

Nordic insurers call for a more disciplined approach to Level 2 and 3 measures

The European Union faces ongoing challenges in maintaining and enhancing its global competitiveness. Overregulation is frequently cited as a significant barrier to innovation, growth, and market dynamism, particularly in complex sectors such as insurance and pensions. The European Commission has recognized these issues, emphasizing regulatory simplification and the Better Regulation agenda in its 2025 Work Programme and the recent State of the Union address. However, the existing regulatory framework, especially the Lamfalussy process, originally designed to speed up and streamline financial services regulation, has led to complexity, legal uncertainty, and a proliferation of delegated and implementing acts. The level 2 regulation accounted for approximately 80 percent (52 legal acts / approx. 8.500 pages) of the regulation affecting our sector during the period 2019–2024. And it still goes on.

The Nordic insurance industry (Insurance Sweden, Finance Finland, Finance Iceland, Insurance & Pension Denmark and Finance Norway) strongly recommends a critical review and a more disciplined approach to the Level 2 and 3 measures and welcomes the vision set out in the European Commission's communication on implementation and simplification: A simpler and faster Europe. It is important that words are now followed by action by the Danish presidency, ECOFIN and the Commission.

Comprehensive Impact Assessments of all EU Initiatives

High-quality impact assessments should be mandatory for all EU legislative initiatives, including Level 2 measures (delegated acts, implementing acts, Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS)). For example, in 2023, only 3 out of 711 delegated and implementing acts were accompanied by an impact assessment. Despite the increased focus on simplification, this trend continues in, for example, IRRD and Solvency II, where there are 19 and more than 30 delegations, respectively and no impact assessments.

Realistic Implementation Timelines

Short implementation deadlines should be avoided. Level 2 and 3 measures (guidelines, recommendations etc.) are frequently published shortly before, or sometimes even after, the implementation deadline of the Level 1 basic act. This creates significant legal uncertainty and operational challenges for companies, resulting in increased administrative burdens and costs. As a rule of thumb, companies require at least 18 months, and never less than 12 months, from the publication of all legislative measures at Level 1 and Level 2 to effectively implement the necessary changes. The same implementation deadlines should apply to level 3 measures. This approach will enable businesses to comply with new requirements in a coherent and well-planned manner, minimizing administrative complexity.

Limitation on Delegation of Powers

The number of delegations to Level 2 and Level 3 should be strictly limited. Such delegations must not supplant decisions that are inherently political and should be reserved for the basic legal act (Level 1). Where powers are delegated to the European Commission and the European Supervisory Authorities (ESAs), the purpose, content, and scope of the delegation must be clearly defined and narrowly tailored.

Adherence to Better Regulation Principles by ESAs

The three European Supervisory Authorities (ESAs), including EIOPA, which have a legislative mandate, should adhere to the same Better Regulation principles as the European Commission. National supervisory authorities play an indispensable role in the regulation of financial services. However, challenges arise because not all decisions within EIOPA are subject to political oversight, and preparatory work at the working group level lacks sufficient transparency. This should be a central part of any forthcoming ESA review.

Conclusion

To foster a competitive, innovative, and resilient EU insurance and pension market, the regulatory framework must be simplified and focused. Limiting Level 2 and Level 3 measures to technical matters, increasing transparency and impact assessments, and strengthening co-operation with national authorities, all underpinned by a commitment to the Better Regulation agenda, will be essential for achieving this goal. We need to see real action.