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Call for input on the Solvency II reporting and disclosure review 2020

Fields marked with * are mandatory.

As part of the 2020 Solvency II review EIOPA will review the reporting and disclosure requirements with the aim to assess if the requirements remain fit-for-purpose and in particular if the requirements allow a risk-based and proportionate approach.

EIOPA expects to publicly consult the conclusions of this assessment during 2019 but would like to give the opportunity to all stakeholders to provide input, general or specific, at an early stage of the discussions, on areas that could be further improved in both reporting and disclosure requirements. Therefore EIOPA invites all stakeholders to submit any input and in particular any opinion on the areas below, bearing in mind that evidence-based inputs and concrete proposals will facilitate the reviewing process.

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Supervisory reporting

General:

1. In general what are the templates/group of templates that represent the highest burden, for example where the information requested is not used internally?

The highest burdens are in respect of the following templates:
Reinsurance, Triangles, analysis of movement in Non-life technical provisions and investment templates, mainly because of the controls and validations that need to be in place, rather than because of the lack of information

Within the investment templates, there is a significant requirement for asset information which is not used internally. Much of the information is relating to assets where the risk is borne by the policyholder, i.e. unit-linked assets.

S.19.01.01 and S.20.01.01 and S.21.01.01 are QRTs that stand out in terms of effort. One might think that S. 19.01.01 is required internally because triangles are generally used to estimate the ultimates, but this is not normally the case. The triangles used to estimate the ultimates often differ from what needs to be delivered in the QRTs: e.g. the homogeneous risk groups often differ from the SII LoB's. In addition, there are often many smaller parts of the portfolio that are not included in the triangle-based estimation of the ultimates, but these parts must still be included in the QRT triangles for EIOPA.

S.19.01 (Paid claims by currency by Solvency II line of business) creates a significant burden:
* particularly where the undertaking writes many lines of business in many different currencies (an example undertaking we are aware of needs to produce and validate 156 triangles solely for the purpose of this QRT, each one with 135 potential data points).
* The amount of high level / sense checking that can be done on data of this volume and nature, for example, by directors of the Company is extremely limited.
* This QRT requires information which is unlikely to be already produced / used by the undertaking, for example paid claims are unlikely to be projected at a Solvency II line of business level, and triangles of claims provisions are not generally used for other purposes.

S.20.01 and S.21.01 also require significant effort and have no internal use. The way information needs to be collected does not align with how insurers will typically analyse this data internally.

S21.02 & S21.03 (Underwriting risk templates) these data are almost never used internally, especially for captives. They also make no sense being across business lines. (No company manages their business by Solvency II line of business, and aggregating, say, Professional Indemnity and General Liability makes no sense).

S29 (Variation Analysis): is poorly designed and the guidance is internally contradictory. There are (at least) 5 definitions of Written Premium for S.29:
1. IFRS Written Premium
2. Premium received during the year (i.e. pure cashflows)
3. Contracts recognised during the year excluding Written but Not Incepted business (WBNI) and only including premium due within the year.
4. Contracts recognised during the year excluding WBNI (differs from 3 because payment terms may be into next year)
5. Contracts recognised during the year including WBNI

The S.29 set of QRTs are also quite burdensome, requiring data to be produced in a certain format which is not produced for any other purpose. The Profit & Loss Attribution exercise that a company may perform annually is similar in some aspects, but, in particular, the splitting out by SII LoB in S.29.04 is not generally used elsewhere.

S.29.04 is a QRT that needs to be completed/provided per LoB. It would make sense to apply some materiality threshold for delivering separately and create a group 'Other'.

2. Are there national specific templates that in your view could be harmonised at EU level?

No, given the differences in local markets and GAAP.

3. Please provide any concrete idea/proposal you might have from the perspective of different business models, e.g. reinsurance undertakings, captives or other.

More proportionality could be applied to Captives and smaller entities, for example by not requiring
(a) triangles by currency (S19);
(b) underwriting risks by bucket (S21)

4. Is there any area which you believe is not covered by the reporting package that should be introduced and how, e.g. EPIFP, cyber risk?

Consistency between financial sectors

5. Where do you see room for improving regarding the consistency of SII reporting framework with other EU supervisory reporting frameworks?

Harmonisation Example:
In Ireland, SII reporting includes an Actuarial Opinion on TPs (AOTP) and a related Actuarial Report on TPs (ARTP). This is, to our knowledge, not required in any other EU jurisdiction and represents a significant “add-on” to the SII reporting framework. Would suggest that consideration is given to whether this aligns with the general objective of SII of harmonising EU insurance regulation and whether a more consistent approach could be adopted.

6. Do you think there are duplications to be reduced in the information reported within SII framework itself as well as with regards to other EU supervisory reporting frameworks?

