EIOPA-BoS-15/113

30 June 2015

Final Report
on
public consultation No. 14/065 on
Guidelines on
recognition and valuation of assets and liabilities
other than technical provisions

Table of Contents

1. Executive summary

Introduction

According to Article 16 of Regulation (EU) No 1094/2010 (hereinafter "EIOPA Regulation") EIOPA may issue Guidelines addressed to competent authorities or financial institutions.

EIOPA shall, where appropriate, conduct open public consultations and analyse the potential costs and benefits. In addition, EIOPA shall request the opinion of the Insurance and Reinsurance Stakeholder Group (hereinafter "IRSG") referred to in Article 37 of the EIOPA Regulation.

Relating to Article 75 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 (hereinafter "Solvency II") and consistently with Articles 7 to 17 of Commission Delegated Regulation (EU) 2015/35 ("Commission Delegated Regulation "), EIOPA has developed Guidelines on the recognition and valuation of assets and liabilities other than technical provisions.

Consequently, on 2 December 2014 EIOPA launched a public consultation on the draft Guidelines on the valuation of assets and liabilities other than technical provisions. The Consultation Paper is also published on EIOPA's website[1].

These Guidelines are addressed to competent authorities to facilitate consistent application of the requirements on recognition and valuation of assets and liabilities other than technical provisions. This supports high quality measurements as well as comparable, convergent professional practices across Member States.

Content

This Final Report includes the feedback statement to the consultation paper (EIOPA-CP-14/065) and the full package of the public consultation, including:

Annex I: Guidelines

Annex II: Impact Assessment

Annex III: Resolution of comments

[1] Consultation Paper

Next steps

In accordance with Article 16 of the EIOPA Regulation, within two months of the issuance of these Guidelines, each competent authority shall confirm if it complies or intends to comply with these Guidelines. In the event that a competent authority does not comply or does not intend to comply, it shall inform EIOPA, stating the reasons for non-compliance.

EIOPA will publish the fact that a competent authority does not comply or does not intend to comply with these Guidelines. The reasons for non-compliance may also be decided on a case-by-case basis to be published by EIOPA. The competent authority will receive advanced notice of such publication.

EIOPA will, in its annual report, inform the European Parliament, the Council and the European Commission of the Guidelines issued, stating which competent authority has not complied with them, and outlining how EIOPA intends to ensure that concerned competent authorities follow its Guidelines in the future.

2. Feedback statement

Introduction

EIOPA would like to thank the IRSG and all the participants to the public consultation for their comments on the draft Guidelines. The responses received have provided important feedback to EIOPA in preparing a final version of these Guidelines. All of the comments made were given careful consideration by EIOPA. A summary of the main comments received and EIOPA's response to them can be found in the sections below. The full list of all the comments provided and EIOPA's responses to them is published on EIOPA's website.

General comments

The comments received during the public consultation showed the need for further clarification in a number of areas. Apart from clarifying the intent and content of the Guidelines, there was no need to change the policies developed in these Guidelines following from the comments received. Please see below a list of requested clarifications.

2.1. Unclear status of explanatory text

a. Some respondents mentioned that it was unclear to them whether explanatory text is an integral part of the Guidelines.

b. It has been clarified that explanatory text is provided for illustrative purposes only, which is the approach taken for all EIOPA Guidelines.

2.2. Applicable accounting standards

a. A few respondents asked for further guidance on the application of the derogation as set out in Article 9 (4) of Commission Delegated Regulation.

b. EIOPA clarified that as far as reasonable the derogation is addressed by Guideline 12. Other than that guidance, EIOPA focuses on the default method, which is based on the use of IFRSs (as applicable in the EEA).

2.3. Contingent liabilities

a. The definition and valuation of contingent liabilities raised some questions from some respondents.

b. The Guidelines were clarified to be clear about the consistency with the Commission Delegated Regulation, which set out the treatment of contingent liabilities.

2.4. Deferred taxes

a. Some respondents challenged the Guidelines on the deferred taxes to go beyond IAS 12 *Income Taxes*.

b. EIOPA clarified that the Guidelines strictly follow the provisions of the Commission Delegated Regulation and are not strictly bound by IAS 12. The Guidelines have also been redrafted to make clear that documentation requirements are not requirements to report to the supervisory authority.

General nature of participants to the public consultation

EIOPA received comments from the IRSG and nine responses from other stakeholders to the public consultation. All non-confidential comments received have been published on EIOPA's website.

Respondents can be classified into four main categories: European trade, insurance, or actuarial associations; national insurance or actuarial associations; (re)insurance groups or undertakings; and other parties such as consultants and lawyers.

IRSG opinion

The particular comments from the IRSG on the Guidelines at hand can be consulted on EIOPA's website[2]. The IRSG commented in particular on:

a) The guidelines **state or at least imply that only IFRS should always be used for Solvency II** – however the Commission Delegated Regulation makes clear (Article 9(4)) that alternative valuation methods (e.g. local GAAP) are acceptable under the proportionality principle. This needs to be reflected in the Guidelines. EIOPA responded that **Guidelines' scope is clearly on providing guidance on the application of IFRSs** for the purpose of a market-consistent valuation, which is in line with the approach as outlined in Solvency II and in the Commission Delegated Regulation. EIOPA decided not to provide application guidance for the exemption to use local GAAP. In order to help undertakings applying the exemption, we advise to take inspiration from the general approach how to come up with a market-consistent valuation (Guideline 12) and provide background information that the Accounting Directive provides for MS options, which allow for the use of IFRS and fair value measurement.

b) With respect to plant and equipment, **depreciated cost** should be explicitly allowed as a proxy to the economic value. Their revaluation, should the need arise, would result in significant administrative and cost burden on users with no real benefits to such economic valuation. EIOPA is of the view that the use of historical costs or amortised costs cannot be regarded as a market-consistent valuation.

c) Under IFRS (IAS 37) two types of **contingent liabilities** are identified. Either:

   1) those that relate to a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

   2) those that relate to a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the liability cannot be measured reliably.

   The reason why IFRS does not propose recognition of (notably) Type 2 contingent liabilities under IAS 37, is that these cannot be measured reliably, or their occurrence is not probable. We question whether recognition of these

[2] IRSG opinion

items in the Solvency II balance sheet would make much sense. EIOPA cannot change this requirement as it stems directly from the Commission Delegated Regulation.

d) Guideline 9 states that IAS 12 defines the principles for recognition and valuation of **deferred taxes**. Guideline 9 goes further than **IAS 12** by stating what documentation entities should provide to supervisory authorities in order to gain assurance over the recoverability of deferred tax. While we appreciate that this guideline will help supervisory authorities in their review of deferred tax under Solvency II, we would ask EIOPA to point out that supervisory authorities, in their review, **should not go beyond the requirements of recoverability testing performed under IFRS**. EIOPA is of the view that this requirements stem from the Commission Delegated Regulation (Art. 15). As this is a difficult requirement, the Guidelines ensure that the supervisor, if the need arises, can benefit from sufficient documentary evidence and records to be convinced the requirement has been properly fulfilled.

Comments on the Impact Assessment

The two comments EIOPA received on the impact assessment reflect on the view that regarding Policy Issue 6 (Contingent Liabilities), EIOPA had a choice not to require the measurement of material contingent liabilities. However, this is not a policy option as such, but rather the requirement stemming from the Commission Delegated Regulation.

3. Annexes

Annex I: Guidelines

Guidelines on recognition and valuation of assets and liabilities other than technical provisions

1. Introduction

1.1. These Guidelines are drafted according to Article 16 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council (hereinafter EIOPA Regulation)[3].

1.2. The Guidelines relate to Article 75 of Directive 2009/138/EC of the European Parliament and of the Council (hereinafter Solvency II Directive)[4] and to Articles 7 to 16 of Commission Delegated Regulation (EU) 2015/35[5].

1.3. These Guidelines are addressed to supervisory authorities under the Solvency II Directive.

1.4. These Guidelines are intended to facilitate convergence of professional practice across Member States and support undertakings in recognizing and valuing assets and liabilities other than technical provisions.

1.5. The Solvency II Directive and Delegated Regulation (EU) 2015/35 generally provide for undertakings to recognize and value assets and liabilities other than technical provisions in accordance with the International Financial Reporting Standards (hereinafter "IFRS") adopted by the European Commission in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council[6], except where this is not consistent with Article 75 of the Solvency II Directive.

1.6. Delegated Regulation (EU) 2015/35 clearly defines in which cases the valuation methods are not consistent with the valuation approach set out in Article 75 of the Solvency II Directive, and therefore, other valuation principles or adjustments than IFRS shall be applied.

1.7. Article 9 (4) of Delegated Regulation (EU) 2015/35 laid down those criteria which must be met if an undertaking wishes to recognize and value an asset or a liability based on the valuation method it uses for preparing its annual or consolidated financial statements. EIOPA has intentionally not assessed which local accounting principles, used in annual or consolidated financial statements, would be consistent with Article 75 of the Solvency II Directive. EIOPA has,

---

[3] 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 (OJ L 331, 15.12.2010, p. 48)

[4] 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 (Solvency II) (OJ L 335, 17.12.2009, p.1)

[5] Commission Delegated Regulation (EU) No 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 12, 17.01.2015, p. 1)

[6] Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243, 11.9.2002, p.1)

however, provided information on the principles laid down in the Accounting Directives.

1.8. These Guidelines refer to Delegated Regulation (EU) 2015/35, which specify recognition and measurement principles for the valuation of assets and liabilities other than technical provisions. Where the Guidelines refer to "valuation" it is defined as a valuation in accordance with Article 75 of the Solvency II Directive.

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 January 2016.

Guideline 1 – Materiality

1.11. When valuing assets and liabilities, undertakings should consider the materiality principle as set out in Recital 1 of Delegated Regulation (EU) 2015/35. With regard to the assessment of materiality, it should be recognised that quarterly measurements may rely on estimates and estimation methods to a greater extent than measurements of annual financial data.

Guideline 2 – Consistency in applying valuation methods

1.12. Undertakings should apply valuation techniques consistently. Undertakings should also consider if as a result of a change in circumstances, including those listed below, a change in valuation techniques or their application is required on the basis that such change would result in a more appropriate measurement in accordance with Article 75 of the Solvency II Directive.

Such changes may include the following:

a) new market developments that change market conditions;

b) new information becomes available;

c) information previously used is no longer available;

d) valuation techniques improve.

Guideline 3 – Investment property and other properties: alternative valuation methods

1.13. For the purposes of Article 10 of Delegated Regulation (EU) 2015/35 when valuing investment property and other properties, undertakings should select the method in accordance with Article 10(7) thereof that provides the most representative estimate of the amount for which the assets could be exchanged between knowledgeable willing parties in an arm´s length transaction. In accordance with Article 10(6) of that regulation these methods should be based on the following:

a) current prices in an active market for properties of a different nature, condition or location, or subject to different lease or other contractual terms, adjusted to reflect those differences;

b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;

c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and, when possible, by external evidence such as current market rents for similar properties in the same location and condition and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

1.14. In some cases, the various inputs listed above may suggest different valuations of a property. An undertaking should consider the reasons for those differences, in order to determine the most representative valuation estimate within the range of estimates.

1.15. When undertakings determine the valuation of the property they should take into account a market participant's ability to generate economic benefits by using the property to its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

Guideline 4 – Investment property and other properties: evidence supporting the valuation

1.16. If the balance sheet valuation is based on a formal appraisal, or other information, prior to the balance sheet date, undertakings should be able to demonstrate to their supervisory authority that all necessary adjustments have been made to reflect changes in the value between the date of a formal appraisal or other information and the balance sheet date.

Guideline 5 – Financial liabilities and own credit standing

1.17. When valuing financial liabilities, undertakings should use techniques to determine a value for which the liabilities could be transferred, or settled between knowledgeable willing parties in an arm´s length transaction, excluding any adjustment to take account of changes in the undertaking's own credit standing after initial recognition. These techniques can be based on either:

a) a bottom up approach; or

b) a top down approach.

1.18. In a bottom up approach, undertakings should determine their own credit standing at recognition of the specific financial liability. The part of the spread of the discount curve that relates to own credit standing should be kept constant after its initial recognition. In subsequent valuations the value is calculated by determining the changes in the value stemming from changes in market conditions that affect the value of the financial liability, except for changes in market conditions that affect own credit risk.

1.19. When undertakings assess changes in market conditions that give rise to market risk, they should assess at least changes in the relevant risk free interest rate curve, a commodity price, a foreign exchange rate or an index of prices or rates.

1.20. In a top down approach, undertakings should determine the amount of change in the valuation of a financial liability that is attributable to changes in the undertaking's own credit risk and exclude it from the valuation.

Guideline 6 – Holdings in related undertakings: IFRS equity method

1.21. When undertakings value a related undertaking's assets and liabilities using the IFRS equity method in accordance with Article 13(5) of Delegated Regulation (EU) 2015/35, and if those related undertakings use an accounting framework other than IFRS, the undertakings should make adjustments where needed to recognise and value that related undertaking's assets and liabilities in accordance with IFRS.

1.22. When applying Article 13(5) of Delegated Regulation (EU) 2015/35, an undertaking should be able to provide justification to its supervisory authority as to why it has not calculated the excess of assets over liabilities for related undertakings according to Article 13(4) thereof.

Guideline 7 – Holdings in related undertakings: alternative valuation methods

1.23. Where undertakings value holdings in related undertakings using alternative valuation methods in accordance with Article 13(1)(c) of Delegated Regulation (EU) 2015/35, they should be able to explain to their supervisory authority why it is not possible to revalue the related undertaking's assets and liabilities using the default valuation method or the adjusted equity method.

Guideline 8 - Contingent liabilities: Contingent liabilities arising from ancillary own fund item arrangements

1.24. When entering into an arrangement that represents an ancillary own-fund item for the counterparty, undertakings should carefully assess whether to recognise the corresponding contingent liability as a liability in compliance with Article 11 of Delegated Regulation (EU) 2015/35.

1.25. Undertakings should be able to provide a justification to the supervisory authority where they have not recognised a contingent liability in circumstances where they have entered into an arrangement with another undertaking, including any other undertakings belonging to the group, and that arrangement has received approval as an ancillary own funds item.

Guideline 9 - Deferred taxes – recognition and valuation

Discounting deferred taxes

1.26. Undertakings should not discount deferred tax assets and liabilities.

Setting off deferred tax assets and liabilities on the Solvency II balance sheet

1.27. An undertaking should offset deferred tax assets and deferred tax liabilities only if, it has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to taxes levied by the same tax authority on the same taxable undertaking.

Recognition and valuation of a net deferred tax asset

1.28. Where there are insufficient taxable temporary differences, which are expected to reverse in the same period as the expected reversal of the deductible temporary differences, the undertaking should consider the likelihood that taxable profits will arise in the same period as the reversal of the deductible temporary differences or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

1.29. When making projections of taxable profits and assessing the likelihood that sufficient taxable profits will arise in the future, an undertaking should:

a) take into consideration that even a strong earnings history may not provide sufficient objective evidence of future profitability;

b) take into consideration that the degree of uncertainty relating to future taxable profits resulting from expected new business increases as the projection horizon becomes longer, and particularly when these projected profits are expected to arise in periods beyond the normal planning cycle of the undertaking;

c) consider that some tax rules can delay or restrict recovery of unused tax losses and unused tax credits;

d) avoid double counting: taxable profits resulting from the reversal of taxable temporary differences should be excluded from the estimated future taxable profits where they have been used to support the recognition of deferred tax assets;

e) ensure that when making projections of taxable profits, these projections are both credible and broadly consistent with the assumptions made for other projected cash flows. In particular, the assumptions underlying the projections should be consistent with those underlying the valuations of technical provisions and assets on the solvency balance sheet.

