

Assessment of final SII text

<u>Agreement</u>	<u>IE assessment</u>	<u>References/L2</u>
<p><u>Extrapolation of RFRs</u> Extrapolation framework is outlined in Level 1 including introduction of first smoothing point (FSP) and convergence parameters.</p> <p>Minimum convergence speed parameter is set at 11% (through criteria "that maturities of at least 40 years past the first smoothing point the weight of the UFR shall be at least 77,5%")</p> <p>At the date of entry into force of the amending Directive, FSP for Euro is set at 20 years (later changes possible).</p> <p>Optional phasing mechanism available, subject to supervisory approval and disclosure in SFCR of its use and quantification of impact.</p> <p>DA to be developed specifying extrapolation formula, including convergence parameter and specifying the method for determination of DLT of bond market and 'currency related percentages below which the share of bonds with maturities longer than or equal to a given maturity among all bonds shall be regarded as low</p>	<p>Negative</p> <p><i>Low convergence parameter introduces artificial volatility, over-incentivises derivative usage and increases capital burdens for long-term products. No mention of FSP for other currencies than the Euro.</i></p> <p><i>However, 20yr FSP (unfortunately not permanently secured), floor for convergence parameter and phasing-in mechanism (less important in current interest rate environment) protect against worsening in L2 for the Euro.</i></p>	<p>Recitals: 35 Dir. Arts: 77a, 86 4CT: 446-461, 508-512, 508-</p> <p>Level 2: Delegated acts on extrapolation formula, convergence speed parameter for different currencies, DLT assessment (including residual volume criterion)</p>
<p><u>Matching adjustment</u> Eligibility criteria: Recitals empower Commission to adopt delegated acts setting out criteria for the eligibility of MA assets.</p> <p>Removal of restrictions to diversification: Recital signals that SCR based on the assumption of full diversification for MA users, unless the portfolios form a ring-fenced fund.</p> <p>Clarification on the MA criterion (i) that group life contracts should be considered a single contract.</p>	<p>Positive</p>	<p>Recitals: 38, 43 Dir. Arts: 77b, 86 4CT: 47,52, 453</p> <p>Level 2: Delegated acts on eligibility criteria and removal of diversification restrictions.</p>
<p><u>Volatility adjustment</u> Supervisory approval introduced for new applications of the VA, subject to conditions:</p> <ol style="list-style-type: none"> 1) VA is applied to all liabilities, and 2) adequate processes to calculate VA are in place. <p>Existing VA-users can continue to apply VA provided they comply with above conditions. New powers for NSA to revoke use of VA if not in compliance.</p>	<p>Positive</p> <p><i>Number of positive elements (removal of non-bonds from reference portfolios, Macro VA, increased GAR) which should</i></p>	<p>Recitals: Dir. Arts: 77d, 86 4CT: 454-487</p> <p>Level 2: Delegated acts on methods and assumptions underlying the VA</p>

<p>Credit spread sensitivity ratio (aka duration ratio) is introduced. Some calculation simplifications foreseen for currencies pegged to the Euro.</p> <p>Reference spreads to be calculated on bonds only ie. equity/property assets are removed from calculation.</p> <p>Macro VA to be added to replace existing country component: $VA_{Euro,macro} = 85\% \cdot CSSR_{Euro} \cdot \max(RCS_{co} - 1.3 \cdot RCS_{Euro}, 0) \cdot \omega_{co}$</p> <p>General application ratio increased to 85% (from 65%).</p> <p>Risk correction is defined as portion of spread attributable to realistic assessment of expected losses/unexpected credit losses, calculated in 3 different scenarios and <u>capped at an appropriate percentage of long-term average spreads</u>.</p> <p>An optional undertaking specific adjustment can be applied, subject to NSA approval and conditions.</p> <p>$U/taking\ specific\ adjustment = \min(105\%, RCS_{utaking}/RCS_{reference})$.</p> <p>Conditions:</p> <ol style="list-style-type: none"> 1) Risk-corrected spread (RCS) of reference portfolio is greater than u-taking specific RCS for 4 quarters. 2) Asset information is of sufficient quality to allow reliable calculation of assessment. <p>The adjustment cannot be used in conjunction with Macro VA and must be immediately disapplied when the adjustment is higher than one for 2 consecutive quarters.</p>	<p><i>make the VA more sensitive to underlying spreads (indicative numbers from YE23 suggest changes would increase VA from 0.20% to around 0.38%).</i></p> <p><i>Changes to the risk correction could introduce additional procyclicality if the LTAS cap is not properly calibrated in level 2.</i></p> <p><i>However, additional powers for NSAs on the use of the VA could increase supervisory oversight of VA usage.</i></p> <p><i>The provision to terminate the application of the factor immediately when the adjustment is greater than one for 2 consecutive quarters is meaningless: The application requirement in relation to the 4 previous quarters is no longer met after the first exceedance anyway, regardless of how the value turns out in the next quarter. Reapplication is only possible after 4 quarters with $RCS_{utaking} < RCS_{reference}$.</i></p>	<p>including the calculation of the CSSR and the risk correction.</p>
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<p><u>Risk margin</u></p> <p>Cost of capital rate set at 4.75%. The Commission cannot review the CoC within a 5-year period and is restricted to set it between 4% and 5% in future periodic reviews.</p> <p>Lambda parameter concept introduced through the inclusion of “an exponential and time dependent” adjustment of the SCR in the calculation.</p>	<p>Positive</p> <p>Reduction in the Cost of Capital by just over 20% will reduce excessive capital requirements for all undertakings.</p> <p>The impact of lambda parameter dependent on level 2.</p>	<p>4CT: 442a-442d; 520a Dir. Art 77 (5) and (5a), Art 86</p> <p>Level 2: Delegated acts on methods and assumptions to be used in the calculation of the risk margin.</p>
<p><u>Symmetric equity adjustment</u></p> <p>Corridor increased to 13% and no exemption for unit-linked liabilities.</p>	<p>Negative</p>	<p>4CT: 547-548 Dir. Art 106</p>
<p><u>Financial options and guarantees</u></p> <p>Requirement for stochastic valuation of best estimates of liabilities with options and guarantees.</p> <p>Exception for SNCU and u/takings obtained NSA approval due to non-material FOGs who can use prudent deterministic valuation.</p>	<p>Neutral</p>	<p>Dir. Art: 77(6)-(7), 86 4CT: 443-444, 507, 522 Level 2/3: -DA to be prepared by EC and ITS by EIOPA on PHRSS scenarios.</p>
<p><u>Interest rate risk</u></p> <p>Recalibration of the interest rate risk submodule foreseen in recitals.</p> <p>Stressed scenarios are to be consistent with the best estimate ie. the illiquid parts of the stressed curves to be derived via standard extrapolation methodology.</p> <p>A floor that holds across currencies and maturities is to be implemented (although Rec. 43a calls for a term-dependent floor if possible).</p> <p>Mandatory phasing-in of the changes over 5-year period is possible.</p>	<p>Positive</p> <p>However, mandatory phasing-in would be negative if it is pursued in L2.</p>	<p>Recitals: 43a -Art 111</p> <p>Level 2: Delegated Acts to specify the methods, assumptions and standard parameters to be used for calculating the interest rate risk sub-module.</p>
<p><u>Long term equity – Art 171a of DR</u></p> <p>Criteria governing the application of the LTE is included in the Directive and improved.</p> <p>The capital requirement for LTE is set at 22%.</p> <p>“New” criteria to be demonstrated to the satisfaction of the supervisory authorities (summarised):</p> <ul style="list-style-type: none"> • subset of LTE is clearly identified and managed separately. • an LT investment management policy, endorsed by AMSB, is set up, reflecting commitment to hold global exposure to equity for a period > 5yrs on average. Policy to be reviewed frequently. • only applicable for EEA/OECD equities 	<p>Positive</p>	<p>Recital: 3 Dir. Art 105a, 111(m)</p> <p>4CT: 546, 559</p> <p>Level 2: EC to adopt DA to specify conditions, types of CIU which can be assessed at level of fund and information to be included in RSR and SFCR.</p>

