

Reporting and Disclosure ITS Amendments 2021 – Public event with stakeholders

ITS amendments on reporting and disclosure 2021 – introduction of the process and timelines

26 March 2021

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Supervisory Processes Department

SII Review on reporting and disclosure – next steps

In the area of reporting and disclosure the next steps are in the following 2 directions:

- 1) Changes in the Regulation to better reflect proportionality and fit-for-purpose reporting package in line with the Opinion on the 2020 review of Solvency II;
- 2) Amendments to the ITS on reporting and disclosure following the Report on quantitative reporting templates.

SII Review on reporting and disclosure – next steps

Opinion on the 2020 review of Solvency II:

- Reporting and disclosure review on Level 1 and Level 2 part of the Opinion;
- In December 2020 submitted to the COM and published at EIOPA web site (https://www.eiopa.europa.eu/content/opinion-2020-review-of-solvency-ii_en)
- Next steps – COM to amend the Level 1 and Level 2 texts.
- Timing - Proposal expected in Q3 2021. Legal endorsement might take 3-4 years depending on the political negotiations.
- Changes linked to the proposals in the Opinion will be done at a later stage.

ITS amendments 2021

Should EIOPA wait for the conclusion of the 2020 review (including full scrutiny by the EU institutions) before making any changes to QRTs?

- The full conclusion of the SII Review 2020 will take time (2024-2025) depending on the political negotiations;
- Changes limited to the QRTs, within EIOPA's power, that don't require amendment of Level 1 and Level 2;
- Changes to the QRTs are largely based on the Reporting and disclosure review;
- Changes are considered important to be implemented following the regular reviews as they reflect a better proportionality the “fit for purpose” reporting principle;
- ITS amendments will be publicly consulted in 2021 and stakeholders feedback will be further analysed;
- ITS amendments in 2021 will be given enough time for the implementation

ITS amendments on reporting and disclosure 2021 - scope

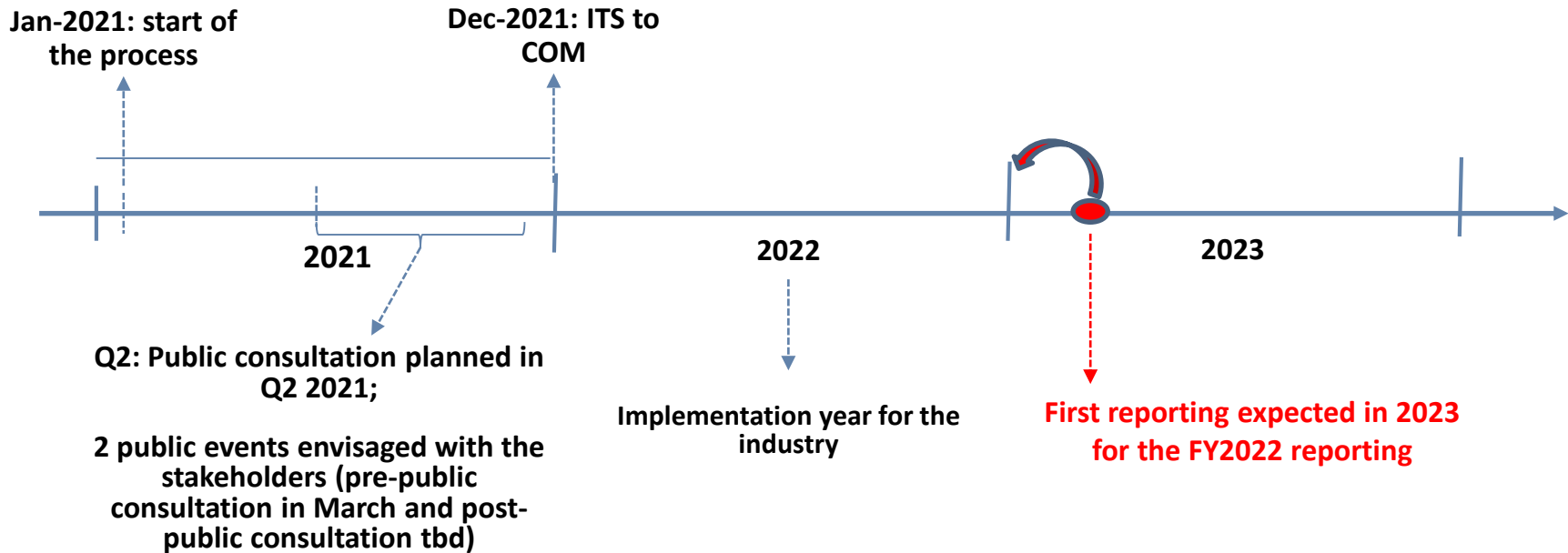
- Largely based on the Report on quantitative reporting templates - part of the SII Review 2020 and published in December 2020 at EIOPA web site (https://www.eiopa.europa.eu/content/opinion-2020-review-of-solvency-ii_en);
- Aiming to reflect the changes proposed in the other area of Opinion on SII Review 2020 that covers reporting and disclosure and are not dependent on changes in the Regulation;
- Aligning the reporting on IGTs and RC templates with the proposals in the area of FiCo taking into account that the reporting under Solvency II and Fico serve different purposes.
- Covering:
 - ITS on reporting and ITS on disclosure
 - GLs on Financial stability reporting
 - GLs on 3rd countries branches.

