EIOPA publishes annual report on the use of capital add-ons under Solvency II

The European Insurance and Occupational Pensions Authority (EIOPA) published today its annual Report on the use of capital add-ons during 2019. The objective of the capital add-on measure is ensure that the regulatory capital requirements reflect the risk profile of the undertaking or of the group. Therefore, it is important that it is used by national competent authorities (NCAs) when needed and it is also important to ensure a high degree of supervisory convergence.

This analysis included in the report is based on 2019 year-end data collected under Directive 2009/138/EC (Solvency II) as reported by the undertakings and insurance groups and complemented by a survey that entailed both qualitative and quantitative questions.

During 2019, nine NCAs have set capital add-ons to 19 solo undertakings, out of 2816 (re)insurance undertakings under the scope of the Solvency II Directive in the European Economic Area and the UK. These include nine non-life undertakings, five life undertakings, one composite undertaking and four reinsurance undertakings. The number of capital add-on was broadly in line with 2018 figures, when eight NCAs had set capital add-ons for a total of 21 solo undertakings including 10 non-life undertakings, eight life undertakings, two composites and one reinsurer.

The amount of capital add-ons imposed on undertakings using the standard formula remains very low overall in 2019, accounting for less than 0.5% of the total Solvency Capital Requirement (SCR). However, the amount of capital add-on is not insignificant when considering the amount at individual level. In sum, as of year-end 2019, the weight of the capital add-on over the total SCR for those undertakings using the standard formula with capital add-ons increased to 38% (32% in 2018).

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