

SOLVENCY II DELEGATED REGULATION - DELIVERING THE RIGHT BALANCE

The upcoming changes to the Solvency II Delegated Regulation offer a crucial opportunity to deliver on the Level 1 political agreement - ensuring that Solvency II remains fit for purpose, supports EU growth and investment, and maintains financial stability and policyholder protection - without introducing new, unintended burdens or hidden conservatism.

The comprehensive review brings numerous changes across the full regulation. This includes strengthening cross-border, macroprudential and group supervision, as well as introducing recovery and resolution - reinforcing the prudential framework and high levels of consumer protection.

GROWTH & COMPETITIVENESS

WHAT'S AT STAKE?

European insurers' ability to remain **globally competitive** and continue to **support growth, jobs, and long-term investment**.

WHAT'S NEEDED?

- Full delivery of the Level 1 agreement to remove unnecessary and unjustified capital burdens, including:
 - A comprehensive reform of the **Risk Margin**.
 - A **workable Long-Term Equity (LTE) Framework with a simpler, more pragmatic forced selling test**, and flexibility for different business models.
 - Preservation of the existing treatment of repo and securities lending.

WHAT'S THE RISK IF WE GET IT WRONG?

- Structural capital disadvantage for EU insurers
- Reduced capacity for long-term product offerings and associated investments.
- Missed contribution to the EU's Savings and Investments Union goals.
- Disruption of repo and securities lending markets.

Changes needed in the delegated regulation

Risk margin: Set lambda parameter at 92.5% without a floor.

Long-term equity: Simpler forced selling test, flexible for different business models. And a broader list of eligible assets (including UCITS and AIFs).

Repos and securities lending: Classify as type 1 under Art. 189; recognise off-balance sheet collateral to preserve access to low-risk liquidity tools for standard formula users.

VOLATILITY & CONSUMER PROTECTION

WHAT'S AT STAKE?

The **stability, predictability and counter-cyclicality** of the prudential framework - and with it, the protection of **policyholders and financial stability**.

WHAT'S NEEDED?

- Ensure the "long-term guarantee" (LTG) measures continue to mitigate artificial solvency volatility and enable insurers to act as long-term shock absorbers.
- Avoid unpredictable, unhedgeable changes to the risk-free discounting curves that introduce unnecessary regulatory volatility.
- Calibrate key LTG parameters with fully justified, evidence-based calibrations, based on relevant EU-data.

WHAT'S THE RISK IF WE GET IT WRONG?

- Increased incentives for procyclical behaviours which could force insurers to de-risk during market stress and further exacerbate market turmoil.
- Undermining long-term policyholder protection and reducing valuable long-term product offerings due to excessive capital costs.
- Undermining competitiveness in accessing diversified sources of stable returns.

Changes needed in the delegated regulation

Volatility adjustment

- Set the risk correction parameters as proposed by industry:
 - Corporate: 30/20/10% tranches, 60% cap
 - Government: 20/15/5% tranches, 40% cap
- Implement EIOPA's proposed CSSR approach without untested, unnecessary conservatism for profit-sharing or unit-linked contracts and ensure the correct ratio when comparing 1bps asset spread with the equivalent VA spread change on liabilities per VA methodology.

Extrapolation of risk-free rates

- Set the residual volume criterion at 9% (EUR); convergence at 15% & 70% (SEK).
- Ensure full transparency of data and LTG-methodology used and other SII parameters

GREEN DEAL & CLIMATE CHANGE

WHAT'S AT STAKE?

The insurance sector's ability to contribute effectively to the EU's climate transition and Green Deal objectives.

WHAT'S NEEDED?

- Sensible and proportionate ESG requirements that support insurers to meet climate and ESG commitments without unnecessary bureaucracy or reporting requirements.

WHAT DO INSURERS ALREADY DO?

- Integrate **ESG risks** in underwriting and investment.
- Conduct **climate scenario analysis**.
- Report under **SFDR** and the **EU Taxonomy**.
- Invest **billions in green assets and renewable infrastructure**.

WHAT'S THE RISK IF WE GET IT WRONG?

- Missed private financing for green infrastructure and transition projects.
- Added bureaucratic burdens without any tangible impact on the ESG impacts.

Changes needed in the delegated regulation

Nat cat parameters: Regularly update the nat cat parameters to reflect climate change impacts.

Sustainability risk plans: Remove or minimise requirements duplicative to existing ORSA requirements and focus remaining requirements on climate risk. Furthermore, it should be clarified that plans can be integrated into the ORSA to avoid unnecessarily complex governance processes and improve coherence in risk analysis.

Note: Level 1 already includes sensible and proportionate ESG requirements that build on Solvency II and sound risk management.

REDUCING OPERATIONAL AND REPORTING AND DISCLOSURE BURDENS

WHAT'S AT STAKE?

Ensuring the Solvency II review delivers the **politically promised simplification** and **reduction of unnecessary burdens**.

WHAT'S NEEDED?

- Tangible changes to enable proportionate compliance with Solvency II.
- Significant reduction in reporting and disclosure.

WHAT'S THE RISK IF WE GET IT WRONG?

- Proportionality measures will remain largely **unable for most undertakings**.
- New and **unjustified administrative burdens**, undermining the simplification goal of the review.

Changes needed in the delegated regulation

Proportionality: Reduce and streamline the 18 SNCU criteria to make proportionality practically accessible beyond SNCUs, as intended at Level 1.

Expected profit in future premiums: Remove the new availability testing for EPIFP at group level (Art. 330(1)).

SFCR - reporting and disclosure: Reduce content, especially the section aimed at market professionals.

The Delegated Regulation must **faithfully deliver the Level 1 agreement** - supporting EU growth and competitiveness, green investment, genuine burden reduction, and solvency stability and strong policyholder protection - **without layering on new conservatism or technical obstacles to proportionality and investment**.