

Comments on S2 taxonomy 2.8.0 PWD1 - including on ITS on reporting and disclosure

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1. High-level comments on final draft amendments to Solvency II ITS on reporting and disclosure ([here](#))

1.1 General comments

- While the industry acknowledges the efforts made by EIOPA to alleviate the burden of the reporting package and welcomes the one-year implementation delay, the overall package is still very extensive and there are still too many reporting requirements.
- The package as currently presented is still considered as being disproportionate and would lead to an excessive cost and burden for undertakings. An example for this is the reporting on internal models. In fact, EIOPA should limit any changes to the reporting package to those that are necessary to fulfil its supervisory duties.
- The industry reiterates that introducing new templates, restructuring templates, or making extensive changes to templates by, for example, adding numerous additional cells, takes a lot of time to change and/or develop and implement, with high costs as a consequence. In general, companies find the proposed changes, including both material and minor changes, very extensive. Taken together, these constitute a considerable amount of work for companies. As processes are automated, any change made is very costly. Indeed, the simple change of a row and/or column requires new requirements to be written as well as IT developments. The complexity of these projects requires close collaboration between several competencies within each insurer such as IT professionals, actuaries, asset management, economy function, risk management and prudential law specialists. In addition, new validation checks must be carried out.
- Regarding the timeline proposed by EIOPA the industry would like to highlight the importance of the validations for implementation. Currently, the publication of validations is planned with the final taxonomy 2.8.0 at the beginning of 2023. And it would be helpful if EIOPA could publish a draft of the validations in Q3-Q4 of 2022.

2.1 Specific comments on changes proposed by EIOPA

- While the industry welcomes the changes EIOPA has proposed in line with the industry comments, there are still numerous comments from the detailed industry comments provided in October 2021 ([here](#)) that were not taken on board. And we would welcome any further improvements EIOPA could make in line with these comments as part of this taxonomy or in future taxonomies.

■ S.05.01 Premiums, claims and expenses by line of business and IFRS 17 impact –

- The industry regrets the decision to keep template S.05.01 largely unchanged. With the introduction of IFRS 17, a completely new methodology for accounting of insurance contracts is introduced, which is incompatible with the structure of templates S.05.x. The queried data such as gross written premiums or changes in other technical provisions no longer play a role. Since the information will no longer be available in this form with the introduction of IFRS 17 on 1 January 2023, this means that the delivery of templates S.05.x in the previous form will no longer be possible.
 - Especially for groups, it will not be possible to derive approximate information from upstream systems, as a consistent and consolidated view can only be created as part of a structured financial statement and consolidation process. In the future, however, there will be no uniform accounting framework at group level that could ensure this. Furthermore S.28.02 is not relevant for groups. As already mentioned above, there are no uniform source systems for groups from which the required information can be derived consistently and consolidated. IFRS 17 is not the exception for groups but the rule.
 - The industry highlights that solo companies that apply IFRS as a local accounting view are also affected by the transition to IFRS
- **S.04.03, S.04.04, S.04.05 - Cross-border information**
 - As stated in previous consultation responses, the industry disagrees with the replacement of S.04.01 and S.05.02. The S.04.03/04/05 QRTs are simply an amalgamation of S.04.01 and S.05.02, with added requirements. Therefore, instead of reporting less, insurers are forced to incur the costs of deleting two QRTs and reporting close to the same information in three new QRTs, with no additional benefit for policyholders, companies or NSAs. Instead, it just increases the costs of implementation for the insurance companies. Keeping S.05.02 only for groups also adds complexity in reconciliation between solo and group level.
 - While the industry welcomes the introduction of a risk-based threshold of 5% of the GWP on S.04.05 (location of risk), the industry had suggested a threshold of 10%.
 - **S.06.02 – List of assets**
 - Many changes have been suggested to an already extensive template, which will be burdensome and costly to implement. Some of the new information required can hardly be considered to improve the template. Against this background, EIOPA should not proceed with its proposals to expand this template, since it is already very extensive.
 - **S.06.04 - Climate change-related risks to investments**
 - The industry welcomes the removal of the KPI on sustainable investments. However, it should be noted that it will be very challenging to report this QRT. Therefore, it would have been welcomed if the timeline envisaged for this QRT would be as suggested during the December stakeholder event, ie initial reporting for 2024.
 - The industry highlights that it is important that consistency of sustainability-related disclosure is achieved and duplication should be avoided. The two indicators on physical and transition risks are new, and while EIOPA refers in the resolution comments to dedicated application guidance on running climate change materiality assessment and using climate change scenarios in the ORSA it has developed, the industry believes it is still too early to include such data, as it is unlikely that undertakings would compute comparable figures based on a consistent understanding and classification of risk and methodology for risk assessment.
 - **S.08.02 - Derivatives Transactions**
 - As the QRT will be deleted, the industry would propose to remove the template before year end 2023.
 - **S.14.01 – Life obligation analysis**
 - The industry welcomes the reduction in complexity made in this version of the template. However, the changes will still require substantial work without any evident benefits. EIOPA should, therefore, not go ahead with the changes proposed to this template.
 - **S.14.02 - Non-Life obligation analysis**

