

# Bolder, Simpler, Faster: EIOPA's views for better regulation and supervision

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## 1. GENERAL CONTEXT

- 1.1 In an era of geopolitical and economic instability, Europe must increasingly act as a single entity. To enable Europe to catch up and maintain a competitive edge over its global competitors, a cohesive and strategic approach is essential. Europe can no longer rely as heavily on strong external demand as it has in the past – strengthening internal demand is now crucial. This requires enhancing the competitiveness of the Single Market while ensuring robust consumer protection and a level playing field for businesses.
- 1.2 Competitiveness can be defined in many ways, but at its core, it is about ensuring a high standard of living for EU citizens, fostering a thriving and resilient economy, and maintaining the overall security of the Union.
- 1.3 Currently, as highlighted in the European Commission's Competitiveness Compass, competitiveness is being translated into regulatory simplification and burden reduction (SBR). SBR could indeed help the EU economy allocate resources more efficiently and foster growth. Excessive or ineffective regulations hinder progress – simplification thereby offers an opportunity to better serve consumers, society and the EU economy by focusing on outcomes.
- 1.4 When simplifying, EIOPA believes that it is essential to prioritize a European perspective, ensuring that collective interests take precedence over national priorities. Any simplification initiative should be undertaken in a holistic way, to continue ensuring a strong supervisory convergence and preventing unnecessary regulatory divergence (gold-plating). To avoid further fragmentation of the Single Market, careful consideration must be given to the potential spillover effects of simplification measures across different levels. Simplification should not result in a mere shift of regulatory burden, from the EU to national level, or from industry to supervisors.
- 1.5 A long-term perspective to simplification is also essential. Balancing short-term costs with long-term benefits is crucial, as some of the most significant gains could take time – and even some initial burden – to materialize. Additionally, it is important to consider whether simplification now could lead to increased ad-hoc requests in the future. Moreover, simplification must not lead to an undue weakening of supervisory requirements, such as calibrating capital requirements without adhering to a risk-based approach. Overall, a joint effort is needed to ensure this important exercise strikes the right balance between simplification and maintaining the soundness and convergence of the supervisory system, policyholder protection, and financial stability.

## 2. EIOPA'S APPROACH TO SIMPLIFICATION AND BURDEN REDUCTION

- 2.1 While competitiveness is not explicitly part of EIOPA's mandate, and the Authority has not received any official mandates to simplify and reduce burden, EIOPA acknowledges the new political priorities of the European Union. Together with its Members, EIOPA is committed to

constructively supporting the debate and contributing to a well-balanced and credible outcome.

- 2.2 Maximizing the impact of our regulatory and supervisory work through greater efficiency will require sound analysis and a long-term commitment. Together with its Members, EIOPA will critically assess which data is truly necessary and actively used for effective supervision, as well as the impact of any new supervisory action or instrument.
- 2.3 At the same time, EIOPA remains firmly committed to its mission of safeguarding consumer protection and financial stability. Effective risk-based supervision depends on access to sufficient data – simplification efforts should not come at the cost of sectoral robustness, market transparency, or consumer protection. Moreover, by leveraging appropriate technology, a data-driven supervisory culture can enhance automation, ultimately reducing burden, particularly for SMEs.
- 2.4 Currently, the narrative on simplification and burden reduction is often focused on regulatory reporting, driven by the European Commission's goal of reducing reporting obligations by at least 25% for all companies, and 35% for SMEs. However, a truly comprehensive approach must also address policymaking and supervision. EIOPA has already launched – or is in the process of launching – various initiatives, as outlined in the sections below.

## POLICY WORK

### Prudential reporting

- 2.5 At the end of 2023, EIOPA embarked on a major simplification initiative of the ITS on reporting and disclosures, where reporting for SMEs was overall reduced by around 1000 data points.
- 2.6 Following the revised Solvency II Directive, EIOPA is revising this ITS again with the following aim: i) deleting templates/tables/information; ii) reducing reporting frequency; iii) enhancing proportionality by reviewing materiality thresholds; iv) simplifying information by reviewing templates and instructions.
- 2.7 While still working on further changing the ITS on reporting and disclosure, EIOPA also started to shorten all existing Level 3 texts that are relevant for the insurance industry by reducing, to the extent possible, the number of articles by 25%. While recognising that this in itself may not result in a 25% reduction overall, it contributes to foster a mindset of better regulation.
- 2.8 At the same time, EIOPA is carefully considering the impact of the reporting reduction on prudential supervision, financial stability and consumer protection and if EIOPA cannot advise in a certain area to reduce, it will provide the reasons for that, allowing the EU institutions to make an informed decision.

### Proportionality

- 2.9 Proportionality and simplification have always been central to EIOPA's work. In its draft technical advice to the European Commission on implementing the new proportionality

framework in the revised Solvency II Level 2 legislation, EIOPA provides guidance on assessing undertakings that do not qualify as small and non-complex, emphasizing a balanced approach that combines quantitative and qualitative criteria to better evaluate risk profiles.

### **Sustainability**

- 2.10 The Solvency II Review introduces also the requirement for insurers to draft specific sustainability risk plans to address the financial risks arising from sustainability factors. In its draft RTS, EIOPA starts from requirements and data already in place through Solvency II (e.g. the ORSA scenarios) and CSRD/ESRS. Concerning data points related to financial risk assessment, which should primarily be the result of the prudential assessment, EIOPA strives to ensure that these data points can be used again.
- 2.11 EIOPA supports and will provide, as appropriate, input to the European Commission's Sustainability Omnibus package aimed at simplifying the European sustainability reporting framework. EIOPA will strive to ensure that EU (re)insurers and occupational pension funds maintain sufficient access to reliable, standardized and consistent sustainability data. Especially in the context of mounting climate risks, such sustainability data are important reference points that allow for a sound management of sustainability-related risks and the provision of reliable information to consumers.

