



Press Release

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EIOPA ADVISES TO ENHANCE THE ASSET CLASS FOR HIGH-QUALITY INFRASTRUCTURE INVESTMENTS UNDER SOLVENCY II

- *High-quality investments in infrastructure corporates to qualify under infrastructure asset class.*
- *Risk charges for investing in qualifying infrastructure corporates have been carefully calibrated to the respective risks leading to a different treatment.*
- *To benefit from a differentiated treatment, insurers should conduct due diligence and have adequate risk management systems in place.*

Frankfurt, 30 June 2016 - The European Insurance and Occupational Pensions Authority (EIOPA) published today the Technical Advice to the European Commission (EC) on the identification and calibration of infrastructure corporates.

This Advice was developed upon the request of the EC to further elaborate on the Advice of 29 September 2015 (<https://goo.gl/Ot5CGK>) where EIOPA proposed a new asset class under Solvency II for investments in infrastructure projects. In its latest advice EIOPA recommends to extend this asset class in two ways:

First, to allow certain infrastructure corporates to qualify for the treatment for infrastructure projects provided that there is an equivalent level of risk.

Second, to create a separate differentiated treatment for equity investments in high-quality infrastructure corporates.

For those corporates that have a lower risk profile, EIOPA proposes to reduce the risk charges for equity investments.

Furthermore, EIOPA recommends that insurers are required to conduct adequate due diligence, establish written procedures to monitor the performance of their exposures and perform stress testing on the cash flows and collateral values supporting their investment.

Gabriel Bernardino, Chairman of EIOPA, said: *"After having carefully analysed the evidence available we propose a risk-based enhancement of the Solvency II asset class for high-quality infrastructure investments regarding infrastructure corporates. As infrastructure investments can be complex they require prudentially sound treatment and specific risk management expertise. Where the risks are properly managed, our proposals will help insurers to match their long-term liabilities, to increase their portfolio diversification, and thereby better protect policy holders and support the strategic objective of building the EU Capital Markets Union".*

Click here to access the Advice: <https://goo.gl/JaK1x2>

Note for Editors:

Infrastructure project versus infrastructure corporate: with an infrastructure project the infrastructure is financed using a project finance model where a special purpose vehicle (SPV) is used. Infrastructure corporates have in many cases more diversified revenues while financing structures and control rights for investors show a wider range.

EIOPA's Technical Advice suggests changes to the definition of infrastructure project to allow for some flexibility in the financing structure and therefore allow relevant infrastructure corporates to qualify for the treatment for infrastructure projects currently in the Solvency II regulation. For other types of corporates which satisfy a number of conditions, such as minimum years of operations, and diversified revenues, EIOPA recommends an equity risk charge of 36 % (instead of 39% or 49%) for well-diversified portfolios of equity investments in the qualifying infrastructure corporates.

The **European Insurance and Occupational Pensions Authority (EIOPA)** was established on 1 January 2011 as a result of the reforms to the structure of supervision of the financial sector in the European Union.

EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities, the National Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union.

EIOPA's core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of insurance policyholders, pension scheme members and beneficiaries.