



Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo

(only the Italian version is authentic)

REGULATION N. 18 OF 12 MARCH 2008

REGULATION CONCERNING ADJUSTED SOLVENCY CALCULATION IN ACCORDANCE WITH TITLE XV (SUPPLEMENTARY SUPERVISION OF INSURANCE UNDERTAKINGS), CHAPTER IV (VERIFICATION OF THE ADJUSTED SOLVENCY) OF LEGISLATIVE DECREE N. 209 OF 7 SEPTEMBER 2005 – CODE OF PRIVATE INSURANCE. PROVISIONS ON THE CAPITAL ADEQUACY OF UNDERTAKINGS BELONGING TO A FINANCIAL CONGLOMERATE PURSUANT TO LEGISLATIVE DECREE N. 142 OF 30 MAY 2005 AND THE COORDINATION AGREEMENT ON UNDERTAKINGS BELONGING TO FINANCIAL CONGLOMERATES ENTERED INTO BY BANCA D'ITALIA, CONSOB AND ISVAP ON 30 MARCH 2006.

AMENDED AND SUPPLEMENTED BY ISVAP REGULATION N. 33 OF 10 MARCH 2010. THE AMENDMENTS ARE IN ITALICS.

HAVING REGARD to law n. 576 of 12 August 1982 as subsequently amended and supplemented, on the reform of insurance supervision;

HAVING REGARD to Legislative Decree n. 173 of 26 May 1997, implementing Directive 91/674/EEC on annual and consolidated accounts for insurance undertakings;

HAVING REGARD to Legislative Decree n. 38 of 28 February 2005 providing for the exercise of options provided by Article 5 of (EC) Regulations no. 1606/2002 of the European Parliament and Council of 19 July 2002 on the application of international accounting standards (IAS/IFRS);

HAVING REGARD to Legislative Decree no. 142 of 30 May 2005, implementing Directive 2002/87/EC relative to supplementary supervision of credit institutions, insurance undertakings and investment undertakings in a financial conglomerate, as well as prior consultation on insurance matters;

HAVING REGARD to Legislative Decree n. 209 of 7 September 2005 and subsequent modifications and integrations, regarding the Code of Private Insurance;

HAVING TAKEN INTO ACCOUNT the Coordination Agreement on identification and capital adequacy for undertakings belonging to a financial conglomerate entered into by Banca d'Italia, CONSOB and ISVAP on 30 March 2006;

FINDING the need to give indications on the standard templates on capital adequacy at financial conglomerate level, so as to ensure an adequate level of comparability for data from different conglomerates;

ISVAP

Istituto per la vigilanza sulle assicurazioni private e di interesse collettivo (Supervisory Authority for Private Insurance Undertakings and Insurance Undertakings of Public Interest)

adopts the following:

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¹ Annex amended by article 138 (1, i) of ISVAP Regulation n. 33 of 10 March 2010.

² Annex amended by article 138 (1, j) of ISVAP Regulation n. 33 of 10 March 2010.

³ Annex deleted by article 138 (1, h) of ISVAP Regulation n. 33 of 10 March 2010.

TITLE I

General Provisions

Art. 1

(Legislative sources)

1. This Regulation has been adopted in compliance with Articles 217(1), 218(1) and 219 of Legislative Decree n. 209 of 7 September 2005 and Article 7 of Legislative Decree n. 142 of 30 May 2005.

Art. 2

(Definitions)

1. For the purposes of this Regulation:
 - a) "decree": Legislative Decree n. 209 of 7 September 2005 and subsequent modifications and integrations, regarding the Code of Private Insurance;
 - b) "prudential filters": corrections to be applied to data from consolidated accounts prepared in accordance with IAS/IFRS standards in order to employ them for prudential purposes so as to calculate adjusted solvency situations and test the solvency of a parent undertaking;
 - c) "head of an insurance-led financial conglomerate": a mixed financial holding company as per article 1 (v) of Legislative Decree n. 142 of 30 May 2005 or the insurance undertaking with head office in the Republic of Italy which is at the head of a financial conglomerate where ISVAP has been identified as its coordinator pursuant to the same decree;
 - d) "parent undertaking": a company exercising control pursuant to article 71(1)(2), letters a) and b) of Legislative Decree n. 209 of 7 September 2005;
 - e) "undertakings operating in the financial sector": credit and financial institutions as per article 4 paragraphs 1 and 5 of EC Directive 24/2006/EC or investment firms and financial institutions as per article 4 point 1 of EC Directive 2004/39/EC and article 2, paragraphs 4 and 7 of EC Directive 93/6/EEC;
 - f) "insurance undertaking": an undertaking authorised according to the provisions laid down in EC directives on direct insurance;
 - g) "insurance holding company": a parent undertaking the sole or primary objective of which is to acquire controlling interests, and to manage such holdings and turn them to profit if, according to the criteria set out in article 4, its subsidiaries are solely or primarily insurance undertakings, third-country insurance undertakings, or reinsurance undertakings one at least of such subsidiary being an insurance undertaking with head office in the Republic of Italy, provided that it is not a mixed financial holding company in accordance with the relevant provisions of EU regulations on the supplementary supervision for undertakings belonging to a financial conglomerate;
 - h) "reinsurance undertaking": an undertaking exclusively authorised to the pursuit of reinsurance, other than an insurance undertaking or a third-country insurance undertaking, the main business of which consists in accepting risks ceded by an insurance undertaking, by an insurance undertaking with head offices in a Third Country, or other reinsurance undertakings;

- i) "participating undertaking": an undertaking which directly or indirectly holds, in the capital of another company, rights which realise a durable link with the participated undertaking or which allow the exercise of a significant influence pursuant to special contractual links. Moreover a participating undertaking shall be an undertaking linked to another undertaking when they are managed on a unified basis or when the administration, management and control bodies are mainly made up of the same persons. At any rate, the holding of at least twenty per cent of an undertaking's capital or voting rights shall be considered in the same manner as a participation.

