

CEIOPS-CP-07/06

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Consultation Paper No. 18

**Draft Advice to the European Commission in the
Framework of the Solvency II project
on
Supervisory powers
– further advice -**

CEIOPS welcomes comments from interested parties on "Draft Advice to the European Commission in the framework of the Solvency II project on supervisory powers".

Due to the increase in Consultation Papers in 2006 because of the need to give further detailed advice to the European Commission in addition to the answers to the three waves of Calls for Advice CEIOPS considers it necessary to shorten the consultation period under its consultation policy to two and a half months.

Please send your comments to CEIOPS by email (Secretariat@ceiops.org) by 12 January 2007, indicating the reference "CEIOPS-CP-07/06".

CEIOPS will make all comments available on its website, except where respondents specifically request that their comments remain confidential.

Style convention

The following has been adopted for this document:

Advice appears in shaded (blue) boxes, headed **CEIOPS' Advice**

Descriptive headings are used (such as 'Background', 'Explanatory text' etc.) in an attempt to improve the navigability of the answers.

Introduction

1. The European Commission has requested CEIOPS to advise on the development of a new solvency regime for insurance and reinsurance undertakings in the EU.
2. CEIOPS has submitted its Advice in the form of answers to three waves of Calls for Advice from the European Commission and following public consultation¹.
3. Unless expressly stated otherwise, the advice in these three documents stands. For convenience, this paper occasionally summarises parts of the advice previously given as 'background information,' but the omission of other parts should not be viewed as a retraction
4. CEIOPS' Advice has covered different aspects of supervisory powers. These have been addressed both as part of numerous answers and a recommendation where no formal Call for Advice was issued.
5. CEIOPS has evolved further principles which it considers appropriate for the harmonisation of supervisory powers within the framework of Solvency II.
6. CEIOPS has set out its explanations and Advice on this aspect of supervisory powers for both a solo and a group context. The draft Advice is to be taken together with CEIOPS' answers to the first, second and third waves of Calls for Advice as well as its subsequent Consultation Papers.

¹ Answers to the European Commission on the first wave of Calls for Advice (CEIOPS-DOC-03/05), Answers to the European Commission on the second wave of Calls for Advice (CEIOPS-DOC-07/05) and Answers to the European Commission on the third wave of Calls for Advice (CEIOPS-DOC-03/06), available at www.ceiops.org.

Supervisory powers

Explanatory text

Background

- 1.1 Some of CEIOPS' answers to the European Commission's Calls for Advice (CfA) have already tackled in some way the topic of supervisory powers, especially the answers on the Powers of Supervisory Authorities (CfA 14) and also the answers to CfAs 2, 3, 7, 8, 10, 18, 19, 20, 22 and 23 as well as CEIOPS' final advice on harmonised supervisors' powers and tools². There is also CEIOPS' "Recommendation on Independence and Accountability" of the supervisory authorities³ which addresses broad principles.
- 1.2 This paper contains preliminary thinking about the required level of harmonisation of supervisory powers which are relevant for European supervisory authorities within the framework of the Solvency II project, including implementing measures of the Solvency II directive.
- 1.3 Supervisory authorities are far from being completely harmonised across Europe, either in their structure or in their powers. Some are independent agencies while others belong to a ministry or to the Central Bank. How supervisory powers are organised or need to be organised is to a large extent dependent on the general legal environment. Since the legal environments of the Member States remain largely non-harmonised, the way in which supervisory powers are implemented in the Member States differs.
- 1.4 The paper only deals with the level of harmonisation required in the context of Solvency II, i. e. either with regard to Solvency II specific new powers such as powers in connection with the SCR/MCR or internal models or other powers needed to completely implement Solvency II. It does not tackle the issue of harmonisation of powers outside the scope of Solvency II such as authorization/prohibitions in general or sanctions.

² (CEIOPS-DOC-06/06), available at www.ceiops.org.

³ (CEIOPS-DOC-04/06), available at www.ceiops.org.

