Press release

Dutch and Irish insurance associations call for a proportionality toolbox for Solvency II

- **The same regulatory standards and oversight would apply upholding consumer protections**
- **The simplified requirements would reflect the nature, scale and complexity of risks insurers and the markets they serve**
- **Proportionality is an accepted regulatory principle but remains a concept. In practice it is not working as intended and is interpreted in different ways across the EU single market – consistent application is vitally important**

The minimum threshold for Solvency II application needs to be increased from €5 to 10 million. For small and medium-sized insurers with premium incomes between €10 and 50 million a set of measures applying Solvency II in a proportionate matter should be introduced in the European Solvency II supervisory framework.

The Dutch and Irish insurance associations believe the 2020 Solvency II review is an opportunity to achieve this in the interests of the markets these insurers serve.

Proportionality is a guiding principle in insurance regulation to ensure insurers, especially smaller firms, do not face requirements that are disproportionate to their nature, scale and complexity of the risks they manage or the materiality of their business lines. It can ensure that Solvency II is not unnecessarily burdensome. Both insurance representative associations believe these proposals would help ensure proportionality works in practice, particularly for small and medium sized insurers.

Same rules & oversight but with less administration

The general director of the Dutch association, Richard Weurding, emphasises: “The capital requirements of the Solvency II directive do not change with this proposal. The supervisory framework remains the same, however the reporting requirements and administrative requirements would be more proportionate. This means for instance, that it will no longer be obligatory under certain circumstances to have an actuary employed and the requirements for the annual ‘Solvency and Financial Condition Report’ will be reduced to reflect the company’s characteristics.”

Insurance Ireland’s CEO, Kevin Thompson, added: “This proposal recognises the need for appropriate supervision of insurers with different risk profiles while providing strong protections to policyholders. The Solvency II review is an opportunity to ensure the principle of proportionality works in practice and is consistently applied across Solvency II and across EU Member States. In particular, small and medium-sized entities will benefit from a European-wide and consistent application. Applying Solvency II proportionately is in the interests of consumers as well as the EU single market for insurance.”

The nature of regulation

The proposed proportionality toolbox for Solvency II , for example ensures that the reporting requirements fit better with the nature, scale and complexity of the individual insurer, the Dutch and Irish associations say. It also makes sure that InsurTech start-ups with innovative business models are better able to enter the European insurance market. By including the proportionality toolbox in the Solvency II directive, the more proportionate reporting regime would apply to all small and medium-sized European insurers. The application of the toolbox does not only depend on the size of an insurer but also on its risk exposure. This is important to ensure consistent consumer protection.

The Dutch and Irish associations have put this idea before the European Commission and the European Insurance and Occupational Pensions Authority (EIOPA). The EC has expressly asked EIOPA to pay attention in its advice to the theme of proportionality.