The RSR is significantly more detailed than the SFCR, but covers areas that are already covered in Actuarial Function Reports, ORSA and Risk Appetite statements. This involves significant duplication of work with the same information included in a number of different documents, each of which may involve slightly different groups of people and governance processes. Amalgamation of these reports would be more efficient.

Proportionality principle

7. Do you have proposals how to improve the limitation and exemptions process?

Greater consistency between supervisors would be helpful – e.g. some National Supervisors exempt captives and small entities from a number of the requirements while others don’t.

8. Do you believe that the current reporting timelines and frequencies are adequate? Please specify:

Yes, except for the “Group Financial Stability” which should be reported together with Group QRT’s.

We believe that that there shouldn’t be a requirement for a quarterly submission at the same period an annual submission is being made. If this is not possible, it would be helpful if NSAs/EIOPA could clearly communicate that changes from Q4 QRTs to the Annual QRTs are acceptable.

We believe that the 2019 reporting timescales are appropriate and they shouldn’t be shortened further in 2020

9. Do you believe that the risk-based thresholds introduced in the ITS are efficient? Do you believe they might be improved/extended. Please provide concrete examples if possible.

Yes, the risk-based thresholds are a useful tool to achieve proportionality.

Internal models

10. Is the reporting of standard formula figures by undertakings using internal models in S.25.01, S.26s and S.27 feasible? What are the main concerns in this area?

Our main concern is that, because the standard formula model is not used by the business for any other purposes, there is a risk that inputs and results may not receive sufficient attention.

Neither the regulation nor the QRT’s take into account those internal models that don’t follow the modular structure of the standard formula. This means that reporting standard formula figures in these QRTs for affected undertakings is unlikely to be feasible without some flexibility in and/or adaptation of the QRTs.

11. How could information on internal models be further harmonised to ensure a minimum level of comparability between undertakings?

We consider the internal model information currently reported appropriate. We believe that the templates must be aligned to the company risk profile.

Reporting processes

12. Do you see an opportunity to improve reporting processes in light of the new technologies available? Please explain how.

We believe that the current reporting has required significant technological efforts by companies. In that context, we stress that its success will depend on the stability of the reporting in the future, avoiding unnecessary changes.
XBRL – Taxonomy: Include additional validation by NCAs in the EIOPA XBRL taxonomy in order to speed up the validation process for undertakings. To ensure the necessary quality of data, the recipients of the templates apply validation rules. As well as NCAs, recipients include EIOPA, ECB and national banks, e.g. in Germany (the Deutsche Bundesbank): Specific validation rules of the Bundesbank are not contained in the XBRL taxonomy. Accordingly, undertakings in Germany must use the Bundesbank website ("Testportal") which is not available 24/7 (only Monday to Thursday 9h -16h). We advocate a comprehensive single validation process to include requirements of national central banks.

13. Please provide your comments, if any, on the current EIOPA practice regarding the XBRL releases.

To report a correction related to quantitative reporting, Q&A 798 from 30 August 2016 requires the use of the taxonomy applied for the initial report. However, this is sometimes not possible, because an older version of the taxonomy is normally not available in the undertaking.

14. Please provide any concrete proposal you might have how the data quality can be improved.

Narrative reporting

15. What are the areas of the Regular Supervisory Reporting that could be improved?

See Question 6.

Specific templates

16. Solvency II reporting includes some templates that follow an accounting valuation. How do you see a change in templates S.04 and S.05 currently reported from an accounting perspective (i.e.: Local GAAP or IFRS if accepted as local GAAP) to be reported from a Solvency II valuation perspective?

It is a big task to map the IFRS/GAAP balance sheet to the Solvency II balance sheet. To have to do this also for the P&L would be another burden of limited use.

As it is, the bridge from IFRS/GAAP is so wide that many directors struggle to use the Solvency II balance sheet. They tend to look at only one balance sheet, and that is the IFRS/GAAP one. We believe the same would apply for the P&L.

17. In some exceptional templates (S.16, S.19, and S.30 and S.36) information is requested regarding the currency of the contracts, instead of the reporting currency. How do you see adoption of the reporting currency for these templates?

We would strongly encourage this, particularly for small entities and captives.

18. Variation analysis templates (S.29s): please provide any specific input on how these templates could be improved.

A simpler template might be more appropriate. The introduction of this template caused confusion across the industry with inconsistent interpretations being taken for different line items as a result of inconsistent explanations in explanatory notes and log files.

S29s are overly complex for Non-Life companies and should be simplified.

S.29.04 template (which shows S.29.03 split out by SII LoB), is not very useful/informative given that business is generally not monitored on a SII LoB level (more granular monitoring is generally used). We would suggest the need for this template is reconsidered.

