



EIOPA-CP-010/2014  
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**Consultation Paper on  
the proposal for Guidelines  
on  
the operational functioning  
of colleges of supervisors**

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## **Responding to this paper**

EIOPA welcomes comments on the Guidelines on the operational functioning of colleges of supervisors.

The consultation package includes:

- The Consultation Paper
- Template for comments

Please send your comments to EIOPA in the provided Template for Comments, by email to [CP-14-010@eiopa.europa.eu](mailto:CP-14-010@eiopa.europa.eu) by 30 June 2014.

Contributions not provided in the template for comments, or sent to a different email address, or after the deadline will not be processed.

EIOPA invites comments on any aspect of this paper. Comments are most helpful if they:

- contain a clear rationale; and
- describe any alternatives EIOPA should consider.

## **Publication of responses**

All contributions received will be published following the close of the consultation, unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with EIOPA's rules on public access to documents<sup>1</sup>. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by EIOPA's Board of Appeal and the European Ombudsman.

## **Data protection**

Information on data protection can be found at [www.eiopa.europa.eu](http://www.eiopa.europa.eu) under the heading 'Legal notice'.

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<sup>1</sup> [https://eiopa.europa.eu/fileadmin/tx\\_dam/files/aboutceiops/Public-Access-\(EIOPA-MB-11-051\).pdf](https://eiopa.europa.eu/fileadmin/tx_dam/files/aboutceiops/Public-Access-(EIOPA-MB-11-051).pdf)

## **Consultation Paper Overview & Next Steps**

EIOPA carries out consultations in the case of Guidelines and Recommendations in accordance with Article 16 (2) of the EIOPA Regulation.

This Consultation Paper is being issued on the operational functioning of colleges of supervisors.

This Consultation Paper presents the draft Guidelines and the explanatory text.

The analysis of the expected impact from the proposed policy is covered under the Annex I Impact Assessment.

The explanatory text is presented for the purpose of the consultation. Any comments should be provided by using the template for comments provided by EIOPA.

### **Next steps**

EIOPA will consider the feedback received and expects to publish a final report on the consultation. The final Guidelines are subject of the adoption by the Board of Supervisors of EIOPA.

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# 1. Guidelines

## Introduction

- 1.1. According to Directive 2009/138/EC of 25 November 2009 of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)<sup>2</sup>, and in particular Art.248(6) EIOPA developed the Guidelines in view of establishing a framework for the operational functioning of College of supervisors in accordance with Art.247 to 255.
- 1.2. Guidelines on the functioning of supervisory Colleges are designed to clarify and enhance the cooperation between competent supervisory authorities for the supervision of cross-border insurance or reinsurance groups and facilitate the functioning of the supervisory Colleges. More broadly, they aim at establishing consistent, efficient and effective supervisory practices, and contributing to the common, uniform and consistent application of Union law, in particular enhancing the single market level playing field and reducing administrative burdens for insurance and reinsurance undertakings and supervisory authorities.
- 1.3. They are addressed to competent supervisory authorities which are members or participants of supervisory Colleges.
- 1.4. The Guidelines reflect the principle of proportionality. This allows undertakings to structure their business in a way that meets regulatory requirements while appropriately reflecting their size and specific risk profile. Principle of proportionality is not applicable in respect of professional secrecy equivalence assessments.
- 1.5. While EIOPA is a member of Colleges, day-to-day supervision of undertakings is the responsibility of national supervisory authorities.
- 1.6. When participating in the activities of the College, in accordance with Art.21 and 28 of EIOPA's Regulation, EIOPA will assist the group supervisor and the College of supervisors in its functioning by providing information, advice, practical examples and sharing best practices upon request and on its own initiative as well as promote the implementation of EIOPA's work plan on Colleges. EIOPA will facilitate the process of delegation of tasks within the College by identifying those tasks that can be delegated or jointly exercised following the principle of allocating supervisory competence to a supervisor which is best placed to perform examinations or take action in the subject matter.
- 1.7. Furthermore, EIOPA will ensure that micro-economic risk assessments by Colleges contribute to the evaluation of macro-economic risks for financial stability purposes.
- 1.8. In its oversight function EIOPA will monitor the functioning of the Colleges in general as well as the implementation of EIOPA's work plan on Colleges and prepare on a regular basis a comprehensive report to the Board of Supervisors on the outcome of the monitoring. When appropriate, EIOPA may request the group supervisor for further deliberations, the scheduling of a meeting, or an additional point to the agenda of a College meeting.

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<sup>2</sup> OJ C 184 E, 8.7.2010, p. 214.

On request of the group supervisor, EIOPA is prepared to facilitate the decision making process in the College.

- 1.9. EIOPA will not take over the tasks of the Group Supervisor when it comes to chairing and leading the College and its supervisory tasks and responsibilities. In case of formal voting in a College, EIOPA would give its opinion but would not take part in the formal voting.
- 1.10. The Guidelines shall apply from 1 April 2015 with the exception of Guidelines 17 to 19 that shall apply from 1 January 2016.
- 1.11. For the purpose of these Guidelines, the following definitions have been developed:
  - When the Guidelines refer to 'group supervisor', they refer to the supervisory authority that complies with the criteria set out at Art.247 of Directive 2009/138/EC, even before the group supervisor is designated by the College of supervisors according to these criteria.
  - When these Guidelines refer to 'other related undertakings' they mean an undertaking , other than subsidiaries, where a participation is held or an undertaking linked with another undertaking by a relationship as set out in Art.12(1) of Directive 83/349/EEC.

## **Section 1: Establishment of the College of supervisors**

### **Guideline 1 - Group's mapping and identification of members and participants of the College.**

- 1.12 The group supervisor or, if not yet designated, the supervisory authority which would be the group supervisor if the criteria set out in Art.247(2) were to apply, should map all the related undertakings of the group in order to determine the group structure and identify all members and participants of the College.

The mapping should be reviewed at least upon modification of the group structure in order to allow the College to review the appropriateness of the members and participants of the College and confirm that there is no need for designating another group supervisor.

In addition, the group supervisor or the supervisory authority which would be the group supervisor if the criteria set out in Art.247(2) were to apply, if different, should require the participating insurance or reinsurance undertaking or the insurance holding company or the mixed financial holding company to perform and submit an initial analysis of its group structure including an assessment of any dominant or significant influence effectively exercised over an undertaking by another undertaking of the group.

### **Guideline 2 - Criteria for assessing significance and materiality of undertakings**

- 1.13 The supervisory authorities identified in the mapping process as members and participants of the College of supervisors should contribute to the assessment made by the group supervisor of the undertakings' significance and materiality together with the rationale for that assessment.

When assessing the significance of undertakings within the group, supervisory authorities should consider at least the following factors:

- a) the ratio of the balance sheet of an undertaking to the total balance sheet of the group;
- b) the proportional contribution of an undertaking to the group SCR;
- c) the proportional contribution of an undertaking to the group own funds;
- d) the contribution of an undertaking to the performance and earnings of the group as a whole;
- e) the role of the undertaking within the group's organisational structure, systems, and controls; its risk management functions and senior management oversight for monitoring and controlling risks in the undertakings;
- f) the extent to which the undertakings are autonomous; and
- g) the interactions between undertakings.

When assessing the materiality of undertakings in the local market, supervisory authorities should at least consider the following factors:

- a) the market share of the undertaking;
- b) the role of the undertaking in specific markets (e.g. principal market maker);
- c) the ratio of the total balance sheet of the group to the total balance sheet of all groups in a particular Member State or third-country jurisdiction;
- d) the level of risk of activities carried out by the undertaking (and potential effect on the local market); and the role of the undertaking in the infrastructure of the financial system (e.g. providing major underwriting capacities).

### **Guideline 3 - Results of the assessment of significance and materiality of undertakings**

1.14 The group supervisor should consider and use the results of the significance and materiality assessment to decide whether to invite the supervisory authorities of significant branches and other related undertakings to the College meetings, as well as to decide on the organisational structure of the College and its work plan.

### **Guideline 4 - Invitation of third-country supervisory authorities**

1.15 When third-country supervisory authorities are invited to join the College of supervisors as participants, the group supervisor should request them to agree to the coordination arrangements and to demonstrate that they can comply with the arrangements under their national legislation. In particular the third-country professional secrecy requirements are assessed by reference to the requirements in Art.66 of Directive 2009/138/EC.

If the third-country supervisory authorities cannot provide their consent to the coordination arrangements including the compliance with confidentiality and professional secrecy requirements, the group supervisor should adapt the organisation of the College accordingly in a way that confidentiality and professional secrecy are ensured in all circumstances.

## **Guideline 5 - Guarantees for confidentiality and professional secrecy**

- 1.16 When a member or a participant of the College is aware of any confidentiality or professional secrecy issue regarding a third-country supervisory authority previously considered to have an equivalent professional secrecy regime, it should provide the relevant information to other College members and participants, as soon as possible.

## **Section 2: Initial meeting of the College of supervisors**

### **Guideline 6 - Schedule of the initial meeting**

- 1.17 After finalising the mapping of the group's structure and the assessment of the significance and materiality of the undertakings, and not later than three months from the finalisation of the mapping of the insurance or reinsurance group, the group supervisor should schedule the initial meeting of the College of supervisors.

In case a College is already established at the date of application of these guidelines, the group supervisor should assess its compliance with these guidelines and aim at adapting its functioning if necessary.

### **Guideline 7 - Agenda of the initial meeting**

- 1.18 The group supervisor should include in the agenda of the initial College of supervisors meeting at least the following items:

- a) Formal designation of the group supervisor;
- b) A description of the scope of group supervision including, where applicable, an explanation from the group supervisor of its decision to exclude an undertaking from the scope of group supervision;
- c) An explanation by the group supervisor of the rationale of its initial mapping and any significant departure from other College members' or participants' assessment;
- d) A discussion of a first proposal for the coordination arrangements in order to determine the organisational structure of the College and the means of exchange of information among College members and participants.

The group supervisor should circulate the initial proposal for the coordination arrangements of the College at least four weeks in advance of the meeting.

### **Guideline 8 - The coordination arrangements**

- 1.19 The group supervisor should draft the coordination arrangements on the basis of the template as provided in Annex 1. The group supervisor should be allowed to amend and further develop the template if the needs of the College, including deadlines and timeframes require it, and he should explain in writing the rationale for these amendments and further developments to the other members and participants of the College.

Members and participants of the College should reach an agreement and sign the coordination arrangements within six months from the date that the arrangement is proposed formally to the College members and

participants. The coordination arrangements should determine when and under which conditions it comes into force.

The coordination arrangements should be drafted in English unless otherwise agreed by the College members and participants.

### **Section 3: On-going functioning of the College of supervisors**

#### **Guideline 9 - Organisational structure and specialised terms**

1.20 In determining the organisational structure of the College, the group supervisor should take into account the significance and materiality of the entities within the group. Where appropriate, the group supervisor should establish different specialised teams for certain work streams or projects. The College members should agree on the composition, the chair and the objectives and purpose of each specialised team, including how the specialised team will report their conclusions to the College.

Where specialised teams are created within the College, the group supervisor should ensure the coordination of the work of these teams.

All the members and participants of the College of supervisors, including those members and participants not involved in the specialised teams, should be regularly informed of the developments made by the teams where appropriate.

#### **Guideline 10 - The main tasks of the group supervisor**

1.21 The group supervisor should take the lead in the College's activities, chair its meetings and establish an appropriate mechanism to facilitate its operational functioning. To this end it should:

- a) develop the work plan in cooperation with members and participants;
- b) carry out the group Supervisory Review Process with the involvement of the College members and participants;
- c) prepare the agenda of the College meetings with clearly defined objectives;
- d) record minutes of the meeting;
- e) formalise and follow up the action points;
- f) review the organisational structure and the coordination arrangements with a view to maintaining efficient group supervision;
- g) inform the College members and participants within a reasonable time to be determined in the coordination arrangements, that a College meeting will be held, without prejudice to ad hoc or emergency situations;
- h) update and circulate the contact list of all College members and participants whenever significant changes occur;
- i) engage in discussion regarding the need to designate a new group supervisor in case a modification of the group structure could lead to such decision.

### **Guideline 11 - Draft agenda and documentation**

- 1.22 The group supervisor should circulate the draft agenda in advance of the meeting as defined in the coordination arrangements. Members and participants should be allowed to ask for amendments. The latest version of the draft agenda should be sent to College members and participants together with the documentation prepared by the group supervisor and/or by other members or participants of the College in advance of the meeting as defined in the coordination arrangements.

### **Guideline 12 - The work plan**

- 1.23 The group supervisor should draw up a work plan for the supervision of the group. This should not prevent any supervisory authority from drawing up a local work plan.

The work plan should assist the College with planning and coordinating the main types of supervisory activities, both as regards on-site and off-site work. It should also include the relevant aspects of the group supervisory plan. All planned major examinations for the year to come, to be performed by the group supervisor and the other supervisory authorities of the most significant entities (jointly or not), should be included in the work plan. Furthermore it should specify which supervisory authorities are responsible for each planned examinations.

In addition, the work plan should include the scheduled recurring key meetings, and its participants.

A critical review of the outcome of the work plan should be conducted periodically within the College of supervisors. The group supervisor should take this review into account at least annually when assessing the College's performance.

### **Guideline 13 - Communication channels**

- 1.24 To ensure efficient information sharing, the members and participants of the College of supervisors should consider the use of the full range of communication channels within the College, provided that the confidentiality of data is secured.

### **Guideline 14 - Cooperation between supervisors in the context of the supervisory review process**

- 1.25 College members and when relevant participants should cooperate and exchange information within the College to enable the College to form a shared view of the risks of the group as part of the supervisory review process.

### **Guideline 15 - Communication with supervised undertakings**

- 1.26 College members and participants should coordinate information requests sent to the participating insurance or reinsurance undertaking or the insurance holding company or the mixed financial holding company and individual undertakings of the group in order to avoid duplication.

The group supervisor should be responsible for the communication with the participating insurance or reinsurance undertaking or the insurance holding company or the mixed financial holding company. The other

members and participants should be responsible for the communication with individual undertakings.

The group supervisor should organise, periodically, multilateral meetings between members and participants of the College and the administrative management or supervisory body of the participating insurance or reinsurance undertaking or the insurance holding company or the mixed financial holding company of the group.

### **Guideline 16 - Consultation process**

- 1.27 When consulting other supervisory authorities concerned under the relevant provisions of the Directive 2009/138/EC, the group supervisor or, where relevant, any other member or participant, should respect the following procedure:
- a) It should send a proposal in writing with supporting reasons to supervisory authorities concerned with a copy to other members and participants where appropriate in order to ensure an efficient exchange of information;
  - b) It should allow supervisory authorities concerned to respond within a timeframe determined in the coordination arrangements;
  - c) Where applicable, it should also send a proposal in writing to the group and allow the group to respond within an agreed timeframe;
  - d) It should organise a meeting to discuss the relevant issues if deemed necessary by any supervisory authorities concerned;
  - e) It should send the final decision to College members and where appropriate, to participants, together with the opinions of the supervisory authorities concerned as well as of the group, and, when applicable, the reasons to deviate from these opinions.

### **Guideline 17 - Communication with the group supervisor before setting a capital add-on of a related undertaking**

- 1.28 The supervisory authority should inform the group supervisor, who immediately should inform the College of supervisors, when it concludes that:
- a) the risk profile of an undertaking, under its supervision and related to the group, deviates from the assumptions underlying the Solvency Capital Requirement and that the deviation is significant; or
  - b) the system of governance of an undertaking, under its supervision and related to the group, deviates from the standards laid down in Art.41 to 49 of Directive 2009/138/EC and that the deviation is significant and prevents the undertaking from properly identifying, measuring, monitoring, managing or reporting the risks that it is or could be exposed to.
  - c) the insurance or reinsurance undertaking applies the matching adjustment referred to in Art.77b of Directive 2009/138/EC, the volatility adjustment referred to in Art.77d of Directive 2009/138/EC or the transitional measures referred to in Art.308c and 308d of Directive 2009/138/EC and the supervisory authority concludes that the risk-profile of that undertaking deviates significantly from the assumptions underlying these adjustments and transitional measures.

