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Rīga

Regulation No 283

## **Disclosure Requirements for the Report on the Solvency and Financial Standing of an Insurance or Reinsurance Undertaking**

Issued pursuant to  
Paragraph two of Section 91 and Paragraph five of Section 238  
of the Insurance and Reinsurance Law

### **I. General Provisions**

1. The Regulation establishes the disclosure requirements for the report on the solvency and financial standing of an insurance or reinsurance undertaking (hereinafter referred to as the "undertaking") individually and at the group level.
2. When preparing the report on the solvency and financial standing of the undertaking (hereinafter referred to as the "Report"), the undertaking shall, in addition to the requirements established herein, comply with the requirements referred to in Chapter XII of Title I of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (hereinafter referred to as "Regulation 2015/35").
3. When applying the requirements established herein at the group level, an insurance or reinsurance participating undertaking, an insurance holding company or a mixed financial holding company shall comply with the requirements stipulated in Section 238 of the Insurance and Reinsurance Law for disclosure as well as the requirements stipulated in Chapter V of Title II of Regulation 2015/35 for the group solvency and financial condition report or the single solvency and financial condition report.
4. The foreign insurer with a branch entitled to provide insurance services in the Republic of Latvia shall ensure that the policy holders of such a branch may receive the disclosed report on the solvency and financial standing of a foreign insurer if the laws and regulations of the respective foreign country provide for public access to such information.
5. The information included in the Report shall adhere to the following principles:
  - 5.1. it reflects the type, amount and complexity of the undertaking's activity and the risks inherent in the particular undertaking;
  - 5.2. it is publicly available, complete in all material respects as well as comparable and consistent in the long term;

5.3. it is relevant, reliable and comprehensive.

6. The undertaking shall confirm the disclosure policy for complying with the requirements referred to herein and shall establish the procedures for assessing the relevance of the information disclosed in the Report (e.g. shall establish the procedure for verifying the information to be disclosed, the regularity of this procedure, etc.). Taking into account the material features of the activity (e.g. the volume of transactions, the activity in various countries), the undertaking shall assess the need for the Report to disclose more detailed information than that established in Chapter II hereof and disclose it more often than once a year.

7. The undertaking shall, at least once a year but no later than 14 weeks following the end of the respective reporting year, disclose a report compiled according to the requirements established herein for the standing on the last day of the reporting year. An insurance or reinsurance participating undertaking, an insurance holding company or a mixed financial holding company shall disclose the group solvency and financial condition report or the single solvency and financial condition report at least once a year in compliance with the deadlines stipulated in Article 362 or 369 of Regulation 2015/35.

8. The undertaking shall establish the site of the disclosure of the Report in accordance with the provisions of Article 301 of Regulation 2015/35.

9. The Report shall only be disclosed following its approval by the Board of the undertaking.

10. All information included in the Report shall, to the extent possible, be disclosed in one information medium and on one site. The Report shall include all structural sections of the report referred to in Annex XX of Regulation 2015/35. If any of the disclosure requirements referred to in a particular section of the structure of the report established in Annex XX of Regulation 2015/35 are not applicable, the undertaking shall add a clear comment to the respective section. If equivalent information is disclosed according to the requirements for compiling the annual report and the consolidated annual report, the requirements for the regulated market or other requirements, it may be regarded as disclosed pursuant to the requirements established herein and it need not be disclosed again. Should that be the case, the undertaking shall add a clear indication of the site where this information is available to the respective section of the structure of the report referred to in Annex XX of Regulation 2015/35.

