Basic information

2021/0295(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Directive	Procedure completed
Amendments to the Solvency II Directive 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 **Legislative priorities** Joint Declaration 2021 Joint Declaration 2022 Joint Declaration 2023-24	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	FERBER Markus (EPP)	25/10/2021
	Shadow rapporteur HEINÄLUOMA Eero (S&D) YON-COURTIN Stéphanie (Renew) HAHN Henrike (Greens/EFA) VAN OVERTVELDT Johan (ECR) ZANNI Marco (ID) MACMANUS Chris (The Left)	

Committee for opinion	Rapporteur for opinion	Appointed
ENVI Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
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

Key events

Date	Event	Reference	Summary
23/09/2021	Legislative proposal published	COM(2021)0581	Summary
22/11/2021	Committee referral announced in Parliament, 1st reading		
18/07/2023	Vote in committee, 1st reading		
18/07/2023	Committee decision to open interinstitutional negotiations with report adopted in committee		
27/07/2023	Committee report tabled for plenary, 1st reading	A9-0256/2023	Summary
11/09/2023	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 72)		
13/09/2023	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 72)		
29/01/2024	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE758.180 GEDA/A/(2024)000532	
23/04/2024	Decision by Parliament, 1st reading	T9-0295/2024	Summary
23/04/2024	Results of vote in Parliament		
05/11/2024	Act adopted by Council after Parliament's 1st reading		
27/11/2024	Final act signed		
08/01/2025	Final act published in Official Journal		

Technical information

Procedure reference	2021/0295(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Directive
Amendments and repeals	Amending Directive 2009/138 2007/0143(COD)
Legal basis	Treaty on the Functioning of the European Union TFEU 114 Treaty on the Functioning of the European Union TFEU 053-p1 Treaty on the Functioning of the European Union TFEU 062
Other legal basis	Rules of Procedure EP 165
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Procedure completed
Committee dossier	ECON/9/07226

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE732.668	06/06/2022	
Amendments tabled in committee		PE732.669	01/08/2022	
Amendments tabled in committee		PE735.620	01/08/2022	
Amendments tabled in committee		PE735.621	01/08/2022	
Amendments tabled in committee		PE736.375	07/09/2022	
Committee report tabled for plenary, 1st reading/single reading		A9-0256/2023	27/07/2023	Summary
Text agreed during interinstitutional negotiations		PE758.180	24/01/2024	
Text adopted by Parliament, 1st reading/single reading		T9-0295/2024	23/04/2024	Summary

Council of the EU

Document type	Reference	Date	Summary
Coreper letter confirming interinstitutional agreement	GEDA/A/(2024)000532	24/01/2024	
Draft final act	00005/2024/LEX	27/11/2024	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2021)0581	23/09/2021	Summary
Document attached to the procedure	SEC(2021)0620	23/09/2021	
Document attached to the procedure	SWD(2021)0260	23/09/2021	
Document attached to the procedure	SWD(2021)0261	23/09/2021	
Commission response to text adopted in plenary	SP(2024)394	08/08/2024	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	ES_PARLIAMENT	COM(2021)0581	04/01/2022	
Contribution	CY_PARLIAMENT	SWD(2021)0260	04/01/2022	
Contribution	ES_PARLIAMENT	SWD(2021)0261	04/01/2022	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES5378/2021	23/02/2022	

Additional information		
Source	**Document**	**Date**
European Parliament	Briefing	10/04/2024
European Commission	EUR-Lex	

Meetings with interest representatives published in line with the Rules of Procedure

