Solvency II Reform:
Why European Insurers Should Revisit Securitised Credit

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Effective 30 January 2027, capital charges on senior European securitisations will fall by up to 78%, removing a large barrier that has kept insurers structurally underweight an asset class that can offer attractive spread income, structural protection and differentiated return drivers. We believe this reform opens the door for insurers to revisit their portfolio strategy.

Solvency II: What's Changing & Why It Matters

Security Type	Change in Spread Risk Charge *(Per Unit of Duration)*
Senior STS	Down by **30%** for AAA STS ABS / RMBS to align with AAA covered bonds
Senior Non-STS	Down by **78%** for AAA non-STS assets (e.g., European AAA CLOs) to align with BBB corporate bonds

Actual capital outcomes depend on rating, duration, seniority, STS status, portfolio aggregation and whether the insurer uses the standard formula or an internal model.

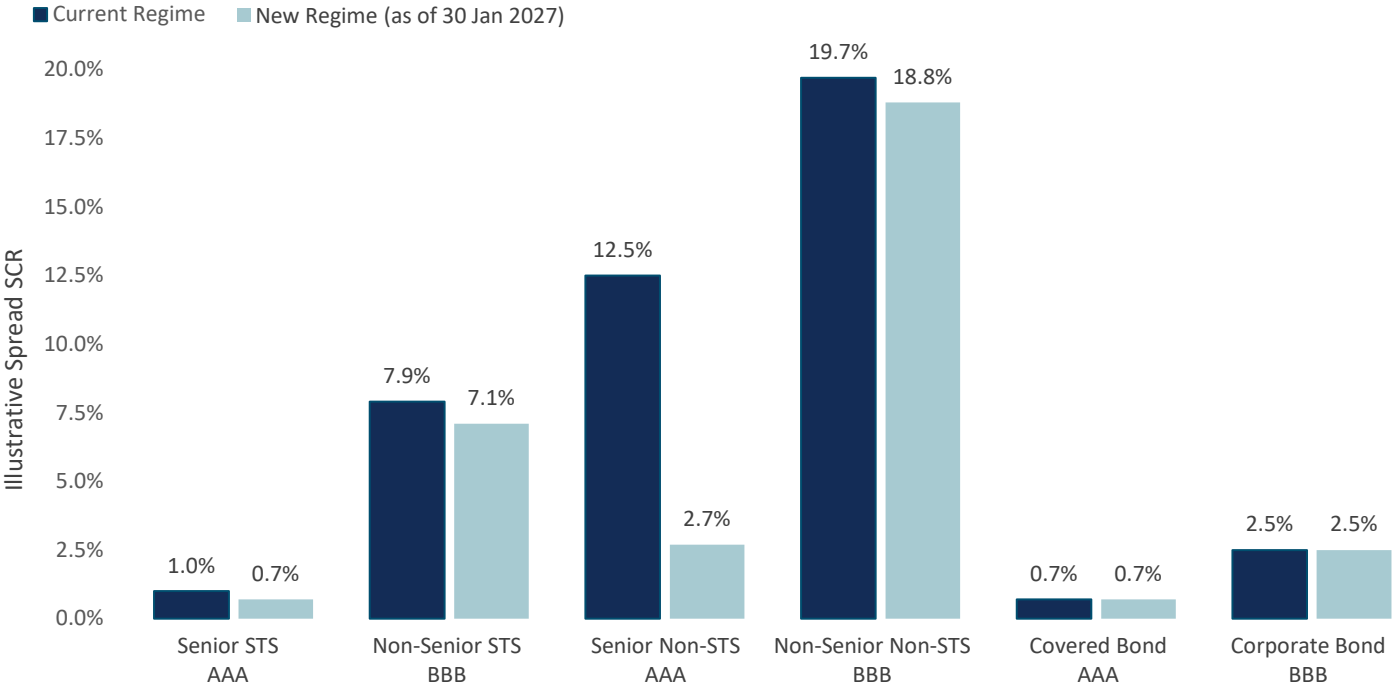
European insurers value capital efficiency. Effective 30 January 2027, Solvency II reform will reduce capital charges on securitised assets, improving the position of high-quality assets such as European AAA-rated CLOs. We believe the revised framework allows insurers to capture a return profile that has long been attractive but difficult to access efficiently.