Art. 3 (Scope)

1. This Regulation is applied in accordance with the general provisions as per Title I, Chapter I and Title II, Chapter I:
 - a) to insurance undertakings with head offices in the Republic of Italy which are either parent undertakings or participating undertakings in at least an insurance undertaking, in an insurance undertaking with head offices in a Third-Country or in a reinsurance undertaking;
 - b) to insurance undertakings with head offices in the Republic of Italy which are controlled by an insurance holding company or by an insurance undertaking with head offices in a Third Country or by a reinsurance undertaking;
 - c) to insurance undertakings with head offices in the Republic of Italy which are controlled by a mixed financial holding company as per Article 1 (v) of Legislative Decree n. 142 of 30 May 2005, which is the head of an insurance-led financial conglomerate;
 - d) to heads of insurance-led financial conglomerates.
2. This Regulation is applied in accordance with the general provisions pursuant to Title II, Chapter I, to branches established in the Republic of Italy by insurance undertakings with head office in a Third Country.
3. *The provisions of paragraph 1 shall also apply:*
 - a) *to reinsurance undertakings with head offices in the Republic of Italy which are either parent undertakings or participating undertakings in at least an insurance undertaking, in an insurance undertaking with head offices in a Third-Country or in a reinsurance undertaking;*
 - b) *to reinsurance undertakings with head offices in the Republic of Italy which are controlled by an insurance holding company or by an insurance undertaking with head offices in a Third Country or by a reinsurance undertaking;*
 - c) *to reinsurance undertakings with head offices in the Republic of Italy which are controlled by a mixed financial holding company as per article 1 (v) of legislative decree n. 142 of 30 May 2005 head of an insurance led financial conglomerate⁴.*
4. *The provisions of paragraph 2 shall also apply to branch offices established in the territory*

⁴ Paragraph added by article 138 (1, a) of ISVAP Regulation n. 33 of 10 March 2010.

of Italy by a reinsurance undertaking whose head offices are in a third country⁵.

Art. 4
(Insurance holding companies)

1. In order for the insurance holding company as defined in Article 2(1 g) to qualify, the condition of controlling primarily insurance undertakings, third-country insurance undertakings and reinsurance undertakings is satisfied if the sum of total asset on the Balance Sheet in the accounts belonging to these undertakings is equal to more than fifty percent of the sum of the total asset on the Balance Sheet of all of the subsidiaries held by the holding company.
2. As per paragraph 1, ISVAP, considering the organisational structure, weight and type of activity carried out or considering the accounting criteria used to prepare accounts for the year, may, alternatively:
 - a) also ask to take into account other parameters;
 - b) bring down the fifty percent threshold to forty-five percent;
 - c) request the preparation of pro-forma consolidated accounts to be drafted in accordance with ISVAP Regulation n. 7 of 13 July 2007 or other equivalent regulation, which will be used as a basis to calculate the weight of its insurance business over total consolidated accounts for the undertaking. Should the pro-forma consolidated accounts be prepared in accordance with the provisions of ISVAP Regulation n. 7 of 13 July 2007, the following must be used as reference:
 1. the sum of Total Assets of life and non-life sector;
 2. the item Total Assets taken from the template "Balance Sheet per sector of activity".
3. ISVAP shall immediately communicate the decisions taken pursuant to paragraph 2 to insurance undertakings which are required to calculate adjusted solvency and to test the solvency of the parent undertaking as per Articles 5 and 26.

TITLE II

Adjusted solvency calculations for insurance undertakings

Chapter I

General Provisions

Art. 5
(Undertakings required to carry out the calculation)

1. Undertakings as per article 3(1 a) must calculate adjusted solvency in accordance with the provisions of this Title.
2. Adjusted solvency calculations as per paragraph 1 are carried out by branches as per article 3(2) - which are parent or participating undertakings in, at least, an insurance undertaking, in an insurance undertaking with head offices in a Third Country or a reinsurance undertaking. For this purpose, branches must apply the provisions of the decree as well as this Regulation regarding solvency for insurance undertakings.

⁵ Paragraph added by article 138 (1, a) of ISVAP Regulation n. 33 of 10 March 2010.

3. Adjusted solvency calculations as per paragraph 1 are carried out also by insurance undertakings pursuant to article 3(1 a), which are head of an insurance-led financial conglomerates.
4. Adjusted solvency calculations as per paragraph 1 are calculated also by insurance undertakings pursuant to article 3(1 a) which, in turn, are controlled or participated by another insurance undertaking subject to the same mandatory calculations.

Art. 6

(Exemption from adjusted solvency calculations)

1. The obligations as per article 5(4) are not applicable for insurance undertakings when the following conditions are jointly present:
 - a) the parent insurance undertaking has its head office in the Republic of Italy;
 - b) the parent insurance undertaking meets all of the adjusted solvency requirements as per this Regulation;
 - c) the undertaking as per article 5(4) and its controlled or related insurance undertakings are in possession of eligible elements sufficient to cover the required solvency margin;
 - d) the undertaking as per article 5(4) is in possession of eligible elements sufficient to cover the required solvency margin, after eliminating the value of holdings in controlled or participated insurance undertakings which are taken into account for the calculation of the adjusted solvency for the parent insurance undertaking.
2. Branches as per article 3(2), are not required to calculate adjusted solvency if they are already subject to overall solvency supervision exercised by the home supervisor in another Member State in accordance with article 51 of the decree.

Chapter II

Methods of calculation

Art. 7

(Methods to calculate adjusted solvency)

1. Insurance undertakings as per article 5 which prepare consolidated accounts pursuant to ISVAP Regulation n. 7 of 13 July 2007 calculate adjusted solvency in accordance with the method based on consolidated accounts as per article 8.
2. Insurance undertakings as per article 5 which do not prepare consolidated accounts must calculate adjusted solvency using the deduction and aggregation method as per article 9.
3. ISVAP may - upon the request of the insurance undertaking as per article 5 - authorise adjusted solvency calculations be carried out according to the requirement deduction method as per article 10. This method can be authorised only if all subsidiaries and related undertakings included in the calculations have been valued in the accounts in accordance with the criteria of article 16(5), of Legislative Decree n. 173 of 26 May 1997.

Art. 8

(Consolidated accounts method)

1. The adjusted solvency calculations of the parent or the participating insurance

undertaking are carried out in accordance with the consolidated accounts method, on the basis of the consolidated accounts prepared by the same, provided that the provisions for the methods and criteria for calculation, for the treatment of some subjects included in the calculation and prudential filters are applied as per this Title.

2. Adjusted solvency situation is given by the difference between:
 - a) eligible elements calculated on the basis of the consolidated accounts
and
 - b) the sum:
 - b.1) of the required solvency margin for the parent or participating insurance undertaking
and
 - b. 2) the proportional share of the required solvency margin for the undertakings controlled or participated by the insurance undertaking.
3. Should ISVAP deem that the application of the method based on consolidated accounts be inopportune or misleading for the assessment of adjusted solvency, in consideration, amongst other things, of the structure of the group, of the methods used to prepare the consolidated accounts or of the presence of constituents which can be traced back to minority shareholders of controlled undertakings in such a measure as to significantly condition calculations for adjusted solvency, it may correct the elements used as a basis for the calculations which are carried out or request the adoption of one of the methods as per articles 9 and 10. In such cases, ISVAP must send timely communication of its own decisions to the undertaking, indicating its reasons.
4. ISVAP, should it deem that the application of prudential filters to be applied to the consolidated accounts could lead to unsatisfactory results with respect to prudential supervision, even with respect to exemptions from the application of the mechanism of summing the unrealised gains therein provided, may carry out corrections to the elements taken as a basis to calculate adjusted solvency.

