

**Guidelines on the methodology for  
equivalence assessments by National  
Supervisory Authorities under Solvency  
II**

## Introduction

- 1.1. According to Article 16 of Regulation (EU) No 1904/2010 of 24 November 2010 (hereafter EIOPA Regulation)<sup>1</sup>, EIOPA is drafting Guidelines developing articles 227 and 260 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 (hereafter Solvency II Directive)<sup>2</sup> on the assessment of the equivalence of third country supervisory regimes.
- 1.2. Articles 379 and 380 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC (hereinafter "Commission Delegated Regulation 2015/35")<sup>3</sup> contain the criteria to be used for the purpose of undertaking equivalence assessment of third country supervisory regimes for articles 227 and 260 of Solvency II Directive, respectively.
- 1.3. These Guidelines are addressed to national supervisory authorities under the Solvency II Directive.
- 1.4. The Solvency II Directive anticipates that in circumstances where the European Commission has not taken a decision on the equivalence of a particular third country, then, under Article 227(2) of Solvency II Directive, the group supervisor shall carry out the verification of the equivalence of the third country regime for the purpose of the group solvency calculation, on its own initiative or at the request of the participating undertaking.
- 1.5. Similarly, under Article 260(1) of Solvency II Directive, where there is no decision of the European Commission on equivalence, the verification of whether a particular third country exercises equivalent group supervision to that provided for under Solvency II shall be carried out by the EU supervisory authority which would be the group supervisor if the criteria set out in Article 247(2) were to apply (acting group supervisor). The verification shall be undertaken at the request of the third country parent undertaking or of any of the insurance and reinsurance undertakings authorised in the Union or on the acting group supervisors' own initiative.
- 1.6. These Guidelines aim to ensure that group supervisors or acting group supervisors follow a consistent approach based on the Equivalence criteria set in Commission Delegated Regulation 2015/35 of the Solvency II Directive. This process will help to mitigate any residual risk that different group supervisors or acting group supervisors come to different decisions on the same third country regime through divergent assessment approaches. Where the European Commission subsequently makes an equivalence determination, this determination will supersede any determination previously made by the group supervisor or the acting group supervisor.
- 1.7. The scope of these Guidelines relates to full equivalence assessments.

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<sup>1</sup> OJ L 331, 15.12.2010, p. 48–83

<sup>2</sup> OJ L 335, 17.12.2009, p. 1-155

<sup>3</sup> OJ L 12, 17.01.2015, p. 1-797

- 1.8. For the purpose of these Guidelines the “national supervisory authorities concerned” are all national supervisory authorities competent for supervision of (re)insurance undertakings under the Solvency II framework.
- 1.9. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction.
- 1.10. The Guidelines shall apply from 1 April 2015.

### **Guideline 1 - General principles**

- 1.11. National supervisory authorities should apply the following overarching principles underpinning equivalence assessments:
  - a) Equivalence assessments aim to determine whether the third country supervisory system provides a similar level of policyholder/beneficiary protection to that laid down in Title I, Chapter VI of the Solvency II Directive.
  - b) Equivalence assessments are based on the criteria set in articles 379 and 380 of Commission Delegated Regulation 2015/35 which set out the relevant supervisory principles embedded in the Solvency II Directive.
  - c) With the exception of the professional secrecy criterion, equivalence assessments take into account the proportionality principle.
  - d) Equivalence of professional secrecy regime in the third country is a precondition for a positive equivalence finding on the third country group supervisory regime.
  - e) An equivalence judgement can only be made in respect of the regime in existence and applied by a third country supervisory authority at the time of the assessment.
  - f) It is necessary for the assessment to cover all elements of the third country supervisory regime covered by the criteria set in articles 379 and 380 of Commission Delegated Regulation 2015/35, and not only those elements directly relevant to the group that has requested the assessment.
  - g) Positive equivalence assessments need regular review.
  - h) Negative equivalence assessments may be revisited at the request of the relevant undertaking or at the group supervisor’s or acting group supervisor's own initiative, where there have been significant changes to the supervisory regime laid down in Title I, Chapter VI of the Solvency II Directive or to the supervisory regime of the third country.

### **Guideline 2 - Equivalence assessment request**

- 1.12. The group supervisor or the acting group supervisor should notify EIOPA, upon receipt of a request to undertake an equivalence assessment according to Article 227 and/or Article 260 of Solvency II Directive, within 20 working days from receipt of the request whether:

- a) It wishes to undertake the assessment at national level, assisted by EIOPA and consulting the other national supervisory authorities concerned; or
- b) It wishes to request an assessment by EIOPA. The requesting group supervisor or acting group supervisor should participate in the technical assessment.

### **Guideline 3 - Information provided to EIOPA for the assessment**

- 1.13. The group supervisor or the acting group supervisor should, where it decides to request an assessment by EIOPA, provide the following information via email together with its request:
- a) Date of the request from the undertaking;
  - b) Name of the requesting undertaking;
  - c) Name of the group to which the requesting undertaking belongs;
  - d) Country or countries for which the assessment has been requested;
  - e) Name and email of the contact person(s) at the group supervisor or the acting group supervisor for the purpose of providing details on the assessment request.

### **Guideline 4 - Assessment by EIOPA**

- 1.14. The group supervisor or the acting group supervisor should, where the assessment is undertaken by EIOPA, take into account the conclusion of the assessment provided by EIOPA in the equivalence decision.

### **Guideline 5 - Communication of the decision of the group supervisor or the acting group supervisor**

- 1.15. The group supervisor or the acting group supervisor should communicate to EIOPA the outcome and supporting analysis for its proposed decision which will be made available to all national supervisory authorities.