Under the previous calibration, many securitisations carried a heavier capital burden than similarly rated corporate or covered bonds, even though they offered strong structural protection and seniority. The revised rules change regulatory treatment so it more closely reflects economic risk, allowing qualifying senior securitised assets to compete on a more level footing.

Source: Loomis Sayles, Règlement délégué (UE) 2015/35 and Règlement délégué (UE) 2026/269. See Glossary for additional information.

Spread SCR

Per Unit of Duration



Data Source: Bank of America, Bloomberg, as of 30 June 2026. See disclosures for reference index details.

Where Capital Relief Translates Into Relative Value

Senior Non-STS ABS & AAA-Rated CLOs

This is where the reform is most impactful. We believe the much lower charge gives insurers a clear reason to reassess these assets, whose previous capital treatment overstated the risk suggested by their seniority and observed credit performance.

Senior STS ABS

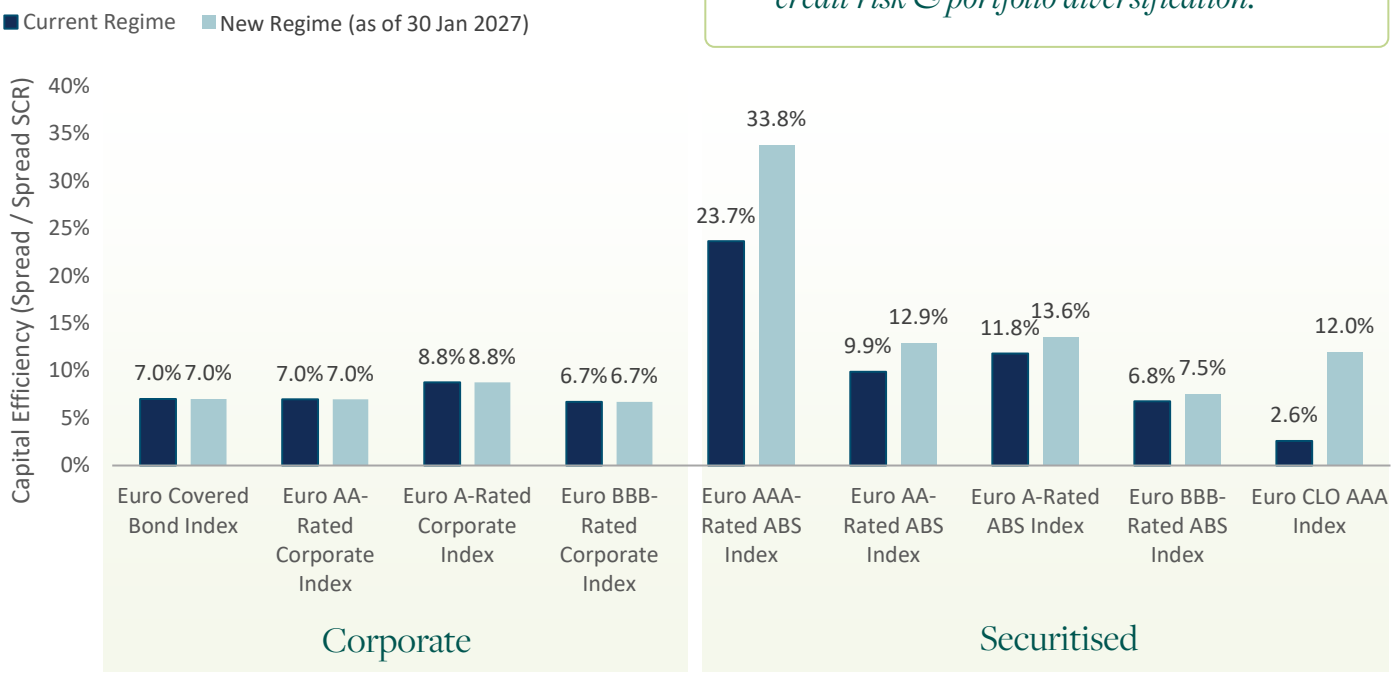
High-quality RMBS and consumer ABS already combine stringent eligibility criteria, robust structural protection and short-to-moderate spread duration. Improved capital treatment strengthens an already efficient allocation candidate.