## **II. Content of the Information to be Disclosed Pursuant to the Structure of the Report Referred to in Annex XX of Regulation 2015/35**

11. According to the provisions of Article 293 of Regulation 2015/35, the undertaking shall provide a description of its activity and results, including:

11.1 under Section A.1 "Business" of the Report, at least the following information shall be provided:

11.1.1 the name and country of registration of the legal or natural person having directly or indirectly acquired a qualifying holding in the undertaking as well as the amount of holding as a percentage of the equity capital and the number of stocks or shares with voting rights in the undertaking, should they be different. Information shall be provided up to the ultimate parent undertaking or natural person;

11.1.2 the list of material relevant undertakings indicating their name, legal form, country of registration, type of activity, amount of holding as a percentage of the equity capital

and the number of stocks or shares with voting rights in the undertaking, should they be different;

11.1.3 a simplified graphical representation of the group structure;

11.1.4 when applying the requirements established herein at the group level, the undertaking shall also provide information on the group's legal and organisational structure and management system, including characterisation of all subsidiary undertakings, related undertakings and significant branches forming part of the group. Additionally, an insurance or reinsurance participating undertaking, an insurance holding company or a mixed financial holding company shall explain the material differences between the group structure reported in the consolidated financial statements and the group structure established pursuant to Article 335 of Regulation 2015/35;

11.2 under Section A.4 "Performance of other activities" of the Report, a general description of each significant lease (leasing) arrangement, recording operating and financial leases separately.

12. According to Article 294 of Regulation 2015/35, the undertaking shall provide a description of its system of governance and the assessment of its compliance with the risk profile of the undertaking, including:

12.1 under Section B.1 "General information on the system of governance" of the Report, a description of how the necessary authority, resources and operational independence are provided to the persons performing the key functions of the system of governance in order to carry out the tasks delegated to them and a description of the cooperation between these persons and the Council and the Board;

12.2 under Section B.3 "Risk management system including the own risk and solvency assessment" of the Report, the undertaking using a full or partial internal model to calculate the solvency capital requirement shall provide at least the following information on the governance of the internal model:

12.2.1 a description of the distribution of responsibility in the governance area and all committees, if established, their main tasks and the scope of responsibility;

12.2.2 a description of how the existing committees interact with the Council and the Board to meet the requirements stipulated in Section 124 of the Insurance and Reinsurance Law;

12.2.3 a description of any material changes to the internal model governance during the reporting period;

12.2.4 a description of the evaluation process used to monitor the performance and ongoing appropriateness of the internal model.

13. According to Article 295 of Regulation 2015/35, the undertaking shall, separately for each category of risk, include a description of risk exposure, material risk concentration, techniques for mitigating risks and outcomes of stress testing and risk sensitivity analysis. Under Section C.1 "Underwriting risk" of the Report, the undertaking shall provide information on cooperation with a special purpose entity that complies with the requirements stipulated in Section 28 of the Insurance and Reinsurance Law, describing how it identifies the risks transferred to a special purpose entity and how it assesses the fully funded principle on an ongoing basis.

14. According to Article 296 of Regulation 2015/35, the undertaking shall, separately for the items of balance sheet assets, technical provisions and other liabilities, include a description of the methods and assumptions used for their valuation for solvency purposes as well as an explanation of any material differences between the methods and assumptions used for their valuation in financial statements, including:

14.1 under Section D.1 "Assets" of the Report, to describe the valuation basis of the asset items, the undertaking shall classify the assets based on their nature, function, risk and

materiality. At the same time, the undertaking shall provide at least the following qualitative and quantitative information on each material asset item class: the recognition and valuation basis, including a description of the methods and information sources used, as well as the assumptions about such items used in judgements other than estimations:

14.1.1 for material intangible assets – a description of their nature and information on the evidence and criteria used to conclude that an active market exists for those assets;

14.1.2 for material financial assets – information on the criteria used to assess whether markets are active and, if the markets are inactive, a description of the valuation model used;

14.1.3 for financial and operating leases – a description of lease arrangements in relation to the class of the respective assets subject to a lease arrangement;

14.1.4 for material deferred tax assets – information on the origin of the recognition of deferred tax assets as well as deductible temporary difference, the amount of unused tax losses and unused tax credits and the expiry date;

