



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Guidance on Applications for Approval of Transitional Technical Provisions – 2018

1. Overview

1.1 “Solvency II Information Note 1 – Applications for approval of certain items specified in Article 308a of the Solvency II Directive”, “Solvency II Information Note 3 – Applications for approval of certain items specified in Article 308a of the Solvency II Directive” and “Solvency II Information Note 4 – Applications for approval of certain items specified in Article 308a of the Solvency II Directive – Undertaking Specific Parameters” have been replaced by the following:

- Guidance on Applications for Approval of Ancillary Own Funds;
- Guidance on Applications for Approval of Basic Own Funds & Capital Contributions;
- Guidance on Applications for Approval of the Matching Adjustment;
- Guidance on Applications for Approval of the Volatility Adjustment;
- Guidance on Applications for Approval of Transitional Risk Free Interest Rates;
- Guidance on Applications for Approval of Transitional Technical Provisions;
- Guidance on Applications for Approval of Undertaking Specific Parameters.

1.2 Regulation 100 of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015) permits (re)insurance undertakings to apply a transitional deduction to technical provisions subject to prior approval by the Central Bank of Ireland (the ‘Central Bank’).

2. Approvals Process for Applications

- 2.1 This document provides guidance in relation to the Central Bank's requirements for applying to use the transitional deduction to technical provisions outlined in Regulation 100. In order to ensure an efficient application process and avoid unnecessary delays in the review of those applications it is vital that undertakings submit applications which include all relevant information necessary for the assessment and decision by the Central Bank. The complete application should be submitted in electronic copy to your supervisory contact.

- 2.2 As Solvency II was introduced on 1 January 2016, the Central Bank does not expect any new applications for the transitional deduction to technical provisions. However, it will consider applications on a case-by-case basis in exceptional circumstances.

3. Transitional Deduction to Technical Provisions

- 3.1 Regulation 100 requires that (re)insurance undertakings obtain prior approval from the Central Bank in order to apply a transitional deduction to Technical Provisions. Undertakings wishing to use the transitional deduction can submit applications to the Central Bank for assessment.

- 3.2 A checklist is provided below to assist in making an application. Failure to provide all of the necessary evidence will result in the application being deemed incomplete.

Appendix 1: Transitional Deduction to Technical Provisions Application Checklist

- Complete all sections of this checklist.
- Insert the relevant section or page number from your application in the column marked 'Applicant'.
- The application should contain the following:

	Applicant
1. Documentary evidence of Board approval of the application.	
2. Confirmation that the calculations and components are performed in accordance with the requirements of Regulation 100.	
3. An explanation of why the transitional deduction is being used.	
4. Details of the homogenous risk groups that the transitional deduction will be applied to and how these have been identified.	
5. Details of how the individual components of the transitional deduction as detailed in Regulation 100(4) are calculated. Where the volatility adjustment is also being used, the values with and without the volatility adjustment are to be specified.	
6. Details of the underlying risk profile and methodology used to determine whether there has been a material change. This should be in accordance with Article 278 of Commission Delegated Regulation (EU) 2015/35.	
7. Split by currency, a quantification of the impact of not applying the deduction on the undertaking's financial position, including on the amount of: <ul style="list-style-type: none"> • technical provisions; • the Solvency Capital Requirement; • the Minimum Capital Requirement; • the basic own funds and the amounts of own funds eligible to cover the Minimum Capital Requirement and the Solvency Capital Requirement. 	

8. Details of how the risk profile will be monitored.	
9. Details of how the undertaking will ensure on an on-going basis that the transitional deduction will comply with Regulation 100.	
10. How, within the ORSA, the Risk Management function will perform the assessment on an on-going basis of compliance with the capital requirements with and without taking into account the transitional deduction on the technical provisions, required by Regulation 47(5).	
11. Details of how, on an on-going basis, the undertaking will monitor that they comply with the Solvency Capital Requirement without the application of the transitional deduction.	

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