# EIOPA Public Event on Reporting and Disclosure

Silvia Herms
Head Economics and Finance, AMICE
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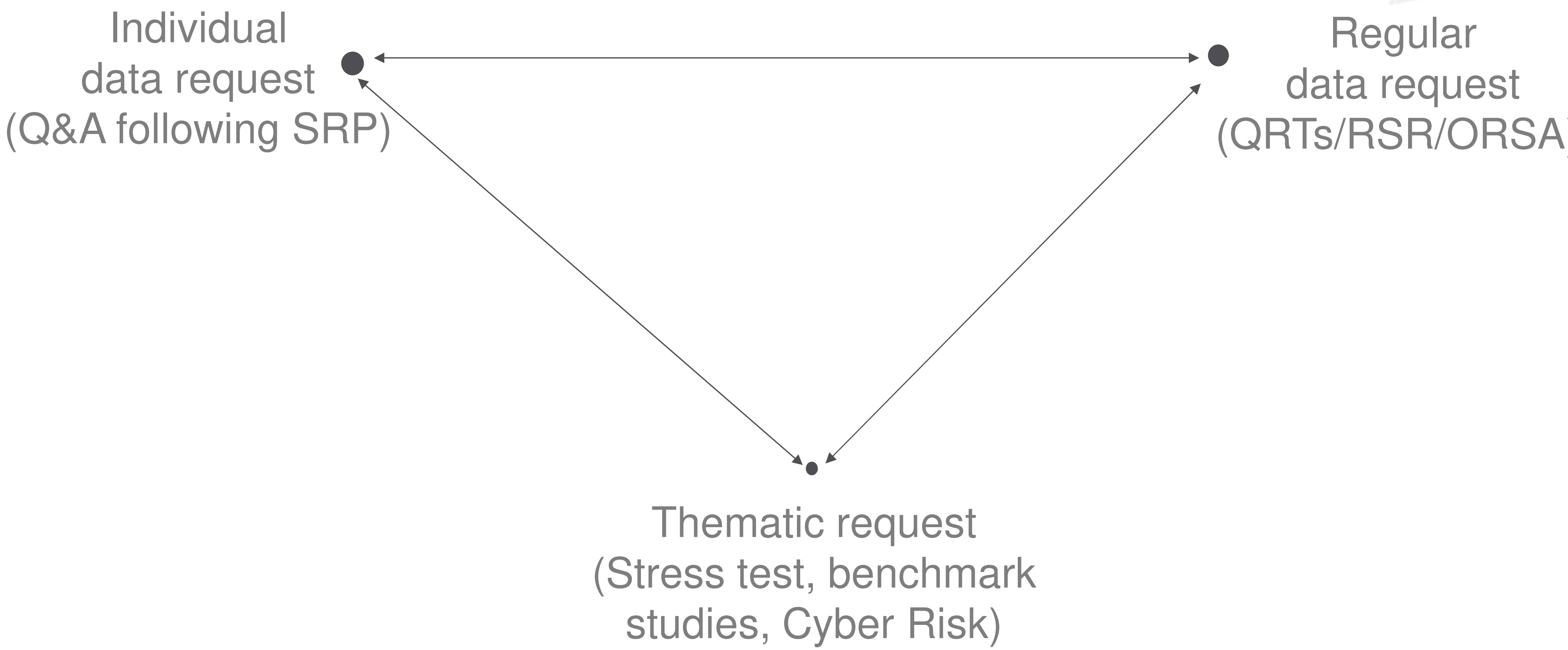
# Disclaimer

- Any views or opinions expressed in the following slides represent AMICE current views at this stage of the process
- These views may be changed or amended in the coming weeks and ahead of the final submission of the AMICE comments to EIOPA by 18 October 2019

# Introductory Remarks



# Deadlines

## Reporting Package Review | Deadlines

- Requirements are not stable
  - ITSs on supervisory reporting and public disclosure have been amended every year
  - New taxonomy have been implemented in shortened timescales
  - Amendments to the Delegated Regulation
  - 2018 SCR Review and Upcoming 2020 Solvency II Review will bring more changes to the Reporting Package
- The shortening of the deadlines is obliging insurers to resort more and more to proxies and simplifications in order to meet the required deadlines

# Reporting Package Review | Deadlines

- There is an overlap between the annual and quarterly submissions of information, the RSR and SFCR publication

## Proposals

- An extension of the reporting deadlines for both narrative and quantitative information is essential to obtain a good quality of the information submitted
- Keeping 2018 deadlines (2 weeks extension for annual reporting) should also apply to quarterly deadlines (QRTs submissions)
- Different deadlines for QRTs and SFCR and RSR can be set up
- Different deadlines for different parts of Single SFCR can be introduced