Supervisory Powers under Solvency II in a solo context

Explanatory Text

- 2.1 Generally it is important that supervisory authorities should be able to produce the same results and are able to require the same standards. That does not mean, however, that there is a need for more harmonisation in the general legal requirements across Europe. How these same standards are to be achieved can be left to the Member States. In order to avoid supervisory arbitrage the level of supervision needs to be equivalent. A certain degree of difference in supervisory structures as well as supervisory powers does not in itself endanger the level playing field. Annex 1 gives an example of how the powers are distributed among supervisory authorities, and in which areas more harmonisation is needed. 15 CEIOPS Member States took part in this survey.
- 2.2 Still, it is imperative that Member States make sure that their supervisory authorities have all the powers necessary to allow them to fulfil their responsibilities effectively. They should stay free to determine the administration of their regulatory and supervisory functions as they see fit but need to keep in mind that within these arrangements an effective discharge of supervisory duties requires that the necessary powers reside with whoever is given the responsibility on a day-to-day basis.
- 2.3 As independence is important in wielding powers effectively a harmonised approach to supervisory powers needs to take into consideration this issue as well.
- 2.4 The supervisory authorities must have the powers to enable them to sustain their independence. CEIOPS has initiated this reflection in its Recommendation on Independence and Accountability but the difficulties are in the details and there are many ways not to be really independent. There should be no undue political or industry involvement in the operations of the supervisory authority that could be construed as creating a conflict of interest
- 2.5 Other factors besides the issue of independence are important if the ultimate goal of convergence in supervisory practices via a higher degree of harmonisation in supervisory powers is to be attained. All supervisory authorities also need adequate funds as well as human resources with the appropriate level of skills, legal protection and confidentiality if equivalent standards of supervision are to have a chance in reality. A supervisory authority that is insufficiently equipped to perform to the high supervisory standards Solvency II aims at would present a source of supervisory arbitrage.
- 2.6 Solvency II does not only aim at more harmonisation in supervisory rules but at more convergence in supervisory practices as well. This second goal cannot be achieved unless an adequate level of harmonisation in Solvency II related supervisory powers is reached.

- 2.7 A key power for supervisory authorities consists in being able to obtain all information necessary to form a fully informed opinion about the supervised entities, in particular about their financial situation. There can be no real convergence on supervisory practices unless the power to receive this information is fully harmonised. There should be no obstacles for the supervisory authorities in getting necessary information of whatever nature (statistical, organisational, about the financial situation, accounts, insurance rates, claims or contracts etc.) wherever it is available (in the supervised undertaking or in related entities or through connected persons) and regardless of whether it is already extant or needs to be produced for supervisory purposes.
- 2.8 Since some important insights into the supervised undertakings can only be obtained on the spot, being able to visit undertakings to gain a better picture of the supervised entity is an important supervisory tool. Supervisory authorities need to be able to go on on-site inspections whenever this is deemed necessary for the purpose of full information, e. g. because they need to talk to staff personally or to sift through a multitude of documents. Furthermore all supervisory authorities should be entitled to get all relevant information from the supervised undertakings concerning connected companies such as parent companies or companies that performed outsourced functions or through third persons such as auditors. Many supervisory authorities wish to have the power to make on-site inspections to outsourced providers whether within or outside the EU. However CEIOPS is aware that some Member States are concerned that this could currently cause a constitutional problem.
- 2.9 All supervisory authorities should also have the power to attend with “skilled persons” supporting the supervisor during on-site inspections, or to appoint a “skilled person” to review and report on specific areas of the undertakings’ activities, subject to confidentiality considerations.
- 2.10 From past experience we know that even having the same rules does not necessarily render the same results, since rules are often subject to interpretation. This is inevitably so as it is hardly possible for a law-giver to be as precise in the wording as to render all interpretations superfluous. Ultimately the interpretation of rules is of course up to the courts. However, as such interpretation is not always available, in its absence supervisory authorities should be able to adopt interpretations for insurance related rules. These interpretations should be governed by the principle of transparency, i. e. undertakings ought to be advised of how rules are applied by the supervisor and why the rule is interpreted the way it is.
- 2.11 Supervision can be considerably more effective if the competent authorities are empowered to actively influence standards and procedures of the supervised entities instead of being limited to a reactive role. Supervisors should tell the industry upfront what is expected of them. This procedure produces much better and faster results than a procedure where the authorities are reduced to intervene and enforce the same standards on a case-by-case basis. It also has the side effect of saving supervised entities time, costs and human resources in dealing with supervisory concerns after a certain way of dealing with things has already been firmly established by the undertaking. Hence, in order to facilitate supervision and promote good

standards within the insurance industry, supervisory authorities should have the power to lay down standards, recommendations and guidelines.

