Solvency II

What is Solvency II?

Solvency II is the prudential regime for insurance and reinsurance undertakings in the EU.

It has entered into force in January 2016.

Solvency II sets out requirements applicable to insurance and reinsurance companies in the EU with the aim to ensure the adequate protection of policyholders and beneficiaries.

Solvency II has a risk-based approach that enables to assess the “overall solvency” of insurance and reinsurance undertakings through quantitative and qualitative measures.

How is the Solvency II regulatory framework structured?

The Solvency II regulatory framework is built on a three-pillar structure:

- **Pillar I** sets the quantitative requirements i.e. the assets and liabilities valuation and capital requirements.
- **Pillar II** sets the qualitative requirements, including governance and risk management of the undertakings and the Own Risk and solvency Assessment (ORSA).
- **Pillar III** sets the supervisory reporting and public disclosure.

The three pillars form a coherent approach that allow to understand and to manage risks across the sector.

What are its main features?

The key features of the Solvency II regulatory framework are:

- **Market consistent**: assets and liabilities shall be valued at the amount for which they can be exchanged, transferred or settled in the market
- **Risk-based**: Higher risks will lead to a higher capital requirement to cover for unexpected losses
- **Proportionate**: regulatory requirements shall be applied in a manner that is proportionate to the nature, scale and complexity of the risks inherent to the business of the insurance and reinsurance undertakings.
- **Group supervision**: supervisors shall increase coordination and exchange of information in colleges of supervisors to improve cross-border supervision of insurance and reinsurance
Solvency II legal provisions

The Solvency II legislation is implemented on three levels.

To get a full view on the legal provisions, visit the Solvency II Single Rulebook, which provides a direct access to key regulatory and supervisory texts within the scope of EIOPA’s activity.

Level 1: Solvency II Directive


Level 2: the Delegated Regulation and Implementing technical standards


Implementing technical standards are legislative provisions made by the European Commission on the basis of advice received from EIOPA. The implementing technical standards are accessible via the rulebook.

Level 3: Guidelines

EIOPA issues guidelines and recommendations to establish consistent, efficient and effective supervisory practices and to ensure common and consistent application of Union law. National supervisory authorities are required to incorporate them following a “comply or explain” process.

See the guidelines
Other documents
Questions and Answers

Any natural or legal person, including financial institutions, competent authorities and Union institutions and bodies can submit questions relating to the practical application or implementation of the provisions of legislative acts, associated delegated and implementing acts and EIOPA’s guidelines and recommendations in the field of insurance and pensions within EIOPA’s competence. Q&A aim at ensure consistent application of European regulation in all member states as well.

Find out more about QAs

Opinions, decisions and protocols

EIOPA issues opinions, decisions and protocols to increase the convergence of supervisory practices.

See the protocols, decisions and memoranda

See the opinions

2020 Solvency II review

EIOPA provided its technical advice to the European Commission on 17 December 2020.

Learn more about the 2020 review

Background: how and why Solvency II came to life?

Three generations of EU Directives applicable since the 1970s paved the way for an insurance market to operate on the basis of freedom of establishment and freedom to provide services within the European Union. Over time, the regulatory framework seemed increasingly ill-suited to supervise the industry.

Due to its simplicity, lack of an economic risk-based approach and differences in implementation across the European Union, the existing regulation needed revision.

In 1999, the European Commission presented its paper on "The Review of the Overall Financial Position of an Insurance Undertaking". This initiated the
discussion among the European institutions, regulators and supervisors on the modernisation of the prudential framework for the supervision of insurance and reinsurance undertakings.

The discussions took particular importance in the wake of the 2008 financial crisis. Although the majority of troubled institutions were banks, several insurers were also affected by the crisis, attributable to inappropriate investment decisions by insurers which led to significant losses, the interconnectedness with banks or, in general, evidence of poor governance, a report issued by EIOPA in July 2018 stated. The crisis showed the importance of a harmonised understanding of the risks by all involved actors, and the need for considering wider implications for financial stability.

It crystallised the need for bringing the regulatory framework at the forefront of modern risk management, reflecting the reality of large groups operating on a cross-border basis. The crisis also showed that the EU was not sufficiently equipped to ensure effective cooperation and coordination between national financial supervisory bodies as well as a consistent application of the legal framework across all Member States.

In 2009, a report was issued by the High-Level Group on Financial Supervision in the EU, chaired by Jacques de Larosière, echoing the weaknesses in the supervisory and regulatory regime that contributed to the financial crisis.


On 20 September 2015, the EC adopted the Delegated Regulation 2016/467 amending Commission Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets
held by insurance and reinsurance undertakings.

The first set of Solvency II Implementing Regulations laying down implementing technical standards with regard to the supervisory approval procedures for undertaking-specific parameters, ancillary own funds, matching adjustment, special purpose vehicles, internal models, and joint decision on group internal models was adopted in March 2015. The second set of Implementing Regulations was adopted later in 2015.