



## AMBITIONS FOR EUROPE

# MAINTAIN A GLOBALLY COMPETITIVE EU INSURANCE & REINSURANCE INDUSTRY

## THE CHALLENGES

Insurance and reinsurance are global businesses. In a tough and fast-changing international economic environment, (re)insurers need the right EU and international regulatory environments to be able to maintain their competitiveness on the world stage. They also need the right trade conditions to enable them to

access international markets, yet currently there are 45 major territories, including regional groupings, that have either implemented or are in the process of implementing barriers to the transfer of risks through global reinsurance markets.

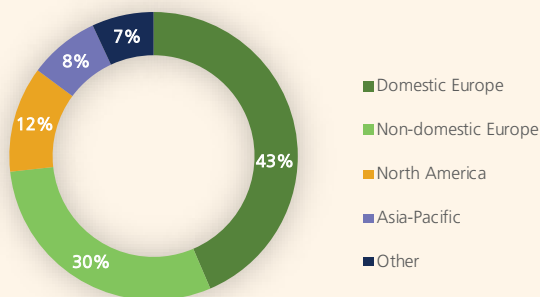
## WHAT INSURERS OFFER

European (re)insurers are an international success story. Over recent decades they have expanded their presence and business not only within Europe, but also beyond Europe's borders.

As a result, today the European (re)insurance industry is the

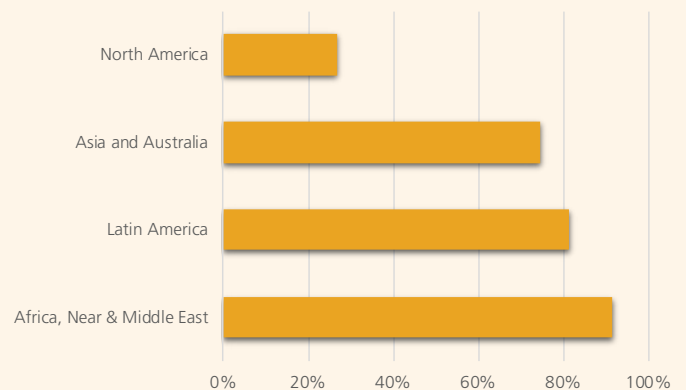
world's most international (re)insurance sector. Almost half of all internationally active insurance groups are European. And in reinsurance — insurance for insurers — Europe is the global leader. European reinsurers write around half of the world's reinsurance business.

### Top 20 European insurers write significant business outside Europe — 2016 data



Source: "L'Argus de l'assurance", December 2017

### European reinsurers cover a high percentage of global risks — 2017 data



Source: Data from [IAIS Global Insurance Market Report 2018](#)

## WHAT POLICYMAKERS SHOULD DO

### Consider global competitiveness when setting EU regulation

Sound and trusted regulation is vital for healthy EU industries that can thrive at home and abroad. And that regulatory environment must also allow European businesses to maintain their global competitiveness and their ability to contribute to the EU objectives of sustainable, innovative and inclusive growth.

Europe's global leadership is an ambition that is shared by both the public and the private sector. Global competitiveness should therefore be a clear objective in EU policymaking.

European (re)insurers are regulated by Solvency II, the European regulatory framework for (re)insurance. Solvency II is the most sophisticated prudential regime for insurance in the world, but it is also the most conservative.

The European industry supports a strong, risk-based regime with very high levels of consumer protection, but the excessively high requirements of the Solvency II framework damage the ability of the industry to maintain and grow its international presence. Internationally, European (re)insurers compete with companies that follow regimes that differ greatly from Solvency II. Solvency II's unnecessarily high capital charges thus damage their global competitiveness.

In the current review of the Solvency II framework, policymakers must include the objective of ensuring international competitiveness in their assessment.

### Ensure global standards do not harm EU competitiveness

The (re)insurance industry strongly supports the EU's efforts to ensure a level playing field in its economic relations with other jurisdictions and to promote Europe's competitiveness.

Despite those efforts, European businesses do face some competitive disadvantages compared to their non-European peers. It is therefore essential that Europe's negotiations and decisions in the area of global standards for insurance do not

create additional disadvantages but rather support the industry's ability to compete globally.

The International Association of Insurance Supervisors is currently developing a global Insurance Capital Standard (ICS). European supervisors involved in the project must negotiate on the basis of the Solvency II discussions as they develop the ICS. And EU policymakers must ensure that an improved version of Solvency II ultimately becomes the European implementation of the ICS.

While global standards may have the merit of addressing regulatory fragmentation, they can achieve their potential only if designed appropriately and implemented consistently across jurisdictions.

### Seek to remove market access & trade barriers

There is significant potential for the EU to further strengthen the global leadership of its businesses via its trade negotiations and agreements. The (re)insurance industry faces a variety of market access and trade barriers: restrictions on foreign ownership of companies; barriers to the establishment of operations; barriers to cross-border provision of services; and discriminatory and anti-competitive mechanisms.

There has been a significant increase in cases of such barriers in all regions of the world in recent years. Examples include: a broad range of discriminatory requirements and restrictions in China; the current review of Canada's regulatory framework, which includes several potential threats to foreign reinsurers that conduct business on a cross-border basis; and Indonesia, which prohibits the placing of certain reinsurance offshore and restricts how Indonesian insurers place their risks.

EU policymakers must target cases of protectionism and discriminatory trade barriers and must prioritise ambitious trade negotiations that lead to more global opportunities for EU businesses.