



European Commission recognises the Swiss insurance supervision system as equivalent to the Solvency II Directive

On 5 June 2015, The European Commission adopted its first third country equivalence [decisions](#) under Solvency II. Switzerland is granted full equivalence in all three areas of Solvency II: solvency calculation, group supervision and reinsurance. 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. Switzerland is the only country recognized in full and for an indefinite period.

The decision now needs 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.

After receiving equivalence, EU insurers can use local rules to report on their operations in Switzerland, while Swiss insurers are able to operate in the EU without complying with all EU rules. The equivalence decision will provide more legal certainty for EU insurers operating in Switzerland as well as for Swiss insurance companies operating in the EU. The EU recognition of equivalence thus enhances the reputation and competitiveness of the Swiss financial market.

Background

The recast Directive on the taking-up and pursuit of the business of Insurance and Reinsurance (2009/138/EC) (Solvency II) is a major piece of prudential regulation for the EU insurance industry, establishing new EU-wide capital requirements and risk management standards. Although legally 'in force', Solvency II implementation has been subject to many delays and set-backs, requiring multiple 'delaying directives'. The phasing-in period for Solvency II (for supervisory approval processes and decisions related to group supervision) commenced from 1 April 2015. 1 January 2016 is set as the Solvency II implementation date.

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.

Areas for equivalence evaluation

The Solvency II Directive provides for equivalence determination of third countries in three areas:

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 period (if complete equivalence has been determined) or for a limited period (where progress is being made towards equivalence). There is no difference in effect between full equivalence and temporary equivalence.

Present decision of 5 June 2015 on the equivalence of the solvency and prudential regime for insurance and reinsurance undertakings in force in Switzerland

The present decision covers equivalence for Switzerland for an unlimited period and for all three abovementioned equivalence areas: Articles 172, 227 and 260. The [advice](#) produced by EIOPA for the European Commission on the equivalence of the Swiss supervisory system with Solvency II has been published on EIOPA's website. EIOPA's advice is based on the relevant Swiss legislative framework - including the Swiss Financial Market Supervisory Act (of 22 June 2007, which entered into force on 1 January 2009) the Insurance Supervision Act (of 17 December 2004) and the Insurance Supervision Ordinance (as amended by the Swiss Federal Council on 25 March 2015, entering into force on 1 July 2015).

References:

[European Commission - Press release: 'Insurance: European Commission adopts a first package of third country equivalence decisions under Solvency II', Brussels, 05 June 2015.](#)

[European Commission – Delegated Decision on the equivalence of the solvency and prudential regime for insurance and reinsurance undertakings in force in Switzerland based on Articles 172 \(2\), 227\(4\) and 260\(3\) of Directive 2009/138/EC of the European Parliament and of the Council, 05 June 2015.](#)

[EIOPA, Solvency II Final L2 Advice](#)

[FINMA \(Swiss Financial Market Supervisory Authority\) news report on equivalence decision of 05 June 2015.](#)

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