

To: Solvency II WG, Economics & Finance Committee, Public Affairs & Communications Committee
From: Prudential Team
cc:
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Subject: Highlights - EP ECON scrutiny session for SII and IRRD

Summary

On 19 February, the European Parliament's ECON Committee held a scrutiny session on the Solvency II (SII) review and the Insurance Recovery and Resolution Directive (IRRD). The revised framework is set to apply from 30 January 2027. The session covered key regulatory developments, including the timeline for the SII Delegated Regulation and proportionality concerns.

Members will find the highlights of the session hereafter. Should members have any additional views, please write to prudential@insuranceeurope.eu.

The full session can be accessed [here](#).

Highlights

Solvency II

- Delegated regulation timeline (Tilman Lueder, DG FISMA):
 - Presentation to co-legislators in May 2025.
 - "Better regulation" consultation for eight weeks in June and July.
 - Further assessment in the autumn, followed by adoption by the College of Commissioners at the end of 2025.
- National specificities and enforcement (Patrick Hoedjes, EIOPA):
 - While national specificities remain, enforcement is the main vulnerability, as recent cross-border cases highlight.
- Proportionality concerns
 - (MEP Ferber) The EIOPA proposed approach is seen as unproportional and overly bureaucratic, requiring major corrections.
 - (Tilman Lueder DG FISMA) Further assessment will be conducted on whether the non-SCNU criteria are too complex.
- LTG measures (Tilman Lueder, DG FISMA):
 - Extrapolation 11% is a floor – have not consulted a different floor – because nobody proposed a different floor.
 - Residual Volume Criterion: To be set above 6%, as no one is happy with 7% proposal.
 - A 6% threshold would push the FSP later, which is not in line with Level 1 (MEP Ferber).
 - Risk Margin Lambda: The 92.5% option is seen as risky, with alternatives at 97.5% or an intermediate figure.
 - Risk Correction: Industry proposals and supervisory concerns are both seen as extreme, with a balanced outcome expected across three tranches.

- (MEP Tinagli): The risk correction mechanism should not amplify procyclicality or trigger excessive reactions to spread movements.
 - Liquidity Test (LTE): Acknowledgment that it can become highly complex, hence an alternative buffer approach is proposed for small entities. Additionally, regulatory and public reporting will need to reflect changes in investment portfolios, with an increasing quota of LTE assets.
- Capital release (Tilman Lueder, DG FISMA):
 - The impact is not expected to be in billions, but the most conservative estimate is a 15% increase in solvency ratios.
- Dividends (Patrick Hoedjes, EIOPA):
 - Following the question how to ensure no increase in dividends, EIOPA shares the concern over potential dividend increases following capital relief. EIOPA currently lacks the tools to monitor this but will address it.
- Brown factors (Tilman Lueder, DG FISMA):
 - If brown factors risk delaying the timeline, they will be handled separately. If consensus is reached, they may be integrated into the current process.
- Level 1 and Level 2 Consistency (MEP Ferber – Closing):
 - Expressed hope that the Albuquerque statement will ensure that Level 2 measures remain aligned with Level 1, rather than introducing additional elements. He looks forward to the final implementing act.

Insurance Recovery and Resolution Directive (IRR)

- Transposition workshops (Yann Germaine, DG FISMA):
 - Transposition workshops with Member States are planned to support transposition.
- Supervisory approach (Dimitris Zafeiris, EIOPA):
 - Where choices exist, EIOPA aims to adopt the least burdensome approach, particularly regarding reporting frequency (e.g., biennial instead of annual reporting).
- Resolution considerations (MEP Ferber):
 - Resolution remains hypothetical, and should be treated that way, as there is no systemic failure at the moment.
 - Implementing acts should not simply transpose BRRD rules from banking to insurance—insurance-specific considerations must be taken into account.
- Ex-Ante vs. Ex-Post Funding (MEP Tinagli):
 - National flexibility should be maintained, with consideration of a combination of both mechanisms.
 - Ex-ante and ex-post models in existing MS is different for different risks, EC is looking with an open mind. Additionally, ex-post should consider moral hazard.
- Insurance Guarantee Schemes (IGS) and Future Harmonisation:
 - IGS is explicitly included in IRRD, as set out in the legislative text, and not just at the request of a few MEPs (MEP Ferber).
 - EIOPA will submit draft RTS and ITS, which it can scrutinise (Yann Germaine, DG FISMA).
 - A report on IGS is due by January 2027, with a possible legislative proposal for minimum harmonisation at a later stage.
 - The European Parliament has requested harmonisation, and the Commission will continue discussions on this topic.
 - EIOPA will assist the European Commission in this work, as IGS remains on the agenda and is included in the IRRD (Dimitris Zafeiris, EIOPA).
 - Possible IGS initiative in the context of SIU (Yann Germaine, DG FISMA):
 - Harmonisation could be a response to fragmentation across Member States, as currently only half of MS have IGS.
 - The Commission will assess what aspects should be expanded and adopt best practices from existing schemes.