



Press release

26 February 2020

ESRB publishes report on macroprudential policy for the insurance sector

The European Systemic Risk Board (ESRB) has today published a [report](#) on macroprudential policy for the insurance sector. In line with its strategy for expanding macroprudential policy beyond banking, the ESRB believes that the review of the Solvency II regulatory regime for insurance in the EU, which is envisaged to be completed by the end of 2020, should result in a revised framework that better reflects macroprudential considerations. The revised framework should thereby contribute to reducing systemic risk in the financial sector.

To deal with systemic risk in the insurance sector, the report considers three types of tool that competent authorities should be able to use:

- solvency tools for preventing and mitigating procyclical investment behaviour of insurers;
- liquidity tools for addressing risks stemming from specific activities, such as hedging with derivatives and selling insurance products with redemption features;
- tools for addressing risks stemming from the provision of credit to the economy, e.g. when insurers originate mortgage loans or invest in corporate bonds, with a view to ensuring consistency in macroprudential policy across sectors.

These proposals, together with the ESRB's previous work on insurance,¹ were summarised in the ESRB's response to the European Insurance and Occupational Pensions Authority's consultation on the review of Solvency II, which it submitted in January 2020. The response focuses on three areas that the ESRB considers most pertinent in terms of their systemic impact. These are the need to:

- better reflect macroprudential considerations in Solvency II;
- establish a harmonised recovery and resolution framework in the EU;

¹ See "[Recovery and resolution for the EU insurance sector: a macroprudential perspective](#)", ESRB, August 2017; "[Regulatory risk-free yield curve properties and macroprudential consequences](#)", ESRB, August 2017; and "[Macroprudential provisions, measures and instruments for insurance](#)", ESRB, November 2018.

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ESRB

European Systemic Risk Board

European System of Financial Supervision

- continue ensuring that risks are properly captured in Solvency II.

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