ITS amendments on reporting and disclosure 2021 –main changes

- Main amendments in line with the *Report on quantitative reporting templates*:
 - Templates to be deleted - S.03.02/S.03.03; S.05.02; S.06.01; S.08.02; S.15.01; S.15.02;
 - New templates – for cross-border business replacing the old S.04.01; S.06.04 (only for the non-covered CIUs - some EEA non-euro and 3rd countries*); S.14.01 non-life; new templates for Internal Models; alignment of S.37 in line with the FiCo proposal; Cyber risk;
 - Changes in the area of financial stability reporting;
 - Revision – S.29s;
 - Revision of all thresholds;
 - Clarifications of instructions and review of the information requested.

(*) Depending on the availability of alternative, already existing, data source on euro-CIU

ITS amendments on reporting and disclosure 2021 - timing



VIEWS on the implementation time?

Time for your questions!

THANK YOU

Reporting and Disclosure ITS Amendments 2021 – Public event with stakeholders

Thresholds

Impact analysis

26 March 2021

Jan Rauland
Data Analysis and Processes unit

IMPACT ASSESSMENT OF THRESHOLDS

Disclaimer: All proposals for new or changed thresholds assessed in this presentation are under discussion.

TEMPLATE S.02.02 BALANCE SHEET BY CURRENCY

Current threshold: 90% of assets and liabilities.

Proposal assessed: Limit to liabilities and decrease the threshold to 80%

- Currently 640 solos are reporting 1899 material currencies.
- With a 90% threshold of liabilities, 427 solos and 73 groups would need to report the template.
- With a 80% threshold of liabilities, 351 solos and 58 groups would need to report the template.
- The step from 90% to 80% impacts 188 solos and 42 groups, either by not reporting anymore the template or by reducing at least one currency.

	Reported in annual 2019		with 90% liabilities threshold		with 80% liabilities threshold	
	Nr. of entities reporting the template	Nr. of reported currencies	Number of entities	Number of currencies	Number of entities	Number of currencies
Solos	640	1899	427	723	351	490
Groups	102	533	73	145	58	86

S.03.01 OFF-BALANCE SHEET ITEMS

Currently threshold: no threshold applied

Proposal for new threshold:

Amount of any of the following additions is higher than 2% of the total Assets:

- R0010/C0020: Guarantees provided by the undertaking, including letters of credit + R0300/C0020: Total collateral pledged + R0400/C0010: Total Contingent liabilities
- R0030/C0020: Guarantees received by the undertaking, including letters of credit + R0200/C0020: Total collateral held

Impact of the new 2% threshold	number of entities	in value of numerator of first threshold	in value of numerator from second threshold
Annual prudential Solo			
Need to report	575	97.8%	97.9%
Not reported anymore	489	2.2%	2.1%
Annual prudential Group			
Need to report	109	98.6%	98.3%
Not reported anymore	98	1.4%	1.7%

TEMPLATE S.16.01

INFORMATION ON ANNUITIES STEMMING FROM NON-LIFE INSURANCE OBLIGATIONS

- Current threshold: If the best estimate for the annuity claims provisions on a discounted basis from one non–life line of business represents more than 3% of the total best estimate for all annuity claims provisions the information shall be reported with the split by currencies.
- Impact assessment for new threshold of 5%/10%/25%.

Share of reported lob to total	% in value of C0070 R0200	Number of LoBs	% of LoBs
below 3%	0.57%	199	22.21%
between 3 and 5%	0.35%	30	3.35%
between 5% and 10%	1.05%	50	5.58%
between 10% and 25%	2.53%	65	7.25%
above 25%	95.49%	552	61.61%
Grand Total	100.00%	896	100.00%

THRESHOLDS BASED ON TECHNICAL PROVISIONS LIFE

LoB thresholds based on S.12.01*:

- S.12.02 “Life and Health SLT Technical Provisions - by country” (Current threshold only on material countries, not for LoB)
- S.13.01 “Projection of future gross cash flows” (Currently no threshold)

Assessed proposal: Reporting of LoBs to cover 90% of TPs

% volume (in TP) of exempted lines of business	% number of exempted lines of business
3.18%	36%

* Threshold will not apply to S.12.01!