Guideline 10 - Deferred taxes – documentation

1.30. Upon request, undertakings should be able to provide supervisory authorities with, at a minimum, information based on the undertakings' records:

a) on sources of temporary differences that may lead to the recognition of deferred taxes;

b) regarding recognition and valuation principles applied for deferred taxes;

c) in respect of each type of timing difference and in respect of each type of unused tax loss and unused tax credit, the calculation of the amount of the deferred tax assets or liabilities recognised, as well as underlying assumptions related to that amount;

d) describing the recognition of deferred tax assets, including at least:

   - existence of any taxable temporary differences relating to the same tax authority, the same taxable undertaking and the same type of tax which are expected to reverse in the same period as the expected reversal of the deductible temporary difference or, as the case may be, would result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire;

   - when there are insufficient taxable temporary differences relating to the same tax authority, the same taxable undertaking and the same type of tax, documentation demonstrating that it is probable that the entity will have sufficient taxable profit relating to the same tax authority and the same taxable undertaking and the same type of tax in the same period as the reversal of the deductible temporary difference or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward or, as the case may be, that it is probable that the undertaking will have taxable profits before the unused tax losses or unused tax credits expire.

e) on the amount and expiry date, if any, of deductible temporary differences, unused tax losses and unused tax credits for which deferred tax assets are or are not recognised.

Guideline 11 - Deferred tax treatment where undertakings are excluded from group supervision

1.31. Undertakings should apply the following principles for the recognition of deferred taxation where related undertakings are excluded from the scope of group supervision under Article 214(2) of the Solvency II Directive:

a) where holdings in related undertakings are excluded from the scope of group supervision under Article 214(2)(a) of the Solvency II Directive, the deferred tax related to that excluded undertaking should not be recognized at either individual or group level;

b) where holdings in related undertakings are excluded from the scope of group supervision under Article 214(2)(b) or (c) of the Solvency II Directive, the deferred tax related to that related undertaking should not be recognised at group level.

Guideline 12 – Application of valuation methods used in annual and consolidated financial statements according to Article 9(4) of Delegated Regulation (EU) 2015/35

1.32. Undertakings applying the derogation in Article 9(4) of Delegated Regulation (EU) 2015/35 should consider Guidelines 1, 2, 4, 5 and 8 to 11, as well as the comparison table in Technical Annex 1 as a reference, when determining whether the valuations are consistent with Article 75 of the Solvency II Directive. The Technical Annex is an integral part of this Guideline.

1.33. Undertakings that are within the scope of consolidation of a group preparing consolidated financial statement according to IFRS should not apply the derogation in Article 9(4) of Delegated Regulation (EU) 2015/35.

Compliance and Reporting Rules

1.34. 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 shall make every effort to comply with guidelines and recommendations. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.

1.35. 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.

1.36. In the absence of a response by this deadline, competent authorities will be considered as non-compliant to the reporting and reported as such.

Final Provision on Reviews

1.37. The present Guidelines shall be subject to review by EIOPA. Future changes to accounting rules, including to the Accounting Directives or the adoption of a new or amended international accounting standards by the European Commission, may lead EIOPA to consider whether it should amend the Guidelines.

2. Explanatory text

Guideline 5 – Financial liabilities and own credit standing

When valuing financial liabilities, undertakings should use techniques to determine a value for which the liabilities could be transferred, or settled between knowledgeable willing parties in an arm´s length transaction, excluding any adjustment to take account of changes in the undertaking's own credit standing after initial recognition. These techniques can be based on either:

a) a bottom up approach; or

b) a top down approach.

In a bottom up approach, undertakings should determine their own credit standing at recognition of the specific financial liability. The part of the spread of the discount curve that relates to own credit standing should be kept constant after its initial recognition. In subsequent valuations the value is calculated by determining the changes in the value stemming from changes in market conditions that affect the value of the financial liability, except for changes in market conditions that affect own credit risk.

When undertakings assess changes in market conditions that give rise to market risk, they should assess at least changes in the relevant risk free interest rate curve, a commodity price, a foreign exchange rate or an index of prices or rates.

In a top down approach, undertakings should determine the amount of change in the valuation of a financial liability that is attributable to changes in the undertaking's own credit risk and exclude it from the valuation.

2.1 Article 75 of the Solvency II Directive requires that, when valuing liabilities, no adjustment is made to take account of the undertaking's own credit standing. This is clarified further by Article 14(1) of Delegated Regulation (EU) 2015/35, which provides that financial liabilities need to be valued at initial recognition in accordance with international accounting standards as endorsed by the European Commission, but a subsequent adjustment for changes in own credit standing is not applicable.

2.2 This creates a difference between subsequent measurement of financial liabilities in the Solvency II Directive compared to the measurement according to IFRS where, in the case of the latter, the effect of own credit standing is taken into account in the valuation approach.

2.3 Undertakings can use a top down approach by starting with the fair value as calculated under IFRS and then exclude the subsequent adjustment for changes in own credit standing.

2.4 Undertakings may also use a bottom up approach, starting with the value at recognition and reflecting all changes in market developments in the subsequent valuation, except for the effect on own credit standing.

2.5 When determining the Solvency II value by using a top down approach, undertakings determine the amount of change in the fair value of a financial liability that is attributable to changes in the undertaking's own credit risk. Two possible methods that undertakings can use to measure are:

(a) the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk; or

(b) an alternative method which directly measures the amount of change in the liability's fair value that is attributable to changes in the undertaking's own credit risk.

2.6 When measuring the amount of change in the fair value that is attributable to changes in the undertaking's own credit risk, the undertaking makes maximum use of relevant observable inputs and minimum use of unobservable inputs.

2.7 If the only significant relevant changes in market conditions affecting the financial liability are changes in an observable interest rate, the amount of change in the fair value that is attributable to changes in the undertaking's own credit risk, can be measured as follows:

(c) the undertaking computes the effective interest rate of the liability at the start of the period using the fair value of the liability and the liability's contractual cash flows at the start of the period. It deducts from this rate of return the relevant risk free interest rate (that is observable in the markets; this is not the basic risk free interest rate curve) at the start of the period, to arrive at an instrument-specific component of the internal rate of return;

(d) the undertaking then calculates the present value of the cash flows associated with the liability using the liability's contractual cash flows at the end of the period and a discount rate equal to the sum of (i) the relevant risk free interest rate at the end of the period and (ii) the instrument-specific component of the internal rate of return as determined in (a);

(e) the difference between the fair value of the liability at the end of the period and the amount determined in (b) is the change in fair value that is not attributable to changes in the observable interest rate.

Guideline 6 – Holdings in related undertakings: IFRS equity method

When undertakings value a related undertaking's assets and liabilities using the IFRS equity method in accordance with Article 13(5) of Delegated Regulation (EU) 2015/35, and if those related undertakings use an accounting framework other than IFRS, the undertakings should make adjustments where needed to recognize and value that related undertaking's assets and liabilities in accordance with IFRS.

When applying Article 13(5) of Delegated Regulation (EU) 2015/35, an undertaking should be able to provide justification to its supervisory authority as to why it has not calculated the excess of assets over liabilities for related undertakings according to Article 13(4) thereof.

Guideline 7 – Holdings in related undertakings: alternative valuation methods

Where undertakings value holdings in related undertakings using alternative valuation methods in accordance with Article 13(1)(c) of Delegated Regulation (EU) 2015/35, they should be able to explain to their supervisory authority why it is not possible to revalue the related undertaking's assets and liabilities using the default valuation method or the adjusted equity method.

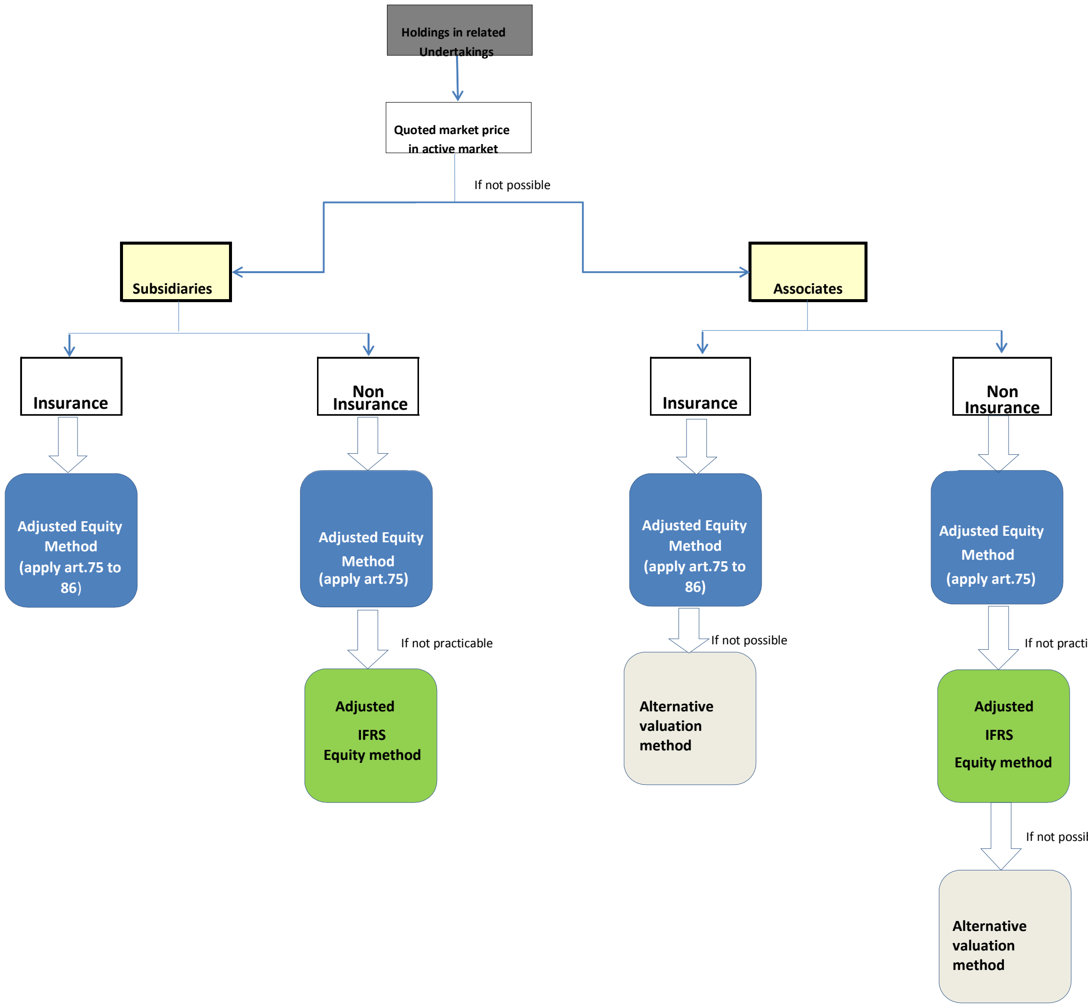
2.8 Generally, undertakings recognize and value individual assets and liabilities in a related undertaking's balance sheet in accordance with the Solvency II principles. In some cases however the undertaking may not have sufficient knowledge of the individual assets and liabilities in the related undertaking to apply an economic valuation to them or even IFRS recognition and measurement criteria. This may happen when, for example, the related undertaking is not controlled by the undertaking, i.e. the related undertaking is not a subsidiary. In these circumstances an undertaking can apply an alternative valuation method.

2.9 In the circumstances specified in Article 13(2) of Delegated Regulation (EU) 2015/35, holdings in related undertakings are valued at zero on the balance sheet of the individual undertaking.

2.10 Where it is difficult to revalue the complete balance sheet of the related undertaking according to Solvency II principles the IFRS equity method may be used in accordance with Article 13(5) of Delegated Regulation (EU) 2015/35 as illustrated hereafter.

2.11 Where the criteria referred to in Articles 13 (6) and 9 (4) of Delegated Regulation (EU) 2015/35 are satisfied, holdings in related undertakings may be valued based on the valuation method the insurance or reinsurance undertakings uses for preparing its annual or consolidated financial statements, provided that this valuation is compliant with Article 75. In such cases, the participating undertaking needs to deduct from the value of the related undertaking the value of goodwill and other intangible assets that would be valued at zero in accordance with Article 12(2) of that Regulation.

Decision tree for valuation methodology to be used if the derogation in Article 9 (4) of the Regulation does not apply:



Guideline 8 - Contingent liabilities: Contingent liabilities arising from ancillary own fund item arrangements

When entering into an arrangement that represents an ancillary own-fund item for the counterparty, undertakings should carefully assess whether to recognize the corresponding contingent liability as a liability in compliance with Article 11 of Delegated Regulation (EU) 2015/35.

Undertakings should be able to provide a justification to the supervisory authority where they have not recognized a contingent liability in circumstances where they have entered into an arrangement with another undertaking, including any other undertakings belonging to the group, and that arrangement has received approval as an ancillary own funds item.

2.12 Article 11 of Delegated Regulation (EU) 2015/35 requires contingent liabilities to be recognized on the Solvency II balance sheet if they are material.

2.13 Valuation of contingent liabilities is based on the probability weighted cash-flow method defined in Article 14 of Delegated Regulation (EU) 2015/35.

a) In some cases, an undertaking might have access to extensive data and be able to identify many scenarios with their projected outcomes. In other cases the information available to the entity might be more limited. Even if there is evidence to support many outcomes, it is not always necessary to consider probability weighted distributions of all possible outcomes using complex models and techniques. Rather, a limited number of discrete outcomes and probabilities can often provide a reasonable estimate of the distribution of possible outcomes.

b) The expected value of a contingent liability would reflect all expectations about possible cash-flows and not the single most likely or the expected maximum or minimum cash flow. However, the more likely it is that any particular outcome will occur, the greater the effect that the outcome has on the expected value.

2.14 An undertaking needs to consider a risk adjustment reflecting that the actual outflows of resources might ultimately differ from those expected.

2.15 Article 11 of the Delegated Regulation (EU) 2015/35 specifically requires the recognition of material contingent liabilities; but does not have a corresponding requirement for contingent assets. Therefore, undertakings are not expected to recognize contingent assets.

Guideline 9 - Deferred taxes – recognition and valuation

Discounting deferred taxes

Undertakings should not discount deferred tax assets and liabilities.

Setting off deferred tax assets and liabilities on the Solvency II balance sheet

An undertaking should offset deferred tax assets and deferred tax liabilities only if, it has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to taxes levied by the same tax authority on the same taxable undertaking.

Recognition and valuation of a net deferred tax asset

Where there are insufficient taxable temporary differences, which are expected to reverse in the same period as the expected reversal of the deductible temporary differences, the undertaking should consider the likelihood that taxable profits will arise in the same period as the reversal of the deductible temporary differences or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

When making projections of taxable profits and assessing the likelihood that sufficient taxable profits will arise in the future, an undertaking should:

a) take into consideration that even a strong earnings history may not provide sufficient objective evidence of future profitability;

b) take into consideration that the degree of uncertainty relating to future taxable profits resulting from expected new business increases as the projection horizon becomes longer, and particularly when these projected profits are expected to arise in periods beyond the normal planning cycle of the undertaking;

c) consider that some tax rules can delay or restrict recovery of unused tax losses and unused tax credits;

d) avoid double counting: taxable profits resulting from the reversal of taxable temporary differences should be excluded from the estimated future taxable profits where they have been used to support the recognition of deferred tax assets;

ensure that when making projections of taxable profits, these projections are both credible and broadly consistent with the assumptions made for other projected cash flows. In particular, the assumptions underlying the projections should be consistent with those underlying the valuations of technical provisions and assets on the solvency balance sheet.

