

Solvency II equivalence

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When the European Union adopted Solvency II in 2009, it provided for the recognition of the solvency regimes of third countries as equivalent in three areas: the supervision of reinsurance activities of third-country reinsurers, the calculation of group solvency for European groups with third-country subsidiaries, and group supervision of third-country groups with European subsidiaries.¹ Switzerland was among the first countries to seek equivalence. The assessment by the European Insurance and Occupational Pensions Authority (EIOPA) took several years.

On 5 June 2015, the European Commission adopted a delegated decision declaring the Swiss solvency regime fully equivalent in all three areas.² Switzerland was the first third country to receive full equivalence in all three areas. Bermuda followed a few months later with a comparable decision.³ The equivalence means that European groups with Swiss subsidiaries can include those subsidiaries in their group solvency calculation using the SST, that Swiss reinsurers are treated in the European Union in the same way as European reinsurers, and that European supervisors rely on FINMA's group supervision of Swiss groups.

For the Swiss industry, the equivalence decision is of considerable economic value, since it avoids duplication of capital requirements and supervisory oversight. It is particularly important for Swiss Re and for the other reinsurers in Zurich and Basel, whose European clients can recognise reinsurance contracts with them without collateral requirements. Unlike the equivalence of the Swiss stock exchange, which the European Union allowed to expire in 2019 in the context of the negotiations on an institutional agreement, the Solvency II equivalence was adopted for an unlimited period and has not been withdrawn.⁴ The equivalence nevertheless depends on the continued convergence of the two regimes. Changes made in the Solvency II review, which was concluded in 2024 and applies from 2027, may require a reassessment.⁵

1 Notes

1. Directive 2009/138/EC of 25 November 2009 (Solvency II), Arts. 172 (reinsurance equivalence), 227 (equivalence for group solvency) and 260 (equivalence of group supervision). To be verified. ↩
2. Commission Delegated Decision (EU) 2015/1602 of 5 June 2015 on the equivalence of the solvency and prudential regime for insurance and reinsurance undertakings in force in Switzerland based on Directive 2009/138/EC, OJ L 248, 24 September 2015, p. 95. To be verified. ↩
3. On the equivalence decisions for Bermuda (Commission Delegated Decision (EU) 2016/309 of 26 November 2015) and the provisional or temporary equivalence of other jurisdictions such as the United States, Australia, Brazil, Canada, Mexico and Japan, see the Commission's equivalence decisions. To be verified. ↩
4. On the non-renewal of the EU's stock exchange equivalence for Switzerland from 1 July 2019 and the Swiss protective measure, see Part F of this book. On the unlimited duration of the Solvency II equivalence decision, see Delegated Decision (EU) 2015/1602. Cross-reference; status to be verified. ↩
5. Directive (EU) 2025/2 of 27 November 2024 amending Directive 2009/138/EC (Solvency II review), with application from 30 January 2027; implications for third-country equivalence. Status to be verified. ↩

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