- 2.12 A harmonised approach to supervisory powers requires that supervisory authorities are equally able to enforce compliance with all relevant insurance rules and regulations so as not to encourage less law-abiding undertakings to take advantage of not fully empowered authorities.
- 2.13 Non-compliance can occur with regard to supervisory standards and recommendations. In these instances the supervisory authorities should be empowered to require that undertakings “comply or explain”.
- 2.14 The supervisory authorities should have access to the governance system of the supervised undertaking and should have the power to prevent faults such as possible conflicts of interest.
- 2.15 In its Answer to CfA 16, CEIOPS established that supervisory practices concerning fitness and propriety of managers and the supervision of significant owners are different across Member States. The importance of fully qualified and reliable managers for the good management of insurance undertakings requires that harmonisation should be on a fairly advanced level, so as to ensure appropriately high and equal standards of supervision. The supervisory authorities should have access to the personal records of would-be or actual governing persons of the supervised undertaking, and collect any information in order to assess their fitness and propriety; and should have the power to prevent them from starting or continuing in a governing position, and the power to dismiss them or have them dismissed. The supervisory authority should also have the power to name a special commissioner in order to manage the undertaking until fit and proper persons are put in place of the dismissed persons. With regard to the supervision of significant owners it is the possible danger of different interpretations as to what constitutes obstacles to sound and prudent management of an insurance undertaking, that calls for more convergence in supervisory practices. CEIOPS has already offered advice for changes in regulation in these areas that will ensure an appropriate level of harmonisation. In addition to the powers already named, CEIOPS propose that supervisory authorities should be empowered to name a supplementary actuary or auditor at the expense of the undertaking or to request that a court appoint a new auditor.
- 2.16 Harmonisation is especially important with regard to the new powers required under Solvency II concerning financial supervision. Material differences in this area could result in considerable discrepancies in the capital requirements of undertaking across Europe and ultimately in serious competitive distortions.
- 2.17 Under Solvency II the principle of proportionality needs to be explicitly incorporated within the framework of the directive. While the directive can lay down general rules that govern the principle, its application in specific cases needs to be left to the competent authorities. These should have the power to define and implement the principle of proportionality for smaller or less complex undertakings and to grant waivers to rules where the implementing measures prescribe that, and the extent to which the competent authorities may grant such waivers.

- 2.18 The supervisory authorities should have the power to review the internal controls and check their adequacy; to demand quick correction of defects, and to impose a SCR add-on until they are corrected. The supervisory authorities should have the power to obtain reports on outsourced functions and to suspend or end an outsourcing arrangement.
- 2.19 The supervisory authorities should have equal powers to assess the risk management of undertakings and to require timely corrections of deficiencies with the additional power to impose add-ons until the deficiencies are remedied in case of severe shortcomings that cannot be corrected at short notice.
- 2.20 Powers with regard to the use of internal models for the calculation of the regulatory solvency requirements are new to all supervisory authorities. This is an opportunity for full harmonisation from the outset. Every supervisory authority should have the power not to grant the approval of the internal model proposed by a supervised undertaking if the internal model does not meet the conditions for such approval. Every supervisory authority should have the power to test and back test the model before approving it, e. g. by changing the parameters and trying some extreme scenarios. Supervisory authorities should further all have the power to withdraw an approval for the model's use in the SCR calculation if they conclude that the internal model is no longer an appropriate substitute for the standard formula. In these cases supervisors should also alternatively have the option to impose an add-on. Supervisory authorities should also be empowered to require undertakings to set up and implement partial or full internal models if the actual risk situation deviates substantially from the assumptions underlying the standard formula.
- 2.21 Supervisory authorities need to ensure that all undertakings are treated equally in the calculation of the SCR under the standard formula. If any leeway is given to authorities to approve that undertakings deviate from rules, the scope of this supervisory power should be clearly defined and the acceptable reasons for permitting deviation from general rules prescribed for all authorities in the implementing measures, so as to avoid unequal calculation of the SCR across jurisdictions. All supervisory authorities should have the power to correct an undertaking's use of incorrect entity-specific parameters within the standard formula for the calculation of the SCR.
- 2.22 Supervisory authorities should have the power to set limits on assets on a case by case basis, as one possible tool, either where the company has not satisfied qualitative standards established with the aim of ensuring harmonisation between supervisory authorities, or instead of using another tool.
- 2.23 With regard to the calculation of technical provisions, Solvency II expressly aims at abolishing existing considerable discrepancies in the calculation across Member States. If it is decided under Pillar I that competent authorities should be able to accept different calculation methods, provisions need to be made to ensure that supervisory authorities cannot counteract the desired harmonisation effect by their practice of acceptance, i. e. the power to accept different methods needs to be subject to the same rules in all Member States. All supervisory authorities should have the power to

demand that an undertaking increases its technical provisions if these are not adequately calculated.