Non-Senior STS/Non-STS Positions

We believe the case here is more selective. The reform improves the backdrop, but credit selection, structure and downside protection remain critical for lower-ranking risk positions.

Capital Efficiency

When comparing asset classes, *we look at yield, spread per unit of capital, liquidity, credit risk & portfolio diversification.*



Data Source: Bank of America, Bloomberg, J.P. Morgan. See disclosures for reference index details. Spreads used to calculate capital efficiency are those of the reference indices as of 30 June 2026. Analysis assumes that these euro ABS reference indices (excl. CLOs) are predominantly composed of STS ABS.

The Case for Securitised Credit

Greater capital efficiency may draw insurers back to the asset class, but we see a stronger, strategic argument: securitised credit can improve income, diversification, and resilience, while reducing duration risk.

Income Generation

Senior European securitisations have historically delivered a meaningful spread premium over similarly rated traditional fixed income,[1] creating an attractive source of income for investors able to underwrite structural complexity.

Diversification & Resilience

Securitised credit offers granular collateral pools and historically low total return correlations versus covered bonds,[2] corporates and sovereigns, giving insurers a differentiated source of risk and return. Senior positions can also benefit from multiple layers of protection, including subordination, reserve accounts, excess spread and overcollateralization, that help absorb collateral deterioration before principal is affected.

