

Guidelines on group solvency

Introduction

- 1.1. These Guidelines are drafted according to Article 16 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (hereinafter "EIOPA Regulation")¹.
- 1.2. The Guidelines relate to Articles 212 to 235 and Articles 261 to 263 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (hereinafter "Solvency II Directive")², and to Articles 328 to 342 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC (hereinafter Commission Delegated Regulation 2015/35)³.
- 1.3. These Guidelines are addressed to supervisory authorities under Solvency II.
- 1.4. The Guidelines on group solvency calculation aim at specifying and harmonising the requirements on the calculation of group solvency.
- 1.5. The Guidelines apply to all the methods of group solvency calculation unless otherwise specified. When relevant, the standard formula or the internal model will be specified in the Guidelines.
- 1.6. The Guidelines provide guidance on the treatment of EEA groups in the context of Articles 215 to 217 of the Solvency II Directive.
- 1.7. When the group is allowed to use method 2 for the purpose of calculating the group solvency and provided that the Member State has implemented the option set out in paragraph 1 of Article 227 of the Solvency II Directive, the local solvency capital requirements and eligible own funds as laid down by the equivalent third-country can be used.
- 1.8. If not defined in these Guidelines the terms have the meaning defined in the legal acts referred to in the introduction.
- 1.9. The Guidelines shall apply from 1 April 2015.

¹ OJ L 331, 15.12.2010, p. 48–83

² OJ L 335, 17.12.2009, p. 1-155

³ OJ L 12, 17.01.2015, p. 1-797

Guideline 1 – Scope of the group for the group solvency calculation

1.10. The participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company responsible for calculating the group solvency should ensure that they cover all risks and related undertakings belonging to the group, unless otherwise excluded in Article 214(2) of the Solvency II Directive.

Guideline 2 - Consolidation process

1.11. The participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should provide guidance to all related undertakings on how to prepare data for the purpose of calculating the group solvency. They should provide the necessary instructions for the preparation of consolidated, combined or aggregated data depending on the method of calculation used. They should ensure that their instructions are applied adequately and homogeneously within the group with respect to the recognition and valuation of balance sheet items as well as the inclusion and treatment of related undertakings.

Guideline 3 - Assessment of significant and dominant influence

1.12. When determining the scope of the group, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should ensure that any decision made by the group supervisor with regard to the level of influence effectively exercised by any undertaking over another undertaking is being implemented.

Guideline 4 – Case of application of group supervision

1.13. Since the four cases of application of group supervision referred to in Article 213(2)(a) to (d) of the Solvency II Directive are not mutually exclusive, supervisory authorities should consider applying the different cases of group supervision prescribed under this Article within the same group.

Guideline 5 - Parent insurance or reinsurance undertaking, insurance holding company or mixed financial holding company headquartered in a third country

1.14. According to Article 215 of the Solvency II Directive, where a subgroup referred to in Article 213(2)(a) and (b) of the Solvency II Directive exists, the acting group supervisor as defined in Article 260 of the Solvency II Directive, after consulting with other supervisory authorities concerned, should ensure that group supervision applies by default at the level of the ultimate parent undertaking in the European Union.

1.15. However, where the parent insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company is headquartered outside the EEA and is subject to an equivalent third country group supervision, the acting group supervisor as defined in Article 260 of the Solvency II Directive should rely on the group supervision exercised by the third-country supervisory authorities, according to Article 261 of the Solvency II Directive, and exempt the third-country group from group supervision at the ultimate level of the European Union on a case-by-case basis, where this would result in a more

efficient supervision of the group and would not impair the supervisory activities of the supervisory authorities concerned in respect of their individual responsibilities.