- 2.24 The concept of the supervisory ladder was developed by CEIOPS to make it possible for supervisory authorities to react flexibly and adequately to breaches of solvency capital requirements by taking into account the specific circumstances surrounding a breach of the SCR. While some degree of flexibility is necessary to deal appropriately with SCR breaches on a case-by-case basis, this needs to be finely balanced with guards against supervisory arbitrage where some Member States generally react more leniently when undertakings are in breach of requirements. All supervisory authorities should have the same powers in case of breaches of the SCR. The general principles for applying the supervisory ladder should be fully harmonised, without however being too restrictive to allow for some discretion on the part of the supervisor.
- 2.25 With groups the group supervisor will have an important role in the approval of group internal models. Solvency II will call for the group supervisor to coordinate the approval process between the involved supervisory authorities and provide that he may take the final decision whether the proposed group internal model can be approved if the supervisory authorities cannot agree on a decision within an appropriate timeframe. It is expected that as a rule the involved supervisory authorities will be able to reach a common decision within the set period. For this procedure to work in practice it is essential that the rules for the approval of internal models are fully harmonised so that discussions between supervisors are not about rules but concentrate on whether the requirements for internal models are met and, furthermore, that group supervisors from all Member States are empowered to ask for all the changes in the internal model that the involved supervisory authorities decide are necessary.
- 2.26 The supervisory authorities should have the power to assess all risks inherent in and taken over by the insurance undertaking, i. e. the supervisory authorities are not bound by the undertaking's assessment of its risks, and to base their actions on this assessment.

Supervisory Powers under Solvency II in a group context

Explanatory Text

- 3.1 In its Answers to CfAs 18 and 20, CEIOPS made recommendations regarding the repartition of responsibilities between supervisors in a group context⁴. Following these recommendations, the group supervisor should have the powers that are necessary to ensure the nature of the requirements that exist at group level and take action in case of breach of these requirements.
- 3.2 It is essential that, in case the head of the group is a holding company (or any kind of non regulated entity), this situation does not weaken the powers of the group supervisor and does not hinder the effective supervision of the group. It would therefore be desirable to include in the regulation, some provisions that give adequate powers to the supervisory authority, in particular to check the fitness and propriety of the managers and the board, as well as to get all necessary information from the holding company and to make any relevant investigation at this level.
- 3.3 Among the conditions listed in para. 2.24 of CEIOPS' final advice on sub-group supervision, diversification effects, cooperation with third countries and issues related to the MCR and SCR in a group context⁵ to allow contingent capital support, CEIOPS emphasised the need to have appropriate tools in the Solvency II regulation so as to enable the group supervisor to require a parent undertaking to deliver "capital support" in cash and in a timely manner when needed at solo level. This requirement will have the aim of accelerating the delivery of cash compared with "normal" legal enforcement.

CEIOPS' Advice

Supervisory Powers under Solvency II in a solo context

- 4.1 Member States should ensure that their supervisory authorities have the powers which are necessary to allow them to fulfil their responsibilities. While Member States are free to determine the administration of their regulatory and supervisory functions on whatever lines they feel is appropriate to them, Member States should provide that within these arrangements the necessary powers reside with whoever is given the responsibility (on a day-to-day basis) in order to ensure that such responsibilities can be effectively discharged.
- 4.2 Supervisory authorities need to be independent in order to be able to wield their powers effectively, as well as adequately equipped with regard to funds and human resources with the appropriate level of skills and legal

⁴ Please see CEIOPS' Answer to CfA 18, para.18.36 and 18.37, and to CfA 20, para.20.101 to 20.105.

⁵ (CEIOPS-DOC-05/06), available at www.ceiops.org.

protection.

