TEN YEARS OF SOLVENCY II EQUIVALENCE

Assessing its contribution to the competitiveness, resilience and openness of the European insurance and reinsurance market

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Summary

Ten years after Solvency II came into force, equivalence has become an established part of the EU's prudential architecture for dealing with third country insurance markets. The first decade of its application suggests that the framework has performed its core regulatory function: it recognises sufficiently comparable prudential and supervisory regimes for specific purposes, reducing unnecessary duplication and enabling supervisory reliance without lowering the standards of policyholder protection underpinning Solvency II. Its relatively limited geographical coverage is not in itself a weakness: equivalence is a targeted form of regulatory recognition, not a general market-access regime.

Its importance also needs to be understood in the context of an internationally integrated insurance market. More than one third of European Economic Area (EEA) reinsurance transactions involve third countries, allowing risks originating in the EU to be distributed across geographically diversified pools of capital. Access to global risk-bearing capacity is particularly important for large, concentrated and emerging risks and broadens the capital, counterparties and specialist expertise available to EU insurers. Equivalence does not create this international capacity, but by avoiding unnecessary regulatory frictions where comparable prudential outcomes have been established, it can help the EU insurance market remain connected to it.

The first decade also shows that regulatory recognition is more than a one-off determination of equivalence. The assessment and maintenance of equivalence can support regulatory dialogue and supervisory cooperation, which is particularly important for globally active insurance groups. Alongside full equivalence, provisional equivalence and arrangements such as the EU-US Covered Agreement demonstrate that different instruments can be used to achieve regulatory reliance while preserving prudential safeguards.

The priority for the next decade should therefore be evolution rather than a fundamental redesign. Equivalence should remain technically grounded, outcomes-based and prudentially robust, while also becoming more predictable, transparent and adaptable as international standards and national regulatory frameworks evolve. The EU should ensure that existing equivalence determinations are appropriately incorporated across its financial rulebook and make effective use of other forms of regulatory recognition where full equivalence is neither necessary nor appropriate. In an environment of growing investment needs, emerging risks and competition for global capital, the objective should not be more equivalence as an end in itself, but more effective regulatory recognition where comparable prudential outcomes justify it. This would allow the EU to combine high standards of policyholder protection with openness to international capital, expertise and risk-bearing capacity.

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Introduction

The EU insurance market is part of a broader process of European financial-market integration that has developed over several decades. EU financial-services legislation has progressively sought to create a Single Market in which financial institutions can operate across national borders under common rules, while maintaining appropriate prudential and supervisory safeguards. In insurance, beginning with the first directives in the 1970s and culminating in the single-licence framework established in the 1990s, successive generations of EU legislation harmonised authorisation and supervision requirements and enabled insurers authorised in one Member State to operate across the Single Market under home-country supervision.

Insurance and reinsurance are integral elements of this financial system. They protect households, firms and governments against risks that would otherwise remain on their own balance sheets, while insurers are among the EU's largest institutional investors. The sector is sizeable: at the end of 2025 insurers in the European Economic Area (EEA) held assets totalling EUR 10.7 trillion, according to EIOPA data. It is also substantially integrated across borders, reflecting the development of the Single Market in insurance.

Solvency II (Directive 2009/138/EC), which came into force at the beginning of 2016, substantially strengthened this framework by establishing a harmonised and risk-based prudential regime for insurers and reinsurers across the EU. The text addresses capital requirements, valuation, risk management, corporate governance, reporting, and supervision, with the primary objective of protecting policyholders and beneficiaries, and the broader goal of ensuring financial stability. It also established a common prudential reporting framework that provides an increasingly comparable picture of the financial position and risk exposures of EU insurance undertakings.

The creation of a more integrated EU prudential framework has also brought renewed focus to a longstanding question: how should the Single Market interact with insurance groups and regulatory regimes outside the EU? This is particularly important because large insurance groups operate across jurisdictions and reinsurance is inherently international. These third country relationships are relevant not only for internationally active groups, but also for EU insurers that transfer risks to reinsurers located outside the EU. The challenge is to accommodate these international relationships without either duplicating prudential requirements or relying on third-country supervision without sufficient safeguards.

This question forms part of a broader evolution in the EU's approach to third-country financial services. Earlier EU legislation placed considerable emphasis on reciprocity, national treatment and whether foreign institutions could obtain more favourable competitive opportunities than EU firms received abroad. Over time, this approach increasingly developed towards sector-specific mechanisms based on assessments of third-country regulatory and supervisory frameworks. Equivalence has consequently become an established instrument of the EU's external financial-services policy, allowing regulatory reliance in defined areas where third-country frameworks deliver sufficiently comparable outcomes, while preserving the EU's regulatory autonomy. Solvency II became one of the earliest and most developed examples of this approach, while different forms of equivalence or regulatory recognition also developed in other areas of EU financial legislation, including banking, investment services, market infrastructure and credit ratings[1].

These regimes differ considerably in their objectives and legal consequences: equivalence is not a single concept applied uniformly across EU financial legislation. In some areas, equivalence can be closely connected to third-country market access and has consequently become more politically salient. Under Solvency II, by contrast, equivalence has a narrower prudential function, addressing specific issues arising from reinsurance and the solvency and supervision of internationally active insurance groups rather than providing access to the Single Market. This distinction also helps explain why equivalence in insurance has generally remained less contentious than in some other areas of EU financial services. Because Solvency II equivalence addresses defined prudential and supervisory issues rather than providing general market access, recognition has remained more technical and less politically prominent. Its relatively narrow legal effects have allowed regulatory recognition to develop without becoming as closely associated with the broader political debate over third-country access to the Single Market.

Under Solvency II, equivalence provides a mechanism that allows the EU to recognise third-country prudential and supervisory frameworks as sufficiently comparable without requiring them to reproduce EU rules. The substantive determination is based on a technical assessment against prudential and supervisory criteria laid down in the Solvency II framework, with EIOPA providing technical input[2]. Equivalence nevertheless operates within the EU's broader policy towards third-country financial services: while recognition depends on the applicable prudential criteria, the Commission retains discretion over whether and when particular third-country regimes are prioritised for assessment. In this way, equivalence seeks to reconcile policyholder protection and effective supervision with

[1] EU financial legislation now contains a range of third-country equivalence or recognition mechanisms, including under the Capital Requirements Regulation (CRR), the Markets in Financial Instruments Directive / Regulation (MiFID II/MiFIR), the European Market Infrastructure Regulation (EMIR) and the Credit Rating Agencies Regulation. Their legal consequences vary considerably, ranging from recognition for particular prudential purposes to access or treatment under specific regulatory requirements. See the equivalence decisions taken by the European Commission.

[2] See Articles 172, 227 and 260 of Directive 2009/138/EC and Articles 378–380 of Commission Delegated Regulation (EU) 2015/35.

regulatory reliance and the avoidance of unnecessary regulatory duplication. By reducing such regulatory frictions, it can also facilitate interaction between EU insurers and international insurance and reinsurance markets.

The first equivalence decisions took effect as Solvency II entered into application in 2016. Since then, the framework has developed into a relatively concentrated but differentiated system of regulatory recognition. Full equivalence has remained limited to a small number of jurisdictions, while other third countries have received recognition for particular prudential purposes or through provisional arrangements. The continuity of several recognition arrangements also provides a substantial period of experience through which to examine how equivalence has operated in practice. Ten years of experience now provide a sufficiently long period over which to assess both how the framework has operated and what the international relationships it facilitates mean for the EU.

Such an assessment is particularly timely because the international regulatory environment has changed substantially since the original decisions. The UK, one of the world's largest insurance markets, has left the EU and developed its own prudential framework from the Solvency II regime it inherited. International standards have also advanced, most notably with the adoption by the International Association of Insurance Supervisors of the Insurance Capital Standard in 2024. Major jurisdictions nevertheless continue to use different approaches to valuation, capital and supervision. At the same time, geopolitical fragmentation and greater attention to economic security have brought the balance between regulatory autonomy and international market integration back to the centre of financial-policy debates. These developments make the underlying logic of equivalence – recognising comparable outcomes across different regulatory systems – increasingly relevant, while also raising questions about whether the framework remains sufficiently predictable, flexible and adaptable as regulatory systems continue to evolve.

The domestic EU policy context has changed as well. Competitiveness, investment and, more recently, resilience have moved towards the centre of the EU policy agenda alongside the longstanding objectives of financial stability and policyholder protection (European Commission, 2025a). The Savings and Investments Union seeks to strengthen the capacity of the EU financial system to channel savings towards productive investment and help finance substantial investment needs associated with the green and digital transitions, innovation, infrastructure and defence. Insurance and reinsurance are relevant to this agenda through two related but distinct channels. Insurers provide long-term capital through their investment portfolios; investments account for the large majority of EEA insurers' assets.

At the same time, insurance and reinsurance provide the risk-bearing and risk-transfer capacity that allows households and firms to undertake economic activities and investments whose risks they could not efficiently retain themselves. This function can also operate through the financial system, including where insurers and reinsurers absorb credit risk transferred from bank balance sheets through securitisation transactions (Thomadakis, 2026). Financing investment and enabling the risks associated with that investment to be absorbed are therefore complementary functions.

Against this background, assessing equivalence solely as a technical mechanism for comparing regulatory regimes would provide an incomplete picture of the first decade. The first question is how effectively it has performed its core prudential functions: recognising sufficiently comparable third-country regimes, avoiding specified regulatory duplication and enabling appropriate supervisory reliance while maintaining robust prudential safeguards. But there is also a broader economic question about what the international relationships supported by this regulatory framework mean for the EU. International insurers and reinsurers provide risk-bearing capacity, absorb EU risks and losses, contribute to competition and specialist expertise, invest through substantial balance sheets and maintain operations and employment within the EU. These outcomes cannot be attributed to equivalence alone, but they help identify the economic relationships for which regulatory recognition can matter.

