

IRSG

INSURANCE AND REINSURANCE STAKEHOLDER GROUP

Advice on the implementation of the new
proportionality framework under Solvency II
(EIOPA-BoS-24-293)

IRSG-24-46

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IRSG SUMMARY

The IRSG welcomes the opportunity to provide advice on this highly important consultation on the implementation of the new proportionality framework under Solvency II. We find that **proportionality is and should also remain as an integral part of how Solvency II legislation** is implemented into insurance business practice and on how insurers are being supervised.

As a general point, the IRSG believes that all insurers should be able to use proportionality in some level - the **Solvency II framework foresees that every (re)insurer can apply to its NSA for the use of proportionality measures suited to its specific risk profile**. It is essential to retain this flexibility and core principle in the framework to ensure it can accommodate the diverse business models across the sector. We find that this consultation appears to ignore this altogether. It is also necessary that Solvency II Level 2 delegated acts and the more specific RTS and ITS legislation and supervisory guidelines maintain the spirit of proportionality both generally and specifically. Where possible, one practical tool to ensure proportionality in practice is to allow bit more time for undertakings to implement and adopt new regulatory or supervisory requirements in their business practices. Moreover, we believe that **ensuring proportionality through Solvency II regulation** and supervisory practices is key for insurers **servicing EU goals for competitiveness**.

For insurers that **can be classified as small and non-complex**, The IRSG agrees with EIOPA's advice that for Article 29a there should be no further specification in addition to the text.

For insurers that **cannot be classified as small and non-complex**, we would bring out the following points:

- **Qualitative and quantitative criteria should remain as non-binding guidance** rather than rigid thresholds. We believe that quantitative measures should be removed altogether from this advice. Even if it is stated that this is non-binding guidance, we may see certain NCAs implementing it more rigidly, which results to different supervisory practices. As a special point, on condition 4 the proposed thresholds (hard limits) should be left out.
- EIOPA is encouraged to conduct a **market impact and cost analysis**. The proposed proportionality framework might inadvertently create financial and operational burdens for undertakings and NCAs, especially with the introduction of detailed

qualitative conditions and thresholds. Ensuring that these measures support rather than complicate market dynamics is critical.

- Because of the different sizes of markets, relative threshold might result in treating insurance undertakings different in different countries although with the same risk-profile. Therefore, we suggest **not to use any threshold for market share**.
- The **use of reinsurance should not be singled out (see condition 4)**. Reinsurance is a proven tool used for decades by the industry to simplify and stabilize the risk profile of small to medium-size insurers.
- The **conditions 1 to 5 should be scaled down** and we suggest highlighting the slightly modified 1st condition. We also believe that a certain set of conditions cannot be used through all the listed proportionality measures (*a-g*), for instance measure *f* about non-use of stochastic models should be under completely different set of conditions.

1. IRSG ANSWERS TO SPECIFIC QUESTIONS ASKED BY EIOPA

1.2. GENERAL COMMENTS

Q1. Do you have general comments on the consultation paper?

The IRSG strongly advocates for more proportionality at the heart of Solvency II, which at its core should be a risk-based prudential framework, in line with developments elsewhere in EU policymaking. The trilogue reached a significant milestone in agreeing upon wording especially in Recital 14, and Article 29a of the final text, which reflects a more proportionate prudential framework. It is therefore absolutely necessary that Level 2 specifications on the Solvency II text maintain the spirit of proportionality both generally and specifically. Moreover, as the European Union has made ‘competitiveness’ – or, more precisely, maintaining or regaining competitiveness – a central force in its policymaking going forward, we should aim to achieve a straightforward, fair and proportionate regulatory environment that can help EU enterprise stay competitive. We believe that ensuring proportionality through Solvency II regulation is key for insurers in serving this goal.