### **Guideline 6 - Objections to the decision of the group supervisor or the acting group supervisor**

- 1.16. National supervisory authorities should send via email to EIOPA and the group supervisor or the acting group supervisor any objections to the proposed decision within a maximum of 10 working days from the day EIOPA circulates the equivalence decision and supporting analysis under Guideline 5.

### **Guideline 7 - Final decision of the group supervisor or the acting group supervisor**

- 1.17. The group supervisor or the acting group supervisor should wait until the stipulated period in Guideline 6 has elapsed and consider any objection before confirming its decision to EIOPA and communicating the result to the undertaking.

### **Guideline 8 - Assessment at national level / Article 227 Solvency II Directive**

- 1.18. When they decide to undertake / participate in an equivalence assessment under Article 227 of Solvency II Directive, the group supervisor and the national supervisory authorities should organise their work in such a manner that it complies with the actions and deadlines outlined in Technical Annex I.

### **Guideline 9 - Assessment at national level / Article 260 Solvency II Directive**

- 1.19. When they decide to undertake / participate in an equivalence assessment under Article 260 of Solvency II Directive, the acting group supervisor and the national supervisory authorities should organise their work in such a manner that it complies with the actions and deadlines outlined in Technical Annex II.

### **Compliance and Reporting Rules**

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

### **Final Provision on Reviews**

- 1.24. The present Guidelines shall be subject to a review by EIOPA.

## **Technical Annex I – Equivalence assessment under Article 227 of Solvency II Directive**

**Part I:** To perform an assessment under Guideline 8, national supervisory authorities should follow the steps described below.

### A. Start of the assessment:

- 1) Within 20 working days from receipt of request under Article 227(2) of Solvency II Directive, the group supervisor should notify EIOPA as to the request received and provide the following details:
  - a) Date of the request from the undertaking;
  - b) Name of the requesting undertaking;
  - c) Name of group to which the requesting undertaking belongs;
  - d) Country or countries for which the assessment has been requested;
  - e) Name and email of the contact person(s) at the group supervisor for the purpose of the assessment.

The notification should also be copied to the EU members of the group college.

The group supervisor should, together with EIOPA, check if a decision on equivalence regarding that third country has already been taken by another group supervisor. If so, the following detailed steps are only necessary to take into account significant changes to the supervisory regime laid down in Title I, Chapter VI Solvency II Directive and to the supervisory regime in that third country.

- 2) The group supervisor should request EIOPA to circulate the information to its Board of Supervisors within 5 working days from the receipt of the notification, asking for details on any material interest from national supervisory authorities in the equivalence assessment relating to the undertakings that they supervise.
- 3) National supervisory authorities should provide such details within 15 working days to the person responsible for the assessment at the group supervisor and to EIOPA.
- 4) Within 20 working days from the receipt of the request under Article 227(2) of Solvency II Directive, the group supervisor should contact the third country supervisor to notify them of the request and to ask them if they want to participate or cooperate in the assessment, indicating the proposed timeline for the assessment to the third country supervisor. The notification should be communicated to EIOPA.
- 5) The group supervisor should ask the third country supervisor to provide a reply within 20 working days from the date it receives the request.

## B. Undertaking the assessment:

- 6) Within 10 working days from the receipt of a reply from the third country supervisor confirming participation or cooperation in the assessment, the group supervisor should start the collection of information process by sending the questionnaire included in Part II of this Technical Annex. The group supervisor should allow the third country supervisor at least 40 working days to provide the information. The group supervisor should communicate the request for information to EIOPA.
- 7) Within 10 working days from the receipt of a reply from a third country supervisor refusing cooperation, and after having informed EIOPA, the group supervisor should notify the undertaking which requested the assessment and confirm whether the undertaking wishes still to proceed with an assessment. Where the requesting undertaking wishes to proceed (hereafter, participating undertaking), the group supervisor should initiate information collection from the participating undertaking. The deadline for the participating undertaking's reply should not be shorter than 40 working days.
- 8) The group supervisor should ask the participating undertaking to provide information in relation to all elements of the questionnaire in Part II of this Technical Annex.
- 9) The group supervisor should ask the participating undertaking to provide all relevant third country legislation, both in original version and translated in the national language of the group supervisor and/or English.
- 10) By the deadline for receipt of responses to the questionnaire from the third country supervisor/participating undertaking, the group supervisor should have in place the assessment team with appropriate expertise, knowledge and experience which should comprise experts coming from other national supervisory authorities - where agreed - and EIOPA.
- 11) Where, despite requests, the information required to conduct an assessment is not available the group supervisor should issue a decision ending the assessment process stating that it cannot find the third country equivalent due to absence of supporting evidence. The group supervisor should decommission the assessment team and inform EIOPA, the national supervisory authorities and the undertaking that requested the assessment of the decision.
- 12) On receipt of the third country's response to the questionnaire/participating undertaking's input, the group supervisor should begin the desk-based assessment. This stage should be allowed a minimum of 30 working days.
- 13) During the desk-based assessment, the group supervisor should ensure it has all information it needs in order to pursue the assessment and request additional clarifications from the third country supervisor/participating undertaking, as appropriate. EIOPA should be kept informed of the assessment progress in order to be able to assist the group supervisor. At all times, the communications should be well documented.

- 14) During the desk-based assessment, the group supervisor should also utilise data/information from a variety of other sources, as appropriate. The group supervisor should ask EIOPA to bring to its attention any pertinent information in its possession or provided by other national supervisory authorities.
- 15) In undertaking the assessment, each criterion as provided in article 379 of Commission Delegated Regulation 2015/35 should be assessed using five categories: fulfilled, largely fulfilled, partly fulfilled, not fulfilled and not applicable. For a criterion to be considered fulfilled, the third country supervisory authority/participating undertaking must provide evidence that:
  - a) The relevant national provisions which may include legal, regulatory and/or administrative provisions exist; and
  - b) The national provisions are applied effectively in practice.
- 16) Where national provisions are not in place at the time of the assessment, the group supervisor should note in the assessment report the proposed improvements, where appropriate.

