

THE OBJECTIVES OF THE SOLVENCY II REVIEW

EIOPA set as an objective for its advice on the review of Solvency II a so-called “balanced outcome” at year-end 2019. However, EIOPA’s 120 or more proposals will not result in a “balanced approach”. Instead, they will lead to a significant increase in capital requirements, especially as EIOPA appears to leave out the impact of some of its most negative proposals. Its proposals will also make solvency ratios even more volatile, especially during periods of crisis.

It is fundamentally wrong to base technical advice on such an objective because it:

- ignores evidence that current requirements are too high and are creating unnecessary barriers;
- does not allow for a proper assessment of evidence or appropriate improvements;
- does not consider the impact of the proposals at other points in time;
- focuses on the impact at overall European level rather than at member-state level;
- does not distinguish between types of undertakings; and,
- completely ignores the European Commission, Parliament and Council objectives for the review.

EIOPA’s starting point is flawed

- It is not a risk-based approach
- EIOPA has not proved that the current capital is correct, despite the industry indicating for a while that it is too conservative
- EIOPA has made proposals that increase capital without proving the need for additional capital

EIOPA’s measurement of the impact of its proposals and of “balance” is also flawed

- The changes on interest rate risk are left out of its “balance” calculations
 - How “balanced” is the review if interest rate risk changes are not counted? ➡ **Very unbalanced**
- It is assessed at European level
 - But how balanced are its proposals at member state level? ➡ **Very unbalanced**
- It is based on one point in time (Q4 2019)
 - How can one point in time ensure any changes will improve how Solvency II works across a wide range of different market situations and for many years to come? ➡ **It can’t**

And EIOPA disregards the EU objectives of growth, long-term investment and global competitiveness

- Has EIOPA proved that its so-called “balanced approach” would help increase and not decrease the insurance industry’s capacity to offer long-term products and guarantees and make long-term investment? ➡ **No**
- Will EIOPA’s approach support the EU Green Deal and CMU objectives? ➡ **No**
- Has EIOPA proved that the current level of capital requirement is correct? ➡ **No**
- Do EIOPA’s proposals increase capital requirements overall for insurers? ➡ **Yes**
- Is EIOPA gold-plating what it agreed on internationally for systemic risk? ➡ **Yes**

WHAT EIOPA IS PROPOSING	WHAT EUROPE NEEDS
<p>A review that results in a framework that is:</p> <ul style="list-style-type: none"> ⊗ More conservative ⊗ More capital-intensive ⊗ More burdensome ⊗ Less competitive framework 	<p>A review that:</p> <ul style="list-style-type: none"> ✔ Focuses on a limited number of improvements where there is evidence of the need for change ✔ Supports long-term guarantees and the pension products that can help address the challenge of an ageing society ✔ Supports — and does not hamper — the insurance industry’s ability to invest in long-term sustainable assets and insurers’ contribution to the EU green recovery ✔ Supports insurers’ ability to compete globally ✔ Is less burdensome operationally ✔ Helps achieve a diversified and efficient insurance market