Moreover, there is a general impression that EIOPA does not put proportionality in the consultation paper in the right context (see section 1.2 Context) - all Solvency II requirements must be applied in a proportionate manner, not only those where proportional measures are foreseen (Art. 29 (3) new):

“Member States shall ensure that the requirements laid down in this Directive are applied in a manner which is proportionate to the nature, scale and complexity of the risks inherent in the business of an insurance or reinsurance undertaking. Member States shall ensure such application with respect to those undertakings classified as small and non-complex undertakings.”

One possible practical tool to ensure proportionality in practice is to allow a bit more time for undertakings to implement and adopt new regulatory or supervisory requirements in their business practices. This might not be possible always as implementation of regulation has quite detailed timelines but where possible, this could play a part.

We find that proportionality is in addition an overarching principle for regulation, in particular for EIOPA in defining criteria for the application of proportionality measures (Art. 29 (4)):

“The delegated acts and the regulatory and implementing technical standards adopted by the Commission shall take into account the principle of proportionality, thereby ensuring the proportionate application of this Directive, in particular in relation to small and non-complex undertakings.” AND “The draft regulatory technical standards submitted by EIOPA in accordance with Articles 10 to 14 of Regulation (EU) No 1094/2010, the draft implementing technical standards submitted in accordance with Article 15 of that Regulation, and the guidelines and recommendations issued in accordance with Article 16 of that Regulation, shall ensure the proportionate application of this Directive, in particular in relation to small and non-complex undertakings.”

EIOPA does not provide information about the number of undertakings which might be within the criteria, especially the quantitative thresholds. These estimations would be helpful to understand better if the proposed criteria might be useful, in practice.

In more detail, we would bring out that:

- Proportionality to all companies: The Solvency II framework foresees that every (re)insurer can apply to its NSA for the use of proportionality measures suited to its specific risk profile. It is essential to retain this flexibility and core principle in the framework to ensure it can accommodate the diverse business models across the sector. This consultation appears to ignore this altogether.
- Use of proportionality within a group: We find that in some cases while solo entities in a group may benefit from the exemptions granted under the new Solvency II requirements, they are still indirectly obligated to comply with all requirements applicable at the group level. This concern is particularly relevant for requirements pertaining to reporting, disclosure, and risk management. To address those issues, we consider it essential to allow exempted entities to be excluded from consolidated reports or to enable the use of historical data. These measures would help streamline reporting processes and significantly reduce the administrative burden, ensuring that the intended proportionality benefits are fully realized without imposing indirect compliance requirements at the group level.
- Qualitative and quantitative criteria: Both types of criteria should remain as non-binding guidance rather than rigid thresholds. We believe that quantitative measures should be removed altogether from this advice. Even if it is stated that this is non-

binding guidance, we may see certain NCAs implementing it more rigidly, which results to different supervisory practices. As a special point, on condition 4 the proposed thresholds (hard limits) should be left out.

- Cost/Impact Analysis: EIOPA is encouraged to conduct a market impact and cost analysis. The proposed proportionality framework might inadvertently create financial and operational burdens for undertakings and NCAs, especially with the introduction of detailed qualitative conditions and thresholds. Ensuring that these measures support rather than complicate market dynamics is critical.
- Threshold for market share: Because of the different sizes of markets, relative threshold might result in treating insurance undertakings different in different countries although with the same risk-profile.
- The use of reinsurance should not be singled out, either through conditions specific to reinsurance (condition 16) or in the description of the condition (condition 4). Reinsurance is a proven tool used for decades by the industry to simplify and stabilize the risk profile of small to medium-size insurers.

1.3. INTRODUCTION

Q2. Do you have comments on Section 1.1 'Call for advice'?

We see that the request for EIOPA by Commission is very clear. It's important that EIOPA advice stays in this well-defined scope. Moreover, EIOPA should ensure that any impacts of intervention outside of this scope are being mitigated.

Q3. Do you have comments on Section 1.2 'Context'?

No.

Q4. Do you have comments on Section 1.3 'Basis for draft advice'?

We believe that Articles 29a and 29b in the Solvency II directive proposal are enough clear and won't require further clarity.