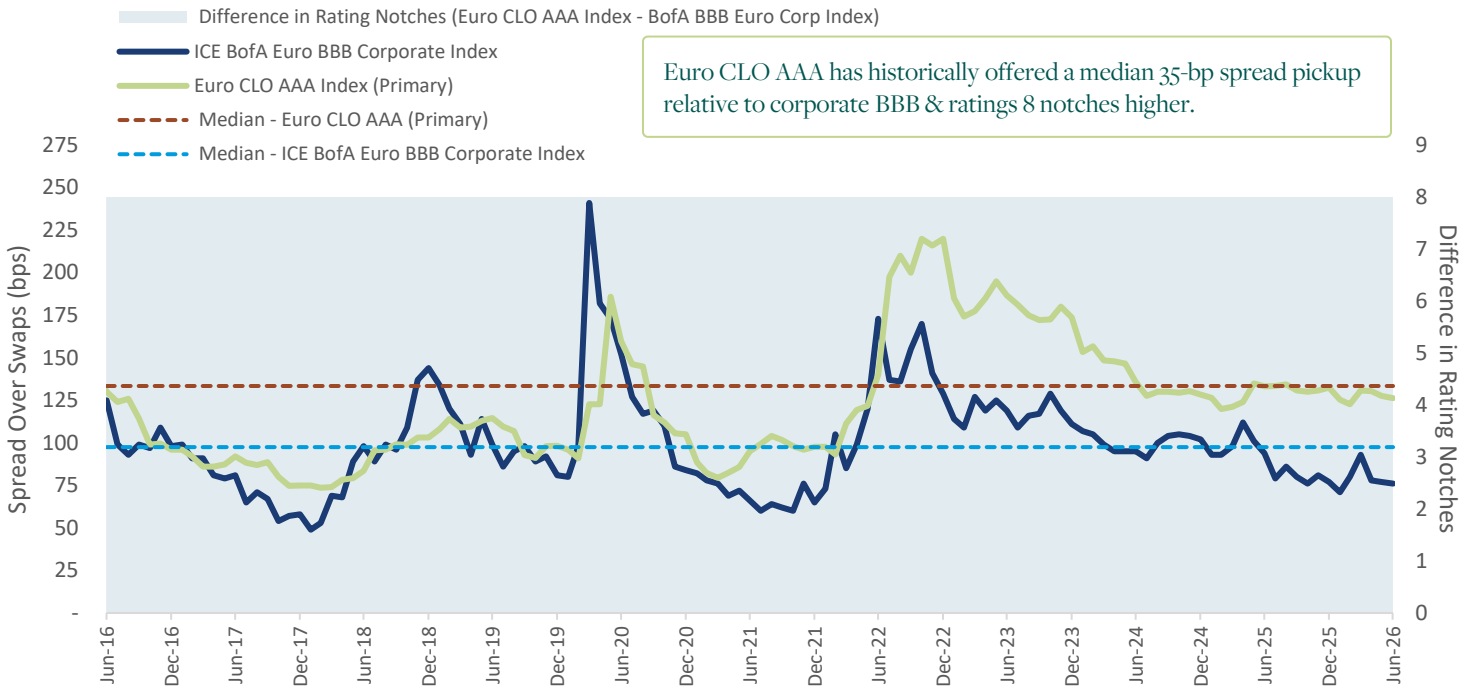
Built for Any Rate Environment

Floating-rate coupons and amortizing structures can help manage duration and support liquidity, aligning naturally with shorter-duration liabilities designed to return principal steadily over time.

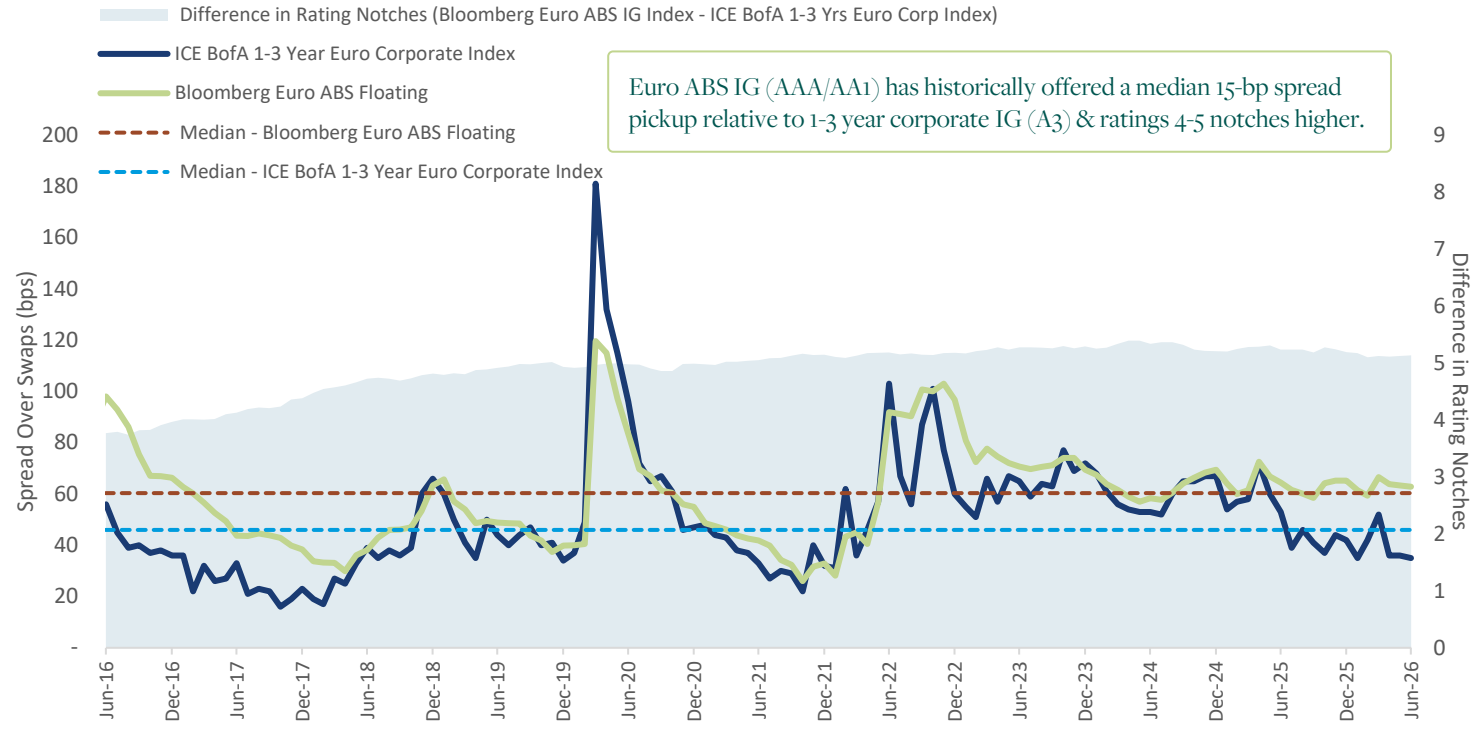
[1] *Loomis Sayles analysis of Bank of America and Bloomberg data through 30 June 2026.*
[2] *Loomis Sayles analysis of data from Bank of America, Bloomberg and J.P. Morgan, from January 2018 to June 2026.*