### **Digitalisation and AI**

- 2.12 The revised Solvency II Directive mandated EIOPA to draft a report on integrated data reporting, including potential (legislative and non-legislative) measures to develop an integrated data collection. The objective would be to reduce the area of duplications and inconsistencies between the reporting frameworks in the insurance sector and other sectors of the financial industry, improve data standardisation and data sharing, thus reducing compliance costs.
- 2.13 The European Single Access Point (ESAP) will collect and provide access to public disclosures originating from multiple EU regulations and directives. If well-designed, ESAP could serve as a comprehensive and structured data hub for supervisors, substantially enhancing insights while reducing burden at the same time. Going forward, regulatory reporting and disclosures shall always enable automatic data extraction to allow for RegTech and SupTech solutions.
- 2.14 EIOPA is preparing an Opinion on the application of sectoral legislation (e.g. Solvency II) to use cases that are not classified as high-risk under the AI Act. This work prioritizes supervisory implementation rather than introducing new rules, ensuring alignment with sectoral legislation while supporting the efficient and risk-focused application of the AI Act.

### **Financial stability**

- 2.15 In the area of financial stability, EIOPA is exploring ways to reduce reporting requirements, by simplifying reporting templates. Further, stress testing for insurers and IORPs has been

already further simplified, with its frequency permanently reduced to a three-year cycle – a 33% decrease over a decade. Additionally, EIOPA is investing in top-down stress testing analysis, already used in the Fit-for-55 exercise, to extend bottom-up stress tests to every four years or beyond. Efforts are also underway to significantly limit or replace current liquidity monitoring reporting with Solvency II data analysis for greater efficiency.

### **Consumer protection**

2.16 EIOPA has promoted streamlining of requirements related to product disclosures, design, and sales processes to promote greater uptake of insurance and pension products, enhance consumer financial health, and boost SME competitiveness. However, progress is often hindered by national or other infrastructure barriers. For instance, the limited uptake of the Pan-European Personal Pension Product (PEPP) is partly due to product features but also to national-specific solutions, while current discussions on the Retail Investment Strategy (RIS) show the introduction of multiple layers, limiting efficiency and effectiveness. Additionally, as EIOPA already advised, simpler products should be accompanied by a simplified advice and distribution process, as existing—often duplicative—requirements do not always achieve their intended objectives. EIOPA's recent mystery shopping indicates that extensive regulatory requirements do not necessarily lead to better outcomes for consumers during the sales process. Addressing information asymmetry is also crucial: initiatives such as introducing a summary dashboard in the PRIIPs Key Information Document (KID) and re-thinking more broadly disclosures (e.g., labels for NatCat products) can reduce the burden on intermediaries and improve consumer understanding.

### **POLICYMAKING**

2.17 Simplification should begin at the earliest stages of the EU legislative process, i.e. at the preparatory stages of Level 1, aiming at consistency and efficiency of all legislative levels. Any decision on new legislation should be based on thorough impact assessments of administrative burdens, for both industry and supervisors. The same should hold true for relevant changes during the legislative process. Greater involvement from EIOPA during Level 1 negotiations, especially for horizontal legislation, would help to ensure solid technical input to Co-legislators regarding the need of specific mandates. New mandates need to be realistic and focused on achieving meaningful obligations, e.g. providing more detailed technical information or contributing to convergence.

2.18 Additionally, to enhance the effectiveness of legislation, the legislative process should always strive to provide adequate consultation periods and sufficient implementation time for both industry and supervisors.

2.19 Moreover, part of the burden in our sectors is due to the implementation of the minimum harmonisation regulation, which may lead to market fragmentation, barriers to entry and regulatory arbitrage. Diverging national “general good” rules also add to the complexity of the system. To improve efficiency, certain areas could benefit from further harmonization or even a shift to European-level competence.

- 2.20 Finally, it is crucial to strike the right balance between introducing simplification measures – which still require industry and supervisory adaptation – and maintaining regulatory stability and legal certainty. Legislative changes should be well-calibrated, ensuring that simplification efforts do not inadvertently create uncertainty or excessive transition costs.

### **SUPERVISION**

- 2.21 To ensure a well-functioning Single Market, strong supervisory convergence is essential, with clear expectations and robust enforcement – especially considering that some national supervisors may be more cautious in taking action without detailed regulatory requirements.
- 2.22 In this context, it would be meaningful to consider a stronger mandate at the EIOPA Board level to help reduce complexity and enhance efficiency. Rather than taking separate approaches across 27 Member States and seeking convergence afterwards, ways of working together from the outset – ensuring a more streamlined and coordinated approach to supervision, while avoiding duplications – should be further explored. In specific areas, such as the supervision of the freedom of establishment or the freedom to provide services in insurance, a stronger mandate at the EIOPA Board level would contribute to more consistent enforcement across jurisdictions, strengthening overall effectiveness. Such an approach would not only reduce duplications and enhance supervisory efficiency, but also strengthen market integration, promote a level playing field, and lower administrative burdens – ultimately boosting competitiveness.

## **3. CONCLUSIONS**

- 3.1 Simplification and burden reduction are crucial drivers of European competitiveness, yet they should be seen as means to an end, not ends in themselves. A well-functioning financial sector must strike a balance between efficiency and resilience, ensuring that both regulatory and supervisory frameworks reduce unnecessary burdens while enabling the sector to support the broader EU economy. Effective regulation and supervision provide stability, protect consumers, and foster trust – all of which are crucial for a competitive EU market.

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