### **Guideline 18 - Communication with the College before setting a capital add-on at group level**

1.29 The group supervisor should inform the College of supervisors when it concludes that:

- a) the risk profile of the group deviates from the assumptions underlying the Solvency Capital Requirement and that the deviation is significant; or that
- b) the system of governance of the group deviates from the standards laid down in Art.41 to 49 of Directive 2009/138/EC and the deviation is significant and prevents the group from properly identifying, measuring, monitoring, managing or reporting the risks that it is or could be exposed to.
- c) the group applies the matching adjustment referred to in Art.77b, the volatility adjustment referred to in Art.77d or the transitional measures referred to in Art.308c and 308d and the supervisory authority concludes that the risk-profile of that group deviates significantly from the assumptions underlying these adjustments and transitional measures.

### **Guideline 19 - Information exchange on a systematic basis**

1.30 The College should exchange information on a systematic basis as laid out in the implementing technical standard on information exchange within Colleges of supervisors.

In this context, the group supervisor and the other supervisory authorities of the College should agree on a list of ratios and other selected data that they will exchange as part of the systematic exchange of information taking into account the ratios/selected data included in the list set out in the Annex 2 or any other ratio the College agrees to be appropriate for each of the following flows of information:

- to be provided by the group supervisor to the other supervisory authorities
- to be provided by the other supervisory authorities to the group supervisor
- to be disseminated by the group supervisor to the other supervisory authorities.

### **Guideline 20 - Procedure for the ad-hoc exchange of information**

1.31 For the information that is not covered by regular exchange of information and where not stated otherwise in the Directive 2009/138/EC and delegated acts, when a supervisory authority becomes aware of relevant information including a pre-defined event or an emergency situation which could in particular affect the financial and solvency position of the individual undertaking supervised, the following procedure for ad-hoc information exchange within the College should apply:

- a) The supervisory authority should inform the group supervisor without delay of all relevant information on the pre-defined event or emergency situation as soon as it becomes available.

- b) The group supervisor should request further relevant information for group supervision where necessary.
- c) The group supervisor should send as soon as possible to College members the relevant information needed to assess the impact of the pre-defined event or emergency situation at group level.
- d) The other supervisory authorities concerned should request from the group supervisor further relevant information for the supervision of individual undertakings under their authority where necessary.

If this information concerns the group, the following procedure for ad-hoc information exchange within the College should apply:

- a) The group supervisor should inform the College members without delay of all relevant information as soon as it becomes available.
- b) The other supervisory authorities concerned should request further relevant information for the supervision of individual undertakings under their authority where necessary.
- c) The group supervisor should inform the College members of the supervisory actions and measures taken at group level, when relevant.

## **Section 4: Joint and local examinations**

### **Guideline 21 - Joint on-site examinations**

1.32 Any EEA member or participant of the College who wishes to verify information according to Art.255 of Directive 2009/138/EC, which they deem appropriate for the supervision of the group or entities within the group, should be able to request a joint on-site examination, after having taken account of the need to avoid duplication of effort between supervisory authorities. The information to be verified should be needed for supervisory purposes including but not limited to supplementing the off-site analysis, helping detect problems that may not be apparent through off-site analysis, and taking into account the environment in which the undertakings are operating.

The supervisory authorities requesting a joint on-site examination should inform the group supervisor by indicating the scope and purpose of it. The group supervisor should then notify EIOPA, other members and participants that may be affected or interested in the participation or in the outcome of the joint on-site examination. Once the participating supervisors have been identified, they should discuss and agree the final scope, purpose, structure and allocation of tasks of the examination, including who is leading the on-site examination.

The group supervisor should be kept informed on the progress and findings of the joint on-site examination.

### **Guideline 22 - Local examinations**

1.33 The supervisory authority of the individual undertaking should inform the group supervisor when it will perform supervisory actions and/or examinations and should communicate the main findings and conclusions of such actions and/or examinations where considered relevant for group supervision to the group supervisor.

## **Section 5: Voluntary sharing and delegation of tasks**

### **Guideline 23 - Organisation of sharing and delegation of tasks**

1.34 Where College members and participants consider that the sharing and delegation of tasks lead to more effective and efficient supervision, such as avoiding duplication of tasks, optimising supervisory resources and expertise, removing unnecessary burdens for the supervised undertakings, it should outline them in the coordination arrangements.

The sharing and delegation of tasks does not alter the allocation of supervisory responsibilities or the liabilities of supervisory authorities with respect to the supervised undertakings.

### **Guideline 24 - Procedures for sharing and delegation of tasks**

1.35 Before delegating any task, the involved supervisory authorities, under the coordination of the group supervisor, should ensure that at least a common agreement is reached about:

- a) The role and the responsibilities of the supervisory authorities involved;
- b) The terms under which the delegate will report to the delegating authority;
- c) The standards under which tasks should be executed;
- d) Possible instructions by the delegating authority and the effect thereof;
- e) The confidentiality provisions that will govern the exchange of information;
- f) The working methods to be used;
- g) The access to the documentation produced by the delegate;
- h) The timetable for completion of the delegated activities.

### **Guideline 25 - Documentation of sharing and delegation of tasks**

1.36 The framework of the sharing and delegation of tasks should be included in the coordination arrangements, and the concrete tasks to be shared or delegated, including the expected duration of those, should be addressed in the work plan.

### **Guideline 26 - Adaptation of sharing and delegation of tasks to the group's structure**

1.37 Supervisory authorities involved should ensure that sharing and delegation of tasks is consistent with the group structure and organisation and should be proportionate to the nature, scale and complexity of the risks inherent to the activities of the supervised undertakings.

### **Guideline 27 - Information to undertakings on sharing and delegating of tasks**

1.38 Supervisory authorities should provide to undertakings concerned by sharing and delegation of tasks the following information:

- a) Identification of the shared or delegated tasks including the practical implications for the undertaking;
- b) The authority in charge of communication with the undertaking.

## **Section 6: Connection between prudential supervision and macro surveillance**

### **Guideline 28 - Impact of market-wide risks and financial sector developments as well as sectoral vulnerabilities on prudential supervision**

1.39 In assessing the risk profile of the group, the group supervisor, with the involvement of the College members and participants, should take into account the impact of the assessment of market-wide risks and financial sector developments as well as sectoral vulnerabilities that may impact the financial situation of the group.

Where tools such as stress tests to assess the resilience of the group to various forward-looking adverse scenarios are used, the processes, methodologies and outcomes of the stress tests should be discussed within the College.

## Annex 1 - Coordination Arrangement Template

### Introduction

In accordance with Art.248(4) of 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, as amended ("Solvency II Directive") this Coordination Arrangement (the arrangement) has been concluded for the establishment and functioning of the College of supervisors for [to be filled in with the name of the Group].

This arrangement does not create any additional legally binding obligations on the Members and Participants which are not specified in the Solvency II Directive or in the implementing measures.

This arrangement will take effect between the Members and Participants as stated in Annex A, all together referred to in this arrangement as the College of Supervisors.

The Group Supervisor, and other Members and Participants recognise the need to cooperate in the supervision of [to be filled in with the name of the Group] on the basis of mutual understanding and cooperate wherever necessary in supervising [to be filled in with the name of the Group], within the framework of the College Guidelines.

All annexes are part of this arrangement.

### 1. Definitions

The following definitions will apply to this arrangement:

- a. Group Supervisor: the supervisor responsible for the coordination and exercise of group supervision according to Art.212 (1) (d) and appointed according to the procedure of Art.247 of Solvency II Directive;
- b. Supervisory authority: the national authority or the national authorities empowered by law or regulation to supervise insurance or reinsurance undertakings accordance with Art.13 (10) of Solvency II Directive;
- c. Third-country supervisory authority: the national authority or the national authorities empowered by law in a non-European Economic Area Country to supervise insurance of (re)insurance undertakings;
- d. Members: the group supervisor and supervisory authorities of all the Member States in which the head office of all subsidiary undertakings is situated according to Art.248 (3) of Solvency II Directive and EIOPA;
- e. Participants: the supervisory authorities of significant branches or other related undertakings as well as the supervisory authorities of other branches, third countries as defined under 1c and other financial sectors according to Art.248 (3) of Solvency II Directive listed in Annex A.
- f. Group: a group of undertakings as defined in Art.212 of Solvency II Directive;
- g. Specialised teams: Teams composed of a supervisory authorities established by the group supervisor, in consultation with the College of supervisors to carrying out some activities of the College of Supervisors;
- h. Individual (re)insurance undertaking: an individual (re)insurance undertaking which has been granted authorisation under Art.14 of Solvency II Directive;
- i. Implementing measures: the delegated acts implemented by the European Commission as issued under the Solvency II Directive;
- j. College Guidelines: the guidelines on the functioning of Colleges of supervisors elaborated by EIOPA;

- k. FICOD: Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate;
- l. Helsinki plus list: A list of all EEA insurance groups and its EEA and non EEA subsidiaries and branches, with contact details of the supervisors involved in the supervision of the group and some basic supervisory information. The list is administered by EIOPA;
- m. IAIS: International Association of Insurance Supervisors.

## **2. Scope and objectives**

### *Scope*

This arrangement lays out the basis for the cooperation between Members and Participants - and the practical organisation of the supervisory activities concerning [to be filled in with the name of the Group]<sup>3</sup>:

- the list of the Members and Participants of the College of Supervisors,
- the role and responsibilities of the Group Supervisor
- the role and responsibilities of the other Members and Participants;
- information exchange and professional secrecy;
- cooperation among the Group Supervisor and the other Members and Participants in on-going supervision and in time of crisis;
- the consultation and decision making process among the Group Supervisor and the other Members and Participants;
- the Work Plan;
- the sharing and delegation of tasks;
- setting up specialised teams within College of Supervisors;
- organising joint examinations;
- assessing the compliance of the Group with the requirements on Solvency, Risk concentration and Intra Group transactions;
- approval decision making process for the Group internal model for Art.231 of the SII Directive;
- process for determining the imposition of a group capital add-on;
- making a choice of calculation method and determination of proportional share;
- application for applying the centralized risk management provisions;

In order to:

- Facilitate and foster the exchange of essential and relevant information, views and assessments among the College Members and Participants and effective supervision of [to be filled in with the name of the Group], including the avoidance of duplication of tasks and timely action in going concern and emergency situations;
- To enable College Members and Participants in line with their supervisory responsibilities to form a shared view, of the risk profile and solvency position of [to be filled in with the name of the Group]; and how they affect the individual undertaking level;

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<sup>3</sup>Subjects can be added or removed according to the College specificities. To be added for example the consultation mechanism for Art.230 of the SII Directive, info exchange and cooperation in relation to crucial mergers/acquisitions/dissolutions, see also section 8.9 of the arrangement. To be deleted for example the Internal model parts of the template if no group internal model is used.

- To achieve coordination of supervisory activities including supervisory review and risk assessment and establish work plans and arrange any division of tasks and joint visits and on-site examinations;
- To coordinate major decisions to be taken by individual supervisory authorities as far as possible and practical and to strive to reach consensus where appropriate;
- To support the supervisors in exercising their respective supervisory tasks.

### **3. Principles**

The following principles apply to this arrangement:

- The College of Supervisors operates as an on-going cooperative structure not limited to College meetings or Telco's;
- The College of Supervisors plays a key role in the coordination of supervisory activities and enhancement of supervisory cooperation and coordinates major decisions to be taken by individual supervisory authorities striving to reach consensus where appropriate;
- The cooperation between the College Members and Participants mainly takes place through the College of Supervisors, whose organisation reflects the activities and legal structure of [to be filled in with the name of the Group] as well as the risks to which [to be filled in with the name of the Group] Group and its related undertakings are or might be exposed;
- Member State [to be filled in with the name of the country] has more than one supervisory authority for the prudential supervision of the undertaking of [to be filled in with the name of the Group], therefore [to be filled in with the name of the supervisory authority] and [to be filled in with the name of the supervisory authority] take the necessary measures to ensure coordination between those supervisory authorities<sup>4</sup>;
- The Members and Participants recognise that [to be filled in with the name of the supervisory authority of the Group Supervisor] is the Group Supervisor of [to be filled in with the name of the Group] and therefore responsible for the coordination and exercise of Group supervision on [to be filled in with the name of the Group] as stated in this arrangement;
- If not otherwise stated in this arrangement the working language for cooperation and consultation will be English.

### **4. Description of the Group**

[To be filled in with the name of the Group] whose ultimate participating company is [to be filled in with the name of the ultimate participating company] and has its registered office in an EEA Member State, has related undertakings and branches in the EEA countries and non EEA countries as described in the Helsinki Plus List.

{If [to be filled in with the name of the Group] is also subject to supervision under the FICOD, please mention it as well as the coordinator identified}

A diagram of the Group is attached in Annex B.

### **5. Contact details of Members and Participants**

The contact details of Members and Participants of the College of Supervisors are stored in the directory hosted by EIOPA (Helsinki Plus list).

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<sup>4</sup> This paragraph can be removed if not applicable.

Any updates of the contact details of Members and Participants will be provided by the Group Supervisor to EIOPA who will update the EIOPA directory.<sup>5</sup>

{The access of third-country supervisors to this list is conditional to the compliance with confidentiality and professional secrecy requirements and to the agreement between the Members of the College of Supervisors, according to Art.338.2 Implementing Measures Solvency II Directive. For supervisory authorities who have no access to the Helsinki list the contact details will be provided by other means, please clarify how}

## **6. Responsibilities of College Members and Participants**

The effective functioning of the College of Supervisors [to be filled in with the name of the Group] depends on the contribution of the group supervisor and the other supervisor authority concerned to the work, discussions and activities of the College of Supervisors.

### *Group Supervisor*

In accordance with Art.248 of the Solvency II Directive, the Group Supervisor is responsible for:

- coordinating the gathering and dissemination of relevant or essential information for going concern and emergency situations;
- the supervisory review and assessment of the financial situation of the group;
- the assessment of compliance of the group with the rules on solvency and of risk concentration and intra-group transactions;
- the assessment of the system of governance of the group and of whether the members of the administrative, management or supervisory body of the participating undertaking fulfil the requirements of fit and proper;
- planning and coordination, through regular meetings held at least annually or through other appropriate means, of supervisory activities in going-concern as well as in emergency situations, in cooperation with the supervisory authorities concerned and taking into account the nature, scale and complexity of the risks inherent in the business of all undertakings that are part of the group;
- other tasks, measures and decisions assigned to the Group Supervisor in particular leading the process for validation of any internal model at group level and leading the process for permitting the application of the regime established in Art.237 to 240 of the Solvency II Directive.

In order to fulfil the above tasks, the Group Supervisor, among other activities, chairs the College of Supervisors, prepares the agenda, records the minutes, updates the organisational structure of the group and the Members and Participants contact list and reviews the organization and functioning of the College including by proposing amendments to the current coordination arrangement.

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<sup>5</sup> It is the task of each supervisor authority to review the directory at least quarterly and report any changes to the Group Supervisor immediately (2 weeks at the latest). All information required at the individual undertaking level should be provided to the Group Supervisor, who is responsible for updating and sending the list to EIOPA. EIOPA will upload it immediately (4 weeks at the latest) on the restricted area of its website.

The Group Supervisor keeps Members and Participants, informed where relevant within [to be filled in with the timeframe which has been agreed upon in the College of Supervisors], of the actions and measures taken by members and participants. {The College decides on the timeframe depending on the type of actions/measures envisaged}

#### *Members and participants*

Each Member states its opinion regarding topics and procedures that require a joint decision and/or agreement. When a Member chooses not to provide a contribution, it is understood that there are no major comments and the College could act in line with the views communicated.

All members of the College of Supervisors, except EIOPA, vote when required. Participants state their opinion as a contribution to the consultation and decision making process where required by the group supervisor.

