GUIDELINES

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on group solvency

EIOPA-BoS-26/283
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European Insurance and
Occupational Pensions Authority

GUIDELINES ON GROUP SOLVENCY

INTRODUCTION

1. In accordance with Article 16 of Regulation (EU) No 1094/2010 (EIOPA Regulation)[1], EIOPA issues these Guidelines on group solvency.
2. These Guidelines relate to Articles 212 to 235 and Articles 261 to 263 of Directive 2009/138/EC (Solvency II Directive)[2], and to Articles 328 to 342 of Commission Delegated Regulation (EU) 2015/35 (Delegated Regulation 2015/35)[3].
3. These Guidelines are addressed to supervisory authorities under Solvency II.
4. The Guidelines apply to all the methods of group solvency calculation unless otherwise specified. When relevant, the standard formula or the internal model will be specified in the Guidelines.
5. The Guidelines provide guidance on the treatment of EEA groups in the context of Articles 215 to 217 of the Solvency II Directive.
6. The Guidelines apply from 30 January 2027 and repeal and replace the Guidelines on group solvency (EIOPA-BoS-14/181).
7. If not defined in these Guidelines the terms have the meaning defined in the legal acts referred to in the introduction.

GUIDELINE 1 – SCOPE OF THE GROUP FOR THE GROUP SOLVENCY CALCULATION

8. The participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company responsible for calculating the group solvency should ensure that it covers all risks and all related undertakings belonging to the group, unless the undertakings are excluded in accordance with Articles 214(2) and 229 of the Solvency II Directive. Irrespective of the calculation method used for the group solvency calculation, the scope of the group should be the same.

GUIDELINE 2 – CASE OF APPLICATION OF GROUP SUPERVISION

9. Since the four cases of application of group supervision referred to in Article 213(2)(a) to (d) of the Solvency II Directive are not mutually exclusive and can exist within the same group, supervisory authorities should consider the different cases under this article in setting up group supervision.

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[1] Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (EIOPA Regulation) (OJ L 331, 15.12.2010, p. 48–83).

[2] Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1-155).

[3] Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC (OJ L 12, 17.01.2015, p. 1-797).

GUIDELINE 3 - PARENT INSURANCE OR REINSURANCE UNDERTAKING, INSURANCE HOLDING COMPANY OR MIXED FINANCIAL HOLDING COMPANY HEADQUARTERED IN A THIRD COUNTRY

10. According to Article 215 of the Solvency II Directive, where a subgroup referred to in Article 213(2)(a) and (b) of the Solvency II Directive exists, the acting group supervisor as defined in Article 260 of the Solvency II Directive, after consulting the other supervisory authorities concerned, should ensure that group supervision applies by default at the level of the ultimate parent undertaking in the European Union.
11. However, where the parent insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company is headquartered outside the EEA and is subject to an equivalent third country group supervision, the acting group supervisor as defined in Article 260 of the Solvency II Directive should rely on the group supervision exercised by the third-country supervisory authorities, according to Article 261 of the Solvency II Directive, and exempt the group from group supervision at the ultimate level of the European Union on a case-by-case basis, where this would result in a more efficient supervision of the group and would not impair the supervisory activities of the supervisory authorities concerned in respect of their individual responsibilities.
12. After consulting with other supervisory authorities concerned, the acting group supervisor as defined in Article 260 of the Solvency II Directive should consider a more efficient group supervision as achieved when the following criteria are met:

    (a) the worldwide group supervision allows for a robust assessment of the risks to which the EEA subgroup and its entities are exposed, considering the structure of the group, the nature, scale and complexity of the risks and the capital allocation within the group;

    (b) the cooperation currently in place between the third-country group supervisor and EEA supervisory authorities for the group concerned is structured and well-managed through regular meetings and appropriate exchange of information within a college of supervisors to which the EEA supervisory authorities and EIOPA are invited;

    (c) an annual work plan, including joint on-site examinations, is agreed upon in these regular meetings by the supervisory authorities involved in the supervision of the group.

