

EIOPA reports on Group Supervision and Capital Management of Insurance and Reinsurance Undertakings

NEWS

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Today, the European Insurance and Occupational Pensions Authority (EIOPA) published a Report on Group Supervision and Capital Management of (Re)Insurance Undertakings and on specific topics related to Freedom to Provide Services (FoS) and Freedom of Establishment (FoE) under Directive 2009/138/EC (Solvency II Directive). The European Commission is required by Article 242 (2) of the Directive 2009/138/EC to make an assessment of the benefit of enhancing group supervision and capital management under Solvency II. In this regard this report is the response to the [European Commission's request of 7 June 2018](#) and based on the list of specific items the European Commission identified for the [scope of the review](#).

Based on the findings presented in the report EIOPA concludes that the tools developed by EIOPA to strengthen group supervision and supervision of cross-border issues contributed to substantial progress in the convergence of practices of National Competent Authorities (NCAs), but significant challenges remain.

EIOPA's Guidelines and Supervisory Opinions, together with EIOPA's recommendations to NCAs and group supervisors following bilateral interaction and work within Colleges of Supervisors, have been instrumental steps in fostering a [common supervisory culture](#). Another important tool for supervisory convergence was the development of EIOPA's supervisory handbook, which was supported by a training program where supervisory knowledge and experiences were exchanged.

Furthermore, the setting up of cooperation platforms following the [Decision on the Collaboration of the Insurance Supervisory Authorities](#) has been very successful in increasing the exchange of information between home and host

supervisors and in helping home supervisors take the necessary actions to protect policyholders. Still, the current framework has clear limitations and in this area EIOPA's powers should be reinforced.

EIOPA finds a number of gaps in the regulatory framework that lead to divergent supervisory practices, such as:

- In the definition of intra-group transactions
- In the assessment of availability of eligible own funds at group level
- In the treatment of Insurance Holding Companies and Mixed Activity Insurance Holding Companies in the scope of group supervision
- In the inclusion of holding companies, which are not licensed insurance undertakings in the scope of group supervision
- In the adequate application of the combination of methods to calculate the group solvency requirements
- In referencing from the Solvency II framework to other financial sectors
- In the application of the mutatis mutandis to groups that fall under the scope of the Solvency II framework

In the report EIOPA also identifies that effective supervision of insurance groups will benefit from a harmonised approach in a number of areas, for example as regards early intervention, recovery and resolution and the assessment of group own funds.