Q5. Do you have comments on Section 1.4 'Structure of the draft advice'?

No.

1.4. METHODOLOGY TO BE USED WHEN CLASSIFYING UNDERTAKINGS AS SMALL AND NONCOMPLEX

Q6. Do you have comments on Section 2.1 'Extract from the Call for Advice'?

No.

Q7. Do you have comments on Section 2.2 'Relevant legal provisions'?

No.

Q8. Do you have comments on Section 2.3 'Identification of the issue'?

No.

Q9. Do you have comments on Section 2.4 'Analysis'?

We strongly agree with analysis of Option 2 that any further specification in addition to the procedural aspects may override the national administrative legislation. This would be an undesirable outcome.

Q10. Do you have comments on Section 2.5 'Draft advice'?

We agree with the conclusion and advice.

Q11. Do you consider that any aspect of the methodology for classifying undertakings and group as small and non-complex would require further specification?

No.

If yes, please describe which ones, the reasons why and the proposed further guidance

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1.5. CONDITIONS FOR GRANTING OR WITHDRAWING SUPERVISORY APPROVAL TO UNDERTAKINGS AND GROUPS THAT ARE NOT CLASSIFIED AS SMALL AND NON-COMPLEX

Q12. Do you have comments on Section 3.1 'Extract from the Call for Advice'?

No.

Q13. Do you have comments on Section 3.2 'Relevant legal provisions'?

No.

Q14. Do you have comments on Section 3.3 'Identification of the issue'?

EIOPA states that for non-SNCU's, proportionality measures can only be approved for undertakings whose risk profile is not materially different from the risk profile of SNCUs. We believe that this interpretation is much more restrictive than the directive text which for the purposes of this assessment refers to the risks carried out by the undertaking and strategic changes impacting the risk profile in the next 3 years. Even though EIOPA might need to define conditions for granting or withdrawing the use of each proportionality measure, this process should be based to more qualitative assessment and easier to access by undertaking. We believe that the process could even be turned in a way that the proportionality measures would be easier to use but more reporting towards supervisors would be put in place to justify that all necessary conditions are fulfilled constantly. This would ensure that proportionality measures are being used in efficient ways and business capacity used to other areas important for EU development.

Q15. Do you have comments on Section 3.4 'Analysis'?

We question the use of the word impaired in box of Option 1: no change. The undertakings who are likely to apply some specific proportionality measures will already be quite well informed about the measure since the text is specific and technical.

Q16. Do you have comments on Section 3.5 'Draft advice'?

The use of reinsurance should not be singled out, either through conditions specific to reinsurance (condition 16) or in the description of the condition (condition 4). Reinsurance is a proven tool used for decades by the industry to simplify and stabilize the risk profile of small to medium-size insurers, and regulatory text on proportionality measures should not create real or perceived barriers to the application of proportionality measures resulting from the use of reinsurance. Other non-reinsurance specific conditions or wordings are sufficiently broad to capture the extent to which reinsurance may be relevant for the assessment of proportionality measures.

1.6. OVERVIEW OF CONDITIONS MEASURE BY MEASURE

Q17. Do you have comments on the section on 'Article 35(5a): Information to be provided for supervisory purposes'?

Please refer to the comments below in respect of conditions 1, 2, 3 and 4.

Q18. Do you have comments on the section on 'b. Article 41: General governance requirements - Paragraph 2a: Combination of key functions'?

Please refer to the comments below in respect of conditions 1, 2, 3 and 4.

Q19. Do you have comments on the section on 'b. Article 41: General governance requirements - Paragraph 3: Less frequent review of written policies'?

Please refer to the comments below in respect of conditions 1, 2, 3 and 4.

Q20. Do you have comments on the section on 'Article 45: Own risk and solvency assessment – Paragraph 1b: Waiver from macroprudential analysis in the ORSA'?

Please refer to the comments below in respect of conditions 1, 2, 3 and 4.