This study assesses the first decade of Solvency II equivalence from these two perspectives. Chapter 2 examines the rationale, design and implementation of the framework and assesses how effectively it has performed its core regulatory functions. Chapter 3 considers its broader economic significance by examining the international insurance and reinsurance relationships that equivalence facilitates, including their contribution to risk-bearing capacity, diversification and claims payments, market contestability, investment and employment. Chapter 4 places the EU framework in a changing international regulatory environment and considers its relationship with the EU's competitiveness and investment agenda. Chapter 5 draws together the findings and identifies priorities for the next decade. The analysis combines regulatory and policy research with market data and evidence from equivalent jurisdictions and insights from stakeholder interviews. It does not assume that equivalence is necessarily beneficial in all circumstances; rather, it assesses how the framework has operated in practice, what can be learned from its first decade and how regulatory recognition can remain effective as EU and international insurance markets evolve.

1. Ten years of Solvency II equivalence: from objectives to implementation

Solvency II equivalence aimed at reconciling the international nature of insurance and reinsurance business with the objective of having consistent prudential protection within the EU. This chapter analyses the process of translating this objective into the equivalence framework and considers the application of this framework since the introduction of Solvency II in 2016 and what its first decade suggests about its efficacy.

1.1. Rationale and regulatory functions of equivalence

Solvency II equivalence forms part of the EU's broader approach to regulatory recognition in financial services. The Commission's horizontal equivalence policy allows the EU, where provided for in sectoral legislation, to rely on third-country regulatory and supervisory frameworks where they are considered sufficiently comparable to the corresponding EU framework. Equivalence is therefore not a uniform status across financial services: its purpose, assessment criteria and legal consequences depend on the relevant legislation. At the same time, the Commission's general approach emphasises that assessments should consider whether third-country requirements are legally binding, effectively supervised and capable of achieving outcomes comparable to those sought by EU rules (European Commission, 2025b).

The insurance and reinsurance industries are inherently international in nature. Insurance groups often operate in multiple jurisdictions, while reinsurance is based on and defined by the ability to diversify across risks and geographies. An insurance company based in the EU may cede part of its risks to a reinsurer located outside the EU. Additionally, the insurance group might have subsidiaries operating in different jurisdictions, each subject to various prudential regulations. Prudential supervision of the international industry requires taking into account the global aspects of the business without creating unnecessary overlaps.

This aspect had to be taken into account in the development of Solvency II. Applying EU prudential requirements without recognising third-country regimes would result in duplication of prudential requirements or supervisory procedures applied to the same risks, capital and activities. In turn, simply relying on third-country prudential requirements and rules without evaluating the quality of such regime could jeopardise policyholders' protection and create opportunities for regulatory arbitrage. Equivalence was intended as a compromise between these approaches, i.e. regulatory recognition where the third-country framework offers comparable level of prudential and supervisory outcomes.

Recognition is therefore conditional rather than automatic. Equivalence provides a mechanism for regulatory openness, but makes that openness dependent on the third-country framework meeting the prudential safeguards established under Solvency II. In this sense, the framework serves both sides of the regulatory relationship: it can remove unnecessary duplication where comparable outcomes are established, while protecting EU policyholders and the integrity of the EU prudential framework where they are not.

The principle, therefore, is not to require that third countries replicate Solvency II requirements. The framework is based on an assessment of the comparative prudential protection of the third-country framework. The criteria of the assessment are specified in Solvency II Delegated Regulation and include, among others, supervisory powers, solvency requirements, governance, transparency, cooperation between authorities, confidentiality and financial stability (Articles 378-380 of Regulation (EU) 2015/35 supplementing Directive 2009/38/EC). This outcome-oriented approach is especially crucial for insurance as different regulatory systems can vary in terms of institutions, capital frameworks and supervisory practices even while achieving the same prudential goals.

Within this overall framework, Solvency II provides for equivalence in three distinct areas, each addressing a specific prudential or supervisory issue.

Firstly, reinsurance equivalence covers the equivalence of the solvency regime of a third country applied to reinsurance activities of undertakings with their head office in that third country. With a positive determination of equivalence, reinsurance contracts made by EU insurers with the reinsurers established in the third country are treated in the same way as the contracts with reinsurers authorised in the EU (Article 172 of Directive 2009/138/EC; recital 3 of Commission Delegated Decision (EU) 2016/309). The rationale of the provision is to enable EU insurers to have access to international reinsurance capacity without additional prudential disadvantages where the prudential regime in the jurisdiction of the third country is deemed equivalent.

Secondly, group-solvency equivalence concerns the calculations of group solvency when an EU insurance or reinsurance group has related undertaking(s) in a third country. If the third-country regime is recognised as equivalent and deduction and aggregation method is applied, the group solvency can be calculated based on the capital requirements and own funds of the third-country undertaking as calculated by the rules of the third-country regime and not re-calculated entirely according to Solvency II rules (Article 227 of Directive 2009/138/EC; recital 4 of Commission Delegated Decision (EU) 2016/309). The provision takes into account the prudential framework under which the third-country undertaking already operates and reduces unnecessary regulatory duplications.

Thirdly, group-supervision equivalence is for the insurance and reinsurance groups whose parent undertaking is established in a third country. With the recognition of a third-country regime as equivalent, Solvency II requires Member States to rely on the group supervision exercised by the third-country supervisory authorities (Articles 260 and 261 of Directive 2009/138/EC; recital 5 of Commission Delegated Decision (EU) 2016/309). The equivalence can reduce the duplication of group supervision, while supervision of EU entities would still take place under the EU Solvency II regime.

Equivalence should therefore not be understood as a third-country counterpart to the EU single passport. It does not itself provide third-country firms with unrestricted access to the Single Market. Rather, it recognises sufficiently comparable prudential and supervisory outcomes for specific purposes under Solvency II. It seeks to reconcile robust prudential supervision and policyholder protection with the avoidance of unnecessary regulatory duplication and barriers to cross-border activity, while providing a basis for cooperation and reliance between supervisory authorities. The Commission's full-equivalence decisions illustrate this principle explicitly: in its decision on Bermuda, for example, the Commission stated that a third-country regime can be considered fully equivalent where it meets requirements providing a comparable level of protection to policyholders and beneficiaries (recital 6 of Commission Delegated Decision (EU) 2016/309).

These features provide the basis for assessing how the equivalence framework has operated over its first decade. The assessment should distinguish between its direct regulatory effects – recognition of comparable third-country prudential regimes, avoidance of specified regulatory duplication and supervisory reliance – and the broader market effects that these arrangements may facilitate. The relevant question is therefore not simply how many equivalence decisions have been adopted, but how the framework has operated in practice and what consequences this has had for cross-border insurance and reinsurance activity, while maintaining the prudential safeguards established under Solvency II.

1.2. How the Solvency II equivalence framework works

The Solvency II equivalence framework combines common EU-level assessment criteria with decisions tailored to the specific prudential area concerned. Equivalence is not a single status granted to a third country across the whole of Solvency II. Reinsurance, group solvency and group supervision are assessed separately, and a jurisdiction may therefore be considered equivalent for one purpose but not for another. The legal effects of recognition are correspondingly limited to the area covered by the relevant decision. The differentiated structure also gives the framework a degree of flexibility: recognition can be calibrated both to the prudential function concerned – reinsurance, group solvency or group supervision – and, where the Directive permits, to whether recognition is full, provisional or temporary.

1.2.1. Assessment and decision-making

The European Commission has the central role in determining third-country equivalence. Under Articles 172, 227 and 260 of the Solvency II Directive, the Commission may adopt delegated acts determining that a third-country regime is equivalent, with EIOPA providing technical assistance. The assessment is conducted against criteria specified in the Solvency II Delegated Regulation, which differ according to the type of equivalence being considered.

For reinsurance equivalence, Article 378 of the Delegated Regulation covers, among other aspects, the powers and resources of supervisory authorities, authorisation, governance, solvency requirements, supervisory intervention, transparency and professional secrecy. Article 379 establishes the criteria for group-solvency equivalence, with particular emphasis on economic valuation, risk-based capital requirements and the quality and eligibility of own funds. Article 380 contains a broader set of criteria for group-supervision equivalence, including the scope and effectiveness of group supervision, governance and risk management at group level, intra-group transactions and risk concentrations, group solvency, supervisory cooperation and confidentiality.

The initial implementation of the framework also required decisions on which third countries should be assessed first. In its 2010 advice, the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) identified factors including the risk-based nature of the third-country regime, the materiality of an equivalence finding for EU insurers and policyholders, the number of EU groups with related undertakings in the jurisdiction, the importance of equivalence to the third-country market and the existence of mutual-recognition arrangements. Particular weight was attached to the risk-based character of the regime and the materiality of the assessment for the EU market (CEIOPS, 2010). The first-wave assessment process therefore combined prudential comparability with an assessment of the practical significance of the jurisdiction concerned.

Prioritising jurisdictions for assessment should be distinguished from the substantive assessment of equivalence itself. While the decision on which jurisdictions to assess first can reflect practical considerations such as their materiality for the EU market, the equivalence assessment is conducted against the prudential and supervisory criteria laid down in the Solvency II framework, with EIOPA providing technical input. A positive determination therefore reflects an assessment that the relevant third-country regime meets the applicable criteria for the specific form of equivalence concerned, rather than a general political recognition of the jurisdiction[3].

1.2.2. *Full, provisional and temporary equivalence*

The framework distinguishes between different forms of equivalence, but these do not apply uniformly across the three areas.

Full equivalence may be granted where the relevant third-country regime fulfils the applicable equivalence criteria. Commission decisions establishing full equivalence are not granted for a predetermined fixed period, but they are subject to regular review to take account of significant changes in either the EU or third-country regulatory and supervisory framework.