European Securitised Credit Can Offer a Compelling Spread Premium

Euro CLO AAA (Primary) vs. Corporate BBB: Spreads



Euro ABS Senior vs. Corporate IG: Spreads



Data source: Bank of America, Bloomberg, J.P. Morgan, Pitchbook LCD, as of 30 June 2026.

European Securitised Credit Can Strengthen Portfolio Diversification

Correlation Matrix of Daily Total Returns: January 2018 – June 2026

Sector	Covered Bonds	Corporates	Sovereigns	Euro ABS
Euro CLO AAA	0.04	0.24	0.09	0.16
Euro ABS	0.04	0.06	0.02	1.00

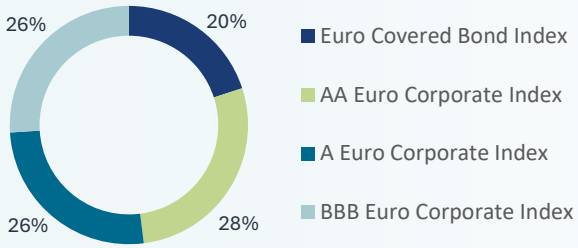
Data Source: Bank of America, Bloomberg, J.P. Morgan, from January 2018 to June 2026.
Note: January 2018 was chosen as the starting date because that is the earliest Euro CLOIE AAA Index-produced data. See disclosures for reference index details.

Portfolio Impact: Modelling Allocation Outcomes

To illustrate the potential impact of the Solvency II reform, we modeled a representative European insurer credit portfolio (**Portfolio #1**) using allocations broadly aligned with portfolio compositions published by the European Insurance and Occupational Pensions Authority (EIOPA).[3] We then analysed the effects of reallocating 20% of the portfolio into various high-quality securitised assets across three alternative portfolio constructions (**Portfolios #2, #3, and #4**).

MODEL PORTFOLIO #1

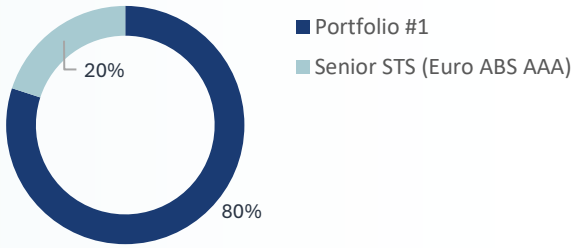
Purpose: Reference Portfolio



TRADITIONAL EUROPEAN INSURER BOND PORTFOLIO:
20% Euro Covered Bond Index, **28%** AA Euro Corporate Index
26% A Euro Corporate Index, **26%** BBB Euro Corporate Index

MODEL PORTFOLIO #2

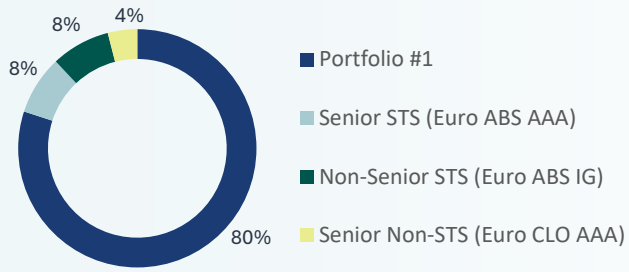
Purpose: Maximise capital efficiency and rating quality



