insurance europe

SOLVENCY II DELEGATED REGULATION - DELIVERING THE RIGHT BALANCE

The upcoming changes to the Solvency II Delegated Regulation offer a crucial opportunity to deliver on the Level 1 political agreement - ensuring that Solvency II remains fit for purpose, supports EU growth and investment, and maintains financial stability and policyholder protection - without introducing new, unintended burdens or hidden conservatisms.

The comprehensive review brings numerous changes across the full regulation. This includes strenghtening strengthening cross-border, macroprudential and group supervision, as well as introducing recovery and resolution - reinforcing the prudential framework and high levels of consumer protection.

GROWTH & COMPETITIVENESS

WHAT'S AT STAKE?

European insurers' ability to remain **globally competitive** and continue to **support growth, jobs, and long-term investment.**

WHAT'S NEEDED?

- Full delivery of the Level 1 agreement to remove unnecessary and unjustified capital burdens, including:
  - A comprehensive reform of the **Risk Margin.**
  - A **workable Long-Term Equity (LTE) Framework with a simpler, more pragmatic forced selling test**, and flexibility for different business models.
  - Preservation of the existing treatment of repo and securities lending.

WHAT'S THE RISK IF WE GET IT WRONG?

- Structural capital disadvantage for EU insurers
- Reduced capacity for long-term product offerings and associated investments.
- Missed contribution to the EU's Savings and Investments Union goals.
- Disruption of repo and securities lending markets.

Changes needed in the delegated regulation

Risk margin: Set lambda parameter at 92.5% without a floor.

Long-term equity: Simpler forced selling test, flexible for different business models. And a broader list of eligible assets (including UCITS and AIFs).

Repos and securities lending: Classify as type 1 under art. 189; recognise off-balance sheet collateral to preserve access to low-risk liquidity tools for standard formula users.

REDUCING OPERATIONAL AND REPORTING AND DISCLOSURE BURDENS

WHAT'S AT STAKE?

Ensuring the Solvency II review delivers the **politically promised simplification** and **reduction of unnecessary burdens.**

WHAT'S NEEDED?

- Tangible changes to enable proportionate compliance with Solvency II.
- Significant reduction in reporting and disclosure.

WHAT'S THE RISK IF WE GET IT WRONG?

- Proportionality measures will remain largely **unusable for most undertakings.**
- New and **unjustified administrative burdens**, undermining the simplification goal of the review.

Changes needed in the delegated regulation

Proportionality: Reduce and streamline the 18 SNCU criteria to make proportionality practically accessible beyond SNCUs, as intended at Level 1.

Expected profit in future premiums: Remove the new availability testing for EPIFP at group level (Art. 330(1)), or ensure consistent treatment for all reconciliation reserve items.

SFCR - reporting and disclosure: Reduce content, especially the section aimed at market professionals.

VOLATILITY & CONSUMER PROTECTION

WHAT'S AT STAKE?

The **stability, predictability and counter-cyclicality** of the prudential framework - and with it, the protection of **policyholders and financial stability**.

WHAT'S NEEDED?

- Ensure the "long-term guarantee" (LTG) measures continue to mitigate artificial solvency volatility and enable insurers to act as long-term shock absorbers.
- Avoid unpredictable, unhedgeable changes to the risk-free discounting curves that introduce unnecessary regulatory volatility.
- Calibrate key LTG parameters with fully justified, evidence-based calibrations, based on relevant EU-data.

WHAT'S THE RISK IF WE GET IT WRONG?

- Increased incentives for procyclical behaviours which could force insurers to de-risk during market stress and further exacerbate market turmoil.
- Undermining long-term policyholder protection and reducing valuable long-term product offerings due to excessive capital costs.
- Undermining competitiveness in accessing diversified sources of stable returns.

Changes needed in the delegated regulation

Volatility adjustment

- Set the risk correction parameters as proposed by industry:
  - Corporate: 30/20/10% tranches, 60% cap
  - Government: 20/15/5% tranches, 40% cap
- Implement EIOPA's proposed approach for the CSSR without untested and unnecessary conservatisms for profit-sharing contracts or unit-linked business.

Extrapolation of risk-free rates

- Set the residual volume criterion at 9% (EUR); convergence at 15% & 70% (SEK).
- Ensure full transparency of data and LTG-methodology used and other SII parameters.

GREEN DEAL & CLIMATE CHANGE

WHAT'S AT STAKE?

The insurance sector's ability to contribute effectively to the EU's climate transition and Green Deal objectives.

WHAT DO INSURERS ALREADY DO?

- Integrate **ESG risks** in underwriting and investment.
- Conduct **climate scenario analysis.**
- Report under **SFDR** and the **EU Taxonomy**.
- Invest **billions in green assets and renewable infrastructure.**

WHAT'S NEEDED?

- Sensible and proportionate ESG-requirements that supports insurers to meet climate and ESG commitments without unnecessary bureaucracy or reporting requirements.

WHAT'S THE RISK IF WE GET IT WRONG?

- Missed private financing for green infrastructure and transition projects.
- Added bureaucratic burdens without any tangible impact on the ESG impacts.

Changes needed in the delegated regulation

Nat cat parameters: Regularly update the nat cat parameters to reflect climate change impacts.

Sustainability risk plans: Remove or minimise requirements duplicative to existing ORSA requirements and focus remaining requirements on climate risk.

Note: Level 1 already includes sensible and proportionate ESG requirements that build on Solvency II and sound risk management.

The Delegated Regulation must **faithfully deliver the Level 1 agreement** - supporting EU growth and competitiveness, green investment, genuine burden reduction, and solvency stability and strong policyholder protection - **without layering on new conservatisms or technical obstacles to proportionality and investment.**

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