For group solvency under Article 227, Solvency II additionally provides for provisional equivalence. The Commission may grant provisional equivalence even where the conditions for full equivalence have not yet been met, provided that specified conditions are satisfied. These include the existence, or planned introduction, of a regime capable of being assessed as equivalent; risk-based quantitative and qualitative solvency requirements; supervisory reporting and transparency requirements; an independent supervisory system; arrangements for supervisory cooperation and exchange of confidential information; and professional secrecy. Provisional equivalence is granted for an initial period of 10 years and may be renewed for further ten-year periods where the relevant conditions continue to be met[4].

Solvency II also provided for temporary equivalence as a transitional mechanism in specific areas. Under Article 172, temporary reinsurance equivalence could be granted for a limited period to qualifying third-country regimes moving towards equivalence, while Article 260 established a temporary-equivalence mechanism for group supervision[5]. These arrangements were time-limited and should be distinguished from Article 227 provisional equivalence, which remains renewable for successive ten-year periods. The

[3] Solvency II also permits equivalence to be verified at supervisory level for group solvency (Article 227(2)) and group supervision (Article 260(1)) where no applicable Commission determination exists. These assessments are carried out by the relevant group supervisor, with EIOPA's assistance and consultation of the other supervisory authorities concerned. In practice, however, this mechanism does not appear to have played a significant role in the application of the equivalence framework.

[4] Provisional equivalence is granted for an initial period of 10 years and may be renewed for further ten-year periods where the applicable conditions continue to be met.

[5] The temporary-equivalence mechanisms were transitional and time-limited. Under Article 260(5), temporary group-supervision equivalence was to end on 31 December 2020, with the possibility of an extension of no more than one year. Temporary reinsurance equivalence under Article 172 was likewise time-limited; Japan, for example, benefited from temporary reinsurance equivalence until 31 December 2020.

practical application of these mechanisms, including Japan's former temporary reinsurance equivalence, is discussed in Section 2.3.

The distinctions matter because full, provisional and temporary equivalence do not represent different degrees of a single generic equivalence status. They are legal mechanisms created for particular parts of the Solvency II framework and subject to different conditions and consequences.

Table 1. Equivalence under Solvency II

Area	Legal basis	Assessment criteria	Forms of Commission recognition	Main effect
Reinsurance	Article 172	Article 378 Delegated Regulation	Full; temporary (transitional)	Reinsurance contracts with qualifying third-country reinsurers receive treatment equivalent to contracts with EU reinsurers
Group solvency	Article 227	Article 379 Delegated Regulation	Full; provisional	Allows local capital requirements and eligible own funds to be used for a third-country related undertaking where the relevant group-solvency method applies
Group supervision	Article 260-262	Article 380 Delegated Regulation	Full; temporary (transitional)	Allows EU supervisors to rely on equivalent group supervision exercised by the third-country authority

Source: Author’s elaboration.

1.2.3. Equivalence is subject to ongoing review

An equivalence decision does not end the assessment process. The Directive requires full-equivalence decisions to be reviewed regularly to reflect significant changes in the relevant EU and third-country regimes. A jurisdiction considered equivalent when a decision was adopted may subsequently modify its capital framework, supervisory architecture or other relevant requirements; equally, changes to Solvency II itself may affect the basis on which equivalence was originally determined[6].

The framework is therefore dynamic rather than a one-off recognition exercise. A third country can have different statuses across reinsurance, group solvency and group supervision, while the nature and duration of recognition can also differ and evolve over time. This differentiated structure is reflected in the equivalence decisions adopted over the first decade of Solvency II.

Solvency II also provides for international agreements on reinsurance with third countries under Article 175. Such agreements are distinct from equivalence decisions under Articles 172, 227 and 260, but form part of the broader set of instruments through which the EU can address cross-border prudential issues. The EU-US Covered Agreement subsequently demonstrated the relevance of this route by addressing reinsurance, group supervision and supervisory information exchange through a bilateral arrangement.

1.3. Ten years of equivalence decisions

The first decade of Solvency II equivalence has produced a relatively concentrated but differentiated set of third-country recognition arrangements. Although the framework allows equivalence to be assessed separately for reinsurance, group solvency and group supervision, only a small number of jurisdictions have received Commission-level equivalence decisions. Moreover, the scope and duration of recognition differ considerably across jurisdictions.

The first decisions were adopted in 2015, prior to the coming into force of Solvency II on 1 January 2016. Switzerland was the first jurisdiction to receive full equivalence across all three areas. The Commission recognised the Swiss solvency and prudential regime as equivalent for reinsurance under Article 172, group solvency under Article 227 and group supervision under Article 260. The decision followed technical advice from EIOPA (EIOPA, 2015) and concluded that the Swiss regime provided a level of policyholder and beneficiary protection comparable to that of Solvency II.

Bermuda was also granted full equivalence under Articles 172, 227 and 260 with effect from 1 January 2016. The determination applies to Bermuda's commercial insurance and reinsurance regime, but does not extend to the separate regulatory regimes applicable to captive insurers and special purpose insurers. Switzerland and Bermuda therefore

[6] Such evolution is visible in practice. Bermuda, for example, continued to modify its insurance framework in 2025, including through enhancements to group supervision, public disclosure and recovery planning and strengthened requirements concerning large-block reinsurance transactions and liquidity risk management.

emerged as the two jurisdictions with full equivalence across all three areas of the Solvency II framework.

A broader group of jurisdictions entered the framework through provisional equivalence for group solvency. From 1 January 2016, Australia, Brazil, Canada, Mexico and the United States benefited from ten-year provisional equivalence under Article 227. Japan followed a somewhat different route. The Commission granted Japan provisional group-solvency equivalence under Article 227 for 10 years from 1 January 2016. At the same time, Japan received temporary reinsurance equivalence under Article 172, reflecting the Commission's assessment that the Japanese solvency regime was evolving towards greater convergence with Solvency II. The temporary reinsurance equivalence expired on 31 December 2020, while provisional group-solvency equivalence continued for the initial ten-year period.

As the first ten-year period came to an end, the Commission reassessed several of these arrangements. In 2024, it renewed the United States' provisional equivalence under Article 227 for a further 10 years, from 1 January 2026 to 31 December 2035. The Commission concluded, with the assistance of EIOPA, that the relevant conditions continued to be met and pointed in particular to continuing EU-US regulatory dialogue and supervisory cooperation.

The Commission subsequently renewed the provisional group-solvency equivalence of Brazil, Japan and Mexico for the same period, from 1 January 2026 to 31 December 2035, following EIOPA's assessment that the conditions laid down in Article 227(5) continued to be met. Australia and Canada, by contrast, were not included among the renewed jurisdictions, and their initial provisional-equivalence periods ended in 2025[7]. The renewals also demonstrate that provisional equivalence can operate as more than a short transition towards full equivalence: where the statutory conditions continue to be satisfied and the recognition remains relevant for EU groups, it can provide a longer-term basis for recognising third-country solvency regimes.

Taken together, the decisions adopted since 2015 reveal three features of the EU approach. First, full equivalence has remained exceptional: Switzerland and Bermuda are the only jurisdictions to have obtained and maintained Commission recognition across all three areas. Second, group-solvency equivalence has been used more extensively, principally through the provisional-equivalence mechanism under Article 227. Third, equivalence has developed as a differentiated framework: jurisdictions can have different

[7] This should not be interpreted as indicating that their prudential regimes had ceased to satisfy the relevant standards. The practical relevance of Article 227 equivalence depends on its use by EU-headed insurance groups with related undertakings in the third country, and the decision whether to maintain an equivalence determination therefore also reflects its materiality for those groups.

statuses across the three areas, and those statuses can evolve as regulatory regimes, equivalence assessments and their relevance change.

Table 2. Solvency II equivalence decisions and current status

Jurisdiction	Reinsurance (Art. 172)	Group solvency (Art. 227)	Group supervision (Art. 260)	Current position
Switzerland	Full	Full	Full	Full equivalence across all three areas
Bermuda	Full*	Full*	Full*	Full equivalence across all three areas, subject to specified exclusions
United States**	—	Provisional	—	Provisional equivalence renewed for 2026-2035
Brazil	—	Provisional	—	Provisional equivalence renewed for 2026-2035
Japan	Temporary (expired 2020)	Provisional	—	Article 227 provisional equivalence renewed for 2026-2035
Mexico	—	Provisional	—	Provisional equivalence renewed for 2026-2035
Australia	—	Provisional (2016-2025)	—	Initial provisional-equivalence period expired
Canada	—	Provisional (2016-2025)	—	Initial provisional-equivalence period expired

Notes: * Bermuda's full-equivalence determination applies to its commercial insurance and reinsurance regime but not to the separate regulatory regimes applicable to captive insurers and special purpose insurers. ** The US is also covered by the EU-US Covered Agreement, which is legally distinct from Solvency II equivalence but addresses reinsurance, group supervision and supervisory information exchange and produces comparable effects in certain areas.

Source: Author’s elaboration.

1.4. How has equivalence worked in practice?

Ten years of experience suggest that Solvency II equivalence has broadly performed the regulatory function for which it was designed. It has established a mechanism through which comparable third-country prudential regimes can be recognised, specific duplicative requirements can be avoided and EU supervisors can rely on third-country supervision in defined circumstances. These effects are directly embedded in the legal consequences of equivalence and can therefore be assessed relatively clearly. Its broader contribution to cross-border activity and the EU economy is more difficult to isolate and requires consideration of market evidence alongside the regulatory framework.

Avoiding unnecessary regulatory duplication

The effects of equivalence are most directly seen in avoiding unnecessary regulatory duplication. As described above, recognition allows reliance on third-country solvency requirements and group supervision in defined circumstances rather than requiring the same risks or activities to be assessed again entirely under Solvency II. In reinsurance, Article 173 also prevents Member States from requiring the pledging of assets to cover technical provisions where the reinsurer is situated in an equivalent third country. These arrangements can reduce the regulatory burden associated with cross-border activity and avoid unnecessary additional costs, including those associated with collateral requirements, while preserving the safeguards established through the equivalence assessment.