### **7. Confidentiality and (secured) communication channels and information exchange**

#### *Confidentiality and professional secrecy*

Further to the professional secrecy requirements resulting from the Solvency II Directive or other EU law, the Supervisory authorities confirm that any confidential information shared between them shall be used only for lawful supervisory purposes of [to be filled in with the name of the Group] and fall under the Supervisory authorities' obligation of professional secrecy and conditions and procedures for the exchange of information among supervisory authorities.

The supervisory authorities of the non EEA jurisdictions can only be party to confidential information sharing provided that they have legislative provisions on the confidentiality of information which are equivalent to those in the relevant legislation. Therefore, the participants in third countries acknowledge that they have made available to the Members and participants, their own local rules of confidentiality and professional secrecy. The Members and participants acknowledge that they have been informed of these local rules, and that they have assessed that the rules of confidentiality and professional secrecy of the Participants of third countries are at least equivalent to their own professional secrecy obligations, if the equivalence has not already been positively verified. Before a new third-country supervisory authority becomes formally a Participant of the College, Members and Participants assess whether the rules of confidentiality and professional secrecy of the third-country Participant are at least equivalent to their own professional secrecy obligations, if the equivalence has not already been positively verified by each member and participant.

If the assessment for a potential third-country participant has a negative outcome or is still under review, the College organization will be adapted accordingly to ensure that the College still meets the required confidentiality and professional secrecy requirements in all circumstances.

Members and Participants inform the Group Supervisor of any changes in the guarantees of confidentiality and professional secrecy applying to the information transmitted to Participants of third countries. Subsequently the Group Supervisor informs the other Members and Participants about such changes.

### *Communication channels*

The College of Supervisors agrees to use among the College the following channels for communication [to be filled in with the channels for communication].

All confidential and sensitive information is shared via the most secured communication channel.

### *Information exchange*

Information is exchanged within the College of Supervisors reflecting the needs of the Members and Participants. The College of Supervisors complies with the following procedures:

- The Group Supervisor is responsible for the gathering and dissemination of information.
- A dataset of qualitative and quantitative information at group as well as at individual undertaking level is exchanged between College Members and Participants every [to be filled in with the timeframe] (see Annex C)<sup>6</sup>.
- The dataset in Annex C has been agreed taking into account the Implementing Technical Standard on the systematic exchange of information within the College which defines the set of information to be exchanged systematically between Members. However, the College of Supervisors assesses the appropriateness of this set and frequency of the information. Where it is not appropriate, the dataset specifies which additional information is relevant to be exchanged systematically based on nature, size and complexity of the group. This dataset is also part of the inbound information for the Group Supervisory Review Process. For third-country Participants, the dataset is based on comparable information to the Implementing Technical Standard.
- Additionally, when appropriate, ad-hoc information between Members and Participants is exchanged.

A request for information by the Group Supervisor or a Member or Participant of the College of Supervisors will be responded to within [to be filled in with the number of working days] to [to be filled in with the number of working days] working days {five to ten working days } if it concerns only data. If the information requested requires some preliminary analysis, the deadline is extended to [to be filled in with the number of working days]x working days. {twenty working days}

{Please insert what information will be exchanged on a systematic basis in Annex C <only if different from the dataset defined in the Implementing Technical Standard>}

## **8. The Functioning of the College of Supervisors**

### *In on-going supervision*

The College of Supervisors meets face to face at least once a year. {this sentence can be changed to a Telco and other frequency of face to face meetings for proportionality reasons}. Any Member or Participant which participates in

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<sup>6</sup> Several flows of information within the College are possible and all the flows do not necessarily rely on the same dataset of information.

bilateral discussions informs the College and shares any relevant information resulting from these discussions with the College of Supervisors.

Members and Participants will be informed about the meeting at the latest [to be filled in with the number of months] {two months} months in advance of the meeting.

The draft agenda for the meeting/telco will be sent at the latest [to be filled in with the number of weeks] {three weeks} weeks in advance of the planned meeting. The final agenda and all relevant documents prepared by the Group Supervisor and the supervisory authorities of the individual undertakings will be sent at the latest [to be filled in with the number of weeks] {one week} weeks in advance of the meeting to the College of Supervisors.

#### *In time of crisis*

Competent supervisory authorities are responsible for assessing whether a crisis situation is affecting the undertaking under their supervision.

In line with the definition in the Emergency Plan for [to be filled in with the name of the Group] and EIOPA Guidelines on preparation for and management of a financial crisis, an insurance undertaking in crisis can be defined as potentially being partially or totally unable to settle its claims and to pay to its policyholders their benefits.

For the cooperation in case of a crisis, Members and Participants of College of Supervisors [to be filled in with the name of the Group] shall follow the principles and procedures stipulated in the approved Emergency Plan for [to be filled in with the name of the Group] Group added as Annex D to this arrangement.

Members and Participants will cooperate closely, whenever necessary and according to their national law, with other relevant supervisory authorities (e.g. EU institutions, Central Banks, Ministry of Finance) involved in the crisis management process.

#### 8.1 Procedures for consultation and decision making

Members, and Participants, the latter according to the terms outlined in subparagraph 3 of this paragraph, will follow these procedures unless part of the application process as stated in paragraph 8.5. or a process otherwise specified in the applicable European law.

For each procedure, the Supervisory authorities concerned may be different depending on the issue.

Participants state their opinion as a contribution to the consultation and decision making process where required by the group supervisor at any stage of the process.

The group supervisor informs College members and participants of the outcome of the consultation and decision-making procedures.

#### *Procedures for consultation*

- send a proposal in writing with supporting reasons to Supervisory authorities concerned with a copy to other Supervisory authorities in order to ensure an efficient information exchange;
- Supervisory authorities concerned are allowed to respond within [to be filled in with the number of weeks] weeks {four weeks};

- Where applicable, a proposal in writing is sent to the Group by the Group Supervisor or in case of a national insurance undertaking by the competent national authority allowing the Group or the individual insurance undertaking to respond within an agreed timeframe;
- A meeting is organised to discuss the relevant issues if deemed necessary by any supervisory authority concerned;
- The Group Supervisor communicates the outcome of the consultation process to the College in writing,

#### *Procedure for the decision making process*

- Supervisory authorities concerned aim at reaching consensus on a decision to be made and where adequate the Group Supervisor proposes a voting procedure;
- Where diverging views occur, Supervisory authorities concerned explain their reasoning if necessary through written comments and foster the discussion with the other Supervisory authorities ;
- Where adequate, and if all efforts to reach consensus are not successful, the matter can be brought to EIOPA for advice or mediation by supervisory authorities concerned;
- The Group Supervisor communicates the final decision to the College in writing, stating the full reasoning and any significant diverging opinion in case of a majority decision or a decision which had only to be taken by the Group Supervisor.

In case of consultation during the College meeting, or a consultation of an approval by written procedure, if a request has not been answered within [to be filled in with the number of working days] working days from the date of the request, it is understood as agreement or non-objection to the proposal put forward in the request {twenty working days}. If a supervisory authority concerned needs more time to answer to the request, it will inform the Group Supervisor and a new timeframe will be agreed.

The College of Supervisors will document decisions {describe how} and record them {describe how}.

#### 8.2 Work plan, sharing and delegation of tasks, specialised teams

The Members discuss and agree in the College on a [to be filled in with the frequency] work plan following the procedure in paragraph 8.1<sup>7</sup>.

{The College decides on the timeframe of the workplan}

The work plan coordinates the main types of supervisory activities including the key College meetings and major examinations and will be updated as soon as circumstances require. The work plan will be coordinated by the Group Supervisor and reviewed annually. The Group Supervisor includes in the work plan the relevant aspects of the supervisory plan, including:

- a) Description of the main risks being focused on, based on the outcome of the Group Risk Assessment Framework;
- b) Descriptions and rationale of the activities the College will carry out based on the group supervisory plan;

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<sup>7</sup> According to Art.339 of Level 2, the work plan shall be revised at least annually.

- c) Identification of the relevant entities within the group and their supervisory authorities that the group supervisor is likely to seek input from.

The Group supervisor takes into account the supervisory plans of the individual supervisors to coordinate the group and solo work plans where appropriate.

When the Members and Participants of the College of Supervisors share and/or delegate tasks, a clear delegation of tasks including the fulfilment of the delegated tasks and the timeframe in which the tasks are to be fulfilled is agreed upon in the College of Supervisors in accordance with the College Guidelines and according to the consultation and decision making process previously described.

The work plan reflects the agreed fulfilment of the delegated tasks. Supervisory authorities not part of the delegation of tasks will be adequately informed. Bilaterally delegated tasks are reported to the Group Supervisor who will inform the College.

Where specialised teams are created; College Members and Participants not part of these teams are regularly informed of the developments {describe how}.

### 8.3 Joint on-site examinations

The work plan of the College of Supervisors includes a list of all relevant planned on-site examinations of undertakings of [to be filled in with the name of the Group] on individual and Group level. For the purpose of preparing the work plan the Members inform the Group Supervisor about any relevant planned on-site examinations in undertakings of [to be filled in with the name of the Group] at national level. The Group Supervisor informs the other Members and Participants about any relevant planned on-site examinations in the ultimate participating undertaking or in any other individual undertaking of the [to be filled in with the name of the Group].

Whenever a topic is identified as relevant for the supervision of the group (or several entities of the group situated in different jurisdiction) each Member or Participant of the College of Supervisors can make a proposal for a joint supervisory activity and inform the Group Supervisor or competent individual supervisory authorities indicating the reason(s) for and scope of the joint supervisory activity. The group supervisor then notifies EIOPA, other Members and Participants that may be affected or interested in the participation and/or in the outcome of the joint on-site examination. Once the participating supervisors have been identified, they should discuss and agree the final scope, purpose, structure and allocation of tasks of the examination, including who is leading the review.<sup>8</sup>

The number of participating authorities of joint supervisory activities is kept to an efficient size.

The Group supervisor will be kept informed on the progress and findings of the joint on-site examination and ensures appropriate dissemination of communication on the joint on-site examination.

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<sup>8</sup> See also Guideline 21 on the Operational Functioning of Colleges of Supervisors for further procedures and communications.

#### 8.4 Assessment of compliance of the Group with the requirements on Solvency and of Risk Concentration and Intra Group Transactions

When assessing the risk profile of the [to be filled in with the name of the Group], the systemic risk posed by the Group and its undertakings will be taken into account. Also the market-wide risks and the sectoral vulnerabilities have to be taken into account while assessing the risk profile of the Group.

Regarding the supervision of Intra-Group Transactions (IGT), [to be filled in with the name of the Group] will report significant IGT above the following thresholds [to be filled in with the thresholds the College of Supervisors has agreed upon] and the very significant IGT [to be filled in with the IGTs identified as very significant by the College of Supervisors].

Regarding the supervision of Risk Concentration (RC), [to be filled in with the name of the Group] will report significant RC above the following thresholds [to be filled in with the thresholds the College of Supervisors has agreed upon]

The consultation will be accompanied by adequate information to form an opinion according to the consultation and decision making procedure as described in section 8.1.

#### 8.5 Approval process for the Group internal model and functioning of the Group internal model; preparation for Joint Decision

##### Coordination arrangement – Joint Decision for Group Internal Models under Art.231 of the Directive 2009/138/EC

This part of the Coordination arrangement aims to clarify the responsibilities of the group supervisor and the other supervisory authorities concerned when making the joint decision to the group internal model once the assessment of the application has been concluded.

The ITS on the process to reach a joint decision on group internal models sets out the process that the supervisory authorities concerned, as defined in this ITS, have to follow in order to reach a joint decision to the group internal model. In particular according to Art.3(1) of the ITS, the supervisory authorities concerned have to decide on the process to reach a joint decision, including timelines, main steps and deliverables.

The Functioning of Colleges Guidelines related to internal models includes further provisions that have to be followed by the supervisory authorities, in particular the setting up of a work plan to be followed by the supervisory authorities during the approval process with the final aim to be able to reach a decision.

1. According to Art.4(3) of the ITS on the Joint Decision process, the group supervisor has to draft a proposal for a joint decision on the basis of the inputs received from the other supervisory authorities concerned.

These inputs from the other supervisory authorities concerned to the group supervisor's proposal for the decision, consist of the following:

- (a) The compliance or non-compliance of the group internal model with the tests and standards and other relevant requirements in respect of the SCR of the related undertaking they supervise (including the adequacy or inadequacy of the reflection by the group internal model of the risk profile of this related undertaking), and the rationale for this; and

- (b) Whether they would approve or reject the group internal model for the calculation of the SCR of the related undertaking they supervise.

The opinions referred to in Art.4(6) of the ITS by the other supervisory authority concerned to the proposal of the group supervisor and their final views on the application as set out to in Art.4(7) of this ITS are related to the issues included in (a) and (b) above.

2. The group supervisor' contribution to the joint decision, to be included in its proposal for this decision, consists of the following:
  - (a) The compliance or non-compliance of the group internal model with the tests and standards and other relevant requirements in respect of the consolidated group SCR (including the adequacy or inadequacy of the reflection by the group internal model of the overall risk profile of the group), and the rationale for this;
  - (b) If applicable the compliance or non-compliance of the group internal model with the tests and standards and other relevant requirements in respect of the SCR of the parent undertaking or the related undertaking it supervises (including the adequacy or inadequacy of the reflection by the group internal model of the risk profile of the participating undertaking or the related undertaking), and the rationale for this;
  - (c) Whether it would approve or reject the group internal model for the calculation of the consolidated group SCR; and
  - (d) Whether it would approve or reject the group internal model for the calculation of the SCR of the parent undertaking or the related undertaking it supervises.

#### 8.6 Choice of calculation method and determination of the proportional share

The Group Supervisor consults the other supervisory authorities concerned and the group before deciding whether the exclusive application of the Accounting-consolidation based method would not be appropriate.

The Group Supervisor consults the other supervisory authorities in order to decide the proportional share to be taken into account in the cases laid down in Art.221 (2) (a), (b), (c) of Directive 2009/138/EC.

#### 8.7 Communication on the imposition of a capital add-on under 232 SII Directive

The group supervisor will communicate to the College any capital add-ons applied, amended or removed at the level of the group, to ensure the related insurance undertakings' supervisors have an understanding of the risks at the group level.

The supervisory authorities communicate to the group supervisor any capital add-ons they have applied, amended or removed to a related undertaking.

#### 8.8 Application for applying the centralised risk management provisions

Where a parent undertaking submits an application to subject any of its subsidiaries to the rules laid down in Art.238 and 239 of the SII Directive, the complete application shall be forwarded without delay by the supervisory

authority that received that request to the other supervisory authorities within the College of Supervisors.

The Group Supervisor shall then propose a meeting with the supervisory authorities for which permission has been sought in order to discuss the permission granting and if other terms and conditions should be applied to that permission.

The procedures for consultation and decision making process described in section 8.1 are to be applied among the supervisory authorities concerned.

The Group Supervisor assures that all other supervisory authorities within the College of Supervisors are kept informed.

#### 8.9 Xxx

{more subjects can be added for example the consultation mechanism for Art.230 of the SII Directive, info exchange and cooperation crucial mergers/acquisitions/dissolve}

### **9 Miscellaneous provisions**

This coordination arrangement enters into force on [date]. It remains in force for an indefinite period of time unless and until there is no longer legal basis for the operation of the College of Supervisors.

However, any Participant may give a written notice with a 30 day notice period to the Group Supervisor of its intention to terminate its cooperation under the coordination arrangement. Then the Group Supervisor informs the other College Members and Participants in writing. Even after termination, information obtained under this coordination arrangement will be kept confidential as agreed in this coordination arrangement.

Without prejudice to paragraph 7 in case of a new College member or Participants joining the College only the new supervisory authority will sign the concluded arrangement

This coordination arrangement may be changed and/or amended as necessary, for example to reflect significant changes of [to be filled in the name of the Group] (e.g. overall group structure, risk profile). It may also be amended, if needed, to remain compatible with any applicable national law governing any of the supervisory authorities' Members and Participants, unless these changes are against EU law (including organisational changes of supervisory authorities or creating new authorities). If the changes are not compatible with third-country Participants' national law, third-country, Participants may decide to terminate its cooperation under the coordination arrangement according to the conditions stated in this paragraph. {The College decides under which conditions the coordination arrangements are amended, for example time lines for circulating new drafts of the arrangements or the process to reach an agreement on the amended version of the arrangements}

If the Group Supervisor, after consulting with the College, finds it appropriate, the coordination arrangements may also set out procedures for consultation in regards to Art.213 to 217, 219 to 221, 227, 244 to 246, 250, 260 and 262. It is up to each Group Supervisor to decide if it wants to include the procedures for consultation on the decisions in these articles within the coordination arrangement. This decision should be reviewed when the coordination arrangements are updated.

