



**Solvency II
Amendments Published**

Regulation Update

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Executive Summary

On 8 July 2019, the majority of a new Regulation (Commission Delegated Regulation 2019/981) came into force. In general, we expect the Basic Solvency Capital Requirement ("BSCR") to increase for companies writing non-life business – particularly those with material (European) property, marine and aviation portfolios. Meanwhile, the BSCR may reduce for some undertakings – particularly life insurers and companies with material exposures to derivatives or unrated European reinsurers. The direction and size of the impact on the Solvency Capital Requirement ("SCR") will also depend on changes to the loss absorbing capacity of deferred taxes, which will be implemented from 1 January 2020.

There have been significant changes in the calculation of the underwriting risk charge for undertakings writing **non-life** or **NSLT Health** business.

For many undertakings, changes to how **market risk** is calculated may lead to reductions in the capital charges, as well as simplified processes and rationales. Updates to **counterparty default risk** will have an impact mainly where an undertaking has significant exposure to

derivatives, or uses unrated European reinsurers or short-term risk mitigation techniques. There have also been significant updates to the requirements for calculation and documentation of the **loss absorbing capacity of deferred taxes ("LACDT")**.

Introduction

This Regulation amends Regulation (EU) 2015/35 – commonly known as the Solvency II Delegated Acts. The text of the amending Regulation can be found on the EUR-Lex website, by clicking [here](#). It is the fourth amending Regulation affecting the English-language version of the Delegated Acts since the original Regulation entered into force in January 2015, but contains significantly more updates than any previous amendments – particularly for undertakings calculating the SCR using the standard formula.

For undertakings writing **non-life** or **NSLT Health** business, there have been significant changes in the calculation of the underwriting risk charge.

A number of changes have been implemented under **CAT risk**, which will affect the **vast majority of non-life undertakings**, along with any undertakings selling **medical expense** or **income protection** insurance. The most significant of these include:

- Under **natural catastrophe risk**, 4 new EEA countries have been added under windstorm and/or hail perils, there have been technical changes to the form of the calculation for all perils, and parameters have been updated for a number of regions and risk zones. In addition, a simplification has been specified for undertakings that do not have the risk-zone level information required for the calculation; this simplification may be capital intensive for some undertakings.
- Under **man-made risk**, the charges for marine, aviation and fire risks must now be calculated on the basis of the largest *net* exposures of the undertaking – unless this would insufficiently capture the risks to which the undertaking is exposed. This may lead to non-trivial increases in the capital requirement for a number of companies.
- A simplification has been introduced for **fire risk**, in terms of calculating the largest fire risk concentration.

Previous amending Regulations have included:

- [Regulation \(EU\) 2018/1221](#): Updating the definition of securitisation positions in line with [Regulation \(EU\) 2017/2402](#), which laid down a general framework for securitisation, and created a specific framework for simple, transparent and standardised (STS) securitisation.
- [Regulation \(EU\) 2017/1542](#): Introduction of qualifying infrastructure corporate investments.
- [Regulation \(EU\) 2016/467](#): Introduction of qualifying infrastructure investments, and updates to a number of parameters – most notably the parameters in the spread risk sub-module.

- The 10-year disability scenario has been removed from the **mass accident** scenario, with the 5% of people previously assumed affected by this charge now being split between the 1-year and permanent disability scenarios.

For **premium and reserve risk**, the main changes will affect those writing multi-year business, with adjustments to standard deviations for some lines of business deferred until 1 January 2020.

- For multi-year business only, the gap in the **FP_(future)** volume measure – caused by the difference between the initial recognition date and the valuation date – has been removed. However, a 30% factor is now applied in calculating the volume measure for such business. The impact on capital will vary by company.
- **Standard deviations** have been updated for six lines of non-life and NSLT health business. This includes a change to the reserve risk standard deviation for non-proportional health reinsurance; we note that this change was not advised by EIOPA.

For many undertakings, changes to how **market risk** is calculated may lead to reductions in the capital charges, as well as simplified processes and rationales. This may particularly be the case for companies selling unit-linked or index-linked policies, those holding equities for long periods, those investing in bonds issued by regional governments and local authorities, and those in international groups (where the consolidated group accounts differ from those of the company).

