



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Pre-application Process for the use of Proportionality Measures by Non Small and Non-Complex Undertakings

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1 Overview

Context

The existing Solvency II regime, introduced in 2016, has been amended (Directive (EU) 2025/2), with those amendments due to be transposed into national law and come into effect from January 2027 (Solvency II Review). The Solvency II Review has three broad objectives: to amend capital requirements; to make the rules simpler and less burdensome; and to maintain a robust supervisory framework that ensures the stability of the insurance sector and the protection of policyholders. This is in line with the Central Bank of Ireland's (Central Bank) overall safeguarding outcomes¹ of the safety and soundness of firms, the protection of the consumer and investor interests, financial stability and integrity of the financial system.

With regard to the objective of simplification and burden reduction, a key change will be the introduction of new proportionality measures which is the focus of this guidance. The Solvency II Review also introduces the concept of Small and Non-Complex Undertakings (SNCUs). These proportionality measures will be automatically available for SNCUs to use, and the below proportionality measures may also be used by non-SNCUs subject to the assessment and approval of the Central Bank.

The Central Bank expects undertakings applying to avail of these measures to demonstrate that their risk management capabilities remain proportionate to their risk profile and business model.

Purpose of this document

The Central Bank is offering a pre-application process for non-SNCU undertakings that may wish to formally apply for the use of the new proportionality measures once the legislation transposing Directive (EU) 2025/2 comes into effect. The process will be voluntary for undertakings who wish to avail of it.

The pre-application process is designed to support a non-SNCU undertaking in its preparations to meet the regulatory requirements before submitting a formal application. The pre-application process

¹ Further details on the Central Bank's safeguarding outcomes can be found in [Our Approach to Supervision](#)

will also assist the Central Bank in forming an initial view on how prepared the requesting undertaking is to submit a formal application for the use of any, or all, of the proportionality measures. Formal applications can only be submitted, and the new proportionality measures can only be used, once the transposing legislation comes into effect and the formal application has been approved.

This document sets out the expectation and required documentation that the Central Bank places on insurance and reinsurance undertakings who choose to participate in the pre-application process.

2 General – Proportionality Measures

The pre-application process relates to the proportionality measures listed in the table below.

No.	Proportionality Measure	Legislative Reference & Delegated Regulation Criteria ²
1	Proportionality measure on regular supervisory reporting	Article 35(5a); Article 327b
2	General Governance Requirements Combination of key functions	Article 41(2a); Article 327c
3	Less frequent review of key written procedures	Article 41(3); Article 327d
4	Exempt from supervisor request for additional macro prudential analysis in ORSA	Article 45(1b); [Implicit within the eligibility criteria of the draft ³ RTS on Macroprudential Analyses]
5	Reduction of the frequency of the own risk and solvency assessment	Article 45(5); Article 327e

² References are to Directive 2009/138/EC and Commission Delegated Regulation (EU) 2015/35 (in each case, as amended)

³ https://www.eiopa.europa.eu/publications/final-report-draft-rts-macroprudential-analyses-orsa-and-ppp_en

6	Simplified calculation for calculating best estimate for non-material guarantees and options	Article 77(8); Article 327f
7	Exemption from Liquidity Risk Management Planning	Article 144a(4); Article 327g

Any undertaking availing of the pre-application process will be required to submit a formal application to the Central Bank when the transposing legislation comes into effect. In assessing applications for use of the proportionality measures the Central Bank will focus on: scale, complexity and stability of business model; any unresolved material concerns arising from the undertaking's system of governance; and any supervisory concerns arising from the supervisory review process.

3 Application Process - Proportionality Measures

Overview

The criteria for use of six of the seven proportionality measures are set out in Articles 327b to 327g of the Commission Delegated Regulation (EU) 2015/35.

As noted in European Insurance and Occupational Pensions Authority's (EIOPA) Technical Advice⁴ to the European Commission on the implementation of the new proportionality framework, the criteria for obtaining a waiver from additional macro prudential analysis in Own Risk and Solvency Assessment (ORSA⁵) is implicitly contained within the eligibility criteria of the draft⁶ Regulatory Technical Standard (RTS) on Macroprudential Analyses.