In the case of the institutional change carried out in the relevant jurisdiction, related with the transfer of supervisory powers to another supervisory authority, the said authority shall notify in writing the College about the entry in the rights and obligations of each predecessor stipulated by the provisions hereof. Such notification shall be made effective within 30 days from the entry into force of the institutional change.

A summary/copy of the coordination arrangement [will/will not] be provided to the Group.

The terms of this arrangement have been understood and accepted by the College Members and Participants who sign this arrangement by their duly authorized representatives.

### **Annexes**

Annex 1.A: Members and Participants of the College; involved parties to the arrangement

Annex 1.B: Group structure and main activities of the group

Annex 1.C: Data set to be systematically exchanged

Annex 1.D: Emergency Plan Template

### **Signature(s)**

for

name of supervisors (Supervisory Authority), country

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature 1

\_\_\_\_\_  
Name and Position

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature 2

\_\_\_\_\_  
Name and Position

## Annex 1.D - Emergency Plan

### Emergency Plan for Insurance College

College of Supervisors	
<b>Supervised Group:</b>	<b>Group Supervisor:</b>
<i>[Please insert name of the supervised group]</i>	<i>[Please insert name of the supervisory authority and country]</i>

#### Information Regarding this Document:

History of Changes to the Emergency Plan				
Version number	Date of change	Responsible	Section	Reason for change
<b>0.1</b>	<i>[insert date]</i>	<i>[insert name]</i>	<i>[insert section]</i>	<b>First draft version</b>
<b>1.0</b>				

{Explanations or best practice are highlighted in Blue. They provide guidance to the drafting of each individual arrangement which should be adapted to the specific needs of the individual College}

## Introduction

This Emergency Plan will support the management of an emerging crisis by the Group Supervisor and the College of Supervisors. It specifically aims at:

- facilitating sharing confidential information on short notice within the College;
- creating transparency with regard to the Group structure;
- securing a successful early crisis alert in order to maximise time for coordination and cooperation;
- securing effective and efficient information within the College and to the public in case parts of the group encounter difficulties.

This Emergency Plan has a technical character by defining the means for crisis handling of the xxx Group. Furthermore it complements the general qualitative guidelines and instructions for handling emergency cases which are already laid down in several EIOPA documents.

The content of this document shall ensure that every College Member and Participant has an overview of how the Group is structured in order to better assess the cross border implications of an (emerging) crisis. Via an up-to-date contact list and predefined secure information channels it will secure quick and confidential handling of information flows between College members internally or with the undertaking.

In an emergency case a common understanding of the division of tasks regarding communication to the public of the measures taken, outcomes and current status information is crucial. This plan describes therefore a basic pattern which might be adapted to fit the special needs in an emergency case.

### What is not included this Emergency Plan?

- College's ordinary activities and qualitative measures to cope with a crisis.
- Relevant and essential information to be exchanged in non-crisis times.
- This plan will not duplicate existing EIOPA Protocols and Guidelines.

## 1. Coordination and cooperation in emergency situations

### 1.1. Competent authorities

All contact persons of Supervisory Authorities (College Members and Participants and their alternates) who are involved in supervising this group are identified in the so called Helsinki Plus list including their contact details (See section 5 of the Coordination Arrangements and Annex A thereof). The Helsinki Plus list also includes the contact details in the Supervisory Authorities for this group if they differ in an emergency case.

This (These) list(s) complement(s) the EIOPA Members and Observers CRISIS Contact list<sup>9</sup>.

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<sup>9</sup><https://eiopa.europa.eu/restricted-area/infohub/directories/members-observers-crisis-contactlist/index.html>

## 1.2. Emergency alert

The Supervisory Authority who becomes aware of the emergence of a potentially serious financial disturbance or is aware of facts or events that may give rise to significant problems for an insurance group will inform the Group Supervisor as soon as possible.

The Group Supervisor will immediately inform all relevant competent Supervisory Authorities and EIOPA about the emergence of a potentially serious financial disturbance at group level or any facts and events that may give rise to significant problems for the Group or any of its subsidiaries.

{Optional Begin: This list should be adapted to the College's needs.}

In the following cases an emergency alert should be given:

### *Emergency case at the individual undertaking level:*

- Non-compliance or risk of non-compliance with the Minimum Capital Requirement;
- Significant non-compliance or risk of significant non-compliance with the Solvency Capital Requirement;
- Major violation of legal requirements, including in terms of governance;
- Danger of failure of the reinsurer (external or internal);
- Danger of insolvency;
- Public investigation against Administrative, Management and Supervisory Body of an undertaking (e.g. fraud);
- Macro-economic and financial developments as well as insurance sector specific developments which may impact the undertaking's or group's financial soundness (contagion risk, etc.);
- Breakdown of crucial IT system;
- Threat of a major claims or major mis-selling;
- {this list should be adapted to the needs of the College}

### *Emergency case at group level:*

- Non-compliance or risk of non-compliance with the group SCR floor;
- Significant non-compliance or risk of non-compliance with the group Solvency Capital Requirement;
- Major violation of legal requirements, including in terms of governance;
- Unbalanced distribution of own funds: indicator for problems of an individual undertaking;
- Liquidity problems caused by holding structure;
- Danger of insolvency;
- Major downgrading of the undertaking's rating;
- Major fall in share price of the Group or one of its shareholders;
- Macro-economic and financial developments as well as insurance sector specific developments which may impact the financial soundness of the group (contagion risk, etc.);

- Breakdown of crucial IT system;
- {this list should be adapted to the needs of the College}

{Optional End}

### 1.3. Crisis assessment

The Group Supervisor assesses the nature of the financial crisis and its implications in cooperation with the Supervisory Authorities concerned and EIOPA in order to reach a common understanding of the crisis in the cross border context within the College of Supervisors.

The objective of the assessment phase is to assess the overall impact of the crisis, including systemic implications, and provide a basis for the decision of whether to intervene, and if so, how to intervene. Systemic implications may occur if an event, such as a failure of an undertaking to meet its obligations, triggers a chain reaction leading to loss of economic value and of confidence in the financial system that has significant adverse effects on the real economy.

The assessment of the crisis shall be based on the common analytical framework for assessing systemic implications of a financial crisis established by the Memorandum of understanding on cooperation between the financial supervisory authorities, central banks and finance ministries of the European Union on cross-border financial stability (Brussels ECFIN/CEFCPE (2008) REP/53106 Rev Rev). -. Plans could usefully include a set of reporting templates.

An intensive and regular exchange of information between the Group Supervisor and the Supervisory Authorities concerned is essential during the assessment of the crisis. In order to take into account confidentiality, information shall only be exchanged via secure communication channels.

### 1.4. Crisis management

It is the task of the Group Supervisor to plan and coordinate the supervisory activities in close cooperation with the Supervisory Authorities concerned, coordinate the management of the situation and inform EIOPA about the activities and the progress made.

A cross border systemic financial crisis comprised by the Memorandum of understanding on cooperation between the financial supervisory authorities, central banks and finance ministries of the European Union on cross-border financial stability may require the management and resolving at the Ministries level as well as the involvement of other parties. Crisis management in such cases might differ to the procedures laid down in this Emergency Plan. Plans should provide clarity around who would be involved in managing a crisis.

Based on the common assessment of the crisis, the Group Supervisor and the Supervisory Authorities concerned will analyse the need, scope and conditions for any supervisory actions to be taken towards the insurance group or any of its undertakings. Supervisory actions and information sharing should be coordinated and aligned within the supervisory College in order to ensure efficiency and avoid inconsistencies. Another area of useful College preparation would extend to maintaining a log of available powers, time constraints on action and even the operation of Insurance Guarantee Schemes.

### 1.5. External communication

The Group Supervisor is in charge of coordinating the public communication at each stage of the crisis. Hereby, it has to be ensured that the communication or non-communication of the Supervisory Authorities concerned takes into consideration the communication of the insurance group to the public.

Communication towards the public should be handled in a coordinated fashion at all stages of the crisis, taking into account the possibility of exercising discretion regarding the information that should (or should not) be disclosed in order to maintain market confidence.

The supervisory Authorities concerned should prepare joint public statements even in the case where only one Supervisory Authority has to make such a statement, if the interests of the other may be at stake.

If it is necessary in exceptional circumstances with an overriding and sudden public need, a Supervisory Authority concerned may issue a separate statement. However, the Supervisory Authority concerned shall inform the Group Supervisor as soon as possible about the issuance of a public statement.

### 1.6. Communication between competent authorities and to supervised undertakings

The Group Supervisor will distribute and receive confidential information in an emergency case via its secure email infrastructure. This infrastructure will be tested regularly by the Group Supervisor and the Supervisory Authorities of the individual undertakings.

### 1.7. Specialised emergency team

In a crisis situation the College can be organised offering a combination of different levels of association of Supervisory Authorities depending on their specific situation.<sup>10</sup> The Group Supervisor may wish to establish a smaller supervisory team within the College for handling the emergency situation. This might be especially useful if not the whole group is affected but only a part of it; or in case of a bigger crisis to coordinate the supervisory measures in the group of significant supervisors. The Group Supervisor informs the College of the establishment of such a team and ensures that the exchange of relevant and essential information within the College is not impaired.

### 1.8. Information to be exchanged in crisis situations

All College Members and Participants are able to produce on short notice the *updated* information included in Annex E: List of Information that may need to be exchanged in a crisis situation. The information in Annex E is a best practise example and forms the basis for an effective handling of the emergency situation and for information exchange within the College of Supervisors.

## **2. Control mechanism for the Emergency Plan**

The Group Supervisor is allowed to test the functioning of this Emergency Plan once a year in order to constantly improve the process of emergency handling in the College. The results of this testing will be discussed within the College.

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<sup>10</sup> Cp. Principle 1: Colleges of Supervisors – 10 Common Principles, 27 January 2009, CEIOPS-SEC-54/08

**Annex {for example}**

**Annex 1.A: Members and Participants of the College**

**Annex 1.E: List of Information that may need to be exchanged in a crisis situation**

This Emergency Plan will be updated at least every 12 months. This includes the verification of all items of this document.

{In case this Emergency Plan has been updated, the numbering of the front page and in the table on page 2 should be changed.}

## Annex 1.E – List of information that may need to be exchanged in a crisis situation

{this list should be adapted to the needs of the College and the context of the Emergency situation}

GS = Group Supervisor

IS = Individual Undertaking Supervisory Authority

Relevant Supervisory Authority = relevant Supervisory Authority other than the Insurance Supervisory Authority

	Type of information	Description	Source
<b>Crisis information and impact assessment</b>			
1	Affected entities	The undertaking in crisis and undertakings with exposures to the undertaking in crisis or likely to be affected through the possible contagion channels.	IS, GS
2	Description of the crisis	The cause of the problem which requires intervention of supervisory authorities. Is the crisis a generic crisis potentially affecting the financial system as a whole or is the crisis specific to the group and/or one of its undertakings?	IS, GS
3	Size of the undertaking(s)	Size of the undertaking(s) in crisis: total assets and premium income.	IS, GS
4	Significance of the affected entity(ies)	Is the undertaking(s) significant for the group and/or material in the local market (see criteria in Guideline 2 of the Guidelines on the functioning of Colleges)?	IS, GS
5	Deficiencies issues	Description of the failures that might have caused or might exacerbate the crisis e.g. fraud problems with IT systems, legal or regulatory issues).	IS, GS
6	Financial Market impact	Is the crisis affecting the financial markets? Holdings of shares, bonds etc. Market price data on the entity/group. If the undertaking/group must sell part of its assets, may it lead to or strengthen (procyclicality) a downward cycle in the financial markets?	IS, GS
7	Systemic assessment results	Outcome of the assessment of the systemic nature of the financial crisis.	GS, IS
<b>Actions and resolution measures</b>			
8	Measures and recovery actions by the group	Measures and actions taken and planned by the undertaking/group, and its impact on the solvency and financial position.	GS, IS
9	Actions taken by supervisors	Description of the action, its purpose and effect.	Relevant Supervisory Authority
10	External communication	Information on communication made without involving all supervisors.	Relevant Supervisory Authority,

			IS, GS
11	Legal powers	Description of the powers of supervisors including on restrictions, transfer of capital, and non compliances with regulatory requirements.	Relevant Supervisory Authority, IS, GS
12	Existing national safety net arrangements	State guarantees or insurance guarantee schemes, extent of coverage, level, source of funds.	GS, IS
13	Public disclosure requirements	Information of relevant public disclosure requirements applicable for the group other than the ones foreseen in the Solvency II framework.	Relevant Supervisory Authority, IS, GS
	<b>Business</b>		
14	Ownership and legal and organizational structure	Developments/changes in the ownership and structure and legal and organizational structure, including where applicable holdings in related undertakings.	SFCR and RSR following pre-defined events. IS, GS
15	Material lines of businesses and material geographical areas	Description of the undertaking(s) material lines of businesses and material geographical areas where writes business.	SFCR. IS, GS
16	Recent mergers, takeovers and acquisitions	Information on implications on the undertaking's business, system of governance, risk profile and solvency and financial position.	RSR following pre-defined events. IS, GS
17	Changes in the business strategy	Reasons for the change or delay in implementing strategies of which supervisors are aware.	RSR following pre-defined events. IS, GS
18	Intra-group transactions (IGT)	Information on relevant operations and transactions within the group, with a special focus on very significant IGT.	SFCR and RSR following pre-defined events. GS
	<b>Governance</b>		
19	Significant governance failures	Information on significant governance failures if not already previously described, including information on the impact of the failure on the undertaking(s) and the action taken in response to it. Where applicable reference to crisis management and contingency plans.	RSR following pre-defined events. IS, GS
20	Outsourcing	Information on the outsourcing of any critical or important operational functions or activities and the jurisdiction in which the service providers of such functions or activities are located.	SFCR, GS, IS

21	ORSA	Information on eventual additional ORSA's on account of significant change in risk profile including proposed management actions considered necessary and planned capital measures.	RSR following pre-defined events. IS, GS
<b>Risk information</b>			
22	New, emerging or crystallized internal or external risks of a material nature	Details on emerging or crystallized risks and information on their actual or potential impact as well as identified mitigation plans (whether planned or already in place).	RSR following pre-defined events. IS, GS
23	Prudent person principle	Concerns on the compliance with the prudent person principle (e.g. risk of a negative overall return).	RSR, IS, GS
24	Liquidity risk	Concerns on liquidity problems. Information on liquidity position, the sources of liquidity and the short term liabilities.	RSR, IS, GS
25	Risk sensitivity	Information on relevant stress tests and scenario analysis.	RSR, IS, GS
<b>Solvency and Financial Condition</b>			
26	Balance sheet, own funds and capital requirements	Last reported templates BS-C1 and OF-B1A	Templates BS-C1 and OF-B1A., IS, GS
27	Changes in own funds levels, MCR, SCR, technical provisions and/or other balance sheet items	Amount and reason for change and consideration of any potential or actual consequence of changes. In relation to technical provisions, information can include details on emergence of any future claims that had not been present in previous reported technical provisions.	RSR following pre-defined events. IS, GS
28	Availability of capital	A description of any item deducted from own funds and a brief description of any significant restriction affecting the availability and transferability of own funds within the undertaking or group. Capital ability to absorb the impact of the crisis. Group's ability to raise additional capital and where might it be able to source this capital from.	SFCR and RSR. GS, IS
29	Allocation of capital and possibility of transferability	If available, how the capital is allocated around the group and discussion on the possibility of transferring the capital around the group (e.g. through intra-company loans, reinsurance dividends).	RSR: GS

## Annex 2 - List of Ratios/Selected Data for information exchange in Colleges on a systematic basis

No	Ratio or data	At individual level	At group level
1	Government bonds	X	X
2	Corporate Bonds – Financial and insurance activities	X	X
3	Corporate Bonds - Non-Financial and insurance activities	X	X
4	Cash & Deposits	X	X
5	Equity	X	X
6	Participations		X
7	Property	X	X
8	Gross written premium life	X	X
9	Gross written premium non life	X	X
10	Non-life technical provisions loss	X	X
11	Change in life technical provisions	X	X
12	Investment returns	X	X
13	Net combined ratio	X	X
14	Reinsurance part of premiums	X	X

### 1) Investments in Government Bonds as a percentage of total investments and cash

This ratio is the percentage of government bonds held by the undertaking or group within the total amount of investments and cash held by the undertaking or group.