13. Where the parent insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company is headquartered outside the EEA and is not subject to an equivalent third country supervision, group supervision should be applied at the level of the ultimate parent undertaking in the European Union where a group, as defined by Article 213(2) (a) or (b) of the Solvency II Directive, exists. Where such group does not exist, the supervisory authorities should decide whether to require, by virtue of Article 262(3)(b) of the Solvency II Directive, the establishment of an insurance holding company or a mixed financial holding company which has its head office in the European Union and subject this EEA group to group supervision and group solvency calculation.

GUIDELINE 4 - CHOICE OF THE METHOD OF CALCULATION AND ASSESSMENT OF THE INTRA-GROUP TRANSACTIONS

14. When deciding whether the exclusive application of method 1 is not appropriate according to Article 328(1)(e) of Delegated Regulation 2015/35, the group supervisor should consider the presence of intra-group transactions between the related undertaking being assessed for deduction and aggregation method and all other entities in the scope of the group solvency calculation.

GUIDELINE 5 - PROPORTIONAL SHARE

15. Where a related undertaking is linked with another undertaking by a relationship as set out in Article 22(7) of Directive 2013/34/EU[4], irrespective of the choice of the calculation method, a proportional share of 100% should be used by default. Where the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company seeks to use another percentage, it should explain to the group supervisor why it is appropriate. After consulting the other supervisory authorities concerned and the group itself, the group supervisor should decide on the appropriateness of the proportional share chosen by the group.
16. When calculating the group solvency according to method 1, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should determine the proportional share it holds in its related undertakings by taking:

    (a) 100% when including a subsidiary according to Article 335(1)(a) and (b) of Delegated Regulation 2015/35, unless otherwise decided in accordance with Guideline 6;

    (b) the percentage used for the establishment of the consolidated accounts, when including undertakings according to Article 335(1)(c), (d) and (f) of Delegated Regulation 2015/35.

GUIDELINE 6 - CRITERIA FOR THE RECOGNITION OF THE SOLVENCY DEFICIT OF A SUBSIDIARY ON A PROPORTIONAL BASIS

17. In order to prove that the responsibility of the parent undertaking is strictly limited to the share of capital of the insurance or reinsurance subsidiary as envisaged in Article 221(1) of the Solvency II Directive, the parent undertaking should provide evidence to the group supervisor that the following criteria are met:

    (a) no profit and loss transfer agreement and no guarantees, net worth maintenance agreements or other agreements of the parent undertaking or any other related undertaking providing financial support are in place;

    (b) the investment in the subsidiary is not considered as a strategic investment for the parent undertaking;

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[4] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, pp. 19–76).

(c) the parent undertaking does not benefit of any advantage from its participation in the subsidiary, where such advantage could take the form of intra-group transactions such as loans, reinsurance agreements or service agreements;

(d) the subsidiary is not a core component of the group's business model, in particular regarding product offering, client base, underwriting, distribution, investment strategy and management; furthermore it is not operating under the same name or brand, and there are no interlocking responsibilities at the level of the group senior management;

(e) a written agreement between the parent undertaking and the subsidiary explicitly limits the support of the parent undertaking in case of a solvency deficit to the parent undertaking's share in the capital of that subsidiary. In addition, the subsidiary should have a strategy in place to resolve the solvency deficit, such as guarantees from minority shareholders.

18. Where a subsidiary is included in the scope of the internal model to calculate the group solvency capital requirement, the group supervisor should not allow the parent undertaking to take into account the solvency deficit of the subsidiary on a proportional basis.
19. The group supervisor should assess such criteria, after consulting the other supervisory authorities concerned and the group itself, on a case-by-case basis, taking into account the specific features of the group.
20. The status of strictly limited responsibility of the parent undertaking should be subject to an annual review by the group supervisor.
21. The parent undertaking and the subsidiary should disclose the positive decision of the group supervisor that allows the recognition of the solvency deficit on a proportional basis in order to inform policyholders and investors, as material information in the capital management section of the group and individual Solvency and Financial Condition Report.
22. When preparing the consolidated data using method 1, the own funds and the solvency capital requirement of the subsidiary should be calculated on a proportional basis instead of applying a full consolidation.
23. When preparing the aggregated data using method 2, the own funds and the solvency capital requirement of the subsidiary should be calculated using the proportional share of that subsidiary, also in the case of a solvency deficit.