Art. 9

(Deduction and aggregation method)

1. Provided that the provisions with respect to the methods and criteria used to calculate and treat a number of subjects included in the calculations as per this Title are applied, the adjusted solvency situation of the parent or participating insurance undertaking calculated in accordance with the deduction and aggregation method is given by the difference between:
 - a) the sum:
 - a.1) of eligible elements for the parent or participating insurance undertaking
and
 - a.2) the proportional share of eligible elements of the controlled or participated insurance undertaking
and
 - b) the sum:

- b. 1) of the book value of the controlled or participated insurance undertaking in the parent or participating insurance undertaking's accounts and
 - b.2) the required solvency margin of the parent or participating insurance undertaking and
 - b.3) the proportional share of the required solvency margin of the controlled or participated insurance undertaking.
- 2. In case of indirect participation in the controlled or participated insurance undertaking, the book value as per paragraph 1 (b.1) is equal to the book value of the insurance undertaking indirectly entered into as written in the accounts of the direct parent or participating undertaking calculated on the basis of the proportion of the holdings held in the direct parent or participating undertaking. Furthermore, the sums as per paragraph 1(a.2)(b.3) include the eligible elements as well as the required minimum margin of the controlled or participated insurance undertaking calculated on the basis of the proportion of the holdings held in the direct parent or participating undertaking.
- 3. Pursuant to article 219(e) of the decree, in cases where adjusted solvency is calculated on the basis of the deduction and aggregation method, ISVAP may make corrections to the elements used as a basis for the calculations carried out to apply these methods in order to take into account any positive or negative elements which may influence adjusted solvency. As such and providing its reasons, it may ask the undertaking to consider these elements analogously with what should have taken place in applying the consolidated accounts method.

Art. 10
(Requirement deduction method)

- 1. Provided that the provisions on the methods and criteria used to calculate and treat some subjects included in the calculations as per this Title are applied, adjusted solvency for the parent or participating insurance undertaking using the requirement deduction method is given by the difference between:
 - a) the sum of eligible elements for the parent or participating insurance undertaking and
 - b) the sum:
 - b.1) of the required solvency margin for the parent or participating insurance undertaking and
 - b.2) the proportional share of the required solvency margin of the controlled or participated insurance undertaking.
- 2. Pursuant to article 219(e) of the decree, in cases where adjusted solvency is calculated based on the requirement deduction method, ISVAP may make corrections to the elements used as a basis for the calculations carried out to apply these methods in order to take into account any positive or negative elements which may influence adjusted solvency. As such and providing its reasons, it may ask the undertaking to consider these elements analogously with what should have taken place when applying the consolidated accounts method.

Art. 11
(Valuation criteria for assets and liabilities)

1. For the purpose of calculating adjusted solvency, assets and liabilities for insurance undertakings are valued based on national regulations for the adoption of Directives 73/239/EEC, 2002/83/EC, 91/674/EEC by individual Member States and, in particular, for insurance undertakings with head office in the Republic of Italy, based on the provisions of the decree as well as of Legislative Decree n. 173 of 26 May 1997.

CHAPTER III
Application criteria for the calculations

Art. 12
(Proportionality criteria)

1. Adjusted solvency calculations are carried out on a proportional basis according to proportional holdings in controlled and participated undertakings.
2. A proportional share is defined as the subscribed percentage of share capital, held either directly or indirectly, by the insurance undertaking for which adjusted solvency is being calculated when the calculation is performed according to the methods as per articles 9 and 10, or the percentage used as a basis for drafting its consolidated accounts, when the calculation is performed according to the method as per article 8.
3. When the insurance undertaking calculating adjusted solvency and the undertaking included in the calculation are not linked by participations:
 - a) if the insurance undertaking for which adjusted solvency is being calculated has the right to exercise a dominant influence on the undertaking included in the calculation, the calculation is carried out by including fully the controlled undertaking;
 - b) if the insurance undertaking for which adjusted solvency is being calculated does not have the right to exercise a dominating influence on the undertaking included in the calculation, the insurance undertaking shall submit a specific request to ISVAP within November 30 of the financial year for which adjusted solvency must be calculated. ISVAP shall provide detailed instructions to calculate a proportional share based on which these calculations must be carried out.
4. In case of deficiencies in eligible elements for the controlled undertaking, these deficiencies must be entirely ascribed to the parent undertaking.

Art. 13
(Elimination of the double or multiple gearing of eligible elements)

1. Regardless of the method used to calculate adjusted solvency, the double or multiple calculation of eligible elements between insurance undertakings taken into account for these calculations is eliminated.

2. Pursuant to paragraph 1, the following cannot be calculated in any case, should the methods as per Articles 8, 9, 10 not provide for this expressly:
 - a) the value of each of the insurance undertaking's assets for which adjusted solvency is being calculated which represent financing for eligible elements of one of its controlled or participated insurance undertakings;
 - b) the value of each asset of an insurance undertaking controlled or participated by the insurance undertaking for which adjusted solvency is being calculated which represents financing for the eligible elements of the same undertaking;
 - c) the value of each asset of an insurance undertaking controlled or participated by the insurance undertaking for which adjusted solvency is being calculated and which represents financing for eligible elements of any other of the undertaking's controlled or participated insurance undertakings.

Art. 14

(Treatment of some eligible elements)

1. In order to calculate adjusted solvency, the parent or participating undertaking may include its profit reserves as per Article 27 (2) of 2002/83/EC and future profits as per article 27 (4) of Directive 2002/83/EC relative to a controlled or participated insurance undertaking should the same have been included amongst eligible elements of the controlled or participated undertaking.
2. Share capital which has been subscribed but not paid in for a controlled or participated insurance undertaking for the insurance undertaking for which adjusted solvency is being calculated must be considered in the calculations only if included amongst the eligible elements of the same controlled or participated undertaking.
3. Share capital as per paragraph 2 - should it have been subscribed but not paid in by the same insurance undertaking for which adjusted solvency is being calculated - is to be excluded from the same calculations.
4. Share capital of the insurance undertaking for which adjusted solvency is being calculated which was subscribed but not paid in by controlled or participated insurance undertakings is excluded from the calculations as per paragraph 1.
5. The following are excluded from the calculations as per paragraph 1: share capital in insurance undertakings controlled or participated by the insurance undertaking for which adjusted solvency is being calculated, which has been subscribed but not paid in by another insurance undertaking, which is controlled or participated by the insurance undertaking for with adjusted solvency is being calculated.