<ul style="list-style-type: none"> demonstrate ability to avoid forced selling of portfolio for 5yr period on ongoing basis and under stressed conditions risk management, ALM and investment policies consistent with these criteria portfolio is appropriately diversified no participations. <p>ELTIFS and certain collective investment undertakings including Alternative Investment Funds may be assessed at the level of the fund.</p> <p>Restrictions on the use of the LTE submodule if no longer compliant, with a 6 month period to restore compliance before not being able to apply the 22% shock.</p>		
<p><u>Duration Based Equity sub-risk module</u> Deleted, with an exception for existing application.</p>	<p>Neutral</p>	<p>Recitals: 77 Dir Art 304 4CT: 975-976</p>
<p><u>Sustainability</u> Proportionality/reference to other DIR SNCUs/SMEs/captives/LRPU may limit their sustainability reporting based on the simplified SME sustainability reporting standards (change to Dir 2013/34/EU – Article 19a).</p> <p>Transition plan Requirement to develop/monitor implementation of plans, quantifiable targets, processes to monitor/address financial risks arising in Short/Medium/Long-Term from sustainability factors incl from transitioning to regulatory objectives and legal acts arising from sustainability factors.</p> <p>If disclosed, plans to be consistent with plans in Dir 2013/34/EU.</p> <p>Include actions on the business model/strategy of the u/taking these should be consistent across both plans. -Targets, processes and actions to address the sustainability risks included in the plans shall be proportionate. -Quantifiable targets to be disclosed annually. -When there is a plan at group level covering the subsidiaries, no solo plan needed. -Disclosures to be specified by EIOPA in RTS, includes statement whether u/taking discloses plans, elements to be disclosed, incl targets/milestones, an indication whether it has material exposure to climate change risks.</p> <p>Climate change scenario analysis For material climate change risks exposures, insurers (except SNCU) to perform climate change scenario analyses, at least every 3 years.</p> <p>At least two long-term climate change scenarios (<2°C and considerably >2°C)</p>	<p>Neutral, while there is a still unclarity related to exact transition plan requirements and a lot of further details are left to EIOPA, it is positive that SNCU/SMEs may limit sustainability reporting based on the SME reporting standards.</p> <p>In addition, EIOPA already started work on the prudential treatment of sustainability risks, in which it identified (potential) justification and policy options for a risk differential for fossil fuel related assets.</p>	<p>Recitals: 4, 5, 14a, 26, 26a, 29, 78, 79 Dir. Arts: 41, 44, 45a, 51, 132, 304a, 4CT: 13-14a, 35, 35a, 38, 87, 88, 302a, 302b, 322a, 322b, 324a, 324b, 333a-k, 362-370, 389a, 389b, 574a, 977-984c</p> <p>Level 2/3: -EIOPA RTS on pru transition plans</p> <ul style="list-style-type: none"> with min standards for reference methodologies elements to be covered in plans, incl timelines and targets and milestones . supervisory approaches in relation to plans/targets/pr ocesses Elements to be disclosed, incl quantifiable targets

