

CONSULTATION
PAPER

CONSULTATION PAPER

on the proposal for revised Guidelines on
undertaking-specific parameters

EIOPA-BoS-24/480
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eiopa

European Insurance and
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RESPONDING TO THIS PAPER

EIOPA welcomes comments on the Consultation Paper on the proposal for Guidelines on undertaking-specific parameters.

Comments are most helpful if they:

- ▶ respond to the question stated, where applicable;
- ▶ contain a clear rationale; and
- ▶ describe any alternatives EIOPA should consider.

Please send your comments to EIOPA via EU Survey ([link](#)) by 26 February, 23:59 CET.

Contributions not provided via EU Survey or after the deadline will not be processed. In case you have any questions please contact Solvencyllreview@eiopa.europa.eu.

Publication of responses

Your responses will be published on the EIOPA website unless: you request to treat them confidential, or they are unlawful, or they would infringe the rights of any third-party. Please, indicate clearly and prominently in your submission any part you do not wish to be publicly disclosed. EIOPA may also publish a summary of the survey input received on its website.

Please note that EIOPA is subject to Regulation (EC) No 1049/2001 regarding public access to documents and EIOPA's rules on public access to documents.¹

Declaration by the contributor

By sending your contribution to EIOPA you consent to publication of all non-confidential information in your contribution, in whole/in part – as indicated in your responses, including to the publication of the name of your organisation, and you thereby declare that nothing within your response is unlawful or would infringe the rights of any third party in a manner that would prevent the publication.

Data protection

Please note that personal contact details (such as name of individuals, email addresses and phone numbers) will not be published. EIOPA, as a European Authority, will process any personal data in line with Regulation (EU) 2018/1725. More information on how personal data are treated can be found in the privacy statement at the end of this material.

¹ [Public Access to Documents](#)

CONSULTATION PAPER OVERVIEW AND NEXT STEPS

EIOPA carries out public consultations before issuing and amending its guidelines and recommendations in accordance with Article 16(2) of Regulation (EU) No 1094/2010.

In the context of the review of Directive 2009/138/EC (Solvency II Directive), EIOPA reviews all existing guidelines on that Directive. In view of the large number of these guidelines, the review will be sequential. The main objective of the review is to ensure that the guidelines are up to date and in line with the legal framework as amended by the Solvency II review. Another objective of the review is to simplify and shorten the guidelines, in particular where the guidelines are relevant for insurance and reinsurance undertakings. The corpus of the guidelines has grown over the years, while the Solvency II review mandates EIOPA to issue additional guidelines. EIOPA believes that the corpus of guidelines should be limited to what is strictly necessary to ensure a sound and consistent application of Solvency II.

This consultation paper presents the draft revised Guidelines on undertaking-specific parameters and its explanatory text.

The current Guidelines on undertaking-specific parameters have been applied since 2015. Based on the practical application of the Guidelines, improvements have been identified.

Some legal references should be updated in Guidelines 7 and 10 as they currently refer to EIOPA's draft Implementing Technical Standards about the supervisory approval procedure to use undertaking-specific parameters instead of the adopted Implementing Technical Standards.

In order to simplify and shorten the Guidelines, Guidelines 2, 8 and 12 are deleted. Additionally, Guidelines 6, 7 and 11 are shortened. The rationale for the deletions is that the guidance that the deleted Guidelines provide is sufficiently clear from the legal provisions of Solvency II. Furthermore, drafting amendments are introduced to Guidelines 5, 7 and 9 to improve the clarity of the text, while not altering its meaning.

The amendments to the Guidelines are solely for clarification and streamlining purposes with no intention to reduce supervisory expectations. They do not provide new guidance for the application of the legal framework. Therefore, the revisions are not expected to have a material impact on the insurance industry or supervisory authorities. Accordingly, this consultation paper does not include an impact assessment of the proposed changes.

Next steps

EIOPA will revise the proposal in view of the stakeholder comments received. EIOPA will publish a report on the consultation including the revised proposal and the resolution of stakeholder comments.

