CEIOPS-FS-19/07

QIS3
Qualitative Questionnaire

PART II: GROUP QUESTIONS

Questions printed bold and marked with a dark coloured bar on the side should be answered by all participants.
Questions marked with a light coloured bar on the side should be answered if data availability and time constraints allow participants to do so.
In the case of dashed bars, only those participants are expected to answer for whom this question is relevant. Others may omit this part and proceed to the subsequent question of this questionnaire.

April 2007

General

Q.G.1 **Which were the major practical difficulties encountered in producing group data for QIS3? Do you have any suggestions about how to solve these problems?**

Q.G.2 **(a) Can you provide an estimate of the additional resources (in person months) that are likely to be required**

- **to develop appropriate group systems and controls, and**
- **to carry out a valuation each year of the group SCR in accordance with the methodology proposed here?**

(b) What level of resource (in person months) was required to complete the group aspects of QIS3?

Q.G.3 **Please provide some assessment of the reliability and accuracy of the data you have input for the group SCR.**

Q.G.4 **Please set out any views you may have about the suitability and appropriateness of the methodology set out in this specification, about the comprehensibility of definitions, about incentives for effective risk management, and about any simplifications that might sensibly be introduced to increase the practicability of the calculations, for the calculation of:**

(a) the group SCR, and

(b) the eligible elements of group capital.

Q.G.5 **Do you consider that the choice of scenario or factor-based methods are as relevant for groups as for solo entities?**

Q.G.6 On a scale of 1 to 5 (1 for less and 5 for more), please state whether you would like more or less prescriptive rules, guidance for calculation, or simplifications to the methodology proposed in the QIS3 Technical Specification. Please refer to table I.A.4 of the spreadsheet.

SCR standard formula applied at group level

Methodology and calibration

Q.G.7 **Please set out any views you may have on how the group standard formula as described in Section 3 of the Technical Specifications has been designed:**

(a) market risk,

(b) counterparty default risk,

(c) life underwriting risk,

(d) health underwriting risk,

(e) non-life underwriting risk,

(f) operational risk.

Q.G.8 **Please provide a rationale for any alternative approach that you may prefer.**

Diversification effects

Q.G.9 **Please provide any comments you may have on the suitability of the correlation factors and aggregation methods that are set out within Section 6 of the Technical Specifications for the assessment of the group SCR.**

SCR Internal models

Q.G.10 **What is the risk measure that is used for the purpose of the calculation of group's capital requirement?**

- **VaR,**
- **TailVaR,**
- **Other: please specify,**
- **Which confidence level do you use?**
- **What time horizon do you use?**

Q.G.11 **Does the internal model cover all the entities within the scope of the group?**

Q.G.12 **Does it take into account all insurance undertakings?**

- **What kind of entities are not covered and why?**
- **How do you then consider the impact of these entities on the group as a whole?**

Q.G.13 **Does it take into account reinsurance undertakings?**

- **If not, why?**
- **How do you then consider the impact of these entities on the group as a whole?**

Q.G.14 **How are minority participations dealt with?**

Q.G.15 **Does the model take into account activities in other financial sectors?**

- **How do you then consider the impact of these entities on the group as a whole?**
- **Are similar risk types aggregated across financial sector borders?**

Q.G.16 **To which extent does the model take account of the existence of non-regulated entities in the scope of the group (in particular holding companies and special purpose vehicles)?**

- **How do you then consider the impact of these entities on the group as a whole (e.g. piercing the corporate veil)?**

Q.G.17 **If the model does not take into account all of the entities of the group, please indicate which part of the business the internal model covers (as a proportion of premiums of the group and the technical provisions and the proportion in terms of (solvency) capital requirements as determined by the solo SCRs calculated with the standard formula).**

Q.G.18 **In your opinion, does your current model cover all the material risks that are borne by a group? What kind of group specific risks do you consider and in what practical way do you take them into account?**

Q.G.19 **If you think your model does not take into account all risks of the standard formula, to which extent do you think that the structure of your model complements correctly the standard formula?**

Q.G.20 **Please describe how the risks are aggregated at group level. Which approach is taken?**

- **Correlation matrix,**
- **Copula,**
- **Combination of these two approaches (how?),**
- **Other (please specify).**

Q.G.21 **If you have different correlations assumptions than in the proposed specifications of the standard formula at group level, explain why you deviate from these assumptions.**