- 1.16. After consulting with other supervisory authorities concerned, the acting group supervisor as defined in Article 260 of the Solvency II Directive should consider a more efficient group supervision as achieved when the following criteria are met:
- (a) the worldwide group supervision allows for a robust assessment of the risks to which the EEA subgroup and its entities are exposed, considering the structure of the group, the nature, scale and complexity of the risks and the capital allocation within the group;
 - (b) the cooperation currently in place between the third-country group supervisor and EEA supervisory authorities for the group concerned is structured and well-managed through regular meetings and appropriate exchange of information within a college of supervisors to which the EEA supervisory authorities and EIOPA are invited;
 - (c) an annual work plan, including joint on-site examinations, is agreed upon in these regular meetings by the supervisory authorities involved in the supervision of the group.
- 1.17. Where the parent insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company is headquartered outside the EEA and is not subject to an equivalent third country supervision, group solvency supervision should be applied at the level of the ultimate parent undertaking in the European Union where a group, as defined by Article 213(2) (a) or (b) of the Solvency II Directive, exists. Where such group does not exist, the supervisory authorities should decide whether to require, by virtue of Article 262(2) of the Solvency II Directive, the establishment of an insurance holding company or a mixed financial holding company which has its head office in the European Union and subject this EEA group to group supervision and group solvency calculation.

Guideline 6 - Parent undertaking is a mixed-activity insurance holding company

- 1.18. Where the parent undertaking is a mixed-activity insurance holding company, the group solvency calculation should apply to any part of the group satisfying the criteria of Article 213(2)(a)(b) or (c) of the Solvency II Directive, rather than to the mixed-activity insurance holding company.

Guideline 7 – Application of the method of calculation

- 1.19. For the purpose of calculating the group solvency, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should consider the same scope of the group as determined in Guideline 1, irrespective of whether calculation method 1, calculation method 2 or a combination of both methods is used.

Guideline 8 - Choice of the method of calculation and assessment of the intra-group transactions

1.20. When deciding whether the exclusive application of method 1 is not appropriate according to Article 328(1)(e) of Commission Delegated Regulation 2015/35, the group supervisor should consider the presence of intra-group transactions between the related undertaking being assessed for deduction and aggregation and all other entities in the scope of the group solvency calculation.

Guideline 9 - Proportional share

1.21. Where a related undertaking is linked with another undertaking by a relationship as set out in Article 12(1) of Directive 83/349/EEC, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should determine the proportional share to be used when calculating the group solvency, irrespective of the choice of the calculation method.

1.22. By default, a proportional share of 100% should be used. Where a group seeks to use another percentage, it should explain to the group supervisor why it is appropriate. After consulting the other supervisory authorities concerned and the group itself, the group supervisor should decide on the appropriateness of the proportional share chosen by the group.

1.23. When calculating the group solvency according to method 1, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should determine the proportional share it holds in its related undertakings by taking:

- (a) 100% when including a subsidiary according to Article 335(1)(a) and (b) of Commission Delegated Regulation 2015/35, unless otherwise decided in accordance with Guideline 10;
- (b) the percentage used for the establishment of the consolidated accounts, when including undertakings according to Article 335(1)(c) of Commission Delegated Regulation 2015/35;
- (c) the proportion of the subscribed capital that is held, directly or indirectly, by the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company, when including related undertakings according to Article 335(1)(e) of Commission Delegated Regulation 2015/35.

Guideline 10 - Criteria for the recognition of the solvency deficit of a subsidiary on a proportional basis

1.24. In order to prove that the responsibility of the parent undertaking is strictly limited to the share of capital of the insurance or reinsurance subsidiary as envisaged in Article 221(1) of the Solvency II Directive, the parent undertaking should provide evidence to the group supervisor that the following criteria are met:

- (a) no profit and loss transfer agreement and no guarantees, net worth maintenance agreements or other agreements of the parent undertaking or any other related undertaking providing financial support are in place;
- (b) the investment in the subsidiary is not considered as a strategic investment for the parent undertaking;
- (c) the parent undertaking does not benefit of any advantage from its participation in the subsidiary, where such advantage could take the form of intra-group transactions such as loans, reinsurance agreements or service agreements;
- (d) the subsidiary is not a core component of the group's business model, in particular regarding product offering, client base, underwriting, distribution, investment strategy and management; furthermore it is not operating under the same name or brand, and there are no interlocking responsibilities at the level of the group senior management;
- (e) a written agreement between the parent undertaking and the subsidiary explicitly limits the support of the parent undertaking in case of a solvency deficit to the parent undertaking's share in the capital of that subsidiary. In addition, the subsidiary should have a strategy in place to resolve the solvency deficit, such as guarantees from minority shareholders.