- The industry welcomes EIOPA's proposal to have this template filled by line of business only rather than by product categories, but even though the template has been made less granular it is still very onerous to gather the data to complete this template.
- Regarding the climate information requested in this template, the industry is still of the opinion that **given the similarities of indicators, the framework for the CSRD should be the preferred way to report this type of information** and should consequently be omitted from this template. The template requires information similar, but not identical to the new requirements under Article 8 of the Taxonomy Regulation to be disclosed via the NFRD, again with different timing and scope, causing unnecessary burden. In addition, a number of FAQs are expected to better understand how to report on Taxonomy alignment as of next year.

■ **S.14.03 - Cyber underwriting risk**

- The industry welcomes the introduction of a threshold, albeit one that is significantly lower than the threshold proposed in the Opinion on the 2020 review (premiums earned are greater than 5% of total non-life business vs premiums earned amounting to 25%). Such a low threshold will bring many companies for whom cyber represents only a small fraction of non-life premiums into the scope of reporting and may deter new entrants into the market.
- While the industry acknowledges EIOPA's wish that companies focus on managing their cyber risk, this can be – and is being – done by means other than providing the kind of detailed information that is included in many of the cells. EIOPA notes in its resolution of comments that it is time for undertakings to focus on identifying the key elements of cyber products however the requested information goes far beyond key elements.
- Considering the comparatively small market for cyber insurance, it remains doubtful whether the value of the requested information will outweigh the significant burden this QRT will create. EIOPA should therefore request the information at an appropriately high aggregation level. The more granular the requested data, the more estimates that will have to be made by the reporting entity and the more resource-intensive the reporting will be, with no recognizable added value for the industry.
- While acknowledging that there are exceptions for reinsurance in place (C0030 Product Identification), reporting should be limited to direct business, as corresponding figures from active reinsurance business could not be adequately reported or would not be comparable. Example: Number of claims for reinsurance quotas not available, claims payments only available for pure cyber quotas, but not for mixed contracts. International standards for a uniform taxonomy for recording exposure and damage data must be taken into account.

■ **S.25.05, S.26.08-16 – Internal Models**

- The industry reiterates that these new templates require much more – and to a vast extent unnecessary – information which often does not align with the structure of individual internal models, necessitating estimations likely to lead to meaningless results when comparing internal models. In addition, the added value of these templates is unclear.

■ **Financial stability reporting templates**

- It is positive that product and LOBs have been removed from S.14.04 and S.14.05.
- While it is positive that some quarterly templates now are semi-annual, for the templates that are now reported with a semi-annual frequency it should be enough to report these annually.

2. Technical comments on PWD1 Insurance Data Point Model and Taxonomy 2.8.0 ([here](#))

- S.02.01 General: It is clear that in the current year reporting, foreseeable dividends from past year results, should be reported in full until they are paid in the current reporting year. However, the reporting of foreseeable dividends from current year business in full one time with Q1 reporting does not make economic sense, since these dividends have not yet been earned fully in Q1 (and also not fully in Q2 and Q3).

It is therefore economically sensible to report foreseeable dividends from current year business only incrementally from quarter to quarter (when the dividend has been earned). The full disclosure in Q1 would distort the true economic picture in the quarterly reporting and misrepresent available own funds by erroneously decreasing own funds.