Art. 15

(Transfer of eligible elements)

1. Should ISVAP find that some of the eligible elements of a controlled or participated insurance undertaking other than those as per Article 14, are not effectively transferable to the undertaking for which adjusted solvency is being calculated, these may be taken into account to calculate adjusted solvency only when the same have been included among eligible elements for the controlled or participated undertaking.
2. The provisions of article 207(1) of the decree must be applied, should an insurance undertaking controlled or participated by the undertaking for which adjusted solvency is

being calculated have its head office in another Member State.

Art. 16

(Restrictions on the use of some eligible elements:
subordinated loan capital and guarantees)

1. The sum of the elements as per articles 14 and 15 cannot exceed the total solvency margin required for the controlled or participated insurance undertaking.
2. Subordinated loan capital, securities with no specified maturity date and other financial instruments as per article 45 of the decree and relative implementation provisions are included in adjusted solvency calculations for the total admitted to cover the solvency margin for the issuing insurance undertaking or reinsurance undertaking. The same instruments issued by companies operating in the financial sector are included in the adjusted solvency calculations should these be employed to meet the capital adequacy requirements as provided for in applicable sectoral legislation, within the limits provided therein.
3. The insurance undertaking required to calculate adjusted solvency can include subordinated loan capital, securities with no specified maturity date and other financial instruments as per article 45 of the decree and relative implementation provisions for a total in excess of the provisions of paragraph 2, should the following conditions be met:
 - a) the instruments are issued by insurance or reinsurance undertakings or insurance holding companies included in the calculations and belonging to the insurance group as per article 82 and successive of the decree;
 - b) no obstacles are found to the transfer of resources stemming from the issue of said financial instruments within the scope of the undertakings as per letter a).

Inclusion is allowed up to a maximum of fifty percent of the sum of the available solvency margins or, if lower, of the required solvency margins for insurance or reinsurance undertakings or insurance holding companies included in the adjusted solvency calculations. In case of subordinated liabilities with a specified maturity date or with a fixed term, the abovementioned limit of fifty percent is reduced to twenty-five percent in accordance with the provisions of article 44, paragraph 3 of the decree.

4. In accordance with paragraph 3, before issue, an insurance undertaking required to calculate adjusted solvency must submit relative communication to ISVAP, including:
 - a) information on the total and on the characteristics of the subordinated liability;
 - b) information on the issuer of the subordinated liability;
 - c) a summary of subordinated liabilities employed when calculating adjusted solvency, prepared in accordance with Annex 11;
 - d) information on the inclusion of the issuer of the subordinated liability within the insurance group as per article 82 and successive of the decree;
 - e) draft of the adjusted solvency situation including these subordinated liabilities showing that the overall total - with separate evidence of sums as per paragraph 2 and of surpluses whose inclusion is required- falls within the limits as per paragraph 3(a);
 - f) a copy of the documentation which regulates the issue, should this documentation

not already have been transmitted to ISVAP pursuant to the implementation provisions of article 45 of the decree.

5. In cases as per paragraph 3, the procedure is concluded at the end of a sixty day period; within this deadline, ISVAP will pronounce its findings on the existence of the conditions to insert surplus subordinated liabilities in the total provided by paragraph 1 amongst eligible elements for the adjusted solvency margin. The sixty day deadline shall be suspended in cases where ISVAP has to formulate findings or requires further information or clarifications; this will be effective again starting from the date of receipt of the documentation or the clarifications required.
6. Within thirty days of issue, undertakings must submit to ISVAP their definitive documentation relative to the liabilities issued, should this documentation not already have been transmitted to ISVAP pursuant to the implementation provision of article 45 of the decree.
7. For the purpose of paragraph 5, ISVAP shall assess the request, taking into account:
 - a) the existence of any obstacles to transferring the resources stemming from the issue of subordinated liabilities within the scope of insurance and reinsurance undertakings and of insurance holding companies included in adjusted solvency calculations, focusing in particular on the issuers' status as belonging to an insurance group as per article 82 and successive of the decree;
 - b) that the conditions to include the same subordinated liabilities among eligible elements provided for by article 45 and relative implementation provisions have been respected;
 - c) the overall total for subordinated liabilities which have been considered eligible to cover the adjusted solvency margin and related financial sustainability for the group as a whole.
8. Total fidejussions and other personal guarantees issued cannot be in excess of the surplus of adjusted solvency margin. Total fidejussions and other personal guarantees issued in the interests of subsidiaries which are represented in the consolidated accounts as liabilities for the undertaking calculating adjusted solvency cannot be calculated in this total.

Art. 17

(Elimination of intra-group creation of capital)

1. Insurance undertaking as per article 5(2) shall not include in their adjusted solvency calculations eligible elements stemming from reciprocal loans between themselves and undertakings as per Article 221(1) of the decree.
2. Eligible elements of a undertaking controlled or participated by an insurance undertaking for which an adjusted solvency margin is being calculated are excluded from the calculations when these derive from a reciprocal loan with another undertaking controlled or participated by or managed on a unified basis with the insurance undertaking for which the adjusted solvency is being calculated.
3. Reciprocal loans take place even when an insurance undertaking or any of its controlled or participated undertakings or undertakings managed on a unified basis, holds shares in another undertaking or enter into agreements for loans to another undertaking which - in

whatever manner - hold an eligible element of the first undertaking, or it finances its acquisition.

Chapter IV

Treatment of some subjects for the purpose of their inclusion in the calculations

Art. 18

(Inclusion of controlled or participated reinsurance companies with head office in the Republic of Italy or other Member States)

1. *In order to calculate adjusted solvency for insurance undertakings which are the parent or participating undertaking of a reinsurance undertaking with head office in the Republic of Italy or other Member State, a required available solvency margin is calculated for the reinsurance undertaking in accordance with articles 35, 36, 37, 38 and 39 of directive 2005/68/EC⁶.*
2. ⁷
3. ⁸
4. *In order to calculate adjusted solvency, assets and liabilities belonging to reinsurance undertakings with head office in a Member State are valued based for each individual Member State on national implementation relative to directive 2005/68/EC⁹.*
5. ¹⁰

⁶ Paragraph amended by article 138 (1, b) of ISVAP Regulation n. 33 of 10 March 2010. The previous version of paragraph 1) laid down: *"In order to calculate adjusted solvency for insurance undertakings which are the parent or participating undertaking of a reinsurance undertaking with head office in the Republic of Italy or other Member State, a required notional solvency margin is calculated in accordance with article 44(1) of the decree and relative implementation provisions"*.