<p>EIOPA/ESAs mandates</p> <ul style="list-style-type: none"> • By 30 Sept 2024, EIOPA to assess, if a dedicated, risk based prudential treatment of exposures related to assets or activities associated substantially with environmental or social objectives would be justified. • Review of natcat SF parameters, 5yrly, in case of discrepancy EIOPA shall submit an opinion to the EC. • By mid-2025, EIOPA to evaluate the extent to which insurers assess material exposure to biodiversity loss related risk in ORSA. • ESAs to develop guidelines on ESG stress testing, 12 months after inforce of directive. <p>Risk management</p> <p>Undertakings to take ESG risks into account on S/M/L-term. Risk management to consider ESG risks re investment portfolio and management thereof. And u/takings to have strategies, policies, processes, and systems for the identification, measurement, management and monitoring of sustainability risks over the S/M/L-term.</p> <p>Prudent person principle</p> <p>U/takings to take account of impact of sustainability risks and potential long-term impact of their investment decisions on sus factors when deciding on investment strategy.</p>		<p>-ESA guidelines on Stress test</p> <ul style="list-style-type: none"> • ESAs to explore how social/governance related risks can be integrated into ST. <p>Reports:</p> <p>-EIOPA report on pru treatment of sus risk -Biodiversity -Natcat parameters</p>
<p>Cross border</p> <p>Recital included noting that supervision of FoS/FoE insurers should be further improved without undermining the objective of further integrating the single market for insurance to ensure consistent consumer protection and safeguarding fair competition across the single market.</p> <p>Significant cross border business criteria:</p> <ul style="list-style-type: none"> • Excludes SNCU • Annual FoS/FoE GWP > 15 Mio AND/OR • Host NSA considers FoS/FoE business 'of relevance'. <p>Enhanced NSA cooperation, information exchange home/host NSA for significant cross border-activities:</p> <ul style="list-style-type: none"> • Home/host NSA to cooperate and assess whether u/taking has clear understanding and sound risk mgmt of risks it (may) face. Coordination is commensurate to risks. • Provisions specified on frequency, timing and content of (additional) information exchange, including in case of (risk) of non-compliance with SCR/MCR. • Host/home NSA has power to request information from U/taking, if home NSA fails to provide information timely. <p>Joint onsite inspection possible at the request of host NSA in case of non-compliance with SCR/MCR. With role for EIOPA described, including mediation powers. Joint conclusions are to be reached. In</p>	<p>Positive</p> <p>Strengthened cooperation between host/home NSA, and increased information exchange. Mediation powers are foreseen for EIOPA. While absolute threshold for significant cross border business is rather low it is positive that NSA discretion is foreseen.</p>	<p>Recitals: 5b, 8, 9, 56, 57a, 57b, 58, 59,</p> <p>Dir. Arts: 13, 33a, 145, 149, 152a, 152aa, 152ab, 152b, 153, 159a,</p> <p>4CT: 14b, 17, 18, 65, 66, 66a, 66b, 67, 94a, 223-232f, 637-668</p> <p>Level 2/3:</p> <p>-EIOPA RTS on conditions and criteria for significant cross border business</p>

<p>case of serious concern (Policyholder protection/serious deficiencies w/o remedial action) EIOPA can request inspection.</p> <p>-Collaboration platforms at request of EIOPA/NSA relevant NSA shall provide all necessary info, timely, to allow for proper functioning of platforms. EIOPA gets mediation powers at NSA request and own initiative.</p> <p>-Timing Home NSA to provide info in 20 working days, in host NSA (accepted) language. If duly justified, if not directly available, host NSA is informed and deadline may be extended by 20 working days; If home NSA fails, host NSA may contact u/taking directly, and inform home NSA. U/taking to provide info without delay.</p> <p>-EIOPA to develop RTS to further specify conditions and criteria for significant cross border business</p> <p>-</p>		
<p>Macroprudential supervision</p> <p>ORSA/ Prudent Person Principle</p> <ul style="list-style-type: none"> • New specific requirements to consider macro environment and, upon NSA request, to consider 1) impact of macroprudential concerns on the undertaking and 2) impact of undertaking's activities on systemic risk in ORSA and PPP. • Possibility for subsidiary-level requirements to be covered by group ORSA/group PPP. <p>Liquidity risk management plan</p> <ul style="list-style-type: none"> • Undertakings to prepare LRMPs, including liquidity risk indicators, assessing short term liquidity flows. • At the request of NSAs, LRMPs can be extended to medium and long-term time horizons. • Group-level plans are also required. Subsidiaries of groups can be exempted if group plan adequately covers their liquidity risks but NSAs can still request subsidiary-level plans. <p>Supervisory powers to address liquidity vulnerabilities</p> <ul style="list-style-type: none"> • NSAs given powers to remedy material liquidity issues where not addressed by individual undertakings. Evidence of material issues to be shared with EIOPA. • Where material liquidity concerns exist and these have imminent financial stability considerations, NSAs have power to restrict/suspend dividends, other payments to shareholders/subordinated creditors, bonuses and redemption rights of life insurance policyholders. <ul style="list-style-type: none"> ◦ These measures only last for 3 months but can be renewed by NSAs. • Above measures can be extended to other concerned undertakings where exceptional circumstances exist. <p>Supervisory powers during exceptional sector-wide shocks</p>	<p>Negative (with exception of NSA powers to restrict redemption rights in cases of extreme liquidity problems)</p>	<p>Recital: 21-25, 47,51-55</p> <p>Dir Art. 45, 132, 144 a-c,</p> <p>4CT: 335-346, 359-361, 592-636, 888-900</p> <p>Level 2/3:</p> <p>-EIOPA to develop RTS setting out criteria for NSAs to consider when selecting undertakings in scope of additional macroprudential analysis in the PPP and ORSA and those undertakings in scope of medium/long-term LRMPs.</p> <p>EIOPA to develop RTS on the content and frequency of update to group and solo LRMPs</p> <p>-EIOPA to develop (with ESRB input) guidelines specifying 1) measures to be taken where liquidity</p>