- S.06.02 – CIC: For CIC 11 bonds denominated and funded in a currency different from the domestic currency are excluded. The text does not exclude those for CI Code 13 and 14. Is this intended?
- S.06.02 (C0240/C0250 - Issuer Group/Issuer Group Code): We would kindly ask EIOPA to provide definition of "government agency".S.06.02 (C0295 - Crypto-assets): The industry understands the requirement of EIOPA to track the insurance activities in crypto-currencies. But it does not see the benefit of this attribute. The use of this attribute will be minimal. C0295 shall not be applicable to CIC 4. If supervisors are particularly interested it would be more feasible the CIC classification instead with a new CIC for crypto-assets, e.g. "01" for cryptocurrencies. At least, a clarification on which crypto assets are counted to investments and which CIC shall be assigned to them is necessary.
- S.06.02 (C0297 - Property location): We would ask for more detailed definition of Prime and Non-Prime property location. What would be the difference between these two options?
- S.06.02 (C0360 – Duration): EIOPA should reconsider the wording, we believe the most probable call date should be taken. Otherwise, if the first call date should be used for all assets without fixed maturity, EIOPA should provide a specific guideline how the probability has to be taken into account.S.06.04 (General): We do not see the benefit of this template, especially having on mind that some parts are already regulated within SFDR and Taxonomy.
- S.06.04 (R0030/R0040 - Justification for not reporting climate change-related risk – KPI): In our opinion the "descriptive nature" of rows R0030 and R0040 is not consistent with current QRT set and we are proposing here some kind of closed list of possible entries, or to remove the fields.
- S.08.01 (C0371 – currency of price): Could you please provide a more detailed description of field C0371 – currency of price? Do you refer to cross currency swaps or quanto instruments?
- S.14.03 (C0030 - Product Identification): We would ask for more detailed information regarding "exceptional cases" where multiple selection is allowed. Additionally, we are interested in how to report a product that includes all three options - should it be reported in 3 lines or within one line?
- S.14.03 (C0050 - Line(s) of Business): Within column C0050 Line(s) of business it is requested to report Line of Business covered in the commercial products. We would like to know if multiple selection is possible and in case of cyber risk as add on within one product that belongs to more than one LOB, which LOB should be reported in C0050?
- S.14.03 (C0060 - Description of Risk(s) included in the coverage): The description of risks is too granular. We would like to know how multiple selection would work, meaning in case 3 risks are chosen, would that mean that 3 different lines need to be reported (incl. values per each risk) or within one line, where values would be reported as sums for selected risks?
- S.14.03 (C0080 - Sum(s) insured): It is not possible to report for proportional business quota shares (unlimited insured sums).
- S.14.03 (C0140 - Technical Provisions): The information is not available with the requested level of granularity, ie products categories; also relevant for run- off business, where provisions still exist when business does not exist anymore?
- S.17.03: Why has QRT S.17.02 been renumbered to S.17.03? The industry understands there are some changes within this QRT; but from a technical point of view, this change of the number leads to unnecessary work (renaming of templates, accounts, upload jobs, etc.).
- S.23.02 General: The industry welcomes the deletion of the information related to "excess of assets over liabilities" on **solo** level. Whereas for **groups** EIOPA did not suggest the deletion of the information related to "excess of assets over liabilities". We would expect information not deemed relevant at solo level also not to be relevant at group level.
- S.25.05 (C0070/R0020-R0530 - Amount modelled): How should the total diversification and the diversification allocated to a specific module be calculated. For example, if part of Market & Credit risk is modelled, but the results are aggregated using the standard formula correlation matrix, ie, diversification itself is not modelled, should C0070/R0070 be (i) identical to C0070/R0080, (ii) zero, (iii) smaller than C0070/R0070, considering diversification effects between SF and PIM results.
- S.25.05 (C0100/R0060 – Diversification): The log file states that C0100/R0060 is "the total amount of the diversification among components reported in C0030." It seems that the reference to C0030 should be replaced with column C0010. Is this the same as S.26.08.01 C0010/R0020?