14.1.5 for relevant undertakings – where related undertakings were not valued using quoted market prices in an active market or using the adjusted equity method, an explanation why the use of these methods was not possible or practical;

14.2 under Section D.2 "Technical provisions" of the Report, the undertaking shall describe the most significant simplified methods used to calculate the technical provisions, including those used for calculating the risk margin;

14.3 under Section D.3 "Other liabilities" of the Report, to describe the valuation basis of other liability items, the undertaking shall classify the liabilities based on their nature, function, risk and materiality. At the same time, the undertaking shall provide at least the following qualitative and quantitative information on each material class of other liability items: the recognition and valuation basis, including a description of the methods and information sources used:

14.3.1 a description of material liabilities arising as a result of financial and operating lease arrangements;

14.3.2 a description of material deferred tax liabilities as well as the amount and expiry date of taxable temporary differences;

14.3.3 a description of the nature of liabilities and, if known, the expected timing of any outflows of economic benefits and indications of uncertainties surrounding the amount or timing of the outflows of economic benefits as well as how deviation risk was taken into account in the valuation of liabilities;

14.3.4 a description of the nature of the liabilities for employee pension benefits and the breakdown of the amounts by nature of such liabilities and the defined pension benefit plan assets as well as the amount of each class of assets and its percentage with respect to the total defined pension benefit plan assets, including reimbursement rights;

14.4 a description of any changes made to the recognition and valuation bases of the items of balance sheet assets and other liabilities or any changes made to estimations during the reporting period;

14.5 a description of the assumptions and judgements used in the valuation of balance sheet assets and other liabilities and other sources of estimation uncertainty;

14.6 when classifying the items of balance sheet assets, technical provisions and other liabilities, the undertaking shall apply the breakdown referred to in Commission Implementing Regulation (EU) 2023/894 of 4 April 2023 laying down implementing technical standards for the application of Directive 2009/138/EC of the European Parliament and the Council with regard to the templates for the submission by insurance and reinsurance undertakings to their supervisory authorities of information necessary for their supervision and repealing Implementing Regulation (EU) 2015/2450. If the undertaking classifies the items in a manner differing from the distribution referred to in

the first sentence of this Paragraph, it shall document and store the basis as to why such an approach enables the disclosure of more accurate and much more relevant information.

15. According to the provisions of Article 297 of Regulation 2015/35, the undertaking shall provide at least the following information in the description of capital management: 15.1 the structure of own funds, their amount and the quality of their items (instruments). The undertaking shall additionally provide an analysis of significant changes compared to the information disclosed in the previous report and explain any material differences in the value of these items (instruments) compared to their representation in the financial statements. Under Section E.1 "Own funds" of the Report, the undertaking shall provide at least the following information:

15.1.1 when disclosing the information referred to in Article 297(1) of Regulation 2015/35 by basic own-fund items (instruments) and ancillary own-fund items (instruments) – information on each material own-fund item (instrument) referred to in Articles 69, 72, 74, 76 and 78 of Regulation 2015/35 as well as the items (instruments) referred to in Article 79 and authorised by Latvijas Banka for inclusion in the respective tier of own funds;

15.1.2 a description of the quality of each material own-fund item (instrument), including its availability, subordination, duration and any other features;

15.1.3 an analysis of significant changes in own funds during the reporting period, including the value of the own-fund items (instruments) issued during the year, the value of the own-fund items (instruments) redeemed during the year and the extent to which the issuance of instruments has been used to fund the redemption of instruments;

15.1.4 a description of changes in the value of subordinated debts;

15.1.5 when disclosing the information referred to in Article 297(1)(c) of Regulation 2015/35, any restrictions on the available own funds and the impact of the quantitative limits established in Article 82 of Regulation 2015/35 on the eligible Tier 1, Tier 2 and Tier 3 own funds;

