Paris, 4 September 2025

Feedback on the review of the Solvency II Delegated Regulation

Paris Europlace fully supports the **Savings and Investment Union**, as with over €37 trillion in households' financial assets[1] and a 15% savings rate, the European Union has the potential to finance EU competitiveness and growth. The insurance industry plays a vital role in financing long-term investments that underpin pensions, savings, and other products. Consequently, Paris-Europlace generally welcomes the Solvency II Delegated Act (DA) as presented by the Commission on July 17th, a crucial step for the success of the SIU**.** Our contribution focuses on the two main flaws in the proposal: equity investments and securitisation.

1. The development of Long-Term Equity Investments (LTEI) requires a more ambitious reform

The long-term equity asset class, introduced in 2018, recognises virtuous asset allocations and long-term management with an adequately reduced shock of 22%, and adequately captures the insurers risk profile. However, due to the complexity of the existing provisions, it has remained widely unused by European insurers.

The proposals on LTEI are insufficient to ensure the success of the measure. While the revised requirements voted in the Solvency II Directive provide a significant improvement, the Level 2 text must not prevent insurers from using this asset class as intended by the legislators, whether by unnecessarily limiting the eligible assets or by introducing overly strict conditions regarding liquidity management. In particular, the forced selling criteria need to be streamlined, the Article 171b(1)(a), introduces a come back to the 5 year Modified duration, and the requirement imposed on funds (Article 171d) goes beyond the objective to ensure that equities held indirectly through funds meet the conditions for reduced capital charges.

[1] Source Eurostat: Total financial assets of households in the EU reached €37 264 billion in 2023 (vs. financial liabilities at €9 670 billion), composed of equity and investment fund shares (35.9%), currency and deposits (31.2%), and insurance, pensions and standardised guarantees (26.9%).

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2. **The securitisation recalibration needs to be more risk-sensitive and consistent with the overall Securitisation package**

Paris Europlace has welcomed the package of targeted changes presented by the Commission in June, addressing both supply and demand issues and improving risk-sensitivity, with an explicit recognition that none of the individual components will achieve the desired outcome on its own. The insurance sector has a key role to play, both on the asset side and the liability side, in scaling up its involvement in securitisation, from the current minimal level, without generating financial stability risks.

In this context, the proposed calibration for STS senior tranches marks a significant step forward. However, shocks for STS non-senior are still too high, and the treatment of non-STS securitisations—both senior and non-senior—remains overly conservative. Securitisations with similar credit ratings should benefit from comparable regulatory treatment, regardless of their STS label, and consistently with their observed default risks, which have proven to be similar, if not better, than those of similarly rated corporates. We recommend to further decrease the shocks for Senior non-STS and STS mezzanine based on industry proposals[2]. Insurers need, indeed, a securitisation market which proposes a full range of risks and returns.

Finally, the application date for securitisation should be articulated with the Securitisation package, rather than being set in 2027.

[2] See Duponcheele, Georges and Perraudin, William (2025), "How to Calibrate Securitisation Capital Rules", Risk Control Report, March.