

Insurance Quarterly Legal and Regulatory Update

1 April 2025 - 30 June 2025



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1 SOLVENCY II

1.1 European Commission consults on Delegated Decision on equivalence of Brazil, Japan and Mexico insurance solvency regimes for purposes of Solvency II

On 5 June 2025, the European Commission published a consultation regarding a draft Delegated Decision¹ on the renewal of the equivalence of the Solvency II Directive² framework for insurance and reinsurance undertakings in Brazil, Japan and Mexico.

Under the Solvency II Directive, third-country insurers that are part of groups headquartered in the EU may be permitted to calculate the capital requirements and available capital under the third country rules rather than Solvency II. This option is only available to third country supervisory regimes deemed by the Commission to be equivalent to the Solvency II regime. In 2015, the Commission adopted delegated decisions on the provisional equivalence of the solvency framework in Brazil, Mexico and Japan³. These decisions will expire on 1 January 2026.

Following consultation with EIOPA, the Commission has confirmed that these third-country regimes continue to fulfil the requirements of the Solvency II regime. Accordingly, the Commission intends to renew the provisional equivalence for the Brazilian, Japanese and Mexican solvency regimes, commencing from 1 January 2026 and lasting until 31 December 2035.

The text of the draft Delegated Decision is available [here](#).

2 EIOPA

2.1 EIOPA consults on revising level 3 materials under amended Solvency II Directive

On 3 April 2025, the European Insurance and Occupational Pensions Authority (**EIOPA**) published a series of consultation papers related to the Solvency II Directive as amended:

- A consultation paper on draft guidelines on the exclusion of undertakings from the scope of group supervision. Group supervisors may exclude undertakings from group supervision under the amended Article 214(3) of the Solvency II Directive. However, where a decision to exclude an undertaking would result in a complete waiver of group supervision or in supervision at the level of intermediate parent group, it should be made in only the most exceptional circumstances. The consultation paper can be accessed [here](#).
- A consultation paper on draft guidelines on the treatment of related undertakings including participations. The updated guidelines clarify and simplify the existing guidelines in light of the amended Solvency II Directive. The consultation paper can be accessed [here](#).
- A consultation paper on a draft revised opinion on the supervisory assessment of internal models including a dynamic volatility adjustment. The consultation paper can be accessed [here](#).

Comments could be made on each proposal until 26 June 2025. EIOPA will consider the comments and publish a report on each consultation, along with a revised proposal. The new revised guidelines will come into force from 30 January 2027.

2.2 EIOPA approach to better regulation and supervision

On 8 April 2025, EIOPA published a note⁴ setting out its approach to regulatory simplification and burden reduction. This note was published in the context of the EU's focus on strengthening competitiveness and internal demand, particularly as highlighted in the European Commission's Competitiveness Compass.

¹ Ares(2025)4523280.

² 2009/138/EC.

³ Commission Delegated Decisions (EU) 2015/2290 AND (EU) 2016/310

⁴ EIOPA-BoS-25/118.

EIOPA believes that regulatory simplification presents an opportunity for a greater focus on outcomes that would be beneficial to the EU economy. They stress that collective interests should be prioritised over national interests, in order to prevent further fragmentation in the single market. Nevertheless, they also caution that regulatory simplification should not result in the weakening of supervisory requirements to the detriment of consumers or market transparency.

The note highlights some areas of EIOPA's work where it is advancing simplification including:

- A reduction and simplification of reporting requirements under the Solvency II regime.
- A permanent reduction in the frequency of stress testing for insurers.
- Streamlining requirements related to product disclosures, design and sales processes to support a greater uptake in insurance products.

According to EIOPA, simplification should begin at the earliest stages of the legislative processes. EIOPA also advocates for greater involvement during Level 1 negotiations, especially in respect of horizontal legislation. These changes would assist in overseeing greater supervisory convergence and promote a stronger mandate at EIOPA board level for a more streamlined approach to supervision.

The note can be found [here](#).

2.3 EIOPA report on IBIPs mystery-shopping exercise

On 17 June 2025, EIOPA published a report⁵ on its mystery shopping exercise on the sales process for insurance-based investment products (**IBIPs**).

The exercise aimed to better understand the IBIP sales process and identify areas for improvement. Trained shoppers purchased IBIPs in eight Member States between January and November 2024, leading to the following observations:

- Distributors typically assessed shoppers' investment horizon, while not assessing other key objectives and needs in the same systematic fashion.
- Distributors often inquired about investment goals and requirements. However, the extent and type of questions varied.
- During the visits, 36% of shoppers received a key information document (**KID**) and 18% of shoppers with sustainability preferences received sustainability disclosures.
- The products offered were often consistent with shoppers' needs. However, there was limited correlation between the comprehensiveness of the information gathering process and final outcomes, and no correlation between formal advice, visit duration and shopper outcomes.

In summary, the findings indicate that while distributors often provide relevant shoppers with relevant information, there are areas for improvement.

