

FINAL REPORT

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on draft Regulatory Technical Standards on applicability criteria for macroprudential analyses in the own risk and solvency assessment and as part of the prudent person principle

EIOPA-BoS-25/389
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eiopa

European Insurance and
Occupational Pensions Authority

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1. EXECUTIVE SUMMARY

INTRODUCTION

On 17 October 2024, EIOPA launched a public consultation on draft Regulatory Technical Standards (RTS) on applicability criteria for macroprudential analyses in the own risk and solvency assessment (ORSA) and as part of the prudent person principle (PPP). This final report sets out the final text of the draft RTS including an impact assessment and a feedback statement on the public consultation.

CONTENT

The Solvency II review introduced the new requirement that supervisory authorities should analyse the ORSA report of undertakings that are requested to take macroprudential considerations into account within their jurisdictions, aggregate them and provide input to undertakings on the elements that should be considered in their future ORSA, particularly as regards macroprudential risks. Furthermore, when required by the supervisory authority, insurance and reinsurance undertaking need to take account of macroprudential concerns when they decide on their investment strategy (e.g. PPP related considerations). The draft RTS specifies the applicability criteria to be taken into account by supervisory authorities when defining the insurance or reinsurance undertakings and groups which are to be requested to carry out macroprudential analyses in the ORSA and when applying the PPP. The RTS will support the effective and efficient selection of undertakings based on both qualitative and quantitative criteria.

PUBLIC CONSULTATION

EIOPA conducted a public consultation on the draft RTS between 17 October 2024 and 9 January 2025. A stakeholder event was held on 27 November 2024 to discuss the consultation paper. Seven stakeholders provided feedback on the consultation paper. Based on the stakeholder feedback, the drafting of the draft RTS was refined and the quantitative threshold increased to further ensure proportionality, without changing the general approach set out in the consultation paper.

NEXT STEPS

The draft RTS were submitted to the European Commission. In accordance with Articles 10 to 14 of the EIOPA Regulation¹, the European Commission will decide on the adoption of the RTS.

¹ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC, OJ L 331, 15.12.2010, p. 48–83.

2. BACKGROUND AND RATIONALE

2.1. AMENDMENTS TO THE SOLVENCY II DIRECTIVE

Directive 2009/138/EC² (Solvency II Directive) was reviewed.³ As a result, Directive (EU) 2025/2⁴ introduces new requirements for insurance or reinsurance undertakings and groups regarding the inclusion of macroprudential analyses in the own risk and solvency assessment (ORSA) and as part of the prudent person principle (PPP) in Articles 45(1) and 132(6) of the Solvency II Directive respectively.

According to the new requirements, the supervisory authorities should analyse the ORSA report of undertakings that are requested to take macroprudential considerations into account within their jurisdictions, aggregate them and provide input to undertakings on the elements that should be considered in their future ORSA, particularly as regards macroprudential risks. Furthermore, when required by the supervisory authority, insurance and reinsurance undertaking need to take account of macroprudential concerns when they decide on their investment strategy (e.g. PPP related considerations). Member States should ensure that, where they entrust an authority with a macroprudential mandate, the outcome and the findings of macroprudential assessments by the supervisory authorities are shared with that macroprudential authority.

2.2. MANDATE FOR DRAFT REGULATORY TECHNICAL STANDARDS

In order to ensure a consistent application of the macroprudential tools, Article 144d(1)(a) and (b) of the Solvency II Directive mandates EIOPA to develop draft RTS on the criteria to be taken into account by supervisory authorities when defining the insurance or reinsurance undertakings and groups which are to be requested to carry out macroprudential analyses in the ORSA and when applying the PPP.

2.3. APPROACH TO THE DRAFT RTS

In EIOPA's view⁵, systemic events could be generated in two ways:

- (a) The 'direct' effect, originated by the failure of a systemically relevant insurer or the collective failure of several insurers generating a cascade effect.
- (b) The 'indirect' effect, in which possible externalities are enhanced by engagement in potentially systemic activities (activity-based sources) or the widespread common reactions of insurers to exogenous shocks (behaviour-based source).

² Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), OJ L 335, 17.12.2009, p. 1–155

³ [Reviewing EU insurance rules: encouraging insurers to invest in Europe's future](#)

⁴ Directive (EU) 2025/2 of the European Parliament and of the Council of 27 November 2024 amending Directive 2009/138/EC as regards proportionality, quality of supervision, reporting, long-term guarantee measures, macro-prudential tools, sustainability risks and group and cross-border supervision, and amending Directives 2002/87/EC and 2013/34/EU, OJ L, 2025/2, 8.1.2025

⁵ [EIOPA publishes Discussion Paper on Systemic Risk and Macroprudential Policy in Insurance - EIOPA](#)

As a consequence, the role of macroprudential policy and macroprudential instruments is crucial. Solvency II is a comprehensive microprudential framework covering the calculation of capital requirements (Pillar 1), governance, including the management of risks (Pillar 2) and reporting and disclosure requirements (Pillar 3). The Solvency II Directive embeds, since its entry into force, also a set of instruments with a macroprudential impact (e.g. the long-term guarantees measures and transitional measures) to mitigate the unintended consequences of a full mark-to-market approach for the valuation of assets and liabilities in consideration of the long-term nature of the insurance business.