⁷ Paragraph deleted by article 138 (1, b, 2) of ISVAP Regulation n. 33 of 10 March 2010. Paragraph 2 laid down: *"The required notional solvency margin as per paragraph 1 relative to life business is calculated on the basis of the ratio of the annual total for premiums or contributions in accordance with the provisions for the calculation of solvency margins in undertakings providing non-life insurance as per Article 44(1) of the decree and relative implementation provisions"*.

⁸ Paragraph deleted by article 138 (1, b, 2) of ISVAP Regulation n. 33 of 10 March 2010. Paragraph 3 laid down: *"The same elements which have been considered eligible for insurance undertakings by articles 44 and 45 and relative implementation provisions are admitted as eligible elements of notional solvency margins"*.

⁹ The words *"directive 2005/68/EC"* have been inserted by article 138 (1, b, 3) of ISVAP Regulation n. 33 of 10 March 2010 and replace *"European Community Directives 73/239/EEC, 2002/83/EC, 91/674/EEC"*.

¹⁰ Paragraph deleted by article 138 (1, b, 2) of ISVAP Regulation n. 33 of 10 March 2010. Paragraph 5 laid down: *"Insurance undertakings as per paragraph 1, must provide evidence of the calculation of notional solvency margins calculated for controlled or participated reinsurance companies with head office in the Republic of Italy or other Member State using the template provided, drafted in conformity with the provisions of article 25(1)"*.

Art. 19

(Inclusion of controlled or participated reinsurance companies with head office in a Third Country)

1. To calculate adjusted solvency for an insurance undertaking which is the parent or participating undertaking of a reinsurance undertaking with head office in a Third Country, minimum solvency requirements as well as the eligible elements to meet such requirements provided by the legislation of the Third Country are considered for this reinsurance undertaking, if it is subject to an authorisation regime in this country to exercise reinsurance activities and if it possess minimum solvency requirements which may be compared to those provided for by *Directive 2002/83/EC*¹¹, as well as being subject to the obligation of meeting these requirements with the use of elements which, because of their nature and valuation criteria, can be compared to those provided for in the aforementioned directives.
2. If only insurance undertakings are subject to obligations as per paragraph 1 in the Third Country, notional solvency requirements for the controlled or participated reinsurance undertakings and the elements eligible to meet these notional requirements are calculated as if they were a controlled or participated insurance company with head office in this Third Country.
3. The insurance undertaking calculating adjusted solvency must provide evidence of comparability as per paragraph 1 and 2, furthermore indicating the analytic criteria employed to calculate minimum solvency requirements and corresponding elements eligible to meet this requirement. This evidence must be provided as an annex to the template relating to adjusted solvency prepared in accordance with the provisions of article 24.
4. *Should legislation in the Third Country not provide for the obligations as per paragraphs 1 and 2, for the purposes of inclusion in adjusted solvency calculations, reinsurance undertakings with head office in a Third Country are considered to be reinsurance undertakings subject to the provision as per articles 66-bis, 66-ter, 66-quater, 66-quinquies and 66-sexies of the decree and relative implementation provisions. In such cases, for each reinsurance undertaking with head office in a Third Country included in the adjusted solvency calculations, the notional solvency margin is calculated using the template provided for the implementation provisions of articles 66-bis and 66-quater of the decree.*¹²

Art. 20

(Inclusion of intermediate insurance holding companies)

1. Should calculations for adjusted solvency for an insurance undertaking which is the parent or participating undertaking of an insurance undertaking, a reinsurance undertaking or an insurance undertaking with head office in a third-country, through an insurance holding company, the situation of the latter undertaking is taken into account

¹¹ The words "*by directive 2005/68/EC*" have been inserted by article 138 (1, c, 1) of ISVAP Regulation n. 33 of 10 March 2010 and replace "*European Community Directives 73/239/EEC and 2002/83/EC*".

¹² Paragraph amended by article 138 (1, c, 2) of ISVAP Regulation n. 33 of 10 March 2010. The previous version of paragraph 4 laid down: "*Should legislation in the Third Country not provide for the obligations as per paragraphs 1 and 2, the provisions of article 18 shall be applied*".

as follows:

- a) a required solvency margin equal to zero is considered;
 - b) eligible elements can be deduced from articles 44 and 45 of the decree within the scope of the provisions as per article 16.
2. For the purpose of the calculations as per paragraph 1, all intermediate holding insurance companies identified in accordance with the criteria of article 4 must be taken into account, regardless of where the offices of their participated undertakings are found.
 3. The insurance undertaking calculating adjusted solvency must provide evidence of eligible elements for each intermediate insurance holding company included in the calculations using the template provided, drafted in accordance with the provisions of article 25(3).

Art. 21

(Inclusion of controlled or participated insurance undertakings
with head office in a Third Country)

1. To calculate adjusted solvency for an insurance undertaking which is the parent or participating undertaking in an insurance undertaking with head office in a Third Country, minimum solvency requirements as well as the eligible elements to meet such requirements provided by the legislation of the Third Country are considered for this insurance undertaking, if it is subject to an authorisation regime in this country to exercise insurance activities and if it is subject to the possession of minimum solvency requirements which may be compared to those provided for by Directives 73/239/EEC and 2002/83/EC, as well as being subject to the obligation to meet these requirements with the use of elements which, because of their nature and valuation criteria, can be compared with those provided for in the aforementioned directives.
2. The insurance undertaking calculating adjusted solvency must provide evidence of comparability as per paragraph 1, indicating the analytic criteria employed to calculate minimum solvency requirements and the eligible elements to meet this requirement. This evidence must be provided as an annex to the template relating to adjusted solvency prepared in accordance with the provisions of article 24.
3. Should legislation in the Third Country not provide for the obligations as per paragraph 1, for the purposes of inclusion in adjusted solvency calculations, insurance undertakings with head office in a Third Country are considered to be insurance undertakings subject to the provision as per articles 44 and 45 of the decree and relative implementation provisions. In such cases, for each insurance undertaking with head office in a Third Country included in the adjusted solvency calculations, the notional solvency margin is calculated using the template provided for the implementation provisions of articles 44 and 45 of the decree.

Art. 22

(Inclusion of undertakings operating in the financial sector)

1. To calculate adjusted solvency for a parent or participating insurance undertaking of an undertaking belonging to the financial sector, capital adequacy requirements are taken into account for this undertaking as well as the eligible elements to meet these requirements in accordance with applicable sectoral legislation, within the scope of the

provisions on the methods and criteria used for calculations as per Chapter II and III and in conformity with the detailed instructions provided to complete the annex to the template regarding adjusted solvency prepared in accordance with the provisions of article 25(7).