Q21. Do you have comments on the section on 'Article 45: Own risk and solvency assessment – Paragraph 5: ORSA at least every two years'?

Please refer to the comments below in respect of conditions 1, 2, 3 and 4.

Q22. Do you have comments on the section on 'Article 77(8): Calculation of technical provisions'?

Please refer to the comments below in respect of conditions 1, 2, 3 and 4.

Q23. Do you have comments on the section on 'Article 144a(4): Liquidity risk management'?

Please refer to the comments below in respect of conditions 1, 2, 3 and 4.

Q24. Do you have comments on the section on 'Article 275(2)(c): Waiver from mandatory deferral of a significant portion of the variable remuneration'?

Please refer to the comments below in respect of conditions 1, 2, 3 and 4.

1.7. EXPLANATION OF THE CONDITIONS

Q25. Do you have comments on Condition 1?

Condition 1: The supervisory authority expects, following the supervisory review process, that the undertaking is able to withstand its current and future risks and does not require a more frequent supervisory assessment and is not subject to on-going supervisory measures to restore material on compliance with Solvency II.

We find that supervisors have enough tools to require more frequent supervisory assessment and that insurers provide a lot of reports (even though all proportionality measures from a to g had been approved) and documentation to keep supervisors well informed on their risk profile. Especially ORSA reports builds a holistic picture of insurers risk profile and its ability to handle those risks. Also, the Solvency II review will bring new powers to supervisors. Therefore, we would simplify the text and delete the 'current and future risks' wording as following:

'The supervisory authority expects, following the supervisory review process, that the undertakings ~~is able to withstand its current and future risks and~~ does not require a more frequent supervisory assessment and is not subject to on-going supervisory measures to restore material non-compliance with Solvency II'

Q26. Do you have comments on Condition 2?

Condition 2: The undertaking does not have a complex business model, as defined in its business strategy and business plan, having also regard to the complexity of the products sold or the investments held, and did not undergo material changes of its business model in the last three financial years, having also regard to key figures on the undertakings' financial condition, such as investments, technical provisions, written premiums, own funds items, or the Solvency Capital Ratio.

The IRSG is of the opinion that the proposed requirement for no material business model changes in the last 3 years would be in addition to the directive requirement for no such changes planned within the next 3 years, giving rise to a requirement for 6 years with no material changes in the business model. It is not practical to require 6 years of no material changes in the business model to benefit from proportionality measures and could increase risk if it dis-incentivizes companies from making necessary business model changes over

such a long time period. The backward-looking criterion on business model changes is not tailored to the directive requirement to consider risk profile – for example a business model change could have been made in the last 3 years to considerably reduce or simplify risk profile. The forward-looking criterion of the directive is sufficient, and the proposed backward-looking requirement makes the proposal overly restrictive.

We believe also that material changes and possible complexity of the business model is enough well explained in all the reports insurers provide already (even if all proportionality measures from a to g had been approved). Therefore, this point seems to be already covered well enough under condition 1 as supervisors already have tools not to approve insurer using proportionality measures (a to g) if the undertaking does not require more frequent supervisory assessment.

Q27. Do you have comments on Condition 3?

Condition 3: The undertaking's Solvency Capital Requirement is exceeded by an appropriate margin taking into account the solvency position of the undertaking including its medium-term capital management plan.

We find that the condition 1 already identifies the general need for more frequent supervisory assessments, one driver being if undertaking falls below SCR. In reality' also insurers traffic light systems or recovery plans will be monitored which also might lead to more frequent supervisory assessment. Therefore, this condition seems to be covered under condition 1.

As a special point, we believe that the introduction of shadow SCR is a critical concern. The requirement for undertakings to maintain a "shadow solvency capital requirement" adds unnecessary complexity and may lead to inconsistencies in how the SCR is assessed across different entities. It is recommended that the shadow SCR be reconsidered or simplified to ensure consistency in application and avoid introducing administrative burdens without clear benefits.