GUIDELINE 7 – CONTRIBUTION OF A RELATED UNDERTAKING TO THE GROUP SOLVENCY CAPITAL REQUIREMENT

24. For the purpose of Article 330(6)(a) of Delegated Regulation 2015/35, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should calculate the contribution of a related undertaking to the group solvency capital requirement according to the Technical Annex, with the goal to reflect diversification effects.

GUIDELINE 8 – TREATMENT OF RING-FENCED FUNDS FOR COVERING THE GROUP SOLVENCY CAPITAL REQUIREMENT

25. For all undertakings included in the group solvency calculation using method 1 and for undertakings in non-equivalent third countries included in the group solvency calculation using method 2, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should apply the principles for ring-fenced funds as set out in Article 81 and Article 217 of Delegated Regulation 2015/35.
26. For undertakings in equivalent third countries included in the group solvency calculation using method 2, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should identify any restriction to the undertakings' own funds due to ring-fencing of assets or liabilities or similar arrangements, in accordance with the equivalent solvency regime. These restrictions should be considered in the group solvency calculation as part of the own funds availability assessment at the group level.
27. When calculating the group solvency capital requirement using method 1, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should not eliminate intra-group transactions between the assets and liabilities associated with each material ring-fenced fund and the remaining consolidated data. The group solvency capital requirement calculated on the basis of the consolidated data should be the sum of:

    (a) the notional solvency capital requirement for each material ring-fenced fund calculated with the assets and liabilities of the ring-fenced fund gross of intra-group transactions; and;

    (b) the (diversified) group solvency capital requirement for the remaining consolidated data (excluding assets and liabilities of all material ring-fenced funds but including the assets and liabilities of all non-material ring-fenced funds). When calculating the group solvency capital requirements for the remaining consolidated data, intra-group transactions should be eliminated, while intra-group transactions between the remaining consolidated data and the material ring-fenced funds should not be eliminated.

28. Where a group uses an internal model to calculate the group Solvency Capital Requirement (SCR), it should follow the guidance set out in Guideline 10 of the Guidelines on ring-fenced funds.
29. The consolidated data used to calculate the group own funds should be net of intra-group transactions as set out in Article 335(3) of Delegated Regulation 2015/35. Therefore, all intra-group transactions between material ring-fenced funds and the remaining consolidated data should be eliminated for the calculation of the group own funds.
30. For each material ring-fenced fund identified within the consolidated data under method 1, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should calculate the restricted own-fund items using the same assets and liabilities of the ring-fenced fund used to calculate its notional solvency capital requirement as described above, i.e. gross of intra-group transactions.

31. Therefore, the total restricted own funds within the ring-fenced fund to be deducted from the group reconciliation reserve should be the sum of all material restricted own funds identified in EEA insurance or reinsurance undertakings and the restricted own funds identified in any non-EEA insurance and reinsurance undertaking in the scope of the consolidated data.

GUIDELINE 9 – ADJUSTMENTS RELATED TO NON-AVAILABLE OWN FUNDS FOR THE CALCULATION OF GROUP ELIGIBLE OWN FUNDS

32. The participating insurance and reinsurance undertaking, the insurance holding company or the mixed financial holding company should deduct the part of the own funds of related undertakings, referred to in Article 330(1) of Delegated Regulation 2015/35, that have been assessed as non-available at group level in accordance with Article 330 of Delegated Regulation 2015/35. Such deductions should be done from the relevant own funds items and the relevant tiers of the group own funds.
33. When using method 1 or a combination of methods, the following process should be followed for calculating the consolidated group own funds eligible to cover the consolidated group solvency capital requirement and the minimum consolidated group solvency capital requirement:

    (a) the consolidated group own funds are calculated on the basis of the consolidated data, as referred to in Article 335(1)(a), (b), (c), (d) and (f) of Delegated Regulation 2015/35, net of any intra-group transactions. Holdings in related undertakings as referred to in Article 228(1) of the Solvency II Directive are not mentioned in this paragraph since they are not included in the consolidated data;

    (b) the consolidated group own funds referred to in (a) are classified into the relevant tiers according to Articles 331-334 of Delegated Regulation 2015/35;

    (c) the following deductions have to be made for each related undertaking referred to in Article 330(1) of Delegated Regulation 2015/35 to determine the available consolidated group own funds:

        i. the sum of all non-available own-fund items, other than minority interests, of a related undertaking in excess of the contribution of that related undertaking to the group solvency capital requirement should be deducted from the own funds referred to in (b).

        ii. minority interests of subsidiaries that are not fully owned should be deducted with the amounts as calculated according to Article 330(4a) of Delegated Regulation 2015/35

    (d) the available consolidated group own funds from (c) are subject to the same tiering limits applying at individual level in order to determine the eligible consolidated group own funds that cover the consolidated group solvency capital requirement and the minimum consolidated group solvency capital requirement.