2.16 Temporary differences are based on the differences between the values in accordance with Article 75 of the Solvency II Directive and the values for tax purposes.

Discounting deferred taxes

2.17 A reliable determination of deferred tax assets and liabilities on a discounted basis would require very detailed and precise scheduling of the timing of the reversal of each temporary difference, which in many cases is impossible, impracticable or highly complex.

2.18 As a consequence, discounting deferred tax assets and liabilities would introduce spurious precision and impede comparability between undertakings that discounted the figure and those which did not. Moreover discounting would lead undertakings to recognize amounts which could not be rigorously supported.

Therefore, deferred tax assets and liabilities are not to be discounted for Solvency II purposes.

Recognition and measurement of a net deferred tax asset

2.19 When an undertaking has a history of recent losses, it needs to ensure it has credible supporting evidence (such as consistent planning projections, new cooperation agreements, cost cutting programs, evidence that losses were triggered through non-recurring events) to demonstrate the appropriateness of any projected taxable profits.

2.20 In projecting the future taxable profits against which the deductible temporary differences, or as the case may be, unused tax losses and unused tax credits could be utilised, undertakings are expected to take care to avoid double counting and be consistent with the assumptions underlying the Solvency II balance sheet and ORSA.

2.21 Double counting would occur if an undertaking's projections of future taxable profits included profits relating to business for which all future cashflows have already been taken into account in the calculation of technical provisions. Similarly, double counting would occur if undertakings were to take into account future taxable profits arising from the sale of financial assets, where that profit arises as a result of a difference between original costs and at fair value in the Solvency balance-sheet.

2.22 In addition to future taxable profits from business beyond the contract boundary of statutory accounting, differences in contract boundaries between those applied in statutory accounting and for Solvency II purposes may also be a credible source of future taxable profits, provided that these are not also taken into account in projections of future taxable profits related to new business. It is the case where profits recognized in the statutory balance sheet but not on the Solvency II balance sheet.

2.23 Inconsistency would likely occur between assumptions underlying Solvency II balance-sheet and those underlying projected future taxable profits, if the latter include the recovery of assets measured at a value higher than the fair value in the Solvency II balance sheet. A similar inconsistency would likely result when an undertaking considers that Solvency II technical provisions were likely overestimated in comparison with those to be retained when projecting future taxable profits.

Guideline 11 - Deferred tax treatment where undertakings are excluded from group supervision

Undertakings should apply the following principles for the recognition of deferred taxation where related undertakings are excluded from the scope of group supervision under Article 214(2) of the Solvency II Directive:

a) where holdings in related undertakings are excluded from the scope of group supervision under Article 214(2)(a) of the Solvency II Directive, the deferred tax related to that excluded undertaking should not be recognized at either individual or group level;

b) where holdings in related undertakings are excluded from the scope of group supervision under Article 214(2)(b) or (c) of the Solvency II Directive, the deferred tax related to that related undertaking should not be recognized at group level.

2.24 Where group supervisors apply Article 214(2)(a) of the Solvency II Directive, because the undertaking is situated in a country where there are legal impediments to the transfer of adequate information, the holding in the related holding will be valued at zero at the individual level in accordance with Article 13(2) of Delegated Regulation (EU) 2015/35. Since this absence of adequate information will also prevent the performance of a proper deferred tax calculation no deferred taxes will be recognized at either individual or group level.

2.25 Article 214(2)(b) and (c) exclusions of the Solvency II Directive are only relevant in the context of group supervision. Therefore, deferred tax effects are recognized in the individual balance sheet of the undertaking. However, at group level, since the related undertaking is excluded, either because of its negligible interest or because its inclusion as a whole would be inappropriate or misleading in a group context, then it would also be negligible, inappropriate or misleading to include deferred taxes related to that related undertaking.

2.26 Article 229 of the Solvency II Directive states that the group supervisor may decide on a case-by-case basis to deduct a holding in a related undertaking. This holding will be valued at zero at the individual level following Article 13 of the Delegated Regulation (EU) 2015/35, but can originate deferred tax effects on the balance sheet. The same applies for the group level. However, for the purposes of calculating the own funds eligible for the group solvency, any deferred tax effects will be deducted.

Table: Consistency of IFRS Valuation with Article 75 of the Directive

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
IAS 1 Presentation of financial statements	IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.		**no**	IAS 1 does not prescribe valuation methodologies for balance sheet items.
IAS 2 Inventories	IAS 2 prescribes the accounting treatment for inventories. Following IAS 2, inventories shall be measured at the lower of cost and net realisable value (IAS 2.9). Net realisable value refers to the net amount that an entity expects to realise from the sale of inventory in the ordinary course of business while fair value reflects the amount for which the same inventory could be exchanged between knowledgeable and willing buyers and sellers in the marketplace. As the net realisable value is an entity-specific value, may not equal fair value less costs to sell (IAS 2.7). **Solvency II framework:** In many cases the estimated cost of completion and the estimated costs necessary to make the sale are not material. This means the net realisable value is option consistent with Article 75 of Directive 2009/138/EC if the estimated costs of completion and the estimated costs necessary to make the sales are not material.	Net realisable value is a consistent option. Adjustment may be needed where estimated cost are material.	**yes**	Undertakings shall apply the IAS 2 net realisable value for inventories if the estimated cost of completion and the estimated costs necessary to make the sale are not material.

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
IAS 7 Statement of cash flows	IAS 7 requires disclosures about historical changes in cash and cash equivalents of an entity by means of a statement of cash flows.		**no**	IAS 7 does not prescribe valuation methodologies for balance sheet items.
IAS 8 Accounting policies, changes in accounting estimates and errors	IAS 8 specifies criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.		**no**	IAS 8 does not prescribe valuation methodologies for balance sheet items.
IAS 10 Events after the Reporting Period	IAS 10 prescribes when an entity should adjust its financial statements for events after the reporting period and the complementing disclosure requirements.		**no**	IAS 10 does not prescribe valuation methodologies for balance sheet items.
IAS 11 Construction Contracts	IAS 11 describes the accounting treatment of revenue and costs associated with construction contracts in the financial statements of contractors.		**no**	Business not relevant for insurers.
IAS 12	IAS 12 prescribes the accounting treatment for income taxes.	Consistent	**yes**	

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
Income taxes	Current tax liabilities or assets for the current and prior periods shall be measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period (IAS 12.46). Deferred tax liabilities and assets shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period (IAS 12.47). Deferred tax liabilities (assets) correspond to the amounts of income taxes payable (recoverable) in future periods in respect of taxable temporary differences (deductible temporary differences, carry forward of unused tax losses and unused tax credit) (IAS 12.5). **Solvency II framework:** For deferred tax liabilities (assets) Solvency 2 establishes a different concept of temporary differences, being the deferred taxes for Solvency II purposes, other than deferred tax assets arising from the carry forward of unused tax credits and the carry forward of unused tax losses, calculated on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Article 75 to 86 of Directive 2009/138/EC and the values ascribed to assets and liabilities as recognised and valued for tax purposes; instead of the differences between the carrying amount of an asset or	measurement principles for current taxes. Consistent measurement principles for deferred taxes calculated based on the temporary difference between Solvency II values and the tax values.		

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
	liability in the statement of financial position and its tax base.			
IAS 16 Property, plant and equipment	IAS 16 prescribes the accounting treatment for property, plant and equipment. After initial recognition an entity shall choose either the cost model in paragraph 30 or the revaluation model in paragraph 31 as its accounting policy and shall apply that policy to an entire class of property, plant and equipment (IAS 16.29). Cost model: After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses (IAS 16.30) Revaluation model: After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period (IAS 16.31). **Solvency II framework:** The revaluation model is an option	Revaluation model is a consistent option.	**yes**	Undertakings shall apply the fair value model and the revaluation model of IAS 40 and IAS 16 respectively when valuing property, including investment property, plant and equipment. The cost model permitted by IAS 40 or IAS 16, whereby investment property and property, plant and equipment is valued at cost less depreciation and impairment shall not be applied.

IFRS	**Summary of IFRS treatment:** **Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?**	**Fully consistent? Consistent option with adjustments?**	**Applicable ?**	**Other comments**
	consistent with Article 75 of Directive 2009/138/EC.			
IAS 17 Leases	IAS 17 prescribes, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases. **Finance leases** <u>Lessees:</u> At the commencement of the lease term, lessees shall recognise finance leases as assets and liabilities in their statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct costs of the lessee are added to the amount recognised as an asset (IAS 17.20). After initial recognition, a finance lease gives rise to depreciation expense for depreciable assets as well as finance expense for each accounting period (IAS 17.28). Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of	Consistent measurement principles for operating leases, and, lessors in finance leases. Adjustments needed for lessees in finance leases.	**yes**	Undertakings shall value assets and liabilities in a lease arrangement in accordance with IAS 17, applied as follows: undertakings which are lessees in a finance lease, shall value lease assets and liabilities at fair value. Undertakings shall not make subsequent adjustments to take account of the own credit standing of the undertaking.

IFRS	**Summary of IFRS treatment:** **Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?**	**Fully consistent? Consistent option with adjustments?**	**Applicable ?**	**Other comments**
	interest on the remaining balance of the liability (IAS 17.25). <u>Lessors</u>: Lessors shall recognise assets held under a finance lease in their statements of financial position and present them as a receivable at an amount equal to the net investment in the lease (IAS 17.36). Under a finance lease substantially all the risks and rewards incidental to legal ownership are transferred by the lessor, and thus the lease payment receivable is treated by the lessor as repayment of principal and finance income to reimburse and reward the lessor for its investment and services (IAS 17.37). **Operating leases** <u>Lessees</u>: Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit (IAS 17.33). <u>Lessors</u>: Lessors shall present assets subject to operating leases in their statements of financial position according to the nature of the asset (IAS 17.49). **<u>Solvency II framework:</u>** Lessees in finance leases have to fair value all lease assets For lessors in finance leases, the receivable measured at an amount equal to the net investment in the lease, with the			

IFRS	**Summary of IFRS treatment:** **Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?**	**Fully consistent? Consistent option with adjustments?**	**Applicable ?**	**Other comments**
	income allocation based on the pattern reflecting a constant periodic return on the lessor's net investment in the finance lease is considered to be consistent with Article 75 of Directive 2009/138/EC. Operating leases measurement principles are considered to be consistent with Article 75 of Directive 2009/138/EC, having in mind that the lease items in the lessors balance sheet are valued according to the general valuation principles applicable for those assets and liabilities.			
IAS 18 Revenue	IAS 18 prescribes the accounting for revenue arising from the following transactions and events: (a) the sale of goods; (b) the rendering of services; and (c) the use by others of entity assets yielding interest, royalties and dividends.		**no**	IAS 18 does not prescribe valuation methodologies for balance sheet items
IAS 19 Employee benefits	IAS 19 prescribes the accounting and disclosure for employee benefits, except those to which IFRS 2 Share-based Payment applies. **Short-term employee benefits** When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits	**Consistent measurement principles for employee benefits.**	**yes**	

IFRS	**Summary of IFRS treatment:** **Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?**	**Fully consistent? Consistent option with adjustments?**	**Applicable ?**	**Other comments**
	expected to be paid in exchange for that service: (a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and (b) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset (see, for example, IAS 2 Inventories and IAS 16 Property, Plant and Equipment) (IAS 19. 11). **Post-employment benefits: defined contribution plans** When an employee has rendered service to an entity during a period, the entity shall recognise the contribution payable to a defined contribution plan in exchange for that service: (a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and			

IFRS	**Summary of IFRS treatment:** **Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?**	**Fully consistent? Consistent option with adjustments?**	**Applicable ?**	**Other comments**
	(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset (see, for example, IAS 2 and IAS 16) (IAS 19.51). Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the period in which the employees render the related service, they shall be discounted using the discount rate specified in paragraph 83 (IAS 19.52). See paragraph 83 on the discount interest rate below. **Post-employment benefits: defined benefit plans** Accounting by an entity for defined benefit plans involves the following steps: determining the deficit or surplus. This involves: (i) using actuarial technique, the projected unit credit method to make a reliable estimate of the ultimate cost to the entity of the benefit that employees have earned in return for their service in the current and prior periods (see paragraphs 67-69). This requires an entity to determine how much benefit is attributable to the current and prior periods (see paragraphs 70-74) and to make estimates (actuarial assumptions) about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and medical costs) that will			

IFRS	**Summary of IFRS treatment:** **Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?**	**Fully consistent? Consistent option with adjustments?**	**Applicable ?**	**Other comments**
	influence the cost of the benefit (see paragraphs 75–98); (ii) discounting that benefit in order to determine the present value of the defined benefit obligation and the current service cost (see paragraphs 67-69 and 83-86); (iii) deducting the fair value of any plan assets (see paragraphs 113–115) from the present value of the defined obligation. determining the amount of the net defined benefit liability (asset) as the amount of the deficit or surplus determined in (a), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling (see paragraph 64). The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations (IAS 19.83).			

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
	Other long-term employee benefits This Standard requires a simplified (when compared with post-employment benefits) method of accounting for other long-term employee benefits. In recognising and measuring the surplus or deficit in another long-term employee benefit plan, an entity shall apply paragraphs 56–98 and 113–115. An entity shall apply paragraphs 116–119 in recognising and measuring any reimbursement right. For other long-term employee benefits, an entity shall recognise the net total of the following amounts in profit or loss, except to the extent that another IFRS requires or permits their inclusion in the cost of an asset: service cost (see paragraphs 66-112); net interest on the net defined benefit liability (asset) (see paragraphs 123-126); and remeasurements of the net defined liability (asset) (see paragraphs 127-130). **Termination benefits** An entity shall recognise a liability for termination benefits at the earlier of the following dates: when the entity can no longer withdraw the offer of those			

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
	benefits; and when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits (IAS 19.165). Where termination benefits are not expected to be settled wholly before 12 months after the end of the annual reporting period, they shall apply the requirements for other long term employee benefits (IAS 19.169).			
IAS 20 Accounting for government grants and disclosure of governance assistance	IAS 20 shall be applied in accounting for, and in the disclosure of, government grants and in the disclosure of other forms of government assistance. Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate (IAS 20.12). A government grant may take the form of a transfer of a non-monetary asset, such as land or other resources, for the use of the entity. In these circumstances it is usual to assess the fair value of the non-monetary asset and to account for both grant and asset at that fair value. An alternative course that is sometimes followed is to record both asset and grant at a nominal amount. (IAS 20.23).	Fair value for monetary and monetary government grants is consistent with Art. 75.	**yes**	

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
	Solvency II framework: Where government grants take the form of a transfer of a non-monetary asset, that asset shall be measured at fair value.			
IAS 21 The effects of changes in foreign exchange rates	IAS 21 prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in profit or loss in the period in which they arise, except as described in paragraph 32 (IAS 21.28). In the financial statements that include the foreign operation and the reporting entity (e.g. consolidated financial statements when the foreign operation is a subsidiary), such exchange differences shall be recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment in accordance with paragraph 48 (IAS 21.32).	Translation in reporting currency is consistent with Article 75 of Directive 2009/138/EC.	**yes**	
IAS 23 Borrowing	IAS 23 prescribes the accounting for borrowing costs. An entity shall capitalise borrowing costs that are directly		**no**	IAS 23 does not prescribe valuation methodologies

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
costs	attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. An entity shall recognise other borrowing costs as an expense in the period in which it incurs them (IAS 23.8). **Solvency II framework:** Fair value approach, which is used according to Solvency II, prevents the application of IAS 23, which refers to a cost approach.			relevant for Solvency II balance sheet items.
IAS 24 Related party disclosures	IAS 24 requires disclosures about related parties and the reporting entity's transaction with related parties.		**no**	IAS 24 does not prescribe valuation methodologies for balance sheet items.
IAS 26 Accounting and reporting by retirement benefits plans	IAS 26 shall be applied in the financial statements of retirement benefit plans where such financial statements are prepared.		**no**	Out of scope.
IAS 27 Separate Financial	IAS 27 prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.		**no**	Out of scope.