- 4.3 In general, all supervisory authorities should have the power to enforce compliance with laws and regulations, at least insofar as these are insurance related.
- 4.4 Supervisory authorities should have the power to lay down standards, recommendations and guidelines and to adopt interpretations.
- 4.5 Supervisory authorities should have the power to define and implement the principle of proportionality for undertakings and to grant waivers to rules where the implementing measures prescribe that the supervisory authorities may grant such waivers.
- 4.6 Obtaining information is a key power for supervisory authorities. There should be unrestricted access to all existing information and supervisory authorities should be able to request any additional information that is reasonably required for supervisory purposes. However, since supervisory authorities are to cooperate whenever this is appropriate and to share information where this information is essential to or requested as relevant by the supervisory authority of another Member State, supervisors should not ask any undertaking for information that is readily available from another supervisor. The supervisory authorities should have the power to require undertakings to make statements on questions raised by the supervisor. The information may be available in the undertaking itself or in connected entities or through connected persons such as parent or related companies, companies to which functions are outsourced, agents, auditors etc. The information may be statistical, organisational, about accounts, insurance rates, claims or contracts, on a solo or a group-wide basis, about the past or the future etc. There should be no limiting list of the information available for the supervisory authorities. The information should be readily available, correct or to be corrected promptly, given on a regular basis or immediately before or after any material change. Any obstacle made to this key power as well as any distortion of the information given to the supervisor should be subject to serious sanction.
- 4.7 Supervisory authorities should be empowered to complement off-site supervision by on-site supervision in any relevant place at any time with free access to any staff of the undertaking and to any item of information on paper or in electronic form, with the right to demand that documents and information are prepared or produced in readiness for the supervisor's visit. The supervisory authorities should also have the power to investigate in any connected entities/persons as outlined in paragraph 2.8 but only on matters concerning the supervised undertaking (e.g. for outsourced functions, access to the provider of the function should be granted to the supervisors). Many supervisory authorities wish to have the power to make on-site inspections to outsourced providers whether within or outside the EU. However CEIOPS is aware that some Member States are concerned that this could currently cause a constitutional problem.
- 4.8 All supervisory authorities should be empowered to impose limits on assets or categories of assets if the prudent person principle is breached, and to require a divesting of a proportion of certain assets or categories of assets if the technical provisions are not covered or not sufficiently covered by

admissible assets, or the matching rules for assets or the SCR are breached.

- 4.9 The powers given to supervisory authorities to enable supervisors to properly discharge their duties with regard to financial supervision under Solvency II should see a considerable degree of harmonisation in order to promote a level playing field. All supervisory authorities should have the same powers subject to the same conditions with regard to internal models, reviewing and assessing internal controls and risk management, a breach of the SCR or MCR and insufficient or insufficiently covered technical provisions. Every supervisory authority should further be empowered to do its own assessment of undertakings' risks and to base its actions on its appraisal. Supervisory authorities should have the power to set limits on assets on a case by case basis, as one possible tool, either where the company has not satisfied qualitative standards established with the aim of ensuring harmonisation between supervisory authorities, or instead of using another tool.
- 4.10 Insofar as supervisory authorities are given the power to waive Solvency II requirements or accept procedures that deviate from general rules, the conditions for granting such relief should be fully harmonised so that an adequate common standard of Solvency II requirements is being observed.

Supervisory Powers under Solvency II in a group context

- 4.11 The group supervisor, as defined in previous CEIOPS documents, should have all the powers necessary to assess the relevant group issues and take action to ensure compliance with the requirements set at group level.
- 4.12 When the parent company is a holding company (or any non regulated entity) the group supervisor should have the relevant powers to perform his duties. In particular he should have the power to check the fitness and propriety of managers and the board, as well as be entitled to get information from this entity and make any investigation at this level.
- 4.13 The group supervisor should have the duty and the powers to enforce the delivery of "capital support" in cash and in a timely manner when needed at solo level.

Powers needed for Solvency II
Tentative opinions regarding harmonisation

This table has been completed on a reasonable endeavours basis by 15 Member States. In view of the different legal traditions in Member States it has been very difficult to compile answers on a consistent basis, as understanding of the various powers differs. It is provided (a) to indicate the level of variation in supervisory authorities' powers and (b) the areas where fewer supervisory authorities have appropriate powers which may become more important in the context of Solvency II.