In this respect, equivalence appears to have delivered on one of its core regulatory functions. The benefit is not lack of regulation or the application of lower prudential standards, but the avoidance of specified duplicative requirements where the underlying regulatory and supervisory outcomes have been judged sufficiently comparable.

Supporting open international re/insurance markets

Beyond its direct regulatory effects, equivalence can have the consequential benefit of supporting open international insurance and reinsurance markets. Positive equivalence findings can be mutually beneficial to EEA and third-country (re)insurers, promoting open international insurance markets while maintaining adequate policyholder protection (EIOPA, 2023). This is particularly relevant for reinsurance, where geographic diversification is inherent to the business model. Under Article 172, reinsurance contracts with undertakings in an equivalent third country receive the same prudential treatment as contracts with EU-authorised reinsurers. By removing this source of regulatory differentiation, equivalence can facilitate EU insurers' access to international risk-bearing capacity.

The framework should nevertheless not be interpreted as a general market-access regime. Equivalence does not confer a passport allowing third-country insurers to conduct business throughout the Single Market, nor does it replace applicable authorisation and conduct-of-business requirements. Its contribution to cross-border activity is more targeted: it removes particular prudential and supervisory frictions associated with interactions between EU undertakings and third-country insurers and reinsurers.

The existence of these mechanisms provides a clear channel through which equivalence can contribute to more open international insurance and reinsurance markets, but it does not establish the magnitude of the resulting market effect. The continued presence and activity of insurers and reinsurers from equivalent jurisdictions in EU markets is consistent with equivalence facilitating international integration, but does not in itself demonstrate how much activity is attributable to equivalence. The scale and economic significance of these relationships – including risk-bearing capacity, claims payments, investment and employment – are examined in Chapter 3.

Supporting supervisory cooperation

A further regulatory function concerns supervisory cooperation and reliance. Group-supervision equivalence allows EU authorities to rely on supervision exercised by a third-country authority where the relevant regime has been assessed as equivalent. This can reduce duplication in the supervision of internationally active groups and facilitate the allocation of responsibilities between supervisory authorities.

Such reliance depends on confidence in both the quality of the third-country regime and effective cooperation and information exchange between the authorities concerned – conditions that form part of the equivalence assessment described in Section 2.2. Equivalence therefore provides a structured basis for supervisory reliance without removing the prudential safeguards on which that reliance depends.

The contribution may extend beyond the formal legal effects of an equivalence decision. The assessment and subsequent maintenance of equivalence require continuing interaction, information exchange and regulatory dialogue between EU and third-country authorities. Equivalence can therefore provide an institutional basis for deeper supervisory cooperation, which is particularly relevant for internationally active insurance groups whose effective supervision depends on coordination across jurisdictions.

Limits to the framework's reach

The concentrated pattern of Commission-level recognition described in Section 2.3 should not be interpreted as evidence of limited effectiveness. The different forms of equivalence were designed to address different regulatory circumstances, and full equivalence is not required for all cross-border insurance relationships. The number of Commission decisions therefore does not in itself provide a measure of the effectiveness of the framework.

The concentrated pattern of Commission-level decisions should also be viewed in light of the selective approach to assessments described earlier in this chapter. From the outset, the assessment process did not involve the systematic examination of all third-country regimes; jurisdictions were prioritised according to both prudential and practical considerations. The limited number of decisions therefore reflects not only the substantive requirements for equivalence, but also the way in which jurisdictions have been prioritised for the assessment process. The discretion involved in deciding which jurisdictions are assessed should not be conflated with the substantive determination of whether a regime meets the applicable equivalence criteria. This is also broadly consistent with the perspective of the insurance industry. While supporting the continuation of existing equivalence arrangements, the industry has identified a limited number of additional jurisdictions for which further equivalence determinations could facilitate the operation of internationally active EU insurance groups (Insurance Europe, 2023).

At the same time, the experience gained during the first decade allows us to consider the accessibility and adaptability of the framework. Equivalence assessments require detailed comparison of complex prudential systems, while both EU and third-country regimes continue to evolve after recognition. Maintaining equivalence therefore requires continued monitoring of regulatory developments and, where necessary, reassessment of whether the conditions for recognition remain satisfied[8].

Looking ahead, the relatively concentrated use of equivalence raises a question about the role the framework should play in an increasingly interconnected but more fragmented global insurance market. Whether its current design provides sufficient flexibility to engage with different regulatory models, while maintaining the prudential safeguards of Solvency II, is considered further in Chapter 4.

Overall, the first decade suggests that equivalence has functioned effectively as a targeted prudential recognition mechanism. Its clearest achievements lie in avoiding specific regulatory duplication and establishing a structured basis for supervisory recognition and cooperation. These regulatory effects can also support more open international insurance and reinsurance markets and facilitate access to international risk-bearing capacity, but the scale of the resulting economic benefits cannot be inferred from the regulatory

[8] The prudential frameworks of recognised jurisdictions are not static: supervisory requirements, reporting frameworks, stress-testing practices and approaches to emerging risks can continue to develop after an equivalence determination has been made (BMA, 2025b; BMA, 2025c). Equivalence should therefore be understood as recognition of an evolving regulatory and supervisory framework rather than the permanent endorsement of a fixed body of rules.

framework alone. The next chapter therefore examines what these international insurance and reinsurance relationships have delivered for the EU in terms of risk-bearing capacity, claims payments, competition, investment and employment.

2. The economic significance of Solvency II equivalence for the EU

Solvency II equivalence solves certain regulatory issues and sets out a process for mutual recognition and coordination. The wider economic significance concerns the international insurance and reinsurance relationships within which equivalence operates, including the provision of risk-bearing capacity, risk diversification and claims payments, competition, investment and employment. These benefits cannot be attributed solely to equivalence. Consequently, the analysis distinguishes between the contribution of internationally connected insurance and reinsurance markets and the more specific contribution of equivalence to the regulatory conditions under which these relationships operate.

2.1. Access to international risk-bearing capacity

The EU insurance market does not absorb risks originating in the EU exclusively within the EU. A significant part of the risk originated by EU insurers is transferred to international reinsurance markets, allowing exposures to be distributed across a wider pool of balance sheets and capital. This is particularly important for risks that are large, concentrated or difficult to diversify within individual national markets, including natural catastrophes, large commercial and industrial risks and other low-frequency, high-severity risks.

The scale of these international links is substantial. In 2023, reinsurance accounted for 18.8 % of total gross written premiums in the insurance and reinsurance sectors across the EEA, equivalent to EUR 229.5 billion (EIOPA, 2024). While 62 % of reinsurance transactions took place within the EU, 38 % involved third countries. Of total EEA reinsurance transactions, 20.7 % were conducted with jurisdictions whose regulatory regimes were recognised as equivalent under Solvency II and a further 17.3 % with non-equivalent third countries[9]. These figures underline that international reinsurance is not a marginal component of the EEA insurance market: more than one third of reinsurance transactions connect EEA undertakings with risk-bearing capacity outside the EEA.

Equivalence is therefore relevant within a broader global reinsurance market on which EU insurers already rely. Its particular significance lies in allowing EU insurers to interact with capacity located in recognised jurisdictions without the specific prudential disadvantages identified in Chapter 2. This does not create unrestricted market access, nor does international reinsurance depend on equivalence: the substantial share of transactions outside formally equivalent jurisdictions demonstrates that cross-border risk transfer also

[9] This classification should be interpreted with some caution, as the non-equivalent category includes jurisdictions that may be subject to other regulatory arrangements. In particular, the United States is covered by the EU-US Covered Agreement, which is legally distinct from Solvency II equivalence but addresses several of the same cross-border prudential frictions.

takes place through other arrangements or their absence. Rather, equivalence affects the regulatory conditions under which particular sources of international capacity can interact with EU insurers.

The global pool of reinsurance capital has also expanded substantially. The total dedicated global reinsurance capital stood at EUR 564 billion at the end of 2025, comprising EUR 459 billion of traditional reinsurance capital and EUR 105 billion of third-party capital, including insurance-linked securities (ILS) (A.M. Best, 2026a). The latter provides an additional mechanism through which capital-market investors can participate in insurance risk, broadening the sources of risk-bearing capacity available to the reinsurance system. This capacity provides an additional layer of loss absorption beyond the capital maintained by primary insurers. Swiss Re Institute estimates, for example, that in a modelled global peak-loss year with insured losses of about EUR 289 billion, traditional reinsurance could absorb more than half of the losses above their long-term trend (Swiss Re, 2025).