THRESHOLDS BASED ON TECHNICAL PROVISIONS NON-LIFE

LoB thresholds based on S.17.01*:

S.17.02 - Non-Life Technical Provisions - By country (Current threshold only on material countries, not for LoB)

S.18.01 (new) - Projection of future cash flows (Currently no threshold, no LoB split)

S.19.01 - Non-life insurance claims (Currently no LoB threshold)

S.20.01 - Development of the distribution of the claims incurred (Currently no threshold)

S.21.01 - Loss distribution risk profile (Currently no threshold)

S.21.03 - Non-life distribution of underwriting risks - by sum insured (Currently no threshold)

Assessed proposal: Reporting of LoBs to cover 90% of TPs

% volume (in TP) of exempted lines of business	% number of exempted lines of business
6.66%	51%

* Threshold will not apply to S.17.01!

TEMPLATE S.23.03. AND S.23.04. OWN FUNDS DETAILS

Assessed proposals: Template exempted if the own funds changed less than 1% / 5% / 10% per tier to the previous year.

$$\% \text{ change } (T; T-1) := \frac{\text{Available Own funds in Tier } i \text{ to cover SCR in } T}{\text{Available Own funds in Tier } i \text{ to cover SCR in } T-1}$$

Impact of threshold based on 2018/2019 Annual Solo prudential reporting		
	Number of exempted undertakings	% of exempted undertakings
1%	129	5%
5%	548	23%
10%	1050	44%

S.30.01 TO S.30.04 REINSURANCE TEMPLATES

Proposal in consultation paper:

Introduce a risk-based threshold: templates should only be due when the ratio of recoverables over best estimate is, for any line of business, higher than 1% and the Total Non-life catastrophe risk after diversification after risk mitigation is lower than 70% of the amount after risk mitigation;

Based on the feedback we are not proposing this threshold anymore.

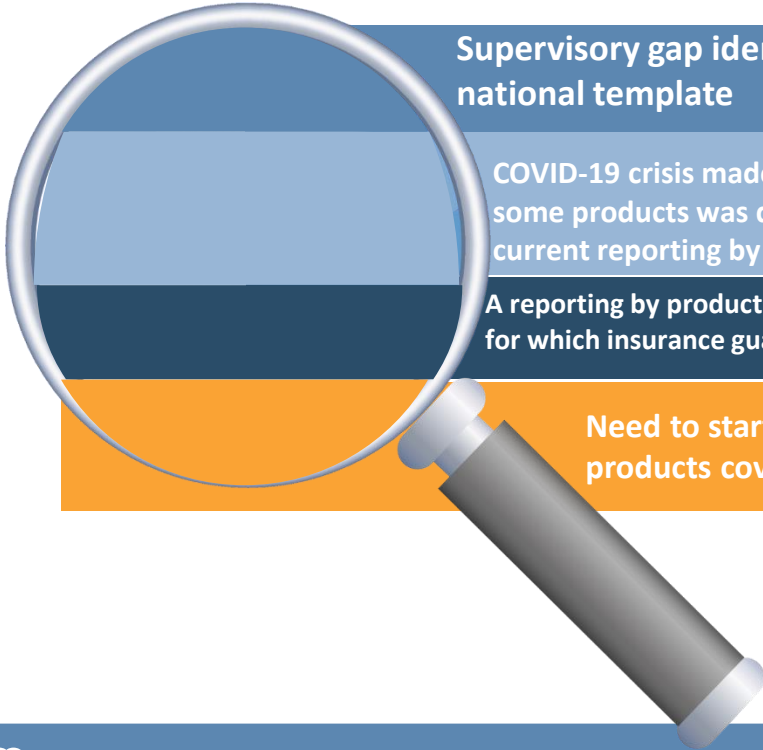
THANK YOU! Questions?

ITS Amendments – S.14 non-life

Date: 26 March 2021

Marco Traversa
Conduct Oversight Unit

Background information



Supervisory gap identified: lack of data, when available not comparable and based on national template

COVID-19 crisis made the need to fill the reporting gap more urgent because an assessment of some products was deemed necessary (e.g. travel insurance and business interruption) but the current reporting by line of business does not allow a thorough assessment