While the tools with direct macroprudential impact are not the subject of this consultation paper, the tools with indirect macroprudential impact (ORSA and PPP) are in scope, limited to the criteria to identify the undertakings which should include additional macroprudential analyses. The draft RTS leverage on quantitative and qualitative criteria already used in the supervisory context. In particular:

- (a) The proposed absolute threshold of EUR 20 billion in total assets in the Solvency II balance sheet.
- (b) The proposed set of risk-based criteria related to interconnectedness, activity, substitutability, and liquidity risks leverage on the assessment made in the context of the Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector of the International Association of Insurance Supervisors (IAIS) and the Insurance Recovery and Resolution Directive⁶ (IRRDR).

The threshold of EUR 20 billion in assets is intended to be commonly applied across EIOPA's policy material (i.e. undertakings and groups required to have a mid or long-term liquidity risk management plan) and financial stability tools (e.g. EIOPA Guidelines on reporting for financial stability purposes and it is defined to strike the right balance between financial stability monitoring and burden reduction. The value is derived from the previously applied threshold of EUR 12 billion in assets, taking into account the inflationary effect on the asset valuation of the headline inflation observed in Europe, and ensuring that a sufficient market coverage is reached both at European and national level. EIOPA will assess the ongoing appropriateness of the threshold in future reviews of the draft RTS. Annex 2 presents detailed calculations on how the threshold impacts different jurisdictions in the EEA.

The risk-based criteria are meant to complement the criterion based on the total assets size in order to allow supervisory judgment and include risk-based considerations which are beyond the size of an entity. On the basis of the identified risk-based criteria, supervisory authorities can add or remove entities from the pool of selected insurance and reinsurance undertakings and groups that are required to perform macroprudential analyses in the ORSA or incorporate macroprudential considerations in the PPP. In particular, the requirement to remove entities from the pool where their inclusion would be disproportionate will ensure a proportionate application of the draft RTS. In relation to the interplay between group and solo undertakings, the Solvency II Directive empowers supervisory authorities responsible for solo undertakings to request those undertakings to include macroprudential analyses

⁶ See text of the [provisional agreement, as adopted by the European Parliament on 23 April 2024](#), on the Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2009/138/EC, (EU) 2017/1132 and Regulations (EU) No 1094/2010 and (EU) No 648/2012.

in their ORSA and when applying the PPP . Therefore, independent from the considerations made by the group supervisor, these supervisory authorities are allowed to request the undertakings under their remit of supervision and belonging to the group, to make those include macroprudential analyses and macroprudential considerations, regardless of the approach taken at group level.

3. DRAFT TECHNICAL STANDARDS



EUROPEAN COMMISSION

Brussels, dd.mm.yyyy
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COMMISSION DELEGATED REGULATION (EU) .../..

of []

COMMISSION DELEGATED REGULATION (EU) .../...

supplementing Directive 2009/138/EC of the European Parliament and of the Council with regard to regulatory technical standards laying down the criteria that supervisory authorities are to take into account when determining which insurance or reinsurance undertakings and groups are to carry out additional macroprudential analyses in the own risk and solvency assessment and incorporate macroprudential considerations as part of the prudent person principle

of []

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)⁷, and in particular Article 144d(1), third subparagraph thereof,

Whereas:

- (1) The criteria that supervisory authorities should take into account when determining which insurance or reinsurance undertakings and groups should be requested to consider and analyse whether their activities may affect the macroeconomic and financial markets' developments and have the potential to turn into sources of systemic risk, as referred to in Article 45(1), second subparagraph, point (e)(ii), of Directive 2009/138/EC, should be in line with the most recent approaches to assess the macroprudential relevance of insurance and reinsurance undertakings. Specifically, they should be aligned with the principle set by the International Association of Insurance Supervisors in its Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector, commonly acknowledged at international level by supervisory authorities.
- (2) The criteria to be taken into account when identifying the insurance or reinsurance undertakings and groups should be requested to carry out the additional macroprudential analyses referred to in Article 45(1), second subparagraph, point (e), of Directive 2009/138/EC in their own risk and solvency assessment (ORSA) and to incorporate macroprudential considerations as part of the prudent person principle (PPP) referred to in Article 132(6) of that Directive, should be both quantitative and qualitative and they should be proportionate to the nature, scale, and complexity of the risks and support supervisory convergence.
- (3) To identify insurance or reinsurance undertakings and groups that due to their size are more important from a financial stability perspective, quantitative criteria should be used. While based on current risk assessment frameworks (e.g. the Holistic Framework for Systemic Risk in the Insurance Sector of the International Association of Insurance Supervisors) the exposure to systemically

⁷ OJ L 335, 17.12.2009, p. 1–155.

relevant activities is a key determinant for the relevance of an undertaking or group, size is still considered to be a risk amplifier. To strike a balance between the needs of financial stability monitoring and burden reduction, the quantitative criteria should be based on a threshold for total assets of EUR 20 000 000 000, which ensures sufficient market coverage both at European and national level.