# Reporting Package Review | Deadlines

## Proposals

- Weeks to be replaced by working days ( *material misalignment)*
- Q4 should be removed

# Single Solvency and Condition Report (SFCR)

# SFCR – AMICE Proposal for SMEs

Small and medium size entity
- Not listed
- No rating
- No subordinated debt
- Non-cross border activities

Policyholders (Natural person/ SME's)

- Executive summary as proposed by EIOPA in clear and understandable language
- No other public disclosure

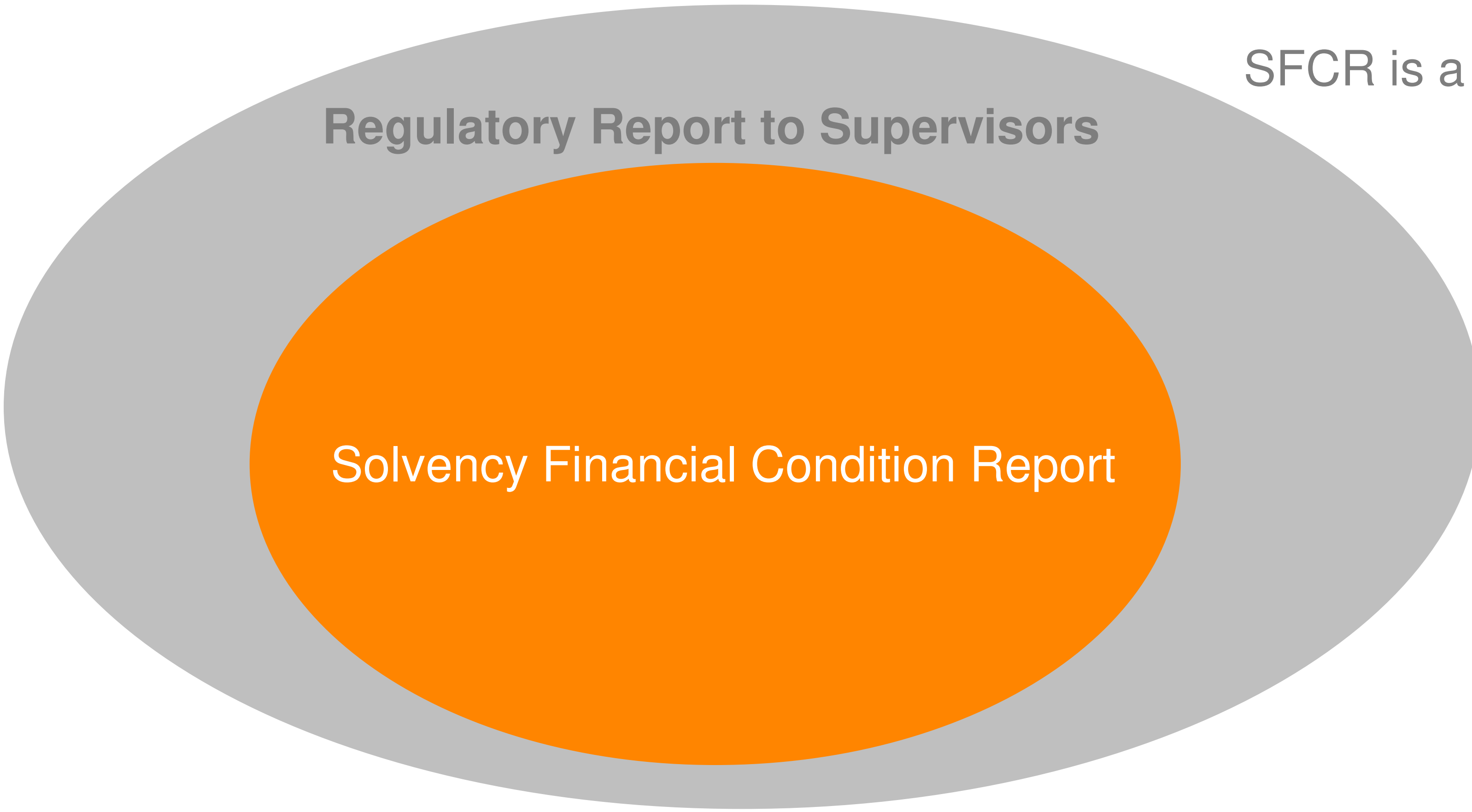
European group
- Listed debt/equity instruments
- With rating
- Subordinated debt
- Multiple geographic areas

- Policyholders
- Rating agencies
- Professional parties
- Analysts (incl. statistic)