The amount of government bonds (the numerator) is divided by the amount of total investments and cash (the denominator). This number will be a percentage between 0 and 100%.

Using the templates to be received under the regular supervisory reporting as required by Art.35 of the DIRECTIVE 2009/138/EC of the EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 November 2009 (Solvency II Directive) and based on the valuation as described under Art.75 of the Solvency II Directive, the numerator is calculated by screening the first category of the Complementary Identification Code which corresponds to the category of government bonds.

The denominator corresponds to the sum of the amount listed in the assets category as 'investments' and the amount listed in the assets category under 'Cash and Cash Equivalents' in the balance-sheet.

## **2) Investments in Corporate Bonds – Financial and insurance activities as a percentage of total investments and cash**

This ratio is the percentage of financial and insurance related corporate bonds held by the undertaking or group within the total amount of investments and cash held by the undertaking or group.

The amount of financial and insurance related corporate bonds (the numerator) is divided by the amount of total investments and cash (the denominator). This number will be a percentage between 0 and 100%.

Using the templates to be received under the regular supervisory reporting as required by Art.35 of the Solvency II Directive and based on the valuation as described under Art.75 of the Solvency II Directive, the numerator is calculated by screening the second category of the Complementary Identification Code which corresponds to the category of corporate bonds. An additional screening is needed to screen the issuer economic sector in order to identify the corporate bonds issued by the companies classified as financial and insurance activities (financial service activities, insurance, reinsurance, pension funding, activities auxiliary to financial services and insurance activities). The issuer economic sector is identified based on the NACE code (acronym used to designate the various statistical classifications of economic activities developed since 1970 in the European Union).

The denominator corresponds to the sum of the amount listed in the assets category as 'investments' and the amount listed in the assets category under 'Cash and Cash Equivalents' in the balance-sheet.

## **3) Investments in Corporate Bonds - Non-Financial and Insurance activities as a percentage of total investments and cash**

This ratio is the percentage of non-financial and insurance related corporate bonds held by the undertaking or group within the total amount of investments and cash held by the undertaking or group.

The amount of non-financial and insurance related corporate bonds (the numerator) is divided by the amount of total investments and cash (the denominator). This number will be a percentage between 0 and 100%.

Using the templates to be received under the regular supervisory reporting as required by Art.35 of the Solvency II Directive and based on the valuation as described under Art.75 of the Solvency II Directive, the numerator is calculated by screening the second category of the Complementary Identification Code which corresponds to the category of corporate bonds. An additional screening is needed to screen the issuer economic sector in order to identify the corporate bonds issued by the companies classified as other than financial and insurance activities. The issuer economic sector is identified based on the NACE code (acronym used to designate the various statistical classifications of economic activities developed since 1970 in the European Union).

The denominator corresponds to the sum of the amount listed in the assets category as 'investments' and the amount listed in the assets category under 'Cash and Cash Equivalents' in the balance-sheet.

#### **4) Cash and Deposits as a percentage of total investments and cash**

This ratio demonstrates what percentage of a group or undertaking's total investments and cash are held in cash and other similarly short term investments that could be considered more liquid than other types of investments.

The amount of cash and deposits (the numerator) is divided by the amount of total investments and cash (the denominator) and this number will be a percentage between 0 and 100%.

Using the templates to be received under the regular supervisory reporting as required by Art.35 of the Solvency II Directive and based on the valuation as described under Art.75 of the Solvency II Directive the amount listed in the assets category under 'Cash and Cash Equivalents' is summed with the amount listed in the assets category under 'Deposits other than cash equivalents' and is then divided by the sum of the item listed in the assets category as 'investments' and the amount listed in the assets category under 'Cash and Cash Equivalents' in the balance-sheet.

#### **5) Equity investments as a percentage of total investments and cash**

This ratio demonstrates what percentage of a group or undertaking's total investments and cash are held in equity investments (which generally have uncertain income streams).

The amount of equity investments (the numerator) is divided by the amount of total investments and cash (the denominator) and this number will be a percentage between 0 and 100%.

Using the templates to be received under the regular supervisory reporting as required by Art.35 of the Solvency II Directive and based on the valuation as described under Art.75 of the Solvency II Directive, the amount listed in the assets category under 'Equities' is divided by the sum of the item listed in the assets category as 'Investments' and the amount listed in the assets category under 'Cash and Cash Equivalents' in the balance-sheet.

#### **6) Participations as a percentage of total investments and cash**

This ratio demonstrates what percentage of a group or undertaking's total investments and cash are held in participations of other undertakings.

The amount of participations (the numerator) is divided by the amount of total investments and cash (the denominator) and this number will be a percentage between 0 and 100%.

Using the templates to be received under the regular supervisory reporting as required by Art.35 of the Solvency II Directive and based on the valuation as described under Art.75 of the Solvency II Directive, the amount listed in the assets category under 'Participations' is divided by the sum of the item listed in the assets category as 'Investments' and the amount listed in the assets category under 'Cash and Cash Equivalents' in the balance-sheet.

#### **7) Property as a percentage of total investments and cash**

This ratio demonstrates what percentage of a group or undertaking's total investments and cash are held in property.

The amount of property (the numerator) is divided by the amount of total investments and cash (the denominator) and this number will be a percentage between 0 and 100%.

Using the templates to be received under the regular supervisory reporting as required by Art.35 of the Solvency II Directive and based on the valuation as described under Art.75 of the Solvency II Directive, the amount listed in the assets category under 'Property (other than for own use)' is divided by the sum of the item listed in the assets category as 'Investments' and the amount listed in the assets category under 'Cash and Cash Equivalents' in the balance-sheet.

### **8) Gross written premiums life - % change year-to-date**

This ratio demonstrates the year-to-date percentage change of gross written life insurance premiums including index-linked and unit-linked business, health similar to life insurance and life and health reinsurance business.

The amount of total gross life insurance written premiums (incl. index-linked and unit-linked business and health similar to life), life and health reinsurance written premiums of the current year ( $t$ ) (numerator), is divided by the amount of total gross life insurance written premiums (incl. index-linked and unit-linked business and health similar to life), life and health reinsurance written premiums of the previous year ( $t-1$ ) (denominator). Then the result is converted into a percentage by deducting 1 and multiplying by 100.

Using the templates to be received under the regular supervisory reporting as required by Art.35 of the Solvency II Directive, the sum of the amounts related to gross written premiums under the various lines of business for life obligations and life reinsurance obligations of the current year ( $t$ ) is divided by the sum of the amounts related to gross written premiums under the various lines for life obligations and life reinsurance obligations of the previous year ( $t-1$ ). Then the result is converted into a percentage by deducting 1 and multiplying by 100.

### **9) Gross written premiums non-life - % change year-to-date**

This ratio demonstrates the year-to-date percentage change of gross non-life insurance and reinsurance written premiums including direct, proportional and non-proportional reinsurance business accepted.

The amount of total gross non-life insurance written premiums (incl. direct business, proportional and non-proportional reinsurance accepted) for the current year ( $t$ ) (numerator) is divided by the amount of total gross premiums written non-life insurance (incl. incl. direct business, proportional and non-proportional reinsurance accepted) of the previous year ( $t-1$ ) (denominator). Then the result is converted into a percentage by deducting 1 and multiplying by 100.

Using the templates to be received under the regular supervisory reporting as required by Art.35 of the Solvency II Directive, the sum of the amounts related to gross written premiums under the various lines of business for non- life obligations and non-life non-proportional reinsurance accepted of the current period ( $t$ ) is divided by the sum of the amounts related to gross written premiums under the various lines for non- life obligations and non-life non-proportional reinsurance accepted. Then the result is converted into a percentage by deducting 1 and multiplying by 100.

## **10) Non-life technical provisions - % of gross non-life insurance written premiums**

This ratio measures the amount of non-life technical provisions compared to the amount of gross written premiums non-life insurance and reinsurance.

The sum (numerator) of total non-life technical provisions (excl. health) and total health technical provisions (similar to non-life) is divided by the sum of total gross written premiums non-life (denominator), i.e. the amount of total gross written premiums non-life insurance (incl. direct business, proportional and non-proportional reinsurance accepted).

The ratio shall be calculated on annualised basis, where:

- the numerator is calculated as average of the values at the end of the actual quarter and each of the three preceding quarters
- The denominator shall reflect the value of a full reporting year, or, for quarterly reporting the sum of the values of the actual quarter and the preceding quarters needed to cover a full year period.

Using the templates to be received under the regular supervisory reporting as required by Art.35 of the Solvency II Directive and based on the valuation as described under Art.75 of the Solvency II Directive, the four quarter average of the sum of total gross non-life technical provisions (excl. health) in the balance-sheet is divided by the sum of the amounts related to gross written premiums under the various lines of business for non- life obligations and non-life non-proportional reinsurance accepted in the relevant template for the period (*t*), covering the four quarters preceding the current year's reporting date. Then the result is multiplied by 100 to convert the final result into "percentage" format.

## **11) Change in life technical provisions (incl. health, excl. index-linked and unit-linked business) - % change year-over year**

This ratio measures the change in life technical provisions by comparing the current year's amount of technical provisions with the previous year's gross technical provisions.

The current year's life technical provisions (numerator) is divided by the previous year's life technical provisions (denominator) and then converted into a percentage by deducting 1 and multiplying by 100.

Using the template to be received under the regular supervisory reporting as required by Art.35 of the Solvency II Directive and based on the valuation as described under Art.75 of the Solvency II Directive, the sum of total life technical provisions (excluding health, index-linked and unit-linked,) and total health technical provisions (similar to life business) of the current period (*t*) in the balance sheet by the sum of total life technical provisions (excluding health, index-linked and unit-linked) and total health technical provisions (similar to life business) in the balance sheet of the previous period (*t-1*). Subtract 1 from the result and convert the final result into percentage format.

## **12) Investment returns ratio**

This ratio is a measure of assets investment returns compared to the total amount of investments. The ratio can also be used to measure the undertaking's investment returns over time by comparing it to previous versions.

The sum of investment returns (the numerator) is divided by the total investments (other than assets held for index-linked and unit-linked funds) (the denominator).

The numerator, Investment returns, measures the value of all returns on investments other than assets held for index and unit linked funds such as dividends, interests, rent, net gains and losses.

The denominator, Total Investments (other than assets held for index-linked and unit-linked funds), measures the value of all investments other than assets held for index and unit linked funds (property, participations, equities, bonds, investment funds, derivatives, deposits other than cash equivalents, other investments).

The ratio can be calculated on the basis of the template to be received under the regular supervisory reporting as required by Art.35 of the Solvency II Directive and based on the valuation as described under Art.75 of the Solvency II Directive. The numerator value can be taken from the relevant template that provides information about the investment performance by asset category<sup>11</sup> defined in the Complementary Identification Code as the sum of all dividends, interests, rent and net gains and losses for all asset categories listed in the profitability section.

The denominator value can be taken from the relevant template that represents the value of all investments other than assets held for index-linked and unit-linked funds in the balance sheet.

The ratio shall be calculated on annualised basis, where:

- The numerator shall represent the value of a full reporting year, or, for quarterly reporting the sum of the values of the actual quarter and the preceding quarters needed to cover the full year period
- The denominator shall be calculated as an average of the values at the end of the actual quarter and each of the three preceding quarters.

### **13) Gross combined Ratio**

This ratio is a measure of the underwriting performance of a non-life insurance or reinsurance undertaking or group. The result is expressed as a percentage and a value below 100% indicates that the company is making underwriting profit while a ratio above 100% means that it is paying out more money in claims than it is receiving from premiums. The gross combined ratio is comprised of the loss ratio and the expense ratio.

The sum of incurred losses and expenses (the numerator) is divided by the amount of premiums earned (the denominator).

The ratio can be calculated using the templates to be received under the regular supervisory reporting as required by Art.35 of the Solvency II Directive. The value of the numerator can be obtained from the relevant template where non life undertakings and groups report claims paid under the various lines of business and total Expenses.

The value of the denominator can be obtained from the relevant template where undertakings and groups report gross premiums earned under the various lines of business

## **14) Reinsurance Part of Premiums**

The ratio is used to measure the amount of reliance on reinsurance the group or undertaking has.

The amount of premiums ceded to a reinsurer (the numerator) is divided by the total amount of premiums earned (the denominator).

The ratio can be calculated using the templates to be received under the regular supervisory reporting as required by Art.35 of the Solvency II Directive.

The numerator can be computed, annually and quarterly, on the basis of the relevant template where undertakings and groups report the reinsurers' share of premium earned for non-life and for life and the denominator can be computed on the basis of the relevant template where undertakings and groups report the total amount of premiums earned for non-life and for life.

## 2. Explanatory text

### **Section 1: Establishment of the College of Supervisors**

#### **Guideline 1 - Group's mapping and identification of members and participants of the College**

The group supervisor or, if not yet designated, the supervisory authority which would be the group supervisor if the criteria set out in Art.247(2) were to apply, should map all the related undertakings of the group in order to determine the group structure and identify all members and participants of the College.

The mapping should be reviewed at least upon modification of the group structure in order to allow the College to review the appropriateness of the members and participants of the College and confirm that there is no need for designating another group supervisor.

In addition, the group supervisor or the supervisory authority which would be the group supervisor if the criteria set out in Art.247(2) were to apply, if different, should require the participating insurance or reinsurance undertaking or the insurance holding company or the mixed financial holding company to perform and submit an initial analysis of its group structure including an assessment of any dominant or significant influence effectively exercised over an undertaking by another undertaking of the group.

2.1 The supervisory authorities of the Member States concerned agree on the designation of the group supervisor as a priority, in accordance with the mapping of the group.

For the purposes of the mapping, the group supervisor identifies:

- all subsidiaries whose head office is situated in a Member State (EEA subsidiaries);
- all branches and other related undertakings.

Without prejudice to any own investigation, the group supervisor asks the participating insurance or reinsurance undertaking or the insurance holding company of the group or the mixed financial holding company to assess if there is significant influence effectively exercised over an undertaking by another undertaking of the group.

The group supervisor assesses whether the participating insurance or reinsurance undertaking or the insurance holding company or the mixed financial holding company effectively exercises dominant or significant influence over the undertakings in order to draw-up a complete mapping. This is also relevant for insurance groups comprising mutual financial undertakings with no cross-ownership.

The mapping process is expected to be carried out in dialogue with the participating insurance or reinsurance undertaking or the insurance holding company or the mixed financial holding company and the other supervisory authorities identified.

The mapping is reviewed when necessary, e.g. when a new subsidiary is established.

## **Guideline 2 - Criteria for assessing significance and materiality of undertakings**

The supervisory authorities identified in the mapping process as members and participants of the College of Supervisors should contribute to the assessment made by the group supervisor of the undertakings' significance and materiality together with the rationale for that assessment.

When assessing the significance of undertakings within the group, supervisory authorities should consider at least the following factors:

- a) the ratio of the balance sheet of an undertaking to the total balance sheet of the group;
- b) the proportional contribution of an undertaking to the group SCR;
- c) the proportional contribution of an undertaking to the group own funds;
- d) the contribution of an undertaking to the performance and earnings of the group as a whole;
- e) the role of the undertaking within the group's organisational structure, systems, and controls; its risk management functions and senior management oversight for monitoring and controlling risks in the undertakings;
- f) the extent to which the undertakings are autonomous; and
- g) the interactions between undertakings.