- (4) To identify additional insurance or reinsurance undertakings and groups that have not been captured by the application of quantitative criteria, but for which their additional macroeconomic analyses in the ORSA and incorporation of macroprudential considerations as part of the PPP might be needed due to their risk profile, qualitative criteria should be used. Those criteria should take into account the level of interconnectedness of the insurance and reinsurance sector with financial markets, the cross-border nature of insurance and reinsurance activities, and the investments of the insurance or reinsurance undertakings and groups. The application of the qualitative criteria should also enable supervisory authorities to identify insurance or reinsurance undertakings and groups that have been captured by the application of the quantitative criteria, but the assessment of the nature, scale, and complexity of liquidity related risks reveals that the insurance or reinsurance undertakings and groups concerned are not materially vulnerable and as such are not to be requested to provide additional macroprudential analyses in their ORSA and to incorporate macroprudential considerations as part of the PPP. Similarly, the qualitative criteria should also enable insurance or reinsurance undertakings and groups to assess their risk profile to prevent build up or amplify systemic risk.
- (5) To ensure consistency with the framework of the recovery and resolution of insurance and reinsurance undertakings, the notion of substitutability and of interconnectedness used in the specification of the qualitative criteria should be in line with the notion referred to in Article 5(2) of Directive (EU) 2025/1 of the European Parliament and of the Council⁸ and with their interpretation.
- (6) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Insurance and Occupational Pensions Authority.
- (7) The European Insurance and Occupational Pensions Authority has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Insurance and Reinsurance Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council⁹,

8 Directive (EU) 2025/1 of the European Parliament and of the Council of 27 November 2024 establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132 and Regulations (EU) No 1094/2010, (EU) No 648/2012, (EU) No 806/2014 and (EU) 2017/1129 (OJ L, 2025/1, 8.1.2025, ELI: <http://data.europa.eu/eli/dir/2025/1/oj>).

9 Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48, ELI: <http://data.europa.eu/eli/reg/2010/1094/oj>).

HAS ADOPTED THIS REGULATION:

Article 1

Criteria for determining which insurance or reinsurance undertakings and groups have to carry out additional macroprudential analyses in the own risk and solvency assessment

1. When defining which insurance or reinsurance undertakings and groups shall be requested to carry out the additional macroprudential analyses referred to in Article 45(1), second subparagraph, point (e), of Directive 2009/138/EC, supervisory authorities shall take into account the following criteria:
 - (a) groups with total assets, valued in accordance with Article 75 of Directive 2009/138/EC, that exceed EUR 20 000 000 000; and
 - (b) insurance or reinsurance undertakings with total assets, valued in accordance with Article 75 of Directive 2009/138/EC, that exceed EUR 20 000 000 000 and that do not belong to a group referred to in point (a);
2. Supervisory authorities shall consider whether additional insurance or reinsurance undertakings and groups, other than those referred to in paragraph 1, shall also be requested to carry out additional macroprudential analyses taking into account the following criteria:
 - (a) whether the insurance or reinsurance undertaking or group is, in the view of the supervisory authority, materially interconnected with other financial institutions as referred to in Article 5(2) of Directive (EU) 2025/1;
 - (b) whether the insurance or reinsurance undertaking or group has the following activities that in the view of the supervisory authority are materially related to systemically relevant exposures:
 - (i) the use of derivative instruments;
 - (ii) activities related to exposures with macroprudential implications that can potentially generate spillover effects;
 - (iii) the offering of products with a guaranteed benefit or with variable annuities;
 - (iv) concentration in certain assets class or common exposures on the asset side;
 - (c) whether the insurance or reinsurance undertaking or group is substitutable with other insurance or reinsurance undertakings or groups as referred to in Article 5(2) of Directive (EU) 2025/1;
 - (d) whether the insurance or reinsurance undertaking or group is, in the view of the supervisory authority, materially exposed to liquidity risk on the basis of the liquidity sources referred to in Article 2(3) of Commission Delegated Regulation (EU) .../... [Regulatory Technical Standard on liquidity risk management plans]¹⁰;
 - (e) whether the insurance or reinsurance undertaking is part of a group that carries out the macroprudential analyses in the own risk and solvency assessment, but where the

¹⁰ [OJ reference to be added]

specificities of that undertaking are insufficiently or inappropriately captured in the analysis of the group.

3. By way of derogation from paragraph 1, supervisory authorities may decide to not request insurance or reinsurance undertakings and groups to carry out the additional macroprudential analyses where that is justified by the principle of proportionality and on the basis of the criteria set out in paragraph 2.
4. The supervisory authority of an insurance or reinsurance undertaking that is part of a group that is excluded from the request to carry out the additional macroprudential analyses pursuant to paragraph 3 may, however, request that undertaking to carry out the macroprudential analyses in its own risk and solvency assessment on the basis of the criteria set out in paragraph 2.