- Under the **look-through approach**, the updates clarify that data groupings should not account for investments where the market risk is borne by the policyholder, and that the last reported asset allocation of a fund may sometimes be used if the target asset allocation is not available.
- The new concepts of **long-term equity investments** and **qualifying unlisted equities** are introduced in the updates. The former attract a reduced capital charge of 22%, while the latter can be treated as Type 1 equities – also reducing the capital charge.
- There are reduced capital requirements under spread and market concentrations risk for **exposures to local authorities and regional governments**, where the counterparty was previously unrated.
- The **local currency** used in the FX risk charge may be based on a material currency for group technical provisions or own funds, rather than being required to be the currency for the consolidated group accounts.

Updates to **counterparty default risk** will have an impact mainly where an undertaking has significant exposure to derivatives, or uses unrated European reinsurers or short-term risk mitigation techniques.

- Reduced capital requirements have been introduced for trade exposures to qualifying central counterparties (“**CCPs**”).
- The updated Regulations allow LGDs for derivatives to be calculated on a net basis, where there are **contractual netting arrangements** with the counterparty.

- New credit quality steps are assigned to **unrated (re)insurers** that comply with the MCR.
- Five changes have been made to the qualitative criteria for using **short-term risk mitigation techniques**.
- The calculation of the variance for **type 1 exposures** has been clarified, and will increase capital requirements for undertakings that previously took a different interpretation of the Regulations.

There have been significant updates to the requirements for calculation and documentation of the **loss absorbing capacity of deferred taxes ("LACDT")**. From 1 January 2020, this will be a required risk management area for all undertakings. The changes may significantly reduce the impact of the LACDT and, hence, increase companies' capital requirements. There are also additional documentation requirements in undertakings' SFCRs and RSRs.

A number of other **simplifications** have been introduced or amended. Areas affected by these include:

- Lapse risk charges, for life, health and non-life business;
- Mortality risk, for life and health business;
- Spread risk and market risk concentrations; and
- The risk-mitigating effect of reinsurance.

In the sections below, we highlight some of the more significant changes to the Solvency II Delegated Acts, under this amending Regulation. For ease of navigation, we have included these changes under six main headings:

- Non-Life and NSLT Health Catastrophe Risk
- $FP_{(future)}$ for Non-Life and NSLT Health Underwriting Risks
- Counterparty Default Risk
- Market Risk
- Deferred Changes
- Simplifications

For the avoidance of doubt, the below sections are not intended to be a comprehensive list of changes made to the Delegated Acts. In particular, we note that the below only covers changes in the calculation of the SCR; it does not cover updates to own funds.

Section 1: Non-Life and NSLT Health CAT risk

Significant changes have been made to the non-life and NSLT health catastrophe risk sub-modules. These are described in the table below.

The changes are likely to increase the capital requirements for most non-life insurers – particularly for those:

- Writing property, marine, or aviation business;
- With European property exposure, but with limited data at a risk-zone level; or
- Covering windstorm perils in Finland, Hungary or Slovenia, or hail perils in the Czech Republic or Slovenia.

There should be reduced capital requirements for undertakings where marine business exclusively has sums insured less than EUR 250k.

| Headline | Reference (2015/35, where applicable) | Description |
|-------------------------------------|---------------------------------------|---|
| Natural catastrophe risk | | |
| New risks for some countries | Annexes V, VIII | <p>A number of countries have been added to the Windstorm and Hail risk sub-modules, under the standard formula. These are as follows:</p> <p><u>Windstorm</u></p> <ul style="list-style-type: none"> • Republic of Finland • Republic of Hungary • Republic of Slovenia <p><u>Hail</u></p> <ul style="list-style-type: none"> • Czech Republic • Republic of Slovenia <p>New country-level correlation matrices have also been defined for these perils, accounting for the inclusion of the new countries.</p> |