C. Outcome of equivalence assessment or results:

- 17) At the end of the assessment period, the group supervisor should draft a report containing the following:
  - a) Short presentation of the group supervisor's actions and their chronology;
  - b) Indication as to whether the third country has been cooperating in the process;
  - c) Indication/details as to how the information was collected – when it originates outside of a third country supervisor's submission;
  - d) A brief overview of the third country's market;
  - e) Detailed analysis of the relevant aspects of the third country's supervisory system;
  - f) Outcome of the analysis performed by the group supervisor which should provide the findings for each of the criteria set out by article 379 of Commission Delegated Regulation 2015/35;
  - g) Conclusion of the equivalence assessment, which should be one of the following:
    - i. Country A is equivalent under the criteria set out by article 379 of Commission Delegated Regulation 2015/35;
    - ii. Country A does not meet the criteria and is not equivalent.
- 18) The group supervisor should communicate the draft report of the assessment to college members and EIOPA. The group supervisor should also request EIOPA to further communicate the conclusions to all national supervisory authorities. National supervisory authorities should comment within a period of 20 working days, and the group supervisor should consider carefully in cooperation with EIOPA any observations it receives as a result of this process before finalising its conclusions.



- 19) Following this step, the group supervisor should share the report with the third country supervisor for a factual accuracy check, regardless of its cooperation or not in the process. The third country supervisor should be allowed a minimum of 15 and maximum of 25 working days to present its comments on the factual accuracy.
- 20) In case comments from the third country supervisor are received, these should be considered by the assessment team and the report should be revised as appropriate before its finalisation.
- 21) Following the proposed decision on the third country's equivalence by the group supervisor, the outcome and supporting analysis should be communicated by the group supervisor to EIOPA with the request to distribute the report and supporting analysis among its membership via the restricted area of the website.
- 22) Within 10 working days from the day EIOPA circulated the equivalence decision and supporting analysis under paragraph 21, national supervisory authorities should lodge via email to EIOPA and the group supervisor any objections to the proposed decision. The group supervisor should not communicate any decision to the requesting undertaking until this period has elapsed and no objections have been lodged. Should objections be lodged, the group supervisor should consider the objections before confirming its decision to EIOPA and communicating the result to the undertaking that requested the assessment.

## **Part II: Template Questionnaire**

- 1) Please provide information on the existence, content and extent of provisions in respect of financial supervision, including as to:
  - Verification of state of solvency and financial condition of undertaking;
  - Verification of establishment and ability to request increase of technical provisions and covering assets;
  - Obligation of the undertaking to report its financial and solvency position to the supervisor in order to enable timely supervisory intervention.
- 2) Please describe provisions as to rules for valuation of assets and liabilities, and indicate whether the following are applicable:
  - The valuation of assets and liabilities is based on an economic valuation of the whole balance sheet;
  - Assets and liabilities are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;
  - Valuation standards for supervisory purposes are consistent with international accounting standards, to the extent possible.
- 3) Please provide details as to the legal and supervisory regime applicable in relation to technical provisions (TP) and indicate whether / what requirements are in place to ensure that:

- TP are established in respect of all (re)insurance obligations and aim to capture all expected risks related to (re)insurance obligations of the undertaking;
- TP are calculated in a prudent, reliable and objective manner;
- The level of TP is the amount a third country (re)insurance undertaking would have to pay if it transferred or settled its contractual rights and obligations immediately to another undertaking/knowledgeable willing party in an arm's length transaction;
- The valuation of TP is market consistent and, to the extent possible, makes use of and is consistent with information provided by financial markets and generally available information on underwriting risks;
- A segmentation of the (re)insurance obligations into appropriate risk groups and as a minimum by lines of business is carried out in order to achieve an accurate valuation of reinsurance obligations;
- Processes and procedures exist to ensure the appropriateness, completeness and accuracy of the data used in the calculation of TP.

4) Please provide details as to the regime applicable in relation to own funds including, where applicable, whether / what requirements are in place to ensure that:

- Own funds are classified in accordance with their ability to absorb losses in the case of winding-up and on a going concern basis;
- The highest quality own funds are available to absorb losses in a going concern and in case of a winding up, with additional requirements of sufficient duration of the own fund item, absence of incentives to redeem, absence of mandatory servicing costs and absence of encumbrances;
- A distinction is made between own funds on the balance sheet and off-balance sheet items (for example guarantees);
- According to their classification, own funds are eligible to cover partially or fully (for the best quality own funds) the capital requirements;
- Quantitative limits apply to the own funds to ensure the quality of own funds covering the capital requirements. In the absence of quantitative limits other supervisory requirements should ensure the high quality of own funds.

5) Please describe the applicable regulatory and supervisory regime in relation to investments providing details supporting that:

- Undertakings are only allowed to invest in assets and instruments where the risks can be properly identified, measured, monitored, managed, controlled and reported and appropriately taken into account in their solvency needs;
- Assets held to cover TP are invested prudently in the best interest of all policyholders and beneficiaries;
- All assets are invested in such a manner as to ensure the security, quality, liquidity, availability and profitability of the portfolio as a whole;

- Prudent levels of investments in assets not admitted to trading are required;
- Investment in derivative instruments are possible only insofar as they contribute to a reduction of risks or facilitate an efficient portfolio management;
- There is avoidance of excessive reliance on any one particular asset, issuer or accumulations of risk; no excessive risk concentration.