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
Statements				
IAS 28 Investments in Associates and Joint Ventures	IAS 28 prescribes the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Associates are accounted for using the equity method. The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for a change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is recognised in other comprehensive income of the investor (see IAS 1 Presentation of Financial	Applicable equity method measurement principles.	**yes**	Limited application to the equity method.

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
	Statements (as revised in 2007)). (IAS 28.11). The entity's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances (IAS 28.26). If an associate or joint venture uses accounting policies other than those of the entity for like transactions and events in similar circumstances, adjustments shall be made to conform the associate's or joint venture's accounting policies to those of the entity when the associate's financial statements are used by the entity in applying the equity method (IAS 28.36). **Solvency II framework:** When calculating the excess of assets over liabilities for related undertakings, other than related insurance and reinsurance undertakings, the participating undertaking shall value the related undertaking's assets and liabilities in accordance with the equity method as prescribed in international accounting standards, as endorsed by the Commission in accordance with Regulation (EC) No 1606/2002, where valuation in accordance with Articles 75 to 86 of Directive 2009/138/EC is not practicable. In such cases the value of goodwill and other intangible assets valued at zero shall be deducted from the value of the related undertaking.			
IAS 29 Financial Reporting in	IAS 29 shall be applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary		**no**	IAS 29 does not prescribe valuation methodologies

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
Hyperinflationary Economies	economy.			relevant for Solvency II balance sheet items.
IAS 32 Financial instruments: Presentation	IAS 32 establishes principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.		**no**	IAS 32 does not prescribe valuation methodologies for balance sheet items. Moreover the determination of own funds is outlined in Solvency II.
IAS 33 Earnings per share	IAS 33 prescribes principles for the determination and presentation of earnings per share.		**no**	IAS 33 does not prescribe valuation methodologies for balance sheet items.
IAS 34 Interim financial reporting	IAS 34 prescribes the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period.		**no**	IAS 34 does not prescribe valuation methodologies for balance sheet items.
IAS 36 Impairment	IAS 36 prescribes the procedures that an entity applies to ensure that its assets are carried at no more than their		**no**	IAS 36 does not prescribe valuation

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
of Assets	recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the Standard requires the entity to recognise an impairment loss. The Standard also specifies when an entity should reverse an impairment loss and prescribes disclosures.			methodologies relevant for Solvency II balance sheet items.
IAS 37 Provisions, contingent liabilities and contingent assets	IAS 37 establishes the recognition criteria and measurement applied to provisions, contingent liabilities and contingent assets as well as information to be disclosed. **Provisions** A provision is a liability of uncertain timing or amount (IAS 37. 10). The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period (IAS 37.36). The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. It will often be impossible or prohibitively expensive to settle or transfer an obligation at the end of the reporting period. However, the estimate of the amount that an entity would rationally pay to settle or transfer the obligation gives the	Consistent measurement principles for Provisions.	**yes**	Contingent liabilities are to be recognised.

IFRS	**Summary of IFRS treatment:** **Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?**	**Fully consistent? Consistent option with adjustments?**	**Applicable ?**	**Other comments**
	best estimate of the expenditure required to settle the present obligation at the end of the reporting period (IAS 37.37) Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the liability. However, even in such a case, the entity considers other possible outcomes. Where other possible outcomes are either mostly higher or mostly lower than the most likely outcome, the best estimate will be a higher or lower amount. For example, if an entity has to rectify a serious fault in a major plant that it has constructed for a customer, the individual most likely outcome may be for the repair to succeed at the first attempt at a cost of 1,000, but a provision for a larger amount is made if there is a significant chance that further attempts will be necessary (IAS 37.40). Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. The name for this statistical method of estimation is 'expected value'. The provision will therefore be different depending on whether the probability of a loss of a given amount is, for example, 60 per cent or 90 per cent. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-			

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
	point of the range is used (IAS 37.39). The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision. (IAS 37.42) The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted (IAS 37.47). **Contingent liabilities and contingent assets** A contingent liability is: (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability (IAS 37.10). A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.			

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
	<u>Solvency II framework:</u> Provision's measurement principles are considered to be consistent with Article 75 of Directive 2009/138/EC. Contingent liabilities are recognised under Solvency II and valued based on the expected present value of future cash-flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate term structure.			
IAS 38 Intangible assets	IAS 38 prescribes the accounting treatment for intangible assets that are not dealt with specifically in another Standard. This Standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets. An entity shall choose either the cost model in paragraph 74 or the revaluation model in paragraph 75 as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets (IAS 38. 72). Cost model: After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and	Revaluation model is a consistent option.	**yes**	Goodwill is valued at zero.

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
	any accumulated impairment losses (IAS 38. 74) Revaluation model: After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. For the purpose of revaluations: under this Standard, fair value shall be determined by reference to an active market. Revaluations shall be made with such regularity that at the end of the reporting period the carrying amount of the asset does not differ materially from its fair value (IAS 38.75). **Solvency II framework:** The revaluation model is an option consistent with Article 75 of Directive 2009/138/EC for the intangible items recognised in the Solvency II balance sheet. Intangible assets, other than goodwill, are recognised in the Solvency II balance sheet at a value other than zero only if they can be sold separately and the insurance and reinsurance undertaking can demonstrate that there is a value for the same or similar assets that has been derived from quoted market prices in active markets. Bespoke computer software tailored to the needs of the undertaking and "off the shelf" software licences that cannot be sold to another user shall be valued at zero.			

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
IAS 39 Financial Instruments: Recognition and Measurement	IAS 39 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. For the purpose of measuring a financial asset after initial recognition, this Standard classifies financial assets into the following four categories defined in paragraph 9: (a) financial assets at fair value through profit or loss; (b) held-to-maturity investments; (c) loans and receivables; and (d) available-for-sale financial assets. These categories apply to measurement and profit or loss recognition under this Standard. The entity may use other descriptors for these categories or other categorisations when presenting information in the financial statements. The entity shall disclose in the notes the information required by IFRS 7 (IAS 39.45). After initial recognition, an entity shall measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets:	Fair value measurement principles applied to financial assets are consistent. In case of financial liabilities adjustment might be needed if the IFRS fair value includes changes in own credit standing in subsequent periods.	**yes**	The fair value measurement is applicable. However, there shall be no subsequent adjustment to take account of the change in own credit standing of the insurance or reinsurance undertaking after initial recognition.

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable?	Other comments
	(a) loans and receivables as defined in paragraph 9, which shall be measured at amortised cost using the effective interest method; (b) held-to-maturity investments as defined in paragraph 9, which shall be measured at amortised cost using the effective interest method; and (c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost (see Appendix A paragraphs AG80 and AG81). Financial assets that are designated as hedged items are subject to measurement under the hedge accounting requirements in paragraphs 89-102. All financial assets except those measured at fair value through profit or loss are subject to review for impairment in accordance with paragraphs 58-70 and Appendix A paragraphs AG84-AG93 (IAS 39.46). After initial recognition, an entity shall measure all **financial liabilities** at amortised cost using the effective interest method, except for: (a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted			

IFRS	**Summary of IFRS treatment:** **Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?**	**Fully consistent? Consistent option with adjustments?**	**Applicable ?**	**Other comments**
	equity instrument whose fair value cannot be reliably measured, which shall be measured at cost. (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. Paragraphs 29 and 31 apply to the measurement of such financial liabilities. (c) financial guarantee contracts as defined in paragraph 9. After initial recognition, an issuer of such a contract shall (unless paragraph 47(a) or (b) applies) measure it at the higher of: (i) the amount determined in accordance with IAS 37; and (ii) the amount initially recognised (see paragraph 43) less, when appropriate, cumulative amortisation recognised in accordance with IAS 18. (d) commitments to provide a loan at a below-market interest rate. After initial recognition, an issuer of such a commitment shall (unless paragraph 47(a) applies) measure it at the higher of: (i) the amount determined in accordance with IAS 37; and (ii) the amount initially recognised (see paragraph 43) less, when appropriate, cumulative amortisation recognised in accordance with IAS 18. Financial liabilities that are designated as hedged items are subject to the hedge accounting requirements in paragraphs 89-102 (IAS 40.47).			

IFRS	**Summary of IFRS treatment:** **Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?**	**Fully consistent? Consistent option with adjustments?**	**Applicable ?**	**Other comments**
	<u>Solvency II framework:</u> Fair value measurement principles are considered to be consistent with article 75 of Directive 2009/138/EC, except for subsequent adjustments to take account of the change in own credit standing of the insurance or reinsurance undertaking after initial recognition in the measurement of financial liabilities.			
IAS 40 Investment property	IAS 40 prescribes the accounting treatment for investment property and related disclosure requirements. With the exceptions noted in paragraphs 32A and 34, an entity shall choose as its accounting policy either the fair value model in paragraphs 33 - 55 or the cost model in paragraph 56 and shall apply that policy to all of its investment property (IAS 40.30). Cost model: After initial recognition, an entity that chooses the cost model shall measure all of its investment properties in accordance with IAS 16's requirements for that model, other than those that meet the criteria to be classified as held for sale (…) in accordance with IFRS 5 (IAS 40.56). Fair value model: After initial recognition, an entity that chooses the fair value model shall measure all of its investment property at fair value (…) (IAS 40.33). When a property interest held by a lessee under an operating lease is classified as an investment property under paragraph 6, paragraph 30 is not elective; the fair value model shall be	Fair value model is a consistent option.	**yes**	

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
	applied (IAS 40.34). **<u>Solvency II framework:</u>** The fair value model is an option consistent with Article 75 of Directive 2009/138/EC.			
IAS 41 Agriculture	IAS 41 prescribes the accounting treatment and disclosures related to agricultural activity. **Biological assets** A biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case described in paragraph 30 where the fair value cannot be measured reliably (IAS 41.12). **Agricultural produce harvested** Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 Inventories or another applicable Standard (IAS 41.13). **<u>Solvency II framework:</u>** Fair value less costs to sell is an option consistent with Article 75 of Directive 2009/138/EC if the estimated costs to sell are not material.	Fair value less costs to sell is a consistent option where estimated cost to sell are not material.	**yes**	Undertakings shall apply IAS 41 for biological assets if the estimated costs to sell are not material. If the estimated costs to sell are material, the undertaking shall adjust the value by including these costs.
IFRS 1 First-	IFRS 1 applies when an entity first adopts International		**no**	Out of scope.

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
time adoption of International Financial Reporting Standards	Financial Reporting Standards (IFRSs) in its annual financial statements.			
IFRS 2 Share-based payments	IFRS 2 specifies the financial reporting by an entity when it carries out a share-based payment transaction. An entity shall recognise the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. The entity shall recognise a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction (IFRS 2.7). When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they shall be recognised as expenses (IFRS 2.8). **Equity-settled share-based payment transactions** For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of	Consistent measurement principles	**yes**	

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
	the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted (IFRS 2.10). To apply the requirements of paragraph 10 to transactions with employees and others providing similar services, the entity shall measure the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received, as explained in paragraph 12. The fair value of those equity instruments shall be measured at grant date. (IFRS 2.11). To apply the requirements of paragraph 10 to transactions with parties other than employees, there shall be a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. That fair value shall be measured at the date the entity obtains the goods or the counterparty renders service. In rare cases, if the entity rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received, the entity shall measure the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty			

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
	renders service (IFRS 2.13). If the identifiable consideration received is less than the fair value of the equity instruments granted or the liability incurred, the unidentifiable goods or services are measured by reference to the difference between the fair value of the equity instruments granted (or liability incurred) and the fair value of the goods or services received at grant date (based on IFRS 2.13A). **Cash-settled share-based payment transactions** For cash-settled share-based payment transactions, the entity shall measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity shall remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period (IFRS 2.30). In some cases, the entity or the other party may choose whether the transaction is settled in cash or by issuing equity instruments. The accounting treatment depends on whether the entity or the counterparty has the choice. **<u>Solvency II framework:</u>** IFRS 2 measurement principles are considered to be consistent with Article 75 of Directive 2009/138/EC.			

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable?	Other comments
IFRS 3 Business combinations	IFRS 3 establishes principles and requirements for how the acquirer: (a) recognises and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; (b) recognises and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. IFRS 3 deals with business combinations. Subsequent (to the acquisition) measurement of acquired assets and liabilities follow the applicable IFRS of those items depending on their nature. **Solvency II framework:** Goodwill is valued at zero at the Solvency II balance sheet. All items shall be valued in accordance with Solvency II valuation methodologies.		**no**	Out of scope.
IFRS 4 Insurance contracts	IFRS 4 specifies the financial reporting for insurance contracts by any entity that issues such contracts (described in this IFRS as an insurer) until the Board completes the second phase of its project on insurance contracts. **Solvency II framework:** Solvency II establishes specific measurement principles for insurance liabilities		**no**	Out of scope.

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
IFRS 5 Non-current assets held for sale and discontinued operations	IFRS 5 specifies the accounting for assets held for sale, and the presentation and disclosure of discontinued operations. An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell (IFRS 5.15). An entity shall measure a non-current asset (or disposal group) classified as held for distribution to owners at the lower of its carrying amount and fair value less costs to distribute (IFRS 5.15A). Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the group) shall be measured in accordance with applicable IFRSs (IFRS 5.18). On subsequent remeasurement of a disposal group, the carrying amounts of any assets and liabilities that are not within the scope of the measurement requirements of this IFRS, but are included in a disposal group classified as held for sale, shall be remeasured in accordance with applicable IFRSs before the fair value less costs to sell of the disposal group is remeasured (IFRS 5.19). **Solvency II framework:** In Solvency II, there is no distinction based on the use of the assets. The non- current assets held for sale and discontinued operations shall be	Measurement principles not consistent.	**no**	

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
	measured in accordance with the relevant Solvency II valuation methodologies.			
IFRS 6 Exploration for and evaluation of mineral resources	IFRS 6 specifies the financial reporting for the exploration for and evaluation of mineral resources.		**no**	Business not relevant for insurers.
IFRS 7 Financial instruments: Disclosures	IFRS 7 specifies disclosure for financial instruments.		**no**	IFRS 7 does not prescribe valuation methodologies for balance sheet items.
IFRS 8 Operating Segments	IFRS 8 requires disclosure of information about an entity's operating segments, its products and services, the geographical areas in which it operates, and its major customers.		**no**	IFRS 8 does not prescribe valuation methodologies for balance sheet items.
IFRS 9 Financial Instruments	Not applicable as not yet endorsed by the Commission.		**no**	

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
IFRS 10 Consolidated Financial Statements	IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.		**no**	Out of scope.
IFRS 11 Joint Arrangements	IFRS 11 establishes principles for the financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. *joint arrangements*). This IFRS defines *joint control* and requires an entity that is a *party to a joint arrangement* to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement. **Solvency II framework:** see IAS 28 for the application of the equity method.	Applicable only for the requirement to use the equity method.	**no**	Out of scope. See IAS 28 for the equity method.
IFRS 12 Disclosure of Interests in Other Entities	IFRS 12 requires an entity to disclose information that enables users of its financial statements to evaluate: the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows.		**no**	IFRS 12 does not prescribe valuation methodologies for balance sheet items.

