

To: Solvency II Working Group
From: ECOFIN Team
cc:
Date: 20-11-2018
Reference: ECO-SLV-18-213

Subject: 16 November EIOPA reporting public event - highlights

Summary

On 16 November, the secretariat attended a public event on reporting organised by EIOPA. The event aimed to allow a first exchange of views on possible areas for improvement within the areas of supervisory reporting and public disclosure requirements under Solvency II. Thereafter, EIOPA will reflect on the areas identified and assess ways to improve legislation, reflecting lessons learned until now and improve the quality and meaningfulness of the information reported and disclosed.

Members will find below the highlights from the event, and the slides presented by EIOPA ([ECO-SLV-18-210](#) and [ECO-SLV-18-211](#)) and Insurance Europe ([ECO-SLV-18-212](#)) are attached.

Highlights

EIOPA introductory remarks ([ECO-SLV-18-210](#))

- EIOPA is having an open dialogue with stakeholders, to solve implementation issues in a convergent way, and lead a future revision.
- EIOPA is performing regular ITS amendments in which delegated act amendments and Q&As are reflected.
- The 2018 ITS amendments are expected to be published around November, with application date 31/12.
- EIOPA is planning to only have an ITS amendment in 2019 in case of need. That is in case the Delegated Act amendments following the 2018 Solvency II review would require it in 2019.
- 2020 review:
 - EIOPA intends to review the SFCR approach, with the following potential areas for revision:
 - General approach to SFCR
 - Addressee of the SFCR
 - Redundancy/duplication between different sections
 - Clarifications on the role of QRTs
 - Improve comparability
 - Structure for SCR/Risk sensitivity
 - EIOPA has no insights yet on the reporting scope of the EC's call for advice on the 2020 review. EIOPA indicated that from their perspective there are no limitations on the scope of the 2020 review, and EIOPA will work on reporting as part of the 2020 review, even if the EC does not address it.

Industry's views on how to improve SII supervisory reporting and disclosure

- The secretariat has presented the key messages from Insurance Europe's views on the review of reporting and disclosure ([ECO-SLV-18-212](#)). The industry expressed support for these messages and
- Further comments from the industry
 - Timelines for reporting:
 - Allowing undertakings the necessary time for reporting would solve many other issues.

- only 5 weeks, which equals 25 working days, and no national public holidays are taken into account.
 - SFCR: There is a lot of duplication, in particular with the annual report. For one undertaking the ratio of clicks/number of clients equals 0.2% and for another undertaking the ratio is even only 0.02%.
 - Q4 is only based on estimations and the annual reporting contains similar information, therefore, it is difficult to see the benefit of it. The removal of Q4 reporting will also allow more time to prepare Q1
 - QRTs, where more information was requested on the purpose of the templates:
 - Reinsurance, is very granular and detailed
 - Variation analysis, templates should provide sensible information for both NSAs and companies, however companies do not use the templates, and they are very complex to fill.
 - Proportionality
 - List of assets, eg it should be possible to only report once a year if premium income is below EUR 50M or if total investments are below EUR 150M, these templates are burdensome to report on a quarterly basis.
 - Look-through: there is an exemption for quarterly reporting, but it would be beneficial to introduce a threshold for annual reporting.
 - RSR: references to other documents should be allowed

- EIOPA report on limitations and exemptions:
 - Will be available around year-end
 - EIOPA further analysed the reason for having only a limited number of exemptions and limitations;
 - For example, on look-through, around 20% of the undertakings does not have CIUs and as such they do not have to fill in the look-through template; in case an undertaking has CIUs but they represent less than 30% of the portfolio the company can benefit from an exemption for quarterly reporting, around 50% of the undertakings can benefit from this exemption and do not have to report the look-through template quarterly. The limitations and exemptions at the discretion of NSAs come on top of it.

Against this background, EIOPA believes there is proportionality, because in the end only 25% of the undertakings actually report the look-through templates, and this allows supervisors to have information on around 70% of the total investments in CIUs. In EIOPA's view this is a proportionate and risk based approach.

 - EIOPA noted that in some countries, the information that might be exempted for reporting, was already reported under Solvency I and these markets were ready to report and to continue reporting this information.