Q28. Do you have comments on Condition 4?

Condition 4: The undertaking's:

- a) technical provisions from life activities, gross of the amounts recoverable from reinsurance contracts and special purpose vehicles, as referred to in Article 76, are not higher than EUR 15 000 000 000, and;

b) the annual gross written premium income from non-life activities is not higher than EUR 2 000 000 000, and;

c) the undertaking does not represent more than 5% of the life market or, where applicable, non-life market in accordance with Article 35a(1), second subparagraph, of the home Member State of the undertaking.

The threshold referred to in letter a) of this condition shall be applied to life undertakings and to undertakings pursuing both life and non-life activities whose technical provisions related to the life activities represent 20 % or more of the total technical provisions gross of the amounts recoverable from reinsurance contracts and special purpose vehicles, as referred to in Article 76 of the Solvency II Directive.

The threshold referred to in letter b) of this condition shall be applied to non-life undertakings and to undertakings pursuing both life and non-life activities whose annual gross written premium income related to the non-life activities represent 40 % or more of its total annual gross written premium income.

By way of derogation to the previous paragraphs, the supervisory authority may grant proportionality measures if it is satisfied that the undertaking's business activities are of a simple nature.

The IRSG believes that this condition 4 quantitative criteria (thresholds) won't work as EU member countries are very different by size and the market and business models differ a lot. This should be kept as non-binding guidance or just left out from the advice with a focus to more qualitative and principles-based criteria.

We also find that condition 4 states that NSAs may grant proportionality measures if it is satisfied that the undertaking's business activities are of a simple nature. EIOPA notes that simple nature means the undertaking does not conduct significant cross-border activities, or do not make innovative use of reinsurance as risk mitigation techniques. The paper's treatment of reinsurance, particularly cross-border or "innovative" reinsurance solutions, needs change. Reinsurance, when used properly, can mitigate risk rather than introduce it. The portrayal of cross-border activities and innovative reinsurance as inherently riskier goes against the principle of the Single Market and the flexibility intended under Solvency II. Therefore, we see that the description of the use of reinsurance and the term "innovative" here is too broad and open to interpretation and should be removed. It should be left to supervisory assessment as part of the approval process as to whether the firm's use of

reinsurance affects the assessment of whether the firm's activities are of a simple nature. More generally, reinsurance is a proven tool used for decades by the industry to simplify and stabilize the risk profile of small to medium-size insurers. In other words, the use of reinsurance is often the means to meet the conditions set out by EIOPA and it should be clear in the advice that the use of reinsurance is not discouraged.

Finally, the condition 4c with the 5% market share seems not to work well for small and medium size countries where the overall size of insurers is relatively small, but the market share can be substantial. This might bring a result where proportionality is not applied in same ways in different countries – an insurer might be allowed to use proportionality measures (a to g) in one country but in another not just by crossing the market share limit. Is a high market share solely an indication to be non-eligible for using proportionality measures?

Q29. Do you have comments on Condition 5?

Condition 5: The supervisory authority has not identified serious concerns arising from the system of governance of the undertaking in the last three financial years.

No.

Q30. Do you have comments on Condition 6?

Condition 6: There are no concerns with the last three Regular Supervisory Reports, which shall include high-quality and complete information pursuant to Article 35 (1) to (3) of Solvency II Directive and in compliance with the principles in Article 35(4).

We keep it important that only material concerns should be relevant here. The RSR contains a vast amount of information for the supervisor, making it unreasonable to use the RSR as a condition limiting eligibility for SNCU status. The conditions must be clearly defined, as the RSR is broad and comprehensive rather than specific.

Q31. Do you have comments on Condition 7?

Condition 7: No concerns have emerged with regard to decision making procedures and the organizational structure of the undertaking in the last three financial years.

In our opinion 'No concerns' seems to be too vague definition here. Would it be better to refer to some official letters, public warnings, or fines that the undertaking has been targeted on.

Q32. Do you have comments on Condition 8?

