

To: Solvency II WG, Economics and Finance Committee, Public Affairs Committee (PAC)
From: Prudential Team
cc:
Date: 15-12-2023
Reference: ECO-SLV-23-261

Subject: Update - Solvency II trilogues outcome

Summary

Members will find hereafter further detail regarding the trilogue agreement of the European Parliament and the Council on the Solvency II review (Level 1 text) reached on 13 December.

In terms of next steps:

- Technical work to continue on 21/22 December to finalise the SII/IRRD texts, but a meeting in January to finalise the recitals is very likely. It should be noted that the agreement was 'tentatively' reached, subject to each party's understanding, therefore, there is a small risk that agreeing on the final text may take longer.
- Provisional agreement is to be announced at Coreper on 20 December
- The SII/IRRD texts set application at 24 months after publication in the Official Journal, implying the application is likely around mid-2026. The process will be as follows:
 - Final text is expected to be ready in January and will be sent to Council, which will respond with a letter to the EP. Subsequently, EP is set to vote in January to approve, in principle, the text.
 - Translation and legal checks to start in January and should allow for a Plenary vote of the final text before the end of the EP mandate. The vote is expected to take place before the EP mandate ends, even if not completely finished.
 - Finally, the text will be published in the OJ, followed by a corrigendum procedure in Q3 to address any outstanding translation/legal issues.

Main elements of SII Agreement

- **LTG**
 - **Risk Margin:** Cost of Capital rate of 4.75%, with a possibility for an EC review after 5 years
 - **Extrapolation:** The convergence parameter will be a minimum of 11% (defined by a 77,5% weight on the UFR after 40 years)
 - **VA:**
 - Quality overshooting adjustment will be capped at 105%
 - Risk correction provision capping the risk correction at an "appropriate level relative to long-term average spreads" in level 2
 - **Symmetric equity adjustment** corridor to 13%, without an exemption for unit-linked assets
 - **LTEI :** agreement to include criteria in L1, broadly in line with with EC wording proposed in the latest building blocks document ([ECO-SLV-23-242](#));
- **Cross border**

- Threshold for significant cross border activity of 15 Mio, which is combined with supervisory discretion.
- EIOPA has the ability to call an onsite inspection, to which home NSA cannot object, when insurer is facing significant issues/deficiencies, and supervisory actions are deemed insufficient.
- **Sustainability**
 - Prudential Transition plans in line with EC wording proposed in the latest building blocks document ([ECO-SLV-23-242](#));
 - Single transition plan at group level possibility, but clearly stating that the risks for the subsidiaries must be fully respected
 - Disclosure of:
 - certain prudential transition plans in SFCR, ie quantitative targets
 - Disclosure of scenario analysis results
 - RTS to be developed to define content of the transition plans
- **Stress test disclosure** at NCA's discretion, ie it does not prevent supervisory authorities to publish individual stress test results.
- **Reporting**
 - It was agreed that a delegated act would be the appropriate legal instrument for the reporting deadline extension under exceptional circumstances.
 - MS specific exemptions, including for Portuguese actuaries in the context of external audit requirements
- **Group supervision**
 - Ficod review includes a reference to a review of SII.
 - Regarding trigger inversion and double counting, it was agreed to make targeted changes to the council proposed approach, in line with Option 2 presented in the French Non-Paper ([ECO-SLV-23-246](#))
- Recital on **securitisation** is included in the final agreement
- **Transposition** deadline of 24 months is included in the final agreement.