Much clearer guidance is recommended for S29, e.g.:
* Definition of year-end/business written during the year for companies that report on an underwriting year basis.
* Definition of written premium.
* Treatment of balances payable/receivable which were in TPs at prior year-end and those in TPs at the valuation date.

Example of lack of clarity:
• The guidance can be interpreted so that the variation due to written premiums is the IFRS/GAAP premiums written, plus last year's premium receivable in TPs, less this year's premium receivable in TPs.
• This is inconsistent with the expectation that this element should match the premiums written in S. 05.01.
• If this interpretation were not taken, and the S.29.03 written premiums were taken as the same as those in S.05.01, we would get an "other variation not explained" in S.29.01 equal to the difference in the premiums receivable in TPs between the successive periods.
• However, this is not correct as it misstates the variation in Own Funds due to underwriting activities;
• the difference in the TP receivables at the two valuation dates should be allowed for in both the variation in TPs and the premium technical flows.

19. Any other areas/proposals.

We believe that the requirement for a look-through (S06.03) for unit-linked funds is dispensable. It requires high levels of effort with minor if any benefit. See also Q6.

Public disclosure:

Aim and structure

20. Do you agree that SFCR should reflect the different information needs of policyholders and other stakeholders?

Reports are not generally accessed by policyholders or the public and the effort, given limited usage, may be disproportionate. See also Q6 above.

Policyholders and public in general are interested in the evolution of the business with solvency-related figures being most relevant, as well as a view on how risks are managed. All those aspects are covered in the statutory annual report, and the requirement for additional reports such as the SFCR and RSR should be reconsidered.

21. How in your view the SFCR can be improved to address all stakeholders?

It could be improved by simplification. It is complex and rigid, as a consequence of the high level of prescription.

22. Do you believe the structure of the SFCR could be improved? Please provide specific proposals if possible.

See above. Its structure should be flexible for each company

23. Is there any information in the SFCR that you consider not useful or repetitive? Please explain why.

A large part of the SFCR contains a significant amount of information that is already available in companies' annual accounts. We believe this repetition is unnecessary.

Example:

- Information on insurance and market risk.
- The information required in chapter A (Business and Performance) is already included in the financial statements and is therefore duplicated.
- The use of references to other public reports in one member state is subject to specific provisions on how to reference.
- The reporting of negative facts (ie we do not have…,) should be avoided, because these passages expand the report unnecessarily.

The SFCR really is of very limited use for users; the language used is typically boilerplate and difficult for the general public. Undertakings should be encouraged to make the SFCR more accessible in terms of language.

Audit

24. What are in your view the advantages/disavantages of the external audit requirements of the SFCR, namely what is the impact on the quality of the Report?

An audit might signal a certain quality of the report. Audit requirements in relation to Solvency II issues differ considerably across countries. The treatment of a particular issue (like SFCR) should not be determined without consideration of the overall audit and review requirements.

In addition, we are of the opinion that, before discussing the advantage or disadvantage of external audit for the SFCR, the content and structure of this report should be reconsidered. We understand that only very few people are interested in these reports. An audit is not likely to positively influence the number of interested readers.

Language and means of disclosure

25. Do you consider that current language requirements are adequate ? Please provide concrete proposals for improvement.

We consider that current requirements are adequate.

26. Do you see an opportunity to improve disclosure processes in light of the new technologies available, namely artificial intelligence and machine reading formats? Please explain how.

Specific improvements

27. Please provide any concrete idea/proposal you might have from the perspective of different business models, e.g. reinsurance undertakings, captives or other.

28. On the areas identified by different stakeholders where more structured information is needed, such as SCR sensitivity, movements on SCR or movements on Own Fuds, please provide any proposals if possible.

29. Any other areas/proposals:

The necessary information in order to complete the QRTs should be included comprehensively in the technical standards and not in the Q&A catalogues.
More guidance should be provided for completing some of the QRTs, in particular the underwriting and reinsurance QRTs.
Improvement of Q&A process: A research in Q&A catalogues is burdensome.
The ordering of the Excel files is based on legal documents instead of topics. We would welcome a simplification and a restructuring.

Quarterly reporting: Abolition or adaptation of the Q4 reporting as it has only little value compared with corresponding full year-end reporting which follows shortly afterwards.

When answering please consider the requirements under the COM Implementing Technical Standards, Guidelines on Financial Stability Reporting and Guidelines on Third Country branches when relevant.
Please submit your input to the dedicated survey before 21 February 2019.

Input submitted after the deadline but before 31 March 2019 will be considered on a best effort basis.

EIOPA will consider carefully the input provided and reflect it in the public consultation, during 2019, on the 2020 Solvency II reporting and disclosure review.

Contact

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