



eiopa
EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

2020 review of Solvency II - Update

Stakeholder event
23 October 2020

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Timeline

February 2019	EIOPA receives Call for Advice from the European Commission
Mid-July to mid-Oct 2019	Public consultation on draft advice on reporting and disclosure and insurance guarantee schemes
Mid-Oct 2019 to mid-Jan 2020	Main public consultation on draft advice
March to June 2020	Information request for holistic impact assessment
July to mid-Sept 2020	Complementary information request
December 2020	Publication of final advice on 2020 review

Information request for holistic impact assessment



Introduction

- Results based on 392 undertakings from all EEA countries, covering 73% of life technical provisions and 52% of non-life gross written premiums
- The information request collected data on the following scenarios:

Base scenario	<ul style="list-style-type: none">• Current Solvency II at end of 2019
Scenario 1	<ul style="list-style-type: none">• Combined impact of EIOPA advice
Scenario 2	<ul style="list-style-type: none">• Combined impact of EIOPA advice other than interest rate risk calibration• Relevant for judging the balance

- All monetary amounts shown are in euro and relate to the sample of participants (not the whole EEA market).

Information request for holistic impact assessment

Drivers of change

Change	Typical impact
Extrapolation	Increase of technical provisions Increase of SCR
Risk margin	Decrease of technical provisions
Volatility adjustment (VA)	Decrease of technical provisions Increase of SCR for IM dynamic VA
Equity	Decrease of SCR
Correlations	Decrease of SCR
Interest rate risk	Increase of SCR (only scenario 1)

Information request for holistic impact assessment

Overall impact on solvency

	Base case	Scenario 1	Scenario 2
SCR ratio	247%	234%	248%
Change of surplus in excess of SCR	/	-15 bn	+7 bn
Change of SCR	/	+25 bn	+2 bn
Change of own funds	/	+10 bn	+9 bn

- Loss of surplus under scenario 1 affects mainly life and composite insurers.
- Under scenario 2 little differences between types of undertakings.

Conclusions

- At end of 2019 the combined impact of the proposed changes is in line with the balancing objective.
- The impact of the advice, including the interest rate risk recalibration, appears manageable for the insurance industry, in particular if the recalibration is phased in.
- The criteria for long-term equity investments that are subject to lower capital requirements need to be refined in order to enable a wider allocation of equity into that asset class.
- The undertaking-specific recognition of non-proportional reinsurance in the capital requirements needs to be further reviewed.

Complementary information request

- Results based on 278 undertakings from all EEA countries, covering 68% of life technical provisions and 45% of non-life gross written premiums
- Test of combined impact at end of June 2020, after outbreak of Covid-19 pandemic.

	Base case	Scenario 1	Scenario 2
SCR ratio	226%	204%	216%
Change of surplus in excess of SCR	/	-40 bn	-21 bn
Change of SCR	/	+31 bn	+11 bn
Change of own funds	/	-9 bn	-9 bn

- Compared to end-2019, the combined impact of the advice is increased.
- The increased impact stems from the change to the extrapolation of risk-free interest rates, which has a stronger impact when market rates are lower.