- SFCR as proposed by EIOPA
  - Section to Policyholders
  - Section to Professional Users

# Reporting Package Review – SFCR

SFCR is a subset of RSR



# SFCR – Professional users section

- Analysis of sensitivities
  - The undertaking's risk profile should be taken into account
  - Materiality considerations should apply
  - Disclosing the sensitivity should be voluntary for the undertaking
- Analysis of variation of own funds
  - The proposed analysis of the variation of own funds should be based on a free format, based on the management view and how the management is being informed
  - Disclosing the analysis of variation of own funds should be voluntary
  - Materiality considerations should apply

# External Audit

# Reporting Package Review – External Audit

- The disclosure of the SFCR is subject to internal governance procedures including the actuarial function, risk management and internal audit function
  - External audit is not needed to provide additional safeguards on top of all governance procedures
- The role of the external auditor overlaps with the duties of the supervisory authorities when conducting the Supervisory Review Process
  - If the NSAs spot an error or mistake they could require a re-submission of the data
    - Proposal: The SFCR should not contain new information which has not been shared with the supervisory authority

# Reporting Package Review – External Audit

- EIOPA argues that the SFCRs are disclosed to the market and sent to the NSAs at the same time; a review from supervisors could only take place once SFCR has been published
  - Proposal: Publication of SFCRs could only take place once they have been reviewed by NSAs
- The introduction of the external audit requirement is very costly and burdensome for undertakings
- Conducting an external audit of a Solvency II balance sheet (*as a minimum requirement)* would require more than 2 weeks of work

# Quantitative Reporting Templates (QRTs)

# QRTs – General Comments (1/3)

- EIOPA is proposing additions and changes to many existing templates
  - However, industry had requested no changes in the design of the QRTs as already implemented
    - Proposal: to reassess whether the proposed small changes are really needed
- Some of the information will have to be reported in more granular form
  - Data quality will be deteriorated
    - Proposal: to remove the unnecessary granularity of data requests

## QRTs – General Comments (2/3)

- We welcome the removal of some QRTs from the reporting package
  - Concerns that the deleted QRTs are kept in the taxonomy
  - The templates which have been removed are templates which are clearly non-core. They would not represent a big saving in terms of work
  - Proposal: Some other QRTs could be removed (e.g S.23.03 et S.23.04 Own funds)

# QRTs – General Comments (3/3)

- EIOPA new proposals would require an enormous additional effort for insurers (time-wise, more staff, increase costs)
  - Changes IT systems to adapt new requirements
  - Need to resort to external providers to obtain the new required information
  - S.14 Life, new Non-life QRT and S.29.05 & S.29.06 VA QRTs would be very burdensome
- The instructions for the new QRTs are, in some instances, not clear enough; Clarity is key to ensure the quality of the data submitted
  - Proposal: EIOPA instructions and LoG files would have to be improved

## Proportionality in QRTs (1/4)

- EIOPA is keeping article 35 (6) to (8) unchanged
  - Proposal: Waivers foreseen in Art 35(6) (7) should be made mandatory instead of optional
- We welcome the introduction of risk-based thresholds
  - The proposed threholds are too restrictive to reduce the administrative burden
    - Proposal: Some of the proposed thresholds can be improved
    - Proposal: Additional risk-based thresholds could be introduced

# Risk-based thresholds – Proposal improved thresholds (2/4)

- The package could be further simplified by improving the proposed risk-based thresholds.
- Proposals
  - **S.03.01 – Off-balance sheet items**
    - Thresholds of 1% of total Assets and 1.5% are too low
  - **S.19, S.20, S.21 – Non-life Claims and Expenses**
    - Thresholds to be reduced to 80% total best estimate
  - **S.30s – Reinsurance QRTs**
    - Ratio recoverables over best estimate is (per LoB) lower than 1% and Total Non-life catastrophe risk after diversification after risk mitigation is lower than 70% of amount after risk mitigation.