- EIOPA's comments:
 - SFCR EIOPA notes there is agreement.
 - EIOPA believes the executive summary should be addressed to the policyholder and the rest of the document should be addressing professionals.
 - Overlap, EIOPA agrees it needs need streamlining, but it is also the role of industry to streamline it, for example the repetition of legislation could be omitted and this is also the duty of the industry.
 - The focus should be on what really matters, for example SCR (sensitivity, what triggers the movement)
 - Comparability is important
 - EIOPA notes that the number of clicks is not representative for the use of SFCR.
 - Duplication with financial statements needs to be discussed, however this is challenging as there is no harmonization of accounting.
 - EIOPA highlighted that it is also in the hands of the industry to simplify it. EIOPA used artificial intelligence to analyse the SFCRs and a large part of the text is the same for all companies.

Meaning this very general information that can be omitted, and undertakings should focus on information relevant for the undertaking.

- Timelines are challenging to change, as these are defined in the directive, but the industry has put forward valid arguments. EIOPA will discuss this internally and with the NSAs to see if anything can be done in this area.
- Financial stability: sometimes the timelines are even stricter than some of the Solvency II reporting deadlines, and the needs for financial stability are different from the prudential needs, when entering in the discussions on timelines, it is important for EIOPA to know whether the same arguments for the timelines apply to the financial stability requirements as they stand today.
- EIOPA believes that thresholds either new thresholds or a revision of current thresholds is the way forward to improve proportionality.
- EIOPA believes that removing the Q4 reporting entirely will be difficult to achieve, but they will discuss it.
- EIOPA notes that if there are changes that can be done ahead of the 2020 review, eg the removal of information that is not used, then EIOPA will not wait the official 2020 review and will already propose an ITS amendment in 2020. EIOPA would like to know from the industry whether it agrees with this approach.

EIOPA - SII supervisory reporting and public disclosure way forward ([ECO-SLV-18-211](#))

- For the 2020 (holistic) reporting review, EIOPA proposes to focus on SFCR, QRTs and proportionality.
 - SFCR: assess the adequacy of the content, structure and formats.
 - QRTs:
 - reflect on the use of the QRTs in the supervisory review process and its adequacy towards specific business models such as run-off companies, captives or reinsurers.
 - EIOPA's objective is to improve the reporting and disclosure package, not to increase or reduce it.
 - Lessons learned from the Supervisory Review Process – whether all information is being used, is some information missing, does the information have the right level of granularity?
 - From the EC financial data standardisation working group it became clear that most overlaps identified are with the banking sector. A number of overlaps for the insurance sector were identified as well, and EIOPA will incorporate this in their revision. Under this project, EIOPA has also raised a number of issues eg on the inconsistencies in some definitions at the level of the balance sheet between the banking and the insurance sector (definitions bonds/loans) and how the banking and insurance sector treats this slightly differently; another example is the issue of the derivatives that are reported under the EMIR directive (EIOPA has no access to EMIR database). EIOPA has identified these areas as potential areas where streamlining is possible.
 - Enhance data standardisation: EIOPA intends to make LEI code mandatory, it wants to improve and increase use of close lists. EIOPA wants to make further use of validations to reflect the instructions, namely regarding mandatory fields and fields to be blank in certain circumstances, in order to improve data quality.
 - Proportionality:
 - Reflect on the adequacy and use of limitations and exemptions by NSAs in Solvency II reporting.
 - Review thresholds, and investigate whether there are other tools to improve proportionality.
 - Identify and mitigate inconsistencies in the taxonomy between financial sectors and when possible re-use existing data bases to avoid duplications of reporting. (eg assess the possible use of EMIR data for supervisory purposes)
 - Frequency and use of RSR
 - Taxonomy:
 - The taxonomy governance will be revised
 - Review timings, to avoid overlap of PWD consultation with submission deadlines
 - Removal of duplication and overlaps, and EIOPA would like to know from the industry whether it is useful to do this exercise now, or should it wait until the 2020 review and then implement all changes at once.

- It will be investigated how technology could be used to improve and streamline the reporting process.
- Next steps:
 - EIOPA plans to have a formal call for input in December 2018/January 2019. EIOPA indicated it would be helpful for them to receive concrete proposals and ideas.
 - IF EIOPA receives the amendments to the DA, a public consultation will follow. And EIOPA plans to have the package ready around May 2019.
 - There will be a 2020 review public consultation in (the middle of) 2019, followed by a report end of Q1 2020. During the second half of 2020 the report for the EC will be discussed and finalised.
 - There will be another public event with stakeholders (still to be decided whether this will take place before/after the consultation).
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