80% Portfolio #1 **+ 20%** Senior STS

MODEL PORTFOLIO #3

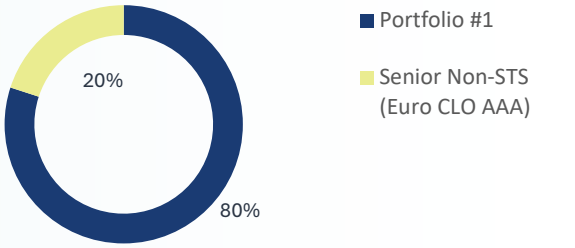
Purpose: Balance carry, capital efficiency and diversification



80% Portfolio #1 **+ 20%** Diversified Securitised Credit: **8%** Senior STS, **8%** Non-Senior STS and **4%** Senior Non-STS

MODEL PORTFOLIO #4

Purpose: Maximise spread carry and average rating quality

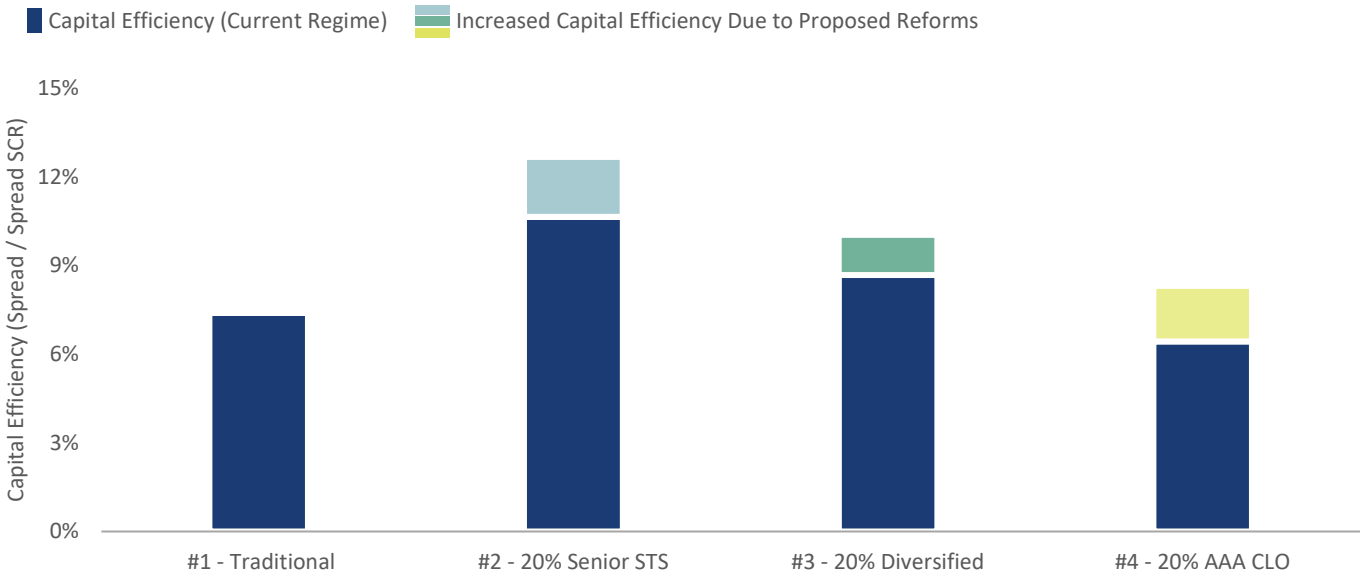


80% Portfolio #1 **+ 20%** Senior Non-STS

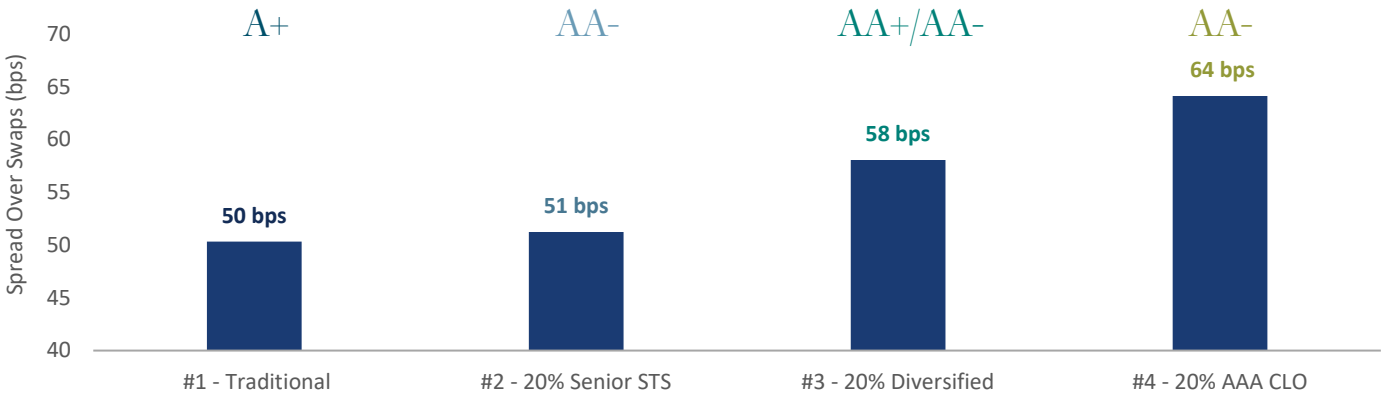