# Risk-based thresholds – Proposal additional thresholds (3/4)

- The package could be further simplified by putting forward additional risk-based thresholds
- Proposals
  - **S.06.02 – List of Assets**
    - E.g This template could be reported once a year if premium income < 50M€ or total investment < 150M€
  - **S.06.03 – Look-through**
    - A threshold for annual reporting could be introduced
  - **S.09.01 – Income / gains and losses in the period**
    - A threshold could be introduced

## Proportionality in QRTs (4/4)

Further Alignment between Pillar 1 and Pillar 3 is necessary:

- EIOPA's Supervisory Statement on application Proportionality Principle
  - Sub-module that represent no more than 5% BSCR or all sub-modules not representing more than 10% of BSCR should only be recalculated every three years
  - If applicable, the relevant sections in RSR and QRTs should also be exempted
- Look-through – S.06.03
  - Article 84 (3) DR allows firms to use data groupings up to 20% total value assets
  - The template S.06.03 should be aligned with the Delegated Acts so that the same level of granularity is required

# New templates

# New templates – Look-through

- **S.06.03**
  - Alignment with SCR calculation: Article 84(3) DR allows grouping up to 20% total investments
  - 1 month delay for CIU or other funds is not enough. It should be extended to 3 months together with a requirement to qualitatively assess the need for an adjustment
- **S.06.04**
  - Added-value of this new template
  - Further guidance is needed as to what “*having an influence on the investment strategy of the fund” means in practice”*

## S.14 – Life insurance obligations

- Total written premiums to be splitted by distribution channel
  - Clarification as to why such information is needed
- Expected future premiums (C0070)
  - BE of premiums cannot be calculated at product level
  - The same concern applies to expected future premiums for new business (BE for NB is calculated at HRG for the VA template; the same calculation at product level would not be posible)
- Administrative expenses per product
  - Information not available and difficult to estimate

# New template - Non-life template

- Added-value of Non-life information by product
- Providing information required by commercial product would be a huge task
- EIOPA adds LoB cell -> administrative burden would be extremely burdensome
- Added value of requiring total written information by distribution channel (as in S.14)
- Instructions refer to a table by HRG but such table is not provided

# New templates – Variation Analysis QRTs

- We welcome the deletion of S.29.01 and S.29.02
- We agree that the current proposals better reflect the actuarial practice in analysis of Best Estimate movements
- We welcome the separation of the variation between life and non-life business
- However, EIOPAs Proposal for VA is more granular than the current template

## Some examples S.29.05 Life VA

- Elements such as the split between actual gains and losses on assets are new
- The deviation between the actual and expected benefits is currently being reported on an aggregated form ----> EIOPA proposes a split per type of benefit (i.e living, mortality, disability, reactivation benefits, health costs and unconditional benefits…)

# New templates – Variation Analysis QRTs

## Some examples S.29.05 Life Variation Analysis

- The impact of non-economic assumptions is currently being reported on an aggregated form ----> EIOPA proposes to split the impact of different technical assumptions by type of assumption (e.g changes mortality tables covering longevity risk, changes mortality tables covering mortality risk, changes of the biometric tables covering health cost…)

# Variation Analysis – S.29.05 Life VA

This QRT could be significantly simplified

Proposals:

- S.29.05.01 & 02 - Deviation between actual and expected benefits: No need to split by type of benefits (survival, mortality, disability, reactivation benefits, health cost and unconditional benefits)
- S.29.05.03: There is no need to split the impact by type of technical assumptions
- Information about total cashflows could be simplified as follows:
  - S.29.05.04: Table “influence of reinsurance” to be simplified (i.e expected and actual incoming and outgoing cashflows with not further split)
  - S.29.05.05: Table “influence of lapses” to be removed
  - S.29.05.06: Table “new business” to be simplified
- S.29.05.07: Last table could be removed. This table does not provide any useful information

# Variation Analysis – S.29.06 Non-Life VA

- We agree that the current proposal better reflects the actuarial practice in the analysis of the Non-Life Best Estimate movements
- This QRT is also very granular and it could be significantly simplified

## Proposals:

- The analysis of the changes of the claims provision on undiscounted values could be simplified
- Reconciliation between the first and the other tables should be provided
- Under-reserving can be easily assessed through a simple run-off analysis per LoB

## New template – Cyber Risk

- Cyber risk should not constitute a new line of business.
- It is a new type of risk exposure and should be covered in the ORSA
- Reporting on cyber risk justified only for significant exposures
  - A threshold could be developed
- Detailed reporting should be limited to affirmative risks within industrial and commercial lines
- Non-affirmative risks on commercial and industrial lines could be reported on an aggregated basis if a certain threshold is breached
- Affirmative risks on private lines should be reported on an aggregated basis if a certain threshold is breached
- Non-affirmative risks on private lines should not be reported at all but they should be covered in ORSA

# New template – Internal Models

- Very granular QRTs for insurers with an approved (partial) internal model
- Requested information is not necessary for prudential supervision purposes
- The ongoing assessments/reports shared already with the supervisory authorities should be sufficient
- Benchmark studies performed by EIOPA should provide all the necessary information
- New Internal model changes QRT
  - Very granular
  - The proposed accumulation period for minor changes may not be consistent with current practices

# Thank You!