GUIDELINES ON UNDERTAKING-SPECIFIC PARAMETERS

1. INTRODUCTION

1. In accordance with Article 16 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (EIOPA Regulation)², EIOPA is issuing revised Guidelines on undertaking-specific parameters.
2. The Guidelines relate to Articles 104(7), 110, 111, 230, 248(2) of Directive 2009/138/EU of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency II)³ as well as to Articles 218, 219, 220, 338 and 356 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC (Commission Delegated Regulation 2015/35)⁴ and Commission Implementing Regulation (EU) 2015/498 of 24 March 2015 laying down implementing technical standards with regard to the supervisory approval procedure to use undertaking-specific parameters in accordance with Directive 2009/138/EC of the European Parliament and of the Council⁵ (Commission Implementing Regulation 2015/498).
3. These Guidelines are addressed to the supervisory authorities under Solvency II.
4. The Guidelines 1 to 9 are applicable for both individual insurance and reinsurance undertakings (collectively “undertakings”) as well as for the group Solvency Capital Requirement calculation under the consolidation method or under a combination of methods on the consolidated data calculated in accordance with Article 335(1)(a)(b) and (c) of Commission Delegated Regulation 2015/35.
5. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction.
6. The Guidelines apply from [DayMonthYear] and repeal and replace the Guidelines on undertaking-specific parameters (EIOPA-BoS-14-178).

² OJ L 331, 15.12.2010, p. 48–83

³ OJ L 335, 17.12.2009, p. 1-155

⁴ OJ L 12, 17.01.2015, p. 1-797

⁵ OJ L 79, 25.3.2015, p. 8-11

2. GUIDELINES

Guideline 1 – Role of expert judgement

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

Guideline 3 – Adjustments to increase the level of appropriateness in data

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

Guideline 4 – Adjustment of historical data to eliminate the effect of catastrophe events and to reflect the current reinsurance arrangements

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

Guideline 5 – Calculation of non-proportional reinsurance adjustment in the scope of premium risk

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

Guideline 6 – Continuous compliance

13. Undertakings should monitor their compliance with the requirements for the use of undertaking-specific parameters as part of the own-risk and solvency assessment.
14. As part of the own-risk and solvency assessment supervisory report, undertakings should inform the supervisory authorities whether there have been any material changes to the information included in the application and should provide relevant details of any material changes.

15. If undertakings become aware that another standardised method provides a more accurate result for the purpose of fulfilling the calibration requirements included in Article 101(3) of Solvency II, they should submit a new application for the use of this alternative standardised method.

Guideline 7 – Remedial of non-compliance

16. In case of non-compliance with the requirements for the use of undertaking-specific parameters, the supervisory authority should decide if a three-month period is granted for the undertaking to remedy the non-compliance.
17. When taking the decision, the supervisory authority should consider the degree and the scope of the non-compliance as well as the time needed to remedy it and the actions that the undertaking intends to take to restore compliance with the requirements for the use of undertaking-specific parameters.
18. When the non-compliance cannot be restored within three months, the supervisory authority should revoke the approval for the use of undertaking specific parameters in accordance with Article 6(a) of Commission Implementing Regulation 2015/498.

Guideline 9 – Significant deviation

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

Guideline 10 – Application for approval of the use of group-specific parameters

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

Guideline 11 – Scope of the group using group-specific parameters

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

Guideline 13 – Consultation within the college of supervisors

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

Guideline 14 – Information for the college of supervisors

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

3. COMPLIANCE AND REPORTING RULES

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

4. FINAL PROVISION ON REVIEW

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

EXPLANATORY TEXT

AMENDED: Introduction

Explanatory text:

The amendment aims at streamlining and improving the readability of the text. It remains self-evident that any modifications to the standardized methods for USPs disqualify the method from approval, and that USPs are distinct from internal models. Also, it is explicitly recognized that the actuarial function plays a crucial role in the assessment of data quality used in the calculation of capital requirements and so undertaking-specific parameters, as outlined in Article 48(1)(i) of Solvency II.

DELETED: Guideline 2 – Materiality

~~Undertakings should ensure that the criteria on data quality set out in Article 219 of Commission Delegated Regulation 2015/35 are met regardless of the materiality of the segment for which undertaking-specific parameters are used.~~

Explanatory text:

Guidelines 2 is deleted. It is clear from Article 219 of Commission Delegated Regulation 2015/35 that the criteria shall be met regardless of the materiality of the segment for which undertaking-specific parameters are used. The deletion of Guideline 2 is solely for streamlining purposes with no intention to reduce supervisory expectations.

AMENDED: Guideline 5 – Calculation of non-proportional reinsurance adjustment in the scope of premium risk

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

Explanatory text:

The amendment to Guideline 5 enhances the drafting of the text without changing its original meaning or intent.

AMENDED: Guideline 6 – Continuous compliance

Undertakings should monitor their compliance with the requirements for the use of undertaking-specific parameters as part of the own-risk and solvency assessment.

As part of the own-risk and solvency assessment supervisory report, undertakings should inform the supervisory authorities whether there have been any material changes to the information included in the application and should provide relevant details of any material changes.