Rapporteurs, Shadow Rapporteurs and Committee Chairs

Transparency

Name	Role	Committee	Date	Interest representatives
FERBER Markus	Rapporteur	ECON	28/01/2025	Gesamtverband der Versicherer
FERBER Markus	Rapporteur	ECON	27/01/2025	Aéma Groupe
FERBER Markus	Rapporteur	ECON	15/10/2024	Allianz SE
ZANNI Marco	Shadow rapporteur	ECON	04/03/2024	Unipol Assicurazioni S.p.A.
ZANNI Marco	Shadow rapporteur	ECON	19/02/2024	Associazione Nazionale fra le Imprese Assicuratrici
YON-COURTIN Stéphanie	Shadow rapporteur	ECON	16/11/2023	Finance Watch
ZANNI Marco	Shadow rapporteur	ECON	13/11/2023	Assicurazioni Generali S.p.A
MACMANUS Chris	Shadow rapporteur	ECON	21/09/2023	Fairshare Educational Foundation (ShareAction)
ZANNI Marco	Shadow rapporteur	ECON	06/09/2023	Assicurazioni Generali S.p.A
ZANNI Marco	Shadow rapporteur	ECON	11/07/2023	Unipol Assicurazioni S.p.A.
FERBER Markus	Rapporteur	ECON	10/07/2023	Muenchener Rueckversicherungs-Gesellschaft Aktiengesellschaft in Muenchen
FERBER Markus	Rapporteur	ECON	05/07/2023	Verband Öffentlicher Versicherer
FERBER Markus	Rapporteur	ECON	04/07/2023	EIOPA
FERBER Markus	Rapporteur	ECON	04/07/2023	Insure our Future
FERBER Markus	Rapporteur	ECON	12/06/2023	Deutsche Aktuarvereinigung e.V.
FERBER Markus	Rapporteur	ECON	09/06/2023	Ekō
	Shadow			

MACMANUS Chris	rapporteur	ECON	09/06/2023	Eko - Sum of Us
YON-COURTIN Stéphanie	Shadow rapporteur	ECON	24/05/2023	association des fonds luxembourgeois
MACMANUS Chris	Shadow rapporteur	ECON	05/05/2023	Fairshare Educational Foundation (ShareAction)
YON-COURTIN Stéphanie	Shadow rapporteur	ECON	27/04/2023	Fédération bancaire française Association of German Banks
YON-COURTIN Stéphanie	Shadow rapporteur	ECON	29/03/2023	Insurance Europe
YON-COURTIN Stéphanie	Shadow rapporteur	ECON	29/03/2023	COMPAGNIE NATIONALE DES COMMISSAIRES AUX COMPTES
ZANNI Marco	Shadow rapporteur	ECON	27/03/2023	Unipol Assicurazioni S.p.A.
YON-COURTIN Stéphanie	Shadow rapporteur	ECON	21/03/2023	France Assureurs
FERBER Markus	Rapporteur	ECON	09/03/2023	Pan-European Insurance Forum
MACMANUS Chris	Shadow rapporteur	ECON	02/03/2023	Fairshare Educational Foundation (ShareAction)
MACMANUS Chris	Shadow rapporteur	ECON	01/03/2023	Insurance Ireland
YON-COURTIN Stéphanie	Shadow rapporteur	ECON	28/02/2023	Generali
FERBER Markus	Rapporteur	ECON	28/02/2023	Insurance Ireland
MACMANUS Chris	Shadow rapporteur	ECON	16/02/2023	Fridays for Future
MACMANUS Chris	Shadow rapporteur	ECON	31/01/2023	German Permanent Representation to the EU
ZANNI Marco	Shadow rapporteur	ECON	18/01/2023	Assicurazioni Generali S.p.A
FERBER Markus	Rapporteur	ECON	12/01/2023	Insurance Europe
FERBER Markus	Rapporteur	ECON	11/01/2023	European Commission
FERBER Markus	Rapporteur	ECON	14/12/2022	Assicurazioni Generali S.p.A
YON-COURTIN Stéphanie	Shadow rapporteur	ECON	01/12/2022	Finance Watch
YON-COURTIN Stéphanie	Shadow rapporteur	ECON	22/11/2022	France Assureurs
FERBER Markus	Rapporteur	ECON	08/11/2022	Verband Öffentlicher Versicherer
FERBER Markus	Rapporteur	ECON	26/10/2022	Insurance Europe
HAHN Henrike	Shadow rapporteur	ECON	25/10/2022	Ministère de l'Économie, des Finances et de la Souveraineté industrielle et numérique
FERBER Markus	Rapporteur	ECON	24/10/2022	Deutsche Aktuarvereinigung e.V.
FERBER Markus	Rapporteur	ECON	30/09/2022	Gesamtverband der Deutschen Versicherungswirtschaft e.V.
MACMANUS Chris	Shadow rapporteur	ECON	27/09/2022	Insurance Ireland