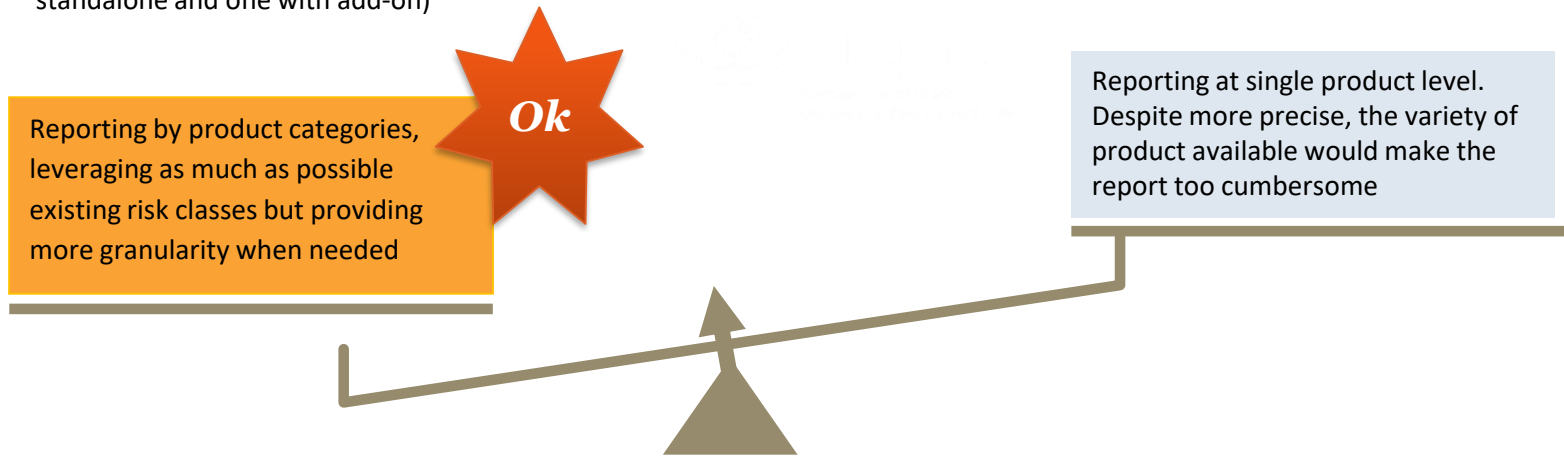
A reporting by products could also assist in improving the categorization of insurance policies for which insurance guarantees schemes should be available at harmonized level

Need to start gathering data on which products cover climate related risks

A non life S.14 template has been proposed

Reporting at product categories level

- Originally it was proposed to have a product by product reporting as for the S.14 life; however, given the multitude of non-life products and possible modular options during the public consultation concerns were raised
- As a result a new template with information **by product categories** has been proposed – reporting would be by product categories, including for bundled products / add-ons not to overburden with possible unbundling – two rows for each product category are possible (one as standalone and one with add-on)



S.14 non-life at a glance

The information requested has also been simplified The QRT S.14 non-life template should present a number of information on non-life product categories. In particular:

- A flag specifying whether the main product is sold with an add-on
- Number of contracts at the end of the year
- Number of new contracts during year
- Total amount of Written premiums - direct writing
- Total amount of Written premiums - written via credit institutions
- Total amount of Written premiums - written via insurance distributors other than credit ins
- Total amount of commissions paid during year
- Total amount of claims paid during year
- Country









Climate Risk

To monitor the climate risk two new pieces of information are sought via two new cells:




- **C0033:** proportion of premiums covering climate-related perils (0-100)
- **C0034:** allowance for climate risk-prevention measures in product design (Y/N)
- Rationale
 - This is part of the screening process that insurance companies reporting under the EU Taxonomy Article 8 will have to perform from 2022 (this is not a new, separate data request)
 - Including it in the template will allow a more granular level of information (e.g. by product category) than the aggregated numbers that will be publicly reported. It will also allow to gather information on smaller companies not reporting under NFRD
 - Ultimately, this will allow a better understanding of the exposure to climate-related perils and of the associated prevention measures introduced by insurers

Product categories and proposed definition (1/6)




To increase understanding and limit the burden of the new template EIOPA leveraged as much as possible the risk classes available in Solvency II to define the new product categories.

EIOPA product categories	Risk Classes	Definition
 1) Compulsory motor insurance	All products falling under "Risk class 10" with the exception of products which fall under product category 3.	
 2) Other motor insurance	All products falling under "Risk classes 3 and 4" with the exception of those products falling under product category 3	
 3) Comprehensive motor insurance		Products covering compulsory motor insurance and any other coverage for motor vehicle such as KASCO, windshields, theft and fire, assistance. In order for products to fall under this category they need to be distributed as one package with all coverages. Alternatively they should be reported under product category 1 or 2 with "add-ons".
 4) Marine, aviation and transport	All products falling under "Risk classes 5, 6, 7, 11 and 12"	





Product categories and proposed definition (2/6)

EIOPA product categories	Risk Classes	Definition
 5) Accident insurance	All products falling under "Risk class 1" excluding the fourth indent as this is only connected to the injuries of passengers, products that fall under category 20 and excluding products solely falling under product category 18	
 6) Medical insurance	All products falling under "Risk class 2" with the exception of products solely and specifically covering risk falling under product category 7, 8 and 16 and excluding products solely falling under product category 18	
 7) Critical illness		<p>Products covering the event of being diagnosed with one or more of a defined range of serious illnesses. The payment is made regardless of whether the illness prevents the insured from working. Typically they include: heart attack, stroke, cancer, surgery for coronary, artery disease, major organ transplant, kidney failure, multiple sclerosis, paralysis and blindness.</p> <p>In order to fall under this product category this coverage needs to be distributed separately and not as an "add-on" to products falling under product category 6. Products solely falling under product category 18 should also be excluded.</p>