6) Please provide details as to the legal and supervisory regime applicable in relation to capital requirements and indicate whether and/or how:

- Capital requirements are risk-based and aim to measure all quantifiable unexpected risks of the undertaking. Please cover the following points:
  - Where significant risks are not captured in the capital requirements, please provide details as to the mechanism applied to guarantee that capital requirements adequately reflect such risks;
  - How the capital requirements reflect a level of own funds that would enable the undertaking to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due;
  - What is the calibration target for the capital requirements? Do the requirements enable the undertaking at a minimum to withstand a 1 in 200 ruin scenario over a one year period or ensure that policyholders and beneficiaries receive at least the same level of protection?
  - The calculation of capital requirements shall ensure an accurate and timely intervention by supervisory authorities of the third country;
  - Obligation on undertakings to communicate concerns relating to their financial position;
  - Obligation on undertakings to respond to concerns raised;
  - The supervisory authority has powers to take the necessary and appropriate actions against the undertaking to restore compliance with that requirement;
  - Appropriate standards are in place where capital requirements take into account the effect of risk mitigation techniques.
- There is a minimum level under which capital requirements should not fall which equates to a minimum level of policyholder protection which triggers immediate and ultimate supervisory intervention action.
- Individual capital requirements are calculated at least annually and monitored on an on-going basis.

7) If your regime provides for the use of internal models, please describe the applicable provisions regarding specificities of assessment of internal models in the context of assessing capital requirements, including information relating to the following areas:

- Where the (re)insurance undertaking uses a full or a partial internal model to calculate its capital requirements, the resulting capital requirements provide a level of policyholder protection that is at least comparable to the level that would be required under local rules if no internal model is used (i.e. it adequately models the risks the undertaking is or could be exposed to and provide capital requirements with the same confidence level as the standard approach);
- The regime has a process for the approval of internal models which includes a requirement for prior approval of the internal model before the undertaking is permitted to use the model to determine its regulatory capital requirements;
- The applicable regime includes the following requirements for an internal model to be used to calculate regulatory capital:
  - An adequate risk management system;
  - The internal model is widely used in and plays an important role in the undertaking's system of governance (use test);
  - Statistical quality standards;
  - Validation standards;
  - Documentation standards;
  - Calibration standards;
  - Profit and loss attribution.
- Where a (re)insurance undertaking uses a partial internal model to calculate its capital requirements, the scope of the partial internal model is clearly defined and justified to avoid the "cherry picking" of risks (e.g. the undertaking models only the risks where this will result in a lower capital requirement). Please provide any supporting information to demonstrate that there is no ambiguity as to which risks, assets and/or liabilities are included or excluded from the scope of the partial internal model.

8) Please describe the applicable regime with regard to the professional secrecy obligations the authority must observe (please include in all answers references to any laws and regulations relevant in this context):

- Legal Obligation. Please explain the legal obligation to keep supervisory information confidential, in particular:
  - Identification of confidential information;
  - Legal duty to protect confidential information;
  - Applicable to all relevant individuals (i.e. all those who work, have worked or act(ed) on behalf of the supervisory authority, regardless whether they are/were staff, board members, or e.g. external experts);
  - On-going obligation (applicable whilst working/acting on behalf of supervisory authority and on continuous basis thereafter).

- Use of information. Please explain the restrictions on the use of confidential supervisory information, in particular how information must only be used in the course of supervisory duties of:
  - Compliance monitoring (including monitoring of technical provisions, solvency margins, administrative/accounting procedures and internal controls);
  - Imposition of penalties;
  - Court proceedings/appeals.
- Disclosure. Please explain under what circumstances information may be disclosed to third parties (i.e. all persons/institutions outside the authority):
  - Explain whether prior explicit consent of the authority where the confidential information originates is a precondition to onwards disclosure;
  - Explain whether there are situations where information is mandatory to disclose to third parties (e.g. courts, prosecutors, governmental bodies). Describe the preconditions to disclosure as well as the purposes for which information may be disclosed, and the means your authority could use to resist disclosure. Use practical examples to illustrate practical constellations;
  - Explain the procedure with regard to civil/criminal proceedings (where the undertaking has been declared bankrupt or is being compulsorily wound up): information to be disclosed must not concern third parties involved in rescue attempts.
- Sanctions. Please describe national applicable legal provisions in case of breach of the obligation of professional secrecy like for example the provisions in national law in respect of the breach of professional secrecy (for example offences, penalties, enforcement).
- Cooperation Agreements. Describe your Ability to enter into cooperation agreements (subject to guarantees of professional secrecy).

## **Technical Annex II – Equivalence assessment under Article 260 of the Solvency II Directive**

**Part I:** To perform an assessment under Guideline 9, national supervisory authorities should follow the steps described below.

### A. Start of the assessment:

- 1) Within 20 working days from receipt of request under Article 260(1) of Solvency II Directive, the acting group supervisor should notify EIOPA as to the request received and provide the following details:
  - a) Date of the request from the undertaking;
  - b) Name of the requesting undertaking;
  - c) Name of group to which the requesting undertaking belongs;
  - d) Country or countries for which the assessment has been requested;
  - e) Name and email of the contact person(s) in the acting group supervisor for the purpose of the assessment.

The notification should also be communicated to the EU members of the group college.

The acting group supervisor should, together with EIOPA, check if a decision on equivalence regarding that third country has already been taken by another acting group supervisor. If so, the following detailed steps are only necessary to take into account significant changes to the supervisory regime laid down in Title I of Solvency II Directive and to the supervisory regime in that third country.

- 2) The acting group supervisor should request EIOPA to circulate the information to its Board of Supervisors within 5 working days from the receipt of the notification, asking for details on any material interest from national supervisory authorities in the equivalence assessment relating to the undertakings that they supervise.
- 3) National supervisory authorities should provide such details within 15 working days to the person responsible for the assessment at the acting group supervisor and to EIOPA.
- 4) Within 20 working days from the receipt of the request under Article 260(1) of Solvency II Directive, the acting group supervisor should contact the third country supervisor to notify them of the request and to ask them if they want to participate or cooperate in the assessment, indicating the proposed timeline for the assessment to the third country supervisor. The notification should be communicated to EIOPA.
- 5) The acting group supervisor should ask the third country supervisor to provide a reply within 20 working days from the date it receives the request.