Article 2

Criteria for determining which insurance or reinsurance undertakings and groups have to carry out macroprudential analyses as part of the prudent person principle

When determining which insurance or reinsurance undertakings or groups have to carry out a macroprudential analyses as part of the prudent person principle, supervisory authorities shall base their decision on the criteria set out in Article 1. In addition, supervisory authorities shall base their decision on the following set of criteria related to exposure to market movements:

- (a) whether there is within the insurance or reinsurance undertaking or group a duration mismatch between assets and liabilities;
- (b) whether the insurance or reinsurance undertaking or group uses a leverage that stems from derivative instruments or securities financing transactions that create exposures contingent on the future value of an underlying asset;
- (c) whether the insurance or reinsurance undertaking or group whose assets are illiquid or are difficult to value or have an opaque and complex structure, including assets that are valued with alternative valuation methods in accordance with Article 10(5) to (7) of Commission Delegated Regulation (EU) 2015/35¹¹;
- (d) whether the insurance or reinsurance undertaking is part of a group that carries out the macroprudential analyses in the context of the application of the prudent person principle, but where the specificities of that undertaking are insufficiently captured in the analysis of the group.

Article 3

Entry into force

¹¹ Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 12, 17.1.2015, p. 1–797, ELI: http://data.europa.eu/eli/reg_del/2015/35/oj).

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

[For the Commission

The President]

[For the Commission

On behalf of the President]

[Position]

ANNEX 1: IMPACT ASSESSMENT

In accordance with Article 10 of the EIOPA Regulation¹², EIOPA is required to analyse the potential costs and benefits during the policy development process. The analysis of costs and benefits is undertaken according to an impact assessment methodology.

This impact assessment covers the EIOPA draft RTS on applicability criteria for macroprudential analyses in ORSA and incorporation of macroprudential considerations as part of the PPP. It is based on a qualitative assessment done by EIOPA.

In drafting these RTSs, EIOPA adheres to the general objectives of the Solvency II Directive, as agreed by the legislators in 2009. These general objectives are:

- ▶ adequate protection of policyholders and beneficiaries, being the main objective of supervision;
- ▶ financial stability;
- ▶ proper functioning of the internal market.

In view of the specific purpose of these technical standards, the following more specific objectives were identified:

- ▶ discourage excessive levels of direct and indirect exposure concentration;
- ▶ ensure sufficient loss-absorbency capacity and reserving;
- ▶ promoting good risk management.

As a general approach, proportionality has been considered in drafting the draft RTS while defining the application criteria for the undertakings required to perform macroprudential analyses in ORSA and PPP, leveraging on detailed impact assessments to understand the impact of each option on stakeholders.

POLICY ISSUE: DEFINE THE APPROPRIATE APPROACH TO DEFINE THE APPLICATION CRITERIA

This policy issue includes several policy options related to the approach to be used to define the application criteria for undertakings in scope of the RTS, which will be required to perform additional macroprudential analyses in their ORSA and PPP.

Policy option 0: No change

This option means that no RTS are in place. It is a hypothetical baseline that is only introduced as a benchmark against which the impact of the other policy options is compared.

¹² Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC; OJ L 331, 15.12.2010, p. 48–83.

This option is not considered as a viable option given the specific mandate given to EIOPA in the context of article 144d of the Solvency II Directive.

Policy option 1: Being purely principle-based

This policy option leverages on an approach that keeps the status quo and relies on the sole principles of Solvency II and on already existing provisions set out at Level 1. If assumed that introducing macroprudential analyses in ORSA and PPP can work effectively, failing to identify a relevant set of undertakings in scope of the draft RTS may result in less protection for policyholders and higher risk to financial stability. Furthermore, from a supervisory perspective, supervisory authorities would not be able to make use of an instrument that may be relevant to address the sources of systemic risk identified.

Policy option 2: Fully quantitative approach

This Option aims at defining the application criteria based on strictly defined absolute and relative thresholds resulting in a fully quantitative approach with no leverage on further qualitative assessment. From a financial stability perspective, expanding the use of ORSA could help in mitigating two main sources of risk which could potentially generate indirect macroprudential outcomes. First, it could avoid the deterioration of the solvency position leading to insurance failure(s). Secondly, it could contribute avoiding excessive risk concentrations.

On the other hand, the expansion of the PPP could help mitigating two main sources of facing risks which could potentially generate indirect macroprudential outcomes, i.e. the risk of excessive concentrations and the involvement in certain activities or products with greater potential to generate indirect macroprudential impacts.

In terms of proportionality, as also reiterated in the EIOPA Opinion on the Review of Solvency II, the risk management system and ORSA “should be proportionate to the risks at stake while ensuring a proper monitoring of any evolution of the risk, either triggered by internal sources such as a change in the business model or business strategy or by an external source such as an exceptional event that could affect the materiality of a certain sub-module”. Expanding the use of the ORSA reports from a macroprudential point of view should follow a similar approach and, for this reason, the thresholds proposed for the application criteria of this draft RTS are based on the approaches followed for the identification of insurance or reinsurance undertakings and groups subject to the EIOPA Financial Stability Reporting and, as consistently as possible, on the application criteria applied in the context of the Insurance Recovery and Resolution Directive (IRRDR).