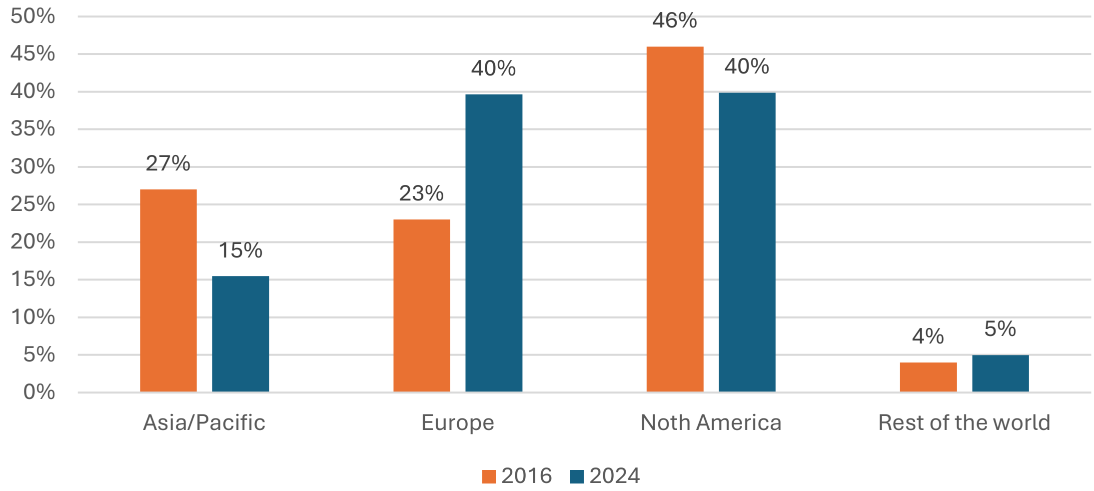
For EU insurers, access to this global pool provides additional capacity. Transferring part of an insurer's portfolio to reinsurers can allow primary insurers to assume risks that would otherwise represent excessive concentrations on their own balance sheets. EIOPA has similarly emphasised that the global reach of reinsurers provides insurers with capital and expertise that enable them to underwrite larger and more varied risks. International reinsurance capacity can therefore complement rather than substitute the capital of EU insurers.

Beyond increasing aggregate capacity, access to geographically dispersed counterparties also allows exposures originating in the EU to be distributed across capital pools whose risks extend beyond Europe. This diversification function is examined in Section 3.2.

Equivalent jurisdictions form part of this international risk-bearing architecture. Bermuda and Switzerland, the two jurisdictions with full equivalence across all three areas of Solvency II, both host substantial insurance and reinsurance capacity. At the end of 2024, Bermuda's 392 commercial insurers and reinsurers held EUR 1.85 trillion in total assets and EUR 323 billion in capital and surplus, while writing EUR 304 billion in gross premiums (BMA, 2026). In Switzerland, FINMA-supervised insurance companies wrote EUR 160 billion in gross premiums in 2025 and held EUR 760 billion in total assets and EUR 97 billion in equity capital. Equivalence therefore connects the EU, under recognised prudential conditions, with substantial pools of external insurance and reinsurance capacity.

Within the Swiss market, reinsurance is particularly international in orientation. Within FINMA'S geographical classification, European cedants generated EUR 24.6 billion of gross premiums earned by Swiss reinsurers in 2025, equivalent to 40.8 % of their total business. Europe was therefore almost equal to North America (38.9 %) as the largest geographical source of Swiss reinsurance premiums. Moreover, Europe's share increased from around 23 % in 2016 to around 41 % in 2024 (see Figure 1). This indicates a substantial and growing European component of the business underwritten by insurers in one of the two jurisdictions with full Solvency II equivalence.

Figure 1. Geographic distribution of gross premiums earned by Swiss reinsurers (% of total, 2016 and 2025)



Source: Author's elaboration based on data from FINMA (2026).

The capacity provided by international reinsurers also extends across different types of risk. In Switzerland, non-life business accounted for 65.9 % of gross reinsurance premiums earned in 2025, comprising short-tail business (38.4 %), long-tail business (19.7 %) and catastrophe reinsurance (7.7 %), while life reinsurance accounted for the remaining 34.1 % (FINMA, 2026). This composition illustrates that international reinsurance capacity is not confined to catastrophe protection, but supports risk transfer across a broader range of insurance activities.

The amount of international capacity available to EU insurers cannot be attributed causally to Solvency II equivalence: reinsurance relationships also depend on price, underwriting expertise, credit quality, diversification needs and market conditions, while substantial transactions also take place with non-equivalent jurisdictions. Equivalence has a more specific role in reducing one source of regulatory friction in connecting EU insurers with capacity located in recognised jurisdictions. The significance of that capacity becomes particularly visible when losses materialise.

2.2. Risk diversification and claims-paying capacity

The value of access to geographically diversified risk-bearing capacity becomes most visible when risks materialise. By transferring exposures beyond the balance sheet of the originating insurer and, in many cases, beyond the jurisdiction in which the risk is located, reinsurance distributes losses across a broader pool of capital. This can increase the capacity of insurance markets to absorb large or correlated losses and reduce their concentration within individual insurers or national markets. While this function extends across a wide range of insurance risks, its diversification benefits are particularly visible in natural catastrophes, where losses can be both geographically concentrated and highly correlated.

The importance of diversification is particularly apparent for natural catastrophes, which can generate large losses concentrated within a particular geographic area and affect many policyholders simultaneously. Geographic diversification allows part of these exposures to be transferred to reinsurers with portfolios spanning multiple countries and regions. By pooling risks across geographically dispersed markets, international reinsurance can reduce the concentration of catastrophe exposures within individual insurers and jurisdictions and increase the capacity of insurance markets to absorb severe losses. This is particularly important where catastrophe risks are correlated within a country or region, since access to a geographically broader pool of risks and capital increases the scope for diversification (OECD, 2018; OECD, 2021).

The need for greater risk-sharing capacity is also increasing. Historically, only around one quarter of losses from natural catastrophes in Europe have been insured, according to EIOPA, leaving households, businesses and governments exposed to a substantial protection gap[10]. Individual events can generate very large concentrations of losses: the 2021 floods in Germany and Belgium, for example, resulted in approximately EUR 44 billion in economic damage (European Parliament, 2024). More recently, Swiss Re Institute estimates that natural catastrophes generated EUR 34 billion in economic losses in Europe in 2024, of which EUR 15 billion were insured (Swiss Re, 2026).

The capacity of international reinsurance markets to absorb such low-frequency, high-severity risks depends not only on the size of the global capital pool discussed above, but also on the resilience of the balance sheets to which exposures are transferred. Supervisory evidence provides an indication of this loss-absorbing capacity. For example, Bermuda insurers and reinsurers assumed EUR 212 billion of gross catastrophe-loss exposure in 2024, while the Bermuda Monetary Authority's (BMA) stress testing found

[10] Recent EU initiatives have examined how greater pooling of natural-catastrophe risks within the EU could complement existing insurance and reinsurance arrangements, including through an EU-level public-private reinsurance mechanism (EIOPA-ECB, 2024; ESM-EIOPA, 2026).

that the market retained sufficient capital under severe catastrophe and other underwriting scenarios to meet policyholder obligations and regulatory capital requirements (BMA, 2025b). This illustrates how international diversification can distribute concentrated exposures towards well-capitalised balance sheets capable of absorbing severe losses.

International reinsurance does not itself close this protection gap: risks must first be insured before they can be transferred. Its contribution lies further along the risk-sharing chain. By allowing primary insurers and national insurance schemes to transfer accumulated exposures to geographically diversified balance sheets, reinsurance can expand the amount of risk that the insurance system can retain and distribute. Thus, reinsurance complements the increase in primary insurance coverages and does not substitute for it.

International capacity translates into loss absorption

The claims data provide a more direct indication of how international risk sharing works when insured losses materialise. The experience of Bermuda is particularly relevant because the BMA provides a geographical breakdown of gross claims incurred by the Bermuda commercial insurance and reinsurance sector, covering both property and casualty (P&C) and long-term business[11]. Between 2016 and 2025, Bermuda commercial insurers and reinsurers incurred approximately EUR 1.2 trillion in gross claims globally (see Table 3). Of this amount, EUR 80 billion related to the EU, comprising EUR 60 billion in P&C claims and EUR 20 billion in long-term claims. A further EUR 7 billion related to Switzerland and EUR 94 billion to the United Kingdom. Taken together, the EU, Switzerland and the UK accounted for approximately EUR 181 billion in gross claims incurred over the ten-year period[12].

[11] The BMA claims data cover direct insurance and reinsurance business written by 360 commercial (re)insurance companies (BMA, 2025a). They do not include Bermuda's captive (re)insurance or insurance-linked securities markets.

[12] Earlier BMA data provide an additional measure based on claims payments. Between 2016 and 2020, Bermuda insurers and reinsurers recorded EUR 25 billion in claims payments to EU policyholders and cedants in both property and casualty and life insurance business. Although the two series should not be directly combined because one measures claims incurred and the other claims paid, both demonstrate the material scale of EU exposures assumed by the Bermuda market.

Table 3. Gross claims incurred by Bermuda commercial (re)insurers globally (EUR billion, 2016-25)

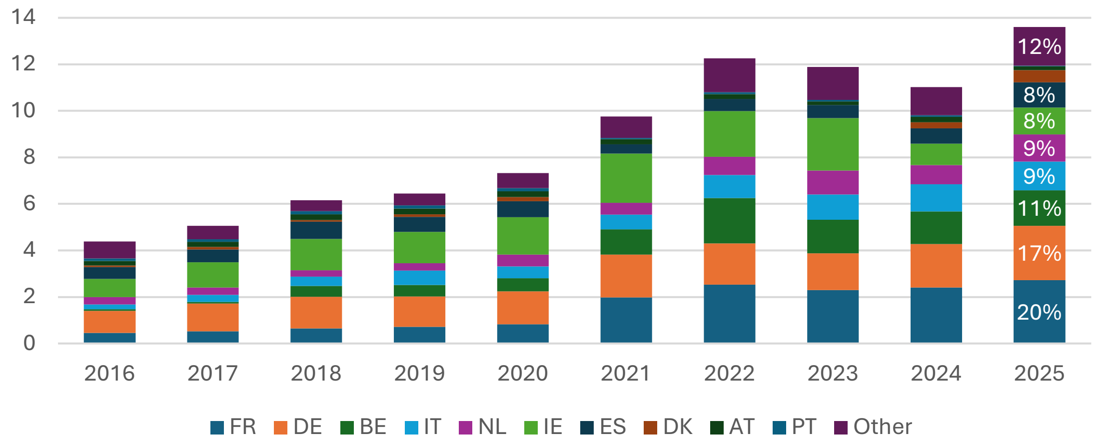
Country/region	Property and casualty (P&C)	Long-term	Total
EU	60	20	80
Switzerland	6	1	7
United Kingdom	63	31	94
United States	312	422	734
Rest of the world	132	142	274
Total	**573**	**616**	**1 189**

Source: Author's elaboration based on data from the Bermuda Monetary Authority.