[3] *European Insurance and Occupational Pensions Authority (EIOPA) Financial Stability Report, June 2025.*

Illustrative Modelled Outcomes

Capital Efficiency with Proposed Reforms



Spread Carry and Average Quality

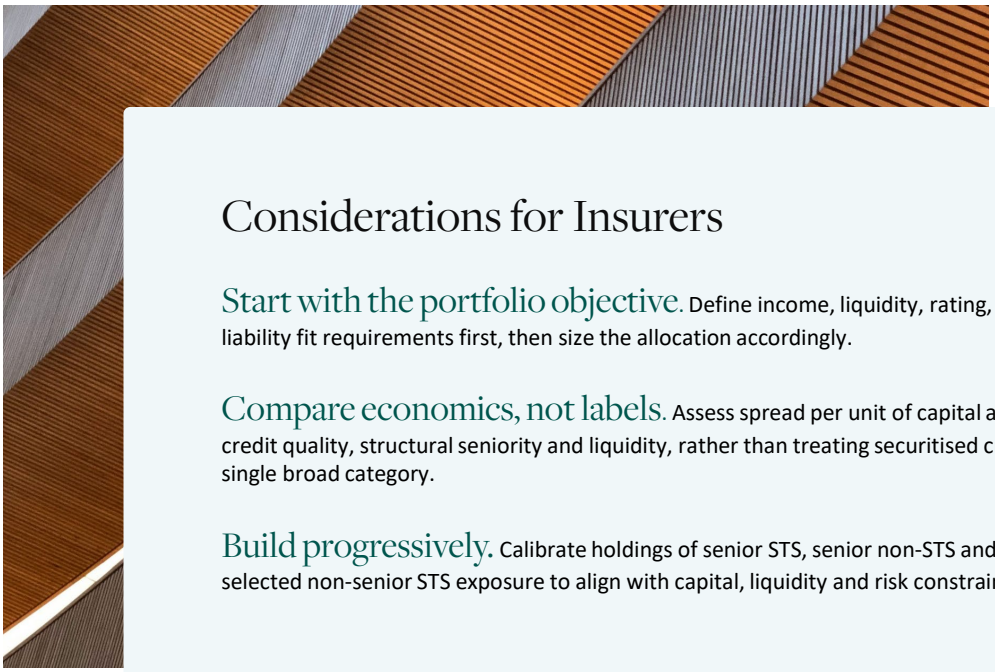


Data Source for Model Portfolios: Bank of America, Bloomberg, J.P. Morgan as of 30 June 2026, broadly aligned with allocations published in the EIOPA Financial Stability Report, June 2025. See disclosures for reference index details.