Product categories and proposed definition (3/6)

EIOPA product categories	Risk Classes	Definition
 <p>8) Add-on medical insurance</p>		<p>Products covering additional and specific insurance medical related coverages complementing the standard Medical Insurance (e.g., dental or visual). In order to fall under this product category this coverage needs to be distributed separately and not as an "add-on" to products falling under product category 6.</p>
 <p>9) Home and content insurance distributed jointly</p>		<p>Insurance products covering damages to an household. The coverage is twofold: (i) <i>Home refers to the structure of the home including additional elements, such as walls, fences, paths and driveways, garages, outbuildings and fuel storage tanks.</i> (ii) <i>Content refers to goods and personal belonging to the household or for which they are legally responsible. Certain items of property are specifically excluded, such as securities, certificates, documents, livestock and pets.</i> In other to fall under this product category the coverage needs to be distributed jointly.</p>
 <p>10) Fire and other damage to property</p>	<p>All products falling under "Risk classes 8 and 9", with the exception of what is covered under product category 9, 11, and 12</p>	





Product categories and proposed definition (4/6)

EIOPA product categories	Risk Classes	Definition
 11) Natural catastrophe insurance		Products covering damages to properties and <i>people</i> caused by natural forces including storm, hail, frost, drought. In order to fall under this product category this coverage needs to be distributed separately and not as an "add-on" to products falling under product category 9 or 12.
 12) Business Interruption		Products covering the loss of income that a business may suffer after a disaster such as a fire or a natural disaster or other non-damaged related losses of income. In order to fall under this product category this coverage needs to be distributed separately and not as an "add-on" to products falling under product category 15 and 9.
 13) Third party liability	All products falling under "Risk class 13" with the exception of all the other product categories that cover liability risks	
 14) Legal expense insurance	All products falling "Risk class 17 ". In order for product to be falling under this product category they do not need to be distributed as an "add-on".	

Product categories and proposed definition (5/6)

EIOPA product categories	Risk Classes	Definition
 15) Income Protection	All products falling under "risk class 16" with the exception of what is covered under product category 12 and 18	
 16) Travel insurance		Products covering unforeseen losses incurred while travelling such as coverage for trip cancellation, lost luggage, flight delays and/or medical expenses medical expenses' need while on travel
 17) Gadget insurance	All products falling under "Risk classes 7 and 16" except for what is covered in product category 9, 12, 16, 18.	
 18) Payment protection insurance		Products covering the event of not being able to meet the financial obligations of a mortgage, loan or any credit facilities. In order to fall under this product category it needs to be distributed separately from products falling under product category 15.
 19) Credit Suretyship insurance	All products falling under "Risk class 14 and 15"	
 20) Workers' compensation insurance	All products falling under "Risk class 1" covering injuries materialized in the workplace or connected to the workplace	

Product categories and proposed definition (6/6)

EIOPA product categories	Risk Classes	Definition
 21) Professional liability insurance	All product falling under "Risk class 13, subclass III. Only"	
 22) Assistance insurance	All products falling under "Risk class 18", with the exception of what is covered under product category 16 and 3	
 23) Pet insurance		Products covering damages made to third parties by a pet, a companion animal, kept primarily for a person's company or entertainment rather than as a working animal, livestock or a laboratory animal and medical expenses relating to this. In order to fall under this product category it needs to be distributed jointly and not as part of product category 13 and product category 9
 24) Other		Any other non life insurance product that could be not classified into the above categories



THANK YOU!

For more information visit:
<https://www.eiopa.europa.eu>



Variation Analysis Templates

26 March 2021

Variation Analysis

- Four templates
 - S.29.01, Excess of Assets over Liabilities
 - S.29.02, Explained by investments and financial liabilities
 - S.29.03, Explained by technical provisions
 - S.29.04, Detailed analysis per period - Technical flows versus Technical provisions
- Stakeholder comments: one of the most complex and time-consuming templates
- In the past: subject to many uncertainties
- 2018: EIOPA Explanatory notes on VA templates, response to existing Q&A including a number of concrete filling examples for non-life, index-linked and unit-linked business

S II Review: 2019 Consultation

- EIOPA proposed to focus on the change of the best estimate in life and non-life
- Replacement of S.29.03-04 templates by one template but distinction between life and non-life (S.29.05/06)
- Deletion of templates S.29.01 and S.29.02
- Invitation to stakeholders to voluntarily test the template and provide feedback how to efficiently receive quality data on Best Estimate movements during the year

S II Review: 2019 Consultation

– From supervisors:

- S.29.02 is used and necessary for the SRP
- S.29.05 is at least as complicated as the old templates, the expected benefits in terms of more information supporting the supervision of BE movement is questionable
- S.29.05 tries to answer different questions than the old templates → not considered as a real substitute
- S.29.06 was seen more favorable and the split in non-life and life is seen as a good addition