<ul style="list-style-type: none"> • NSA powers to restrict/suspend dividends, other payments to shareholders/subordinated creditors, buybacks and bonuses for undertakings “with a particularly vulnerable risk profile” during periods of exceptional sector-wide shocks. • Any measures are to be reviewed every 3 months. • Intra-group transactions including distributions are only to be restricted where they are threats to solvency/liquidity of an undertaking. 		<p>deficiencies exist, 2) existence of exceptional circumstances and 3) conditions for ensuring the consistent application of the temporary suspension of redemption rights.</p> <p>EIOPA (with ESRB) to develop RTS outlining the criteria for the identification of exceptional sector-wide shocks.</p>
<p><u>Group supervision</u></p> <p>FICOD review/report foreseen, by end 2027 by EC, to “assess the functioning of this Directive and Directive 2009/138/EC on the aspects listed below, in particular, taking into account the prudential treatment of cross-sectoral participation ownerships under sectoral rules, in terms of level playing field</p> <p>Definitions of group, insurance holding company (conditions added), holding company of a 3rd country (re)insurance u/taking were modified.</p> <ul style="list-style-type: none"> • To be considered as ‘parent u/taking’: u/taking which, according to NSA, effectively exercises a dominant influence over another u/taking, including via centralized coordination. • U/takings form a group where in the opinion of the NSA, those are managed on a unified basis. • When considering relationship, a number of factors has to be taken into account (control or ability of a natural person or an u/taking to influence decisions; strong reliance on another u/taking or legal/natural person; evidence of coordination between u/takings; evidence of coordinated and consistent strategies or operations or processes) <p>Danish compromise equivalent: EC to adopt DA specifying treatment of participations in financial and credit institutions regarding determination of OF, incl approaches to deductions from basic OF of u/takings of material participations in credit and financial institutions.</p> <p>NSA powers to remove impediments to group supervision</p>	<p>-Negative the group supervision changes will potentially entail substantial consequences – the extent still to be defined- for groups.</p> <p>For the trigger inversion the Council proposal was decided upon, and ultimately no FICOD review report is foreseen in the Directive.</p>	<p>Recitals: 40, 60-76, 82c, Dir. Arts: 1b, 92, 212, 213, 213a, 213b, 214, 220-222, 226-230, 232-234, 244-246, 254, 258, 262, 265 4CT: 49, 69-85, 91c, 91d, 525-539, 669-887, 901-902a, 933-964, 1019j-q Level 2/3: - EC - Delegated Acts to be developed for Art 220-229, 229a, 230-233a. - EIOPA to develop draft RTS to specify the factors determining groups form a group - EC to develop DA specifying treatment of participations in financial and credit institutions</p>

Conditions to be fulfilled by IHC/MFHC are described (re internal arrangements and structural organisation of the group). If conditions not satisfied, which NSAs would have the power to ask u/takings to restructure groups or to ask groups to change internal arrangements and distribution of tasks within group.

Scope of group supervision

- Exercise of group supervision does not imply that NSAs have to play a role in relation to 3rd country u/takings, Mixed activity holding company, taken individually.
- The exercise of group supervision may imply direct supervision and the exercise of supervisory powers over IHC/MFHC by NSAs.
- Criteria to assess if u/taking is of negligible interest re objectives of group supervision.
- If exclusion would result in non-triggering of group supervision, group NSA to consult EIOPA/other NSAs concerned. And Group NSA re-assesses annually the appropriateness of the decision.
- Before excluding ultimate parent u/taking, EIOPA is to be consulted by group NSA. And impact on group solvency is to be assessed of exercising group supervision at Intermediate participating undertaking level. Exclusion is not possible if it would lead to material improvement of group solvency.
- For a group subject to group supervision with a parent/subsidiary u/taking of that group also being the ultimate participating undertaking of another group, that other group shall be considered as included in the scope of the group.
- Provisions foreseen for the designation of a parent u/taking (including factors).

Methods: choice, method 1, method 2, combination of 1&2

Group NSAs will be allowed to decide after consulting other NSAs and group to use method 2, or a combination of 1/2

Group NSA can decide to only apply method 2 to insurers, 3rd country(re)insurance u/takings, IHC, MFHC, holding companies of 3rd country insurance u/takings.

Elimination of double use of EOF

- Sum of not effectively available OF shall not exceed contribution of related insurance u/taking to group SCR, unless the availability can be justified to the satisfaction of the group supervisor.
- OF items issued by a participating u/taking shall not be considered clear of encumbrances if repayment cannot be refused to its holder when a related insurance u/taking which is a subsidiary is wound up.

'Intermediate holding companies'

Rules amended so that holding companies of third-country u/takings are treated in the same manner as insurance holding companies for the purpose of group solvency calculation.