The expansion of the PPP does not raise any proportionality concerns in its application.

In relation to the possible impact of the implementation of this draft RTS on undertakings’ behaviour, the major impact of this tool on undertakings’ behaviour which can be foreseen is related to the raising awareness with respect to macroprudential outcomes and the impact that undertakings themselves can generate with their risk assessment and investment behaviour. Identifying the most relevant set of undertakings which are deemed to have an indirect macroprudential impact is key to make the new tool useful for both supervisory authorities and the undertakings.

One possible issue that could be considered is the risk of a potential imperfect feedback process, which may lead to misinterpretation by undertakings and the translation of the identification into inadequate decisions. For this reason, a fully prescriptive approach regarding the definition of the application criteria should be avoided, to avoid the risk that undertakings' independence in internal risk management processes (in the context of the ORSA) and investment decisions (in the context of PPP) is restricted to a bigger-than-needed extent.

Using appropriate criteria to identify undertakings in scope of the draft RTS is crucial to avoid the inclusion of undertakings mainly based on size factors. The use of purely quantitative metrics might lead to the exclusion from scope of undertakings that could potentially generate an indirect macroprudential impact.

Policy option 3: Hybrid approach

This Option aims at defining the application criteria based on both qualitative and quantitative information. From a financial stability perspective, expanding the use of ORSA could help in mitigating two main sources of risk which could potentially have systemic implications. First, it could avoid the deterioration of the solvency position leading to insurance failure(s). Secondly, it could contribute avoiding excessive risk concentrations.

On the other hand, the expansion of the PPP could help mitigating two main sources of facing risks which could potentially generate indirect macroprudential outcomes, i.e. the risk of excessive concentrations and the involvement in certain activities or products with greater potential to generate indirect macroprudential impacts.

In terms of proportionality, as also reiterated in the EIOPA Opinion on the Review of Solvency II, the risk management system and ORSA “should be proportionate to the risks at stake while ensuring a proper monitoring of any evolution of the risk, either triggered by internal sources such as a change in the business model or business strategy or by an external source such as an exceptional event that could affect the materiality of a certain sub-module”. Expanding the use of the ORSA reports from a macroprudential point of view should follow a similar approach and, for this reason, the thresholds proposed for the application criteria of this draft RTS are based on the approaches followed for the identification of insurance or reinsurance undertakings and groups subject to the EIOPA Financial Stability Reporting and on thresholds applied in the context of the Insurance Recovery and Resolution Directive (IRRDR).

The expansion of the PPP does not raise any proportionality concerns in its application.

In relation to the possible impact of the implementation of this draft RTS on undertakings' behaviour, the major impact of this tool on undertakings' behaviour which can be foreseen is related to the raising awareness with respect to macroprudential outcomes and the impact that undertakings themselves can generate with their risk assessment and investment behaviour.

The characteristic of a hybrid approach is that of leveraging on both quantitative and more strictly defined criteria, but also on more qualitative information which contribute to understanding and defining the potential macroprudential impact of an undertaking on the sector.

With regard to the qualitative criteria proposed for undertakings that should perform macroprudential analyses in the context of the ORSA, these relate to an assessment in relation to:

- ▶ interconnectedness;
- ▶ type of activity performed;
- ▶ substitutability;
- ▶ liquidity risk;
- ▶ insufficient information available in the ORSA and application of PPP at group level.

With regard to the qualitative criteria proposed for undertakings that should perform macroprudential analyses in the context of the PPP, these relate to an assessment in relation to the same set of qualitative criteria proposed for the ORSA with the addition of the following:

- ▶ assessment in relation to duration mismatch;
- ▶ assessment on the use of synthetic leverage;
- ▶ assessment of factors related to approach to valuations of asset classes which include at least the exposure towards assets that are illiquid or are difficult to value or have an opaque and complex structure.

The inclusion of qualitative assessments for identifying the undertakings in scope of the draft RTS also allows a higher degree of proportionality, leaving room for national supervisory authorities to further drill down the list of identified undertakings to those with potential to generate a macroprudential impact.

This policy option, although very much aligned with policy option 1 differs in the extent of application of strict metrics to define the RTS applicability criteria. This option includes, besides the reliance on relative quantitative thresholds, also the leverage on additional qualitative information available in terms of undertakings’ activities, interconnectedness and substitutability. This approach helps in solving the issue identified in policy option 1 on the risk of relying on a process that is overly structured and does not cater for the additional characteristics that drive the potential macroprudential impact of insurance or reinsurance undertakings and groups.

POLICY ISSUE A: DEFINE THE APPROPRIATE APPROACH TO DEFINE THE APPLICATION CRITERIA

Policy option 0: No change

Policy option 0		
Costs	Policyholders	If assumed that the having undertakings perform macroprudential analyses in ORSA and PPP can work effectively, the lack thereof may result in less protection for policyholders and higher risk to financial stability.