2. Should the information necessary for inclusion in the calculations as per paragraph 1 not be available, the parent or participating insurance undertaking must deduct from the eligible elements covering its adjusted solvency margin, its holdings in the undertaking operating in the financial sector as well as the elements as per Articles 9, 10 and 64, paragraph 3 of EC Directive 2006/48/ EC eligible (capital, cumulative, preferential shares and subordinated loans) held into the controlled or participated undertaking operating in the financial sector.

Art. 23
(Non-availability of information)

1. If - for whatever reason - ISVAP is not provided with the necessary information to verify adjusted solvency calculations for controlled or participated undertakings with head office in another Member State or a Third Country, the book value of these undertakings and the elements as per article 16, paragraph 3 of Directive 73/239/EEC and article 18, paragraph 3 of Directive 2002/83/EC held into the aforementioned undertakings shall be deducted. In such cases, no unrealised gains associated with these holdings are accepted as elements admitted to meet adjusted solvency requirements.
2. The provisions as per paragraph 1 are applicable even with reference to the non-availability of information necessary to verify adjusted solvency relative to undertakings operating in the financial sector. In such cases, the book value of these undertakings and the elements as per articles 9, 10 and 64, paragraph 3 of Directive 2006/46EC must be deducted from the elements eligible to meet adjusted solvency requirements.

Chapter V
Supervisory reporting and public disclosure

Art. 24
(Supervisory reporting on adjusted solvency calculations)

1. Insurance undertakings with head office in the Republic of Italy which, pursuant to article 7(1), calculate their adjusted solvency in accordance with the method based on consolidated accounts must submit to ISVAP - together with their annual accounts - a template illustrating the adjusted solvency test prepared in conformity with Annex 1. Annex A, which illustrates some information on subjects included in the calculations as per Chapter III of this Title and Annex A bis), which illustrates information on prudential filters - must be submitted in conjunction with Annex 1. Annex 1, A and A bis) must be prepared in conformity with the relative instructions as well as the methods and criteria for calculation as per Chapters II and III of this Title.
2. Insurance undertakings with head office in the Republic of Italy which, pursuant to article 7(2), calculate their adjusted solvency in accordance with the deduction and aggregation method must submit to ISVAP – together with their annual accounts – a template illustrating the adjusted solvency test prepared in conformity with Annex 3. Annex B –

which illustrates information on subjects included in the calculation as per Chapter III of Title II, must be submitted in conjunction with Annex 3. Annex 3 and B must be prepared in conformity with the relative instructions and the methods and criteria for calculation as per Chapters II and III of this Title.

3. Insurance companies with head office in the Republic of Italy which, pursuant to article 7(3) intend to apply for ISVAP authorisation to calculate adjusted solvency situations in accordance with the requirement deduction method, must submit their application to ISVAP by no later than November 30 of the financial year, at the end of which they must proceed to calculating adjusted solvency, providing evidence for the assumptions and reasons for the request. ISVAP, should the conditions to accept this request be met, will provide the relative instructions to carry out calculations for the adjusted solvency situation based on the requirement deduction method.

Art. 25

(Supervisory reporting on the inclusion of some subjects in the calculation)

1. ¹³
2. ¹⁴
3. For the purpose of article 20(3) insurance undertakings must provide evidence of eligible elements of intermediate insurance holding companies by submitting a template prepared in accordance with Annex 8 for each of the intermediate insurance holding companies.
4. For the purpose of article 21(3), insurance undertakings must provide evidence of solvency margin calculations for each controlled or participated insurance undertaking with head office in a Third Country where a solvency regime which is not comparable with the one provided for in Directives 73/239/EEC and 2002/83/EC is in force, by submitting a template prepared in accordance with the implementation provision of articles 44 and 45 of the decree. *Insurance undertakings also provide evidence of solvency margin calculations for controlled or participated reinsurance undertakings with head office in a Third Country where a solvency regime which is not comparable to the one provided for in Directive 2005/68/EC is in force, submitting the template prepared in accordance with implementation provisions of articles 66-bis and 66-quater¹⁵.*
5. The insurance undertaking, which takes advantage of the faculty as per article 16(3), must provide evidence of the summary of subordinated loans employed to cover the adjusted solvency margin by submitting a template prepared in accordance with Annex 11. The insurance undertaking must furthermore provide a detailed description relative to respecting the limit as per article 16(8).

¹³ Paragraph deleted by article 138 (1, d, 1) of ISVAP Regulation n. 33 of 10 March 2010. Paragraph 1 laid down: *"For the purpose of article 18(5), insurance undertakings must provide evidence of notional solvency margin calculations for controlled or participated reinsurance undertakings with head offices in the Republic of Italy or another Member State by submitting a template prepared in accordance with Annex 7 for each of the reinsurance undertakings"*.

¹⁴ Paragraph deleted by article 138 (1, d, 1) of ISVAP Regulation n. 33 of 10 March 2010. Paragraph 2 laid down: *"For the purpose of article 19(4), the provisions of paragraph 1 are applicable"*.

¹⁵ Sentence added by article 138 (1, d, 2) of ISVAP Regulation n. 33 of 10 March 2010.

6. The insurance undertaking must submit to ISVAP the templates as per paragraphs 1,3,4 and 5 enclosed with the templates illustrating its adjusted solvency situation prepared in accordance with the provisions of article 24.
7. Information relative to the inclusion in the calculations of undertakings operating in the financial sector as per article 22 are provided in Annex A and B as per article 24, paragraph 1 and 2 in accordance with the related instructions.

Art. 26

(Supervisory reporting on exemptions from adjusted solvency calculations)

1. Pursuant to article 6, the existence of conditions providing for an exemption from the obligation of calculating adjusted solvency must be communicated to ISVAP with the transmission of a template prepared in conformity with Annex 9 together with the annual accounts.

Art. 27

(Public disclosure)

1. Insurance undertakings as per article 5 must illustrate adjusted solvency in accordance with this Chapter in their notes to the annual accounts, by giving evidence of the amount of eligible elements as well as of the minimum requirements.

TITLE III

Adjusted solvency test for an insurance holding company, a reinsurance undertaking or an insurance undertaking with head office in a Third Country, which is the parent undertaking of an insurance undertaking

Chapter I

General Provisions

Art. 28

(Undertakings required to carry out the solvency test)

1. Undertakings as per article 3(1 b), must calculate the adjusted solvency test in accordance with the regulations provided in this Title.
2. Adjusted solvency tests as per paragraph 1 are carried out also by undertakings pursuant to article 3 (1 c) with respect to the head of an insurance-led conglomerate. As such, the provisions of the decree and regulations relative to adjusted solvency test for parent undertakings are applied to undertakings as per article 3(1 c).
3. *The provisions under paragraphs 1 and 2 shall apply respectively to the undertakings referred to in article 3 (3, b and c)¹⁶.*

¹⁶ Paragraph added by article 138 (1, e) of ISVAP Regulation n. 33 of 10 March 2010.

