Procedure file

Basic information

COD - Ordinary legislative procedure (ex-codecision procedure) Directive 2021/0295(COD)	Preparatory phase in Parliament
Solvency II: proportionality, quality of supervision, reporting, long-term guarantee measures, macro-prudential tools, sustainability risks, group and cross-border supervision Amending Directive 2009/138 2007/0143(COD) Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 2.50.05 Insurance, pension funds 2.50.10 Financial supervision	

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		
	Committee for opinion	Rapporteur for opinion	Appointed
	ENVI Environment, Public Health and Food Safety		
	JURI Legal Affairs	The committee decided not to give an opinion.	
Council of the European Union			
European Commission	Commission DG	Commissioner	
	Financial Stability, Financial Services and Capital Markets Union	MCGUINNESS Mairead	
European Economic and Social Committee			

Technical information

Procedure reference	2021/0295(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Directive
	Amending Directive 2009/138 2007/0143(COD)
Legal basis	Treaty on the Functioning of the EU TFEU 114; Treaty on the Functioning of the EU TFEU 053-p1; Treaty on the Functioning of the EU TFEU 062
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Preparatory phase in Parliament

Documentation gateway

Document attached to the procedure		SEC(2021)0620	23/09/2021	EC	
Document attached to the procedure		SWD(2021)0260	23/09/2021	EC	
Document attached to the procedure		SWD(2021)0261	23/09/2021	EC	

Legislative proposal		COM(2021)0581	23/09/2021	EC	Summary

Solvency II: proportionality, quality of supervision, reporting, long-term guarantee measures, macro-prudential tools, sustainability risks, group and cross-border supervision

PURPOSE: to amend the existing EU insurance rules (Solvency II Directive) to make them more resilient following the global COVID-19 pandemic.

PROPOSED ACT: Directive of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: Directive 2009/138/EC (Solvency II) sets out prudential rules for the insurance sector and aims to enable a single market for insurance services, while also protecting policyholders. The European Commission has a legal mandate to conduct a comprehensive review of pivotal components of the Solvency II Directive, in particular its risk-based capital requirements and rules on valuation of long-term liabilities, and to draw conclusions from the first five years of experience with the framework. This experience has also shown that the proportionality of Solvency II could be improved and has underlined the absence of specific EU-level provisions to address the build-up of systemic risks, to ensure preparedness for crises or to resolve insurers, where necessary.

Moreover, the framework needs to be consistent with the EUs political priorities. In particular, the insurance sector should play a role in financing the post COVID-19 economic recovery, in completing the Capital Markets Union (CMU) and in achieving the targets of the European Green Deal.

CONTENT: the proposal aims to amend certain provisions of the Solvency II Directive, in particular those on capital requirements and on valuation of insurance liabilities towards policyholders and on cross-border supervision. It also introduces necessary clarifications and changes to provisions implementing the principle of proportionality. These changes are necessary and proportionate to improve the functioning of the regulatory framework for insurers and to attain the objectives of Solvency II.

More specifically, the proposed comprehensive review of Solvency II seeks to improve regulatory fitness and simplifies the framework as follows:

- excluding more small firms from Solvency II by increasing the size thresholds for the exclusions from the scope of Directive 2009/138/EC;

- making more proportionate rules available automatically to low-risk profile undertakings and, after supervisory approval, to other insurers.

Strengthening the contribution of European insurers to help financing recovery

The planned changes aim to encourage insurers to make more long-term capital investments for the benefit of the economy. The Commission proposes releasing up to EUR 90 billion in the short term to help insurers increase their contribution as private investors to Europe's recovery from the crisis.

Climate and environmental risks

It is proposed that insurers should identify any material exposure to climate change risks and, where relevant, to assess the impact of long-term climate change scenarios on their business. Insurers classified as low-risk profile undertakings are exempted from scenario analyses.

Preserving policyholder protection

Consumers (policyholders) should be better protected when buying insurance products in other Member States. Moreover, consumers should be better informed about the financial situation of their insurer. Therefore, 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 and to enhance the protection of policyholders across the EU.

This cooperation should 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.

Supervision and financial stability

It is important that insurance and reinsurance undertakings maintain a healthy financial position, therefore the whole sector should be better scrutinised to avoid that its stability is put at risk.

Supervisory authorities should have the necessary powers to preserve the solvency position of specific insurance or reinsurance undertakings during exceptional situations such as adverse economic or market events affecting a large part or the totality of the insurance and reinsurance market, in order to protect policyholders and preserve financial stability. Those powers should include the possibility to restrict or suspend distributions to shareholders and other subordinated lenders of a given insurance or reinsurance undertaking before an actual breach of the Solvency Capital Requirement occurs.