

## Press Release

Brussels, 15 January 2020

# AMICE response to Solvency II 2020 Review Consultation

## Evolution of Europe's insurance regulatory environment to benefit policyholders

The Association of Mutual Insurers and Insurance Cooperatives in Europe ([AMICE](#)), the voice of the mutual and cooperative insurance sector in Europe, has today responded to the European Insurance and Occupational Pensions Authority's (EIOPA) call for advice for the 2020 Review of Solvency II. In its response, AMICE welcomed the overall success of Solvency II as a regulatory framework, and agrees with EIOPA that this review should not result in a revolution, but in the adjustment of certain elements. It is important that this is not used as an opportunity to increase the regulatory burden; it is an opportunity to improve the current system in the light of four years' experience since its implementation in 2016.

Following a request by the European Commission, EIOPA in October 2019 published an 878-page [consultation paper](#) which includes suggestions to update almost all aspects of Solvency II.

The consultation comprises 19 separate topics, which can be divided broadly into three parts:

- the review of the long-term guarantee measures;
- the potential introduction of new regulatory tools in the Solvency II Directive;
- revisions to the existing Solvency II framework.

AMICE has highlighted three key areas in its response to EIOPA:

### 1) Long-term measures and equity risk

This review is an opportunity to reduce procyclicality and rebalance capital requirements for certain investment classes, ensuring that our members can continue to play their vital long-term role in the European economy and that capital can be accessed in line with CMU objectives. AMICE has made several proposals to assist in achieving a proper reflection of the net risk profile of the long-term business model, and issued two position notes with concrete proposals for easy-to-apply fixes for the volatility adjustment (VA) and long-term equity. We are particularly concerned that the VA and extrapolation proposals need to be tackled in line with stakeholders' interests, as we have detailed in our response.

### 2) Macroprudential policies

The insurance sector has proven to be resilient in the face of economic challenges. There is little evidence that it contributes to systemic risk, particularly within the mutual sector. With these points in mind, AMICE believes that the regulatory tools within the Solvency II system are ensuring a robust insurance sector and providing appropriate protection for policyholders. In

particular, the powerful governance tools, including the ORSA, in Pillar 2 of Solvency II are robust safeguards.

### 3) Proportionality

Proportionality is embedded in the Solvency II Directive and the Delegated Regulation, but its application has been limited. This has resulted in a disproportionate regulatory burden, particularly for small and medium-sized insurers (many of which are mutuals), which does not properly reflect their risk profile or provide commensurate policyholder protection. AMICE supports proposals to increase the thresholds at which Solvency II applies to small insurers, to apply an appropriately calibrated regime for medium-sized insurers, and to ensure that the principle of proportionality works consistently in practice. AMICE has focused on proportionality within Solvency II for many years, and recently has made detailed submissions for practical solutions such as a regulatory “toolbox”.

The highly technical topics presented in the EOIPA consultation have been discussed intensely by AMICE and its members prior to its collective response, which was submitted earlier today.

The AMICE membership notes that while it supports the overarching principles of Solvency II - to ensure that EU policyholders enjoy the same level of protection regardless of where they buy insurance - the current regulation presents some shortcomings for the mutual and co-operative insurance sector. Since the introduction of Solvency II, mutual and co-operative insurers have called for a considered and proportional approach to its evolution.

In its response to the call for advice for the 2020 review of Solvency II, AMICE recognises that some technical corrections are necessary, but also highlights that:

- progress should follow a principle-based regime: supervisory convergence should not lead to more legislation, and should deliver simplification of existing rules wherever possible, not result in unnecessary and overly burdensome complication. A measured approach to the introduction of new tools should be applied, particularly where existing tools are already fit for purpose, or still being developed;
- changes should not assume a ‘one size fits all’ approach. While market consistency is desirable, regulatory reform should be appropriate, representative, responsive and proportional; and
- the cost of change is ultimately borne by the policyholder. The administrative burden of the proposed changes will be significant, and the impact of further regulatory reform should be taken into account.

AMICE’s Secretary General, Sarah Goddard, commented:

*“Historically, AMICE has been deeply involved in the consultation around the development of Solvency II, particularly the implementation of the proportionality principle. Proportionality is particularly important for the mutual and co-operative insurance sector, alongside more technical aspects such as long-term equity, the volatility adjustment and interest rate risk. We have highlighted these issues in our response to the Solvency II 2020 Review consultation.”*

*She continued, “This review is an important programme in ensuring that the European regulatory system works the way it should do, including fair treatment of all insurers, and AMICE has worked with members across Europe to ensure they are fully represented and their views appropriately reflected in our response. We look forward to a positive and ongoing dialogue with EIOPA and other stakeholders on regulatory reform.”*

EIOPA will provide its final advice in June 2020.

//ends...

## Notes to editors

### About AMICE (Association of Mutual Insurers and Insurance Cooperatives in Europe)

The Association of Mutual Insurers and Insurance Cooperatives in Europe aisbl (AMICE) is the voice of the mutual and cooperative insurance sector in Europe. The Brussels-based association advocates for appropriate and fair treatment of all mutual and cooperative insurers in a European Single Market. It also encourages the creation and development of innovative solutions for the benefit of European citizens and society.

Mutual and cooperative insurance follows the principles of solidarity and sustainability, and is characterised by customer-membership and a democratic governance. The mutual business model, with its focus on using surpluses for the benefit of its members, is the natural way to provide insurance.

More than half of all insurance undertakings in the EU are mutual and cooperative insurers which account for a market share of more than 32%. They provide cover for more than 420 million members/policyholders and employ nearly 440,000 people.

*To learn more, visit [www.amice-eu.org](http://www.amice-eu.org)*

## Follow Us

Twitter: [@AMICE\\_Mutuals](https://twitter.com/AMICE_Mutuals) | LinkedIn: [AMICE Company Page](#) | YouTube: [AMICE Channel](#)