

Final response - Consultation on draft revised Guidelines on group solvency

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Introduction

Q1. *Do you have general comments on the consultation document?*

- Yes
- The industry welcomes the opportunity to contribute to EIOPA's consultation regarding the revised Guidelines on group solvency. While the goal of simplifying existing guidelines is supported, the industry would also propose using this opportunity to clarify the calculation of minority interests, and the minimum consolidated group solvency capital requirement. With the changes to the Solvency II Directive, it is crucial to avoid double counting of risks and ensure uniform understanding of the new requirements. Furthermore, the changes to the technical annex result in questions in relation to existing EIOPA Q&A publications.
- To promote consistent application of the scope of group supervision across the EU, the Guidelines could further clarify the circumstances under which the exemptions set out in Article 213(3)-(5) of the Solvency II Directive may be applied. Additional guidance would enhance supervisory convergence and legal certainty, in particular where groups are subject to supervision under more than one EU sectoral framework.
- In this context, supervisory authorities should take into account the objective of avoiding unnecessary duplication of supervisory requirements, while remaining fully consistent with the Level 1 framework.

Q4. *Do you have comments on 'Guideline 4 – Case of application of group supervision'?*

- Yes
- When assessing the application of group supervision under Article 213(3)-(5) of the Solvency II Directive, supervisory authorities should consider the overall supervisory framework applicable to the group.
- In situations where groups are subject to multiple EU supervisory regimes, authorities should aim to ensure proportionate and efficient supervision, avoiding unnecessary overlaps or duplication of supervisory requirements, while ensuring that policyholder protection objectives are fully preserved.

Q13. *Do you have comments on the deleted Guidelines? (Guidelines 2, 3, 6, 7, 11, 13, 14, 17, 18, 19, 20, 21, 22 and 24 to 27 are deleted)*

- Yes
- The industry agrees that the introduction of paragraph 4a to Article 330 of the Delegated Regulation renders Guideline 14 on the treatment of minority interests redundant in its current form. Even so, the new paragraph 4a still raises questions and it would be helpful to change Guideline 14 to clarify the following case: If the total amount of non-available own fund items from the subsidiary undertaking is greater than the total eligible own funds of the subsidiary, the difference calculated in point (a) of paragraph 4a may be negative. From an economic standpoint, this result is not justifiable. It should be clarified that the result from the calculation in point (a) must at least be zero.
- The industry further agrees that the current wording of Guideline 21 has limited added value due to the change to Article 230 of the Solvency II Directive. However, rather than deleting the guideline, the industry considers that it should be updated to clarify the application of the revised calculation of the minimum consolidated group solvency capital requirement.
- As amended, Article 230 distinguishes between the calculation of group solvency based on consolidated data and the contribution to group own funds and group Solvency Capital Requirement of related undertakings referred to in Article 228. In addition, Article 230(2) provides that the minimum consolidated group Solvency Capital Requirement shall have as a minimum the sum of the amounts referred to in points (a), (b) and (c), including the proportional share of local capital requirements for related third-country insurance and reinsurance undertakings.
- Given this revised structure, it is important to ensure that the aggregation of consolidated data and contributions of related undertakings does not lead to non-economic double counting of the same underlying risks, as such double counting would disproportionately impact EU-based insurance groups.
- To ensure a consistent and economically meaningful application of Article 230, Guideline 21 should clarify that, in determining the minimum consolidated group Solvency Capital Requirement in accordance with Article 230(2), the aggregation of the amounts referred to in points (a), (b) and (c) should not result in the double counting of the same underlying risks within the group.
- Where a participating undertaking can demonstrate, to the satisfaction of the supervisory authority, that specific risks are already fully reflected in the consolidated group calculation or in the contribution of another related undertaking, this should be appropriately taken into account in the determination of the minimum consolidated group Solvency Capital Requirement.

Q15. Do you have comments on the 'Technical Annex'?

- Yes
- With the changes to the technical annex, the notional SCRs of related insurance holding companies (IHCs) and mixed financial holding companies (MFHCs) **are more explicitly included in the sum of solo SCRs in the denominator. However, EIOPA Q&A 2733 already states that while IHCs and MFHCs are consolidated in the calculation of the diversified SCR in the numerator, they should not be included in the sum of solo SCRs.** We support the current interpretation of the Q&A since the notional SCR of IHCs and MFHCs usually mainly consist of the equity risk in the subordinated insurance undertakings, meaning that they add little to the consolidated group SCR but could greatly increase the sum of solo SCRs. **This would lead to double counting** of risks and should be avoided, since it could significantly reduce the contribution of a related undertaking to the group SCR and thus the transferability of own funds at group level.
- More generally, in group structures with multiple layers of ownership, the risks of a downstream entity are fully captured in its solo SCR, but may also be indirectly reflected in the solo SCRs of upstream entities through equity risk charges on intra-group participations. These charges may inflate the solo SCRs of intermediate entities even though the underlying risks are borne exclusively by the subsidiary and are recognised only once in the consolidated group SCR.
- When applying the contribution formula, such effects may lead to overstated SCR contributions for intermediate entities whose higher solo SCR arises primarily from intra-group participations rather than from genuine standalone economic exposure. In order to ensure consistency between the consolidated approach — where each risk is recognised only once — and the allocation mechanism for contributions, the Guidelines should clarify that, when determining SCR for contribution purposes, the calculation should avoid double counting of risks that arise solely from intra-group participations where the underlying risks are already fully recognised elsewhere in the group SCR.
- Furthermore, **it is unclear how the values SCR_j differ from the values SCR_j^{solo}** , since both represent the proportional share of the solo SCR of the respective undertaking. Thus, the labels should either be the same in both cases, or the guidelines should further elaborate on the difference between these values, if a difference was intended.