'Treatment of specific related undertakings from other financial sectors'

- U/takings belonging to OFS always contribute to group solvency by using relevant sectoral rules regarding OF and capital requirements, which should simply be aggregated to the OF and capital requirements of the (re)insurance part of the group.
- cannot be taken into account as EOF: amount of OF corresponding to non-distributable reserves or items identified by group NSA as having a reduced loss-absorbency capacity, as well as preference shares, subordinated mutual members account, subordinated liabilities, and DTA, that are included in the OF in excess to the capital requirements, unless undertaking can justify to group NSA that items can be made available to cover the group SCR
- If several related u/takings form a subgroup subject to a consolidated capital requirement or where a financial holding company or MFHC is a subsidiary of the group, NSA may require the contribution of these u/takings to the group EOF as a proportional share of the subgroups OF, and similarly for group SCR. All financial institutions and ancillary services u/takings in the scope of the subgroup are to be included in the calculation of the subgroup's OF and capital requirement.
- Group NSAs are allowed to decide at request of the u/taking, or on own initiative, to deduct any participation from the OF eligible to cover group solvency.

Simplified calculations Participating u/takings should be allowed, on NSA approval and duly justified, to integrate related u/takings whose size is immaterial in their group solvency by using simplified approaches. An annual re-assessment of appropriateness to take place and disclose in SFCR list/size of u/takings subject to simplified approach.

Method 1 (Article 230 - council proposed approach for trigger inversion problem)

Proportional share of local capital requirements for related 3rd country (re)insurers is included in consolidated group SCR.

When EOF covering consolidated SCR > consolidated group SCR, and the minimum consolidated group SCR is not complied with, Art 138 (1) to (4) shall apply mm and Art 139 (1) (2) shall not. In Art 138 SCR shall be read as a reference to 'minimum consolidated group SCR'.)

Combination of methods 1 and 2

- Specifies how group solvency is to be calculated in case of combination of method 1 and 2 (Method 1: consolidated data, method 2: proportional share, other fin sector: Art 228)
- For holdings in U/takings, to which method 2 is applied (decided by NSA/u/taking), value of holdings in excess of proportionate share of SCR requirement, shall be included in consolidated data when calculating sensitivity of A/L to changes in the level or in currency risk, but not for equity risk.
- The minimum consolidated group SCR shall be calculated in accordance with Article 230(2) (Method 1).

<ul style="list-style-type: none"> If group risk profile compared to method 2 u/takings deviates significantly from group SCR assumptions, a capital add-on may be imposed. <p>Supervision of IGT and RC</p> <ul style="list-style-type: none"> Group NSAs have more flexibility when defining a significant IGT or a significant RC To identify significant risk concentration, the group NSA shall impose appropriate thresholds based on SCR/TP/EOF and other quantitative or qualitative risk-based criteria. Where justified NSA can also require groups to report IGT involving u/takings other than insurers, 3rd country insurers, IHC and MFHC When an u/taking is an OFS entity (eg credit institution), and it is a significant part of the overall activity, then NSAs shall exercise general supervision over IGT. <p>Enforcement measures</p> <p>NSA have powers to take measures in relation to IHC and MFHC necessary to ensure that group in scope of group supervision comply with all requirements.</p> <p>MS shall impose sanctions/adopt measures on IHC/MFHC infringing laws/regulations/administrative provision or on person effectively managing those companies. NSAs to cooperate closely to ensure effective sanctions, in particular when central administration is located differently from head office.</p> <p>Parent undertakings registered in a third country: absence of equivalence – specifies provisions applicable to insurers that are part of a group to which group supervision is applicable. Art 218-235, Art 244-258 or methods specified in this article are applicable.</p>		
<p>Proportionality</p> <p>Exemption from SII</p> <p>Exemption criteria (Art 4) updated (note that all need to apply)</p> <ul style="list-style-type: none"> Annual GWP < 15Mio TP < 50Mio Group tech prov < 50Mio <p>Criteria for SNCU (small and non-complex u/taking)</p> <ol style="list-style-type: none"> Thresholds for GWP/TP <ol style="list-style-type: none"> Life business Life TP > 20% and Non-Life GWP < 40% Non-life business Life TP < 20% and Non-Life GWP > 40% Composites Life TP > 20% and Non-Life GWP > 40% GWP cross border is < either 20Mio OR 10% of GWP [All] Reinsurance accepted < 50% of annual GWP [All] SCR is complied with [All] Sum of below < 20%: [All] <ul style="list-style-type: none"> Market risk module 	<p>Broadly positive,</p> <p>Automatic proportionality applied to SNCU fulfilling criteria will likely enhance clarity and application of proportionality. At the same time care must be taken that proportionality is sufficiently available for non-SNCUs</p>	<p>Recitals: 6, 10, 11, 11a, 12, 13, 14, 18, 29, 31, 33, 40, 82c</p> <p>Dir. Arts: 2, 4, 6, 29, 29a-e, 52, 77, 213a, Annex III</p> <p>4CT: 15, 16, 19, 20-23, 27, 38, 40, 42, 91b, 97-107, 155-220, 422, 423, 719-737, 1019a -1019i</p> <p>Level 2/3:</p> <p>-EC to prepare DA with methodology for SNCU eligibility and conditions for granting/withdrawal of prop measures for non-SNCU.</p>