ZANNI Marco	Shadow rapporteur	ECON	07/09/2022	Unipol Assicurazioni S.p.A.
FERBER Markus	Rapporteur	ECON	06/09/2022	Unipol Assicurazioni S.p.A.
FERBER Markus	Rapporteur	ECON	14/07/2022	Allianz SE
ZANNI Marco	Shadow rapporteur	ECON	13/07/2022	Unipol Assicurazioni S.p.A.
HAHN Henrike	Shadow rapporteur	ECON	11/07/2022	Gesamtverband der Deutschen Versicherungswirtschaft e.V.
FERBER Markus	Rapporteur	ECON	11/07/2022	GDV & France Assureuers
ZANNI Marco	Shadow rapporteur	ECON	06/07/2022	Unipol Assicurazioni S.p.A.
HAHN Henrike	Shadow rapporteur	ECON	05/07/2022	Fairshare Educational Foundation (ShareAction)
HAHN Henrike	Shadow rapporteur	ECON	28/06/2022	Debeka Allgemeine Versicherung
YON-COURTIN Stéphanie	Shadow rapporteur	ECON	28/06/2022	France Assureurs - German Insurance Association (Gesamtverband der Versicherungswirtschaft)
HAHN Henrike	Shadow rapporteur	ECON	23/06/2022	EIOPA
HAHN Henrike	Shadow rapporteur	ECON	15/06/2022	Finance Watch
VAN OVERTVELDT Johan	Shadow rapporteur	ECON	18/05/2022	Schuman European Affairs
ZANNI Marco	Shadow rapporteur	ECON	17/05/2022	Assicurazioni Generali S.p.A Associazione Nazionale fra le Imprese Assicuratrici Unipol Assicurazioni S.p.A. Permanent Representation of Italy IVASS
FERBER Markus	Rapporteur	ECON	10/05/2022	Zurich Insurance Company Ltd
MACMANUS Chris	Shadow rapporteur	ECON	28/04/2022	Insurance Ireland
YON-COURTIN Stéphanie	Shadow rapporteur	ECON	27/04/2022	Insurance Europe
FERBER Markus	Rapporteur	ECON	27/04/2022	Insurance Ireland
FERBER Markus	Rapporteur	ECON	13/04/2022	European Commission
FERBER Markus	Rapporteur	ECON	22/03/2022	NN Group N.V.
FERBER Markus	Rapporteur	ECON	18/03/2022	Assicurazioni Generali S.p.A
FERBER Markus	Rapporteur	ECON	03/03/2022	Deutsche Aktuarvereinigung e.V. Muenchener Rueckversicherungs-Gesellschaft Aktiengesellschaft in Muenchen
FERBER Markus	Rapporteur	ECON	09/02/2022	Allianz SE
FERBER Markus	Rapporteur	ECON	09/02/2022	Gesamtverband der Deutschen Versicherungswirtschaft e.V.
FERBER Markus	Rapporteur	ECON	25/01/2022	International Credit Insurance & Surety Association
VAN OVERTVELDT Johan	Shadow rapporteur	ECON	24/01/2022	Assuralia