~~Where the use of new data produces material changes to the information included in the application, undertakings should provide at the request of supervisory authorities all details about the calculation of undertaking-specific parameters performed using the new set of data and the necessary information to support that the calculation is adequate.~~

If undertakings become aware that another standardised method provides a more accurate result for the purpose of fulfilling the calibration requirements included in Article 101(3) of Solvency II, they should submit a new application for the use of this alternative standardised method.

Explanatory text:

The third paragraph is deleted because the case of material changes produced by using new data is covered by the general case of material changes described in the preceding paragraph.

AMENDED: Guideline 7 – Remedial of non-compliance

In case of non-compliance with the requirements for the use of undertaking specific parameters, the supervisory authority should decide ~~whether~~ **if a three-month period is granted** for the undertaking to ~~can~~ remedy the non-compliance ~~within three months~~.

When taking the decision, the supervisory authority should consider the degree and the scope of the non-compliance as well as the time needed to remedy it and the actions that the undertaking intends to take to restore **compliance with** the requirements for the use of undertaking-specific parameters.

When the non-compliance cannot be restored within three months, the supervisory authority should **revoke** ~~withdraw~~ the approval for the use of undertaking specific parameters in accordance with **Article 6(a) of Commission Implementing Regulation 2015/498** ~~[Article 8 of the EIOPA draft implementing technical standards with regard to the supervisory approval procedure to use undertaking specific parameters]~~.

~~When the approval is withdrawn, undertakings should calculate the Solvency Capital Requirement using standard parameters and submit a new application in case they intend to apply again for the use of undertaking specific parameters.~~

Explanatory text:

The legal reference should be updated as it currently refers to EIOPA's draft Implementing Technical Standards about the supervisory approval procedure to use undertaking-specific parameters instead of the adopted Technical Standards.

The last paragraph of Guideline 7 is deleted. It is clear from Article 104(7) of Solvency II that if the approval is revoked, the standard method must be used.

~~DELETED: Guideline 8 – Requirement from the supervisory authority to use undertaking-specific parameters~~

~~Where the supervisory authority requires the undertaking to use undertaking-specific parameters in accordance with Article 110 of Solvency II, it should indicate to the undertaking which parameters as referred to in Article 218 of Commission Delegated Regulation 2015/35 have to be replaced. After liaising with the undertaking, the supervisory authority should set a reasonable timeframe for the submission of the application.~~

~~After receiving the request of the supervisory authority, the undertaking should analyse the available standardised methods.~~

Explanatory text:

Guidelines 8 is deleted. Its content was deemed self-evident and unnecessary for inclusion.

AMENDED: Guideline 9 – Significant deviation

When considering if there is a significant deviation as referred to in Article 110 of Solvency II, supervisory authorities should take into account the relevant factors as follows:

- (a) the findings arising out of the supervisory review process;
- (b) the nature, type and size of the deviation;
- (c) the likelihood and severity of any adverse impact on policyholders and beneficiaries;
- (d) the level of sensitivity of the assumptions to which the deviation relates;
- (e) the ~~expected~~ **anticipated** duration and volatility of the deviation over the duration of the deviation.

Supervisory authorities should perform this analysis at the level of each segment for which the use of undertaking-specific parameters is possible.

Explanatory text:

The amendment to Guideline 9 is intended to enhance the consistency of the text with Article 276 of Commission Delegated Regulation 2015/35.

AMENDED: Guideline 10 – Application for approval of the use of group-specific parameters

The application for approval of the use of group-specific parameters should include as a minimum the information required in **Article 1 (3) and (4) of Commission Implementing Regulation 2015/498** [~~paragraph 2, 4 and 5 of Article 1 of the EIOPA draft implementing technical standards with regard to the supervisory approval procedure to use undertaking-specific parameters~~], where any reference to 'undertaking-specific parameters' ~~shall~~ **should** be understood as a reference to 'group-specific parameters'.

At the reasoned request of the group supervisor, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should provide additional information where necessary to assess the application.

Explanatory text:

The legal reference should be updated as it currently refers to EIOPA's draft Implementing Technical Standards about the supervisory approval procedure to use undertaking-specific parameters instead of the adopted Technical Standards.

AMENDED: Guideline 11 – Scope of the group using group-specific parameters

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

~~When the group Solvency Capital Requirement is calculated under method 2, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should not use group-specific parameters.~~

~~If an undertaking within the scope of group solvency calculation under method 2 uses undertaking-specific parameters, then undertaking-specific parameters should be included in the group Solvency Capital Requirement calculation only for those undertakings which received approval from the supervisory authorities.~~

Explanatory text:

The second paragraph is deleted. It is clear from Article 338 of Commission Delegated Regulation 2015/35 that group-specific parameters can only be used for the part of the business consolidated through method 1 (consolidated group SCR).