IFRS	Summary of IFRS treatment: Measurement principles or options consistent with Article 75 of Directive 2009/138/EC?	Fully consistent? Consistent option with adjustments?	Applicable ?	Other comments
IFRS 13 Fair Value Measurement	IFRS 13 defines fair value and sets out in a single IFRS a framework for measuring fair value. IFRS 13 also provides more details on the characteristics of the assets and liabilities that an undertaking should take into account in a transaction e.g. it would not take into account a blockage factor. **Solvency II framework:** IFRS 13 is consistent with Art. 75 except for the requirement to reflect the effect of changes in the entity's own credit risk.		**yes**	

Technical Annex 1

Table on application of Accounting Directive (**Directive 2013/34/EU)** if derogation is applicable and used				
Accounting Directive	The following applies if the options to permit the below mentioned valuation methods are exercised by the respective Member State ("MS") and the undertaking uses the permitted valuation method for preparing its annual or consolidated financial statements.	Fully consistent Consistent option With adjustments	Applicable?	Other comments
MS Option Art. 7 (1)	Permit or require the measurement of fixed **assets at revalued amounts**	With adjustments	**yes**	Market-consistent valuation needs to be assessed in accordance with Article 75 of Solvency II, Commission Delegated Regulation (EU) 2015/35 and these Guidelines.
MS Option Art 8 (1)b	Permit or require the measurement of **some financial instruments** (specifically identified in this Directive), including derivative financial instruments, at **fair value**	Consistent option	**yes**	Market-consistent valuation needs to be assessed in accordance with Article 75 of Solvency II, Commission Delegated Regulation (EU)

				2015/35 and these Guidelines.
MS Option Art 8 (1)b	Permit or require the measurement of specified categories of assets other than financial instruments at amounts determined by reference to **fair value**	Consistent option	**yes**	Market-consistent valuation needs to be assessed in accordance with Article 75 of Solvency II, Commission Delegated Regulation (EU) 2015/35 and these Guidelines.
MS Option Art 8 (6)	In respect of any assets and liabilities which qualify as hedged items under a **fair value** hedge accounting system, or identified portions of such assets or liabilities, permit measurement at the specific amount required under that system	With amendments	**yes**	Market-consistent valuation needs to be assessed in accordance with Article 75 of Solvency II, Commission Delegated Regulation (EU) 2015/35 and these Guidelines.
MS Option Art 8 (6)	Permit or require the recognition, measurement and disclosure of financial instruments in conformity with **IFRS** as adopted by EC	See guidance for individual IFRSs.	**yes**	Apply guidance on use of IFRSs (see above)

Annex II: Impact Assessment

Procedural issues and consultation with interested parties

According to Article 16 of the EIOPA Regulation, EIOPA conducts analysis of costs and benefits in the policy development process. The analysis of costs and benefits is undertaken according to an Impact Assessment methodology.

For the past several years, EIOPA has been working on providing practical guidance to apply a market-consistent valuation of assets and liabilities other than technical provisions. The key goal is hereby to foster convergent application of the provisions set out in Directive 2009/138/EC and the supplementing Commission Delegated Regulation (EU) 2015/35. EIOPA, and its predecessor CEIOPS, has listened carefully to stakeholders' feedback that – whilst the approach to use a market-consistent valuation is broadly supported – in particular undertakings not using IFRSs would require some specifications to implement the general principles.

In its letter of 19 July 2007, the European Commission requested CEIOPS to provide final, fully consulted advice on implementing measures by October 2009 and recommended CEIOPS to develop guidance on certain areas to foster supervisory convergence. EIOPA followed this call and provided advice for the development of implementing measures by the Commission[7]. As stated in this letter, the work to be developed in this should be in line with the provisions in the Directive and should take into account the results of the Quantitative Impact Studies (QIS3 and QIS4) – as well as international accounting and financial reporting developments.

The Guidelines for the valuation of assets and liabilities other than technical provisions will complement the regulatory measures.

Starting from the public consultation of CEIOPS' Level 2 Advice to the European Commission (CEIOPS-CP-35/09) regarding valuation of assets and "other liabilities" in 2009, and the feedback received after QIS 5[8], EIOPA has continuously invited stakeholders' views to enable a proportionate regulation in the area of valuations. This included an informal pre-consultation with stakeholders and the relevant EIOPA stakeholder group in May and June 2012 as well as the public consultation of 2014.

EIOPA's predecessor's (CEIOPS) first public consultation in this area showed the stakeholders' wish to encourage a proportionate and consistently applicable market-consistent valuation of assets and liabilities other than technical provisions, which provides for a reliable basis for all relevant Solvency II calculations. The feedback received and relevant for these Guidelines covered in particular the wish to enable

(1) the consistent application through specific guidance on the use of IFRSs for economic valuations;

[7] See https://eiopa.europa.eu/fileadmin/tx_dam/files/consultations/consultationpapers/CP35/CEIOPS-L2-Final-Advice-on-Valuation-of-Assets-and-Other-Liabilities.pdf

[8] See the QIS 5 final report and the feedback received on valuation here: https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/reports/QIS5_Report_Final.pdf

(2) a valuation approach that is current and consistent with international accounting developments – first and foremost with IFRSs as applicable in the EU;

(3) the appreciation of a proportionate approach, which provides for the use of IFRSs with departures from IFRSs only when genuinely required for regulatory purposes, which should limit the additional administrative burden.

The feedback received following from QIS 5 and the informal feedback received during May and June 2012 was fairly positive agreeing that EIOPA has struck a fair balance between a principle-oriented and a convergent approach to ensure an overall proportionate regulation. Most stakeholders commented that the requirements on valuation would not cause any major problems, in particular for those undertakings using IFRSs for their financial statements. However, undertakings from Member States where their local accounting requirements are based on historical and amortised cost, could not always ensure consistent practices and comparable results. In particular it was confirmed that some stakeholders appreciate more specific guidance on:

(1) the valuation when markets are non-existent or illiquid;

(2) the set-up of mark-to-model valuation techniques;

(3) guidance on the application of proportionality, and in particular on materiality;

(4) the recognition and valuation of deferred tax assets and liabilities;

(5) the valuation of intangible assets, contingent liabilities, financial liabilities and employee benefits.

The public consultation of these Guidelines that was carried out between December 2014 and March 2015 confirmed the objective and reasonableness of the Guidelines and resulted in mere editorial changes to the Guidelines, which are purely aimed at clarifying the provisions.

Problem definition

Directive 2009/138/EC requires a market-consistent valuation of assets and liabilities for the purposes of fairly reflecting on the financial situation of insurers and reinsurers and to set their capital requirements on a comparable basis. That valuation concept is further refined in Commission Delegated Regulation (EU) 2015/35 that set out the default valuation at market prices and specifies the use of IFRSs for the purposes of Solvency II.

Given the increasing cross-border nature of insurance business, divergences between Member States' current accounting regimes, valuation differences should be reduced to the greatest extent possible.

Considering the feedback from stakeholders as outlined above, EIOPA felt that the valuation principles as set out in the Directive and the Delegated Acts require further guidance in some areas to ensure consistent and efficient application of the provisions on valuation.

The legal framework needs to entertain insurance and reinsurance undertakings to conduct insurance business throughout the internal market thus making it easier for insurance and reinsurance undertakings with head offices in the Community to cover risks and commitments situated therein.

It is in the interests of the proper functioning of the internal market that coordinated rules be established relating to the supervision of insurance activities, in particular regarding cross-border activities, and, with a view to the protection of policyholders and creditors of insurance undertakings.

Baseline

When analysing the impact from proposed policies, the Impact Assessment methodology foresees that a baseline scenario is applied as the basis for comparing policy options. This helps to identify the incremental impact (costs and benefits) of each policy option considered. The aim of the baseline scenario is to explain how the current situation would evolve without additional regulatory intervention.

The baseline scenario is based on the current situation of EU insurance and reinsurance markets, taking account of the progress towards the implementation of the Solvency II framework achieved at this stage by insurance and reinsurance undertakings and supervisory authorities.

In particular the baseline includes:

a. The relevant content of Directive 2009/138/EC as amended by Directive 2009/51/EC (in particular Article 75);

b. The relevant content of Commission Delegated Regulation (EU) 2015/35.

Objective pursued

The objective of these guidelines is to establish consistent, efficient and effective supervisory practices within the EEA and to ensure the common, uniform and consistent application of Union law with respect to the valuation of insurance and reinsurance undertakings' assets and liabilities other than technical provisions.

This objective needs to be read in the context of the general objectives of Directive 2009/138/EC and in particular with the aim to facilitate the taking-up and pursuit of the activities of insurance and reinsurance, for which it is necessary to eliminate the most serious differences between the laws of the Member States as regards the rules to which insurance and reinsurance activities are subject.

Policy Analysis

In order to achieve the objective as set out in the previous section, EIOPA has analysed and considered the advantages and disadvantages as well as the costs and benefits of the impact of each request for further application guidance by stakeholders.

<u>The provisions in these Guidelines are not expected to have a material incremental costs compared to the baseline, which is Directive 2009/138/EC and the</u>

supplementing Delegated Acts. Those acts set out the valuation concepts and principles as well as some very specific requirements addressing particular assets or liabilities.

These Guidelines in fact do not accommodate any discretion, as the requirements all stem from the respective provisions of the Commission Delegated Regulation (EU) 2015/35.

As a reflection of stakeholder requests, the Guidelines address the need for application guidance in the following areas and policy issues:

Policy issue 1: Materiality

Policy issue 2: Proportionate approach to comparability of valuations

Policy issue 3: Valuation approach for assets where there is not necessarily a liquid market: investment property and property, plant and equipment

Policy issue 4: Valuation of financial liabilities: assessment of own credit risk

Policy issue 5: Valuation of participations: IFRS equity method and alternative valuation methods

Policy issue 6: Contingent liabilities

Policy issue 7: Deferred taxes

Policy issue 8: Derogation according to Article 9 of Commission Delegated Regulation (EU) 2015/35

Policy issue 1: Materiality

The Guidelines set out that:

- 1.1 materiality does apply as a matter of principle and the definition of materiality is used consistently with the definition in Commission Delegated Regulation (EU) 2015/35.
- 1.2 materiality does apply in a slightly different context when quarterly measurements are undertaken.

The application of materiality, as a form of proportionality, is inherent to Directive 2009/138/EC. Due to stakeholder comments requesting the actual application of the principle, this Guideline was added confirming that quarterly measurements may rely to a greater extent on estimates. EIOPA does not expect any incremental costs arising from these provisions.

Policy Issue 2: Proportionate approach to comparability of valuations

The Guidelines set out that:

- 2.1 a proportionate approach to valuation entails a consistent approach unless a change in the valuation would come up with better results.
- 2.2 circumstances that may ask for a change in valuation.

Due to stakeholder comments requesting the actual application of the proportionality principle, this Guideline was added confirming that valuation approaches can be consistently applied unless outside factors require a change to reflect a more appropriate measurement. EIOPA does not expect any incremental costs arising from these provisions.

Policy Issue 3: Valuation approach for assets where there is not necessarily a liquid market: investment property and property, plant and equipment.

The Guidelines set out:

- 3.1 which criteria and inputs can be considered for the valuation of these assets where markets are generally not liquid;
- 3.2 advise how to reconcile non-current measurements to the reporting date.

EIOPA acknowledges that these types of valuations may be difficult for undertakings coming from a cost-based accounting background, as these assets are generally not traded on an active market. Therefore, EIOPA has decided to add some guidance to the general principles set out in Commission Delegated Regulation (EU) 2015/35. EIOPA does not expect any incremental costs arising from these provisions.

Policy Issue 4: Valuation of financial liabilities: assessment of own credit risk

The Guidelines set out two possible approaches to assess changes in own credit risk, as required by Commission Delegated Regulation (EU) 2015/35.

The assessment and the calculation of valuation changes due to changes in own credit risk, as required by the Directive and the Delegated Acts, are difficult and entirely alien to undertakings coming from a cost-based environment. The Guideline sets out two proportionate approaches undertakings can follow. EIOPA does not expect any incremental costs arising from these provisions.

Policy Issue 5: Valuation of participations: IFRS equity method and alternative valuation methods

The Guidelines highlight areas for further consideration as required by Commission Delegated Regulation (EU) 2015/35.

Due to stakeholder comments requesting the actual application of the concepts as set out in the Delegated Acts, these Guidelines were added confirming and presenting in a transparent manner the treatments as required by the Delegated Acts. EIOPA does not expect any incremental costs arising from these provisions.

Policy Issue 6: Contingent liabilities

The Guidelines draw particular attention to the interaction of ancillary own fund items and potentially material contingent liabilities. This was added to illustrate considerations on materiality of contingent liabilities as requested by stakeholders. EIOPA does not expect any incremental costs arising from these provisions.

Policy Issue 7: Deferred taxes

The Guidelines:

- 7.1 confirm that for proportionality reasons, deferred taxes are not discounted
- 7.2 provide indication of documentation that is useful when applying the provisions as set out in Commission Delegated Regulation (EU) 2015/35

- 7.3 provide details on the required approach to participations in undertakings excluded from the group supervisions

Addressing stakeholder requests to help applying the requirements on deferred taxes, which is arguably the most complex field in accounting, the Guidelines merely illustrate the valuation approach as required by the Delegated Acts. IAS 12 *Income Taxes* does not permit to discount deferred taxes. Requiring doing so would be an additional burden for undertakings. EIOPA does not expect any incremental costs arising from the proposed provisions.

Policy Issue 8: <u>Derogation according to Article 9 of Commission Delegated Regulation (EU) 2015/35</u>

The Guidelines:

- 9.1 confirm the Delegated Acts provisions' that when IFRSs are used for the consolidated financial statements, the derogation cannot apply.
- 9.2 when some specific options provided by the Accounting Directive are permitted or required by a Member State, allow for the use of the guidance on IFRSs as a reference for the assessment of local accounting standards providing for market-consistent valuation.

These are the only Guidelines not previously requested by stakeholders. EIOPA felt it may be useful to point out (1) the scope of the derogation in case of consolidated financial accounts according to IFRSs and (2) the applicable legal basis, Directive 2013/34/EU, to help supervisors understand and undertakings to appropriately apply the derogation as outlined in Commission Delegated Regulation (EU) 2015/35. EIOPA does not expect any incremental costs arising from these provisions.