⁴ https://www.eiopa.europa.eu/publications/technical-advice-implementation-new-proportionality-framework-under-solvency-ii_en

⁵ Article 45(1b) of Directive 2009/138/EC (as amended)

⁶ https://www.eiopa.europa.eu/publications/final-report-draft-rts-macroprudential-analyses-orsa-and-ppp_en

Central Bank Pre-Application Process

The window for entering the pre-application process will open on 1 September 2026 and will close on 30 September 2026. Undertakings should send their submission(s) to [solvenyllreview@centralbank.ie](mailto:solvencyllreview@centralbank.ie)

The submission should include:

- a) a list of the proportionality measures intended to be used, how the applicant meets the conditions applicable to those measures and the reasons why their use is justified in relation to the nature, scale and complexity of the risks inherent in the business of the undertaking;
- b) any other material information regarding the risk profile of the undertaking (e.g. complexity of the products sold);
- c) a copy of the undertaking's most recent ORSA (unless previously submitted as part of on-going supervision);
- d) a copy of the undertaking's latest business plan and a declaration that the undertaking does not plan any strategic change that would impact the risk profile of the undertaking within the next three years;
- e) a declaration that the undertaking does not have any relevant unresolved system of governance issues (e.g. open internal and/or external audit actions);
- f) the specific items set out in Appendix 1 for relevant proportionality measures related to application(s).

The pre-application process will not result in the pre-approval of any of the proportionality measures. Once a pre-application is submitted and reviewed, the Central Bank will indicate whether further information is required during Q4 2026.

Approval for use of proportionality measures can only be granted following receipt of a formal application after Directive (EU) 2025/2 has been transposed into Irish law and come into effect.

When submitting its formal application, the undertaking should confirm that no material changes have occurred since their pre-application submission or identify where material changes have occurred. The Central Bank will issue a formal application process guide in Q4 2026 following closure of the pre application process.

4 Appendix – Checklist for Proportionality Measures

In support of the items listed under section 3, as part of a pre-application submission and unless previously submitted as part of on-going supervision, please provide the following documentation for each of the relevant measures.

1.	Article 35 (5a): Frequency of full RSR reporting
	No additional documentation required
2.	Article 41(2a): Combining key functions
A	<p>The written submission from the Board detailing how it has satisfied itself that it meets the conditions for use of the proportionality measure. This should be sufficiently detailed in respect of the process in place to ensure a combination would not compromise the person's ability and availability to carry out their responsibilities or impact on the overall internal control structure of the undertaking.</p> <p>The written submission should also include a declaration that the undertaking has considered and reflected any existing waivers, derogations or approvals e.g. derogations from the Corporate Governance Requirements for Insurance Undertakings 2015, the Domestic Actuarial Regime and related governance requirements under Solvency II.</p>
3.	Article 41(3): Less frequent review of written procedures
A	Confirmation that the Board has undertaken a review of written procedures within the last 12 months.
4.	Article 45(5): Less frequent ORSA
A	A copy of the applicant undertaking's documented process on ad-hoc ORSAs, including the monitoring process in place to assess when an ad hoc ORSA would be required, and the ability to provide sufficient resources in order to produce an ad hoc ORSA when it is required.
B	A written submission from the Board detailing how it has satisfied itself that a reduced frequency of assessment will not negatively affect the undertaking's risk management system.

C	Any internal audit opinion on the applicant undertakings ORSA
D	Any relevant HoAF opinion
E	A copy of the undertaking's 'capital management plan and risk appetite statement.
5.	Art 45 (1b): Exempt from supervisory request for additional macro-prudential analysis
	No additional documentation required
6.	Art 77(8): Simplified calculation for calculating best estimate for life obligations with non-material guarantees and options
A	<p>Calculations based on 2025 financial year end economic conditions, rolled-forward to an estimated 2026 financial year end business mix, showing that the time value of options and guarantees, measured based on the prudent harmonised reduced set of scenarios, of the contracts where the prudent deterministic valuation is applied represent less than 5 % of the Solvency Capital Requirement.</p> <p>For undertakings, which have obtained authorisation within the last 12 months, the calculations shall be based on the scheme of operations submitted as part of the application for authorisation</p>
7.	Art 144a (4): Exemption from Liquidity risk management plan
A	A copy of the undertaking's capital management plan and risk appetite statement
B	A written submission from the Board detailing how it has satisfied itself that the undertaking is not exposed to material liquidity risk from both the asset and liability side of the balance sheet.



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