What the Simulations *Illustrate*

No single allocation dominates every strategic objective. Senior STS ABS can maximize capital efficiency; AAA CLOs can provide the strongest carry uplift; and the diversified mix can offer the most balanced improvement across carry, capital efficiency and credit quality.

Information shown is provided for illustrative purposes only and should not be construed as investment advice. There is no assurance that developments will transpire as forecasted and actual results may differ significantly.



Considerations for Insurers

Start with the portfolio objective. Define income, liquidity, rating, duration and liability fit requirements first, then size the allocation accordingly.

Compare economics, not labels. Assess spread per unit of capital alongside credit quality, structural seniority and liquidity, rather than treating securitised credit as a single broad category.

Build progressively. Calibrate holdings of senior STS, senior non-STS and carefully selected non-senior STS exposure to align with capital, liquidity and risk constraints.

Exploring Potential Opportunities with Loomis Sayles

We believe Solvency II reform resets the entire securitised asset class inside insurer balance sheets. In our view, insurers who begin evaluating allocations now, ahead of the effective date in January 2027, will be positioned to act as soon as the new framework applies.

Loomis Sayles' Structured Finance team manages approximately $54 billion across securitised strategies as of 30 June 2026 and brings two decades of experience across US and European markets. Our dedicated securitised investment team works closely with the firm's Institutional Advisory Group and Custom Income Solutions Team to help insurers translate regulatory change into customised, capital-aware portfolio solutions.

Our role is to help insurers act on the potential opportunity: we can help identify suitable structures, calibrate allocations to capital and liquidity constraints, and monitor collateral performance through the cycle.

Glossary

SCR: Solvency capital requirements (SCR) define the amount of capital EU insurance and reinsurance companies must hold to ensure they can meet obligations under stressed conditions.

STS: The Simple, Transparent and Standardised (STS) label promotes high-quality securitisations, particularly in prime asset-backed securities and residential mortgage-backed securities markets. Securitisations that are non-STS include sectors that may lack standardisation in underwriting, provide insufficient disclosure reporting or contain complex structures. Examples of such non-STS sectors are collateralized loan obligations, commercial mortgage-backed securities and non-performing loan asset-backed securities.

ABS: Asset-backed securities.

RMBS: Residential mortgage-backed securities.

CLO: Collateralized loan obligations.

Reference Indices

Euro Covered Bonds	ICE BofA Euro Covered Bond Index
Euro AA-Rated Corporates	ICE BofA AA Euro Corporate Index
Euro A-Rated Corporates	ICE BofA Single-A Euro Corporate Index
Euro BBB-Rated Corporates	ICE BofA BBB Euro Corporate Index
Euro ABS	Bloomberg EURO ABS Floating Total Return Index Value Unhedged EUR
Euro AAA-Rated ABS	Bloomberg Euro ABS FRN AAA Total Return Index Unhedged EUR
Euro AA-Rated ABS	Bloomberg EURO ABS Floating AA Total Return Index Value Unhedged EUR
Euro A-Rated ABS	Bloomberg Euro ABS FRN A Total Return Index Unhedged EUR
Euro BBB-Rated ABS	Bloomberg Euro ABS FRN BBB Total Return Index Unhedged EUR
Euro CLO AAA	J.P. Morgan Euro CLOIE AAA Total Return Index

Disclosure

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Market conditions are extremely fluid and change frequently.

Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.

KEY RISKS: *Credit Risk, Issuer Risk, Interest Rate Risk, Liquidity Risk, Non-US Securities Risk, Currency Risk, Prepayment Risk and Extension Risk.*

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Structured Finance Team

A specialized group based in Boston and Paris that brings deep and broad expertise with scale to structured finance investing.

$54 Billion USD — Securitized assets overseen across US and European markets, spanning agency MBS to deeply subordinated credit, in both public and private formats.

20 Year Track Record — In both US and European securitization markets, pre-dating & persisting through the Global Financial Crisis and subsequent market cycles.

20 Person Team — Integrating specialized portfolio management, credit research, & trading.

As of 30/06/2026.

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