15.1.6 a detailed description of the principal loss absorbency mechanisms used to comply with the provisions laid down in Article 71(1)(e) of Regulation 2015/35 as well as the trigger point and its effects;

15.1.7 an explanation of the key elements of the reconciliation reserve;

15.1.8 for each basic own-fund item (instrument) subject to the transitional provisions – the tier into which the respective basic own-fund item (instrument) has been classified and why as well as the next redemption or repayment date of the item (instrument) and the regularity of any subsequent redemption or repayment dates or an indication that no redemption or repayment date will occur until the end of the transitional period;

15.1.9 when disclosing the information referred to in Article 297(1)(g) of Regulation 2015/35, the type of arrangement as well as the basic own-fund item (instrument) and the tier which each ancillary own-fund item would become on being called up, including the date when Latvijas Banka authorised the inclusion of the ancillary own-fund item into own funds or, where a method was approved, for how long;

15.1.10 where the method approved by Latvijas Banka has been used to determine the amount of the ancillary own-fund item, the undertaking shall describe:

15.1.10.1 how the valuation provided by the method has varied over time;

15.1.10.2 which inputs have been the principal drivers for this movement;

15.1.10.3 the extent to which the calculation has been affected by past experience, including the outcome of past calls;

15.1.11 when disclosing the information referred to in Article 297(1)(h) of Regulation 2015/35 regarding items (instruments) deducted from own funds, the undertaking shall specify:

15.1.11.1 the excess of assets over liabilities within ring-fenced funds and matching adjustment portfolios, identifying the amount for which an adjustment is made in determining the available own funds;

15.1.11.2 the extent of and reasons for significant restrictions on, deductions from or encumbrances of own funds;

15.2 the amount of the solvency capital requirement and minimum capital requirement at the end of the reporting period. The undertaking shall separately specify the amount of the solvency capital requirement calculated using a standard formula or a full or partial internal model as well as the amount of the additional capital requirement in accordance with Latvijas Banka's assessment or the extent of the impact of the specific parameters to be used by the undertaking pursuant to Latvijas Banka's decision in cases when significant deviations from the assumptions underpinning the standard formula are identified. The undertaking shall provide a short description of the justification for Latvijas Banka's decision;

15.3 if the undertaking uses a full or partial internal model to calculate the solvency capital requirement, it shall describe the main differences between the standard formula and the assumptions used in the internal model. Under Section E.4 "Differences between the standard formula and any internal model used" of the Report, the undertaking shall, when disclosing differences, provide at least the following information:

15.3.1 the structure of the internal model;

15.3.2 the aggregation methods and diversification effects;

15.3.3 the risks not covered by the standard formula but covered by the internal model;

15.4 the extent of any non-compliance with the minimum capital requirement or any significant non-compliance with the solvency capital requirement during the period for which the Report is disclosed, explaining the reasons behind such occurrences and consequences thereof as well as the measures taken to prevent non-compliance. Information shall also be provided if such non-compliance has already been prevented on the day when the Report is disclosed;

15.5 under Section E.1 "Own funds" of the Report, an insurance or reinsurance participating undertaking, an insurance holding company and a mixed financial holding company shall specify at least the following information on the group's own funds:

15.5.1 own-fund items (instruments) issued by an undertaking of the group other than an insurance or reinsurance participating undertaking, an insurance holding company or a mixed financial holding company;

15.5.2 where Latvijas Banka as the supervisory authority of the group has recognised that the foreign supervision regime is equivalent to that specified in the Insurance and Reinsurance Law and a material own-fund item (instrument) has been issued by an equivalent foreign insurance or reinsurance participating undertaking included in the calculation of the group solvency via the deduction and aggregation method, the undertaking shall describe the requirements established by the relevant foreign country for the tiering of own-fund items (instruments) as well as the tiering structure, criteria and limits;

15.5.3 where a material own-fund item (instrument) is issued by an undertaking other than an insurance or reinsurance participating undertaking and is subject to the tiering requirement other than that specified in the Insurance and Reinsurance Law, the undertaking shall refer to the respective law and regulation and provide a description of its nature as well as the level of the own funds in each tier;

15.5.4 how the group's own funds have been calculated net of any intra-group transactions, including transactions with other financial corporations included in the group;

15.5.5 the nature of the restrictions to the fungibility and transferability of own-fund items (instruments) in the related undertakings.