Annex III: Resolution of comments

Summary of Comments on Consultation Paper EIOPA-CP-14/065 CP-14-065-GL Valuation of assets				
EIOPA would like to thank Insurance and Reinsurance Stakeholder Group (IRSG), AMICE, CFO Forum and CRO Forum, Deloitte Touche Tohmatsu, Federation of European Accountants (FEE), GDV, Insurance Europe, and MetLife and Zurich. The numbering of the paragraphs refers to Consultation Paper No. EIOPA-CP-14/065.				
a	**Name**	**Reference**	**Comment**	**Resolution**
1.	IRSG	General Comment	The guidelines state or at least imply that only IFRS should always be used for Solvency II – however the Delegated Acts make clear (Article 9(4)) that alternative valuation methods (e.g. local GAAP) are acceptable under the proportionality principle. This needs to be reflected in the Guidelines. This could be amended in the first paragraph under "Guideline 12 – when applying the derogation" as follows: "Undertakings applying the derogation in Article 9 (4) of the Implementing Measures should not use these Guidelines as a reference and only rely on the provisions of Article 9 (4) in the Delegated Acts when determining whether its valuations are consistent with Article 75 of Solvency II." If there are changes to the content of the IFRS articles mentioned in the table in the guidelines checking the consistency between the IFRS and Solvency II valuation, then EIOPA would need to confirm whether there are changes to that table, as it refers to the currently specific IFRS standards.	EIOPA partially agrees. For more clarity, the introduction to the Guidelines has been amended in order to mention: - the existence of the derogation provided in Art. 9(4) of the delegated acts; - that EIOPA is not going to comment on the individual GAAP of Member States; - that the table about consistency of IAS/IFRS with Article 75 of the Solvency II Directive is not part of the Guidelines and is appended only as a set

				of illustrative examples In addition explanatory text is non-binding but aims to provide a better understanding of the context of creation of a specific Guideline. Moreover, the paragraph related to the final provision on reviews has also been amended to specify under which circumstances the Guidelines and the table about consistency of IAS/IFRS with Article 75 might be updated. Regarding this latter point, to the extent where this table is not part of the Guideline, subsequent changes to IFRS or new standards, will not necessarily lead EIOPA to update the table. Depending on the circumstances, changes to accounting rules, including to European accounting directives, that may occur in the future will lead EIOPA to appreciate whether it should issue a RTS (in accordance to the Directive), update the Guideline (including the technical annex) and/or

				possibly update the comparison table that is part of the explanatory text.
2.	AMICE	General Comment	AMICE members have welcomed the provision in the Delegated Acts by which firms can value assets and liabilities using accounting methods different to those used under IFRS provided this is proportionate to the nature, scale and complexity of the risks inherent in the undertaking´s business. EIOPA should not endanger this provision by the introduction of unnecessary guidelines. We therefore suggest that guideline 12 be deleted.	Noted. However, it should be recalled that this condition of proportionality is only one of the criteria to be met when undertakings want to use derogation. EIOPA disagrees with this comment. Guideline 12 does not endanger the application of the derogation but simply provide some illustrative example or references that could help undertakings for retaining valuation principles that could be considered as consistent with Article 75. EIOPA completed the introduction in order to explain when derogation may be applied.
3.			This comment was submitted as confidential by the stakeholder.	
4.	GDV	General Comment	GDV welcomes the opportunity to comment on the proposal for guidelines on valuation of assets and liabilities other than technical provisions. We have serious concerns that EIOPA continues to only accept valuation methods according to IAS/ IFRS. This is a clear contradiction with the outcome of the discussions on the Delegated Acts. Article 9	EIOPA disagrees: - regarding clarifications needed, see EIOPA's

			(4) and 10 of the Delegated Acts consider that for the valuation under Solvency II, accounting values that have not been determined in accordance with IFRS could be used under specific conditions. The guidelines must be reflective of the provisions of these articles. Furthermore, explanatory texts are non-binding explanations and clarifications. This is why they are not and have not been part of the consultations. This should be clarified by EIOPA.	responses to comments 1 and 2; - the scope of each Guideline is clearly specified in their content. Explanatory text was part of the consultation (regarding the binding characteristics, see EIOPA's responses to comments 1 and 2).
5.	Insurance Europe	General Comment	We basically support EIOPA's approach concerning the adaptation of IFRS endorsed within the EU for harmonisation purposes of IFRS and solvency II principles. As a general rule, a value which has been recognised as a fair value under IFRS should also be recognised as an economic value under Solvency II. However, we have the following concern: ☐ The guidelines state or at least imply that only valuation methods in accordance with IFRS should always be used for Solvency II. EIOPA's insistence on accepting IAS/IFRS valuation methods only is in clear contradiction of the outcome of the discussions on the Delegated Acts. Articles 9(4) and 10 of the Delegated Acts apply the proportionality principle to valuation under Solvency II, and permit use of accounting values that have not been determined in accordance with IFRS, provided that they either represent an economic valuation or are adjusted accordingly. The guidelines must reflect the provisions of these articles. ☐ EIOPA should make sure that the guidelines keep abreast of the changes in IFRS. As IFRS is constantly changing (improving) and new standards emerge, these changes should be reflected within the solvency II framework to the extent that they comply with IFRSs adopted by the EC in accordance with regulation (EC) N° 1606/2002 of	See EIOPA's responses to comments 1 and 2.

			the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. In particular, it is important to avoid situations in which for Financial Statements EU insurers using IFRS have to apply new or amended standards which are not yet agreed upon for use within Solvency II.	
6.			This comment was submitted as confidential by the stakeholder.	
7.	Zurich	General Comment	We would like to thank EIOPA for providing us with the opportunity to voice our views on its Guidelines. Overall, we consider the paper to be inconsistent. In particular, we find that Guideline 9 specifically references IAS 12 as the principle to apply for the SII balance sheet and yet Guideline 10 only talks about documentation (and deviates there from our understanding of the requirements of IAS 12). Therefore our working assumption remains valid, that IAS 12 is the starting point (as in our MCBS process) and a documentation requirement would not impose a different recoverability assessment than IAS 12.	EIOPA does not think that the underlying assertion of this comment is correct. Guideline 9 has been rewritten and no longer references IAS 12 Guideline 10 is not about applying IAS 12. It refers to the documentation that supports deferred taxes however valued, that undertakings should be able to provide to their supervisor.
8.	GDV	1.6.	The possibility that alternative valuation methods determined according to local GAAP might also be used under specific conditions, should be included in the introduction. There are only references to IFRS or adjustments to IFRS.	EIOPA agrees. See EIOPA's responses to comment 1 and 2.
9.	Insurance Europe	1.6.	The possibility that alternative valuation methods determined according to local GAAP might also be used under specific conditions, should be included here. There is only reference to IFRS or adjustments to IFRS.	EIOPA agrees. See EIOPA's responses to comments 1 and 2.
10.	MetLife	1.6.	It is possible that alternative valuation methods (such as, those determined in accordance with local GAAP), may be used to determine	Noted. However, It should be recalled that the

			fair value, so long as they are consistent to the exit price notion under Solvency II and IFRS 13. Hence, reference to fair value should not be restricted only to IFRS or adjustments to IFRS.	utilisation of an exit price, the terminology generally used is "market-consistent", is only one of the criteria to be met when undertakings want to use derogation. See also EIOPA's responses to comments 1 and 2.
11.	IRSG	1.7.	It is stated here that the GLs refer to the Implementing Measures which specify measurement principles for the valuation of assets and liabilities other than technical provisions. The wording in the GLs should also consider that the Implementing Measures distinguish between recognition and valuation (see Art. 9 par. 1 Draft Delegated Acts).	This is a fair point and EIOPA agrees. An amendment has been made to paragraph 1.7 to address this comment.
12.	Federation of European Accountants (FEE)	1.7.	It is stated here that the GLs refer to the Implementing Measures which specify measurement principles for the valuation of assets and liabilities other than technical provisions. The wording in the GLs should also consider that the Implementing Measures distinguish between recognition and valuation (see Art. 9 par. 1 Draft Delegated Acts).	This is a fair point and EIOPA agrees. See EIOPA's response to comment 11.
13.	IRSG	1.8.	The definition of written premiums provided here is only necessary to describe the policy options. So, for the final GL it is not necessary anymore and should be deleted.	This is a fair point and EIOPA agrees. In the latest version of delegated acts, written premiums are now defined in Article 1 (11) Delegated Regulation (EU) 2015/35. As a consequence we removed paragraph 1.8 of Guidelines.
14.	Federation of European	1.8.	The definition of written premiums provided here is only necessary to describe the policy options. So, for the final GL it is no longer	This is a fair point and

	Accountants (FEE)		necessary and should be deleted.	EIOPA agrees. See EIOPA's response to comment 13.
15.	Insurance Europe	1.8.	Written premium is defined in Article 1.11 of the Delegated Act. We therefore suggest deleting the definition in the introduction of these Guidelines.	This is a fair point and EIOPA agrees. See EIOPA's response to comment 13.
16.	Insurance Europe	1.15.	It would be important to know when the review by EIOPA of these guidelines is envisaged and what are the objective criteria needed to be met for such a review to be triggered.	EIOPA agrees. Paragraph 1.16 (former para. 1.15) of Guidelines has been amended to state when Guidelines will be updated (see EIOPA comment to comment 1).
17.	Deloitte Touche Tohmatsu	Guideline 1	Could you please make the materiality principle more concrete in the context of the solvency II Balance Sheet? For example by giving a uniform reference parameter (e.g. Basic Own Funds) and a relevant relative threshold. This would ensure an uniform application of this principle. In addition it would be helpful to give some examples of the greater extent of estimates and estimation methods related to a quarterly measurement in differentiation from the annual measurement. The guidelines should clarify that it is the decision-making or judgment of the intended users that should govern the materiality considerations; that is, investors, policyholders, regulators et c. Also, it should be clarified what type of decisions EIOPA has in mind (i.e. economic decisions) similar to the IFRS Framework. The guidelines should state that the intention of EIOPA is to be fully aligned with the concept of materiality as described in IFRS so that undertakings do not have to apply two different definitions (i.e. one for financial reporting and one for regulatory reporting purposes).	EIOPA disagrees. We cannot amend the Guidelines as requested, as this would be adding to the Directive and Regulation which is not within EIOPA's legal powers. EIOPA slightly changed the wording to be completely consistent with Article 11(2) of Delegated Regulation (EU) 2015/35.
18.	Insurance	Guideline 1	The reference to materiality with a definition consistent with how the	Noted.

	Europe		concept is used in the Delegated Acts is appreciated. Furthermore, a though the guideline permits the use of proxies and simplifications for quarterly calculations, we note that these are allowed under the conditions as set out in the guidelines and the Solvency II legislation. Therefore, the use of proxies and simplifications should not be related to the topic of materiality as mentioned here by EIOPA and this reference should be removed.	EIOPA disagrees with this comment. Wording used in the Guideline, relative to specific considerations in the context of a materiality assessment for quarterly measurement purpose, is consistent with wording used in IAS 34(.23 to 25).
19.	IRSG	Guideline 2	Consistency of applying alternative valuation methods: In our view it does make sense to require a consistent application of alternative valuation methods. The GL explicitly states that undertakings should consider if a change in valuation techniques leads to a more appropriate fair value measurement and mentions several triggers indicating that this may be the case. It should be added that a change of applying alternative valuation methods should be allowed if it contributes to a reduction in cost, but does not result in less appropriate measurement.	EIOPA does not disagree with this proposal, as long as it ensures an appropriate measurement. However this proposal is already covered by the general proportionality principle.
20.	Federation of European Accountants (FEE)	Guideline 2	In our view it does make sense to require a consistent application of alternative valuation methods. The GL explicitly states that undertakings should consider if a change in valuation techniques leads to a more appropriate fair value measurement and mentions several triggers indicating that this may be the case. It should be added that a change of applying alternative valuation methods should be allowed if it contributes to a reduction in cost, but does not result in less appropriate measurement.	See EIOPA's response to comment 19.
21.	IRSG	Guideline 3	We suggest that this Guideline be abbreviated by deletion of the explanatory text commencing at "In some cases,….." in the interests of clarity.	EIOPA does not agree. This text adds value and clarity regarding the approach to be followed when different outputs could be defined Therefore, it will be

				retained. Moreover, it should be noted that the text referred to is not explanatory text but is part of the Guideline.
22.	Deloitte Touche Tohmatsu	Guideline 3	Valuing the investment property as the maximum between selling or using it is actually a management action that should be clearly documented. It depends mostly on the strategy followed by the undertaking.	Noted. However Guideline 3 refers explicitly to market participant views regarding the assessment of the highest and best used of assets. So it does not depend on the strategy followed by the undertaking.
23.	Federation of European Accountants (FEE)	Guideline 3	(1) The interaction of this Guideline and Article 9(3) of the Delegated Acts should be clarified. Article 9(3) requires the use of the valuation methods in accordance with IFRS where these are consistent with Solvency II's requirements. The table appended to the Guidelines states "Undertakings shall apply the fair value model and the revaluation model of IAS 40 and IAS 16 respectively when valuing property". Given the apparent indication that valuation should follow IFRS it is unclear why a separate Guideline is needed in this area. (2) If this guideline is to be maintained then it should also be clarified how the guidance provided on alternative valuation methods relates to the fair value hierarchy prescribed by Article 10 of the Draft Delegated Acts. Whereas alternative valuation methods clearly are classified as "level 3"-methods in Art. 10, the GL mentions current prices in an active market as the measurement basis for alternative valuation methods which is confusing. We wonder if the guidance included here is really needed as it seems to restrict the possibility of using alternative valuation methods. The fair value hierarchy in Art. 10 Draft Delegated Acts does not allow for such a restriction.	EIOPA partially agrees. Regarding the first comment, see EIOPA's response to comment 1. Regarding this second comment, EIOPA considered that Guidance is compliant with Article 10 of Delegated Regulation (EU) 2015/35 and does not restrict the possibility of using alternative valuation methods. However, for more clarity Guideline has been amended to refer to valuations methods according Art. 10(7) for application of Art. 10(5) of Delegated Regulation (EU)

				2015/35and refer to inputs listed in Art. 10(6) of Delegated Regulation (EU) 2015/35. Therefore, following these amendments, it is clearer that Guideline 3 mentions inputs to be used when applying methods listed in Art. 10(7) of Delegated Regulation (EU) 2015/35 and does not restrict the use of alternative valuation methods.
24.	GDV	Guideline 3	Guideline 3 reduces the number of alternative valuation methods to three methods. These should not be considered an exhaustive list. This should be reflected in the guideline.	EIOPA disagrees. See EIOPA's response to comment 23.
25.	Insurance Europe	Guideline 3	This guideline reduces the number of alternative valuation methods to three methods. These should not be considered an exhaustive list and this should be reflected in the guideline. In direct relation to this, a reference to the cost approach set out in article 10.(7)(c) of the Delegated Acts should be added as guidelines should not prohibit the use of any valuation method mentioned in the Delegated Acts. Beside the argument above, we note that IFRS provides guidance with respect to property investments (IAS 40), property for own use and plant, equipment (IAS 16). Specifically with respect to equipment, one common approach taken is the use of the cost minus depreciation. In our opinion the carrying amount of "equipment" or "other assets" not being inventory (IAS 2) could be used as proxy for the economic value, e.g. in the case of furniture, the depreciation could be regarded as the normal economic wear and tear when using the asset in a normal manner. In such a case, a revaluation to an economic value, which implies a too big administrative burden, will not be of real benefit.	See EIOPA's response to comment 23. See EIOPA's response to comment 23. EIOPA disagrees. This proposal is not in line with Article 16(3) of Delegated Regulation (EU) 2015/35.

26.	MetLife	Guideline 3	With respect to plant and equipment, depreciated cost should be explicitly allowed as a proxy to the economic value. Their revaluation, should the need so arise, would result in significant administrative and cost burden on users with no real benefits to such economic valuation.	See EIOPA's responses to comments 25.
27.	CFO Forum and CRO Forum	Guideline 4	1. Guideline 4 (Investment property and property, plant and equipment: documentation of the valuation) states the following: "Where undertakings use a valuation not carried out at the reporting date, they should be able to provide their supervisory authority with: a) details of the adjustments made to reflect changes between the valuation date and reporting date; or b) robust information supporting the assertion that the value at the valuation date and reporting date would not be materially different." We suggest that this guideline make reference to materiality and proportionality. Plant and equipment of insurance companies mostly represents small assets such as computers, printers, desks, chairs etc. As such, the guidance is not pragmatic or proportionate for such small assets.	EIOPA does not disagree. However, since proportionality is a general principle, and as such, applies in any case, we believe there is no need to make explicit references to it in each and every Guideline. There is also Guideline 1, which is specific to materiality in the context of valuation of assets and liabilities other than technical provisions.
28.	Deloitte Touche Tohmatsu	Guideline 4	The guideline indicates that also for investment property a valuation not carried out at the reporting date is possible. We understand that this is a departure from IAS 40. We suggest that this should be clearly mentioned for the avoidance of doubt. What adjustments do you expect from the companies to reflect changes between the valuation date and reporting date? The adjustments named by IAS 16? Depreciation and Impairment-Test?	EIOPA agrees that the Guideline was unclear on this point. Consequently, it has been amended for clarity.
29.	MetLife	Guideline 4	We believe that it should be possible to adjust the economic value of property from the date of last valuation to the reporting date, using appropriate benchmarks (e.g. property indices), so long as full appraisal are performed at sufficient frequency to meet any existing legal requirements (e.g. 3 years in the UK) or to not result in an unreliable economic value.	See EIOPA's response to comment 28.
30.			This comment was submitted as confidential by the stakeholder.	

