

To: Solvency II Working Group  
From: ECOFIN Team  
CC:  
Date: 13-10-2017  
Reference: ECO-SLV-17-220

Subject: 11 October EIOPA reporting public event - highlights

## Summary

Following the 11 October EIOPA reporting public event which discussed the topics of Own funds variation analysis and preliminary views of the SFCR, members will find attached the slides used by EIOPA for its presentations on:

- Variation Analysis templates ([ECO-SLV-17-217](#)),
- EIOPA's Supervisory Assessment of the Solvency and Financial Condition Reports – First experiences ([ECO-SLV-17-218](#)), and
- Reporting and Disclosure updates ([ECO-SLV-17-219](#))

Members will find in addition below the highlights from the event.

## Highlights

### **General update on reporting**

- EIOPA envisages the revision of the reporting requirements starting next year. However, it will decouple RSR and SFCR.
- RSR work is meant to start after July 2018 and provide final outcome in the ITS by mid 2019/beginning 2020 (12 to 18 months work).
  - This will follow the normal formal consultation process with the industry.
  - The focus will be the QRTs.
- SFCR work will be short term and long term.
  - Short term:
    - EIOPA is currently conducting an assessment of the SFCRs, checking readability, accessibility and completeness, with the view to improve comparability.
    - It has already identified some areas which could be improved (see below in the section related to the SFCR).
    - By end of 2017, EIOPA will issue a supervisory statement on the main areas identified in the form of good practices.
  - Long term:
    - Future possible improvements will be embedded in the legislation in a future revision of the ITS (EIOPA remained unclear about timing).
    - This should also follow the formal consultation process with the industry.

### **Own funds Variation analysis templates**

- **Legal status of EIOPA's note:** Asked on the legal status of the document "Variation analysis explanatory notes" EIOPA provided the following comments:
  - As the document provides ample details, all of its content cannot be made part of an ITS.
  - However, when the document is final, it will be on the same footing as the Q&A in terms of EIOPA's internal governance.

- This means that the document will go through BoS approval and will be published if it receives BoS sign-off.
  - For this year, the instructions stemming from the Q&A and the “Variation analysis explanatory notes” that will be published (as final or updated) can be followed by undertakings if they are willing to implement them.
    - NSAs cannot force undertakings to implement material that is not in the legally binding text.
    - EIOPA asks undertakings to report NSAs who would impose the implementation of material that is not in the legally binding text.
  - EIOPA is thinking about updating the “Variation analysis explanatory notes” by the end of the year to support dry-runs from undertakings.
  
- **EIOPA’s treatment of the comments received from the consultation**
  - EIOPA provided a debrief of its thinking behind the way it had considered industry’s comments (see ECO-SLV-17-217).
  - EIOPA clarified that all the comments that were made by the industry including the ones not discussed as described above will be reflected in the new draft of the “Variation analysis explanatory notes” with an explanation of their resolution and, when relevant, illustrative examples.
  
- **Next steps**
  - Short term**
    - EIOPA asked for feedback from the industry on the points made in ECO-SLV-17-217, as soon as possible, with examples illustrating our arguments when possible (the secretariat will circulate a memo specifically for this request).
    - EIOPA will communicate in the coming weeks a new set of deactivated validation for companies using the current logs (ie those which do not intend to implement neither the Q&A nor the material described in the “Variation analysis explanatory notes”).
    - EIOPA will not have a specific Q&A process for the variation analysis templates.
  
  - Long term**
    - EIOPA will release a new draft of the “Variation analysis explanatory notes” by the end of the year. Prior to doing that, EIOPA will arrange a teleconference with stakeholders if there are still areas for which it has doubts.
    - Until then, EIOPA is open to receiving comments/questions, preferably through the Q&A process and all of the issues raised by the industry will be reflected in the new draft of the “Variation analysis explanatory notes” with an explanation of their resolution and when relevant illustrative examples.
    - An amendment of the validation rules because of clarification/explanations provided via the Q&A or “Variation analysis explanatory notes” will be made next year after the release of the updated/final document.

### **SFCRs preliminary views**

- **Industry feedback**
  - The industry (Insurance Europe, AMICE, CFO/CROF) provided its preliminary views of the SFCRs stressing that it was merely a collection of feedback from companies and did not purport to represent the industry views. The difficulty in identifying the target audience of the SFCR, and the need for EIOPA to let market discipline play its role were themes that recurred.
  - EIOPA reacted to the industry feedback by making the following comments:
    - The target audience is an issue that needs to be addressed.

- EIOPA will not force changes and wants to see market discipline at play. However, EIOPA wants to strike the right balance between regulatory/supervisory approach and allow market discipline to work.

- **EIOPA's assessment of the SFCR**

- EIOPA is carrying out an assessment of the SFCR based on a sample that includes big and small insurance groups and solos undertakings. The objectives, main challenges, and preliminary findings of this assessment are to be found in EIOPA presentation (see ECO-SLV-17-218).
- EIOPA mentioned that it would like to identify the main gaps and the reasons behind these, but also good practices. Regarding the challenges, EIOPA stressed that it is aware that optimal level of detail will be difficult to achieve. However, EIOPA sees areas for improvement which are listed in the preliminary findings of the presentation.

- **Next steps**

Short term:

- By end of 2017, EIOPA will issue a supervisory statement on the main areas identified in the form of good practices.
- EIOPA indicated that they will probably not work on all areas that will emerge from their findings.

Long term:

- EIOPA will embed future possible improvements regarding the SFCR in a future revision of the ITS (EIOPA remained unclear about timing).
- This should follow the formal consultation process with the industry.