## B. Undertaking the assessment:

- 6) Within 10 working days from the receipt of a reply from a third country supervisor refusing cooperation, and after having discussed the issue with EIOPA, the acting group supervisor should issue a decision ending the assessment process stating that it cannot find the third country equivalent due to absence of supporting evidence. The acting group supervisor should decommission the assessment team and inform EIOPA, the national supervisory authorities and the undertaking that requested the assessment of the decision.
- 7) Within 10 working days from the receipt of a reply from the third country supervisor confirming cooperation in the assessment, the acting group supervisor should initiate the information collection process by sending the questionnaire in Part II of this Technical Annex. The acting group supervisor should allow the third country supervisor at least 40 working days to provide the information. The acting group supervisor should copy the request for information to EIOPA.
- 8) By the deadline for receipt of the responses to the questionnaire from the third country supervisor, the acting group supervisor should have in place the assessment team with appropriate expertise, knowledge and experience which should comprise experts coming from other national supervisory authorities - where agreed - and EIOPA.
- 9) On receipt of the third country supervisor's response to the questionnaire, the acting group supervisor should begin the desk-based assessment. This stage should be allowed a minimum of 40 working days.
- 10) During the desk-based assessment, the acting group supervisor should ensure it has all information its needs in order to pursue the assessment and request additional clarifications from the third country supervisor/requesting undertaking, as appropriate. EIOPA should be kept informed of the assessment progress in order to be able to assist the acting group supervisor. At all times, the communications should be well documented.
- 11) During the desk-based assessment, the acting group supervisor should also utilise data/information from a variety of other sources, as appropriate. The acting group supervisor should ask EIOPA to bring to its attention any pertinent information in its possession or provided by other national supervisory authorities.
- 12) In undertaking the assessment, each criterion as provided in article 380 of Commission Delegated Regulation 2015/35 should be assessed using 5 categories: fulfilled, largely fulfilled, partly fulfilled, not fulfilled and not applicable. For a criterion to be considered fulfilled, the third country supervisory authority must provide evidence that:
  - a) The relevant national provisions which may include legal, regulatory and/or administrative provisions exist; and
  - b) The national provisions are applied effectively in practice.
- 13) Where national provisions are not in place at the time of the assessment, the acting group supervisor should note in the assessment report the proposed improvements, where appropriate.

### C. Outcome of equivalence assessment or results:

- 14) At the end of the assessment period, the acting group supervisor should draft a report containing the following:
  - a) Short presentation of the acting group supervisor's actions and their chronology;
  - b) Indication/details as to how the information was collected – when it originates outside of a third country supervisor's submission;
  - c) An overview of the third country's market;
  - d) Detailed analysis of the relevant aspects of the third country's supervisory system;
  - e) Outcome of the analysis performed by the national supervisory authority which should provide the findings for each of the criteria set out by article 380 of Commission Delegated Regulation 2015/35;
  - f) Conclusion of the equivalence assessment, which should be one of the following:
    - i. Country A is equivalent under the criteria set out by article 380 of Commission Delegated Regulation 2015/35;
    - ii. Country A does not meet the criteria and is not equivalent.
- 15) The acting group supervisor should communicate the draft report to college members and EIOPA. The acting group supervisor should also request EIOPA to further communicate the conclusions to all national supervisory authorities. National supervisory authorities should comment within a period of 20 working days, and the acting group supervisor should consider carefully in cooperation with EIOPA any observations it receives as a result of this process before finalising its conclusions.
- 16) Following this step, the acting group supervisor should share the report with the third country supervisor for a factual accuracy check. The third country supervisor should be allowed a minimum of 15 and a maximum of 25 working days to present its comments on the factual accuracy.
- 17) In case comments from the third country supervisor are received, these should be considered by the acting group supervisor and the report should be revised as appropriate before its finalisation.
- 18) Following the proposed decision on the third country's equivalence by the acting group supervisor, the outcome and supporting analysis should be communicated to EIOPA with the request to distribute the report and supporting analysis among its membership via the restricted area of the website.



- 19) Within 10 working days from the day EIOPA circulated the proposed equivalence decision and supporting analysis under paragraph 19, national supervisory authorities should lodge via email to EIOPA and the acting group supervisor any objections to the decision taken. The acting group supervisor should not communicate any decision to the requesting undertaking until this period has elapsed and no objections have been lodged. Should objections be lodged, the acting group supervisor should consider the objections before confirming its decision to EIOPA and communicating the result to the undertaking.

## **Part II - Template Questionnaire:**

- 1) Please provide a comprehensive presentation of your supervisory authority, including details as to:
- A legal basis specifying supervisory responsibilities and enforcement powers;
  - Freedom from undue political, governmental and industry interference in the performance of supervisory responsibilities;
  - Transparency of supervisory processes/procedures;
  - Adequate financial and non-financial (e.g. sufficient numbers of appropriately skilled staff) resources;
  - Appropriate protection from being liable for actions taken in good faith.
- 2) Please provide details as to supervisory powers available to the authority in respect of undertakings in difficulties (solo) / ultimate parent undertakings in difficulties (groups), which may include:
- Prohibition of disposal of assets;
  - A recovery plan, finance scheme;
  - Reestablishment of the level of own funds, reduction of risk profile;
  - Downward revaluations;
  - Preventing the conclusion of new contracts;
  - Withdrawal of authorisation;
  - Measures relating to directors, managers, controllers and other relevant persons.
- 3) Please offer a detailed overview of the enforcement actions available to the authority including as to the supervisory authority's ability to cooperate with other authorities/bodies in respect of enforcement action.
- 4) Please provide information on your authority's powers to take preventative and corrective measures to ensure that insurance and reinsurance undertakings comply with the applicable laws, regulations and administrative provisions including details as to the authority's:
- Ability to ensure compliance on a continuous basis with laws, regulations and administrative provisions (including through on-site inspections) including measures to prevent/penalise further infringements;