31.	Insurance Europe	Guideline 5	We understand that the requirement not to adjust for own credit risk standing does not apply to subordinated liabilities since these are rather deemed as Own Funds.	EIOPA disagrees. Whilst these are indeed own funds, the requirement not to adjust for own credit risk does apply to subordinated liabilities according to Art. 14(1), 69(b), 72(b), 76(b) of the Commission Delegated Regulation (EU) No 2015/35.
32.	Deloitte Touche Tohmatsu	Guideline 6	We would recommend some proportionality on the adjustments to be done in accordance with IFRS to value the holding in related undertaking. We should avoid a situation where the derogation foreseen in article 9(4) of IM is not applicable in any circumstance.	EIOPA does not disagree. However, since proportionality is a general principle, and as such, applies in any case, we believe there is no need to make explicit references to it in each and every Guideline.
33.	Insurance Europe	Guideline 6	Article 9(4) of the Delegated Acts, in accordance with the principle of proportionality, permits an undertaking to recognise and value an asset or liability based on a valuation method other than IFRS, provided specified conditions are met. Therefore we do not agree with the requirement in the first paragraph of this guideline that undertakings should "…recognise and value that related undertaking's assets and liabilities in accordance with IFRS" and suggest that it is deleted.	EIOPA disagrees. This Guideline is meant to be read only if the undertaking applies IFRS equity method according Article 13(5) of Delegated Regulation (EU) 2015/35, as mentioned in the Guideline.
34.	Deloitte Touche Tohmatsu	Guideline 7	When using the IFRS equity method the companies should make adjustments where needed to recognise and value assets and liabilities of the related undertaking in accordance with IFRSs. The decision tree shows that for subsidiaries there is no possibility to use an alternative valuation method. This means that for every non IFRS applying subsidiary a IFRS recognition and measurement must be implemented.	It should be highlighted that the Guideline is related only to article 13(1)(c) of Delegated Regulation (EU) 2015/35.

			To our mind means this a non-reasonable burden for the undertakings, especially by considering the tough QRT-Balance-Sheet Deadlines. We suggest that the alternative valuation method is open to subsidiaries too when the adjusted equity methods are not practicable.	According to Delegated Regulation (EU) 2015/35it is not possible to assess a subsidiary using an alternative valuation method. However an undertaking is allowed to use local GAAP when the criteria set out in Articles 13(6) and 9(4)of Delegated Regulation (EU) 2015/35 are met. Moreover, it should be noted the term "alternative valuation" should not be confused with valuation method used for preparing its annual or consolidated financial statements. It has been clarified that the decision tree is to be used only when the derogation does not apply.
35.	IRSG	Guideline 8	Contingent liabilities: In some cases ancillary own funds provided may lead to an actual liability recognised under IFRS (e.g. a provision under IAS 37 or a financial liability under IAS 39). It should be clarified that only those cases in which no actual liability has been recognized are in the scope of this guideline.	EIOPA agrees. According to general accounting standards contingent liabilities are usually not recognised as liabilities. The purpose of Article 11 of Delegated Regulation (EU) 2015/35is to require them to be recognised if material. EIOPA agrees that commitments from the entity that would be

				ancillary own funds for beneficiaries are only liabilities when they meet the condition for recognition according to the accounting standards, in which case they are by definition no longer contingent liabilities. Consequently, the Guideline has been amended for more clarity.
36.	AMICE	Guideline 8	Under IFRS (IAS 37) two types of contingent liabilities are identified. Either: 1) those that relate to a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or 2) those that relate to a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the liability cannot be measured reliably. The reason why IFRS does not propose recognition of (notably) Type 2 contingent liabilities under IAS 37, is that these cannot be measured reliably, or their occurrence is not probable. We question whether recognition of these items in the Solvency II balance sheet would make much sense.	EIOPA understand this comment, but cannot agree to change the Guideline accordingly, as that would be inconsistent with Article 11 of Delegated Regulation (EU) 2015/35.
37.	Deloitte Touche Tohmatsu	Guideline 8	Current guideline formulation might lead to the conclusion that contingent liabilities should only be recognised as counterpart for approval for an ancillary own fund item. The contingent liability covers also other situations where guidance would be welcome.	EIOPA agrees. Consequently, the title has been changed to clarify that this Guideline addresses only contingent liabilities that arise from ancillary own fund item

				arrangements.
38.	Federation of European Accountants (FEE)	Guideline 8	In some cases ancillary own funds provided may give rise to an actual liability recognised under IFRS (e.g. a provision under IAS 37 or a financial liability under IAS 39). It should be made clear that this guideline is only relevant in circumstances where an actual (i.e. non-contingent) liability has not been recognised.	EIOPA agrees. See EIOPA answer to comment 35.
39.	GDV	Guideline 8	Guideline 8 requires that all contingent liabilities should be recognized. According to Article 11 of the Delegated Acts, however, contingent liabilities shall be recognized only if they are material. This should be reflected in the Guideline.	EIOPA disagrees. The Guideline 8 deals only with contingent liabilities arising from ancillary own fund item arrangements. The Guideline says that particular attention to Article 11 of Delegated Regulation (EU) 2015/35 should be paid in this case.
40.	Insurance Europe	Guideline 8	As a reminder, according to Article 11 of the DAs, contingent liabilities shall be recognized in the Solvency II balance sheet only if they are material. This should be reflected in the guidelines. Besides, we are against requiring contingent liabilities to be valued as in many instances, contingent liabilities are treated for accounting purposes as off-balance sheet items. This is because it is not clear that they actually are liabilities at a balance sheet date. We propose that contingent liabilities are only valued as liabilities in the context of the sale of a business as a whole because in most other circumstances, contingent liabilities will have such very low probabilities of a future outflow of funds (and as such would be immaterial) that it would be difficult to value them with the required degree of robustness. Adding up to this argumentation, we would point out that under IFRS (IAS 37) two types of contingent liabilities are identified. Either: 1) those that relate to a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or	EIOPA agrees but it is indeed reflected in the Guideline which clearly refers to Article 11 of Delegated Regulation (EU) 2015/35. Regarding this second comment, valuing contingent liabilities is required by Article 11 and EIOPA does not have the legal power to overrule such requirements. Regarding the third point,

			2) those that relate to a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the liability cannot be measured reliably. The reason why IFRS does not propose recognition of (notably) Type 2 contingent liabilities under IAS 37, is that these can not be measured reliably, or their occurrence not being probable. We question whether recognition of these items in the Solvency 2 balance sheet would make much sense. As a side note, it is not clear how it is possible in the general ledger to book an on-balance sheet item (i.e. contingent liability) for a company A against an off-balance sheet item (i.e. ancillary own funds) for a counterparty company B.	see EIOPA comment in response to point 36.
41.	MetLife	Guideline 8	We oppose requiring contingent liabilities to be valued on-balance sheet, given they are off-balance sheet for accounting purposes, unless in the context of business combinations. As contingent liabilities by their very nature have low probability of future outflow and amount of obligation cannot be determined with reasonable certainty, it would be difficult to robustly value them.	See EIOPA comment in response to point 36.
42.	AMICE	Guideline 9	EIOPA states that deferred tax assets and liabilities shall not be discounted. However, undertakings should be allowed to discount DTA and DTL as this is consistent with the valuation of other balance sheet items.	EIOPA believes that a reliable determination of deferred tax assets and liabilities on a discounted basis would require very detailed and precise scheduling of the timing of the reversal of each temporary difference, which in many cases is impracticable or highly complex. As a consequence, discounting deferred tax assets and liabilities would impede comparability between undertakings that

				discounted the figure and those who do not and would introduce spurious precisions which could not be rigorously supported Therefore Guideline 10 remains as is.
43.	Zurich	Guideline 10	Guideline 9: This guideline states that IAS 12 defines the principles for recognition and valuation of deferred taxes. Guideline 10 goes further than IAS 12 by stating what documentation entities should provide to supervisory authorities in order to gain assurance over the recoverability of deferred tax. While we appreciate that this guideline will help supervisory authorities in their review of deferred tax under Solvency II, we would ask EIOPA to point out that supervisory authorities, in their review, should not go beyond the requirements of recoverability testing performed under IFRS.	EIOPA agrees that Guidelines 9 and 10 should not refer to IAS 12, but more generally to deferred taxes. However EIOPA disagrees that the Guidelines go further than IAS 12. As acknowledged in the comment, Guideline 10 only deals with documentation. As IAS 12 does not address the issue of documentation so Guideline 10 cannot be considered as going beyond what is required by IAS 12. Moreover, Guideline 10 applies equally to firms applying IFRS or local GAAP valuation and is not restricted to addressing the recoverability testing. The Guideline deals more generally with the documentation of all the

				deferred taxes, whether they are recognised or not.
44.	IRSG	Guideline 10	The explanatory text of Guideline 9 states that the recognition and valuation of deferred tax should be consistent with IAS 12. Guideline 10 should therefore also be consistent with IAS 12 in the sense that the documentation and supervisory information requirements should not exceed the requirements of IAS 12. We should therefore advice to draw a parallel with IAS 12 as has been done under Guideline 9. We suggest the words 'at a minimum' in the fourth and fifth lines of this Guideline be deleted in the interest of clarity and lack of ambiguity.	See EIOPA's response to comment 43 and 45. Regarding the second point, EIOPA disagrees. "At a minimum" means that this is not a closed list and the supervisor has the ability to request further information depending on the particular situation of an undertaking regarding deferred taxes.
45.	CFO Forum and CRO Forum	Guideline 10	1. Guideline 9 states (in the explanatory text) that IAS 12 defines the principles for recognition and valuation of deferred taxes. However, Guideline 10 goes further than IAS 12 by stating what documentation entities should provide to supervisory authorities in order to gain assurance over the recoverability of deferred tax. While we appreciate that this Guideline will help supervisory authorities in their review of deferred tax under Solvency II, the resubmission of evidence is an additional burden when the evidence described is already a requisite of IFRS reporting. 2. This guideline is interpreting Article 15 (3). Article 15 (3) is consistent with IAS 12 criteria in assessing the probability that future taxable profit will be available i.e. IAS 12.37 (b) whether it is probable that the entity will have taxable profits before the unused tax losses or credits expire. However, guideline 10 of this consultation paper is taking a view (which is not stated in IAS 12) on the definition of 'probable taxable profits' by defining them as the profits considered for	EIOPA disagrees on some aspects: - Regarding comments 1 and 2, see EIOPA's responses to comment 43. - Regarding documentation, whilst auditors will have seen the information, supervisors will not. If the information has already been prepared for IFRS reporting, no additional burden

			the normal planning cycle. 3. It is our view and indeed a common view taken by auditors when interpreting the recoverability period of deferred taxes under IAS 12, that without specific circumstances, it is inappropriate to assume that no taxable profits are probable after a specified time period e.g. the 3 year plan cycle. Therefore, for every year until the expiry of tax losses, the calculation should include plan taxable profits that satisfy the criterion of being more probable or not. Overall, we consider the paper to be inconsistent. In particular, we find that Guideline 9 specifically references IAS 12 as the principle to apply for the SII balance sheet and yet Guideline 10 only talks about documentation (and deviates there from our understanding of the requirements of IAS 12). Therefore our working assumption remains valid, that IAS 12 is the starting point (as in our MCBS process) and a documentation requirement would not impose a different recoverability assessment than IAS 12.	arises from saying that firms should be prepared to supply it if requested. Moreover, Solvency 2 potential deferred taxes may be different from statutory. The projections, if any, used to demonstrate likely utilisation of deferred tax assets may differ from that used in statutory accounting as a result of differences between the two frameworks. Regarding the other comments, EIOPA agrees that having not clearly stated that Regulation does not refer explicitly to IAS 12, combination of Guideline 9, 10 and explanatory text can be confusing. The Guidelines have been rewritten in consequence.
46.	Deloitte Touche Tohmatsu	Guideline 10	In terms of the documentation requirements undertakings should be able to provide supervisory authorities (amongst others) with, at a minimum, information on the forecasting of the reversal of temporary differences. We think this is a non-reasonable burden for the undertakings, an evidence of the temporary nature of the difference should be sufficient. In the context of Guideline 10 a detailed scheduling of the timing of the reversal of each temporary difference is in many cases be considered as impracticable or highly complex. This seems to be contradictory.	See EIOPA's responses to comment 43 and 45. Documentation is required for deferred tax recognised in Solvency 2 balance sheet. However Article 207, which relates to the loss absorbing capacity of deferred tax looks back to

			We suggest to clarify whether the documentation required under guideline 10 based on BE scenario only or also stressed scenarios to challenge the loss absorbing capacity of deferred taxes. Paragraph 15 of IAS 12 states those four cases where deferred taxes are not calculated on temporary differences, for example on transactions that are no business combinations and goodwill. The guidelines should clarify whether those four items apply when calculating deferred taxes under the Solvency 2 framework as well. This exemption often applies to investment property acquired as a non-business combination and where deferred taxes are not recognised on the temporary differences. With the prescribed Solvency 2 approach, this could have a potentially large impact on investment property if full deferred tax liability should be recognised on the entire temporary differences, as opposed to only on those arising after the acquisition, which is what IAS 12 states.	Article 15 and applies it for that purpose as well.
47.	Insurance Europe	Guideline 10	This guideline is interpreting Article 15 (3) of the Delegated Acts which is consistent with IAS 12 criteria in assessing the probability that future taxable profit will be available (i.e. IAS 12.37 (b) on whether it is probable that the entity will have taxable profits before the unused tax losses or credits expire). However, guideline 10 of this consultation paper is taking a view (which is not stated in IAS 12) on the definition of 'probable taxable profits' by defining them as the profits considered for the normal planning cycle. It is our view and also a common view taken by auditors when interpreting the recoverability period of deferred taxes under IAS 12, that without specific circumstances, it is inappropriate to assume that no taxable profits are probable after a specified time period e.g. the 3 year plan cycle. Therefore, for every year until the expiry of tax losses, the calculation should include plan taxable profits that satisfy the criterion of being more probable or not. In addition, when Deferred tax assets are recognised in a company that has a history of recent losses and the evidence described in the explanatory text is already a requisite in Local reporting, it would alleviate the reporting burden if this evidence is to be resubmitted. Overall, we consider the paper to be inconsistent. In particular, we find that Guideline 9 specifically references IAS 12 as the principle to	See EIOPA's responses to comments 43 and 45.

