitude are credible: global private credit assets reached $2.1 trillion in 2023, growing around 20% a year in North America and 17% in Europe since 2018, whereas insurers' own exposures remain below 5% of sector assets in most jurisdictions — a low base from which to grow.

Such investments offer diversification, improved asset-liability matching and the illiquidity premiums they are expected to carry, particularly appealing to life insurers matching long-duration liabilities.

They also carry risks requiring robust governance and risk management. Credit risk is the foremost concern, particularly for smaller or highly leveraged borrowers, with elevated rates, geopolitical instability and slowing growth all amplifying default risk. Alongside this sit illiquidity, valuation uncertainty and the opacity of bespoke, multi-layered structures. Property and casualty companies, part of the wider non-life family, would consequently remain cautious: Cat Nat events lack predictability, raise reinsurance costs, capital needs and claims costs amid geoeconomic fragmentation.

> **Guarantees address the risk, but only credible intermediation addresses the opacity.**

The current direction of interest rates cuts both ways. A rising rate environment is in itself an opportunity for investors, since many private credit assets are floating rate and reprice upwards, with call protection or equity kickers often negotiable on top. That said, the higher net yields available elsewhere, notably in the United States, may discourage allocation within the European Union.

Both private debt and technology equity meet the same bottleneck: origination and trust. Insurers are institutional investors, not credit analysts of unlisted mid-caps or assessors of early-stage technology, whilst project sponsors are rarely familiar with institutional capital. What is missing between them is a professional investor whose judgement carries credibility on both sides: guarantees address the risk, but only credible intermediation addresses the opacity.

Hence the case for public-private partnership: first-loss guarantees on projects associating public investment banks with insurers — a route the new Solvency II rules now reward with a reduced capital charge — or the structuring of a market for technology funds, along the lines of the Tibi initiative launched in France in 2019 by the Treasury with most French insurers. It addresses a financing gap identified in France but present across the EU: the modest role of insurers in financing technology. Neither route yet attracts private money on the required scale, public investors still supplying much of the commitment.

It consists in structuring a still immature market, attracting investors towards labelled funds specialising in technology equity, and fostering a cultural shift among investors who still mistrust the passage from research to market. Extending it across the Union could help build a more integrated innovation ecosystem, combining world-class research, patient capital and credible exit opportunities.