Amendments to the Solvency II Directive

2021/0295(COD) - 08/01/2025 - Final act

PURPOSE: to provide incentives for insurers to contribute to the long-term sustainable financing of the economy, to improve risk-sensitivity, to mitigate excessive short-term volatility in insurers' solvency positions, to enhance the quality, consistency and coordination of insurance supervision across the Union and improve protection of policy holders and beneficiaries.

LEGISLATIVE ACT: Directive (EU) 2025/2 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 and group and cross-border supervision, and amending Directives 2002/87/EC and 2013/34/EU.

CONTENT: this Directive amending the Solvency II Directive (the main EU legislation in the field of insurance) aims to **strengthen the role of the insurance and reinsurance sector** in providing private sources of long-term investment to European companies. At the same time, it will make the sector more resilient and better prepared for future challenges in order to better protect policyholders. The insurance sector will thus contribute to deepening the Capital Markets Union, financing the green and digital transitions and boosting Europe's economic growth.

The main amendments to the Solvency II Directive concern the following points:

Scope of application

The Directive as revised will not apply to an insurance undertaking that meets the following conditions:

- the undertaking's annual gross written premium income does not exceed EUR 15 million;

- the total of the undertaking's technical provisions, gross of the amounts recoverable from reinsurance contracts and special purpose vehicles, does not exceed EUR 50 million;

- where the undertaking belongs to a group, the total of the technical provisions of the group defined as gross of the amounts recoverable from reinsurance contracts and special purpose vehicles does not exceed EUR 50 million.

Smaller and less complex undertakings

Member States will ensure that the requirements set out in the Directive are applied in a manner proportionate to the nature, scale and complexity of the risks inherent in the activity of an insurance or reinsurance undertaking.

To facilitate the proportionate application of the Directive to undertakings which are smaller and less complex than the average undertaking, and to ensure that they are not subject to disproportionately burdensome requirements, it is necessary to provide risk-based criteria that allow for their identification. It will be possible for undertakings complying with the risk-based criteria to be classified as small and non-complex undertakings in accordance with a simple notification process. It is appropriate that proportionality measures are available also to undertakings that are not classified as small and non-complex undertakings.

Governance system and risk management

The members of the administrative, management and supervisory bodies of the insurance or reinsurance undertaking will at all times be of **good repute** and possess collectively sufficient **knowledge, skills and experience** to perform their duties. Members of the administrative, management and supervisory bodies will not have been convicted of any serious or repeated offences relating to money laundering or terrorist financing or other offences that would bring into question their good repute, in, at least, the **ten years** preceding the year in which they are or would be performing their duties in the undertaking.

In addition, insurance and reinsurance undertakings will:

- implement **policies that promote diversity** within the administrative, management or control body, including by setting individual quantitative targets related to gender balance;

- have **written policies** concerning at least their risk management, internal control, internal audit, remuneration and, where applicable, subcontracting. These written policies will be reviewed at least once a year (at least every five years for small companies);

- develop and monitor the implementation of **specific plans** that include quantifiable targets and processes to monitor and address the financial risks arising in the short, medium, and long term from sustainability factors.

Supervisory authorities will be entitled to receive from each supervised insurance and reinsurance undertaking and their groups, at least every three years, a regular **narrative report** with information on the business and performance, system of governance, risk profile, capital management and other relevant information for solvency purposes.

Where the supervisory authority of a host Member State has serious concerns regarding the solvency position of an insurance or reinsurance undertaking which carries out significant cross-border activities in its territory, it will be empowered to request the carrying out of a **joint on-site inspection** together with the supervisory authority of the home Member State, where there is a non-compliance with the Solvency Capital Requirement or the Minimum Capital Requirement.

Policy holder protection

The amended Directive strengthens **cooperation and information sharing** between the supervisory authority of the home Member State that has granted authorisation to an insurance or reinsurance undertaking and the supervisory authorities of the Member States in which that undertaking carries out activities by establishing branches or providing services, in order to better prevent potential problems that impact consumer rights and improve policyholder protection across the Union.

European Insurance and Occupational Pensions Authority (EIOPA)

The Directive entrusts EIOPA with a number of new tasks, in particular as regards the development of various aspects of technical standards, i.e. the secondary legislation that will provide a framework for more precise and harmonised implementation of the Directive in the Member States.

ENTRY INTO FORCE: 28.1.2025.

TRANSPOSITION: no later than 29.1.2027.