IN BRIEF

2020 REVIEW OF SOLVENCY II

The introduction of Solvency II in January 2016 was a milestone. The Directive signalled a shift to a more risk-based approach to insurance supervision. Since its implementation, the insurance industry has better aligned its capital to the risks it runs. Insurers use a risk-based approach to assess and mitigate risks, so they can better price risk. Insurers have also significantly strengthened their governance models and their risk management capacity putting a number of key functions in place and ensuring that boards consider risk and capital factors in strategic decision-making.

Furthermore, Solvency II increases significantly the information provided by the insurance sector both to supervisors and the market.

THE REVIEW

The European Commission requested a broad-based review across 19 different areas.

These areas can be broadly divided into three parts:

1. Long-term guarantee measures and measures on equity risk
2. The introduction of new regulatory tools to Solvency II on macroprudential issues, recovery and resolution, and insurance guarantee schemes
3. Revisions to the existing Solvency II framework based on the supervisory experience during the first years of its application, in particular to improve on the proportionate and consistent application of its requirements.

EIOPA'S APPROACH

The proposed approach is that of evolution rather than revolution. The fundamentals of Solvency II are not in question. Instead, EIOPA's approach will be both evidence-based and consultative, taking into consideration the financial and economic environment and the insurance market landscape.

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TIMELINE

2019

FEB. 2019
EIOPA receives Call for Advice on the 2020 review from the European Commission

MID-JUL. to MID-OCT. 2019
Public consultation on draft advice on reporting and disclosure and on insurance guarantee schemes

MID-OCT. 2019 to JAN. 2020
Public consultation on technical advice (covering all advice other than on reporting, disclosure and insurance guarantee schemes)

2020

MAR. 2020
Information request to undertakings for holistic impact assessment

JUN. 2020
Publication of Opinion on 2020 review

2021

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