When assessing the materiality of undertakings in the local market, supervisory authorities should at least consider the following factors:

- a) the market share of the undertaking;
- b) the role of the undertaking in specific markets (e.g. principal market maker);
- c) the ratio of the total balance sheet of the group to the total balance sheet of all groups in a particular Member State or third-country jurisdiction;
- d) the level of risk of activities carried out by the undertaking (and potential effect on the local market); and the role of the undertaking in the infrastructure of the financial system (e.g. providing major underwriting capacities).

2.2 The assessment of significance and materiality may include a broader set of factors. The factors used for the assessment of significance and materiality may be used separately or in combination.

### **Guideline 3–Results of the assessment of significance and materiality of undertakings**

The group supervisor should consider and use the results of the significance and materiality assessment to decide whether to invite the supervisory authorities of significant branches and other related undertakings to the College meetings, as well as to decide on the organisational structure of the College and its work plan.

2.3 First, the assessment of significance and materiality of undertakings will provide necessary information to decide on the participants to the College meetings.

As stated in Art.248 § 3 of Directive 2009/138/EC., the supervisory authorities of significant branches and other related undertakings are allowed to participate in the College of Supervisors for the purposes of an efficient exchange of information. For the latter, the group supervisor has to make a decision based on its understanding of the relationships within the group.

Since the group solvency calculation may include participations in related third-country undertakings, supervisory authorities of third-country undertakings are invited to participate in the College of Supervisors when deemed necessary, in the terms established in Guideline 4. The contribution of third-country supervisory authorities may be relevant to the understanding of the group risk profile. Therefore the group supervisor identifies third-country supervisory authorities of undertakings that might have a material contribution to the risks of the group, according to the criteria defined in Guideline 2.

The group supervisor contacts third-country supervisory authorities identified in order to discuss whether and how to interact in the College given the significance for the group.

The supervisory authorities of the undertakings from other financial sectors may be invited as participants of the College of Supervisors. For the purposes of this assessment, the group supervisor can consider the professional secrecy and confidentiality requirements established in the applicable sectoral legislation, any memoranda of understanding between the members and participants of the College and the supervisory authorities from other financial sectors, and any constraints placed on the sharing of information.

Second, the assessment of significance and materiality enables supervisory authorities to start developing a common understanding of the structure and risks of the group to enhance risk-based supervision, both at group and individual undertaking level, which will inform the organisation and work plan of the College. For example, it is useful to determine whether certain College members or participants have special information needs.

#### **Guideline 4 - Invitation of third-country supervisory authorities**

When third-country supervisory authorities are invited to join the College of Supervisors as participants, the group supervisor should request them to agree to the coordination arrangements and to demonstrate that they can comply with the arrangements under their national legislation. In particular the third-country professional secrecy requirements are assessed by reference to the requirements in Art.66 of Directive 2009/138/EC.

If the third-country supervisory authorities cannot provide their consent to the coordination arrangements including the compliance with confidentiality and professional secrecy requirements, the group supervisor should adapt the organisation of the College accordingly in a way that confidentiality and professional secrecy are ensured in all circumstances.

2.4 For the purposes of the involvement of third-country supervisory authorities, the provisions regarding professional secrecy and confidentiality requirements are detailed in Art.64 to 70 of Directive 2009/138/EC.

In case no conclusion regarding the equivalence of the prudential regime for the supervision of groups has been reached by the Commission, the group supervisor assesses it in consultation with College members and participants based on the Level 1 and Level 2 criteria. The outcome of the assessment undertaken by the group supervisor needs to be endorsed by all the members and participants in the College.

For the purposes of the required assessment of the professional secrecy and confidentiality requirements of the third-country, the group supervisor considers the provisions established in the third-country's legislation and may take into account any memoranda of understanding between the Member States and third countries and any constraints placed on the sharing of information.

When third-country supervisory authorities cannot comply with certain requirements of the coordination arrangements, they cannot agree with the coordination arrangements and therefore cannot get access to confidential information. In such a situation, the group supervisor needs to explore alternative solutions such as restricted meetings, separate MoU, exclusion of part of the College activities etc.

#### **Guideline 5 - Guarantees for confidentiality and professional secrecy**

When a member or a participant of the College is aware of any confidentiality or professional secrecy issue regarding a third-country supervisory authority previously considered to have an equivalent professional secrecy regime, it should provide the relevant information to other College members and participants, as soon as possible.

## **Section 2: Initial meeting of the College of Supervisors**

### **Guideline 6 - Schedule of the initial meeting**

After finalising the mapping of the group's structure and the assessment of the significance and materiality of the undertakings, and not later than three months from the finalisation of the mapping of the insurance or reinsurance group, the group supervisor should schedule the initial meeting of the College of Supervisors.

In case a College is already established at the date of application of these guidelines, the group supervisor should assess its compliance with these guidelines and aim at adapting its functioning if necessary.

2.5 The meeting needs to be scheduled no longer than three months after the finalisation of the mapping but, under exceptional circumstances, it may take place after this three month period, within a reasonable timeframe.

### **Guideline 7 - Agenda of the initial meeting**

The group supervisor should include in the agenda of the initial College of Supervisors meeting at least the following items:

- a) Formal designation of the group supervisor;
- b) A description of the scope of group supervision including, where applicable, an explanation from the group supervisor of its decision to exclude an undertaking from the scope of group supervision;
- c) An explanation by the group supervisor of the rationale of its initial mapping and any significant departure from other College members' or participants' assessment;
- d) A discussion of a first proposal for the coordination arrangements in order to determine the organisational structure of the College and the means of exchange of information among College members and participants.

The group supervisor should circulate the initial proposal for the coordination arrangements of the College at least four weeks in advance of the meeting.

2.6 Guideline 7 does not apply when a College is already in place.

### **Guideline 8- The coordination arrangements**

The group supervisor should draft the coordination arrangements on the basis of the template as provided in Annex 1. The group supervisor should be allowed to amend and further develop the template if the needs of the College, including deadlines and timeframes require it, and he should explain in writing the rationale for these amendments and further developments to the other members and participants of the College.

Members and participants of the College should reach an agreement and sign the coordination arrangements within six months from the date that the arrangement is proposed formally to the College members and participants. The coordination arrangements should determine when and under which conditions it comes into force.

The coordination arrangements should be drafted in English unless otherwise agreed by the College members and participants.

2.7 Where necessary, each authority is responsible for translating them into its own language.

The coordination arrangements can be further developed in accordance with the needs of the College, that depend on the scale, complexity and the risks inherent in the business of the group.

## **Section 3: On-going functioning of the College of Supervisors**

### **Guideline 9 - Organisational structure and specialised teams**

In determining the organisational structure of the College, the group supervisor should take into account the significance and materiality of the entities within the group. Where appropriate, the group supervisor should establish different specialised teams for certain work streams or projects. The College members should agree on the composition, the chair and the objectives and purpose of each specialised team, including how the specialised team will report their conclusions to the College.

Where specialised teams are created within the College, the group supervisor should ensure the coordination of the work of these teams.

All the members and participants of the College of Supervisors, including those members and participants not involved in the specialised teams, should be regularly informed of the developments made by the teams where appropriate.

2.8 The circumstances under which a College operates might vary considerably depending on the structure of the group, e.g. a participating undertaking with only one small subsidiary abroad or a participating undertaking with hundreds of subsidiaries and branches worldwide. Therefore the group supervisor decides, after consulting with the other College members, what organisational structure would suit the College best in order to fulfill its tasks. This could lead to Colleges with a rather simple or a more enhanced organisational structure.

Effective functioning of the College of Supervisors may require that some activities be carried out by a reduced number of supervisory authorities<sup>12</sup>. Therefore the group supervisor might want to establish different specialised teams for certain work streams or projects. These teams would comprise a reduced number of supervisory authorities.

Below there are examples of different organizational structures of Colleges:

- a) Specialised Permanent Team: it could involve a limited number of College members and participants depending on the topics to be discussed. It could decide on the allocation and sharing of specific tasks among its members, coordinate specific risk assessments or prepare joint measures.
- b) Specialised Project Team: it could involve a limited number of College members and participants with special expertise working together on a specific supervisory issue for a certain time period, e.g. preparatory work for the assessment of an internal model.

#### **Guideline 10–The main tasks of the group supervisor**

The group supervisor should take the lead in the College's activities, chair its meetings and establish an appropriate mechanism to facilitate its operational functioning. To this end it should:

- a) develop the work plan in cooperation with members and participants;
- b) carry out the group Supervisory Review Process with the involvement of the College members and participants;
- c) prepare the agenda of the College meetings with clearly defined objectives;
- d) record minutes of the meeting;
- e) formalise and follow up the action points;
- f) review the organisational structure and the coordination arrangements with a view to maintaining efficient group supervision;
- g) inform the College members and participants within a reasonable time to be determined in the coordination arrangements, that a College meeting will be held, without prejudice to ad hoc or emergency situations;
- h) update and circulate the contact list of all College members and participants whenever significant changes occur;
- i) engage in discussion regarding the need to designate a new group supervisor in case a modification of the group structure could lead to such decisions.

2.9 The objectives of any meeting of the College are expected to be clearly identified in the agenda. These objectives are formulated in terms of issues to be discussed and input expected from the members and participants.

The group supervisor acts as a central point of contact for any matter related to the practical organisation of the College.

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<sup>12</sup>Art. 248 (3), 3<sup>rd</sup> paragraph, Directive 2009/138/EC.

### **Guideline 11 - Draft agenda and documentation**

The group supervisor should circulate the draft agenda in advance of the meeting as defined in the coordination arrangements. Members and participants should be allowed to ask for amendments. The latest version of the draft agenda should be sent to College members and participants together with the documentation prepared by the group supervisor and/or by other members or participants of the College in advance of the meeting as defined in the coordination arrangements.

### **Guideline 12 - The work plan**

The group supervisor should draw up a work plan for the supervision of the group. This should not prevent any supervisory authority from drawing up a local work plan.

The work plan should assist the College with planning and coordinating the main types of supervisory activities, both as regards on-site and off-site work. It should also include the relevant aspects of the group supervisory plan. All planned major examinations for the year to come, to be performed by the group supervisor and the other supervisory authorities of the most significant entities (jointly or not), should be included in the work plan. Furthermore it should specify which supervisory authorities are responsible for each planned examination.

In addition, the work plan should include the scheduled recurring key meetings, and its participants.

A critical review of the outcome of the work plan should be conducted periodically within the College of Supervisors. The group supervisor should take this review into account at least annually when assessing the College's performance.

2.10 The College work plan is a document that sets out the College's planned activities, usually over a one year time-frame. It is intended to assist the College with planning and coordinating their supervisory activities, including the allocation of resources, related to the group and the insurance and reinsurance undertakings within the group.

The College work plan contains relevant aspects of the group supervisory plan, details of major examinations, and planned activities for the approval of certain group-level decisions (for example, approval of group internal models under Art.231).

### **Guideline 13-Communication channels**

To ensure efficient information sharing, the members and participants of the College of Supervisors should consider the use of the full range of communication channels within the College, provided that the confidentiality of data is secured.

2.11 Given the importance of information flows within the College, the development of a secured website platform needs to be considered. This device can be particularly useful when exchanging sensitive information and

for enhancing the efficiency of the functioning of the College when it is operating under an organisational structure involving a high number of supervisory authorities.

**Guideline 14 – Cooperation between supervisors in the context of the supervisory review process**

College members and when relevant participants should cooperate and exchange information within the College to enable the College to form a shared view of the risks of the group as part of the supervisory review process.

2.12 The nature of the Supervisory Review Process is such that it could involve different supervisors at different times, and each Supervisory Review Process will differ depending on the current risks of the group. Because of this, the Supervisory Review Process can involve delegation of tasks within the College and coordination by the group supervisor, without the establishment of a specialised team. The work on the supervisory Review Process will be based on the work plan but may also include other tasks.

The communication between and involvement of supervisors that forms part of the Supervisory Review Process should be guided by the principles of risk-based supervision and proportionality. Communication should be exercised in a way that enhances supervision and does not result in disproportionate and excessive administrative burden.

The Directive gives broad powers to the College to base their functioning on coordination arrangements set out in Art.248 (4) and Art.339 of the Level 2. The College may choose to set out a formal communication process for the Supervisory Review Process as part of its coordination arrangement, or use a more informal ad-hoc communication process, or possibly using the same processes set out in the functioning of Colleges guidelines.

An appropriate level of communication within the College is required. This may include notifying other supervisory authorities and the group supervisor, sharing information, giving other supervisors opportunities to provide feedback before making decisions, consultation, discussions and conducting analysis or activities together with other supervisors.

Involvement of participants in the cooperation and exchange of information within the College to enable the College to form a shared view depends on the relevance and materiality of the risks of the branch or undertaking towards the group.

**Guideline 15- Communication with supervised undertakings**

College members and participants should coordinate information requests sent to the participating insurance or reinsurance undertaking or the insurance holding company or the mixed financial holding company and individual undertakings of the group in order to avoid duplication.

The group supervisor should be responsible for the communication with the participating insurance or reinsurance undertaking or the insurance holding company or the mixed financial holding company. The other members and participants should be responsible for the communication with individual undertakings.

The group supervisor should organise, periodically, multilateral meetings between members and participants of the College and the administrative management or supervisory body of the participating insurance or reinsurance undertaking or the insurance holding company or the mixed financial holding company of the group.

2.13 The group supervisor may organise additional meetings between the College members and participants, or any specialised team of the College, and representatives from the supervised group (e.g. financial, risk, internal control, audit functions) when deemed appropriate to prepare joint assessments or measures. Areas for discussion may cover for example the on-going review of internal models, the on-going risk assessment and review of the ORSA, risk management issues, specific developments regarding cross-border entities of the group, etc. The supervised group receives, as a follow-up to the meetings, feedback on areas of supervisory concern identified by the College members and participants or, where appropriate, responses to the questions raised by the insurance group during those meetings.

#### **Guideline 16- Consultation process**

When consulting other supervisory authorities concerned under the relevant provisions of the Directive 2009/138/EC, the group supervisor or, where relevant, any other member or participant, should respect the following procedure:

- a) It should send a proposal in writing with supporting reasons to supervisory authorities concerned with a copy to other members and participants where appropriate in order to ensure an efficient exchange of information;
- b) It should allow supervisory authorities concerned to respond within a timeframe determined in the coordination arrangements;
- c) Where applicable, it should also send a proposal in writing to the group and allow the group to respond within an agreed timeframe;
- d) It should organise a meeting to discuss the relevant issues if deemed necessary by any supervisory authorities concerned;
- e) It should send the final decision to College members and where appropriate, to participants, together with the opinions of the supervisory authorities concerned as well as of the group, and, when applicable, the reasons to deviate from these opinions.

2.14 With regard to the consultation process mentioned in Art.248(5), second paragraph, point (a) of Directive 2009/138/EC the group supervisor takes the initiative in the consultation process with the College. However, with regard, for example to Art.250 and 258 of Directive 2009/138/EC, the initiative lays with either the group supervisor or any other supervisory authority within the College. With regard, for example, to Art.220, 230, 221, 244, 245 of Directive 2009/138/EC, the group is to be consulted as well. Finally, with regard to Art.260, EIOPA is to be consulted as well.

The decision to be communicated to the participating insurance or reinsurance undertaking or the insurance holding company or the mixed financial holding company of the group does not contain deviating opinions.

**Guideline 17 – Communication with the group supervisor before setting a capital add-on of a related undertaking**

The supervisory authority should inform the group supervisor, who immediately should inform the College of Supervisors, when it concludes that:

- a) The risk profile of an undertaking, under its supervision and related to the group, deviates from the assumptions underlying the Solvency Capital Requirement and that the deviation is significant; or
- b) The system of governance of an undertaking, under its supervision and related to the group, deviates from the standards laid down in Art.41 to 49 of Directive 2009/138/EC and that the deviation is significant and prevents the undertaking from properly identifying, measuring, monitoring, managing or reporting the risks that it is or could be exposed to.
- c) the insurance or reinsurance undertaking applies the matching adjustment referred to in Art.77b of Directive 2009/138/EC, the volatility adjustment referred to in Art.77d of Directive 2009/138/EC or the transitional measures referred to in Art.308c and 308d of Directive 2009/138/EC and the supervisory authority concludes that the risk-profile of that undertaking deviates significantly from the assumptions underlying these adjustments and transitional measures.