			apply for the SII balance sheet and yet Guideline 10 which talks about documentation, deviates there from our understanding of the requirements of IAS 12. Therefore our working assumption remains valid, that IAS 12 is the starting point and a documentation requirement would not impose a different recoverability assessment than IAS 12.	
48.			This comment was submitted as confidential by the stakeholder.	- 35
49.	Zurich	Guideline 10	Guideline 10: This guideline is interpreting Article 15 (3). Article 15 (3) is consistent with IAS 12 criteria in assessing the probability that future taxable profit will be available i.e. IAS 12.37 (b) whether it is probable that the entity will have taxable profits before the unused tax losses or credits expire. However, guideline 10 of this consultation paper is taking a view (which is not stated in IAS 12) on the definition of 'probable taxable profits' by defining them as the profits considered for the normal planning cycle. It is our view and indeed a common view taken by auditors when interpreting the recoverability period of deferred taxes under IAS 12, that without specific circumstances, it is inappropriate to assume that no taxable profits are probable after a specified time period e.g. the 3 year plan cycle. Therefore, for every year until the expiry of tax losses, the calculation should include plan taxable profits that satisfy the criterion of being more probable or not.	The comment concerns elements that are in the explanatory text but EIOPA agrees that it could be confusing. See EIOPA's responses to comments 45.
50.	IRSG	Guideline 12	When applying the derogation: It should be checked if this GL does unnecessarily restrict the possibilities of recognizing and valuing an asset or liability (other than technical provisions) based on the valuation method used for preparing the annual or consolidated financial statements. Especially it should be allowed and explicitly clarified that fair values which are disclosed in the notes to financial statements according to Art. 46 par. 3 IAD (Insurance Accounting Directive) are also allowed to be used under the derogation in Art. 9 par. 4 Draft Delegated Acts.	EIOPA partially disagrees. Guideline 12 does not endanger the application of the derogation but simply provide some illustrative example or references that could help undertakings for retaining valuation principles that could be considered as consistent with Article 75 of the Solvency II Directive. Guideline 12 has been

				amended to explain when derogation in Article 9(4) of Delegated Regulation (EU) 2015/35 may be applied. Notes to the accounts are an integral part of financial statements. Therefore undertakings should consider fair value measurements disclosed in the notes of financial statements prepared according local accounting standards to be used for preparing ”annual or consolidated financial statements” when considering the provisions of Article 9(4) of Delegated Regulation (EU) 2015/35. The principal being clear in the Regulation, there is no need for Guideline on this point.
51.	AMICE	Guideline 12	This guideline limits the scope of application of article 9 paragraph 4 by which firms can value assets and liabilities using accounting methods different to those used under IFRS provided this is proportionate to the nature, scale and complexity of the risks inherent in the undertaking´s business. This guideline should be deleted.	See EIOPA’s response to comments 2 and 50.
52.	Federation of European Accountants (FEE)	Guideline 12	It should be checked if this GL unnecessarily restricts the possibilities of recognizing and valuing an asset or liability (other than technical provisions) based on the valuation method used for preparing the annual or consolidated financial statements. In particular, it should be allowed and explicitly clarified that fair values which are disclosed in the notes to financial statements according to Art. 46 par. 3 IAD (Insurance Accounting Directive) are also allowed to be used under the	See EIOPA’s response to comments 50.

			derogation in Art. 9 par. 4 Draft Delegated Acts.	
53.	GDV	Guideline 12	Article 9 (4) of the Delegated Acts states that by way of derogation from using IAS/ IFRS for valuing assets and liabilities, under specific conditions undertakings may recognize an asset or liability based on the valuation method the undertaking uses according to local GAAP. Guideline 12 requires undertakings that intend to apply this derogation to use the comparison table in Annex I as a reference. The comparison table, however, suggests that only the IAS/ IFRS and their valuation methods are consistent with Article 75 of the Solvency II Directive. This leads to a situation that an undertaking that intends to use the derogation of Article 9 (4) of the Delegated Acts, finally ends up being required to resort to IAS/ IFRS valuation methods. This is a clear contradiction with Article 9 (4) of the Delegated Acts and should thus be deleted.	See EIOPA's response to comment 50.
54.	Insurance Europe	Guideline 12	This guideline goes with no doubt beyond Level 1 and 2 and as such should be deleted. Article 9 (4) of the Delegated Acts states that by way of derogation from using IAS/IFRS for valuing assets and liabilities, under specific conditions undertakings may recognize an asset or liability based on the valuation method the undertaking uses according to local GAAP. Guideline 12 requires undertakings that intend to apply this derogation to use the comparison table in Annex I as a reference. The comparison table, however, suggests that only the IAS/IFRS and their valuation methods are consistent with Article 75 of the Solvency II Directive. This leads to a situation that an undertaking that intends to use the derogation of Article 9 (4) of the Delegated Acts, ends up being required to resort to IAS/IFRS valuation methods which is in clear contradiction with Article 9 (4) of the Delegated Acts.	See EIOPA's response to comments 50.
55.	Insurance Europe	Explanatory text Guideline 5	The top-down approach should not have as a starting point the fair value as calculated under IFRS. This approach should also be applicable for undertakings applying Local Gaap with the requisite adjustment (many SMEs) especially since the bottom-up approach can prove challenging.	EIOPA agrees that the starting value to be used in a top-down approach may be different from the fair value under IFRS provided the criteria listed under Article 9(4) of

				Delegated Regulation (EU) 2015/35 are met, in particular regarding the use of valuation consistent with Article 75 that is used in the financial statements. Nevertheless, EIOPA believes that explanatory text is consistent with this as it does not require undertakings to use fair value as per IFRS as a starting point : "Undertakings **can** use a top down approach by starting with the fair value as calculated under IFRS …" The Accounting Directive requires that liabilities (except derivatives) that are not valued according to IFRS to be valued at cost. Moreover, disclosing their FV is not required in the notes.
56.	Deloitte Touche Tohmatsu	Explanatory text Guideline 6/7	Adjusted equity and adjusted IFRS equity were previously mentioned at the same level for non-insurance holding. The new figure shows in line with art. 13 of IM that adjusted equity should be preferred. In line with proportionality, we would recommend to give the possibility to use adjusted IFRS equity if this information is already available and/or give guidance on main expected adjustments other than goodwill and intangible assets.	EIOPA disagrees. It would not be consistent with Article 13 of Delegated Regulation (EU) 2015/35.
57.	GDV	Explanatory text Guideline 8	According to this text of the guideline, it is required that an undertaking needs to consider the risk that the actual cash outflows might differ from those expected. However, the guidelines are only	EIOPA partially agrees and modified the following sentence : "an

			about valuation. The risk that the actual cash-flows differ from those expected is reflected in the solvency capital requirement and not within the valuation of those items. Thus, this sentence should be deleted.	undertaking needs to consider the risk that the actual cash outflows might differ from those expected”. However, an undertaking needs to consider a risk adjustment reflecting that the actual cash outflows might differ from those expected.
58.	Insurance Europe	Explanatory text Guideline 8	The sentence mentioning that “an undertaking needs to consider the risk that the actual cash outflows might differ from those expected” should be deleted. This is because the risk that the actual cashflows differ from those expected is reflected in the solvency capital requirement and not within the valuation of those items.	See EIOPA’s responses to comments 57.
59.	Insurance Europe	Explanatory text Guideline 9	Guideline 9 states that IAS 12 defines the principles for recognition and valuation of deferred taxes. However, this guideline goes further than IAS 12 by stating what documentation entities should provide to supervisory authorities in order to gain assurance over the recoverability of deferred tax. While we appreciate that this guideline will help supervisory authorities in their review of deferred tax under Solvency II, we would ask EIOPA to point out that supervisory authorities, in their review, should not go beyond the requirements of recoverability testing performed under IFRS.	EIOPA disagrees. The documentation does not go beyond the likely recoverability test of IAS 12, but also see EIOPA’s responses to comments 43 and 45 above.
60.	AMICE	Explanatory text Guideline 10	When deferred tax assets are recognised in a company that has a history of recent losses the evidence described in the explanatory text is already a requisite in IFRS reporting. Is there a reason why this evidence is to be resubmitted? This seems like an extra burden, furthermore what is to happen if the auditor agrees with the evidence and the supervisor does not?	EIOPA disagrees. See EIOPA’s responses to comments 43 and 45 above.
61.	Deloitte Touche Tohmatsu	Explanatory text Guideline 10	The explanatory text should clarify whether the intention of EIOPA is to align the requirements of the assessment of future taxable profits with IAS 12 p 34 – 36; for example IAS 12 has no reference to a “normal	See EIOPA’s responses to comment 43 and 45.

			planning cycle of the undertaking" which solvency 2 does. Otherwise, it could be that undertakings have to make two separate assessments for this exercise.	
62.	Federation of European Accountants (FEE)	Explanatory text: Table consistency of IFRS value	The table is not referred to in the Guidelines and so its status is unclear. A Guideline should clarify the status of the table. In respect of financial instruments the table notes that IAS 39's 'fair value measurement is applicable'. Under IAS 39 paragraph 43A the initial measurement of a financial instrument may not equate to the (modelled) fair value where that (modelled) fair value differs from the transaction price. Where paragraph 43A of IAS 39 applies the guidelines should clarify whether the financial instrument should initially be measured at the (modelled) fair value or at the transaction price as required under IAS 39. If the guidelines indicate that a (modelled) fair value should be used it should be clarified why measurement as required by IAS 39 para 43A is not considered to be consistent with Solvency II's requirements. In respect of IAS 41, the table requires that IAS 41 is applied to biological assets where costs are not-material, i.e. the asset should be measured at fair value less costs to sell. However, where the costs to sell are material the table suggests that these costs should be included. FEE would suggest that all biological assets are measured at fair value less costs to sell, in order to achieve full consistency with international standards.	EIOPA agrees. Introduction to the Guidelines has been amended to mention that the table about consistency with IAS/IFRS is not part of the Guidelines and is appended only as a reference. Accounting treatment as per IAS 39.43A is applied whenever applicable. The subsequent valuation should be consistent with fair value according IFRS. The only adjustment between fair value as per IAS 39 and fair value under Solvency 2 has been stated in the table: it relates to own credit risk for subsequent measurement. At each closing date undertakings should reassess the amount of initial day 1 profit or loss that has been deferred. The proposal would contradict Article 16(7) of Delegated Regulation (EU)

				2015/35.
63.	Insurance Europe	Explanatory text: Table consistency of IFRS valuation	We believe it is necessary to provide a specific section in Solvency II disclosures on estimations, corrections of errors, etc.	- If material changes in valuation methodology, please indicate this information in the corresponding section of the SFCR, as documented in Delegated regulation and guidelines on reporting and public disclosure, in the next SFCR (i.e.: corresponding to the following "reporting" year-end); - if material changes affecting the relevance of the information disclosed corresponding to the latest "reporting" year end, then undertakings should publish an updated version of their SFCR, as expressed in Article 54 of the Directive, with the appropriate information. Please note that there is no additional guideline on how this should be presented, however the approach foreseen in IAS 8 could be used considering this as a best practice.
64.	MetLife	Explanatory text: Table consistency of IFRS valuation	IAS 8 provides guidance on changes to methodology, estimates and errors, and how they should be presented. For Solvency II, insurers face similar issues for which clear guidance is needed.	- If material changes in valuation methodology, please indicate this information in the corresponding section of

				the SFCR, as documented in Delegated regulation and guidelines on reporting and public disclosure, in the next SFCR (i.e.: corresponding to the following "reporting" year-end); - if material changes affecting the relevance of the information disclosed corresponding to the latest "reporting" year end, then undertakings should publish an updated version of their SFCR, as expressed in Article 54 of the Directive, with the appropriate information. Please note that there is no additional guideline on how this should be presented, however the approach foreseen in IAS 8 could be used considering this as a best practice.
65.	GDV	Technical Annex	The purpose of the table in the Technical Annex is not clear in the context of the document. One critical interpretation of the table is that it makes the valuation method used under Solvency II contingent to the exercise of certain Member State ("MS") options laid down in the (Directive 2013/34/EU). According to that interpretation it can be understood that the derogation of Article 9 (4) of the Delegated Acts can only be used if certain MS options laid down in the Accounting Directive are exercised by the respective Member State (MS). The option that an undertaking can apply the derogation of Article 9 (4) of the Delegated Acts is thus heavily restricted by the EIOPA Guidelines.	EIOPA agrees. EIOPA amended introduction to Guidelines to clarify that this table is part of the Guidelines and should be considered as Guideline. The Accounting Directive

			To give an example: MS Option of Article 8 (6) of the Accounting Directive states that a MS may permit or require the recognition, measurement and disclosure of financial instruments in conformity with IFRS. If that MS option is not exercised, according to the interpretation above, an undertaking with its head office in that MS cannot apply the derogation of Article 9 (4) of the Delegated Acts for valuing financial instruments. If this critical interpretation is true, the EIOPA Guidelines are not in line with Article 9 (4) of the Delegated Acts and cannot be accepted. The complete table must be deleted. In case the table in the Technical Annex is kept, it must be clarified that the table is only relevant for undertakings in Member States, in which the respective Member State option of the Accounting Directive is exercised. To achieve that, Guideline 12 should be amended as follows: Undertakings applying the derogation in Article 9 (4) of the Implementing Measures should use these Guidelines as a reference when determining whether its valuations are consistent with Article 75 of Solvency II. In case Member State options of the Accounting Directive (Directive 2013/34/EU), which are listed in the Technical Annex I of these Guidelines below, are exercised by the respective Member State, undertakings in those Member States should use and the comparison table in Technical Annex 1. as a reference when determining whether its valuations are consistent with Article 75 of Solvency II. Undertakings that are within the scope of consolidation of a group preparing consolidated financial statement under IFRSs should not apply the derogation in Article 9 (4) of the Implementing Measures.	requires amortised cost valuation for numerous balance sheet items. However, for some items the Accounting Directive provides MS discretion whether to use IFRS or fair value. The technical annex covers these different cases. Consequently, the Technical annex does not address items for which there is no explicit valuation principle required in the accounting directive. It should be noted, for instance, that the Accounting Directive does not address pensions and deferred taxes.
66.	Insurance Europe	Technical Annex	The purpose of the table of the technical annex on page 62 is not clear in the context of this consultation paper. If the intention is to make the valuation methods used in Solvency II contingent to the member state options laid down in the accounting directive (Directive 2013/34/EU), this goes with no doubt beyond Level 1 and 2. According to the table of the technical annex on page 62 (with no reference in the guidelines itself), it can be understood that the derogation of Article 9 (4) of the Delegated Acts can only be used if certain Member State options which are set out in the Accounting Directive (Directive 2013/34/EU) are	See EIOPA's responses to comments 65.

			exercised by the respective Member State (MS). If such is the case, EIOPA Guidelines are not in line with the option that an undertaking can apply the derogation of Article 9 (4) of the Delegated Acts and cannot be accepted. The complete table must be deleted. As an example : MS Option of Article 8 (6) of the Directive 2013/34/EU states that a MS may permit or require the recognition, measurement and disclosure of financial instruments in conformity with IFRS. If that MS option is exercised, an undertaking with its head office in that MS cannot apply the derogation of Article 9 (4) of the Delegated Acts for valuing financial instruments.	
67.	AMICE	Annex I: Impact Assessment	We disagree with the impact assessment of Policy Issue 6 (Contingent Liabilities). Measurement of items that cannot be measured reliably would be a costly exercise with no obvious benefits.	EIOPA understands the comment, but this is not a policy option. Measuring material contingent liabilities is required by Delegated Regulation (EU) 2015/35 and is not linked to the Guideline.
68.	Insurance Europe	Annex I: Impact Assessment	We disagree with the impact assessment of Policy Issue 6 (Contingent Liabilities). Measurement of items that cannot be measured reliably may be a costly exercise which will most likely outweigh the benefits.	See EIOPA's response to comment 67.