- Ability to communicate concerns, including those relating to the undertaking's/group's financial position;
  - Ability to oblige the (re)insurer to respond to concerns raised by the supervisor;
  - Ability to obtain all information necessary to conduct the supervision of the undertaking /group.
- 5) Please indicate whether in the exercise of your general duties, you are duly considering the potential impact of your decisions on the stability of financial systems globally, particularly during emergency situations, on the basis of the information available at the time.
- Please provide any examples of actions recently undertaken in this respect;
  - Please provide details as to regulatory requirements as to information sharing in crisis/normal situation with foreign supervisors;
  - In the context of group supervision, please provide details as to regulatory requirements as to information sharing in crisis/normal situations which may include:
    - Ability/Willingness to submit information on intra-group transactions;
    - Exchange of prior information on decisions that could affect the solvency of the entities belonging to an EEA Member State;
    - Ability/Willingness to allow the transfer of cash;
    - Ability/Willingness to support restrictions on free assets for supervised entities.
- 6) Please indicate whether you are taking into account the potential pro-cyclical effects of your actions where exceptional movements in the financial markets occur.
- Please provide any examples of actions recently undertaken in this respect.
- 7) In the context of group supervision, please explain your supervisory powers/arrangements/requirements for cooperation with other countries. Please indicate whether:
- Under your national provisions, you may act as group supervisor for the entirety of groups domiciled in your jurisdiction;
  - Where you are the group supervisor, do you act as the point of contact for key questions at group level and take responsibility for:
    - The coordination and dissemination of information;
    - Review of the groups' financial position;
    - Planning and coordination of supervisory actions in respect of the group as a whole;
    - Establishment of a framework for crisis management;

- Assessing of the application for a group internal model if relevant and taking your decision in consultation with other supervisory authorities concerned.
- As group supervisor do you have the prerogative to consult and involve in advance the relevant supervisory authorities concerned in case you intend to carry out an inspection in an (re)insurance undertaking situated in the EEA?
- Do you have provisions in place for the establishment of cooperation arrangements, which allow that:
  - A college of supervisors or similar cooperation arrangements can be established composing a minimum of all relevant authorities for the group supervision under the following criteria: Relevance of the group to overall financial stability; Relevance of the group in specific insurance market; Similarity of supervisory practices; The nature and complexity of the business undertaken by the group;
  - In case a College of supervisors or similar cooperation arrangements are established, the functioning and organisation of these mechanisms is based on written arrangements, including provisions on obligation to cooperate/exchange of information and decision-making processes (aimed at consensus);
  - Please indicate whether there is a dispute solving mechanism in case of disagreement with other relevant supervisory authorities, and if so provide details.

8) Please describe the applicable regime with regard to the professional secrecy obligations the authority must observe (please include in all answers references to any laws and regulations relevant in this context):

- Legal Obligation. Please explain the legal obligation to keep supervisory information confidential, in particular:
  - Identification of confidential information;
  - Legal duty to protect confidential information;
  - Applicable to all relevant individuals (i.e. all those who work, have worked or act(ed) on behalf of the supervisory authority, regardless whether they are/were staff, board members, or e.g. external experts);
  - On-going obligation (applicable whilst working/acting on behalf of supervisory authority and on continuous basis thereafter).
- Use of information. Please explain the restrictions on the use of confidential supervisory information, in particular how information must only be used in the course of supervisory duties of:
  - Compliance monitoring (including monitoring of technical provisions, solvency margins, administrative/accounting procedures and internal controls);
  - Imposition of penalties;

- Court proceedings/appeals.
- Disclosure. Please explain under what circumstances information may be disclosed to third parties (i.e. all persons/institutions outside the authority):
  - Explain whether prior explicit consent of the authority where the confidential information originates is a precondition to onwards disclosure;
  - Explain whether there are situations where information is mandatory to disclose to third parties (e.g. courts, prosecutors, governmental bodies). Describe the preconditions to disclosure as well as the purposes for which information may be disclosed, and the means your authority could use to resist disclosure. Use practical examples to illustrate practical constellations;
  - Explain the procedure with regard to civil/criminal proceedings (where the undertaking has been declared bankrupt or is being compulsorily wound up): information to be disclosed must not concern third parties involved in rescue attempts).
- Sanctions. Please describe national applicable legal provisions in case of breach of the obligation of professional secrecy like for example the provisions in national law in respect of the breach of professional secrecy (for example offences, penalties, enforcement).
- Cooperation Agreements. Describe your ability to enter into cooperation agreements (subject to guarantees of professional secrecy).

9) Please describe the applicable provisions regarding the existence and extent of provisions with regard to your ability to exchange information with:

- Supervisory authorities including in relation to authorisation and suitability assessments covering individuals, as well as communication of concerns regarding financial soundness of supervised undertakings/groups;
- Other authorities/bodies/persons/institutions responsible for, or having oversight of:
  - supervision of financial organisations/markets;
  - liquidation/bankruptcy proceedings;
  - carrying out statutory audits of accounts;
  - detection/investigation of breaches of company law.
- Central banks;
- Government administrations responsible for financial legislation (for reasons of prudential control);
- Other authorities/bodies/persons/institutions (please indicate).

