

RTS ON DETERMINING RELEVANT UNDERTAKINGS IN RESPECT TO HOST MEMBER STATE'S MARKET

Workshop on new technical standards

27 November 2024

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Changes to the Solvency II Directive

- The Solvency II review will introduce new rules on to the enhanced supervisory cooperation and information exchange between home and host supervisors on significant-cross-border activities.
- The definition of significant-cross-border activities is linked to the activities carried out under FoS and FoE in the host MS:
 - total cross-border gross written premium in the host MS is above EUR 15 million, or
 - cross-border activities are considered by the host supervisor as being of relevance with respect to the host MS' market.
- The host supervisor is empowered to consider the activities carried out under the FoE or FoS being of relevance with respect to the host market on the basis of conditions and criteria specified in this draft RTS. The host supervisor shall notify the home supervisor stating the reasons thereof.

Mandate for technical standards

- EIOPA is mandated to draft RTS to further specify the conditions and criteria to be used when determining which undertakings are of relevance with respect to the host MS' market.

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Consultation proposal for technical standards

- The draft RTS specifies the relevance of cross-border activities with respect to the host MS's market based on two criteria:
 - concentrations of the insurance or reinsurance undertaking's cross-border activities carried out in the host MS's market, or
 - impact of those activities to the insurance market or the policyholders and beneficiaries in the host MS.

- Concentrations relate to share of the undertakings' activities in the host market:
 - compared to its total business, or
 - compared to the size of the host insurance market, either in terms of global insurance market, non-life insurance market and reinsurance market or life insurance market.

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- Relevant factors for assessing the significance of the impact are:
 - the relative market share of specific line of business, insurance risk or insurance product in the host MS's market => the host supervisor shall use any quantitative criteria normally used for that purpose including level of premium or technical provisions, number of policyholders or insured persons, number of policies, sum insured, or number of insured vehicles
 - the level of substitutability in the host market, as defined in IRRD (i.e. if the policyholders and beneficiaries can obtain a substitute or similar insurance product or insurance cover from another undertaking within a reasonable timeframe or at a reasonable cost)
 - the potential detriment to policyholders and beneficiaries in the host MS's market => the host supervisor shall use any quantitative or qualitative criteria normally used for that purpose including higher than average level of complaints, commission rates or gross written premium growth in the previous year.

THANK YOU!