

To: Economics & Finance Committee
From: ECOFIN team
cc: Prudential Working group, Public Affairs & Communications Committee
Date: 07-10-2025
Reference: ECO-25-035

Subject: Draft letter to the European Commission on Solvency II Delegated Regulation

Member's input requested

Further to discussion at the recent Ecofin committee meeting, the secretariat has prepared draft text for a letter to the European Commission highlighting the key areas of improvement needed to the Commission's draft Solvency II Delegated Regulation.

Members are requested to provide any feedback or comment to the draft text included below by **Thursday 9 October to ecofin@insuranceeurope.eu**.

If agreed, the letter will be formalised and is proposed to be sent to Director General John Berrigan.

Draft text for letter to Commission

Dear...,

On behalf of the European insurance industry, I would like to express our appreciation for the European Commission's continued engagement on the Solvency II review and for the leadership you have shown in steering this important file.

The insurance industry is a large and successful financial sector in Europe which is committed to supporting the Commission in fulfilling the EU's strategic and economic objectives. The changes made as part of the Solvency II review will have direct consequences on insurers' ability to provide affordable protection to European citizens and to channel capital into sustainable and productive investments in support of the SIU and the Green Deal.

To enhance our ability to support these objectives and to preserve our long-term approach, we support revisions to the Solvency II regulations which would mitigate artificial solvency volatility, reduce excessive and often duplicative capital buffers and reduce the high level of operational and reporting burdens. We understand that these objectives are shared by the European Commission.

While the political agreement reached at Level 1 was a crucial milestone, addressing many of the industry's longstanding concerns, several of the changes introduced in the review risk to introduce new artificial volatility and would fail to deliver on the objectives of the review, if the technical parameters underlying the new methodologies are not calibrated correctly.

In this context, I would like to draw your attention to three key areas where the draft technical parameters included in the recent consultation on the Delegated Regulation require improvement.

- *Firstly, the new approach to the extrapolation of the risk-free curve risks creating unnecessary instability for insurers who provide long-term products and investments. This can be safeguarded by adding a 2% buffer to the proposed first smoothing point (FSP) mechanism.*
- *Secondly, the proposed calibration of the risk correction of the volatility adjustment which risks undermining the anti-cyclical role of the volatility adjustment. In this context, we would refer to the industry's prudent and evidence-based proposal which would address this risk.*
- *Thirdly, the proposed conditions for the Long-Term Equity Investment (LTEI) submodule risk undermining its intended purpose. Retaining overly conservative criteria could significantly restrict insurers' ability to make use of this asset class. We urge the Commission to ensure that the final Delegated Regulation reflects a more balanced and practicable approach, including a broader scope of eligible assets and appropriate methodologies for demonstrating the ability to avoid forced sales*

In our response, we have also included extensive proposals on how the Solvency II rules could be amended to reduce operational and reporting burdens and hope that these will be considered your team. One proposal which we are particularly concerned about is the introduction of group-level availability testing for Expected Profits in Future Premiums (EPIFP). This will create significant and unnecessary operational burdens for insurance groups.

We therefore respectfully urge that the final Delegated Regulation incorporates targeted adjustments to ensure stability, to reduce artificial volatility, to avoid unnecessary operational burdens, and to enable insurers to play their full role in supporting Europe's economy.

Insurance Europe would be honoured to meet with you or your services at your convenience to discuss these items further.

Yours sincerely,