- 1.25. Where a subsidiary is included in the scope of the internal model to calculate the group solvency capital requirement, the group supervisor should not allow the parent undertaking to take into account the solvency deficit of the subsidiary on a proportional basis.
- 1.26. The group supervisor should assess such criteria, after consulting the other supervisory authorities concerned and the group itself, on a case-by-case basis, taking into account the specific features of the group.
- 1.27. The status of strictly limited responsibility of the parent undertaking should be subject to an annual review by the group supervisor.
- 1.28. The parent undertaking and the subsidiary should disclose the positive decision of the group supervisor that allows the recognition of the solvency deficit on a proportional basis in order to inform policyholders and investors, as material information in the capital management section of the group and individual Solvency and Financial Condition Report.
- 1.29. When preparing the consolidated data using method 1, the own funds and the solvency capital requirement of the subsidiary should be calculated on a proportional basis instead of applying a full consolidation.
- 1.30. When preparing the aggregated data using method 2, the own funds and the solvency capital requirement of the subsidiary should be calculated using the proportional share of that subsidiary, also in the case of a solvency deficit.

Guideline 11 - Treatment of specific related undertakings for group solvency calculation

1.31. When the undertakings of other financial sectors form a group subject to sectoral capital requirement, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should consider using the solvency requirements of such a group instead of the sum of the requirements of each individual undertaking when calculating the group solvency.

Guideline 12 - Contribution of a subsidiary to the group solvency capital requirement

1.32. When using method 1 and when the standard formula is applied, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should calculate the contribution of a subsidiary to the group solvency capital requirement according to Technical Annex 1.

1.33. For insurance or reinsurance undertakings, intermediate insurance holding company or intermediate mixed financial holding company consolidated according to Article 335 of Commission Delegated Regulation 2015/35, the contribution of the individual solvency capital requirement should be calculated taking into account the proportional share used for the determination of the consolidated data.

1.34. When the consolidated group solvency capital requirement is calculated on the basis of an internal model, the contribution of a subsidiary to the group solvency capital requirement should be the product of the solvency capital requirement of that subsidiary and the percentage corresponding to the diversification effects attributed to that subsidiary according to the internal model.

1.35. When using method 2, the contribution of a subsidiary to the group solvency capital requirement should be the proportional share of the individual solvency capital requirement, since no diversification effects at group level are taken into account.

Guideline 13 - Availability of own funds at group level of related undertakings that are not subsidiaries

1.36. The participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should assess the availability of own funds, according to Article 222(2) of the Solvency II Directive and to Article 330 of Commission Delegated Regulation 2015/35, of related insurance or reinsurance undertakings, intermediate insurance holding companies and intermediate mixed financial holding companies that are not subsidiaries and for third-country related insurance or reinsurance undertakings, intermediate insurance holding companies and intermediate mixed financial holding companies that are not subsidiaries, when the own-fund items of these undertakings materially affect the amount of group own funds or the group

solvency. They should explain to the group supervisor how the assessment was made.

- 1.37. The group supervisor should review, in close cooperation with the other supervisory authorities involved, the assessment made by the group.

Guideline 14 - Treatment of minority interests for covering the group solvency capital requirement

- 1.38. The participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should calculate the amount of minority interests in the eligible own funds, to be deducted from the group own funds, for each subsidiary, in the following order:

1. calculate the eligible own funds exceeding the contribution of the subsidiary to the group solvency capital requirement;
2. identify and deduct the amount of non-available own funds exceeding the contribution of the subsidiary to the group solvency capital requirement from the eligible own funds calculated in step 1;
3. calculate the part of minority interests to be deducted from the group own funds by multiplying the minority share by the result of step 2.

