# **The supervisory review process (SRP) in performing the duties set out in Article 36 (2) of 2009/138/EC[[1]](#footnote-1)**

Finantsinspektsioon, the Estonian Financial Supervision and Resolution Authority, conducts the supervisory review process under the Insurance Activities Act and the Guidelines on Supervisory Review Process (EIOPA-BoS-14/179) issued by the European Insurance and Occupational Pensions Authority (EIOPA), which have been approved as advisory guidelines by Finantsinspektsioon, and the final report on the public consultation on those guidelines.[[2]](#footnote-2)

The supervisory review process in all areas consists of risk analysis, a detailed review, and supervisory measures. In applying supervisory measures, Finantsinspektsioon follows the principles of consistency and proportionality. Finantsinspektsioon works to ensure an appropriate level of information exchange with the insurance undertakings for the entire duration of the supervisory process, and with the other supervision authorities involved if a college is formed. In the course of the supervisory process, Finantsinspektsioon considers analysis of the whole market and if a college is formed, all the relevant analysis of the market shared at the college.

Division 1 of Chapter 4 of the Insurance Activities Act sets out the general provisions for how the system of governance of an insurance undertaking should be organised. When supervising the system of governance, including when assessing inherent risk and solvency, Finantsinspektsioon follows the EIOPA document Guidelines on System of Governance (EIOPA-BoS-14/253), which was approved as advisory guidelines by Finantsinspektsioon, and the final report on the public consultation on those guidelines[[3]](#footnote-3), and the EIOPA document Guidelines on Own Risk and Solvency Assessment (EIOPA-BoS-14/259), which was approved as advisory guidelines by Finantsinspektsioon, and the final report on the public consultation on those guidelines[[4]](#footnote-4).

Division 1 of Chapter 3 of the Insurance Activities Act sets out the general guidelines for valuing the assets and liabilities of the insurance undertaking, including its technical provisions. In valuing the insurance technical provisions, Finantsinspektsioon considers whether the insurance technical provisions comply with the EIOPA guidelines that were approved as advisory guidelines by Finantsinspektsioon.

Division 4 of Chapter 3 of the Insurance Activities Act sets out the general principles for the capital requirements that apply to insurance undertakings. In supervising the capital requirements, Finantsinspektsioon also follows the EIOPA guidelines approved as advisory guidelines by Finantsinspektsioon.

Division 2 of Chapter 3 of the Insurance Activities Act sets out the general provisions for organising the investments of the insurance undertaking. The valuation carried out by Finantsinspektsioon considers the internal procedural rules that organise the investment activities of the insurance undertaking, including the internal procedural rules on the management of assets and liabilities and whether those rules comply with the recommendations in Division 5 of the EIOPA governance guidelines approved as advisory guidelines by Finantsinspektsioon on the principle of reasonableness and the governance system.

Division 3 of Chapter 3 of the Insurance Activities Act sets out the general provisions for the own funds of the insurance undertaking. The assessment by Finantsinspektsioon considers whether the own funds of the insurance undertaking comply with the EIOPA guidelines approved as advisory guidelines by Finantsinspektsioon, including the EIOPA guidelines on the classification of own funds, the EIOPA guidelines on additional own funds, and the recommendations in Division 6 of the EIOPA guidelines on the governance system, covering requirements for own funds and the governance system.

Subdivision 3 of Division 4 of Chapter 3 of the Insurance Activities Act sets out the general principles for calculating the capital requirements of the insurance undertaking based on its internal model. The assessment by Finantsinspektsioon considers the guidelines approved as advisory guidelines by Finantsinspektsioon.

The methods used in the assessments of the supervisory process include analysis of supervisory reports, on-site meetings and inspections, irregular compliance checks, and analysis of the internal procedural rules of the insurance undertaking.

1. online <https://www.fi.ee/et/juhendid/insurance/jarelevalvemenetluse-suunised> [↑](#footnote-ref-1)
2. online <https://www.eiopa.europa.eu/content/first-set-guidelines-solvency-ii> [↑](#footnote-ref-2)
3. online <https://www.eiopa.europa.eu/content/first-set-guidelines-solvency-ii> [↑](#footnote-ref-3)
4. online <https://www.eiopa.europa.eu/content/first-set-guidelines-solvency-ii> [↑](#footnote-ref-4)