

Gabriel Bernardino
Chairman

Mr Valdis Dombrovskis
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Financial Stability, Financial Services and Capital Markets Union
European Commission
Rue de la Loi 200
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EIOPA-18-854
18 December 2018

Report on Group Supervision

Dear Vice-President ~~Dombrovskis~~, *Dear Vice-President,*

In relation to the European Commission's request dated 7 June 2018 (reference number (2018)2992525), I am pleased to submit to you EIOPA's Report on Group Supervision and Capital Management of (Re)Insurance Undertakings and specific topics related to Freedom to Provide Services (FoS) and Freedom of Establishment (FoE) under Directive 2009/138/EC (Solvency II Directive).

Kindly note that in line with the agreed timetable for this report, EIOPA also shared the draft report via the Commission's representative and observer for this project, on 31 October 2018.

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

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

Furthermore, the setting up of cooperation platforms following the Decision on the collaboration of the insurance supervisory authorities has been very successful in increasing the exchange of information between home and host supervisors and in helping home supervisors to take the necessary actions to protect policyholders. Still, the current framework has clear limitations and EIOPA's powers should be reinforced in this area.

The report finds a number of gaps in the regulatory framework that lead to divergent supervisory practices.

That is the case, for example, in the definition of intra-group transactions; the assessment of availability of eligible own funds at group level; the treatment of Insurance Holding Companies and Mixed Activity Insurance Holding Companies and the inclusion of holding companies, which are not licensed insurance

undertakings, in the scope of group supervision; the adequate application of the combination of methods to calculate the group solvency requirements; referencing from the Solvency II framework to other financial sectors; as well as the application of the mutatis mutandis to groups that fall under the scope of the Solvency II framework.

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

I am at your disposal at any time in case of further questions.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Olivier Guersent', with a long horizontal flourish extending to the right.

cc:

Andrea Beltramello, Member of Cabinet

Olivier Guersent, Director General, DG FISMA

Martin Merlin, Director, Regulation and prudential supervision of financial institutions, DG FISMA

Felicia Stanescu, Head of Unit, Financial Services policy and international affairs, DG FISMA

Nathalie Berger, Head of Unit, DG FISMA