Condition 8: The persons responsible for the key functions of risk management, actuarial and compliance possess at all times sufficient knowledge, skills and experience to effectively conduct activities related to the different functions, and the combination of functions or the combination of a function with a membership of the administrative, management or supervisory body does not compromise the person's ability to carry out her or his responsibilities by retaining sufficient time to conduct all relevant additional tasks.

No.

Q33. Do you have comments on Condition 9?

Condition 9: The cost of maintaining separate functions would be disproportionate with respect to the total administrative expenses and with the total number of employees of the undertaking.

In our view, the use of the term 'disproportionate' lacks clarity and grants Supervisory Authorities considerable discretion in applying the measure. The decision to combine key function management primarily reflects the need to streamline business operations, given the simplified structure and low-risk profile of the undertaking. Furthermore, considerations regarding the cost of managing key functions should be left more to the discretion of the company or should not constitute binding requirements.

Q34. Do you have comments on Condition 10?

Condition 10: All written policies required as part of the system of governance are complete and approved by the administrative, management or supervisory body, are aligned with each other and with the business strategy of the undertaking.

No.

Q35. Do you have comments on Condition 11?

Condition 11: The information provided in the undertaking's last three own risk and solvency assessments pursuant to Article 45 (2) of the Solvency II Directive and Article 306 of the Delegated Regulation is appropriate to its risk profile.

– material should be added to the condition: “... is appropriate **and material** to its risk profile”.

Q36. Do you have comments on Condition 12?

Condition 12: There are no concerns that the reduced frequency of the ORSA affects the effectiveness of the risk management system of the undertaking pursuant to Article 44, and the undertaking maintains an effective process to monitor circumstances that require an ad hoc ORSA as well as sufficient resources to provide an ad hoc ORSA, when required.

No.

Q37. Do you have comments on Condition 13?

Condition 13: The insurance or reinsurance undertaking is not using a stochastic valuation of the best estimate relating to the obligations for which the undertaking seeks to apply a prudent deterministic valuation, and using a stochastic valuation would be overly burdensome in relation to the nature, scale and complexity of the risks arising from these obligations.

We believe that the need for prudent deterministic valuation of the best estimate for life obligations with options and guarantees that are not deemed material under Article 29d should be approved if the undertaking shows that there is not sufficient data nor models available so that stochastic valuation could be used in reliable ways. This is market specific, requires company's own historical data and yet also a theory-based question. For instance, to use stochastic model for customer behavior, one needs a large set of data from different market cycles and still there's no consensus of which theories explains the models the best way. If there's no sufficient data then possibly no other conditions (1-5, 13, 14) should be set as it doesn't change this fact.

Q38. Do you have comments on Condition 14?

Condition 14: The time value of options and guarantees, measured based on the prudent harmonized reduced set of scenarios, of the contracts where the prudent deterministic valuation is applied is below 5% of the Solvency Capital Requirement.

See answer for condition 13 (Q37). In addition to that, we believe that if there was any threshold for the time value for option and guarantees, this should be set in proportion to technical provisions, not SCR.

Q39. Do you have comments on Condition 15?

Condition 15: There are no material exposures to liquidity risk from asset (including derivatives) and liability sides of the balance sheet, including the availability of liquid assets and the level of liquidity of insurance contracts, taking into account the potential impact of policyholders' behaviour on the liquidity position of the undertaking and the exposure to off-balance sheet items.

We would also include the level of own funds into the list that should be considered when deciding whether there's any material exposure to liquidity risk. For instance, if the insurer has high level of own funds which might not have any (or very immaterial) liquidity risk, this should be considered also.

According to EIOPA this condition aims to ensure that the undertaking adequately manages its liquidity risks, by considering risk sources arising in both asset and liability sides of the BS. All measures that potentially mitigate liquidity risks should also be taken into account when setting an LRMP requirement.

Q40. Do you have comments on Condition 16?

Condition 16: There is no material concentration of counterparty exposures to reinsurance undertakings.