Art. 29

(Exemption from the adjusted solvency test)

1. An insurance undertaking as per article 28, indirectly controlled by another insurance undertaking as per the same Article, may not calculate the adjusted solvency test of the parent undertaking, if it has already been taken into account in the test carried out by the latter insurance undertaking.
2. If an insurance undertaking as per article 28 and one or more insurance undertakings with head office in the Republic of Italy have the same parent undertaking, the insurance undertaking presenting the highest amount of assets can submit a single template calculating the adjusted solvency test of the parent undertaking prepared in accordance with article 34, provided that the test has taken into account all the controlled insurance undertakings.
3. Undertakings which do not calculate the adjusted solvency test for the parent undertaking pursuant to paragraphs 1 and 2, must inform ISVAP in a timely manner, indicating the name of the insurance undertaking which carries out the adjusted solvency test for the parent undertaking.

Chapter II

General principles and methods of calculation

Art. 30

(Methods of calculation)

1. Insurance undertakings as per article 28 calculate the adjusted solvency test for a parent undertaking in accordance with the consolidated accounts method as per article 8, if the parent undertaking is:
 - a) an insurance holding company with head office in the Republic of Italy or the head of an insurance led conglomerate or a reinsurance undertaking with head office in the Republic of Italy, which prepares consolidated accounts in accordance with ISVAP Regulations n. 7 of 13 July 2007, or which, albeit not subject to the aforementioned obligation, nevertheless prepares its consolidated accounts in conformity with the aforementioned regulations;
 - b) an insurance holding company or a reinsurance undertaking with head office in another Member State subject to the obligation of preparing their accounts pursuant to article 65(2) of Directive 91/674/EEC.
2. Insurance undertakings as per article 28 other than those as per paragraph 1, apply the deduction and aggregation method as per article 9 when calculating the adjusted solvency test of the parent undertaking.
3. ISVAP may authorise the use of the method based on consolidated accounts pursuant to article 8, to calculate the adjusted solvency test for the parent undertaking also when carried out by undertakings as per paragraph 2. Within this scope, the undertakings as per paragraph 2 must submit their request to ISVAP by no later than November 30 of the financial year, at the end of which they must proceed to calculate the adjusted solvency test for the parent undertaking, providing evidence for the assumptions and reasons for the request.

4. ISVAP may - upon the request of the insurance undertaking as per article 28 - authorise solvency test for parent undertakings be carried out according to the requirement deduction method as per article 10. This method can be authorised only if all subsidiaries or related undertakings included in the calculations have been valued in the accounts in accordance with the criteria of article 16(5), of Legislative Decree n. 173 of 26 May 1997.

Art. 31
(General principles)

1. In order to calculate the adjusted solvency test for the parent undertaking, the following provisions for calculations methods, applicative criteria for calculations and the treatment of some subjects included in the calculations as per Title II, Chapters II, III, and IV must be applied at the level of the insurance holding company, reinsurance undertaking, insurance undertaking with head office in a Third Country or head of insurance led conglomerate.

Art. 32
(Treatment of parent undertakings)

1. For the sole purpose of calculating the adjusted solvency test, the parent undertaking is considered as an insurance undertaking subject to:
 - a) a required solvency margin equal to zero, if it is an insurance holding company or a mixed financial holding company head of an insurance led financial conglomerate;
 - b) ¹⁷
 - c) a required solvency margin calculated in accordance with the principles as per article 20, if it is an insurance undertaking with head office in a Third Country, *or in accordance with the principles as per article 66-quater, if it is a reinsurance undertaking with head office in a third State*¹⁸.
2. Eligible elements for a parent undertaking are considered at the same conditions as defined by articles 44 and 45 of the decree, within the scope of the conditions established by article 16.

Art. 33
(Non-availability of information)

1. If, for whatever reason, ISVAP is not provided with the necessary information on a controlled or participated undertaking with head office in a Member State or in a Third Country or on an undertaking operating in the financial sector, the provisions of article 23 shall be applied.

¹⁷ Letter deleted by article 138 (1, f, 1) of ISVAP Regulation n. 33 of 10 March 2010. The previous version laid down: "*b) a notional required solvency margin calculated pursuant to article 18 if it is a reinsurance undertaking, or pursuant to article 19 if it is a reinsurance undertaking with head office in a Third Country*".

¹⁸ Sentence added by article 138 (1, f, 2) of ISVAP Regulation n. 33 of 10 March 2010.

Chapter III

Supervisory reporting and public disclosure

Art. 34

(Supervisory reporting on solvency test for parent undertakings)

1. Insurance undertakings with head office in the Republic of Italy which, pursuant to article 30(1), calculate the adjusted solvency test in accordance with the method based on consolidated accounts must submit to ISVAP - together with their annual accounts - a template illustrating the adjusted solvency test prepared in conformity with Annex 2. Annex A, which illustrates some information on subjects included in the calculations as per Chapter III of this Title and Annex A bis), which illustrates information on prudential filters - must be submitted in conjunction with Annex A. Annexes 2, A and A bis) must be prepared in accordance with the relative instructions and the methods and criteria for calculation as per Chapter II of this Title.
2. Insurance undertakings with head office in the Republic of Italy which, pursuant to Article 30(2) calculate the adjusted solvency test in accordance with the deduction and aggregation method must submit to ISVAP - together with their annual accounts - a template illustrating the adjusted solvency test prepared in conformity with Annex 4. Annex B - which illustrates information on subjects included in the calculations as per Chapter III of Title II, which contains information on the subjects included in the calculation as noted in article 31 must be included with this. Annexes 4 and B must be prepared in accordance with the relative instructions and the methods and criteria for calculation as per Chapter II of this Title.
3. Insurance undertakings with head office in the Republic of Italy which, pursuant to article 30(3) intend to apply for ISVAP authorisation to calculate adjusted solvency test for parent undertakings in accordance with the requirement deduction method, must send their application to ISVAP by no later than November 30 of the financial year, at the end of which they must proceed to calculating the adjusted solvency test, providing evidence for the assumptions and reasons for the request. ISVAP, should the conditions to accept this request be met, shall provide the relative instructions to calculate the adjusted solvency test for parent undertakings based on the requirement deduction method.
4. The parent undertakings' accounts - which have been used as a basis to calculate the adjusted solvency test- must be transmitted together with the Annexes as per paragraph 1,2 and 3. ISVAP may request the translation of these accounts into Italian.
5. Notwithstanding the provisions of paragraphs 1, 2, 3 and 4, undertakings as per article 28(2) may not transmit a template illustrating the adjusted solvency test for the parent undertaking and all documentation enclosed with it to ISVAP in accordance with this Title, should the template and relative documentation be submitted to ISVAP by the head of the insurance led conglomerate. In this case, undertakings as per article 28(2) must communicate these circumstances to ISVAP in a timely manner and the head of the insurance led conglomerate must submit to ISVAP the template and documentation enclosed together with the documentation as per article 39(3).