- 10) Please provide an overview of the governance requirements applicable in your regime, particularly whether there are requirements for groups to have an effective system of governance, including:
  - a transparent organisational structure with a clear allocation and appropriate segregation of responsibilities;
  - an effective system for timely transmission of information;
  - written policies; and
  - contingency plans.
- 11) Please describe the applicable requirements relevant to the fitness (for example appropriate professional qualification, knowledge and experience) and propriety (for example good repute and integrity) of management and key function holders.
- 12) Please provide an overview of the risk management requirements applicable in your regime, particularly whether there are requirements for groups to have:
  - an effective and well integrated risk management system aimed at identifying, measuring, monitoring, managing and reporting (on a continuous basis) the risks to which the group is or could be exposed (on an individual and aggregated level, with regard to interdependencies); and
  - a risk-management function structured in such a way as to facilitate the implementation of the risk management system.
- 13) Please provide an overview of any requirements for the group to assess its own solvency needs taking into account its risk profile, risk tolerance limits and business strategy (comparable to an own risk and solvency assessment).
- 14) Please describe any provisions which ensure that groups have an effective, objective and independent internal audit function whose findings and recommendations are reported to the administrative, management or supervisory body.
- 15) Please provide an overview of the internal control requirements applicable in your regime, including any requirements for the group to have:
  - administrative/accounting procedures;
  - an internal control framework;
  - appropriate reporting arrangements at all levels of the group; and
  - a compliance function (please provide details of the responsibilities of that function).
- 16) Please indicate whether and under which conditions an actuarial function is required by your system. Please set out the responsibilities of this function and any specific requirements in terms of expertise or qualifications.
- 17) Please provide information on the existence/extent of provisions in relation to outsourcing, including as to:
  - whether insurance groups remain responsible for discharging their regulatory obligations when they outsource functions or activities;

- any circumstances where groups are not permitted to outsource critical or important functions or activities;
  - notification to the supervisory authority prior to outsourcing of critical or important functions or activities; and
  - whether it is possible for the supervisory authority to conduct inspections of outsourced activities.
- 18) Please provide details as to requirements that ensure groups have procedures in place to identify deteriorating financial conditions and notify the supervisory authorities.
- 19) Please provide details as to the existence and extent of the auditors' duty to report:
- Breach of laws, regulations, administrative provisions;
  - Issues which may affect the continuous functioning of the undertaking;
  - Refusal (or reservations) in respect of certification of accounts;
  - Non-compliance with capital requirements.
- 20) Please provide a comprehensive overview of what information groups are required to disclose publicly, and with what frequency. In particular, please cover whether there are requirements for groups to disclose information regarding their:
- Business and performance;
  - System of governance;
  - Risk exposure, concentration, mitigation and sensitivity;
  - Valuation bases and methods for assets, technical provisions and other liabilities;
  - Capital management, including the amount of their own funds and capital requirements;
  - Significant intra-group transactions and significant risk concentrations.
- 21) Please describe the type and frequency of accounting, prudential, statistical information obtainable by the supervisory authority.
- 22) Please provide information on the existence/extent of provisions and supervisory powers in respect of acquisitions, including as to:
- Notification of intention to hold or increase directly or indirectly a qualifying holding;
  - Right of supervisory authority to oppose proposed acquisition as well as ability to suspend voting rights and/or ability to annul casted votes;
  - Existence of thresholds prompting notification;
  - Possibility for assessment of acquisition by financial undertakings to be subject to prior consultation.

- 23) Please provide information on the existence/extent of provisions and supervisory powers in relation to disposals, including as to:
- Notification of intention to dispose directly/indirectly of a qualifying holding;
  - Thresholds prompting notification.
- 24) Please provide information on the existence/extent of provisions and supervisory powers regarding the information obtainable from an undertaking, including as to:
- Thresholds prompting notification of acquisitions/disposals;
  - Regular notification (e.g. annual) of qualifying holdings, including size.
- 25) Please provide information on the existence/extent of provisions and supervisory powers in relation to the requirements for on-going assessment, approval and disclosure of relevant information, including information in respect of:
- Portfolio transfers or transfer of individual contracts (e.g. in the context of reinsurance contracts);
  - Changes to management; and
  - Scheme of operation.
- 26) Please provide details as to existence and content of standards and supervisory powers in respect to the undertaking's obligation to provide information on assessment of reputation and financial soundness of the new owner/acquirer.
- 27) Please provide information on the existence, content and extent of provisions in respect of financial supervision, including as to:
- Verification of state of solvency and financial condition of undertaking /of the group;
  - Verification of establishment and ability to request increase of technical provisions and covering assets;
  - Obligation of undertaking to submit financial reporting to supervisor.
- 28) Please describe provisions as to rules for valuation of assets and liabilities, and indicate whether the following are applicable:
- The valuation of assets and liabilities is based on an economic valuation of the whole balance sheet;
  - Assets and liabilities are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;
  - Valuation standards for supervisory purposes are consistent with international accounting standards, to the extent possible.
- 29) Please provide details as to the legal and supervisory regime applicable in relation to technical provisions (TP) and indicate whether and/or how:
- TP are established in respect of all (re)insurance obligations and aim to capture all expected risks related to (re)insurance obligations of the undertakings that are part of the group;

- TP are calculated in a prudent, reliable and objective manner;
- The level of TP is the amount a third country (re)insurance undertaking would have to pay if it transferred or settled its contractual rights and obligations immediately to another undertaking/knowledgeable willing party in an arm's length transaction;
- The valuation of TP is market consistent and makes use, to the extent possible, of and is consistent with information provided by financial markets and generally available information on underwriting risks;
- A segmentation of the (re)insurance obligations into appropriate risk groups and as a minimum by lines of business is carried out in order to achieve an accurate valuation of reinsurance obligations;
- Processes and procedures exist to ensure the appropriateness, completeness and accuracy of the data used in the calculation of TP;
- The supervisor is able to require the undertaking that is part of the group to raise the amount of technical provisions if it does not comply with the requirements.