<ul style="list-style-type: none"> o Counterparty default risk module related to securitis, derivatives, receivables from intermediaries and other invest assets not covered in spread risk module o Any capital requirement applicable to invest in intangible assets not covered by market or counterparty risk module <p>6. IRR sub module < 5% of TP [Life]</p> <p>7. Life TP < 1Bn [Life]</p> <p>8. Non-Life annual GWP < 100Mio [Non-Life]</p> <p>9. Sum of annual GWP (classes 5-7, 11, 12, 14 and 15) < 30% [Non-Life]</p> <p>10. Combined ratio < 100% last 3 yrs [Non-Life]</p> <p>11. For composites a combination all criteria applies</p> <ul style="list-style-type: none"> • Captives: The cross-border criterion and the reinsurance accepted criterion does not apply. In addition, captives can only be labelled as SNCU if they fulfil 2 specific conditions. <p>Never classified as SNCU: (P)IM companies, parent undertakings of a FiCo/Insurance group unless group is SNCU classified, Parent undertakings referred to in Art 228 (1)(a)-(e), undertaking managing group pension funds with AuM > 1 Bn</p> <p>(Approval) process</p> <ul style="list-style-type: none"> • Notification to NSA, evidence of compliance with all criteria, declaration there are no strategic changes planned leading to non-compliance with criteria in next 3 yrs, identification of proportionality measures expected to be implemented. • NSAs can object within 2 months by stating reasons, including non-compliance with criteria, SCR without transitionals, u/taking >5% (non-)life market. • When u/taking no longer complies with the criteria, it shall inform NSA and shall no longer be an SNCU from 3rd financial year. • When intending to use more or less proportionality measures, it shall inform NSA • In case of serious concerns regarding non-compliance with SCR, ineffective system of governance, material changes in risk profile may lead to significant non-compliance NSAs can ask not to use measures. <p>Proportionality for non-SNCU</p> <p>Non-SNCU have access to proportionality measures (case-by-case basis), subject to NSA approval (max 2 months, in writing), 35(5a), Art 41, Art 45(1b), Art 45(5), Art 77(7) and Art 144a(4) and proportionality measures from the DA.</p> <p>U/taking to submit written request similar to approval process above.</p> <p>U/takings can use existing proportionality measures without applying requirements for max 4 years.</p> <p>Further provisions</p> <p>MS to ensure directive is applied proportionally, in particular for SNCU</p>		<p>-EC to prepare DA on use an criteria of PHRSS</p> <p>-EIOPA to prepare RTS on specifying methodology to determine PHRSS scenarios</p> <p>-EIOPA to prepare reports on convergence of capital add-ons and use of proportionality measures and on the use of proportionality criteria.</p>
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<p>SNCUs should be prioritized when granting limitations/exemptions for reporting.</p> <p>Proportionality measures listed in Art 13 41a:</p> <ul style="list-style-type: none"> • 5 yrly RSR/Full SFCR for other market participants only 3-yrly • Can combine key functions • No analysis of macropru considerations • 2 yrly ORSA instead of annual • Exempt from climate scenario analysis • No external audit requirement as default (but NSA can decide otherwise) • Use of PHRSS for life obligations with non-material options and guarantees. <p>Reporting requirements</p> <p>EIOPA to annually disclose the total number of SNCU/groups and other u/takings/groups using proportionality measures.</p> <p>U/takings to report to their NSA the proportionality measures they use and notify NSA if they cease to use measures.</p>		
<p>Reporting</p> <p>General</p> <p>Principle of proportionality should be taken into account regarding information to submit to NSAs.</p> <p>Prioritise SNCU in case of limitations and exemptions; exemption remain at discretion of NSAs up to 20%; And possibility to exempt u/takings that are part of a group on a case-by-case basis without demonstrating to the NSA this is appropriate.</p> <p>SFCR</p> <p>Split in two parts, one for PH/Beneficiaries and one for professionals, clearly identified and disclosed jointly . PH part to include whether u/taking discloses a Transition Plan.</p> <p>Professional plan to include :</p> <ul style="list-style-type: none"> • information on risk sensitivity for U/takings relevant for financial stability • indication of any material exposure to climate change risk • Relevant elements of the transition plan • Reporting of using VA/MA/Transitionals and discloses results without MA/VA and without transitional for extrapolation. <p>Exceptions/specifics:</p> <ul style="list-style-type: none"> • SNCU only to disclose SFCR for professionals every 3 years, else public QRTs are sufficient. • Captives fulfilling specific requirements can have public QRTs as professional SFCR • No disclosure of PH part by reinsurers. <p>-Group SFCR</p> <ul style="list-style-type: none"> • to contain individually identifiable info on subsidiaries • EC to develop DA on info re the single group SFCR. <p>RSR</p>	<p>Negative, while the extension of deadlines is welcomed, it will not alleviate the burden due to the additional burden consequent to the external audit requirement.</p> <p>Furthermore, the split of the SFCR is a missed opportunity as it will not lead to a more streamlined reporting for u/takings.</p>	<p>Recitals: 17, 19, 27, 30, 32, 32a, Dir. Arts: 35, 35a, 35b, 36, 45, 51, 51a, 53, 56, 254, 256 256b, 256c, 304c 4CT: 26, 28, 36,37, 39, 41, 41a, 233-294, 334-419, 428-431b, 902-928, 985c, 985d</p> <p>Level 2/3:</p> <p>-EC to prepare DA on single group SFCR and RSR.</p> <p>- EIOPA to develop ITS on RSR reporting templates, incl risk-based thresholds other exemptions. Also IT solutions, including reporting templates and instructions for reporting.</p> <p>- EC to prepare DA specifying info and criteria for limited</p>