Guideline 15 - Treatment of ring-fenced funds and matching adjustment portfolios for covering the group solvency capital requirement

- 1.39. For all undertakings included in the group solvency calculation using method 1 and for undertakings in non-equivalent third countries included in the group solvency calculation using method 2, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should apply the principles for ring-fenced funds and matching adjustment portfolios as set out in Article 81 of Commission Delegated Regulation 2015/35 and Article 217 of Commission Delegated Regulation 2015/35.

- 1.40. For undertakings in equivalent third countries included in the group solvency calculation using method 2, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should identify any restriction to the undertakings' own funds due to ring-fencing of assets or liabilities or similar arrangements, in accordance with the equivalent solvency regime. These restrictions should be considered in the group solvency calculation as part of the own funds availability assessment at the group level.

- 1.41. When calculating the group solvency capital requirement using method 1, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should not eliminate intra-group transactions between the assets and liabilities associated with each material ring-fenced fund or with each matching adjustment portfolio and the remaining consolidated data. The group solvency capital requirement calculated on the basis of the consolidated data should be the sum of:

- (a) the notional solvency capital requirement for each material ring-fenced fund and each matching adjustment portfolio, both calculated with the assets and liabilities of the ring-fenced fund gross of intra-group transactions; and
 - (b) the (diversified) group solvency capital requirement for the remaining consolidated data (excluding assets and liabilities of all material ring-fenced funds, but including the assets and liabilities of all non-material ring-fenced funds). When calculating the group solvency capital requirements for the remaining consolidated data, intra-group transactions should be eliminated, while intra-group transactions between the remaining consolidated data and the material ring-fenced funds should not be eliminated.
- 1.42. Where a group uses an internal model to calculate the group Solvency Capital Requirement (hereinafter "SCR"), it should follow the guidance set out in Guideline 13 of the Guidelines on ring-fenced funds.
- 1.43. The consolidated data used to calculate the group own funds should be net of intra-group transactions as set out in Article 335(3) of Commission Delegated Regulation 2015/35. Therefore, all intra-group transactions between material ring-fenced funds and the remaining consolidated data should be eliminated for the calculation of the group own funds.
- 1.44. For each material ring-fenced funds and for each matching adjustment portfolio identified within the consolidated data under method 1, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should calculate the restricted own-fund items using the same assets and liabilities of the ring-fenced fund used to calculate its notional solvency capital requirement or matching adjustment portfolio as described above, i.e. gross of intra-group transactions.
- 1.45. Therefore, the total restricted own funds within the ring-fenced fund or matching adjustment portfolio to be deducted from the group reconciliation reserve should be the sum of all material restricted own funds identified in EEA insurance or reinsurance undertakings and the restricted own funds identified in any non-EEA insurance and reinsurance undertaking in the scope of the consolidated data.

Guideline 16 - Adjustments related to non-available own funds for the calculation of group eligible own funds

- 1.46. When using method 1, the participating insurance and reinsurance undertaking, the insurance holding company or the mixed financial holding company should deduct the part of the own funds of related undertakings not available for covering the group solvency capital requirement from the relevant own-funds items and the relevant tiers of the consolidated group own funds.
- 1.47. They should follow the process described below for calculating eligible group own funds to cover the group solvency capital requirement and the minimum consolidated group solvency capital requirement:

- (a) the group own funds are calculated on the basis of the consolidated data, as referred to in Article 335(a) to (f) of Commission Delegated Regulation 2015/35, net of any intra-group transactions;
- (b) the group own funds are classified into tiers;
- (c) the available group own funds are calculated net of group adjustments relevant at group level;
- (d) the eligible own funds are subject to the same tiering limits applying at individual level in order to cover the group solvency capital requirement and the minimum consolidated group solvency capital requirement.

1.48. When using method 2, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should use the sum of the eligible own funds of related undertakings after deducting non-available own funds at group level.