- S.25.05 (C0100/R0110 - Total undiversified components): Is this the same as S.26.08.01 C0010/R0010? If not, the sum of which components?
- S.26.08-15 General: Is it correct that undertakings with a partial internal model have to provide S.26.08 together with only those templates and cells related to risks covered by the partial internal model? For example, if an undertaking only models property risk, does it only have to provide S.26.09 C0020-C0060/R0010-R0030, C0020-C0300/R0130, and C0310-C0360/R0350-R0370; and not reporting templates S.26.10-15?
- S.26.08 (C0010/R0010 - Total stand-alone risk): The log file states that this should be the sum of S.26.09.01 C0020/R0020 + S.26.11.01 C0110/R0210 + S.26.12.01 C0070/R0220 + S.26.13.01 C0450/R2120 + S.26.13.01 C0150/R1210 + S.26.14.01 C0320/R0630 + S.26.15.01 C0220/R0070 + the part calculated using the Standard formula. This seems both to be incorrect because it includes figures gross of reinsurance
- S.26.08 (C0010/R0260 - Concentration risk): Do undertakings that are using a partial internal model that does not cover concentration risk (as indicated in C0140/R0750) have to report the calculated market risk concentrations using the Standard formula in C0010/R0260 or should market risk concentrations be included in C0010/R0070? If market risk concentrations should be included in C0010/R0260, where should the diversification effects between the market risk sub-modules and market risk concentrations be allocated to?
- S.26.08 (C0010-C0070/R0030-R0040 - Total diversified risk before tax and Total diversified risk after tax): EIOPA is requested to elaborate on what "amount of diversified capital charges before and after tax" means? How do taxes affect diversified capital charges if not for the loss absorbing capacity of deferred taxes, whose effect is requested in C0010-C0070/R0050?
- S.26.08 (C0010-C0070/R0310-R0360 - Net Non-life underwriting risk): Does net non-life underwriting risk include NSLT Health underwriting risk? If so, which S.26.13 suggests, where should the diversification effects between NSLT Health and SLT Health be allocated to. Where should Health Cat risk be considered?
- S.26.08 (C0010-C0070/R0310-R0360 - Gross reserve risk and Gross premium risk): What is expected to be reported in Gross reserve risk and Gross premium risk in the Net Non-life underwriting risk category? Should the values be gross of reinsurance, net of reinsurance, or mixed, ie, R0310-R0340 net of reinsurance, R0350-R0360 gross of reinsurance?
- S.26.08 (C0010/R0290 - Total underwriting risk): The log file states that this should be the sum of S.26.08.01 C0010/R0310, R0400. This seems to be incorrect.
- S.26.08 (C0010/R0310 - Total Net Non-life underwriting risk): The log file states that this should be the sum of S.26.08.01 C0010/R0360, R0370, R0380, R0390. This seems to be incorrect.
- S.26.08 (C0010/R0330-R0360 - Net Nat-cat risk, Net Man-made risk, Gross reserve risk, Gross premium risk): The references to S.26.13.01 for C0010/R0330-R0360 in the log file seem to be incorrect.
- S.26.08 (C0010/R0370 - Total Life & Health underwriting risk): The log file states that this should be the sum of S.26.08.01 C0010/R0420-R0480 or the sum of S.26.08.01 C0010/R0480-R0500. This seems to be incorrect.
- S.26.08 (C0010/R0380 - Total Life & Health underwriting risk – diversified): The log file states that this should be the sum of S.26.08.01 C0010/R0400 and the part calculated using the Standard formula. This seems to be incorrect.
- S.26.08 (C0010-C0070/R0370-R0470 - Total Life & Health underwriting risk): Does Total Life & Health underwriting risk include SLT Health, NSLT Health, and Health Cat risks? If so, where should NSLT Health and Health Cat risks be considered in the respective sub-modules?
- S.26.08 (C0010/R0490 - Total Operational risk – diversified): The log file states that this should be the sum of S.26.08.01 C0010/R0510 and the part calculated using the Standard formula. This seems to be incorrect.
- S.26.08 (C0070/R0010-R0500 - Amount modelled): Do the amounts modelled by the partial internal model have to be aggregated? For example, if only property risk is modelled should this be carried over to Total market & credit risk and subsequently to Total stand-alone risk. And if so, should diversification effects (between SF and PIM amounts) be considered in the amounts modelled?
- S.26.09 (C0310-C0360/R0210-R0480 - Stand Alone Market and Credit Risk: Sensitivities & exposure data): The log file states that data in template S.26.09.01.03 is requested for each of the sub-risks covered by S.26.09.01.02. Does this imply that the sensitivities in S.26.09.01.03 need to be reported only for risks covered by the partial internal model?

- S.30.03 (C0245 - Coverage of a layer covered by reinsurance): Is the reference to cell C0250 (Number of reinstatements) correct in case the treaty only includes one layer?
- S.36.01 (C0160 - Amount at transaction date): Should the amount at transaction date be converted at the historic transaction date fx rate or with the fx rate of the reporting date?
- S.36.01 (C0170 - Amount at reporting date): It is assumed that the outstanding amount of the transaction converted at the fx rate of the reporting date has to be reported.
- S.36.03 (C0150 - Value of transaction at starting date): A conversion at historic fx rates is not foreseen. Clarification is needed on the definitions of "assets purchased under outright" and "Asset sale and repurchase". Examples would be helpful.
- S.36.04 (C0031 - Type of code for insured party/cedent): Definition seems to be incorrect: Type of ID Code used for the "Identification code for investor/lender" item.
- S.36.04 (C0080 - Indirect transactions): What is understood as indirect transaction? Is this also related to reinsurance contracts which are retroceded within the group eg: insurance company A has a reinsurance contract with reinsurance company B, reinsurance company B retrocedes a certain share to reinsurance company C.
- S.36.04 (C0090 - Single Economic operation): Does this cover transactions in respect of several layers or sections of a reinsurance treaty that are reported as separate transactions?
- S.36.04 (C0150 - Maximum cover by transaction): It seems that the definition for non-proportional treaties is missing.

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