<p>Every 3 years and for SNCU up to 5 yrs, if allowed by NSA. A higher frequency is possible if NSA deems it necessary.</p> <p>Possibility to have group RSR, with annual frequency, subject to NSA agreement. It should include group info, subsidiary info, individually identifiable and not result in less info than info in a regular RSR. EC to develop DA.</p> <p>-Deadlines extension</p> <ul style="list-style-type: none"> -Solo quarterly information: 5 weeks (groups 11 weeks) -Solo annual information: 16 weeks (groups 22 weeks) -Solo RSR 18 weeks (group 24 weeks, incl Single Group RSR) -Solo SFCR: 18 weeks deadline (Group 24 weeks, incl Single SFCR) -Exceptional circumstances: new article with specification on extension of deadlines <p>External Audit Requirement</p> <p>Requirement for balance sheet disclosed as part of the SFCR - can be extended to other parts of the SFCR. Captives/SNCU are exempted, but NSAs can require audit.</p> <p>To be performed by (statutory) audit firm and u/takings to submit a separate audit report together with SFCR to NSA.</p> <p>Solo requirements also apply to group-level; In case of single SFCR, requirements at related u/taking level shall be complied with and report shall be submitted to NSA by participating insurance u/taking.</p>		<p>supervisory reporting for captives</p> <ul style="list-style-type: none"> -EIOPA/ESAs to prepare report to EC on potential measures to develop an integrated data collection to reduce duplication/inconsistencies and to improve data standardisation. <p>-EIOPA to develop guidelines specifying methods to determine market shares and the process to be used by NSAs to inform u/takings on limitations and exemptions.</p>
<p>Internal models</p> <p>SF reporting: IM users to calculate estimate of SF capital requirements and report to NSA biennially (or more frequently).</p> <p>Estimate should appropriately reflect methods/underlying assumptions of SF and it is allowed to use information derived from the relevant simplifications in the SF and should be clearly explained to the NSAs satisfaction.</p> <p>Enhanced prudency principle: DVA SCR to be floored by maximum of the SCR calculated as 1) VA using reference portfolio allocations and 2) undertaking specific portfolio allocations.</p> <p>Macro VA is prohibited to be modelled in the DVA.</p>	<p>Negative, the mandatory SF reporting for IM companies to NSAs risks undermining IMs</p>	<p>Recital: 44, 45, 46</p> <p>Dir. Arts: 112, 122</p> <p>4CT: 53-55, 562-570</p>
<p>Governance and Risk Management</p> <p>NSAs to assess whether new appointed person to manage insurer is fit and proper</p> <p>Responsibility of AMSB - AMSB members to be of good repute and collectively possess sufficient knowledge/skills/experience, and shall not have been convicted, the past 10 yrs, for serious/repeated money laundering/terrorist financing offences.</p> <p>DEI - Requirement to put in place a policy promoting AMSB diversity, incl quantitative objectives re gender-balance. EIOPA to issue guidelines.</p>	<p>Neutral, while most proposals in the area of governance/risk management seem reasonable, the exact impact of the diversity policy remains unclear.</p>	<p>Recital: 15, 20</p> <p>Dir. Arts: 40, 41, 42, 44, 257</p> <p>4CT: 24,29, 301a-333, 929-932</p> <p>Level 2/3: EIOPA issue guidelines on notion of diversity re AMSB members.</p>

<p>Key functions to be carried out by different persons. SNCU can be exempted, subject to conditions, with prior NSA approval.</p> <p>U/takings to have written policies on: risk management, internal control, internal audit, remuneration an outsourcing. Policies to be reviewed yearly, except for SNCU (every 5 yrs).</p> <p>Fit & proper requirements: Requirement to notify NSA of any changes in identity of persons effectively running the u/taking. When person does not fulfil requirements, NSA has power to remove the person.</p> <p>Risk management:</p> <ul style="list-style-type: none"> • Cyber security included as part of operational risk management • Liquidity plans to take into account VA and assess potential liquidity constraints that could arise. • In case of VA use, the ALM needs to assess the sensitivity of technical provisions and EOF to changes in the economic conditions that would affect the risk corrected spread. <p>Group level - supervision of system of governance: Solo provisions apply mm, and sys of governance shall cover all u/takings in scope of the group, subject to group supervision. Also cover all u/takings managed by the participating u/taking or its subsidiaries jointly with one or more u/takings not part of the same group. Further extensive provisions are foreseen, eg written policies at group level and consistency, robust group governance arrangements, etc.</p>		
<p>Transitionals/phasing in Extrapolation: introduction of optional transitional measure.</p> <p>Euro access for Croatia: MS to ensure that sta param for concentration/spread risk module are the same for exposures to MS central government/bank incurred before 1 Jan 2023 and denominated and funded in the domestic currency of any MS as the ones that would be applied to such exposures denominated and funded in their domestic currency.</p> <p>Groups SFCR disclosure of impact of transitional measures on their solvency position. NSAs should have power to take appropriate measures so that use of transitionals appropriately reflects the group’s financial position. This shall not affect use of transitionals for individual SCRs.</p> <p>RFR and TP Transitionals should be limited to u/takings becoming subject to SII for the first time, and when a portfolio of contracts has been accepted to which a transitional already applied. And SFCR disclosure requirements are specified.</p>	<p><i>Neutral</i></p>	<p>Recital: 35, 80,81,82,</p> <p>Dir. Arts: 37, 111, 308a, 308b, 308c, 308d, 308e</p> <p>4CT: 44, 89, 90, 91, 295-299, 561b-c, 987-1016g</p> <p>Level 2/3: EIOPA issue guidelines on notion of diversity re AMSB members.</p>