| Headline | Reference (2015/35, where applicable) | Description |
|---------------------------------|---------------------------------------|---|
| Natural catastrophe risk | | |
| Technical change to calculation | Articles 121-125 | <p>Articles 121-125 of the Delegated Acts have been updated to calculate the loss for a particular risk zone, taking into account the peril's risk factor in each region before using the correlation matrices to aggregate the risk zones to the regional level.</p> <p>For example, in the hail risk sub-module, the calculation was formerly performed as follows:</p> <ul style="list-style-type: none"> Calculate the weighted sum insured for the region as: $WSI_{(hail,r,i)} = W_{(hail,r,i)} * SI_{(hail,r,i)}$ with W and SI being the risk weight and sum insured for the risk zone i, respectively. Calculate the specified loss for the region as: $L_{(hail,r)} = Q_{(hail,r)} * \sqrt{\sum_{(i,j)} Corr_{(hail,r,i,j)} * WSI_{(hail,r,i)} * WSI_{(hail,r,j)}}$ where the Q denotes the hail risk factor for the region. <p>Under the amended Regulations, the weighted sum insured is calculated as:</p> $WSI_{(hail,r,i)} = Q_{(hail,r)} * W_{(hail,r,i)} * SI_{(hail,r,i)}$ <p>with the specified loss being set equal to:</p> $L_{(hail,r)} = \sqrt{\sum_{(i,j)} Corr_{(hail,r,i,j)} * WSI_{(hail,r,i)} * WSI_{(hail,r,j)}}$ <p>In other words, the hail risk factor is brought into the calculation of the weighted sum insured. This is important for the next 2 points – parameter changes, and capping of losses.</p> <p>This change may take undertakings some time to implement, peer review and test for each of the natural catastrophe perils.</p> |
| Parameter changes | Annex X | <p>The risk factors, risk weights, and correlation matrices have been updated for a number of regions and risk zones.</p> <p>These changes may take a significant amount of time for undertakings to implement, peer review, and test.</p> |
| Capping of losses | Articles 121-125 | <p>Notional losses (weighted sums insured) are now calculated for each risk zone where there is a data input. Where these notional losses (for example, due to policy limits) exceed the total gross losses that the undertaking could potentially suffer from the specified peril in that risk zone, the weighted sum insured may be set equal to that total aggregate gross loss amount.</p> |

| Headline | Reference (2015/35, where applicable) | Description |
|------------------------------------|---------------------------------------|--|
| Natural catastrophe risk | | |
| Data simplification | Article 90b | <p>A simplification has been introduced that allows the sums insured for each peril to be calculated on the basis of groups of risk zones.</p> <p>At present, a number of companies in the Irish market (particularly captives) already apply a simplification in this regard – often calculating the charge for a country based on the <i>median</i> risk factor within that country. Under the new Regulations, where a grouping simplification is applied, the risk weight must be the highest within the group of risk zones.</p> <p>While this change should not take long to implement, it may lead to non-trivial increases in the SCR for some companies – particularly those without catastrophe excess of loss reinsurance. For companies currently applying a simplification based on the median risk factor, it may now be worthwhile to identify whether they have any exposure in the risk zones with the highest weights, if not to carefully identify the exact zones for each of their sums insured.</p> |
| Man-Made risk | | |
| Change in calculation basis | Articles 130-132 | <p>For those scenarios where the catastrophe risk charge is based on the largest exposure of the undertaking (Marine, Aviation, and Fire), the undertaking must now select the largest sum insured <i>net</i> of reinsurance. Previously, the sum insured was selected on a <i>gross</i> basis.</p> <p>There is a caveat in this change. Where performing this calculation on a net basis would insufficiently capture the risk to which the undertaking is exposed, the undertaking must calculate the capital requirement for the risk without deduction of amounts recoverable.</p> <p>The change in basis may lead to non-trivial increases in the SCR for some companies.</p> |
| Fire risk simplification | Article 90c | <p>The charge for Fire risk requires the undertaking to identify its largest fire risk concentration – i.e. the largest aggregation of sums insured within a 200m radius. This is complex for some undertakings, and would be complicated further by the change of basis outlined above.</p> <p>The simplification allows undertakings to reduce the complexity of its search. In doing so, the undertaking first identifies the 5 largest single exposures in each of three categories:</p> <ul style="list-style-type: none"> • Industrial • Commercial • Residential <p>For each of these 15 large exposures, the undertaking calculates the total exposure within 200m of it.</p> <p>The charge will typically be set equal to the largest of these exposure concentrations. However, this would not be the case for insurers of residential property, if a market share based fire risk exposure – based on the undertaking’s average sums insured and maximum market share across all countries – is greater than the largest exposure concentration.</p> |