	Industry	Undertakings would not benefit from the feedback process from NCAs which entails receiving aggregate analyses of the different ORSA reports and PPP and the respective macroprudential analyses. Furthermore, in the context of PPP, undertakings would not receive relevant macroprudential information from supervisors, which they could take into account when deciding on their investment strategies.
	Supervisors	Supervisors would not be able to make use of an instrument that may be relevant to address the sources of undertakings' exposure to activities with potential macroprudential impact. Furthermore, supervisors would have less possibilities to raise awareness and advice the market on possible risky investment behaviour of undertakings.
	Other	No material impact.
Benefits	Policyholders	No material impact.
	Industry	No material impact.
	Supervisors	No material impact.
	Other	No material impact.

Policy option 1: Being purely principle-based

Policy option 1		
Costs	Policyholders	If assumed that the having undertakings perform macroprudential analyses in ORSA and PPP can work effectively, the lack thereof may result in less protection for policyholders and higher risk to financial stability.
	Industry	Undertakings would not benefit from the feedback process from NCAs which entails receiving aggregate analyses of the different ORSA reports and PPP and the respective macroprudential analyses. Furthermore, in the context of PPP, undertakings would not receive relevant macroprudential information from supervisors, which they could take into account when deciding on their investment strategies.
	Supervisors	Supervisors would not be able to make use of an instrument that may be relevant to address the sources of undertakings' exposure to activities with potential macroprudential impact. Furthermore, supervisors would have less possibilities to raise awareness and advice the market on possible risky investment behaviour of undertakings.
	Other	No material impact.
Benefits	Policyholders	No material impact.
	Industry	No material impact.
	Supervisors	No material impact.

	Other	No material impact.
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Policy option 2: Fully quantitative approach

Policy option 2		
Costs	Policyholders	No material impact.
	Industry	A certain adjustment to the new approach would be needed by undertakings, including a more structured approach to the ORSA report and PPP. Relying on a too prescriptive identification process for undertakings required to perform macroprudential analyses in ORSA and PPP may scale back to a certain extent undertakings' internal own risk management processes and investment strategies and not necessarily lead to the identification of the most relevant set of undertakings which could generate with their behaviour an indirect macroprudential impact.
	Supervisors	Supervisors/authorities in charge of the macroprudential policy would need to devote more resources to analyse the information of ORSA reports and PPP at an aggregate level and provide relevant input to undertakings.
	Other	No material impact.
Benefits	Policyholders	Policyholders would ultimately benefit from a more stable financial system (see also "other" below).
	Industry	Undertakings would benefit from the feedback process from NCAs which entails receiving aggregate analyses of the different ORSA reports and PPP and the respective macroprudential analyses. Furthermore, in the context of PPP, undertakings would receive relevant macroprudential information from supervisors, which they could take into account when deciding on their investment strategies.
	Supervisors	By having a selected set of undertakings perform macroprudential analyses in ORSA and PPP, supervisors would be able to supplement the microprudential approach of this tool, receiving additional information that is also relevant from a macroprudential perspective. This would facilitate peer reviews among different undertakings and facilitate analyses through time. The ORSA report and PPP could serve the purpose of improving the intensity and quality of dialogues between undertakings and supervisors related to market-wide aspects and contribute to mitigate macroprudential risks. The PPP could serve the purpose of improving the intensity and quality of dialogues between undertakings and supervisors related to investment strategies and contribute to mitigate potential risks.
	Other	The enhanced set of analyses available in ORSA and PPP will contribute to mitigate risks for potential macroprudential implications and reduce its potential harm to consumers.

Policy option 3: Hybrid approach

Policy option 3		
Costs	Policyholders	No material impact.
	Industry	A certain adjustment to the new approach would be needed by undertakings, including a more structured approach to the ORSA report and PPP.
	Supervisors	Supervisors/authorities in charge of the macroprudential policy would need to devote more resources to analyse the information of ORSA reports and PPP at an aggregate level and provide relevant input to undertakings.
	Other	No material impact.
Benefits	Policyholders	Policyholders would ultimately benefit from a more stable financial system (see also “other” below).
	Industry	Undertakings would benefit from the feedback process from NCAs which entails receiving aggregate analyses of the different ORSA reports and PPP and the respective macroprudential analyses. Furthermore, in the context of PPP, undertakings would receive relevant macroprudential information from supervisors, which they could take into account when deciding on their investment strategies. They would be able to better consider the external environment (i.e. the potential sources of risk which could potentially generate systemic implications) in their risk assessment and PPP.
	Supervisors	By adding macroprudential analyses in ORSA reports and PPP, supervisors would be able to supplement the microprudential approach of this tool, receiving additional information that is also relevant from a macroprudential perspective. This would facilitate peer reviews among different undertakings and facilitate analyses through time. The ORSA report and PPP could serve the purpose of improving the intensity and quality of dialogues between undertakings and supervisors related to market-wide aspects and contribute to mitigate macroprudential risks. The PPP could serve the purpose of improving the intensity and quality of dialogues between undertakings and supervisors related to investment strategies and contribute to mitigate potential risks. Identifying the right set of undertakings in scope through the application criteria defined in the draft RTS will help the NCAs focusing on those undertakings with potential for generating an indirect macroprudential impact.
	Other	The enhanced set of analyses available in ORSA and PPP will contribute to mitigate risks for potential macroprudential implications and reduce its potential harm to consumers.