Art. 35

(Supervisory reporting on the inclusion of some subjects in the calculation)

1. ¹⁹
2. ²⁰
3. For the purpose of article 20(3), as referred to in article 31, the insurance undertaking provides evidence of eligible elements for intermediate insurance holding companies by submitting a template prepared in accordance with Annex 8 for each of the intermediate insurance holding companies.
4. For the purpose of article 21(3) as referred to in article 31, insurance undertakings provide evidence of solvency margin calculations for controlled or participated insurance undertakings with head office in a Third Country where a solvency regime which is not comparable to the one provided for in Directives 73/239/EEC and 2002/83/EC is in force, submitting the template prepared in accordance with implementation provisions of article 44 and 45 of the decree. *Insurance undertakings also provide evidence of solvency margin calculations for controlled or participated reinsurance undertakings with head office in a Third Country where a solvency regime which is not comparable to the one provided for in Directive 2005/68/EC is in force, submitting the template prepared in accordance with implementation provisions of articles 66-bis and 66-quater²¹.*
5. The insurance undertaking, which takes advantage of the faculty as per article 16(3), must provide evidence of the summary of subordinated loans employed for the adjusted solvency test for the parent undertaking by submitting a template prepared in accordance with Annex 11. The insurance undertaking must furthermore provide a detailed description relative to respecting the limit as per article 16(8).
6. Information relative to the inclusion in the calculation of undertakings operating in the financial sector as per article 22, as referred to in article 31, are provided in Annexes A and B as per article 34, (1)(2) in accordance with the instructions.
7. Insurance undertakings as per article 28 must submit to ISVAP the templates in accordance with paragraph 1, 3, 4, 5 and 6 as annexes to the template illustrating the calculation of the adjusted solvency test for the parent undertaking prepared in accordance with the provisions of article 34.

Art. 36

(Public disclosure on the solvency test for parent undertakings)

1. Insurance undertakings as per article 28 in their notes to the annual accounts, must provide information on any negative results of the adjusted solvency test for the parent undertaking calculated in accordance with this Title.

¹⁹ Paragraph deleted by article 138 (1, g, 1) of ISVAP Regulation n. 33 of 10 March 2010. Paragraph 1 laid down: *"For the purpose of article 18(5) as referred to in article 31, insurance undertakings provide evidence of notional solvency margin calculations for reinsurance undertakings controlled or participated by parent undertakings with head office in the Republic of Italy or other Member States by submitting a template prepared in accordance with Annex 7 for each of the reinsurance undertakings".*

²⁰ Paragraph deleted by article 138 (1, g, 1) of ISVAP Regulation n. 33 of 10 March 2010. Paragraph 2 laid down: *"For the purpose of article 19(4), as referred to in article 31, the provisions of paragraph 1 are applied".*

²¹ Sentence added by article 138 (1, g, 2) of ISVAP Regulation n. 33 of 10 March 2010.

TITLE IV
Capital adequacy at the level of the financial conglomerate

Chapter I
General Provisions

Art. 37
(Undertakings required to carry out the calculation)

1. Undertakings as per article 3(1 d) must apply the provisions on capital adequacy at the financial conglomerate level in accordance with the regulations provided in this Title, within the scope of the principles established by Legislative Decree n. 142 of 30 May 2005 and the Coordination Agreement on identification and capital adequacy for financial conglomerates entered into by Banca d'Italia, CONSOB and ISVAP on 30 March 2006.

CHAPTER II
Methods of calculation

Art. 38
(Methods of calculation)

1. The head of an insurance led conglomerate calculates capital adequacy at a financial conglomerate level based on the consolidated accounts method as per the Annex to Legislative Decree n. 142 of 30 May 2005.
2. In accordance with article 7(1) of Legislative Decree n. 142 of 30 May 2005, should any elements of specificity for a group which could render the application of the consolidated accounts method inadequate be found, ISVAP - after consulting with the relevant competent Authorities in accordance with article 1(1 aa) of Legislative Decree n. 142 of 30 May 2005 - and the conglomerate itself, may identify corrections for capital adequacy calculations carried out in accordance with the consolidated accounts method, or, in accordance with one of the other methods provided for by the aforementioned decree. Specifically, corrective or alternative methods may be adopted, should integrated management levels and internal controls for the undertakings included in the consolidation not have reached suitable levels, or, should the efficacy of the transferability and availability of own funds amongst various undertakings in the conglomerate not have taken place.

CHAPTER III
Supervisory reporting and public disclosure

Art. 39
(Supervisory reporting on capital adequacy
at the financial conglomerate level)

1. In order to provide the calculations as per article 38(1), undertakings as per article 3(1 d), shall submit a template related to capital adequacy at a financial conglomerate level prepared in accordance with Annex 10.

2. Undertakings as per article 3(1 d) that are insurance undertakings with head office in the Republic of Italy, must submit to ISVAP the template as per paragraph 1 together with the template related to solvency margin calculations as per article 24(1).
3. Undertakings as per article 3(1 d) that are mixed financial holding companies as per article 1(v) of Legislative Decree n. 142 of 30 May 2005 must submit to ISVAP the template as per paragraph 1 jointly with their consolidated accounts in accordance with article 27 of ISVAP Regulation n. 7, of 13 July 2007.

TITLE V **Transitional and final provisions**

Art. 40 (Repeals)

1. The following are repealed as at the date this Regulation enters into force:
 - ISVAP Provision n. 2050 of 26 February 2002;
 - ISVAP Provision n. 2340 of 21 March 2005;
 - ISVAP Provision n. 2430 of 8 May 2006.

Art. 41 (Publication)

1. This Regulation shall be published in the Official Journal of the Republic of Italy, in the Bulletin and on the Authority's website.

Art. 42 (Entry into force)

1. This Regulation shall enter into force on the day after its publication in the Italian Official Journal.
2. The provisions contained in this Regulation are applicable starting from solvency calculations for the year 2007.
3. When first applied, undertakings which find themselves in the condition of not being able to comply with the provisions as per article 16(3) for the year 2007 must immediately inform ISVAP, providing a plan indicating timings and methods for their adaptation to the regulations to ISVAP at the same time.

the President
(Giancarlo Giannini)