2.15 Pursuant to Art.37 of the Directive, the possibility to set a capital add-on exists inter alia where the supervisory authority concludes that cases stipulated in Art.37(1) (a-c) take place, i.e. where certain significant deviations are identified. When a supervisory authority concludes that such a significant deviation occurs, it is empowered to set a capital add-on if other conditions stipulated in Art.37 are met. In order to ensure that a group supervisor has knowledge about deviations identified and the probability of imposition of capital add-on at the level of a particular insurance or reinsurance undertaking, the supervisory authority should inform the group supervisor at the outset of this procedure, namely when significant deviations are identified. Application of this guideline should take place without prejudice to the provisions of Art.250 of the Directive. Apart from the necessity to inform about the identification of significant deviations, the College of Supervisors would need to be consulted before the decision to impose a capital add-on is taken. The identification of significant deviations and the imposition of capital add-ons usually take place in different points of time.

### **Guideline 18 – Communication with the College before setting a capital add-on at group level**

The group supervisor should inform the College of Supervisors when it concludes that:

- a) The risk profile of the group deviates from the assumptions underlying the Solvency Capital Requirement and that the deviation is significant; or that
- b) The system of governance of the group deviates from the standards laid down in Art.41 to 49 of Directive 2009/138/EC and that the deviation is significant and prevents the group from properly identifying, measuring, monitoring, managing or reporting the risks that it is or could be exposed to.
- c) The group applies the matching adjustment referred to in Art.77b, the volatility adjustment referred to in Art.77d or the transitional measures referred to in Art.308c and 308d and the supervisory authority concludes that the risk-profile of that group deviates significantly from the assumptions underlying these adjustments and transitional measures.

### **Guideline 19 – Information exchange on a systematic basis**

The College should exchange information on a systematic basis as laid out in the implementing technical standard on information exchange within Colleges of supervisors.

In this context, the group supervisor and the other supervisory authorities of the College should agree on a list of ratios and other selected data that they will exchange as part of the systematic exchange of information taking into account the ratios/selected data included in the list set out in the Annex 2 or any other ratio the College agrees to be appropriate for each of the following flows of information:

- to be provided by the group supervisor to the other supervisory authorities
- to be provided by the other supervisory authorities to the group supervisor
- to be disseminated by the group supervisor to the other supervisory authorities

## **Guideline 20 - Procedure for the ad-hoc exchange of information**

For the information that is not covered by regular exchange of information and where not stated otherwise in the Directive 2009/138/EC and delegated acts, when a supervisory authority becomes aware of relevant information including a pre-defined event or an emergency situation which could in particular affect the financial and solvency position of the individual undertaking supervised, the following procedure for ad-hoc information exchange within the College should apply:

- a) The supervisory authority should inform the group supervisor without delay of all relevant information on the pre-defined event or emergency situation as soon as it becomes available.
- b) The group supervisor should request further relevant information for group supervision where necessary.
- c) The group supervisor should send as soon as possible to College members the relevant information needed to assess the impact of the pre-defined event or emergency situation at group level.
- d) The other supervisory authorities concerned should request from the group supervisor further relevant information for the supervision of individual undertakings under their authority where necessary.

If this information concerns the group, the following procedure for ad-hoc information exchange within the College should apply:

- a) The group supervisor should inform the College members without delay of all relevant information as soon as it becomes available.
- b) The other supervisory authorities concerned should request further relevant information for the supervision of individual undertakings under their authority where necessary.
- c) The group supervisor should inform the College members of the supervisory actions and measures taken at group level, when relevant.

2.16 The definition of emergency situations has to be seen in accordance with the Emergency Plan Template (Para. 2.2. of Annex D to the Coordination Arrangement according to Guideline 8 and the Annex I of the Guidelines on the Functioning of Colleges).

Some examples for relevant information to be exchanged in the ad-hoc basis situation are consequences of a pre-defined event or an emergency situation on solvency ratios, risk exposures, IGTs, transferability of specific own funds, etc.

## **Section 4: Joint and local examinations**

### **Guideline 21- Joint on-site examinations**

Any EEA member or participant of the College who wishes to verify information according to Art.255 of Directive 2009/138/EC, which they deem appropriate for the supervision of the group or entities within the group, should be able to request a joint on-site examination, after having taken account of the need to avoid duplication of effort between supervisory authorities. The information to be verified should be needed for supervisory purposes including but not limited to supplementing the off-site analysis; helping detect problems that may not be apparent through off-site analysis, and taking into account the environment in which the undertakings are operating.

The supervisory authorities requesting a joint on-site examination should inform the group supervisor by indicating the scope and purpose of it. The group supervisor should then notify EIOPA, other members and participants that may be affected or interested in the participation or in the outcome of the joint on-site examination. Once the participating supervisors have been identified, they should discuss and agree the final scope, purpose, structure and allocation of tasks of the examination, including who is leading the on-site examination.

The group supervisor should be kept informed on the progress and findings of the joint on-site examination.

2.17 Joint on-site examinations can be of particular value where a joint decision must be made by supervisors. The term on-site examination is used to refer to all kinds of on-site examinations. Verifying information is not limited to checking information for accuracy based on what has already been submitted by the undertaking, or from off-site analysis carried out by the members and participants of the College: it includes in the broadest sense investigating, probing and evaluating any information needed for the supervision of the undertaking or the group.

The scope of information to be verified in a joint on-site examination includes any information related to an issue identified in the Risk Assessment Framework outcome of the group and the entities within the group, in the supervisory plan of the College and in the off-site analysis carried out by the members and participants within the College.

Should the relevant supervisors not agree to the request, the matter can be referred to EIOPA for mediation under Art.255 SII.

### **Guideline 22 - Local examinations**

The supervisory authority of the individual undertaking should inform the group supervisor when it will perform supervisory actions and/or examinations and should communicate the main findings and conclusions of such actions and/or examinations where considered relevant for group supervision to the group supervisor.

## **Section 5: Voluntary sharing and delegation of tasks**

### **Guideline 23–Organisation of sharing and delegation of tasks**

Where College members and participants consider that the sharing and delegation of tasks lead to more effective and efficient supervision, such as avoiding duplication of tasks, optimising supervisory resources and expertise, removing unnecessary burdens for the supervised undertakings, it should outline them in the coordination arrangements.

The sharing and delegation of tasks does not alter the allocation of supervisory responsibilities or the liabilities of supervisory authorities with respect to the supervised undertakings.

2.18 The sharing and delegation of tasks is voluntary and takes place under the terms and procedures agreed upon by the authorities involved in the coordination arrangements. No authority can be forced to share or delegate tasks or to accept the sharing or delegation of tasks. In practice, if an authority refuses a request for the sharing or delegation of tasks, it would be beneficial if it communicates its reasons, at least to the delegating authority.

Examples of supervisory areas which could be delegated or performed jointly are, inter alia, tasks related to internal model approval, tasks related to the supervisory review, such as ORSA review, as well as the on-site review and/or the gathering and dissemination of information. In particular, when there is a significant part of a group which is supervised on a sub-group basis, the group supervisor may delegate some of its College-related tasks to supervisory authority of the sub-group (e.g. College meetings concerning the sub-group).

It needs to be made clear to the supervised undertakings affected by the sharing and delegation arrangements that the sharing and delegation of tasks does not alter the allocation of supervisory responsibilities with regard to the supervised undertakings.

### **Guideline 24- Procedures for sharing and delegation of tasks**

Before delegating any task, the involved supervisory authorities, under the coordination of the group supervisor, should ensure that at least a common agreement is reached about:

- a) The role and the responsibilities of the supervisory authorities involved;
- b) The terms under which the delegate will report to the delegating authority;
- c) The standards under which tasks should be executed;
- d) Possible instructions by the delegating authority and the effect thereof;
- e) The confidentiality provisions that will govern the exchange of information;
- f) The working methods to be used;
- g) The access to the documentation produced by the delegate;

The timetable for completion of the delegated activities.

2.19 Information is exchanged between the members and participants before, during and after the execution of the delegated or joint tasks.

Members and participants include in the work plan the following:

- the information to be exchanged (e.g. information drawn from regulatory reports and examination reports);
- the language, frequency and the means/forms of this information exchange;
- in the case of delegation of tasks, the extent to which the delegating authority will give instructions to the delegate and be involved in its work and the frequency of such involvement.

In the case of delegation of tasks, the delegate communicates to the delegating authority sufficient detail of the outcome of the delegation and, if necessary, they discuss and agree on the wording of the documentation.

**Guideline 25- Documentation of sharing and delegation of tasks**

The framework of the sharing and delegation of tasks should be included in the coordination arrangements, and the concrete tasks to be shared or delegated, including the expected duration of those, should be addressed in the work plan.

2.20 The coordination arrangements within the College of Supervisors provide the general basis for the sharing and/or delegation of tasks that takes place within the College. For specific sharing and delegation tasks, the supervisory authorities involved agree on the terms and practical organisation. For specific delegation and sharing of tasks, the work plan includes the terms in detail. This is particularly important when the authority legally responsible will not be performing the main part of the supervisory task which has been delegated.

The work plan includes the duration of the task to be performed jointly or on a delegated basis. The sharing and delegation of tasks can be extended, particularly when it is likely that the supervisory authority to whom the task has been entrusted will remain best placed for carrying out the activity for a longer period of time.

Because of the voluntary nature of sharing and delegation of tasks, delegation and sharing arrangements may provide for the possibility of early termination by notifying the other authority reasonably in advance. Such arrangements include an appropriate "exit strategy".

**Guideline 26- Adaptation of sharing and delegation of tasks to the group's structure**

Supervisory authorities involved should ensure that sharing and delegation of tasks is consistent with the group structure and organisation and should be proportionate to the nature, scale and complexity of the risks inherent to the activities of the supervised undertakings.

2.21 The allocation of tasks, including sharing and delegation, to supervisory authorities within the College may follow the organisation of the insurance group in terms of centralisation/ decentralisation and in terms of its

organisation in business lines. The importance of the entity for the supervisory authorities involved is also taken into account.

**Guideline 27- Information to undertakings on sharing and delegating of tasks**

Supervisory authorities should provide to undertakings concerned by sharing and delegation of tasks the following information:

- a) Identification of the shared or delegated tasks including the practical implications for the undertaking;
- b) The authority in charge of communication with the undertaking.

2.22 Unless agreed otherwise between the group supervisor and the other authorities involved in the sharing or delegation arrangements, the group supervisor and the delegating authority are responsible for communicating the above-mentioned information, respectively, the participating insurance or reinsurance undertaking or the insurance holding company or the mixed financial holding company and the relevant entities within the group.

**Section 6: Connection between prudential supervision and macro surveillance**

**Guideline 28- Impact of market-wide risks and financial sector developments as well as sectoral vulnerabilities on prudential supervision**

In assessing the risk profile of the group, the group supervisor, with the involvement of the College members and participants, should take into account the impact of the assessment of market-wide risks and financial sector developments as well as sectoral vulnerabilities that may impact the financial situation of the group.

Where tools such as stress tests to assess the resilience of the group to various forward-looking adverse scenarios are used, the processes, methodologies and outcomes of the stress tests should be discussed within the College.

**[Link to SRP guidance which is intended to be applicable to cross-border and national groups]**

2.23 Below are examples of information to be considered by Colleges in their risk analyses:

- EIOPA coordinated EU-wide stress test exercises. In order to identify which entities of the group are most vulnerable to the stressed risks, the results of stress tests need to be discussed by the College. Feedback on stress test results and planned actions allow EIOPA to identify vulnerabilities across groups.
- Semi-annual EIOPA Financial Stability Reports and Joint Committee Risk Subcommittee Reports can be used to evaluate the impact of certain risks and trends on groups.

- The results of EIOPA quarterly Risk Dashboard, identifying the main risks for the insurance sector, such as the impact of the deterioration of financial markets, contagion risks and adverse economic developments, can be used by Colleges to assess the relevance of such risks in their respective groups.

## **Annex I: Impact assessment**

### Procedure Issues and Consultation of Interested Parties

1. The content of this impact assessment document was informally considered and developed by the IGSC College Guidelines Work Stream.
2. This impact assessment document presents the key policy questions and the associated policy options considered in developing the L3 guidelines for the operational functioning of colleges of supervisors.
3. In December 2011, an informal consultation of the guidelines and its annexes took place with the Group Supervisors within the National Supervisory Authorities.
4. The objective was to share with the Group Supervisors the draft guidelines because they are the main stakeholders affected by these guidelines.
5. A public consultation of the guidelines, its annexes and its impact assessment is planned to occur along with other EIOPA L3 material post approval by the BoS.

### **Background**

6. Chapter III entitled '*Measures to facilitate group supervision*' of Title III of the Solvency II Directive sets out the main principles of cooperation among supervisors in the context of group supervision.
7. In accordance with Article 247, a single supervisor, responsible for coordinating and exercising of group supervision is designated among the supervisory authorities of the Member States concerned.
8. Article 248 assigns a certain number of rights and duties to the group supervisor (in particular the supervisory review and assessment of the financial situation of the group) and sets the principle for establishing a college of supervisors chaired by the group supervisor to facilitate the exercise of group supervision.
9. It also sets rules regarding the composition of the college and sets out the principle that the establishment and functioning of the college are based on coordination arrangements concluded by the group supervisor and the other supervisory authorities concerned.
10. It also provides that the coordination arrangements may entrust additional tasks to the group supervisor or the other supervisory authorities where this would result in the more efficient group supervision and would not impair the supervisory activities of the members of the college in respect of their individual responsibilities.
11. Article 249 requires the authorities responsible for the supervision of the individual insurance and reinsurance undertakings in a group and the group supervisor to cooperate closely by communicating to one another without delay all relevant information as soon as it becomes available.

12. In accordance with Articles 64 and 65, any exchange of information is subject to the obligation of professional secrecy. Regarding the verification of information, Article 255 allows supervisory authorities to carry out on-site verifications including the possibility for a supervisory authority to participate in an on-site verification in another jurisdiction.

### Problem Definition

13. In the absence of any L3 guidelines on the operational functioning of colleges of supervisors, the practical organisation of each college may differ from one another depending on the approach taken by each group supervisor.

14. This would prevent an adequate level of harmonization across Europe and generate additional costs within National Supervisory Authorities. Each group supervisor would need to dedicate time to formalise the procedures to set up the college.

15. Lack of harmonization could also endanger the construction of a level playing field and the protection of policyholders.

### ***Power & Rational***

16. In addition to the objectives set above and considering the appropriateness of and capacity to develop guidelines on the operational functioning of the colleges of supervisors, EIOPA was given the following responsibilities mentioned in EIOPA regulation:

- Contribute to promoting and monitoring the efficient, effective and consistent functioning of the colleges of supervisors referred to in Directive 2009/138/EC;
- Foster the coherence of the application of Union law among the colleges of supervisors;
- Ensure a consistent and coherent functioning of colleges of supervisors for cross-border institutions across the Union, taking account of the systemic risk.

17. These are the main reasons and for developing this L3 guideline paper.

### Objective Pursued

18. The objectives pursued in developing these guidelines are consistent with some of the high level objectives set for the overall Solvency II project including:

- Ensuring better regulation,
- Deepening the integration of the EU insurance market,
- Enhancing policyholder protection,
- Advancing supervisory convergence and cooperation,
- Increasing transparency,
- Promoting international convergence.

19. The specific objective of these guidelines is to provide common rules for the functioning of Colleges across Member States.

## Policy Options

20. EIOPA has identified 6 main policy issues which were considered and debated during the development of this paper and they include:

### ***Issue 1: The organisation of the membership of the college***

21. The guidelines affecting the organisation of the membership of the college are guidelines 1-3. They set out the process to identify the members and participants of the college depending on the structure of the group.