<p>Capital add on can be set if u/taking applies RFR/TP transitional and subject to conditions (non-compliance with SCR/failing phasing in plan).</p> <p>For u/takings using transitional measures in 77a(2), 308c, 308d Article 111(1) subparagraph 2 AND not complying with SCR without these, NSA is to require u/taking to take necessary measures to reinstate SCR compliance at the end of the transitional period.</p>		
<p>SCR New article stating that any SCR proceeds of lowering SCR to go to product investments in the real economy and should not be invested in shareholder distributions or management bonuses.</p> <p>Simplified approach for immaterial SF risks: possibility to calculate capital requirement for immaterial risks in SF with a simplified approach (max 3yrs) subject to a number of conditions (nature, scale and complexity/disproportionate to require standard calculation/error due to simplification does not lead to material SCR misstatement). And SNCUs can use simplification if they fulfil a number of criteria.</p> <p>When risk module is <5% of BSCR, and for max 10% of the BSCR a simplification may be used for max 3yrs.</p> <p>UK Data - Calibrations relying on UK data should be revised unless no other data is available and obsolete provisions to be deleted.</p> <p>Crypto risk in market/counterparty risk submodule, EC to develop DA.</p> <p>Securitisations: EC to assess appropriateness of existing calibrations, taking available market data into account and their consistency with cap requirements for other fixed income securities. Based hereon EC could consider amending DA, risk based and evidence based, with more granular set of risk factors.</p> <p>Treatment of qualifying holdings (art 13(21)) in SCR calculation (equity risk module) to be defined in DA, as these will likely reduce volatility.</p>	<p>Positive, the introduction of a simplified approach for immaterial SF risks will alleviate burdens, and the requirement to revise, where sufficient data is available, the calibrations relying on UK data as well as the EC mandate to assess the appropriateness of securitisation calibrations is welcomed.</p>	<p>Recital: 3a, 42 , 80,81,82, 83, 83a,83b</p> <p>Dir. Arts: 105,109, 111,</p> <p>4CT: 12a, 51, 92, 92b 92a, 546a-559, 561d, 561e</p> <p>Level 2/3: EC to develop DA for crypto risk in market risk module. EC mandate to assess appropriateness of securitisations calibrations.</p>
<p>Classification of own funds Surplus funds are classified as T1</p> <p>Letters of credit and guarantees held in trust for the benefit of insurance creditors by an independent trustee and provided by authorized credit institutions are classified as T2</p> <p>Future claims that mutuals (mutual type associations of shipowners) solely insuring risks listed in classes 6,12, 17 in Annex 1 Part A, may have against their members by way of call for supplementary contributions withing following 12 months are classified as T2.</p>	<p>Neutral</p>	<p>Dir. Arts: 96</p> <p>4CT: 542-546</p>
<p>Other</p>	<p>Neutral</p>	<p>Recitals: 25a, 91b</p>

<p>Increased information exchange between NSA and tax authorities should not be prevented, when allowed by national law.</p> <p>Definitions introduced of SNCU/Groups, Statutory auditor, audit firm, IGT, regulated undertaking, crypto-asset, proportionality measure, sustainability risk, sustainability factors, sustainability preferences</p> <p>Refusal of authorisation Each refusal of an authorisation, including the identification of the applicant undertaking and the reasons for refusal shall be notified to the ESA. EIOPA shall keep an updated database with such information and grant access to the database to supervisory authorities.</p>		<p>Art: 13, 25</p> <p>4CT: 34a, 52b, 91d, 109-141e, 147-150</p> <p>Level 1/2:</p>
<p>Disclosure of Stress test results Professional secrecy can no longer prevent NSAs from publishing individual stress test results, or from transmitting information to EIOPA for the purpose of the publication of union-wide stress tests.</p>	<p>Negative, disclosure of individual stress test results can lead to confusion and can make it a pass or fail exercise.</p>	<p>Art 64 4CT: 440a, 440b</p>
<p>Transposition, Review of SF parameters and Delegated Acts (Empowerments) Transposition dates to adopt and apply are 24 months after entry into force. EIOPA assessment of appropriateness of methods/assumptions/standard parameters for SF SCR by Dec 2025 and thereafter every 5yrs.</p> <p>DELEGATED ACTS Future amendments to SII DA: SII Dir empowerments are consolidated in SII DA, proving effective for implementation; the SII DA should be maintained for new empowerments, with amendments exclusively as 'amending acts' to this regulation. <i>In the event of future bundling of amendments into delegated acts, the EC has to identify substantively linked empowerments during consultations and provide objective justifications for their connection in the preparation of such DA. (Recital 43b)</i></p> <p>Directive objectives are better addressed at the EU level rather than by individual MS due to the scale and impact of the issues (<i>Recital 82d</i>)</p> <p>Power to adopt delegated acts (Recital 82b) EC to adopt DA on the criteria for identifying SNCU/Groups, crypto assets in the market risk sub-module, clarifications concerning long-term investments, criteria for limited supervisory reporting for captive (re)insurers, prudent deterministic valuation of the best estimate, application of the simplified approach for the purpose of calculating group solvency, information to be included in the group RSR, and extending reporting deadlines in exceptional circumstances.</p> <p>To ensure equal participation in the preparation of DA, EP and Council receive all documents at the same time as MS experts, and</p>	<p>Positive the 5-yearly review of appropriateness of SF parameters is welcomed</p>	<p>Recital: 82b, 82c, 82d, 91b Art:86, 111, Annex III, 301a</p> <p>4CT: 561e, 965-974a ,1021, 1022</p> <p>Level 1/2: EIOPA to assess SF parameters, EC to amend Dir/DA if needed.</p>



their experts systematically have access to meetings of EC expert groups dealing with the preparation of DA.

Exercise of delegation (Art 301a):

EC delegation of power re Art 29, 256b and 304c are for a 4yr period. (*Art 301a(2) second subpara*)

EC report on delegated powers, to be prepared six months before the end of every 4-year period.'; (*Art 301a(2) second subpara*)

In case there is a decision to revoke the delegation of power this puts an end to it. (*Art 301a(3)*)

Scrutiny period - A DA following Art 304c shall enter into force if no objection has been expressed by EP/Council within 1 month of notification, period to be extended with 1 month at request of EC/EP (*Art 301a(5a)*)