Powers	Supervisory authority			Harmonisation	
	Yes	No	Not fully	Pro ⁶	Contra
regulation					
to lay down general principles (e.g. being " <i>ready, willing and organised</i> ")	7	8 (1x Ministry)	1	4, 2, 2x level 3	1
to lay down general rules (e.g. form and periodicity of the information to be provided)	11 (1x also Ministry)	5 (1x Ministry)		7, 2,	1
to lay down guidance ("comply or explain")	13	2		8, 1, 1x level 3	
to lay down recommendations (best practices)	14	2		8, 1, 1x level 3	
to adopt interpretations	13 (2 of these with certain restrictions)	2		7, 2	1
to make regulations deemed necessary	6	5 (1x with restrictions)		5, 1	1
to lay down some defined regulations in the field of :					
° duty to provide information	10 (1x plus Ministry),	4 (1x with exception)		6, 1, 1x level 3	1
° forms and delays of supervisory reporting	11 (1x plus Ministry),	2		6, 1, 1x level 3	
° internal reporting	7	3	1	5, 2, 1x level 3	1
° audits	9	4	1	4, 2, 1x level 3	2

⁶ The second number, in italics, means harmonisation is not thought to be necessary/important but not objected to.

° assets covering technical provisions	8	4	1	4, 2, 2x level 3	1
to demand statistical information	12	2		5, 1, 1x level 3,	2
authorisations					
to authorize (or prohibit) hybrid capital items	3	6 (2 of these within limits)	1	7, 1	
for including some items into solvency margin	11	1	1	8, 1	
supervision					
to gather information	everybody			7, 1x level 3	
to access any kind of information	14			7, 1, 2x level 3	
to investigate on-the-spot	everybody			6, 1, 1x level 3	
to use an auditor or consultant at the cost of the undertaking	5	7	1	6, 2	1
to make recommendations to the auxiliary above	4	7 (1 of these with exceptions)	1	5, 1, 1x level 3	3
to apply prudential limits and restrictions more rigorously	4	5 (2 of these with restrictions)	2	5, 1	3
to communicate with other supervisory bodies	everybody			7, 1x level 3	
towards third parties					
to access information:					
° from the parent undertaking(s)	12 (1 of these if parent is supervised)	1	1	7, 1, 2x level 3	
° from intermediaries and companies performing outsourced functions	11 (1 of these indirectly)		3 (1 yes for intermediaries)	7, 1, 2x level 3	
° reinsurers	10	2	1 (only supervised entities)	7, 1, 2x level 3	
° other insurers	9	2	1 (only supervised entities)	6, 1, 1x level 3	1
° all other persons having dealings or information	9 (1 with some re-	3		6, 1, 1x level 3	1

	strictions)				
to investigate in any connected undertaking	10	2	1	6, 1, 2x level 3	
to demand any information from the auditors	10	3		5, 1, 2x level 3	1
to delegate an on-site inspection to an appointed auditor	6	6	1	4, 2, 2x level 3	1
or to make the inspection with him	5	6	1	6, 1, 1x level 3	1
to investigate intermediaries	13	2	1 (other authority)	6, 2, 1x level 3	1
to investigate undertaking performing outsourced functions	5	6	1(indirectly)	5, 2, 2x level	1
fit & proper					
to approve board members	12	2		9	1
to make rules about their activities	3	8	1	2, 2, 1x level 3	5
to approve head of branch	9 (1 of these within limits)	2 (other body) + 4,		7, 1	2
to refuse the appointment of a director	11	2 (other body)+ 1	1	8, 1	1
to refuse the appointment of a manager	9	6	1	7, 2	
to disallow material conflicts of interest within the board	6	4		4, 1, 1x level 3	2
to prevent the appointment of a particular individual to a key function	6	6		4, 1, 2x level 3	3
to reassess the fitness and propriety of an individual if needed	11	4		7, 1, 1x level 3	
to get an individual suspended from a key position	6	6		4, 1, 2x level 3	2
to require the appointment of individuals necessary to strengthen key functions		11	2	5, 2, 1x level 3	2
to require the engagement of an investigator (e. g. an appointed auditor) nominated by the supervisor	3	7		5, 1	2
to withdraw the license (major breach of fit + proper	11	3		8, 1x level 3	1