1.49. For both calculation methods, where the non-available own funds have been classified into more than one tier, the order in which they are deducted from the different tiers should be explained to the group supervisor.

Guideline 17 - Process for assessing non-available own funds by the group supervisor

1.50. In the case of a cross-border group, the group supervisor should discuss its assessment of non-available own funds with the other supervisory authorities concerned within the college and with the participating insurance and reinsurance undertaking, the insurance holding company or the mixed financial holding company. The process should be as follows:

- (a) in its Regular Supervisory Report, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should provide the group supervisor with its assessment of non-available own funds for all the undertakings included in the calculation of the group solvency. They should also explain the adjustments made in order to deduct non-available own funds;
- (b) the group supervisor should discuss its assessment of non-available own funds within the college as well as with the group;
- (c) each supervisory authority should provide its assessment of the availability at group level of the own funds related to the supervised undertakings;
- (d) the group supervisor should discuss with the other supervisory authorities concerned whether the availability of own funds changes when assessing it at individual or group level.

1.51. In the case of a national group, the group supervisor should discuss its assessment of non-available own funds with the participating insurance and reinsurance undertaking, the insurance holding company or the mixed financial holding company.

1.52. The process should be as follows:

- (a) in its Regular Supervisory Report, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should provide the group supervisor with its assessment of non-available own funds for all the undertakings included in the calculation of the group solvency. They should also explain the adjustments made in order to deduct non-available own funds;
- (b) the group supervisor should discuss its assessment of non-available own funds with the group.

Guideline 18 - Reconciliation reserve at group level

1.53. The participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should ensure that the reconciliation reserve at group level is based on Article 70 of Commission Delegated Regulation 2015/35. In particular, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company at group level should take into account:

- (a) the value of own shares held by the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company and the related undertakings;
- (b) the restricted own-fund items that exceed the notional solvency capital requirement in the case of ring fenced funds and matching adjustment portfolios at group level.

Guideline 19 - Determination of the consolidated data for the group solvency calculation

1.54. The consolidated data should be calculated on the basis of the consolidated accounts that have been valued according to Solvency II Directive rules with respect to the recognition and valuation of balance sheet items as well as the inclusion and treatment of the related undertakings.

Guideline 20 - Determination of the currency for the purpose of the currency risk calculation

1.55. The capital requirement for the currency risk should take into account any relevant risk mitigation technique which meets the requirements set out in Articles 209 to 215 of Commission Delegated Regulation 2015/35. Where the consolidated solvency capital requirement is calculated using the standard formula, all the investments denominated in a currency pegged to the currency of the consolidated accounts should be taken into account in accordance with Article 188 of Commission Delegated Regulation 2015/35 at group level as well.

Guideline 21 - Minimum consolidated group solvency capital requirement (floor to the group solvency capital requirement)

1.56. In the determination of the minimum consolidated group solvency capital requirement, when method 1 is used, exclusively or in combination with method 2, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should use the following capital requirements:

- (a) the minimum capital requirements of the EEA authorised insurance and reinsurance undertakings included in the scope of method 1;
- (b) the local capital requirements, at which the authorisation would be withdrawn, for third country insurance and reinsurance undertakings included in the scope of method 1, independently of any equivalence finding.

Guideline 22 – Minimum consolidated group solvency capital requirement

1.57. In case method 1 is used, exclusively or in combination with method 2, when the minimum consolidated group solvency capital requirement is no longer complied with, or when there is a risk of non-compliance in the following three months, the supervisory measures set out in Article 139(1) and (2) of the Solvency II Directive for non-compliance with the individual minimum capital requirement should apply at group level.

Guideline 23 – Treatment of group specific risks

1.58. The participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company should calculate the group solvency capital requirement taking into account all quantifiable, material specific risks existing at group level, which may impact the solvency and financial position of the group. If the group specific risks are material, the group should use group-specific parameters or a partial internal model for the calculation of the solvency capital requirement corresponding to the group-specific risks.

1.59. These risks are:

- (a) the risks which are also present at individual level, but whose impact is significantly different (which behave in a different way) at group level; or
- (b) the risks only present at group level.