16. In case of any material events affecting the relevance of the already disclosed information referred to in Paragraphs 11, 20 and 21 hereof, the undertaking shall without delay disclose information on the development of such events and their impact on the operation of the undertaking.

17. Based on the criterion referred to in Article 291 of Regulation 2015/35, a material event shall be at least the following situation:

17.1 non-compliance with the minimum capital requirement has been established and the undertaking has failed to submit to Latvijas Banka the plan for ensuring the compliance with the minimum capital requirement within one month from the day of the establishment of non-compliance;

17.2 non-compliance with the solvency capital requirement has been established and the undertaking has failed to submit to Latvijas Banka the recovery plan for ensuring the compliance with the solvency capital requirement within two months from the day of the establishment of non-compliance.

18. In the situation referred to in Paragraph 17.1 hereof, the undertaking shall without delay disclose information on the extent of non-compliance as well as explain its causes and consequences and specify any measures taken by the undertaking to improve the situation. If, despite the plan, non-compliance with the minimum capital requirement has not been remedied within three months following its establishment, such information shall be disclosed after the end of this period, explaining its causes and consequences and specifying the measures taken and planned to improve the situation.

19. In the situation referred to in Paragraph 17.2 hereof, the undertaking shall without delay disclose information on the extent of non-compliance, accompanied by an explanation of its causes and consequences and specify any measures taken by the undertaking to improve the situation. If, despite the recovery plan, non-compliance with the solvency capital requirement has not been remedied within six months following its establishment, it shall be disclosed after the end of this period, explaining its causes and consequences and specifying the measures taken and planned to improve the situation.

### **III. Exemption from Public Disclosure**

20. Following Latvijas Banka's authorisation, the undertaking is entitled to not disclose the following information in the Report:

20.1 proprietary information. Information shall be regarded as proprietary if its disclosure bestows advantages upon the competitors of the undertaking, resulting in a weakening of the undertaking's competitiveness;

20.2 confidential information. Information shall be regarded as confidential if the undertaking has liabilities to policy holders or other counterparties obliging it to ensure confidentiality.

21. In the cases referred to in Paragraph 20 hereof, the undertaking shall disclose in its Report the fact that Latvijas Banka has allowed the non-disclosure of information and shall explain the reason behind it.

22. The exemptions from public disclosure referred to in Paragraph 20 hereof shall not apply to the information specified in Paragraph 15 hereof.

### **IV. Final Provisions**

23. The Financial and Capital Market Commission's Regulation No 136 "Regulation on the Compilation of the Report on the Solvency and Financial Standing of an Insurance and Reinsurance Undertaking" of 25 August 2020 (*Latvijas Vēstnesis*, 2020, No 171) shall be deemed invalid.

24. The Financial and Capital Market Commission's Regulation No 136 "Regulation on the Compilation of the Report on the Solvency and Financial Standing of an Insurance and Reinsurance Undertaking" of 25 August 2020 shall apply to an individual Report and a Report at the group level on the financial standing as at 31 December 2023.

### **Reference to the European Union Legislation**

The present Regulation comprises legal provisions arising from the following:

- 1) 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 (Solvency II);
- 2) Guidelines No EIOPA-BoS-15/109 EN of the European Insurance and Occupational Pensions Authority "Guidelines on reporting and public disclosure";
- 3) Guidelines No EIOPA-BoS-15/110 EN of the European Insurance and Occupational Pensions Authority "Guidelines on the supervision of branches of third-country insurance undertakings".

Governor of Latvijas Banka

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