These figures illustrate the scale at which risks associated with European markets are absorbed by Bermuda-based balance sheets. They also show that this role extends across different types of insurance business: while P&C accounted for three quarters of the EUR 80 billion in claims incurred in relation to the EU, long-term business accounted for the remaining EUR 20 billion. The claims data therefore provide an observable counterpart to the international risk-bearing capacity discussed above: when insured risks materialise, part of the resulting losses is borne by internationally diversified insurance and reinsurance balance sheets.

The annual data provide further insight into both the scale and geographical distribution of claims incurred in relation to the EU (see Figure 2). Gross claims incurred by Bermuda commercial insurers and reinsurers in relation to the EU increased from around EUR 4.4 billion in 2016 to EUR 13.6 billion in 2025, although with considerable variation between years. The composition has also changed over time. Germany and Ireland together accounted for around 40-45 % of EU claims incurred between 2016 and 2020, while France subsequently became the largest individual market, accounting for around one fifth of the total since 2021. Belgium also increased in importance, while Ireland's share fell substantially in 2024 and 2025. By 2025, claims were relatively broadly distributed across EU Member States. The changing geographical composition over the decade illustrates that the EU claims are not concentrated in a single national market and that their distribution across Member States has evolved over time.

Figure 2. Gross claims incurred by Bermuda commercial (re)insurers in the EU (EUR billion, 2016-25)



Source: Author's elaboration based on data from the Bermuda Monetary Authority.

Industry evidence also points to the importance of this capacity for European catastrophe risk (ABIR, 2026). Bermuda-based insurers and reinsurers account for around 20 % of broker-placed European property-catastrophe reinsurance. Its modelling further estimates that Bermuda capacity would bear approximately 51 % of insured losses from a specified European windstorm scenario. These figures are industry-sourced, and the latter is a modelled rather than observed outcome, but they provide additional evidence of the extent to which European catastrophe exposures can be distributed internationally.

What this tells us about equivalence

The claims evidence does not establish that these exposures or payments were caused by equivalence; as noted in Section 3.1, cross-border insurance and reinsurance relationships depend on multiple commercial and market factors. It does, however, demonstrate the economic significance of cross-border relationships involving an equivalent jurisdiction. Substantial exposures originating in the EU and other European markets have been assumed by insurers and reinsurers in recognised jurisdictions, with part of the resulting losses absorbed by capital outside the EU when insured events materialise.

The contribution of equivalence is therefore best understood as institutional rather than as a separately quantifiable volume of claims. By lowering specified prudential frictions with recognised jurisdictions, equivalence is part of the framework which enables the distribution of risks originating in the EU to the wider international capital base. In a period of growing catastrophe risks and insurance protection gaps maintaining access to geographically diversified risk-bearing capacity enhances the resilience and claims paying capacity of the EU insurance system.

2.3. Competition, market contestability and efficiency

The benefits arising from international insurance and reinsurance capacity go beyond the total capacity itself. The availability of additional capacity might impact competitive conditions by increasing supply, enlarging the scope of counterparties and increasing access to the pool of underwriting expertise. In specialised or capacity-constrained segments, there may be very limited numbers of providers able and willing to write the corresponding risks.

Reinsurance can indirectly impact competitiveness in the primary insurance markets. By transferring parts of their exposures, insurers can write more policies and increase their capacity, thus avoiding carrying all the associated risks on their balance sheets. Additionally, access to the international reinsurance market allows insurers to choose their counterparties based on their capacity, financial strength, risk appetite, expertise and the structure of coverage provided.

The relationship between reinsurance capacity and market conditions can be seen through the prism of the reinsurance cycle. The constraint of reinsurance capacity relative to demand leads to increases in premiums and worsening terms of coverage. During the hardening market of 2023, property reinsurance prices grew by 20-60 % due to factors such as higher inflation and losses from natural disasters. At the same time, the percentage of self-insurance of primary insurers increased in several jurisdictions (OECD, 2024). On the contrary, expanding capacity and underwriting appetite improves competitive conditions. In the first half of 2026, the growing capacity of global facultative reinsurance led to a decrease in prices and better terms for buyers (Gallagher Re, 2026).

This demonstrates the value of the depth and diversity of reinsurance capacity for the efficiency of market conditions. While reinsurance pricing is largely impacted by risk exposures, loss experience, interest rates, inflation, risk assessments and underwriting cycle, a broader and more diversified supply of capital can nevertheless improve the market's ability to respond to changes in demand and reduce dependence on a narrower set of providers or sources of capacity.

Competition and choice also operate along dimensions other than price. Large commercial, catastrophe and emerging risks often require specialised modelling, underwriting and claims expertise. International reinsurers can bring knowledge accumulated across markets and risk classes, while individual providers differ in their risk appetite, geographical diversification, modelling capabilities and willingness to structure particular forms of cover. Access to a geographically diverse market can therefore broaden not only the number of counterparties available to EU insurers, but also the range of risk-transfer solutions available, particularly for complex or capacity-constrained risks such as cyber, climate-related exposures and major infrastructure projects. EIOPA similarly identifies both capital and expertise among the contributions made by globally active reinsurers.

At the same time, global reinsurance capacity is relatively concentrated, not least because scale is essential for diversification: the five largest reinsurance groups accounted for 46 % global reinsurance business in 2025 (67 % for the top 10) (A.M. Best, 2026b). Reinsurance is a concentrated global industry, and financial strength matters because transferring underwriting risk to a reinsurer creates counterparty credit exposure. Supervisors therefore monitor both the quality of reinsurers and concentrations of reinsurance exposures (OECD, 2017). The relevant consideration is consequently not simply the quantity or number of providers, but the depth, diversification and reliability of the capacity available.

The contribution of equivalence

The competitive effects of international capacity do not arise directly from Solvency II equivalence. Prices, market concentration and the availability of coverage depend on capacity, loss experience, underwriting strategies and broader financial conditions. Equivalence can, however, influence the regulatory environment in which providers from recognised jurisdictions operate in the EU by avoiding unnecessary regulatory frictions. Where such frictions would otherwise impose additional costs, including through collateral or duplicative prudential requirements, their removal can reduce the cost of providing reinsurance capacity and thereby support more competitive pricing.

Thus, the contribution of Solvency II equivalence should not be understood as an individually quantifiable effect on prices, but as one of the factors that can support market contestability. By reducing regulatory frictions and associated costs for capacity from recognised jurisdictions, the framework can facilitate access to a broader pool of counterparties, capital and expertise and improve the conditions under which that capacity is offered to EU insurers.

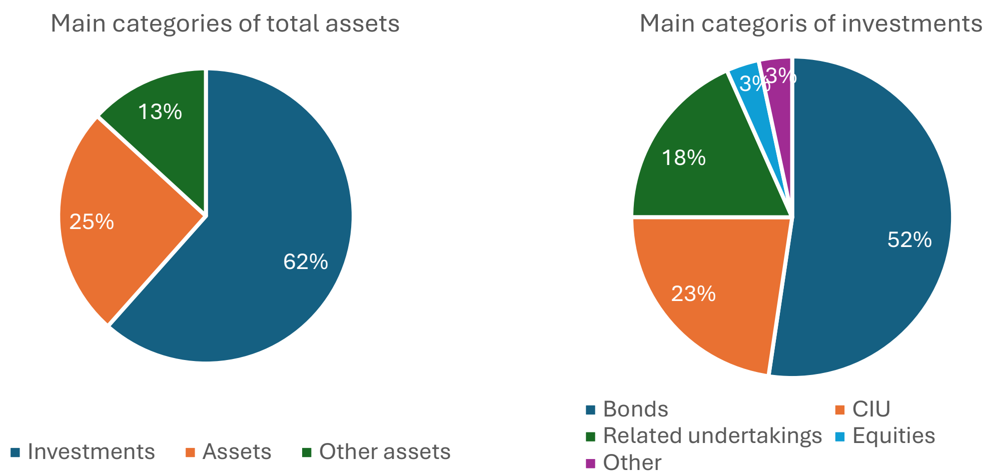
2.4. Insurance's contribution through investment, employment and its more general enabling role

The economic benefits of an integrated insurance industry do not only concern risk management through risk transfer. In addition to risk transfer, insurance companies and reinsurers are also investors and employers. Therefore, the contribution of the insurance industry to the EU economy through these two functions and indirectly through risk-bearing capacity is twofold. International groups from equivalent jurisdictions also participate in this contribution to the EU economy through EU-regulated subsidiaries and branches. Importantly, equivalence does not remove EU supervision of those entities, rather facilitates their integration into the wider international group by reducing unnecessary duplication and supporting supervisory cooperation.

The investment function of the insurance sector

The investment function is particularly important because the insurance business model generates substantial pools of investable assets. Premiums are received before many claims are paid, while long-term insurance liabilities can extend over several decades. Insurers therefore hold large investment portfolios to meet future obligations. At the EEA level, investments other than assets held for index- and unit-linked contracts represented 62 % of insurers' total assets in 2025, with a further 25 % held for index- and unit-linked contracts (see Figure 3 left-hand side). the investment portfolio itself is predominantly composed of bonds (52 %), followed by collective investment undertakings (23 %) and investments in related undertakings (18 %), with equities and other investments accounting for relatively small shares (see Figure 3 right-hand side). Investment patterns also display significant home bias in several large euro area markets (Corradin *et al*., 2025).