| Headline | Reference (2015/35, where applicable) | Description |
|---|---------------------------------------|--|
| Man-Made risk | | |
| Marine risk (Vessels) | Article 130 | The capital requirement for marine risk is now partially based on the risk of <i>vesse</i> /collision, rather than <i>tanker</i> collision. The capital charge is still based on the sums insured for hull, marine liability, and oil pollution (re)insurance. Vessels where the insured value is less than EUR 250k are now excluded from the calculation of the charge. |
| Removal of 10-year disability from mass accident risk sub-module (Health NSLT) | Annex XVI | <p>Prior to the amendments coming into force, 5% of persons were deemed to have a disability that lasts 10 years due to the accident scenario.</p> <p>This event type has now been deleted. The 5% has now been split between two other event types:</p> <ul style="list-style-type: none"> • Permanent disability caused by an accident (increasing from 1.5% to 3.5%); and • Disability that lasts 12 months caused by an accident (increasing from 13.5% to 16.5%). |

Section 2: $FP_{(future)}$ for Non-Life and NSLT Health Underwriting Risks

The $FP_{(future)}$ component of the premium volume measure has been amended, where the initial term of a contract is greater than 1 year. For such contracts, $FP_{(future,s)}$ now denotes the amount equal to 30% of the expected present value of premiums to be earned by the undertaking in the segments after the following 12 months, with respect to contracts where the initial recognition date falls in the following 12 months.

The volume measure remains unchanged for contracts with terms of one year or less.

There are 2 changes for multi-year contracts:

1. The gap in capital requirements – caused by the difference in time between the initial recognition date and the subsequent valuation date – has been closed. All else being equal, this would lead to an increase in capital requirements.
2. The present value of premiums to be earned by the undertaking is now multiplied by a 30% factor. All else being equal, this would lead to a reduction in the capital requirements.

The 30% factor was selected by EIOPA to minimise the average change in the capital charge for premium & reserve risk, caused by closing the gap in capital requirements. However, this change may still have significant impacts on individual company's SCR – particularly where the term of their multi-year business differs significantly from the norm.

Articles 116 and 147.

Section 3: Counterparty Default Risk

A number of changes have been made to the calculation of counterparty default risk, particularly in the areas of derivatives, and reinsurance arrangements with unrated counterparties. In general, these would be expected to reduce the counterparty default risk charge, where applicable – though the clarification around V_{inter} may increase the charge for some companies. The updates are outlined in the table below.

| Headline | Reference (2015/35, where applicable) | Description |
|---|---|---|
| Derivatives | | |
| Recognition of qualifying central counterparties (CCPs) | Articles 1 (59-63), 189, 192, 192a, 197, 199 | Qualifying central counterparties (“CCP”s – usually clearinghouses) have been specifically included in the text of the Regulation. Exposures to CCPs now generate lower capital requirements than many other counterparties – particularly where the positions and assets of the undertaking are bankruptcy remote. |
| Unrated (re)insurers compliant with the MCR | Article 182 | New credit quality steps have been introduced for unrated (re)insurance undertakings, where the undertaking meets its Minimum Capital Requirement (“MCR”). The assigned credit quality step will depend on the solvency ratio of the undertaking. |
| Netting of derivatives | Article 192 | Where contractual netting agreements have been concluded, covering several derivatives that represent credit exposure to the same counterparty, undertakings may calculate the loss-given-default on the basis of the combined economic effect of the derivatives that are covered by the same contractual netting agreement. |
| Risk mitigation techniques with insolvent (re)insurers | Article 211 | <p>Where a reinsurance counterparty ceases to comply with the SCR after entering into a reinsurance contract, partial recognition of the protection offered is no longer based on the submission of a realistic recovery plan.</p> <p>Instead, the protection may be partially recognised for no longer than 6 months after the counterparty fails to comply with the SCR. There are some caveats:</p> <ul style="list-style-type: none"> • If the counterparty restores compliance with the SCR, the full protection of the risk-mitigation technique can be recognised. • If the undertaking deems it unlikely that the counterparty will restore compliance within 6 months, the undertaking will no longer recognise the effect of the risk mitigation technique in the Basic Solvency Capital Requirement (“BSCR”). • If the counterparty ceases to comply with the MCR, no benefit will be recognised for the risk mitigation technique in the BSCR. |
| Qualitative criteria for short-term risk mitigation techniques | Article 209 | <p>The qualitative criteria for short-term risk mitigation techniques – i.e. those in force for a period shorter than 12 months – have been amended. There have been 5 main changes to these points.</p> <ol style="list-style-type: none"> 1. Risk mitigation techniques subject to exposure-based adjustments are now explicitly included. 2. The undertaking’s written policy on the replacement or adjustment of the risk-mitigation technique must now cover any situations where the undertaking uses a combination of contractual arrangements to transfer risk. 3. There is no longer a requirement not to replace the technique more often than every three months. Instead, the replacement or adjustment will take place more than once per week only in cases where, without the replacement or adjustment, an event would have a material adverse impact on the solvency position of the undertaking. 4. Where the risk is transferred through the purchase or issuance of financial instruments, the initial contractual maturity shall not be shorter than one month. 5. Where underwriting risk is transferred through reinsurance contracts or SPVs, the initial contractual maturity shall not be shorter than three months. |

