Amendments to the Solvency II Directive

2021/0295(COD) - 27/07/2023 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Markus FERBER (EPP, DE) on the proposal for a directive of the European Parliament and of the Council amending Directive 2009/138/EC as regards proportionality, quality of supervision, reporting, long-term guarantee measures, macro-prudential tools, sustainability risks, group and cross-border supervision.

The further integration of the single market for insurance is a key objective of this amending Directive. The integration of the EU single market for insurance increases competition and the availability of insurance products across Member States to the benefit of businesses and consumers. Insurance failures in the single market for insurance since the application of Solvency II emphasise the need for more consistency and convergence of supervision across the Union. The supervision of insurance and reinsurance undertakings operating under the freedom to provide services and the freedom of establishment should be further improved without undermining the objective of further integrating the single market for insurance to ensure consistent consumer protection and safeguarding fair competition across the single market.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

System of governance and risk management

The members of the administrative, management and supervisory bodies of the insurance or reinsurance undertaking should: (i) at all times be of good repute and possess collectively sufficient knowledge, skills and experience to perform their duties; (ii) not have been convicted for offences relating to money laundering or terrorist financing or other offences that would question their good repute.

Member States should require all insurance and reinsurance undertakings to have in place an effective system of governance which provides for sound and prudent management of the business. For environmental, social and governance risks, undertakings should explicitly take into account the short-term, medium-term and long-term horizon when assessing the possible materialisation of those risks.

Supervisory authorities should ensure that undertakings, as part of their risk management, have strategies, policies, processes and systems for the identification, measurement, management and monitoring of environmental, social and governance risks over an appropriate set of time horizons.

Insurance and reinsurance undertakings should develop specific plans, quantifiable targets and processes to monitor and address ESG risks in the short, medium and long term.

Reporting requirements

The amended text stipulated that small and medium-sized undertakings, small and non-complex institutions, captive reinsurance undertakings and low-risk profile undertakings may **limit their sustainability reporting** to the following information:

- a brief description of the undertaking’s business model and strategy;

- a description of the undertaking’s policies in relation to sustainability matters;

- the principal actual or potential adverse impacts of the undertaking on sustainability matters, and any actions taken to identify, monitor, prevent, mitigate or remediate such actual or potential adverse impacts;

- the principal risks to the undertaking related to sustainability matters and how the undertaking manages those risks.

Protection of policy holders

The amended text seeks to improve the protection of insurance policyholders through enhanced cooperation between supervisory authorities, and continues to prevent insurer failure, thus contributing to stability in the financial sector. Cooperation between the supervisory authority of the home Member State that granted authorisation to an insurance or reinsurance undertaking and the supervisory authorities of the Member States where that undertaking pursues activities by establishing branches or by providing services, should be strengthened in order to better prevent potential problems affecting consumer rights and to enhance the protection of policyholders across the Union. This cooperation should increase transparency and the regular exchange of information between concerned supervisory authorities and include more information coming from the supervisory authority of the home Member State, in particular regarding the outcome of the supervisory review process related to the **cross-border activity**, the financial condition of the undertaking, and market conditions which might impact the provision of services.

Role of the European Insurance and Occupational Pensions Authority

As regards the role of the European Insurance and Occupational Pensions Authority (EIOPA), new tasks should be assigned to EIOPA:

- preparing a report on the **assessment of risks** related to **biodiversity loss** by insurers, along with natural disasters and climate related risks, consistently with the European Green Deal;

- defining consistent guidelines for national rules followed by insurers when assessing their **macroprudential risks**, i.e. risks impacting an entire sector or the economy as a whole.

Moreover, EIOPA should set up and coordinate a collaboration platform to strengthen the exchange of information and to enhance collaboration between the relevant supervisory authorities of the home Member State and the host Member States where an insurance or reinsurance undertaking carries out, or intends to carry out, significant cross-border activities.