

To: Solvency II WG
 From: Prudential Team
 cc:
 Date: 18-02-2025
 Reference: ECO-SLV-25-077

Subject: Assessment of EIOPA Final Advice on Proportionality in Solvency II

Summary

EIOPA has submitted its final advice on proportionality under the revised Solvency II Directive to the European Commission ([here](#)), including a resolution of comments ([here](#)).

The secretariat has provided a structured assessment of the changes on which Insurance Europe provided input ([ECO-SLV-24-282](#)) and how these suggestions were considered.

The overview focuses solely on the changes made by EIOPA; areas where EIOPA did not introduce any changes are not included in the assessment.

Assessment

Topic	EIOPA's Position	Assessment
Classification of SNCU	The classification criteria remain unchanged. No further specifications are provided.	Insurance Europe supported this stance.
Proportionality measures for non-SNCUs	Proportionality measures should be granted based on a holistic evaluation, considering both qualitative and quantitative factors equally.	EIOPA maintained binding qualitative and quantitative conditions but reinforced the holistic evaluation approach. Some requests were accepted, but all key criteria remain, including eg variable remuneration <i>Partially accepted</i>
Low complexity of the business model (Condition 2)	The requirement for a stable business model over three years was removed. Undertakings must demonstrate that their business model evolves in line with market trends and external factors such as product innovation or industry shifts. Material business model changes (e.g., entering new markets, launching new business lines, or M&A activity) are now explicitly defined.	Requested to remove the requirement for a stable business model over the past three years and to clarify the concept of material changes to the business model. <i>Accepted</i>

Capital adequacy (Condition 3)	SCR margin remains but aligns with internal solvency targets.	Following IE comment EIOPA explains that this condition does not aim to introduce an additional prudential supervisory limit <i>Partially accepted</i>
Size threshold (Condition 4)	Life insurer threshold reduced from €15B to €12B; safeguard clause allows larger firms to apply if risks are simple.	Safeguard clause added but threshold remains. <i>Partially accepted</i>
Governance issues (Condition 5)	Only unresolved material governance concerns considered; three-year reference removed.	Insurance Europe requested this refinement. <i>Accepted.</i>
Proportionality measures for Groups	Applies only to the ultimate parent company; Group complexity assessed based on jurisdictions, cross-border business, and intra-group transactions.	 <i>Partially Accepted</i>
Regular Supervisory Report (RSR) (Condition 6)	Only unresolved material concerns in the latest RSR will be considered.	Insurance Europe requested only the latest RSR be used and to focus on material unresolved concerns. <i>Accepted</i>
Combination of Key Functions (Conditions 7-9)	Unresolved material concerns in decision-making considered; governance must ensure segregation of duties and avoid conflicts of interest. This condition has been amended so that the "supervisory authority should be satisfied" that the cost of separating functions is disproportionate. o	Insurance Europe requested focus on unresolved material concerns. Condition was reworded in line with feedback that 'total administrative expenses' basis is not risk based and unclear. <i>Accepted</i>
ORSA every two years (Conditions 11-12)	Only the latest ORSA is considered (instead of the last three years); focus on unresolved material concerns.	Insurance Europe requested this change. <i>Accepted</i>
Prudent deterministic valuation (Condition 13)	Undertakings must prove PDV valuation is proportionate to the risks rather than demonstrating stochastic valuation is burdensome.	Insurance Europe questioned whether this approach is proportionate. <i>Partially accepted</i>
Exemption from LRPM (Conditions 15-17)	Condition 16 merged into Condition 15. Focus on ensuring no material concerns exist regarding liquidity risk and economic trends.	Insurance Europe requested removal of redundant conditions. <i>Accepted</i>