| Headline | Reference (2015/35, where applicable) | Description |
|------------------------------|---------------------------------------|---|
| Derivatives | | |
| Clarification of V_{inter} | Article 201 | <p>V_{inter} – used in the calculation of the variance of the loss distribution of type 1 exposures – was previously defined as a sum that covered “all possible combinations... of <i>different</i> probabilities of default on single name exposures.”</p> <p>However, it was clear from other publications by EIOPA – including helper files – that the intention had been to include equal probabilities within the sum.</p> <p>This led to diverging market practice, where some companies deliberately <i>excluded</i> equal probabilities from the sum (in strict compliance with the letter of the Regulation), while others <i>included</i> them (in compliance with the spirit and intention of the Regulation).</p> <p>The word “different” has now been removed from this section of the Regulation, clarifying that undertakings should include equal probabilities in the calculation of V_{inter}.</p> |

Section 4: Market Risk .

A number of changes have been made to the market risk sub-modules, which are largely relevant for undertakings with specific investment strategies. In general, these changes would be expected to reduce the capital charge, where applicable.

However, benefiting from some of the updates would require policies to be put in place, or certain points to be demonstrated to the Central Bank of Ireland.

| Headline | Reference (2015/35, where applicable) | Description |
|---|---------------------------------------|---|
| Look-through approach (target asset allocations) | Article 84 | Where the target underlying asset allocation is not available to the undertaking, the undertaking may now use the last reported asset allocation, provided that the underlying assets are managed according to that last reported asset allocation, and that exposures and risks are not expected to vary materially over a short period of time. |
| Look-through approach (assets related to policyholders) | Article 84 | <p>Any data groupings for the look-through approach must now enable all relevant sub-modules and scenarios of the standard formula to be calculated in a prudent manner. As before, they cannot apply to more than 20% of the total value of the undertaking's assets.</p> <p>In determining the percentage of assets where data groupings are used, the updated Regulation clarifies that undertakings should not take into account underlying assets for which the market risk is borne by the policyholders.</p> |
| Internal assessment of credit quality steps for bonds and loans | Articles 176a-176c | Criteria are set out in the amended Regulation for internally assessing and assigning credit quality steps to bonds and loans. |

| Headline | Reference (2015/35, where applicable) | Description |
|---|---------------------------------------|---|
| Treatment of regional governments and local authorities | Articles 180, 187 | For both the spread and market concentration risk sub-modules, exposures to (or fully, unconditionally and irrevocably guaranteed by) regional governments or local authorities: <ul style="list-style-type: none"> Listed in Article 1 of Implementing Regulation (EU) 2015/2011, shall be treated as exposures to the central government. Not listed in that Article, shall be assigned a credit quality step of 2. |
| Currency risk for Group undertakings | Article 188, 337 | For currency risk, where a material amount of the consolidated technical provisions or the consolidated group own funds is denominated in a currency other than the one used for the preparation of the consolidated accounts, this currency may be considered the <i>local currency</i> for the calculation of the currency risk charge. |
| Long-term equity investments | Article 171a | Long-term equity investments are defined in Article 171a of the amended Regulation. These attract a (reduced) 22% charge – irrespective of whether they are classed as Type 1 or Type 2 equities. To avail of the reduced capital requirements for a sub-set of equity investments, the undertaking must demonstrate eight points to the satisfaction of the supervisory authority – including: <ul style="list-style-type: none"> That the average holding period of investments in the sub-set exceeds (or will exceed, before any sale takes place) 5 years; and That the undertaking is sufficiently solvent and liquid to avoid forced sales of each equity investment within the sub-set for at least 10 years, on an ongoing basis and under stressed conditions. |
| Qualifying unlisted equities | Article 168a | Qualifying unlisted equity portfolios are defined in Article 168a of the amended Regulation. These are classed as Type 1 equities. To avail of the reduced capital requirements for these equities, the equities must meet nine requirements – which include points around the companies’ sizes and locations, as well as the beta of the set of investments. |

Section 5: Deferred Changes

A small number of the amendments have been deferred until 1 January 2020. These mainly relate to:

- The loss absorbing capacity of deferred taxes (“LACDT”); and
- Certain standard deviations, used in the Non-Life and NSLT Health premium and reserve risk sub-modules.