POLICY OPTIONS EFFECTIVENESS AND EFFICIENCY ASSESSMENT

Policy option 0, besides being highly inefficient from the point of view of ensuring and fostering financial stability within the insurance sector, is also considered as non-viable option given the

empowerment included in Article 144d for EIOPA to submit a draft RTS to the European Commission on applicability criteria for undertakings that should include macroprudential analyses in their ORSA and PPP. This consideration applies both in terms of effectiveness and efficiency.

Policy option 1 is considered inefficient from the point of view of ensuring and fostering financial stability within the insurance sector. Relying on a pure set of principles would not contribute to fostering supervisory convergence among National Supervisory Authorities. These considerations apply both in terms of effectiveness and efficiency.

Policy option 2, regarding effectiveness, essentially focused to discourage excessive levels of direct and indirect exposure concentrations and, in general, promoting good risk management. This should be enhanced by also considering market-wide developments that turn into macroprudential risks. Furthermore, given that ORSA is designed to assess the solvency needs of undertakings, a positive impact is expected also in terms of ensuring sufficient loss-absorbency capacity. With respect to PPP, as with the ORSA analysis, this conclusion is reinforced if the effectiveness and efficiency dimensions are considered. However, the impact of an expanded PPP is not deemed to be very high, given that it can be considered as a soft corrective tool.

In terms of efficiency and, as mentioned, given the expected limited costs of an expanded use of the ORSA and PPP, this tool seems to yield an efficient contribution to the operational objectives identified.

Finally, the assessment for policy option 3 is overall similar to the one provided for policy option 2, however noting an important difference on the more flexibility allowed both from an efficiency and effectiveness point of view.

EFFECTIVENESS (0,+,++)			
	Discourage excessive levels of direct and indirect exposure concentration	Discourage excessive involvement in certain products and activities	Promoting good risk management
Policy option 0	0	0	0
Policy option 1	0	0	+
Policy option 2	+	+	+
Policy option 3	++	++	++

EFFICIENCY (0,+,++)			
	Discourage excessive levels of direct and indirect exposure concentration	Discourage excessive involvement in certain products and activities	Promoting good risk management
Policy option 0	0	0	0
Policy option 1	0	0	0
Policy option 2	+	+	+
Policy option 3	++	++	++

PREFERRED OPTION

Based on the evidence provided in the assessment above, policy option 3 has been identified as the preferred option. Besides the efficiency and effectiveness and cost benefit analysis, this option also provides national supervisory authorities with the right tools to enhance and apply proportionality while creating a level playing field.

With respect to the quantitative criteria and risk-based thresholds proposed in the draft RTS, no additional burden is put on undertakings and groups in terms of increased reporting burden, because the information can be derived using the data already contained in the QRTs and information provided by undertakings to supervisors during the regular supervisory dialogue and exchange of information.

The combination of quantitative criteria and risk-based thresholds ultimately gives supervisors the option to further refine the sample of undertakings and groups identified under the scope of the RTS and leads to an efficient and effective outcome in terms of balancing the application of the proportionality principle while keeping a minimum baseline for supervisory convergence.

Regarding the ORSA, small and non-complex undertakings and undertakings which have obtained prior supervisory approval, pursuant to Article 29d of the Solvency II Directive, are not obliged to conduct the macroprudential analyses.

ANNEX 2: Number of identified entities with total assets above EUR 20 billion¹³

THRESHOLD 20 BILLIONS			
Country	Number reporting groups	Number reporting solos	Country Share 20bn
AT	2		76.6%
BE	2		60.1%
BG			69.0%
CY			15.1%
CZ			96.8%
DE	19	1	87.4%
DK	4	6	77.6%
EE			53.1%
EL			42.7%
ES	3		58.7%
FI	1		52.6%
FR	20	2	92.3%
HR			33.5%
HU			83.6%
IE	3	3	69.9%
IS			
IT	6		93.1%
LI			16.1%
LT			47.9%
LU	2		57.1%
LV			68.5%
MT			46.5%
NL	4		87.2%
NO	2	1	76.7%
PL			46.0%
PT			45.9%
RO			91.3%
SE	6	1	71.9%
SI			12.2%
SK			96.5%
TOTAL	74	14	82.9%

Source: Solvency II supervisory reporting, annual solo data of 2023

¹³ The country share is based on the following ratio:

Numerator: sum of the total assets of solo entities authorised in the country that are above the threshold and not belonging to a group and the total assets of the solo entities authorised in the country (regardless of their size) belonging to a group exceeding the threshold regardless its country of authorisation.

Denominator: sum of the total assets of all the solo entities authorised in the country.

ANNEX 3: FEEDBACK STATEMENT

This feedback statement sets out a high-level summary of the consultation comments received and EIOPA's assessment of them. The full list of all the non-confidential comments and their resolutions can be found on EIOPA's website.