1.60. The group solvency capital requirement for the quantifiable part of these risks should be calculated as follows:

- (a) in the case described in (a) by applying different calibrations to the relevant risk modules or sub-modules than those used at the individual level, or by applying appropriate scenarios;
- (b) in the case of (b) by applying appropriate scenarios.

1.61. If the group is unable to reflect the risk profile in the group solvency capital requirement due to the specific risks existing at group level as described above, the group supervisor after consulting the other supervisory authorities concerned, should be able to impose a group capital add-on, as provided for in Articles 232(a) and 233(6) of the Solvency II Directive, if appropriate.

Guideline 24 - Risk profile capital add-on when using method 1

1.62. Where a risk profile capital add-on has been set on a related undertaking, and that related undertaking is consolidated according to method 1, the group supervisor should assess at group level the significance of the deviation of the risk profile from the assumptions underlying the solvency capital requirement,

as calculated using the standard formula or an internal model, and should consider the need for imposing a capital add-on on the group solvency capital requirement.

Guideline 25 – Governance capital add-on when using method 1

1.63. Where a governance capital add-on has been set on a related undertaking of a group, and that related undertaking is consolidated according to method 1, the group supervisor should assess at group level the significance of the deviation from the standards laid down in Articles 41 to 49 of the Solvency II Directive, and should consider the need for imposing a capital add-on on the group solvency capital requirement.

Guideline 26 - Assessment of the deviation at the individual level, when a significant deviation has been identified at group level

1.64. When a significant deviation has been identified at group level, the supervisory authority of a related undertaking should assess whether the deviation stems from the risk profile or from the system of governance at the level of the related undertaking.

1.65. If so, the supervisory authority concerned should assess the significance of the deviation from the risk profile or from the system of governance standards, and should consider the need for imposing a capital add-on at the level of the related undertaking.

Guideline 27 – Capital add-on when using method 2

1.66. Where all or part of the group solvency capital requirement is calculated using method 2, any risk profile capital add-on set on a related undertaking that is included under method 2, should be added to the group solvency capital requirement for the proportional share as referred to in Article 221(1)(b) of the Solvency II Directive. The double counting of the same deviation from the risk profile at individual and group level should be avoided.

Compliance and Reporting Rules

1.67. This document contains Guidelines issued under Article 16 of the EIOPA Regulation. In accordance with Article 16(3) of the EIOPA Regulation, Competent Authorities and financial institutions shall make every effort to comply with guidelines and recommendations.

1.68. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.

1.69. Competent authorities shall confirm to EIOPA whether they comply or intend to comply with these Guidelines, with reasons for non-compliance, within two months after the issuance of the translated versions.

1.70. In the absence of a response by this deadline, competent authorities will be considered as non-compliant to the reporting and reported as such.

Final Provision on Reviews

1.71. The present Guidelines shall be subject to a review by EIOPA.

Technical Annex 1

Calculation of the contribution of the insurance and reinsurance subsidiary to group solvency capital requirement ("SCR") [Guidelines 12, 14 and 15]

$$\text{Contr}_j = \text{SCR}_j \times \text{SCR}_{\text{diversified}} / \sum_i \text{SCR}_{\text{isolo}}$$

Where:

- SCR_j is the SCR at individual entity level of the undertaking j ;
- $\text{SCR}_{\text{diversified}}$ = SCR calculated in accordance to Article 336(a) of Commission Delegated Regulation 2015/35;
- $\text{SCR}_{\text{isolo}}$ is the SCR at individual entity level of the participating undertaking and each related insurance or reinsurance undertaking and third-country insurance and reinsurance undertaking included in the calculation of the $\text{SCR}_{\text{diversified}}$;
- the ratio is the proportional adjustment due to the recognition of diversification effects at group level.

For undertakings included in consolidated data with proportional consolidation, according to Article 335(1)(c) of Commission Delegated Regulation 2015/35, only the proportional share of the SCR at individual entity level is included in the above calculation.