EIOPA will use these results to inform future policy work, and it intends to carry out further research in this area. It will also work closely with the participating national competent authorities (**NCAs**) to discuss relevant follow-up actions and determine the best approach to address areas of concern.

The full report can be accessed [here](#).

2.4 EIOPA consults on IRRD framework: April 2025

⁵ EIOPA-25/164.

On 29 April 2025, EIOPA published its first set of consultation papers relating to the implementation of the Insurance Recovery and Resolution Directive (**IRR**D)⁶.

The series consists of the following:

- A consultation paper proposing draft regulatory technical standards (**RTS**) that further specify the minimum elements to be included in the pre-emptive recovery plan of (re)insurers subject to pre-emptive recovery planning requirements.
- A consultation paper setting out specific criteria for selecting which (re)insurers should be required to prepare pre-emptive recovery plans and detailing the methods for calculating the market share of undertakings subject to these requirements to ensure that at least 60% of the respective market is covered.
- A consultation paper specifying criteria for the identification of critical functions. The IRRD requires (re)insurers identified by resolution authorities as performing critical functions to draw up resolution plans.
- A consultation paper proposing draft RTS that further specify the minimum elements that must be included in resolution plans.
- A consultation paper proposing guidelines to further specify the criteria for the assessment of the resolvability of undertakings or groups, including the feasibility and credibility of their resolution strategy.
- A consultation paper concerning the alternative measures included in the IRRD that resolution authorities may take to address or remove impediments to the resolvability of the insurance or reinsurance undertakings or groups in scope.

Comments can be made on the proposals until 31 July 2025.

Member states are expected to apply measures implementing the IRRD from 30 January 2027.

The consultation papers can be accessed [here](#).

2.5 EIOPA report on consumer disclosures and natural catastrophe insurance coverage

On 19 May 2025, EIOPA published a report⁷ on the clarity of natural catastrophe (**NatCat**) coverage in household insurance product information documents (**IPIDs**).

EIOPA's study investigated the degree and quality of information presented in IPIDs for 29 different insurance undertakings, with a focus on coverage for NatCat events. On a broader scale, this work builds on EIOPA's proposals to reduce the economic impact of natural catastrophes. The following issues were identified in the report:

- Unclear, vague or inconsistent wording used in IPIDs and terms and conditions.
- Unnecessary reliance on external documents.
- Differences and inconsistency in defining NatCat events.
- Unclear and inconsistent disclosure of supplementary or add-on NatCat coverage.

EIOPA intends make use of the findings to monitor market trends and promote consumers' financial resilience. It also stresses that if the severity and intensity of NatCat events continues to increase, the protection gap relating to insurance coverage will widen.

A full copy of the report can be found [here](#).

⁶ (EU) 2025/1.

⁷ EIOPA-BoS-25/192.

3 SUSTAINABILITY

3.1 Joint Committee of ESAs consults on integration of ESG risks in financial stress tests for banks and insurers

On 27 June 2025, the Joint Committee of the European Supervisory Authorities (**ESAs**) published a consultation paper⁸ on their joint draft guidelines on ESG stress testing under the Capital Requirements Directive (**CRD**)⁹ and the Solvency II Directive¹⁰.

The guidelines aim to ensure that NCAs for the banking and insurance sectors consistently integrate ESG risks into their supervisory stress testing activities.

In order to ensure consistent integration of ESG risks into supervisory stress-testing activities, the guidelines establish a common framework for developing ESG-related stress testing methodologies and standards across the EU's financial system. They provide guidance on the design and features of stress tests with ESG elements, and on the organisational and governance arrangements these stress tests would need to have.

The deadline for responses to the consultation is 19 September 2025. An online public hearing on the draft guidelines will take place on 26 August 2025.

The ESAs will consider feedback on the proposals in Q3 and Q4 2025. They plan to finalise the guidelines by the end of 2025 and are required to publish the final joint guidelines by 10 January 2026.

The full consultation paper can be accessed [here](#).

4 MISCELLANEOUS

4.1 Publication of Guidance on transitioning to a risk-based solvency (RBS) regime

On 20 June 2025, the International Association of Insurance Supervisors (**IAIS**), with input from the International Monetary Fund (**IMF**), published guidance for supervisors on the practical aspects of implementing an RBS regime. Some key insights include the following:

- The implementation of an RBS regime is a medium-to-long-term project rather than a short-term undertaking.
- The nature of the jurisdiction's legal system, the resources available to the supervisor and the preference of the supervisor and industry stakeholders will determine how the RBS project can be constructed.
- Stakeholder engagement is very important throughout the transition process.
- The implementation of such a regime requires cultural change for both the insurance sector and the supervisor and accordingly both need to be managed with care.

The guidance can be accessed [here](#).

⁸ JC 2025 30.

⁹ 2013/36/EU.

Key contacts

If you have any questions in relation to the content of this update, to request copies of our most recent newsletters, briefings or articles, or if you wish to be included on our mailing list going forward, please contact any of the team members below or your usual contact in Dillon Eustace.

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