Q.G.22 **Are diversification benefits allocated to solo entities?**

- **If yes, which method is used for that purpose, and why?**
- **Are any limits used?**

Q.G.23 **Do you use consolidated [or combined] data to feed the model? If not, how do you proceed to obtain your group results?**

Q.G.24 **How do you treat internal reinsurance? Does your internal model apply a capital charge to intra-group reinsurance? If yes, how?**

Q.G.25 **How do you concretely take account of any barriers to the transferability of capital between different entities:**

- **Regarding with-profit business in life insurance,**
- **Regarding costs of transferring capital from an undertaking to another one,**
- **Regarding cross sectoral-transferability of assets.**

Q.G.26 **Given all the previous answers to this section, please provide the amount of required capital as determined by the use of the internal model, as well as the amounts of diversification effects obtained for each level of aggregation of risks.**

Q.G.27 **How do you interpret the possible differences in the amount of required capital between the standard approach (as proposed in this study) and the implementation of the internal model?**

Transferability

Q.G.28 A significant issue with respects to groups is the ability to transfer surpluses in one part of a group to meet losses in another part of that group. Please set out any views you may have on the issue of transferability in a group context and any suggestions you may have for how transferability could be taken into account in the calculation of the group SCR and available group capital. In particular comments would be welcome on the proposed treatment in Section 6 of the Technical Specifications for:

- non-EEA group entities,
- cross-sector group entities,
- minority interests.

Group-specific risks

Q.G.29 As well as potential benefits, membership of a group may also create group-specific risks. These may include for example:

- contagion risk,
- legal risk,
- reputational risk,
- complexity/lack of transparency,
- conflict of interest,
- concentrations/tail dependencies.

These risks are not addressed by the standard formula. However, although they are typically difficult to quantify, the intention in Solvency II is that they should, as far as possible, be addressed in the pillar 1 required capital calculation. For the purposes of QIS3, please set out what you consider to be the main group-specific risks and suggest how they might be quantified and addressed in a risk capital measure.

Non-regulated group entities

Q.G.30 If your group includes non-regulated entities, please describe how you consider they should be valued and how any associated risks should be accounted for in the assessment of group solvency.

Group Capital

Q.G.31 **If differing from the default methods described, please state the accounting standard or valuation basis used; providing, for each asset and liability item for which a different valuation basis is used, the impact on eligible capital. Where market consistent valuation is not applied to certain assets or liabilities, provide the amount of any material losses of the current year which would have been recognised under market consistent valuation and which has been deducted from tier 1 capital.**

Q.G.32 **Please reveal the valuation basis used for each contingent capital item.**

Q.G.33 **For subordinated liabilities and contingent capital which are not specified in the spreadsheets, please provide, separately for tier 1 capital, tier 2 capital and tier 3 capital, totals for (1) groups of subordinated liabilities with similar qualitative characteristics and (2) groups of contingent capital with similar qualitative characteristics; stating those characteristics.**

Q.G.34 **Please provide, separately, for each contingent capital item included in tier 2 capital under other contingent capital, and for each contingent capital item included in tier 3 capital, a description of:**

- **The quality of the counterparties concerned, in relation to their ability and willingness to pay;**

- **The recoverability of the funds, taking account of the legal form of the item, as well as any conditions which would prevent the item from being successfully called up;**

- **Information on the outcome of past calls, which have been made;**

- **Any other relevant information.**

Q.G.35 **Please provide, for each asset and liability item, any significant difference in valuation under Solvency I and Solvency II.**

Q.G.36 Please describe any specific difficulties you encountered in the calculation of available group capital as set out in paragraphs I.6.78 to I.6.95 of the technical specifications.

Minority interests

Q.G.37 CEIOPS is aware that proposed approach in the paragraphs I.6.81 to I.6.83 of the technical specifications results in a simplification, since there is no specific reason for diversification benefits to come 'equally' from each undertaking of the group (that is to say that the possible reduction of the SCR obtained at group level comes equally from each undertaking, in proportion of their solo SCR). Participants are invited to suggest any preferred alternative method of allocating diversification effects with a standard approach.

Non-transferable items

Q.G.38 Participants are invited to comment on the approach taken towards non-transferable items in paragraph I.6.95 of the technical specifications. Suggestions are also welcomed for any preferred alternative ways to take costs of or barriers to transferability into account in the calculation of available group capital as set out in Section 6 of the Technical Specifications?

Management of operational risk

Q.G.39 Please refer to table I.A.4 of the spreadsheet.