FERBER Markus	Rapporteur	ECON	24/01/2022	EIOPA
FERBER Markus	Rapporteur	ECON	20/12/2021	Deutsche Aktuarvereinigung e.V.
FERBER Markus	Rapporteur	ECON	09/12/2021	Debeka

Other Members

Transparency		
Name	**Date**	**Interest representatives**
BOYER Gilles	13/04/2023	France Assureurs
GUALMINI Elisabetta	28/03/2023	Unipol Assicurazioni S.p.A.
LALUCQ Aurore	29/11/2022	ROAM
LALUCQ Aurore	17/11/2022	France Assureurs
YON-COURTIN Stéphanie	07/09/2022	Allianz SE Generali
YON-COURTIN Stéphanie	07/09/2022	International Association of Insurance Supervisors

Final act	
Directive 2025/0002 OJ OJ L 08.01.2025	Summary

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.

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.

Amendments to the Solvency II Directive

2021/0295(COD) - 23/09/2021 - Legislative proposal

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 EU's 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.

Amendments to the Solvency II Directive

2021/0295(COD) - 23/04/2024 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 549 votes to 56, with 9 abstentions, a legislative resolution 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 European Parliament's position adopted at first reading under the ordinary legislative procedure amends the proposal as follows:

Objectives

The amended text clarified the main objectives of the Directive which are 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 policyholders and beneficiaries, and to better address the potential build-up of systemic risk in the insurance sector.

Granting of authorisations

Prior to the granting of authorisation to an insurance or reinsurance undertaking that is a subsidiary undertaking of an undertaking located in another Member State, or that will be under the control of the same legal or physical person as another insurance or reinsurance undertaking located in another Member State, the supervisory authority of the Member State which grants the authorisation should consult the supervisory authorities of any Member States concerned. The decision to grant the authorisation remains the competence of the supervisory authority of the home Member State in which the undertaking concerned seeks authorisation. However, the results of the joint assessment should be taken into consideration when making that decision.

Smaller and less complex undertakings

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 should 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. Where, within a period of time not exceeding two months after such notification, the supervisory authority does not oppose the classification for duly justified reasons linked to the assessment of the relevant criteria, that undertaking should be deemed a small and non-complex undertaking.

Once classified as a small and non-complex undertaking, in principle, it should automatically benefit from identified proportionality measures on reporting, disclosure, governance, revision of written policies, calculation of technical provisions, own-risk and solvency assessment, and liquidity risk management plans.

Governance system

Members of the administrative, management and supervisory bodies of the insurance or reinsurance undertaking should at all times be of **good repute** and possess collectively sufficient knowledge, skills and experience to perform their duties. They should have been convicted of any serious offence 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.

Insurance and reinsurance undertakings should put in place a policy promoting diversity in the administrative, management or supervisory body, including setting individual quantitative objectives related to gender-balance.

Risk management

Insurance and reinsurance undertakings should explicitly take into account the **short-, medium- and long-term horizon** when assessing sustainability risks. The 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 sustainability risks over the short, medium and long term.

Member States should ensure that insurance and reinsurance undertakings develop and monitor the implementation of **specific plans, quantifiable targets, and processes** to monitor and address the financial risks arising in the short, medium, and long term from sustainability factors, including those arising from the process of adjustment and transition trends towards the relevant Member States and Union regulatory objectives and legal acts in relation to sustainability factors.

The targets, processes and actions to address the sustainability risks included in the plans, should be proportionate to the nature, scale, and complexity of the sustainability risks of the business model of the insurance and reinsurance activities.

Policy holder protection

The amended text aims to improve policyholder protection through **enhanced cooperation** between supervisory authorities, and to continue to prevent insurers from failing, thereby contributing to the stability of the financial sector.

Cooperation and information-sharing 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. That enhanced cooperation is particularly important where there are significant cross-border activities, and should increase transparency and the regular mandatory exchange of information between supervisory authorities concerned.

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 should have the power 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.

The European Insurance and Occupational Pensions Authority (EIOPA)

The amended text 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.