22. The relevant legal framework foresees the following: Article 248 (2) of the Solvency II Directive defines the membership of the college of supervisors and leaves some flexibility regarding the participation of the supervisory authorities of significant branches and other related undertakings than subsidiaries to the college. The Level 2 delegated acts define criteria regarding the identification of significant branches but leaves some flexibility regarding the participation of the supervisory authorities of the other branches and related undertakings.

23. From this baseline, two policy options were investigated in order to check the usefulness of setting criteria to determine the membership of the college:

- **Option 1:** Criteria based on group supervisor's judgment, i.e. reliance on the assessment made by the group supervisor based on his knowledge of the group structure;
- **Option 2:** Quantitative criteria.

### ***Issue 2: The organisation of the meetings***

24. The guidelines affecting the organisation of the meetings are guidelines 6-7 and 11.

25. Guideline 6 sets new requirement, a three-month deadline to schedule the meeting. The deadline is counted from the date of the mapping of the insurance group.

26. Guideline 7 provides minimum requirements for the preparation of the agenda of the first meeting, which are not specified in Level 1 and Level 2 and requires circulating the draft coordination arrangement at least two weeks before the meeting. However, the agenda items of the first meeting should be subject to agreement between supervisors pursuant to Level 1 text. In this regard, the guideline does not introduce new requirements.

27. Guideline 11 requires the agenda to be sent beforehand.

28. The relevant legal framework foresees the following: Level 1 requires the group supervisor to plan and coordinate supervisory activities through regular meetings held at least annually or through appropriate means. There are no further requirements in the Level 2 delegated acts.

29. From this baseline, two policy options were investigated before drafting GLs 6 and 11, in order to check the usefulness of introducing deadlines regarding the organization of the meetings:

- **Option 1:** Introduce short but reasonable deadlines to guarantee more efficient processes;
- **Option 2:** Introduce longer deadlines to provide more flexibility.

***Issue 3: The specification of responsibilities college members and participants***

30. The guidelines specifying the responsibilities of college members and participants are guidelines 8-10, 12, 23-27.

31. Guideline 8 introduces the following new requirements for the group supervisor:

- Use EIOPA template when concluding the coordination arrangements;
- Explain in writing the rationale for the further amendments and developments brought to EIOPA template to the other college members and participants;
- Agree on the coordination arrangement within 6 months with the other members and participants.

32. The guideline introduces English as a default language of the coordination arrangement, but provides also flexible solution allowing college members to decide to use different language.

33. Guideline 9 specifies how to organise the college: for example how to set up specialised teams or certain work-streams to allow the college to function more efficiently; or also how specialised teams can ensure that other college members are properly informed and up to date with their work.

34. Guideline 12 regarding the work-plan requires a critical review of the outcome of the work-plan which is an extra requirement compared to Level 1 and Level 2 (see following analysis).

35. Guidelines 23-27 are related to the delegation of tasks.

36. The relevant legal framework foresees the following: According to Article 248 (1), the group supervisor is responsible for planning and coordinating the supervisory activities. According to Article 248 (4), the effective functioning of the college of supervisors may require that some activities be carried out by a reduced number of supervisory authorities. According to Article 248 (3), colleges of supervisors are required to be established on the basis of coordination arrangements concluded by the group supervisor and the other supervisory authorities concerned. Article 248 (5) allows colleges to use the delegation of tasks where this would result in a more efficient group supervision and would not impair the supervisory activities of the members of the college of supervisor in respect of their individual responsibilities.

37. On top of these L1 prescriptions, the L2 includes additional requirements regarding the work-plan and the content and language of the coordination arrangements.

38. From this baseline, the following policy options were investigated before drafting GLs 8-10, 12, 23-27:

- Option 1: Provide guidelines specifying the responsibilities of college members and participants.

#### ***Issue 4: Communication and information exchange***

39. The guidelines regarding communication and information exchange are guidelines 4,5,13, 15-20.

40. Communication and information exchange are the fundamental functions of the college. An effective communication strategy that allows timely, confidential and constructive discussions is one of the most essential aspects of the functioning of colleges.

41. While numerous policy initiatives before Solvency II (Helsinki protocol, Insurance Groups Directive) improved cooperation among supervisors, this was not implemented by supervisory authorities to the degree required by the financial crisis.

42. Solvency II recognised this by including a more prescriptive approach to supervisory cooperation and a greater level of convergence required in prudential requirements.

43. The main difficulty to ensure an effective communication between supervisors lies in professional secrecy and confidentiality requirements that need to be met to exchange information legally.

44. Requirements and processes differ between Member States, and even more between Member States and non-EEA jurisdictions.

45. The relevant legal framework foresees the following:

- Requirement to provide each authority with all relevant information that allows and facilitates the exercise of their supervisory tasks, including information provided by the group and information about actions of the group and supervisory authorities;
- Group supervisor coordinates the gathering and dissemination of information;
- Requirement to call for a college meeting when a group faces a significant breach of its SCR or MCR, or becomes aware of such a significant breach, or other exceptional circumstances;
- The exchange of information between supervisory authorities of EEA Member States is enabled within the professional secrecy provisions (Articles 64-69, 253).

46. On top of these L1 contents, the L2 Delegated Acts include additional requirements on what items should be exchanged systematically:

- Requirement for the college to agree on a minimum set of information to be exchanged systematically and in emergency situations;

- Requirement for the college to agree on the form, language and frequency of the information to be transmitted between the supervisory authorities;
- The information that must be included in systematic exchange, unless college agrees otherwise, are: the group SFCR, the RSR, relevant annual and quarterly quantitative templates, conclusions drawn relevant to the supervisory review process;
- The ITS on systematic information exchange for colleges requires colleges to consider a more detailed breakdown of relevant information for colleges, including extracts from both the group and solo RSRs and ORSAs, the risk assessment outcomes from the SRP, and some of the quantitative templates.

47. From this baseline, the following policy options were investigated before drafting the aforementioned GLs 4,5,13, 15-20:

- **Option 1:** Provide guidelines on what the college should consider exchanging on a systematic basis and/or an ad-hoc basis and how communication should take place;

### ***Issue 5: The organisation of examinations***

48. The guidelines affecting the organisation of examinations are guidelines 21 and 22.

49. The relevant legal framework foresees the following: The L1 Directive requires that supervisors are able to conduct examinations, including for entities within the insurance group that are not regulated insurance undertakings. L1 doesn't specify when certain examinations should be carried out, or how often. It requires that supervisors respond to information requests from other supervisors, including requests for information to be verified onsite (Article 255).

50. There are no further requirements in the L2 Delegated Acts.

51. Some Member States may have national laws that put restrictions and requirements around how the supervisory authority is allowed to carry out an onsite examination.

52. From this baseline, the following policy options have been investigated before writing the aforementioned GLs 21 and 22:

- **Option 1:** Provide guidelines that set out when and how to organise a joint onsite examination for two or more college members and participants;

### ***Issue 6: The topics of discussion***

53. Guidelines that require discussion of certain topics are:

- Discussion of whether a new group supervisor should be designated in case of change of group structure (guideline 1);
- Issues to be discussed in the initial meeting (guideline 7);
- Discussion of coordination arrangements (guideline 8);

- Items that are being consulted upon within a college when supervisors consider it relevant/appropriate (guideline 19);
- Discussion of planning of joint onsite examinations (guideline 21);
- Discussion of relevant stress test topics and the methodologies supporting the stress test results (guideline 28).

54. The relevant legal framework foresees the following: The Level 1 Directive puts in place no specific requirements for colleges to discuss certain topics outside of official group-level decisions. However, the high level requirement that colleges should cooperate and communicate implies of course discussion, but the relevant topics for discussion are heavily dependent of the structure, risk profile of the group itself.

55. The L2 Directive includes no additional requirements-steering on what topics should be discussed by colleges.

56. From this baseline, the following policy option was investigated before writing the aforementioned list of GLs:

- **Option 1:** Identify particular topics that must be discussed by colleges.

#### Analysis of Impact

57. This chapter describes the analysis of impact conducted by EIOPA in order to identify the best options.

#### ***Issue 1: The organisation of the membership of the college***

58. Both options provide a certain level of harmonisation and save time and resources within the national supervisory authorities.

59. **Option 1:** Criteria based on group supervisor's judgment

60. Policy holder: None

61. Industry: None

62. Group Supervisor: Option 1 allows group supervisors to exercise judgment when defining the membership of the college and have a composition of the college appropriate to the structure of the group. The group supervisor's judgment could work as a criterion, because the group supervisor's judgment is essential to ensure that the composition of the college reflects the group risk profile.

63. **Option 2:** Quantitative criteria

64. Policy holder: None

65. Industry: None

66. Group Supervisor: Application of automatic quantitative criteria may not always reflect the group risk profile so closely as when the group supervisor exercises judgement on quantitative and qualitative aspects.

## ***Issue 2: The organisation of the meetings***

- 67.**Option 1:** Introduce short but reasonable deadlines to guarantee more efficient processes
- 68.Policy holder: None
- 69.Industry: None
- 70.Group supervisor: Short but reasonable deadlines ensure a timely process for the initial meeting and provide adequate time to allow participants to get prepared properly for the meeting, and ensure that the discussions will be efficient during the meeting.
- 71.**Option 2:** Introduce longer deadlines to provide more flexibility.
- 72.Policyholder: Group supervision will not be ensured before the group supervisor is designated. Therefore, policyholder protection may be at risk.
- 73.Industry: will face a longer process to know the authority designated as group supervisor
- 74.Group supervisor: Provide more flexibility to college members and participants with the risk of delaying the designation of the group supervisor.

## ***Issue 3: The specification of responsibilities of college members and participants***

- 75.**Option 1:** Provide guidelines specifying the responsibilities of college members and participants
- 76.Policy holder: Better cooperation among supervisors limits insolvency risks
- 77.Industry: Knowing supervisor's responsibilities facilitate communication between the group and its supervisors.
- 78.Group supervisor: The purpose of delegation of tasks is to assign tasks to supervisors well placed to exercise supervision in an effective and efficient way, so as to avoid duplication of tasks, optimise supervisory resources and expertise and remove unnecessary burdens for the supervised undertakings.
- 79.The coordination arrangement template should improve the cooperation among supervisors and simplify the college work.

## ***Issue 4: Communication and information exchange***

- 80.**Option 1:** Provide guidelines on what the college should consider exchanging on a systematic basis and/or an ad-hoc basis and how communication should take place;
- 81.Policy holder: Better cooperation among supervisors limits insolvency risks

82. Industry: Knowing how and when information is exchanged within colleges facilitate communication between the group and its supervisors.
83. Group supervisor: If no further guidance is provided, the L1 Directive, the Level 2 Delegated Acts and ITS on information exchange are already quite detailed and so providing no further information in the college guidelines will still leave supervisory authorities with sufficient information on what to consider when agreeing the information to be systematically exchanged.
84. Supervisors are already under requirements to comply with professional secrecy provisions under the Directive.
85. However, the needs of supervisors will differ depending on their role in the college and the specificities of the group itself (for example, size and complexity).
86. Additionally, all supervisory authorities have limited resources and a pragmatic, risk-based approach needs to be taken for exchanging information, so that supervisors are able to prioritise the most urgent risks, and not be spending undue time on tasks that do not contribute to supervisory objectives.
87. On the basis of these considerations, the agreed approach aims at standardising information exchange through the legal framework described above.
88. Group supervisors are responsible for disseminating information received from other supervisors, as well as for the group level information. Regulators that don't have appropriate IT systems already in place would be required to undertake manual calculations of ratios regularly. However, if they are able to agree a reduced list of ratios, the costs should not be significant.
89. Anyway, most costs will be incurred upfront, as colleges will need significant time to discuss the most appropriate way to implement the guidelines. Once agreed, minor costs are involved in sharing information regularly.
90. The discretion of the college to decide what to exchange and how frequently gives supervisory authorities more control over how to most efficiently allocate resources to the most urgent risks and will help to minimise costs.

### ***Issue 5: The organisation of examinations***

91. **Option 1:** Provide guidelines that set out when and how to organise a joint onsite examination for two or more college members and participants;
92. Policy holder: Better cooperation among supervisors limits insolvency risks

93. Industry: Joint-examinations limit duplication of work and avoid having supervisors send multiple requests to an insurance group for the same issue. Costs borne by insurance groups should decrease if examinations are well coordinated.
94. Group supervisor: Onsite examinations are extremely costly to both supervisory authorities and the group itself. Therefore, it is essential that onsite examinations are carried out efficiently.
95. Onsite examination allows providing a unique insight into a company and allows supervisors to directly verify information provided by an insurance group. Therefore onsite examinations should be an available tool for supervisory authorities.
96. However, the need for the examinations to be carried out efficiently does support the need for a structured approach to planning a joint onsite examination and ensuring supervisors find the examinations helpful.
97. Solvency II risk-based approach to supervision means that, like the rest of the supervisory review process, the onsite examinations need to be flexible and able to have the most urgent risks prioritised.
98. Because of this, it appears important that the supervisors ensure the college members and participants are given the opportunity to join other onsite examinations, and that they discuss the roles of the supervisors in the onsite examination and the scope and purpose of the onsite examination.
99. Discussions in advance of the onsite examination will help to narrow issues and allow the joint onsite examination to focus on the most urgent risks.
100. The costs will be borne by the supervisory authorities that choose to be involved in the onsite examinations. It will be an ongoing cost triggered by the decision to undertake an onsite examination.

#### ***Issue 6: The topics of discussion***

101. **Option 1:** Identify particular topics that must be discussed by colleges.
102. Policy holder: Better cooperation among supervisors limits insolvency risks
103. Industry: Better coordination of supervisory work limits duplication of work and allows supervisors to focus on the main risks. It is part of Solvency II risk-based approach.
104. Group supervisor: Where consultation processes or other requirements (e.g. agreeing coordination arrangements) need agreement, guidelines require discussion by college members to allow supervisory authorities to address the relevant supervisory matters and prioritise the most relevant groups for their group.

105. In addition, the importance of considering relevant market-wide risks and financial sector developments has been identified. In particular, it supports the forward-looking approach of Solvency II risk-based supervision.
106. Because these types of risks are likely to vary in relevance to specific groups, it is important to let supervisors assess themselves how relevant certain risks are, and what priority should be assigned to them.
107. Discussion within the college can be carried on and finalised through email, conference-call or face-to-face meetings. This means that colleges are able to minimise costs of additional discussions.
108. Market-wide risk discussions are part of the general college work on assessing the risk profile of the group.
109. If these discussions become integral part of the existing supervisory practices, they can help saving resources (capital and human) to run separate on purpose exercises when some urgencies emerge.
110. From this point of view, colleges that conduct periodical discussions on all possible sources of risk specific to the group are better able to plan and manage and allocate resources.
111. The largest part of costs will be borne by the group supervisor, and only limited amounts by the other supervisors in the college.

### Comparing the Options

112. Regarding the organisation of the membership of the college, these guidelines introduce criteria based on the group supervisor's judgment rather than quantitative criteria to ensure that the composition of the college reflects the group risk profile.
113. Regarding the organisation of the meetings, these guidelines introduce short but reasonable deadlines rather than longer but more flexible deadlines to ensure a timely process for the initial meeting while providing adequate time to allow participants to get prepared.
114. Regarding supervisory tasks, these guidelines further specify the responsibilities of college members and participants.
115. Regarding communication and information exchange, these guidelines specify what the college should consider exchanging on a systematic basis and/or an ad-hoc basis and how communication should take place.
116. Regarding the organisation of examinations, these guidelines set out when and how to organise a joint onsite examination for two or more college members and participants.
117. Regarding the organisation of supervisory work within the college, these guidelines identify particular topics that must be discussed by colleges.

118. In general the options chosen improve cooperation and coordination within the college, allow supervisors to focus on the most relevant risks and reach a shared view on the risk profile and financial position of the group, optimise supervisory resources and limits duplication of work which reduces the burden on the industry and increases policyholders' protection through the reduction of insolvency risks for insurance and reinsurance groups.