requirements)					
to assess an undertaking's actuarial function and refuse the appointment of an actuary	5	8	1	5, 1, 2x level 3	2
to remove the responsible actuary	5	7	1	5, 1, 2x level 3	2
to alter the composition of the control committee	2	11	1	3, 2, 1x level 3	3
to refuse an auditor	6	7		5, 1, 1x level 3	3
to enter or erase an actuary from the list	2	9	1	3, 1, 1x level 3	4
to remove an insurance intermediary from the register	11	2	1 (other authority)	7, 1, 1x level 3	1
to suspend the voting rights of unsuitable significant owners	6	7		6, 1	2
to ensure that qualified shareholders are suitable	11	1		8, 1	
to prohibit the acquisition of a qualifying holding in an insurer	14	1 (other body)		9, 1	
to exchange information with other supervisors	14			6, 1, 2x level 3	
fit and proper at group level (powers of the group supervisor)					
to assess fitness + propriety of senior management and board of directors	7	4		6, 1, 1x level 3	1
in case of non-compliance					
to prescribe a remedial action	16			8, 1, 1x level 3	
to order the undertaking to desist from particular actions	11			7, 1, 1x level 3	
to order to rectify non-compliance	14			8, 1, 1x level 3	
to order the undertaking to correct if the matter is insurance related	11	2		6, 1	2
to take control of the undertaking	1	9		2, 1	6
to order to rectify any inappropriate investment	10	3	1	8, 1, 1x level 3	
to prohibit the outsourcing of an activity	5	6	1	6, 1, 1x level 3	2
to demand mitigation/hedging of risks	3	9		5, 2, 1x level 3	1
to freeze assets	11	2	1	7, 2, 1x	

				level 3	
to order disposal of some assets	8	5	1	6, 1, 1x level 3	1
to prohibit certain operations or restrict the activities	13			8, 1, 1x level 3	
to prohibit new business	13			9, 1	
to suspend the operations of the company	9	3	1	8, 1, 1x level 3	
to participate in corporate meetings (without voting right)	6	7		3, 3	4
to convoke corporate meetings	8	6		2, 4, 1	3
to account losses with share capital	1	8		2, 2	5
to impose a capital increase	12	2	1	7, 1	2
to restrict or suspend dividends	8	5		4, 2	2
to appoint one more auditor	2	10		3, 3	3
to appoint a special auditor	5	9		3, 3	3
to appoint a regulatory or <i>ad acta</i> commissioner	7	4		3, 1	3
to suspend the managers	8	5	1	6, 2	1
to dismiss the board	7	6	1	5, 1	4
to dismiss the managers	5	7		5, 1	4
to appoint a special or temporary manager	6	7	1	7, 2	1
to require a portfolio to be transferred	7	5	1	4, 2, 1x level 3	3
to suspend the authorisation for operations	10	1		7, 1, 1x level 3	
to require evidence to be taken in court	2	11		1, 2	7
at group level					
to authorise (or forbid) intra-group operations	3	10	1	5, 1x level 3	3
to freeze assets of the group	4	9		7, 2, 1x level	
to authorize other methods for calculating the adjusted solvency based on deduction/aggregation principles	10	2	1	6, 1, 1x level 3	1
to assess: ° fitness + propriety of the senior management and board of directors	8	4		7, 2, 1x level 3	
° internal controls	11	2		7, 2, 1x level 3	

° risk management	7	6		7, 2, 1x level 3	
° the financial situation of the group	14			7, 2, 1x level 3	
° diversification effects on group level	7	6		6, 2, 1x level 3	1
governance					
to require with regard to internal control and risk management an improvement to					
° policies	12	1		7, 2	
° strategies	12	1		7, 2	
° procedures	12	1		7, 2	
to limit or have restricted the power of:					
° controlling owners	8	2	1	8, 2	
° board of directors	4	8		6, 1	2
° senior management	2	10		7, 1, 1x level 3	DK
to impose an add-on until deficiencies to the governance system are rectified	1	11		8, 1, 1x level 3	
small undertakings					
to simplify requirements	4	9		6, 1	2
to establish what constitutes proportionate supervision	3	10		6, 1	3
undertakings in difficulty					
to take preventive measures	13	1		8, 1, 1x level 3	
to require a correcting plan	14			8, 1, 1x level 3	
to require technical provisions to be increased	13	1		9, 1	
to require a 6-month restoration plan for assets covering technical provisions	9	2	1	8, 1, 1x level 3	
to refuse or delay the undertaking's requests or impose conditions	7	2	1	8, 1	1
to limit business expansion	7	5		8, 1, 1x level 3	
to restrict asset transfer	5	6	1	7, 1, 1x level 3	