From stakeholders (part of consultation and field-test)

- S.29.05 too complex and cost intensive
- Welcomed the split of life and non-life and were not so critical towards the S.29.06 proposal

→ No final decision was published as part of the S II Review Opinion

State of debate

- No deletion of existing templates:
S.29.01, S.29.02, S.29.03 and S.29.04 will still be part of the reporting package
- Split of Life- and Non-Life Business Templates:
regarding the Analysis of the variation of the Best Estimate
- Introduction of a new template for Non-Life, „the already consulted S.29.06“,
generally supported by industry and supervisors
- Deletion of non-life cells in S.29.03, .04 for pure non-life insurers.
- Clarification of instructions in all templates wherever necessary

State of debate: composites

„pure“ life undertaking	„pure“ non-life undertaking	Composite insurer
S.29.01	S.29.01	S.29.01
S.29.02	S.29.02	S.29.02
S.29.03	New non-life template, was called S.29.06 during the field-test and public consultation	?
S.29.04		?

State of debate: Composties (II)

- Composite insurer with no clear material/ dominant activity shall submit S.29.03 and S.29.04 for their life business, as well as *the new non-life template* for their non-life business
- Composite insurer with a clear material business activity shall only submit the templates for their respective material business activity
(e. g. a life dominant composite insurer shall only disclose S.29.03 and S.29.04, while a non-life dominant insurer shall only disclose the new non-life template)
- A threshold should be used to identify the “material business model for a composite insurer”
- Thresholds are currently in discussion

Time for your questions!

THANK YOU

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Reporting and Disclosure ITS Amendments 2021 – Public event with stakeholders

IFRS17 AND S.05.01

26 March 2021

Giovanni Rago
Supervisory Processes Department

INTRODUCTION

- EU Regulation 2015/2450 requires solo undertakings⁽¹⁾ & groups⁽²⁾ to report in S.05.01 information on premiums/claims/expenses as accounted for in the accounting financial statements
- Currently, the definition of written premiums is included in:
 - For local gaap users: Article 35 of Insurance Accounting Directive ([Directive 91/674/EEC](#))
 - For IFRS users: IFRS 4 doesn't include a definition of written premiums but defines insurance contracts as the contracts that transfer significant insurance risk⁽³⁾
 - ↳ some index/unit linked contracts are NOT considered as insurance contract → written premiums are NOT accounted for in the IFRS income statement → They are still required to be reported in S.05.01⁽⁴⁾
- IFRS 17 is expected to be applied in 2023 (subject to the endorsement by COM). IFRS 17 will bring material changes in the recognition, valuation, presentation, disclosure of insurance contracts
- **Purpose of today presentation: to discuss the impact of IFRS 17 on S.05.01 wrt written premium**

(1) See Art. 6 for the quarterly reporting and Art. 9 for the annual reporting

(3) See Appendix A and Appendix B, par. B.23 of IFRS 4 ([link](#))

(2) See Art. 23 for the quarterly reporting and Art. 26 for the annual reporting

(4) See instructions of S.05.01, which were amended following Q&A 908

BACKGROUND ON IFRS 17 (1/2)

- IFRS 17 will replace IFRS 4, introduced in 2004 as an interim standard
- IFRS 17 provides international consistent principles for all aspects of accounting for insurance contracts with the benefits of:
 - Achieving global comparability among insurers and industries;
 - Providing relevant and updated measurement of TP;
 - Providing better information (e.g. economic mismatches, source of earnings)
- IFRS 17 and Solvency II have different purposes (IFRS → investors, SII → policyholders) and they have some similarities but also important differences:

Similarities

- Realistic market consistent valuation
- Approach based on probability-weighted estimate of future cash flows
- Discounting of future cash-flows (time value of money), using risk-free rates with the possibility to consider the illiquidity of insurance contracts
- Risk adjustments (margin)

Differences

- Contractual Service Margin (=expected profits) is part of TP in IFRS 17, EPIFP are part of OF in SII
- Aggregation of contracts: 'annual cohort principle' in IFRS 17 not existing (needed) in Solvency II
- Principle-based approach versus rule-based approach SII
- Different reporting and public disclosure

BACKGROUND ON IFRS 17 (2/2)

- EFRAG draft endorsement advice on IFRS 17 (30 September 2020):

EFRAG concludes that in implementing IFRS 17, there are possible synergies with Solvency II, but the extent of such synergies varies between insurers. In addition, no synergies are expected for building blocks that are specific to IFRS 17 such as the contractual service margin which is not an element of the measurement approach for insurance liabilities under Solvency II. Synergy potential is available in areas that have a high degree of commonality under the two frameworks, i.e. building blocks for the measurement of the insurance liability needed to establish the cash flow projections, and actuarial systems to measure insurance liabilities. The potential depends, to an extent, on the differences in the starting position of insurers and the investments already made in the implementation of Solvency II. It also depends on the amount of effort to adapt existing actuarial systems, that were developed for the Solvency II environment, to the IFRS 17 reporting requirements. (Appendix III paragraphs 401 to 412).

