

# European Commission Adopts Amendments to the Solvency II Delegated Regulation

**2 March 2026**

The European Commission's review of Solvency II is finally nearing completion with the final directive changes published in January of last year through Directive (EU) 2025/2 (the "Solvency II Review Directive"), with amendments to the delegated legislation to follow.

On 18 February 2026, the European Commission published Commission Delegated Regulation (EU) 2026/269 (the "Delegated Regulation"), amending Delegated Regulation (EU) 2015/35 (the "Solvency II Delegated Regulation"). The reforms introduce a wide set of changes across, among other areas, technical provisions, long-term guarantee measures, own funds, elements of the standard formula, reporting and disclosure, proportionality and group solvency.

The revised framework is intended to remove inconsistencies and "unjustified layers of prudence." While such revisions may increase available capital in excess of the Solvency Capital Requirement ("SCR"), the expectation is that insurers direct additional capital towards productive investments, including securitisations, that contribute to the funding of companies and the economy of the European Union (the "Union"). This will be monitored by the European Commission.

## **TECHNICAL PROVISIONS AND LONG-TERM GUARANTEE MEASURES**

### **Climate Change Risk**

The Delegated Regulation recognises that climate change-related risks are long-term, non-linear and systemic, and may not be adequately captured through historical data alone. The Solvency II Review Directive introduced new requirements for the management of climate change-related and sustainability risks. The Delegated Regulation builds on these and highlights the risk that undertakings may rely too heavily on past-event data in their climate-related best estimate valuation. It therefore requires undertakings to have forward-looking internal procedures in place to avoid

---

overreliance on historical data in relation to climate change-related trends, including through the use of climate scenarios.

#### **Risk Margin Methodology Change**

The Delegated Regulation notes that the risk margin has historically been calibrated conservatively. While the Solvency II Review Directive already reduced the cost-of-capital rate used in the risk margin calculation (with an overall reduction in the level of the risk margin of approximately 21%), the Delegated Regulation states that the existing formula in the Solvency II Delegated Regulation does not adequately reflect the natural decline of certain risks over time and may lead to double counting (including for lapse and mortality risks). To address this, the Delegated Regulation introduces an exponential, time-dependent factor intended to ensure an annual reduction of risks of at least 3.5%, while capping the resulting reduction in the quantification of future risks at 50% to maintain an appropriate level of prudence and policyholder protection.

#### **Risk-Free Interest Rate Extrapolation**

The parameter governing convergence to the ultimate forward rate is now specified, requiring a convergence parameter of 11% in general. However, due to specific features of the Swedish bond market, a different convergence parameter of 40% applies to the Swedish krona.

#### **Volatility Adjustment**

The Delegated Regulation implements the Solvency II Review Directive changes to the volatility adjustment (“VA”), including by refining the “risk correction” so that the VA does not reflect the portion of spreads attributable to a realistic assessment of expected losses or unexpected credit (or other) risk. The portion to be excluded is calculated as a percentage of spreads that decreases as spreads increase. For corporate bonds, because a large portion of spreads reflects genuine credit risk at low-to-medium levels, where corporate bond and loan spreads do not exceed their long-term average, the percentage applied to determine the risk correction should not be lower than 50%.

Further, to preserve the VA’s countercyclical function without distorting risk sensitivity or overstating solvency during periods of short-term stress, the maximum level of the risk correction should not be set too low.

#### **Symmetric Adjustment**

The limits on the symmetric adjustment have been revised to no lower than -13% and no higher than 13%, to allow greater variation in the standard equity capital charge. The objective of this change is to better mitigate pro-cyclical effects in stressed market conditions.

---

## OWN FUNDS

### Foreseeable Dividends

The treatment of foreseeable dividends, distributions and charges has now been clarified. It is noted that inconsistent practices have developed regarding how deductions from own funds are made. Therefore, to ensure a level-playing field, insurers should use an accrual approach when determining the amount of foreseeable dividends to be deducted when calculating their available own funds.

### Group Own Funds and M&A

The Delegated Regulation addresses the treatment of own fund instruments issued by undertakings prior to their acquisition by a group. Under the current framework, such instruments may fail to qualify as group own funds even where they remain compliant at the individual level—which may create disproportionate capital costs associated with external growth. To mitigate such costs, the Delegated Regulation allows, on a transitional and time-limited basis, recognition of such instruments as non-available group own funds following acquisition.

## EQUITY RISK AND LONG-TERM EQUITY INVESTMENTS

### Demonstrating the “No Forced Sale” Condition

The Delegated Regulation frames equity financing as important to the Union’s resilience and competitiveness, and notes that the Solvency II regime provides a preferential capital treatment for long-term equity investments. It highlights, though, the requirement that undertakings must demonstrate to supervisory authorities that they can avoid forced sales of the relevant equity investments for five years, on an ongoing basis and under stressed conditions, in order to obtain that preferential treatment. The Delegated Regulation indicates that the approaches to demonstrate this should be specified, and that undertakings should be allowed to choose among several methods (reflecting differing business models and sophistication), while also including safeguards and supervisory monitoring to avoid arbitrary or opportunistic switching between approaches over time.

### Collective Investment Undertakings (“CIUs”)

Where long-term equity is held via CIUs, the default is to assess the “no forced sale” conditions at the level of each underlying asset. However, for certain lower-risk CIUs, that assessment may be applied at fund level. The Delegated Regulation indicates that certain “type 1 equity” CIUs (including, for example, European Social Entrepreneurship and European Venture Capital Funds) should also be treated as “lower risk profile” for

---

identifying long-term equity investments, and that where the “no forced sale” conditions are met at fund level, the preferential 22% risk factor should generally apply to the equity exposures held within those funds.

