European Commission - Press release

Insurance: European Commission adopts a first package of third country equivalence decisions under Solvency II

Brussels, 05 June 2015

The European Commission has today adopted its first third country equivalence decisions under Solvency II, the EU's new prudential regulatory regime which sets out rules to develop a single market for the insurance sector. After receiving equivalence, EU insurers can use local rules to report on their operations in third countries, while third country insurers are able to operate in the EU without complying with all EU rules. These equivalence decisions take the form of delegated acts and they concern Switzerland, Australia, Bermuda, Brazil, Canada, Mexico and the USA. They will provide more legal certainty for EU insurers operating in a third country as well as for third country insurance companies operating in the EU.

Jonathan Hill, EU Commissioner for Financial Stability, Financial Services and Capital Markets Union said: ''*The decisions taken today will lead to more choice and competition for European consumers and also enable European insurers to compete more effectively in overseas markets. So this should be good for European businesses and the European economy*.''

Switzerland is granted full equivalence in all three areas of Solvency II: solvency calculation, group supervision and reinsurance (see background below). This decision, which is based on a report by the European Insurance and Occupational Pensions Authority (EIOPA), finds the Swiss insurance regulatory regime to be fully equivalent to Solvency II. Equivalence is granted for an indefinite period.

The other equivalence decision adopted today concerns six third countries: Australia, Bermuda, Brazil, Canada, Mexico and the USA. It covers solvency calculation (see background below) and it is granted for a period of 10 years. Provisional equivalence is granted for third countries which may not meet all the criteria for full equivalence but where an equivalent solvency regime is expected to be adopted and applied by the third country within a foreseeable future.

These decisions now need to pass to the European Parliament and the Council for scrutiny, for which the time limit is three months, with possible extension by a further three months. Publication in the EU Official Journal and entry into force will only take place after successful completion of Parliament and Council scrutiny.

Further Solvency II equivalence decisions are envisaged by the Commission in future.

Background:

Solvency II (Directive 2009/138/EU, as amended by Directive 2013/58/EU, and complemented by Commission Delegated Regulation 2015/35) is a Directive which will be applied from 1 January 2016. It replaces the 14 insurance and reinsurance directives that were previously known as "Solvency I" (see MEMO 15/3120). Solvency II introduces the first harmonised, risk-based regulatory regime in the EU, including quantitative, governance and reporting rules, to facilitate the development of a single market in insurance services.

Equivalence decisions determine that a third-country regulatory regime achieves the same outcome as Solvency II according to the criteria set in the Solvency II framework.

There are three distinct areas for equivalence evaluation of third countries under Solvency II:

1. **Solvency calculation** (article 227 of Solvency II): This is of relevance to EU insurers operating in a third country. If an EU insurer is active in a third country which is deemed equivalent, it can carry out its EU prudential reporting for a subsidiary in that third country under the rules of the third country, instead of Solvency II rules.

2. **Group supervision** (article 260 of Solvency II): This is of relevance to insurers from third countries with activities in the EU. If the third country's rules are deemed equivalent in this area, they are exempted from some aspects of group supervision in the EU.

3. **Reinsurance** (article 172 of Solvency II): This is of relevance to reinsurers from third countries. If the third country's rules are deemed equivalent, they must be treated by EU supervisors in the same way as they treat EU reinsurers.

Under all these areas, equivalence can be granted for an unlimited duration ("full equivalence") if the third country is fully equivalent. If it is only partially equivalent, temporary equivalence can be granted for a fixed duration (ten years renewable for solvency calculation, five years non-renewable for group supervision and reinsurance). There is no difference in effect between full equivalence and temporary equivalence.

For more information, including the text of the equivalence decisions:

http://ec.europa.eu/finance/insurance/solvency/international/index_en.htm

For more information on Solvency II:

MEMO 15/3120

IP/15/5126

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