INSURANCE REVENUE UNDER IFRS 17 (1/2)

- Currently, a common approach is to present all premiums received (or due) in the period as revenue → revenue is typically reported on a cash (or near-cash) basis
- IFRS17 requires that **insurance revenue** reflects the services provided

Typical existing P&L

P&L	20X1	20X0	
Gross premiums	16,321	13,567	→ Cash based and includes collection of deposits Inconsistent with other industries
Premiums ceded to reinsurers	(816)	(678)	
Investment income	9,902	9,030	
Total income	25,407	21,919	
Gross claims, benefits and expenses	(13,827)	(11,721)	→ Includes repayment of deposits
Claims and expenses ceded to reinsurers	368	351	
Acquisition costs amortisation	(1,259)	(1,150)	→ Confusing adjustment that incorporates multiple factors
Change in insurance contract liabilities	(9,308)	(8,377)	
Total expenses	(24,026)	(21,188)	→ Inconsistent measurement reduces comparability
Profit before tax	1,381	731	

(Source: www.ifrs.org)

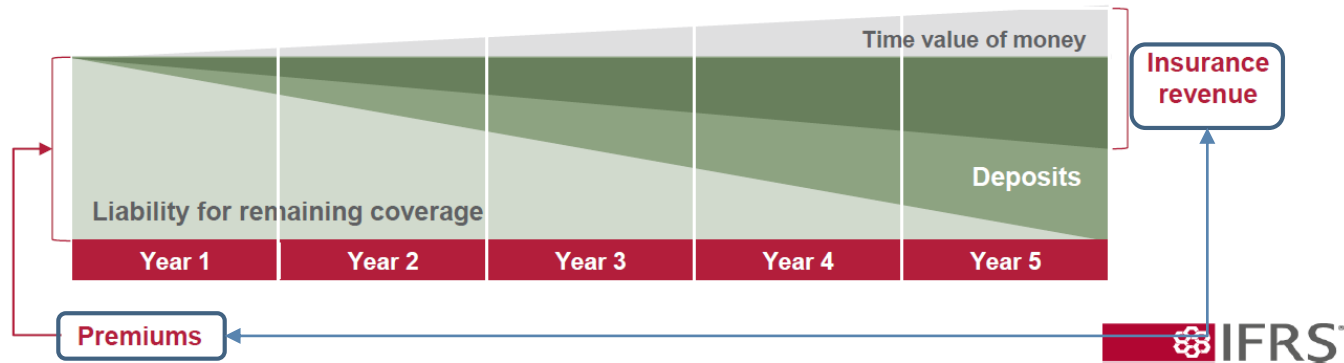
IFRS 17 P&L

P&L	20X1	20X0
Insurance revenue	9,856	8,567
Insurance service expenses	(9,069)	(8,489)
<i>Incurring claims and insurance contract expenses</i>	<i>(7,362)</i>	<i>(7,012)</i>
<i>Insurance contract acquisition costs</i>	<i>(1,259)</i>	<i>(1,150)</i>
<i>Gain or (loss) from reinsurance</i>	<i>(448)</i>	<i>(327)</i>
Insurance service result	787	78
Investment income	9,902	9,030
Insurance finance expenses	(9,308)	(8,377)
Net financial result	594	653
Profit before tax	1,381	731

- IFRS17 requires insurers to disclose in the **notes** to the financial statements: **premiums** received (or paid for reinsurance contract held), insurance acquisition cash flows, insurance claims paid (or recovered under reinsurance contracts held)

INSURANCE REVENUE UNDER IFRS 17 (2/2)

- Revenue recognised reduces liability for remaining coverage
- Equals premiums received (adjusted for time value of money) attributable to services provided in the period
- Payments to policyholders unrelated to insured event (return of 'deposits') are not revenue



(Source: www.ifrs.org)

STAKEHOLDERS COMMENTS

- Guidance on how to fulfill SII reporting requirements for IFRS 17 is currently missing.
- At the moment, no instance seems to be able to provide a qualified statement regarding what should be reported in accordance with IFRS 17 in the future.
- “According to Solvency II regulation, the S.05.01. template shall be reported “from an accounting perspective, ie: Local GAAP or IFRS if accepted as local GAAP. Undertakings shall use the recognition and valuation basis for the published financial statements, no new recognition or re-valuation is required.” It provides information on Premiums written, Premium earned, Claims incurred and Expenses incurred by line of business. Following this we would see two possibilities:
 - We can meet this requirement and report based on the P&L of IFRS 17 without further re-valuations if the requirements in the LOG file are adjusted to the IFRS 17 P&L structure.
 - Or the requirements in the LOG file remain unchanged, in this case we would need a guideline on how to assign the P&L data from IFRS 17 to S.05.01 in its current structure.
- The S II QRT’s have links to IFRS 4 data. One of them is “premium income”. That line does not exist anymore under IFRS 17. In addition, as from 2023, companies are required to explain to NSAs which QRTs will show different figures and why.
- Q&A n. 2206