Figure 3. EEA insurers assets and investment portfolios (% of total, 2025)



Notes: The left-hand panel shows each category as a percentage of total assets, while the right-hand panel shows each investment category as a percentage of total investments other than assets held for index-linked and unit-linked contracts. The data cover 2 294 insurance undertakings: 354 life undertakings, 1 248 non-life undertakings, 326 reinsurance undertakings, 128 undertakings pursuing both life and non-life insurance activity under Article 73(5), and 238 undertakings pursuing both life and non-life insurance activity under Article 73(2) of the Solvency II Directive. “Investments” refers to investments other than assets held for index-linked and unit-linked contracts. “Assets” refers to assets held for index-linked and unit-linked contracts. “Bonds” includes government bonds, corporate bonds, structured bonds and collateralised securities. CIU refers to collective investment undertakings. “Related undertakings” refers to holdings in related undertakings (including participations). “Equities” includes listed and unlisted equities. “Other” includes property (other than for own use), derivatives, deposits other than cash equivalents and other investments.

Source: Author’s elaboration based on data from EIOPA Insurance Statistics.

Thus, the insurance sector acts as a major source of institutional capital for EU financial markets. An insurance investment portfolio consists of government and corporate bonds, stocks, funds, mortgages and loans, infrastructure assets and other long-term assets. The role of insurance companies in providing capital became particularly policy relevant in the context of the Savings and Investments Union. The European Commission recognised insurance companies as institutional investors whose capital can be used to finance the EU economy and, in 2025, amended Solvency II Delegated Regulation partially with the aim of facilitating equity investments by insurers.

Internationally active insurance groups can perform this role through cross-border investment. Groups domiciled in equivalent jurisdictions operate in EU insurance markets, hold assets backing EU liabilities and participate in EU capital markets through their investment portfolios. The extent of this contribution varies depending on the geographic allocation of individual groups' assets and cannot be derived from the regulatory jurisdiction alone.

The link to equivalence is indirect. Portfolio allocation is driven by liabilities, expected returns, risk, liquidity, currency match and prudential considerations, thus investment in EU assets cannot be attributed to equivalence per se.

Direct employment and operational footprint in Europe

International insurance and reinsurance groups also make their contribution through their European operations, creating employment both directly within the insurance sector and indirectly by employing legal, actuarial, accounting, technological and other professional services.

Available industry data suggest that this contribution exists. According to ABIR's survey in 2026, its members employed approximately 5 200 people in Europe (EU and Switzerland), in addition to 10 000 in the UK. These numbers reflect industry-reported figures and should not be treated as employment created by the Solvency II equivalence. They nevertheless demonstrate that internationally active groups associated with an equivalent jurisdiction maintain a material operational, rather than solely transactional, presence in European markets.

A broader enabling contribution to the EU economy

Insurance contributes to investment through a second channel that is distinct from the role of insurers as institutional investors. On the asset side of their balance sheets, insurers provide capital by investing premiums and other funds in financial and real assets. On the underwriting side, insurers and reinsurers absorb and redistribute risks, enabling households and firms to undertake activities and investments whose risks they could not efficiently retain themselves.

The latter function is particularly relevant for major infrastructure, energy, transport, construction and industrial projects, which typically require coverage against property, liability, business-interruption and other risks. Emerging technologies and new business models can similarly require specialist coverage. Sufficient insurance and reinsurance capacity can therefore be an enabling condition for productive investment by making otherwise concentrated or difficult-to-manage risks transferable.

This broadens the conventional connection between insurance and the Savings and Investments Union. Mobilising savings towards productive uses addresses the financing side of the EU's investment challenge; insurance addresses part of its risk-bearing side. Increasing the supply of finance alone may not generate investment where firms cannot manage the risks associated with deploying that capital. Deep and internationally connected insurance markets can therefore complement capital-market development by providing the risk-transfer infrastructure needed to support investment, innovation and economic activity.

This risk-bearing function can also operate through the financial system itself. In securitisation transactions, insurers and reinsurers can provide credit protection against losses on portfolios of loans originated by banks. In on-balance-sheet securitisations, the underlying exposures remain on the originating bank's balance sheet while part of their credit risk is transferred to investors or protection providers. Where this results in significant risk transfer for prudential purposes, it can reduce the capital required against the transferred risk and potentially release balance-sheet capacity for additional lending. Insurance and reinsurance balance sheets can therefore support productive investment not only by financing assets directly or insuring economic activity, but also by absorbing credit risk from the banking system.

The link to equivalence is indirect: equivalence does not determine insurers' investment allocation, the projects that receive insurance cover or the volume of credit risk transferred through securitisation. However, equivalence facilitates the regulatory environment that supports integration of internationally active insurers and reinsurers in the EU market and, consequently, access to internationally diversified risk-bearing capacity.

Overall, the data reviewed above suggest that the economic importance of equivalence lies not in results directly attributable to the regulatory framework but rather its role in facilitating the international integration of EU insurers. EU insurers use third country risk-bearing capacity; risks originating in the EU are absorbed by international balance sheets;

the broader base provides for market contestability and specialisation; and internationally active insurers make contributions through investments, employment and risk-bearing across the entire financial system. Equivalence is just one component of the regulatory infrastructure underpinning these relationships rather than its sole driver. The policy question then is whether this infrastructure is appropriate to ensure that the EU balances its prudential objectives with its openness to international capital and enhanced investment capacity.

3. The future of equivalence in a changing European and global landscape

In recent years, the environment in which equivalence under Solvency II is applied has changed significantly. There have been advancements in international prudential standards, major jurisdictions have undergone further reform of their regulatory systems, and competitiveness, openness, and investment have become increasingly important in EU financial policymaking. In such circumstances, the core question is not whether there is still a prudential justification for equivalence but whether the equivalence system is sufficiently flexible, predictable, and coherent to be effective in the coming decade.

3.1. A changing international regulatory environment

International standards in the insurance sector have continued to develop. In 2019, the International Association of Insurance Supervisors (IAIS) adopted the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), establishing a common framework for supervising internationally active insurance groups. In 2024, the IAIS adopted the Insurance Capital Standard (ICS) as a prescribed capital requirement for such groups, alongside amendments to ComFrame. While the ICS provides a common reference point for assessing group capital adequacy globally, jurisdictions may implement it in different ways.

This is important because, despite increasing convergence around international standards, major jurisdictions retain differences in capital requirements, valuation and supervisory approaches. The US provides a particularly relevant example. Rather than applying the ICS directly, the US uses an Aggregation Method, under which existing legal-entity capital requirements are aggregated at group level[13]. The IAIS has assessed whether the US Aggregation Method provides comparable outcomes to the ICS. This illustrates a broader development in international insurance regulation: convergence around common prudential objectives does not necessarily require identical regulatory frameworks. The increasing emphasis on comparable outcomes across different supervisory models is therefore broadly consistent with the underlying logic of Solvency II equivalence.

Equivalence may itself have contributed to regulatory convergence. For third countries with significant insurance relationships with the EU, the prospect of equivalence creates an incentive to demonstrate that their prudential frameworks deliver outcomes comparable to Solvency II. This does not require replicating EU rules, but the assessment

[13] Within the US Aggregation Method approach, the National Association of Insurance Commissioners (NAIC) uses the Group Capital Calculation (GCC) for state-regulated insurance groups, while the Federal Reserve uses its Building Block Approach (BBA) for the insurance groups under its supervision

process can encourage convergence towards some of the underlying principles of Solvency II. Equivalence can therefore have an external regulatory effect beyond the specific legal consequences of recognition, contributing to the international adoption of EU prudential principles.

Another major development in terms of EU insurance regulation is the withdrawal of the UK from Solvency II and the establishment of its separate framework. As part of further reforms, some elements of the old system, such as risk margin, matching adjustment, internal models, and reporting obligations were amended (Bank of England, 2024b). Thus, in this sense, the UK demonstrates a problem of regulatory recognition – countries might share similar prudential goals while developing increasingly divergent rule and institutional frameworks to achieve them.

However, competitiveness has been gaining importance in the design of financial regulation. This can be observed at both the international and EU levels, since competitiveness, productive investments and private capital mobilisation have become increasingly important in EU policymaking in recent years. When it comes to equivalence, the question is not about weakening prudential standards to facilitate international activity but whether regulatory duplication and fragmentation are still justified when third country standards provide comparable prudential outcomes.

In conclusion, the environment in which equivalence is used is characterised by increasing convergence in prudential goals internationally while retaining diversity in regulatory frameworks. This enhances rather than reduces the relevance of the outcomes-based approach to regulatory recognition. However, it raises the question of whether the EU system is sufficiently flexible and predictable to account for changing third-party frameworks while ensuring the prudential safeguards necessary for equivalence. In the next section, the analysis will be expanded to include a comparison between the EU system of equivalence and other regulatory recognition systems in major insurance markets

3.2. Regulatory recognition and the alternatives

The EU's equivalence framework is not the only instrument for accommodating regulatory differences. Insurance sectors in other major jurisdictions rely on combinations of regulatory recognition, bilateral arrangements and reliance on home-country regulation in various ways. While all share the common aim of facilitating cross-border insurance activities while retaining prudential standards, they vary significantly in terms of scope and flexibility.

The US provides an important example. Rather than establishing a broad equivalence regime comparable to Solvency II, US law allows bilateral covered agreements on prudential insurance measures where the foreign framework provides a level of consumer protection substantially equivalent to that achieved under US state regulation. The 2017 EU-US Covered Agreement focuses specifically on reinsurance, group supervision and supervisory information exchange. It removes certain collateral and local-presence requirements and provides for reliance on home-jurisdiction group supervision, subject to specified conditions.

This is particularly relevant because the agreement addresses many of the same cross-border frictions as Solvency II equivalence through a negotiated and targeted mechanism. It does not require general recognition of the other jurisdiction's prudential framework. Instead, the parties agree on the treatment of specific regulatory issues and maintain an institutional framework for continuing cooperation. The Joint Committee established under the agreement continues to review its implementation; following its seventh meeting in April 2025, the EU and US authorities stated that the agreement was functioning well.

