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Insurance Sweden's response to the European Commission's Call for Evidence on the European Savings and Investment Union

Insurance Sweden welcomes the possibility to provide feedback on the Savings and Investment Union (SIU). As a member of Insurance Europe, we share the views expressed in their response to the Call for Evidence. In this response we wish to highlight and elaborate further on some experiences from the Swedish insurance market. We believe that there are important lessons to be learned for the SIU.

As highlighted in Mario Draghi's report on EU competitiveness, Sweden benefits from well-functioning financial markets. The substantial investments made by Swedish insurance companies and IORPs have contributed to this strength. These investments originate primarily from occupational pensions and Private Endowment Insurance (PEI).

PEI benefits from a simplified tax treatment through a yield tax, a treatment that is similar to that of the national savings account (ISK). This simplified taxation is most probably an important explanation to why these two types of savings products are popular among individuals in Sweden. Given the differences between the two savings products, they provide the individual with the possibility to choose the one that best suits one's savings preferences or a mix of the two.

One difference between ISK and PEI is that the latter allows for savings not only in investment funds and equities but also in traditional life insurance with guarantees. Another difference is that SME:s are allowed to save in PEI, contrary to ISK. PEI also streamlines the ownership of foreign securities, as the insurance company handles the reclaiming of withholding tax on behalf of investors. Finally, PEI offers flexibility in the timing of payouts, including the option of lifelong monthly payments, which makes PEI a suitable savings product for retirement.

In Sweden, savings in PEI are not subject to geographical limitations on investment choices. The absence of such limitations could have contributed to the interest among Swedish households in this insurance product. A substantial portion of the capital allocated to PEI as well as occupational pension schemes is invested within the EU, predominantly in equities and equity funds. Given these features, we argue that Swedish PEI align with a framework of a standardized EU savings product, should such a product be incorporated into the SIU. See the attached document for further details on PEI in Sweden.

Another reason of the success of PEI is the low fees for Swedish insurance products, as been pointed out by EIOPA (Cost and past performance report, Dec 2023). The retail investment strategy (RIS) should be designed so that it promotes retail investors participation, and not the opposite as would be the effect of current proposals of RIS. The proposals on Value for Money, inducements and disclosures etc would lead to higher fees and reduce the demand for PEI in Sweden. RIS also shows the need for a better process for new regulation, including thorough impact analysis.

Through their investments, Swedish insurance companies and IORPs have contributed to favourable business conditions in Sweden. Sound and reliable regulation is vital for healthy EU industries. However, the regulatory environment must allow European businesses to enhance their competitiveness and their ability to contribute to EU's objectives of sustainable, innovative and inclusive growth. This is key for the success of the SIU.

Furthermore, the regulation for insurance companies and IORPs should be simplified and the administrative burden should be reduced. This would increase the investment opportunities for these companies, thereby, supporting the SIU's goals of strengthening the competitiveness of EU and facilitating the green and digital transition.