We believe that this condition is not necessary as the objective (to address firm exposure to the same reinsurance undertaking) is already covered by condition 15 (material exposures from the asset and liability sides of the balance sheet). A material concentration of counterparty exposures to reinsurance undertakings is only relevant for the purpose of this proportionality measure if it could potentially give rise to a material liquidity risk / exposure. It is not necessary to single out reinsurance in this way as such a potential risk or exposure is already captured in condition 15.

Q41. Do you have comments on Condition 17?

Condition 17: There are no concerns in liquidity position of undertakings stemming from economic or macroeconomic market trend or the amount and quality of own funds items.

We believe that 'any concerns to liquidity position' should be linked to what has been reported to supervisors (ORSA, RSR, SFCR, SII reports, stress tests etc.). If reports show concerns by some generally used measures, then there could be some.

Q42. Do you have comments on Condition 18?

Condition 18: [For groups only] There are no concerns regarding the fungibility and availability of liquid funds across the group, including the ability to transfer liquidity across the group's undertakings.

We believe that fungibility and ways to transfer liquidity across the groups differs amongst business models, for instance mutual insurer's ability is very different than plc's. Also, there can be barriers coming from country specific legislation. We suggest having more general wording or leaving this out and referring to groups in condition 17.

Q43. Do you have comments on Condition 19?

Condition 19: The annual variable remuneration of the staff member shall not exceed EUR 50,000 and represents less than 1/3 of that staff member's total annual remuneration.

No.

Q44. Do you consider that additional specific conditions would be needed for insurance groups that are not classified as small and non-complex?

The IRSG has the opinion that no additional conditions for groups are needed.

We would like to emphasize that significant challenges emerge in the implementation of specific proportionality measures, applied by both SNCU companies and non-SNCU entities authorised to apply certain proportionality measures, within groups that do not qualify as small and non-complex. The management of a group necessitates a thorough evaluation of risks, encompassing those associated with its subsidiaries, regardless of their size or operational complexity. This process is subsequently followed by the consolidation of such data, its public disclosure and direct reporting to the Authority. Therefore, it is essential to avoid a scenario in which, while SNCU entities (or non-SNCU entities authorized to apply proportionality measures) may benefit from the exemptions granted under the new Solvency II requirements, they are still indirectly obligated to comply with all requirements applicable at the group level. This concern is particularly relevant for requirements pertaining to reporting, disclosure, and risk management. Specifically:

- Reporting simplifications. In order to contribute to the group's standard reporting documents, individual entities are required to submit data corresponding to the specific information requested in the templates. This requirement presents a risk of undermining the effectiveness of the following simplifications:
 - Five-year RSR (Art. 35 (5a));
 - Exemption from QRT and item-by-item reporting (Art. 35a (2));
 - Sustainability reporting (Art. 19a (6) of the Accounting Directive).
- Disclosure simplifications. The same rationale that applies to reporting requirements is equally applicable to disclosure obligations, particularly with regard to:
 - Frequency and content of SFCR (Art. 51 (6)).
- Governance and risk management simplifications. Individual entity policies should be consistent with those of the groups, which are regularly reviewed. Additionally, the assessment of group risks necessitates an active contribution from the subsidiaries. Such considerations may undermine the effectiveness of the following measures:
 - Five-year policy update (Art. 41 (3));
 - Own Risk and Solvency Assessment frequency and simplification (Art. 45 (1b); Art. 45a.(5));
 - Exemption from liquidity risk management plan (Art. 144a.(4)).

To address the issues outlined above, we consider it essential to allow exempted entities to be excluded from consolidated reports or to enable the use of historical data. These measures would help streamline reporting processes and significantly reduce the administrative burden, ensuring that the intended proportionality benefits are fully realized without imposing indirect compliance requirements at the group level.

If yes, please describe which ones and the reasons why

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1.8. ANY OTHER COMMENT

Q45. Do you have any other comments?

No.