

How Can Insurers Help Unlock Economic Growth by Insuring Securitisations?

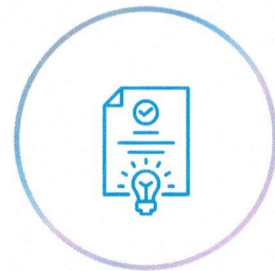
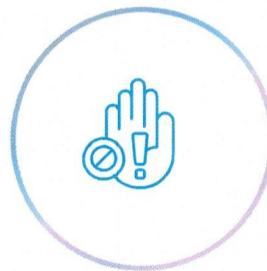
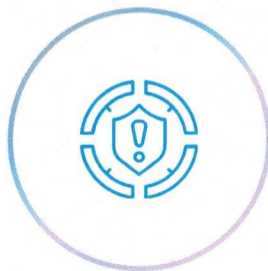
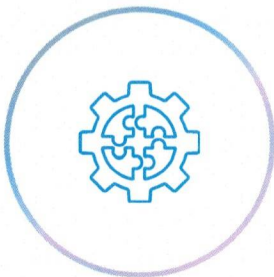
The ongoing review of the EU securitisation framework is central to achieving the objectives of the Savings & Investments Union.

A well-functioning securitisation market enables banks to manage risk efficiently, free up regulatory capital, and expand lending to households, SMEs, and long term investment projects.

Unfunded credit protection is a well-established risk-transfer tool. Insurers have been active participants in the non-STIS EU synthetic securitisation market since 2018 and operate under robust prudential regimes, notably Solvency II and equivalent third country supervisory frameworks.

While the European Commission's proposal recognises, for the first time, the role insurers can play in STS synthetic securitisations, it unduly restricts their ability to participate in practice. In particular, the interaction of size thresholds, group recognition, and safeguard requirements would exclude many EU-authorized insurers that are part of groups headquartered in Solvency II-equivalent jurisdictions outside the EU, such as Bermuda and Switzerland. The practical effect would be a severely limited pool of eligible insurers, increased counterparty concentration risk, and a weakened STS unfunded credit protection market.

Insurance Ireland and ABIR therefore jointly support targeted, proportionate clarifications to the securitisation package that preserve strong prudential safeguards while ensuring that the framework is workable in practice, reflects how insurance groups are supervised, and allows a sufficiently broad and competitive pool of insurers to support the real economy in the EU.



Key joint asks before trilogues

1. Recognise group strength, including Solvency II-equivalent groups

Co-legislators can reach a balanced trilogue compromise. Excluding Solvency II-equivalent jurisdictions would, in practice, prevent Bermudian and Swiss (re)insurers that are currently active in the SRT market from accessing the STS market, thereby removing proven and well-regulated sources of credit risk transfer capacity and undermining the objective of broadening market participation.

2. Calibrate size safeguards to market reality

A €1 billion threshold at undertaking level or €10 billion at ultimate parent level (based on total assets in audited accounts) would allow for a functioning STS market while preserving resilience.

3. Clarify eligible financial arrangements

“Financial arrangements” should be interpreted broadly, and may include reinsurance (including intra-group reinsurance), ancillary own funds, parental guarantees, or a combination of such financial arrangements.

4. Avoid unnecessary barriers from internal model requirements

Insurers using the Solvency II standard formula should remain eligible, provided that their national competent authority has explicitly raised no objection following an assessment of capital strength, risk management, governance, and underwriting policies.

Requiring firms to develop an internal model solely for SRT purposes would be disproportionate, especially given the size of the business – typically, the credit business represents less than 2% of non-life gross written premium, while SRT business is only a fraction of credit

5. Ensure proportionate diversification safeguards

Diversification requirements are important and should be maintained. The requirement should avoid fixed percentage limits of non-life technical provisions, particularly at solo entity level, and where relevant be assessed at group level where the risk and assets are maintained.

6. Preserve access across STS, non-STS, and ‘resilient’ transactions

Insurers should continue to be able to participate in STS and non-STS transactions, including resilient structures, subject to risk-appropriate safeguards. The Commission’s proposal linking “Non-STS Resilient” to the “STS” criteria, any undertaking not eligible in STS will lose access to the existing market. Therefore, support the complete deletion of CRR 243(4)(a) (2).

