

GUIDELINES

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on undertaking-specific parameters

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eiopa

European Insurance and
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GUIDELINES ON UNDERTAKING-SPECIFIC PARAMETERS

INTRODUCTION

1. In accordance with Article 16 of Regulation (EU) No 1094/2010 (EIOPA Regulation)¹, EIOPA issues Guidelines on undertaking-specific parameters.
2. The Guidelines relate to Articles 104(7), 110, 111, 230, 248(2) of Directive 2009/138/EC (Solvency II)² as well as to Articles 218, 219, 220, 338 and 356 of Commission Delegated Regulation (EU) 2015/35³ and Commission Implementing Regulation (EU) 2015/498⁴.
3. These Guidelines are addressed to the supervisory authorities under Solvency II.
4. The Guidelines 1 to 9 are applicable for both individual insurance and reinsurance undertakings (collectively “undertakings”) as well as for the group Solvency Capital Requirement calculation under the consolidation method or under a combination of methods on the consolidated data calculated in accordance with Article 335(1)(a)(b) and (c) of Commission Delegated Regulation (EU) 2015/35.
5. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction.
6. The Guidelines repeal and replace the Guidelines on undertaking-specific parameters (EIOPA-BoS-14-178).

GUIDELINE 1 – ROLE OF EXPERT JUDGEMENT

7. For the purpose of determining the undertaking-specific parameters, undertakings should be allowed to use assumptions based on expert judgement only as an adjustment to existing data and not as a substitute for missing data.
8. Undertakings should only use assumptions based on expert judgement if the resulting adjusted data meet the criteria set out in Article 219 of Commission Delegated Regulation (EU) 2015/35 to a higher degree and should demonstrate such compliance upon request of the supervisory authorities.

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)

⁴ Commission Implementing Regulation (EU) 2015/498 of 24 March 2015 laying down implementing technical standards with regard to the supervisory approval procedure to use undertaking-specific parameters in accordance with Directive 2009/138/EC of the European Parliament and of the Council (OJ L 79, 25.3.2015, p. 8-11)

GUIDELINE 2 – ADJUSTMENTS TO INCREASE THE LEVEL OF APPROPRIATENESS IN DATA

9. Subject to Guideline 1, when determining undertaking-specific parameters, undertakings should adjust historical data as necessary to eliminate the effect of risks that are irrelevant at least over the next twelve months.

GUIDELINE 3 – ADJUSTMENT OF HISTORICAL DATA TO ELIMINATE THE EFFECT OF CATASTROPHE EVENTS AND TO REFLECT THE CURRENT REINSURANCE ARRANGEMENTS

10. Where relevant, undertakings should establish internal policies and procedures:
 - (a) to identify losses from catastrophe events;
 - (b) to adjust data in accordance with Annex XVII point B.(2)(e) of Commission Delegated Regulation (EU) 2015/35;
 - (c) to adjust data in accordance with Annex XVII point B.(2)(d), point C.(2)(c) and point D.(2)(f) of Commission Delegated Regulation (EU) 2015/35.
11. Undertakings should ensure that changes in retentions on non-proportional reinsurance are appropriately considered where they have an impact on the volatility of reserve risk.

GUIDELINE 4 – CALCULATION OF NON-PROPORTIONAL REINSURANCE ADJUSTMENT IN THE SCOPE OF PREMIUM RISK

12. When undertakings determine the adjustment factors for the non-proportional reinsurance referred to in Article 218(1)(a)(iii) and (1)(c)(iii) of Commission Delegated Regulation (EU) 2015/35, they should ensure that both gross data and data net of non-proportional reinsurance for the following twelve months comply with Guidelines 1, 3 and 4.

GUIDELINE 5 – CONTINUOUS COMPLIANCE

13. Undertakings should monitor their compliance with the requirements for the use of undertaking-specific parameters as part of the own-risk and solvency assessment.
14. As part of the own-risk and solvency assessment supervisory report, undertakings should inform the supervisory authorities whether there have been any material changes to the information included in the application and should provide relevant details of any material changes.
15. If undertakings become aware that another standardised method provides a more accurate result for the purpose of fulfilling the calibration requirements included in Article 101(3) of Solvency II, they should submit a new application for the use of this alternative standardised method.

GUIDELINE 6 – REMEDIAL OF NON-COMPLIANCE

16. In case of non-compliance with the requirements for the use of undertaking-specific parameters, the supervisory authority should decide if a three-month period is granted for the undertaking to remedy the non-compliance.
17. When taking the decision, the supervisory authority should consider the degree and the scope of the non-compliance as well as the time needed to remedy it and the actions that the undertaking

intends to take to restore compliance with the requirements for the use of undertaking-specific parameters.

18. When the non-compliance cannot be restored within three months, the supervisory authority should revoke the approval for the use of undertaking specific parameters in accordance with Article 6(a) of Commission Implementing Regulation (EU) 2015/498.

GUIDELINE 7 – SIGNIFICANT DEVIATION

19. When considering if there is a significant deviation as referred to in Article 110 of Solvency II, supervisory authorities should take into account the relevant factors as follows:
 - (a) the findings arising out of the supervisory review process;
 - (b) the nature, type and size of the deviation;
 - (c) the likelihood and severity of any adverse impact on policyholders and beneficiaries;
 - (d) the level of sensitivity of the assumptions to which the deviation relates;
 - (e) the anticipated duration and volatility of the deviation over the duration of the deviation.
20. Supervisory authorities should perform this analysis at the level of each segment for which the use of undertaking-specific parameters is possible.

GUIDELINE 8 – APPLICATION FOR APPROVAL OF THE USE OF GROUP-SPECIFIC PARAMETERS

21. The application for approval of the use of group-specific parameters should include as a minimum the information required in Article 1(3) and (4) of Commission Implementing Regulation (EU) 2015/498, where any reference to 'undertaking-specific parameters' should be understood as a reference to 'group-specific parameters'.
22. At the reasoned request of the group supervisor, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should provide additional information where necessary to assess the application.

GUIDELINE 9 – SCOPE OF THE GROUP USING GROUP-SPECIFIC PARAMETERS

23. When the group Solvency Capital Requirement is calculated under method 1 or under the combination of method 1 and method 2, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should use the group specific-parameters only on consolidated data calculated in accordance with Article 335(1)(a), (b) and (c) of Commission Delegated Regulation (EU) 2015/35.

GUIDELINE 10 – CONSULTATION WITHIN THE COLLEGE OF SUPERVISORS

24. In the consultation set out in Article 356(3) of Commission Delegated Regulation (EU) 2015/35 the group supervisor and the other supervisory authorities within the college of supervisors should *inter alia* analyse and discuss the representativeness of the data at group level and the relevance of the used standardised method.

GUIDELINE 11 – INFORMATION FOR THE COLLEGE OF SUPERVISORS

25. In the case of an application for approval of the use of undertaking-specific parameters by an undertaking which is included in the scope of group solvency calculation, the supervisory authority which receives the application should inform the college of supervisors of the receipt and its decision. If the application is rejected, it should inform the college of supervisors about the main reasons for its decision.
26. Prior to making its final decision on the application to use group-specific parameters, the group supervisor should consider the decisions by the supervisory authorities on the applications of individual undertakings included in the scope of group solvency calculation to use undertaking-specific parameters.

COMPLIANCE AND REPORTING RULES

27. 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.
28. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.
29. 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.
30. 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 REVIEW

31. These Guidelines will be subject to a review by EIOPA.