The UK provides a different example, based not on an equivalence determination but on the calibration of host-country requirements according to the circumstances of individual third-country branches and their home-country supervision. Recent reforms removed branch capital and risk-margin requirements, asset-localisation requirements and around half of reporting requirements for third-country branches (Bank of England, 2024a). This simplification is conditional, however, on the PRA being sufficiently satisfied with the overseas undertaking and the quality of supervision exercised by its home authority. The approach therefore does not dispense with prudential safeguards, but allows host-country requirements to be reduced where the PRA considers that appropriate reliance can be placed on the wider undertaking and its home-country supervisory framework.

These models are not directly interchangeable with Solvency II equivalence. They operate within different legal and institutional systems and address partly different questions. They nevertheless illustrate a broader range of approaches to managing cross-border prudential relationships. EU equivalence relies principally on formal assessments of third-country regimes; bilateral agreements can address particular sources of duplication directly; and host supervisors can calibrate requirements according to the characteristics of foreign firms and the extent to which reliance can be placed on home-country supervision.

The comparison therefore does not suggest that the EU should replace equivalence with another jurisdiction's model. Rather, it highlights a question about the range of instruments available to the EU. The experience of the past decade suggests that full Solvency II equivalence is demanding and has remained concentrated in very few jurisdictions, while other instruments and supervisory approaches can also facilitate regulatory reliance and reduce duplication in particular circumstances. The relevant issue for the EU is whether the existing framework provides sufficient flexibility to distinguish between cases requiring comprehensive equivalence and those where more targeted forms of recognition or cooperation could achieve the same prudential objectives with fewer regulatory frictions.

3.3. Equivalence in the EU's competitiveness and investment agenda

The context in which equivalence applies has also evolved. Competitiveness and investment have become important elements in addition to financial stability in the shaping of financial policy in the EU. In the Savings and Investments Union (SIU), the goal is to combine financial stability and sustainable competitiveness in order to improve the ability of the EU financial system to finance productive investments.

Insurance is part of this agenda. Some reforms of Solvency II attempt to improve its proportionality and long-term investment capacity while preserving the policyholders' protection and the financial stability of the regime. The European Commission has used some of its powers under the SIU to foster equity investment by insurers, as they represent key institutional investors in the EU.

Equivalence raises a related but distinct issue. Its relevance to competitiveness does not lie primarily in determining how EU insurers allocate their assets, but in the conditions under which the EU insurance market interacts with international pools of capital and risk-bearing capacity. As Chapter 3 showed, these international links can broaden available reinsurance capacity, diversify risks and provide access to specialist expertise. Where third-country regimes provide sufficiently comparable prudential outcomes, unnecessary regulatory duplication can therefore impose costs without necessarily providing corresponding prudential benefits.

Securitisation provides one example of how this issue can extend beyond conventional insurance and reinsurance activity. As explained earlier, insurers and reinsurers can provide credit protection in transactions through which banks transfer portfolio credit risk, potentially releasing balance-sheet capacity for additional lending (Thomadakis, 2026). This creates an intersection between insurance regulation, bank prudential rules and the EU securitisation framework. The treatment of insurers and reinsurers from equivalent third countries in such transactions therefore provides a practical example of why consistency in the recognition of prudential status across the EU financial rulebook can matter for the broader objectives of the SIU.

This does not imply adding competitiveness as an alternative to the prudential test for equivalence. Recognition should continue to depend on the quality of the third country regulatory and supervisory framework and the protection it provides to policyholders and beneficiaries. The relevant question is instead whether, once sufficiently comparable prudential outcomes are established, the framework avoids unnecessary barriers to cross-border activity and supervisory cooperation.

Seen in this way, prudential protection and competitiveness need not be competing objectives. An outcomes-based equivalence framework can contribute to both goals by allowing the EU to remain open to reliable international capacity without lowering prudential standards. Equivalence can therefore support the EU's broader competitiveness and investment objectives not by relaxing the conditions for regulatory recognition, but by avoiding unnecessary regulatory frictions once sufficiently comparable prudential outcomes have been established.

3.4. Priorities for the next decade of equivalence

The first decade does not point to a need for fundamental redesign of Solvency II equivalence. The framework has performed its core prudential function, while its outcomes-based approach remains well suited to an international environment in which regulatory systems pursue increasingly common objectives through different institutional and regulatory arrangements. The priority should therefore be to improve how the framework operates rather than to replace its underlying model.

First, equivalence must remain outcomes-based. While greater convergence to international standards will mean that third countries adopt very similar rules to those of the EU, requiring exact replication of Solvency II would mean missing out on one of the key strengths of the equivalence framework: the possibility of recognising the different approaches to regulation which deliver sufficient prudential results. International standards like the ICS can serve as an additional basis for making such conclusions but it is not enough to replace the EU prudential criteria.

Second, the process could become more predictable and transparent. While full equivalence is only granted in a very limited number of cases, provisional group-solvency equivalence has become a long-term arrangement for other jurisdictions. Recent renewals of equivalence for Brazil, Japan, Mexico, and the US show that these arrangements can last as long as the criteria remain unchanged. Clarity about the criteria and process for prioritising new assessments, expectations about timelines, the review process and the consequences of regulatory changes would make the framework much more predictable for third country authorities and internationally active groups.

Third, recognition of the regulatory regime should continue to be seen as an ongoing relationship, not a single assessment. As currently required by Solvency II, the equivalence decision has to be revised as the regulatory regimes evolve. This requirement is now explicitly stated in recent decisions regarding the continuation of the review and revision process in the event of relevant development. Regulatory dialogue and supervisory cooperation can help identify any emerging differences early on, allowing important prudential differences from those which do not affect regulatory outcome to be distinguished and preventing potential obstacles to recognition.

Finally, the EU should make effective use of the different instruments available for managing cross-border regulatory relationships, while ensuring greater consistency in how existing equivalence determinations are reflected across the EU financial rulebook. Full equivalence will not necessarily be appropriate or necessary in every case. Provisional equivalence, supervisory determinations and targeted bilateral arrangements can address particular sources of regulatory duplication while preserving prudential safeguards. International frameworks such as the IAIS ComFrame for Internationally Active Insurance Groups can complement these instruments by supporting supervisory cooperation and convergence around common prudential outcomes. At the same time, where EU legislation relies on the prudential status of an insurer or reinsurer, consideration should be given to whether restrictions in adjacent legislation remain justified where the relevant third country regime has already been recognised as equivalent.

The treatment of credit protection in securitisation provides a current example: the CRR recognises certain insurers and reinsurers as eligible providers of unfunded credit protection, while corresponding recognition may not apply in the same way under the eligibility conditions governing credit protection for STS on-balance-sheet securitisations. The issue is not whether Solvency II equivalence should automatically extend to other legislation, but whether different treatment remains justified where the underlying prudential assessment concerns the same protection provider.

These priorities would preserve the central safeguard of the framework: regulatory openness remains conditional on sufficiently robust third country prudential and supervisory arrangements. At the same time, they would make equivalence better suited to an environment characterised by evolving international standards, differentiated regulatory models and greater competition for global insurance and reinsurance capacity. The appropriate objective for the next decade is therefore not more equivalence as an end in itself, but more effective regulatory recognition where comparable prudential outcomes make it justified.

4. Conclusions: 10 years of Solvency II equivalence

Experience accumulated over the past 10 years shows that the equivalence mechanism under Solvency II works as intended. The mechanism has ensured that sufficiently comparable prudential regimes in third countries can be recognised to avoid duplication and supervisory reliance while still protecting the interests of policyholders under Solvency II. The relatively limited geographical scope of the equivalence does not itself imply that it is ineffective – the equivalence regime was meant to be a focused form of recognition rather than general access regime.

The economic impact of the equivalence is also hard to discern. Information considered in this paper does not allow for attributing particular volumes of insurance / reinsurance capacity, claims payments, investments or employment to the equivalence regime. In order to do so a much broader array of commercial and market factors has to be taken into account. The evidence does show the importance of the international connections which form the background of the equivalence regime. EU insurers have significant international risk-bearing capacity to rely on, risks originating in the EU are dispersed around the world, and access to international insurance / reinsurance providers increases the pool of capital, counterparties and expertise available for the EU market.

Therefore, the equivalence regime should be seen as an enabling one. It does not generate international insurance and reinsurance capacity itself, but it helps to minimise regulatory obstacles faced by European insurers in accessing such capacity in countries with prudential regimes that have been recognised as sufficiently comparable. This point is important for both assessing the achievements over the first 10 years of the regime and for considering its future role.

This role becomes increasingly relevant amid a changing international and EU policy landscape. Global insurance standards have evolved, divergent implementations of common prudential objectives by different regulatory systems have emerged, the European insurance regulatory landscape has changed following Brexit, and competitiveness, investments and private capital mobilisation have become increasingly prominent policy objectives in the EU. In this context, the need for a framework capable of recognising comparable prudential outcomes without demanding regulatory uniformity becomes even more pronounced.

It means that the first decade of the equivalence mechanism should lead not to a fundamental redesign but to its evolution. The prudential objectives underpinning the mechanism will remain relevant, but the further development of the mechanism will add greater predictability, transparency and flexibility in response to changing regulatory environments. Full equivalence will not necessarily be required for international relations.

The EU will also need to rely on provisional equivalence and supervisory determinations and other forms of cooperation provided that the necessary prudential effects are achieved.

The main lesson from the first 10 years of the equivalence regime is that the EU should work to minimise regulatory obstacles caused by differences in regulations when sufficiently comparable prudential outcomes can be achieved. An effective equivalence mechanism will assist the EU to balance high standards of consumer protection with openness to international capital, expertise and risk tolerance capacity. This approach should continue to be the key strategy for maintaining Solvency II equivalence over the next 10 years.

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