to restrict an undertaking's purchase of its own shares	1	10		8, 1	
to restrict payments or asset transfers to an insurer's subsidiaries	2	9		7, 1, 1x level 3	
to restrict ownership or activities of a subsidiary	5	8		4, 2	4
to demand investments being less risky	3	9	1	5, 2, 1 x level 3	2
to prevent the insurer from issuing new policies or accepting new business	13			7, 2, 1x level 3	
to impose restrictions on certain types of business or investments	8	4	1	7, 2	
to require the undertaking to restore capital to an adequate level	12	2		8, 1, 1 x level 3	
to require submission of a revised business plan for restoring solvency levels	14			8, 1, 1 x level 3	
to freeze assets	14	2	1	7, 2, 1x level 3	
to require that the undertaking raise additional capital	8	4		6, 1	2
to increase supervisory reporting obligations	11	3		5, 1	
to prohibit buying of assets	4	8		7, 1	1
to require a short term finance scheme	everybody			7, 1, 1x level 3	
to require a higher solvency margin	13	2		6, 1, 1x level 3	
to reduce the value of some elements	9	4		6, 1	1
to diminish the reinsurance reduction coefficient	5	7	1	6, 1, 1x level 3	1
to participate in corporate meetings	4	8		3, 1	5
to prohibit new business	13			8, 1	
to withdraw authorisations and/or the licenses	11	3		7, 1	
to order the transfer of a portfolio	7	6	1	4, 1, 1x level 3	3
to require a financial recovery plan	everybody			7, 1, 1x level 3	
to limit dividend payments	5	6		7, 1	1
to demand a plan for restoring the SCR within 3 years premature FR (C)???	4	2		7, 1, 1x level 3	

to stop a transfer of funds to persons other than policyholders	5	6		7, 1, 1x level 3	
to order restructuring	2	8	1	4, 1	4
to order winding up or petition for it	10	2		7, 1	
to prohibit additional risks	4	6	1	7, 1	
to demand a reduction of the risk level	1	9	1	6, 1	
Undertakings in difficulties at group level					
to require an adjusted solvency restoration plan	7	7		7, 1, 1x level 3	
to freeze assets of the group	3	9		7, 1, 1x level 3	
to take appropriate action to require that the group restore the situation	6	6		7, 1	
to immediately react in case of emergency before consulting other supervisors	7	2		7, 1, 1x level 3	
to protect an insurer from difficulties in other parts of the group		1 10		7, 1, 1x level 3	
SCR premature FR (C)					
to prescribe a nominal term structure of interest rates for each currency ??		5		6, 1	1
to prescribe acceptable sources of interest rates for each currency ??		5		6, 1	1
to demand an increase in the SCR (add-on)	3	4		7, 1	
to assess the adequacy of the policy on solvency	3	4		8, 1	
to require the application of					
° early warning indicators	2 (1x Traffic light system)	5		6, 1	
° stress testing	4	3		7, 1	
° sensitivity analyses	2	5		6, 1	
° long term resilience or continuity tests	3	4		6, 1	
to demand supervisory reports on these tests	3 (1x Traffic light system) ,	4		7, 1	

to prescribe the periodic use of these tests	3(1x Traffic light system) ,	4		7, 1	
to prescribe additional tests	1	5		7, 1	
to require access to full details of assumptions and methodologies used by the insurer	2	5		6, 1	
to modify the parameters of the SCR formula	1	4		6, 1	
SCR at group level					
to impose an additional capital requirement at group level	1	6		7, 1	
breach of the MCR					
to require a short term finance plan to restore the MCR	5	3		7, 1	
withdrawal of the undertaking's licences	5	3		7, 1	
making a transfer of portfolio compulsory (if suitable undertaking is willing to take over)	3	5		4, 1	3
internal models					
to approve (or reject) internal models	2	6		7, 1	
to require partial or full internal models	1	6		17, 1	
to require improvements to the internal model	1	6	1	7, 1	
to review continuing compliance with internal model	2	6		7, 1	
to review functioning of the model change control loop	2	6		7, 1	
to require the undertaking to calculate and apply a recalibration factor	1	5		6, 1	
to impose a period of "parallel running" with the standard formula	1	5		5, 1	1

to impose a descending floor to smooth the transition to internal models	1	5		5, 1	1
internal models at group level (powers of group supervisor)					
to use prudential filters to meet group solvency capital requirements	1	5		5, 1	1
to lead the approval of internal models at group level	1	6		6, 1	
and to apply a model at group level if an agreement is not reached within 6 months	1	6		5, 1	1
to co-ordinate the other involved supervisors	1	5		6, 1	