

CALL FOR ADVICE ON PROPORTIONALITY

WORKSHOP ON DRAFT ADVICE ON CCPs AND PROPORTIONALITY

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EIOPA REGULAR USE

On 30 April 2024, EIOPA received a Call for Advice on proportionality from the European Commission

Solvency II Review

The provisional agreement on the amendments to the Solvency II Directive (Articles 29(5) and 213a(6)) provides that the Commission should adopt Delegated Acts specifying:

- the **methodology** to be used when classifying undertakings (resp. groups) as **small and non-complex undertakings** (resp. small and non-complex groups), taking into account the expected automatic nature of the classification; and
- the **conditions** for granting or withdrawing supervisory approval for proportionality measures to be used by undertakings (resp. groups) **not classified as small and non-complex undertakings** (resp. small and non-complex groups).

CfA mandate

EIOPA is requested

- to **assess** whether the **methodology** for the classification of undertakings and groups as small and non-complex is clear and comprehensive.
- to provide **for each proportionality measures** identified in Article 29d (including their mutatis mutandis application at group level in accordance with Article 213a(5)) of the Solvency II Directive, **a closed list of conditions** for granting or withdrawing supervisory approval to undertakings and groups that are not classified as small and non-complex.

CfA mandate: methodology for SNCUs



To assess whether the **methodology** for the classification of undertakings and groups as small and non-complex is clear and comprehensive

Main elements of the methodology

- Notification from undertaking to NSA, accompanied by
 - evidence of compliance with the SNCU criteria,
 - declaration that the undertaking does not plan any strategic change that would lead to non-compliance with any of the SNCU criteria within the next three years, and
 - identification of the proportionality measures
- Compliance check with the SNCU qualitative and quantitative criteria
- NSA objection power in case of
 - Non-compliance with SNCU criteria
 - non-compliance with the Solvency Capital Requirement, assessed without the use of any of the transitional
 - undertaking represents more than 5% of the life market or, where applicable, non-life market
- Objection decision of the NSA

EIOPA holds the view that any further specification will depend on the practical implementation of the framework at national level, and it should be addressed in the transposition of the amendments to the Solvency II Directive.

CfA mandate: Proportionality measures for non-SNCUs




To provide for **each proportionality measures** identified in Article 29d of the SII Directive, a **closed list of conditions** for granting or withdrawing supervisory approval to undertakings and groups that are not classified as small and non-complex