EIOPA received comments from its Insurance and Reinsurance Stakeholder Group (IRSG) and from six other stakeholders, mainly insurance industry associations.

As part of the consultation EIOPA held a workshop with stakeholders to discuss the draft RTS on 27 November 2024.

INTRODUCTION OF QUANTITATIVE THRESHOLDS

Stakeholder comments

Several stakeholders, including the IRSG, suggested deleting the threshold, initially envisaged of EUR 12 billion total assets, considering an assessment fully based on risk-based criteria. Their motivations were mainly the following:

- ▶ Threshold of was defined in 2015 and does not include adjustment for inflation.
- ▶ The threshold is arbitrary and too low, far from USD 50 billion used as threshold by the International Association of Insurance Supervisors (IAIS) to identify International Active Insurance Groups (IAIGs).
- ▶ It would impact some specific markets disproportionately.

Assessment

Introducing a quantitative criterion is in line with the mandate set out in the Solvency II Directive as the criterion does not envisage any automatism given that supervisory authorities can include entities in or exclude entities from the sample according to the qualitative criteria. Moreover, the approach considered in this RTS is inspired to the IAIS Holistic Framework and the Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs). The IAIS defines IAIGs as insurance groups that meet specific criteria related to their size, international activity, and systemic importance. The threshold contributes to a consistent approach across markets, starting from a common size criterion while also maintaining flexibility with the possibility to both include and exclude entities.

While the relevance of a quantitative threshold is acknowledged, its level has been increased to EUR 20 billion of total assets. The value is it is defined to strike the right balance between financial stability monitoring and burden reduction, and it is derived from the previously applied EUR 12 billion taking into account the inflationary effect on the asset valuation of the headline inflation observed in Europe, and ensuring that a sufficient market coverage is reached both at European and national level.

ASSESSMENT OF MACROPRUDENTIAL CONCERN STEMMING FROM ENTITIES AND CAUSING SYSTEMIC RISKS

Stakeholder comments

Comments were raised on the impossibility/challenges of the industry to assess the macroprudential concern that are triggered by the entity and could potentially turn into source of systemic risk (inside-out risks), while acknowledging the feasibility of the assessment of the macroprudential risks that from the system have in impact to the entity (outside-in risks). The main three reasons for this position were:

- (1) Central Authority prerogative. Stakeholders believe that the analysis of systemic risk should remain the prerogative of European authorities, because only supervisory authorities can conduct analyses capable of describing the effects of a single company activities on national and international markets.
- (2) Market fragmentation. Individual companies may adopt significantly different methodologies to analyse the systemic impacts of their activities and investment policies.
- (3) Lack of data. Individual companies lack sufficient data to assess the systemic effects of their activities across different markets and sectors. Supervisory Authorities, on the other hand, possess this data, as it is submitted by companies through various reports required under Solvency II.

Assessment

In order to ensure a consistent application of the macroprudential tools, Article 144d(1)(a)(i) and (ii) of the Solvency II Directive mandates EIOPA to draft RTS on the applicability criteria to be taken into account by supervisory authorities when defining the insurance or reinsurance undertakings and groups which shall be requested to carry out macroprudential analyses in the ORSA and when applying the PPP.

In light of this mandate the draft RTS aims at covering both macroprudential concerns that could affect the specific risk profile of the company (outside-in risks) and the activities of the undertakings that could affect macroeconomic and financial markets and have the potential to turn into sources of systemic risk (inside-out risks).

Groups and solos are required to consider potential implications for the market and of the economy stemming from the actions (embedded and/or reactive) included in their risk management plans. Considerations should be limited to the information available at company level and collected by groups and solos for risk analyses purposes.

The information included in the ORSAs should inform supervisory authorities on how macroprudential implications are considered in the definition of the risk management plans (inward risks) and allows supervisory authorities to build a broad national market view of the potential macroprudential implications stemming from the industry (outward risks).

INCLUSION OF MICROPRUDENTIAL CONCERNS

Stakeholder comments

The IRSG commented that the scope of the draft RTS should be very clearly only macroprudential and not micro prudential. For instance, liquidity risk holds both micro- and macro prudential angles and very often does not result to macro prudential issues. Also, insurance- and saving product offerings have in very rare cases resulted into risks of macro-prudential nature. Otherwise, insurers' ORSA analyses may be useless for any holistic macroprudential analyses at national or EU level.

Assessment

While the mandate of this draft RTS is to set criteria to support supervisory authorities to identify insurance or reinsurance undertakings and groups to be required to carry out macroprudential considerations in their ORSA and PPP, it is commonly acknowledged among insurance supervisors (IAIS Holistic framework for systemic risks¹⁴) that systemic risk can be caused by:

- ▶ relevant individual undertakings by size, complexity, lack of substitutability and interconnectedness and liquidity profile and
- ▶ common behaviour as a result to the same shocks.

Therefore, the micro prudential profile of the insurance or reinsurance undertaking or groups represents an equally important dimension to be considered when assessing systemic risks.

¹⁴ [191114-Holistic-Framework-for-Systemic-Risk.pdf](#)