

SOLVENCY II IN 2 MINUTES

Proportionality key for risk-based rules

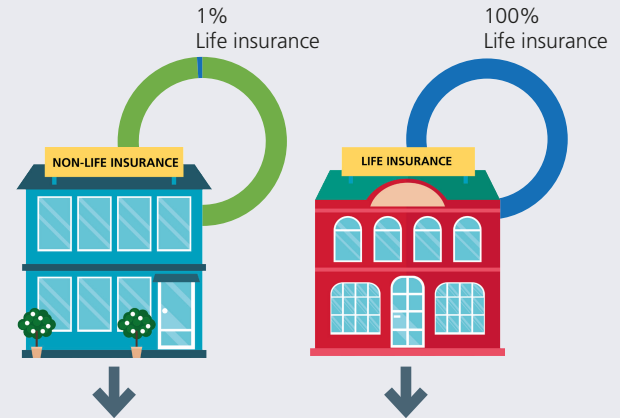
What is the issue?

Proportionality is a key component of Solvency II that is meant to enable insurers to apply the framework based on the nature, scale and complexity of their activities. Unfortunately, it is currently hardly ever applied in practice.

Why do we need proportionality?

- + Solvency II Directive
- + Delegated acts
- + Implementing technical standards
- + Guidelines

3 500 pages



The life insurance activity for these two businesses currently requires all the same very detailed data, calculations and reporting

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If the review makes proportionality work in practice:



Consumers avoid needless costs



All sizes and types of insurers avoid unnecessary burdens



Supervisors and insurers can concentrate on managing and monitoring the material risks faced by insurers

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What do we need to make proportionality work?



A legal obligation for supervisors to facilitate proportionality



A toolbox with a non-exhaustive list of measures with risk-based criteria for automatic application



Clarity, beyond the toolbox, that any insurer can apply proportionality where justified

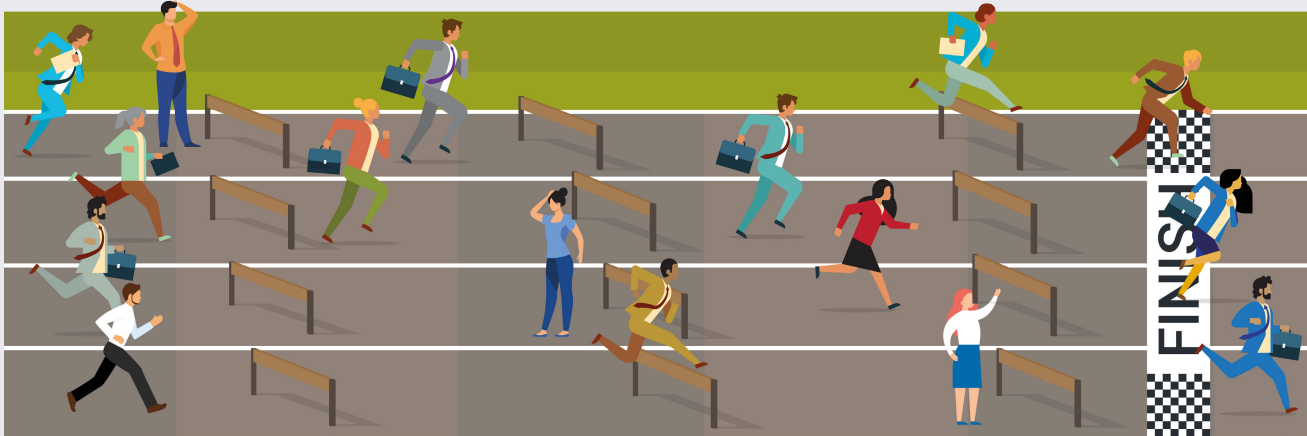


An annual report to assess the application of proportionality and to propose improvements

EIOPA's criteria wrongly exclude too many companies from the automatic application of proportionality



Instead, criteria for the automatic application of proportionality should be risk-based



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Why should EIOPA remove these overly restrictive criteria?



- ⊗ The exclusion of material cross-border business
→ This undermines the single market
- ⊗ The absolute size of the company
→ This is not risk-based

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Getting proportionality to work can boost consumer protection even further



Solvency II already has safeguards in place that will remain to ensure consumer protection will be preserved.



Allowing insurers and supervisors to focus resources on managing and monitoring the actual material risks will enhance consumer protection.

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What are the next steps towards a wider application of proportionality?

1. Increase legal certainty while preserving flexibility



- ✓ Improve EIOPA's criteria for automatic application.



- ✓ Incorporate the toolbox of proportionality measures into the delegated acts.
- ✓ Preserve the existing flexibility by making clear that the list is non-exhaustive.

What are the next steps towards a wider application of proportionality?

2. Empower and oblige national supervisory authorities and ensure a convergent and thorough application



- ✓ Make clear in the Directive that considering proportionality is a supervisory duty.



- ✓ EIOPA to monitor the progress through an annual report on proportionality.

For more information, please see www.insuranceeurope.eu/solvency-II