Proportionality measures

Article

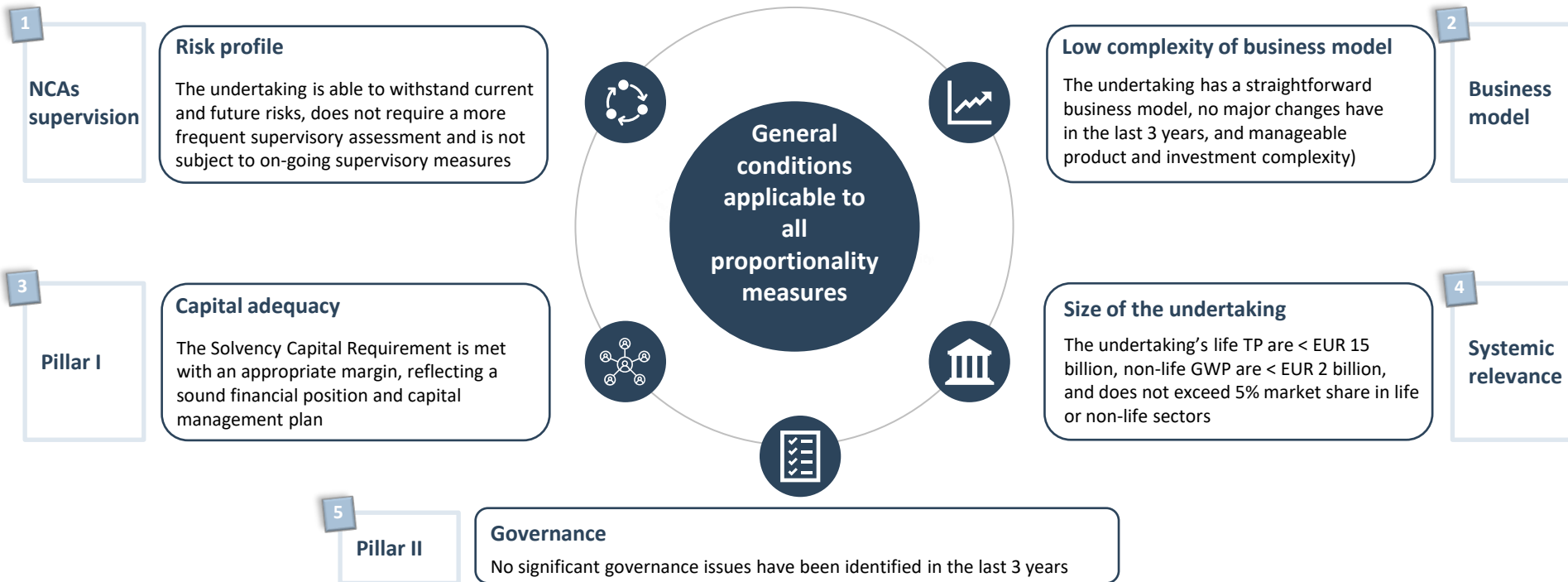
1	RSR only every three years	Article 35(5a)
2	Combination of key functions	Article 41
3	Update of written policies every three years (instead of annually)	Article 41
4	Waiver from macroprudential analysis in the ORSA	Article 45(1b)
5	ORSA at least every two years (instead of annually)	Article 45 (5)
6	Prudent deterministic valuation of the best estimate for immaterial obligations with options and guarantees	Article 77(7)
7	Exemption from the liquidity risk management plan	Article 144a(4)
8	Waiver from mandatory deferral of a significant portion of the variable remuneration	Article 275(2)(c) of Delegated Regulation

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- **EIOPA proposes to introduce a set of conditions (19) on approving or withdrawing the approval to use the proportionality measures.**
 - **Some of the conditions (5) should be of a more general nature, aiming to ensure that the nature, scale and complexity of undertakings' risk justify a proportionate application of a certain requirement.**
 - **Other conditions (14) should be more tailored to the type of proportionality measure that the undertaking intends to apply.**

Proportionality measures for non-SNCUs: general conditions



For all proportionality measure, the technical advice proposed to introduce the below **conditions of a more general nature**, which allow supervisors to approve or withdraw proportionality measures on the basis of the risk profile of the undertakings



Proportionality measures for non-SNCUs: specific conditions



In addition to the more general risk-based conditions, the technical advice proposed to **introduce specific conditions** that are tailored to the individual proportionality measure they are referring to

Proportionality

Conditions

RSR only every three years

- No concerns with last three RSR that shall include high quality and complete information

Combination of key functions

- No concerns on decision-making
- Skills and experience
- Cost efficiency of combination

Update of written policies every three years (instead of annually)

- Written policies are complete, aligned with each other and business strategy

Waiver from macroprudential analysis in the ORSA

(Proportionality assessment embedded in RTS on macroprudential analysis)

ORSA at least every two years (instead of annually)

- Information in ORSA is appropriate to risk profile
- Frequency does not affect risk management

Prudent deterministic valuation of the best estimate for immaterial obligations with options and guarantees

- No use of stochastic valuation
- Time value of O&G < 5% of SCR

Exemption from the liquidity risk management plan

- No exposure to liquidity risk from A&L
- No concentration of counterparty
- No concerns from economic trends
- Availability of funds in group

Waiver from mandatory deferral of a significant portion of the variable remuneration

- Annual variable remuneration is < 50.000 and < 1/3 of total remuneration

THANK YOU!

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