### **Legislative Programmes**

The amendments replicate, for insurance undertakings, an approach already available to credit institutions under the Capital Requirements Regulation. Equity investments made under qualifying legislative programmes (including programmes involving significant subsidies or guarantees, involving government oversight and imposing some restrictions on the types of equity investments) may benefit from preferential capital treatment, subject to supervisory approval. Where a legislative programme qualifies under the Capital Requirements Regulation, it will be presumed to qualify under the Solvency II framework as well.

### **Long-Term Equity at Group Level**

Where an undertaking belongs to a group, and equity investments are treated as long-term equity at the individual level, they should also be treated as long-term equity when calculating the group SCR. This is unless there are significant group-wide liquidity risks not captured at the level of individual undertakings or significant intragroup transactions.

## **SPREAD RISK ON SECURITISATION POSITIONS**

It was noted that senior tranches of STS securitisations were previously subject to higher capital charges than corporate or covered bonds of comparable credit quality, despite being subject to specific due diligence and transparency requirements under the Securitisation Regulation. The amendments therefore further align the risk factors for senior STS tranches with those applicable to corporate or covered bonds with comparable credit ratings. Lower risk factors for senior tranches of non-STS securitisations are introduced, reflecting that the existing framework did not distinguish between senior and non-senior tranches and therefore overstated spread risk for high-quality senior tranches.

## **OTHER STANDARD FORMULA CAPITAL REQUIREMENTS**

### **Natural Catastrophe Risk**

Risk factors for natural catastrophe underwriting risk are amended in light of updated data and models, including new definitions for floods, windstorms, hail, earthquakes

---

and subsidence and updated formulas for natural catastrophe scenarios. This may change capital outcomes for firms with material exposures in affected regions/perils.

## REPORTING AND DISCLOSURE

The amendments streamline narrative reporting by limiting the Regular Supervisory Report to information necessary for prudential supervision, noting duplication with quantitative reporting templates and Own Risk and Solvency Assessment (ORSA) reporting. They also restructure the Solvency and Financial Condition Report (“SFCR”) into two parts: a concise, policyholder-facing section with key information on performance, capital management and risk profile, and a more detailed section aimed at analysts and market professionals. In addition, in certain cross-border contexts (where an insurance contract is concluded under the freedom of establishment or freedom to provide services), the relevant part of the SFCR must, upon request, be provided to policyholders in the official language of the host Member State.

## PROPORTIONALITY

The Delegated Regulation acknowledges that insurance prudential rules can be complex and generate significant compliance costs, particularly for smaller undertakings. While Solvency II embeds an overarching proportionality principle, its practical implementation has been viewed as insufficient to effectively reduce regulatory burden. Following the amendments introduced by the Solvency II Review Directive, the Delegated Regulation specifies the framework for granting proportionality measures, including by setting out exhaustively the conditions on which supervisory authorities may refuse approval, in order to ensure predictability and fairness across the Union. By way of example, approval may depend on the undertaking not being subject to ongoing supervisory measures, not having a complex business model, exceeding its SCR by an appropriate margin, and remaining below specified quantitative thresholds, as well as demonstrating sound governance and risk management systems.

## GROUP SOLVENCY

### Treatment of Holding Companies

The amendments reflect the Solvency II Review Directive’s clarification that insurance holding companies and mixed financial holding companies are to be treated as insurance

---

or reinsurance undertakings for group solvency calculations, including notional capital requirements under both method 1 and method 2.

### **Minority Interests**

The Delegated Regulation responds to the fact that, while Solvency II already treats minority interests in a subsidiary as unavailable to the extent they exceed that subsidiary's contribution to the group SCR, the Solvency II Delegated Regulation did not specify how to calculate that excess—driving inconsistent practices across the Union. The Delegated Regulation therefore introduces rules governing the calculation of minority interests for group solvency purposes, addressing previously inconsistent approaches across Member States.

### **Treatment of Joint Arrangements**

The Delegated Regulation seeks greater consistency between prudential and accounting consolidation frameworks in the treatment of joint operations and joint ventures, as it was noted that the prior approach diverged from international accounting standards in a way that increased reporting costs and operational inefficiencies—the aim is closer alignment, provided it does not compromise policyholder protection or financial stability.

\* \* \*

## **NEXT STEPS AND IMPLICATIONS**

The Delegated Regulation will enter into force on 10 March 2026 and apply from 30 January 2027, to align with the broader reforms to the Solvency II regime.

Between now and January 2027, we can also expect to see further legislative and regulatory updates and reforms as the European Commission and EIOPA (the European Insurance and Occupational Pensions Authority) deliver their additional level 2 and level 3 amendments, dealing with implementing acts, regulatory technical standards and guidelines.

Firms should use the implementation period to assess the impact of the changes on technical provisions, capital requirements and reporting processes, including any consequential effects for capital planning, dividend policies and investment strategy.

\* \* \*

If you would like to discuss the potential implications further, please contact us.



**E. Drew Dutton**  
Partner, London  
+44 20 7786 3005  
+1 212 909 6718  
eddutton@debevoise.com



**Hugo Laing**  
Partner, London  
+44 20 7786 9020  
hlaing@debevoise.com



**Dr. Clare Swirski**  
International Consultant,  
London  
+44 20 7786 3017  
cswirski@debevoise.com



**Bethania Berhane**  
Associate, London  
+44 20 7786 5416  
bberhane@debevoise.com



**Henry Dean**  
Associate, London  
+44 20 7786 9086  
hdean@debevoise.com