The last paragraph is deleted. It is clear that the use of undertaking-specific parameters at solo level for an undertaking considered in the group solvency calculation through method 2 is not an application of group-specific parameters and that these undertaking-specific parameters should only be used at the level of the undertaking for which supervisors approved their use. Nonetheless, the use of undertaking-specific parameters at solo level will be reflected in the group SCR when adding the (proportional share of the) solo SCR of this undertaking to calculate the group SCR.

The use of undertaking-specific parameters at individual level by a (re)insurance undertaking that is part of a group, and the use of group-specific parameters are two distinct measures and are subject to two different supervisory approval.

DELETED: Guideline 12 – Data quality requirements at group level

~~The participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should be able to demonstrate to the group supervisor that the nature of the group business and its risk profile are similar enough to those of the individual undertakings providing the data to ensure consistency between the statistical assumptions underlying the data used at the individual entity level and at group level.~~

Explanatory text:

Guidelines 12 is deleted. As the data quality regarding the appropriateness for the risk profile and business model on a solo level are, by Article 338 of Commission Delegated Regulation 2015/35, applicable to the group level, it is not necessary that different undertakings contributing to the consolidated data on which the group-specific parameters are based have similar risk profile and nature of business. This requirement does not exist for solo undertakings, where the portfolio on which undertaking-specific parameters are based can be composed of sub-portfolios that have different risk profiles and nature of business.

AMENDED: Compliance and reporting rules

Explanatory text:

The amendment aims at improving the readability of the text.

AMENDED: Final Provision on Review

Explanatory text:

The amendment aims at improving the readability of the text.

QUESTIONS TO STAKEHOLDERS

The survey for collecting the consultation feedback asks for comments on each section of the consultation paper and in addition this particular question:

Do you have any comments on the proposals to simplify and shorten the Guidelines and/or any other suggestions for simplifying and shortening the Guidelines, taking into account the relevance of the individual Guidelines?

Privacy statement related to Public (online) Consultations

Introduction

1. EIOPA, as a European Authority, is committed to protect individuals with regard to the processing of their personal data in accordance with Regulation (EU) No 2018/1725 (further referred as the Regulation).⁶

Controller of the data processing

2. The controller responsible for processing your data is EIOPA's Executive Director.
Address and email address of the controller:
3. Westhafenplatz 1, 60327 Frankfurt am Main, Germany
fausto.parente@eiopa.europa.eu

Contact details of EIOPA's Data Protection Officer

4. Westhafenplatz 1, 60327 Frankfurt am Main, Germany
dpo@eiopa.europa.eu

Purpose of processing your personal data

5. The purpose of processing personal data is to manage public consultations EIOPA launches and facilitate further communication with participating stakeholders (in particular when clarifications are needed on the information supplied).
6. Your data will not be used for any purposes other than the performance of the activities specified above. Otherwise, you will be informed accordingly.

Legal basis of the processing and/or contractual or other obligation imposing it

7. EIOPA Regulation, and more precisely Article 10, 15 and 16 thereof.
8. EIOPA's Public Statement on Public Consultations.

Personal data collected

⁶ Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC.

9. The personal data processed might include:

- Personal details (e.g. name, email address, phone number);
- Employment details.

Recipients of your personal data

10. The personal data collected are disclosed to designated EIOPA staff members.

Transfer of personal data to a third country or international organisation

11. No personal data will be transferred to a third country or international organization.

Retention period

12. Personal data collected are kept until the finalisation of the project the public consultation relates to.

Profiling

13. No decision is taken in the context of this processing operation solely on the basis of automated means.

Your rights

14. You have the right to access your personal data, receive a copy of them in a structured and machine-readable format or have them directly transmitted to another controller, as well as request their rectification or update in case they are not accurate.

15. You have the right to request the erasure of your personal data, as well as object to or obtain the restriction of their processing.

16. For the protection of your privacy and security, every reasonable step shall be taken to ensure that your identity is verified before granting access, or rectification, or deletion.

17. Should you wish to access/rectify/delete your personal data, or receive a copy of them/have it transmitted to another controller, or object to/restrict their processing, please contact [legal@eiopa.europa.eu]

18. Any complaint concerning the processing of your personal data can be addressed to EIOPA's Data Protection Officer (DPO@eiopa.europa.eu). Alternatively, you can also have at any time recourse to the **European Data Protection Supervisor (www.edps.europa.eu)**.