34. When using method 2, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should use the sum of the eligible own funds of related undertakings after deducting non-available own funds at group level.

35. For all calculation methods, where the non-available own funds have been classified into more than one tier, the order in which they are deducted from the different tiers should be explained to the group supervisor.
36. For related undertakings from other financial sectors as referred to in Article 228(1) of the Solvency II Directive, own funds identified by the group supervisor as having reduced loss-absorbency capacity will follow the treatment as stated in Article 228 (2) of the Solvency II Directive.

GUIDELINE 10 – TREATMENT OF GROUP SPECIFIC RISKS

37. The participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should calculate the group solvency capital requirement taking into account all quantifiable, and material specific risks existing at group level, which may impact the solvency and financial position of the group. If the group specific risks are material, the group should use group-specific parameters or a partial internal model for the calculation of the solvency capital requirement corresponding to the group-specific risks.
38. These risks are:

    (a) the risks which are also present at individual level, but whose impact is significantly different (which behave in a different way) at group level; or

    (b) the risks only present at group level.

39. The group solvency capital requirement for the quantifiable part of these risks should be calculated as follows:

    (a) in the case described in (a) by applying different calibrations to the relevant risk modules or sub-modules than those used at the individual level, or by applying appropriate scenarios;

    (b) in the case of (b) by applying appropriate scenarios.

40. If the group is unable to reflect the risk profile in the group solvency capital requirement due to the specific risks existing at group level as described above, the group supervisor after consulting the other supervisory authorities concerned, should be able to impose a group capital add-on, as provided for in Articles 232(a), 233(6) and 233a(7) of the Solvency II Directive, if appropriate.

COMPLIANCE AND REPORTING RULES

41. This document contains Guidelines issued under Article 16 of the EIOPA Regulation. In accordance with Article 16(3) of the EIOPA Regulation, competent authorities and financial institutions are required to make every effort to comply with guidelines and recommendations.
42. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.
43. Competent authorities are to confirm to EIOPA whether they comply or intend to comply with these Guidelines, with reasons for non-compliance, within two months after the issuance of the translated versions.
44. In the absence of a response by this deadline, competent authorities will be considered as non-compliant to the reporting and reported as such.

FINAL PROVISION ON REVIEWS

45. The present Guidelines will be subject to a review by EIOPA.

TECHNICAL ANNEX

For the purpose of Article 330(6)(a) of Delegated Regulation 2015/35, the contribution $Contr_j$ of a related undertaking j to the consolidated group solvency capital requirement should be calculated according to the formula:

$$Contr_j = SCR_j^{solo} \times \mathrm{MIN}(1; SCR^{diversified} / \sum_i SCR_i^{solo})$$

Where:

- SCR_j^{solo} is the proportional share of the solo SCR at individual entity level of the undertaking j;
- $SCR^{diversified}$ is the diversified component of the consolidated group SCR calculated in accordance with Article 336(a) of Delegated Regulation 2015/35;
- For the participating undertaking and each related insurance or reinsurance undertaking and third-country insurance and reinsurance undertaking included in the calculation of the $SCR^{diversified}$, SCR_i^{solo} is the proportional share of the solo SCR at individual entity level. For insurance holding companies and mixed financial holding companies and holding companies of third country insurance and reinsurance undertakings included in the calculation of the $SCR^{diversified}$, SCR_i^{solo} is the proportional share of the notional SCR as calculated according to Articles 226 and 235 of Directive 2009/138/EC.

Articles 226 and 235 of Directive 2009/138/EC via reference to Subsections 1, 2 and 3 of Section 4 of Chapter VI of Title I of Directive 2009/138/EC imply that the notional SCR covers all risks included in the standard formula, e.g. equity risk for participations held and underwriting risk in the context of service outsourcing.