30) Please provide details as to the regime applicable in relation to own funds including, where applicable, as to:

- Own funds are classified in accordance with their ability to absorb losses in the case of winding-up and on a going concern basis;
- The highest quality own funds are available to absorb losses in a going concern and in case of a winding up, with additional requirements of sufficient duration of the own fund item, absence of incentives to redeem, absence of mandatory servicing costs and absence of encumbrances;
- A distinction is made between own funds on the balance sheet and off-balance sheet items (for example guarantees);
- According to their classification, own funds are eligible to cover partially or fully (for the best quality own funds) the capital requirements;
- Quantitative limits apply to the own funds to ensure the quality of own funds covering the capital requirements. In the absence of quantitative limits other supervisory requirements should ensure the high quality of own funds.

31) Please describe the applicable regulatory and supervisory regime in relation to investments providing details supporting that:

- Undertakings are only allowed to invest in assets and instruments where the risks can be properly identified, measured, monitored, managed, controlled and reported and appropriately taken into account in their solvency needs;
- Assets held to cover TP are invested prudently in the best interest of all policyholders and beneficiaries;
- All assets are invested in such a manner as to ensure the security, quality, liquidity, availability and profitability of the portfolio as a whole;
- Prudent levels of investments in assets not admitted to trading are required;



- Investment in derivative instruments are possible insofar as they contribute to a reduction of risks or facilitate an efficient portfolio management;
- There is avoidance of excessive reliance on any one particular asset, issuer or accumulations of risk; no excessive risk concentration.

32) Please provide details as to the legal and supervisory regime applicable in relation to capital requirements and indicate whether and/or how:

- Capital requirements are risk-based and aim to measure all quantifiable unexpected risks of the undertaking. Please cover the following points:
  - Where a significant risk is not captured in the capital requirements, please provide details as to the mechanism applied to guarantee that capital requirements adequately reflect such risk;
  - How the capital requirements reflect a level of own funds that would enable the undertaking to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due;
  - What is the calibration target for the capital requirements? Do the requirements enable the undertaking at a minimum to withstand a 1 in 200 ruin scenario over a one year period or ensure that policyholders and beneficiaries receive at least the same level of protection;
  - The calculation of capital requirements shall ensure an accurate and timely intervention by supervisory authorities of the third country;
  - Obligation on undertakings to communicate concerns relating to their financial position;
  - Obligation on undertaking to respond to concerns raised;
  - The supervisory authority has powers to take the necessary and appropriate actions against the undertaking to restore compliance with that requirement;
  - Appropriate standards are in place where capital requirements take into account the effect of risk mitigation techniques.
- There is a minimum level under which capital requirements should not fall which equates to a minimum level of policyholder protection which triggers immediate and ultimate supervisory intervention action.
- Individual and group capital requirements are calculated at least annually and monitored on an on-going basis.

33) If your regime provides for the use of internal models, please describe the applicable provisions regarding specificities of assessment of internal models in the context of assessing capital requirements, including information relating to the following areas:

- Where the (re)insurance undertaking uses a full or a partial internal model to calculate its capital requirements, the resulting capital requirements provide a level of policyholder protection that is at least comparable to the level that would be required under local rules if no internal model is used (i.e. it adequately models the risks the undertaking is or could be exposed to and provide capital requirements with the same confidence level as the standard approach);
- The regime has a process for the approval of internal models which includes a requirement for prior approval of the internal model before the undertaking is permitted to use the model to determine its regulatory capital requirements;
- The applicable regime includes the following requirements for an internal model to be used to calculate regulatory capital:
  - A pre-requisite for an adequate risk management system;
  - The internal model is widely used in and plays an important role in the undertakings system of governance (use test);
  - Statistical quality standards;
  - Validation standards;
  - Documentation standards;
  - Calibration standards;
  - Profit and loss attribution.
- Where a (re)insurance undertaking uses a partial internal model to calculate its capital requirements, the scope of the partial internal model is clearly defined and justified to avoid the "cherry picking" of risks. Please provide any supporting information to demonstrate that there is no ambiguity as to which risks, assets and/or liabilities are included or excluded from the scope of the partial internal model.

34) Please provide details as to the legal and supervisory regime applicable in relation to group capital requirements and indicate whether and/or how:

- Appropriate standards are in place where capital requirements take into account the effect of risk mitigation techniques and diversification effects at group level;
- In order to reflect the total risks that the group may face, the group solvency capital requirement also reflects the risks that arise at the level of the group and that are specific to the group;
- The calculation methods used for determining the group capital requirement.

35) Please provide details as to the regime applicable in relation to group own funds including, where applicable, as to provisions requiring that:

- Double use of own funds and the intra-group creation of capital through reciprocal financing is eliminated;

- Non-fungible/non-transferable own funds are restricted by the group supervisor and are subject to related reporting requirements;
- Solo deficits of regulated entities in the group are fully taken into account at group level unless the group can prove that its responsibility is limited to its proportional share of the capital;
- The calculation of the group solvency shall take account of the proportional share held by the participating undertaking in its related undertakings. However, where the related undertaking is a subsidiary undertaking and does not have sufficient eligible own funds to cover its prescribed Capital Requirement, the total solvency deficit of the subsidiary shall be taken into account.

- 36) Please explain what entities are included in the scope of group supervision. Does it include entities over which a group exercises a dominant or significant influence?
- 37) Please indicate your approach, as group supervisor, to informing other supervisory authorities concerned where you have decided that an entity within the group should be excluded from group supervision. In communicating with the other supervisory authorities in such cases do you include the reasons for this decision?
- 38) Please provide any other relevant information on how your regulatory framework provides for a single identified group supervisor responsible for coordination and exercising group supervision.