LACDT

The changes to the LACDT appear to be designed to make it more difficult for companies to automatically take a capital benefit in respect of deferred taxes.

Among the changes in Article 207 are the following points:

- Where the notional loss would increase the DTA, the undertaking must be able to demonstrate to the supervisory authority that it is probable that future taxable profit will be available to utilise the increase.

- Assumed new business sales are limited to those in the business plan, and cannot be projected beyond the business plan (to a maximum of 5 years).
- Rates of return on investments following the notional loss must be based on the risk-free interest rates, unless there is credible evidence that the returns will be higher.

These changes may lead to the benefit from the LACDT reducing for many companies. This would increase the SCR, and decrease the undertakings’ SCR coverage ratios.

The other amendments in respect of the LACDT concern:

- Its formal addition to the risk management areas of the undertaking, under Article 260.
- Details to be provided in the SFCR, under Article 297.
- Details to be provided in the RSR, under Article 311.

Standard deviations

Most standard deviations remain unchanged in the calculations of the Non-Life and NSLT Health premium and reserve risk charges. What changes have been made are shown in the table below.

Note that the standard deviation for reserve risk of non-proportional health reinsurance has been updated; this update was not recommended in EIOPA's advice to the European Commission.

| Line of business | Premium Risk | | Reserve Risk | |
|-----------------------|--------------|-------|--------------|-------|
| | Original | New | Original | New |
| Medical expense | 5.0% | 5.0% | 5.0% | 5.7% |
| Workers' compensation | 8.0% | 9.6% | 11.0% | 11.0% |
| Credit and suretyship | 12.0% | 19.0% | 19.0% | 17.2% |
| Legal expenses | 7.0% | 8.3% | 12.0% | 5.5% |
| Assistance | 9.0% | 6.4% | 20.0% | 22.0% |
| NP Health Reinsurance | 17.0% | 17.0% | 20.0% | 17.0% |

Section 6: Other Simplifications

A number of other simplifications have also been included in the amended Regulation. Some of these are listed below.

| Headline | Reference (2015/35, where applicable) | Description |
|---|---------------------------------------|---|
| Lapse risk (Life, Non-Life and Health) | Articles 90a, 95a, 96a, 102a | <p>Undertakings may determine each of the lapse-related charges on the basis of groups of policies, provided the grouping complies with the following requirements:</p> <ol style="list-style-type: none"> There are no significant differences in the nature and complexity of the risks underlying the policies that belong to the same group; The grouping of policies does not misrepresent the risk underlying the policies and does not misstate their expenses; The grouping of policies is likely to give approximately the same results for the best estimate calculation as a calculation on a per policy basis, in particular in relation to financial guarantees and contractual options included in the policies. |
| Life and Health mortality risk | Articles 91, 97 | <p>The simplified formulae for these charges have been amended as follows:</p> <p><u>Original formula</u></p> $0.15 * CAR * q * \sum_{k=1-0.5}^{n-0.5} \left(\frac{1-q}{1+i_k} \right)^k$ <p><u>New formula</u></p> $0.15 * q * \sum_{k=1}^n CAR_k * \frac{(1-q)^{k-1}}{(1+i_k)^{k-0.5}}$ <p>CAR_k is now the capital at risk in year k. The updated formula reflects the fact that the capital at risk of insurance policies may vary over time.</p> |
| Simplified calculation for spread and market concentration risks | Article 105a | <p>Provided certain conditions are met, an undertaking may assign a credit quality step of 3 to unrated bonds. One such condition is that the value of these bonds must be less than 20% of all bonds not specified in Article 180.</p> |
| Risk-mitigating effect on underwriting risk | Article 111a | <p>Where the reinsurance arrangement, securitisation or derivative covers obligations from only one segment, a simplified formula is provided for calculating the risk-mitigating effect on underwriting risk.</p> |

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