



GDV German Insurance
Association

Raising Europe's Competitiveness & Resilience

Proposals from Insurers operating
in Germany for the Next Term (2024–2029)





Introduction

On 6 – 9 June millions of Europeans head to the poll stations to cast their vote in the elections to the European Parliament. In the current geopolitical and economic situation, dominated by several deep and lasting crises, today more than ever the value of the European Union, the European unity and the Single Market has become apparent. At the same time, the increased sense of instability and worsened economic situation fuel anti-European rhetoric, with extreme right- and left-wing parties on the rise in many European countries. There is only one remedy to such a trend: Voting in the European elections – voting in favor of democracy, of European values, of a strong Europe!

When defining “a strong Europe” two concepts prevail in the current public debate at the EU level: Competitiveness and Resilience. As a major transformation partner, managing more than 470 million policies and with an investment portfolio of around 1.9 trillion euros, Insurers active in Germany intend to play their part in achieving these goals. The German Insurance Association (GDV) would therefore like to present some concepts that we consider to be crucial for success.



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Competitiveness

Over the past five years, Europe has been working on the roll-out of the Green Deal with the aim to bring both industry and society on the path of green transition. This transformation together with the unexpected challenges posed by the pandemic and the war against Ukraine have put significant strain on Europe's competitiveness. We consider it therefore crucial to actively work on increasing Europe's competitiveness in the coming years. Our suggestions are:

1. Optimize existing structures and dare to change them where needed

- Strive for closer alignment between European and national levels to achieve tangible results in cutting red tape, streamlining legislation, and repealing outdated rules
- Rethink and adjust the European Commission's internal structures to prevent inconsistencies and overlaps between horizontal and sectorial legislation – Adopt a matrix-based approach instead of working in silos
- Leverage international regulation, particularly in non-financial reporting, to address global challenges while enhancing the competitiveness of European businesses
- Request thorough competitiveness checks for each new legislative proposal to demonstrate its added value and assess the overall impact of legislation on one sector such as insurance

- Address concentration of market power, such as in the field of credit ratings, where a few agencies set prices and conditions for ratings needed also for regulatory purposes
- 2. Rigorously apply accepted long-standing principles to any new legislation. Ensure that the European rulebook is not only a global role-model, but also targeted, adjusted to different types of business, future-proof and inductive to innovation**
- Frame the proportionality mechanism and adjust the SME definition in EU legislation in a way to ensure tangible effects for German small and medium-sized insurers
- Maintain strictly risk-based approach to legislation, whether in setting insurers' capital requirements in line with ESG criteria or when introducing new rules for AI applications
- Pursue stability and predictability in legislation by avoiding frequent changes through short review cycles and late adoption of further implementing and regulatory measures that prevent timely implementation.

3. Enable innovative digital products and services – Strike the right balance between regulating vital technologies to prevent misuse and maintain the trust of European customers, while allowing businesses the necessary space to innovate. What we need is to

- Introduce horizontal AI rules only where risks are not covered by existing regulation in the fields of insurance, data protection, and anti-discrimination
- Develop coherent data sharing policies and European Data Spaces aligned with general data protection rules
- Implement open finance centered around customer needs while ensuring fair competition and acknowledging infrastructure costs
- Develop sector-specific regulation granting access to in-vehicle data for aftermarket providers, including insurers, to counter car manufacturers' data monopoly
- Impose technical and security requirements on cloud service providers without limiting access to non-European providers through sovereignty requirements
- Update data protection law to maintain high European standards while enhancing practicality and legal clarity, especially concerning automated decisions, anonymization, data transfers, and health data processing in the insurance industry



Resilience

Europe needs to bolster its resilience in economic, societal, and defence terms. It is widely recognised that to do so not only public, but to a large extent also private capital is needed.

At the same time, the well-being of European citizens and businesses is jeopardized by evolving risks, including cyber threats and intensifying natural disasters, which endanger life, health and welfare of Europeans and the global population. The insurers active in Germany as large institutional investors and providers of risk coverage suggest working on increasing Europe's resilience ...

... through Boosting Private Investments

In this respect, we welcome the balanced outcome of the Solvency II review and urge the European Commission and EIOPA to maintain a stable and predictable framework for insurers to invest long-term in infrastructure and sustainable assets, including in planned delegated acts and implementing measures.

We also support ongoing endeavors to strengthen the Capital Markets Union, as it is vital for providing appropriate incentives to both retail and institutional investors. We call for:

- Member States to be more open to removing traditional cross-border investment barriers, such as differences in insolvency laws

- A secure and engaging framework for retail financial product distribution, acknowledging customer inertia, enhancing access to online and offline advice, and modernizing information and disclosure requirements
- Increased efforts to enhance financial literacy to empower retail investors for active participation in capital markets
- Private-public partnerships to boost private capital in infrastructure and ESG investments
- Allowing sectors to define their transition paths in line with the European Climate Law, enabling targeted investments into transition activities by investors
- Streamlining existing non-financial reporting and disclosure rules to ensure insurers have a robust ESG database for sustainable investments
- Simplifying EU-level tax provisions and reversing the trend of growing reporting obligations over the past two decades

... through granting Financial Protection based on strong Prevention

Natural hazards such as floods, heavy rainfall and drought are increasingly becoming a systemic risk. This risk requires fundamental changes in the protection against and management of natural disasters. At the same time, geopolitical risks are increasing as well. Terror and cyber risks can already reach cumulative magnitudes that can neither be borne by the private insurance industry alone, nor backed by affordable premiums from the insureds. We therefore consider it crucial to:

- Focus on prevention and awareness-raising as necessary preconditions for insurability of these risks, and promote best practices at the European level
- Continue present efforts to develop harmonized cybersecurity standards within the EU, in particular for SMEs
- Extend relevant European legislation on protection against floods to include heavy rainfall and risk of landslides
- Create a European legislative framework for climate-adapted land use planning and for natural-hazard adapted construction
- Engage in discussions with the insurance industry to find solutions for systemic risks that would overburden the population or the private sector (in form of public private partnerships / backstops on national or European level)



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