EIOPA'S PROPOSAL FOR S.05.01

- **Proposal:** keep S.05.01 as it is now, i.e. premiums written/claims paid should be reported in S.05.01 even if IFRS insurers don't do that in their accounting P&L (compliant to IFRS, from 2023 onwards). Benefit: consistent basis of reporting.
- Reasons for that:
 - 1) Although linked to the accounting framework, S.05.01 is not a P&L but simply requires to report information on premium, claims, expenses, which are relevant for monitoring the performance trend and for market wide analysis;
 - 2) This approach is already in place today with regard to insurance contracts with no significant insurance risk, whose written premiums/claims paid are not accounted for in the P&L according to IFRS 4 are but are still to be reported in S.05.01;
 - 3) The mandatorily disclosure of IFRS 17 on written premiums/claims paid allows for using the same inputs as following the Insurance Accounting Directive, which can be used to fill in S.05.01 (the requirement is not in contract with IFRS 17)
 - 4) Re(insurance) undertakings will have to keep track of written premiums for the calculation of MCR/SCR
 - 5) Impact limited to a few jurisdictions using IFRS for the individual financial statements. More material for groups.

THANK YOU! Questions?

Stakeholders' Event – ITS-2021

Group Templates

Antonella Scarangella (IVASS), Adriana Garcia (Eiopa)

26th March 2021

Outline of the Presentation

1. **S.23 Group Own Funds**
2. **S.36 and S.37 Intra-group transactions (IGTs) and risk concentrations (RCs)**
3. **S.32 Undertakings in the Scope of the Group**
4. **S.33 (Re)Insurance individual requirements & S.34 Other regulated and non-regulated financial undertakings including IHC and MFHC individual requirements**

S.23.01– Group Own Funds

December 2020 Report:

EIOPA proposes to for S.23.01 at group level to Improve the template considering experience, and where the standard structure of the template will incorporate the adjustments; and clarify the instructions of the template at group level.

Updates on the proposed changes:

S.23.01.04

- The main rows of non available own funds below each own fund item in the upper part of the template should include the amount of non- available own funds to be deducted as it is currently designed and that would sum up into R0270; Rename R0270 to read Total available own fund items to be deducted;
- Minority interest at group level should include the total amount of minority interest (not to be split among other OF items)
- Considerations are being made regarding possible additional information on components of SCR and OFs to support the analysis of solvency ratios.

S.23.04– Group Own Funds

December 2020 Report:

EIOPA proposes to for S.23.04 that the Tables covering “Calculation of non-available own funds at group level - exceeding the contribution of solo SCR to Group SCR” cover all non-available own funds instead of only the ones that exceed the contribution. This will support the assessment of availability of own funds.

The tables will be amended to include all the non-available own fund items that contribute to the calculation of the amount to be deducted (e.g. new columns in S.23.04.04.10 disclosing the amount of non-available own funds items in the Reconciliation Reserve and total non-available own funds that will be compared to the solo contribution in order to calculate the amount of non-available own funds per each undertaking to be deducted. The total amount (for all related entities) of non-available own funds to be deducted will be reconciled with the relevant components in S.23.01 to facilitate the analysis of the non-available excess own funds.

Updates on the proposed changes:

S.23.04.04.10 and S23.04.04.11

- Proposed changes to **S.23.04.04 Tables 10 & 11**, tables are slightly amended to ensure complete and clear reporting on total non-available own funds and total non-available own funds to be deducted, including non-available minority interest to be deducted, per entity.

S.23.03 and S.23.04 – Group Own Funds and Application of Thresholds

December 2020 Report:

EIOPA is in a process of analysing the threshold of the template both at solo and group level. The Impact Assessment includes the impact of the different options analysed. Concrete proposal will be submitted during the ITS amendments to be publicly consulted in 2021.

The report also notes that **in any case when non-available own-funds exist (before any deductions are applied) the template S.23.04 will always be required at group level.**

Updates on the proposed changes:

- EIOPA's preferred option is to set a threshold for the S.23.03 and S.23.04(*) group templates.
- Consideration is being given to a 5% threshold using the revised methodology presented for the solo undertakings.

(*) S.23.04 will be reported in case of non available OF items exist

S.36 IGTs & S.37 RCs

December 2020 Report:

EIOPA proposes to clarify the instructions and the scope of the template and considers to align the reporting on all IGTs and RCs templates with current work under development for the reporting of IGTs under FiCo while taking into account that the reporting under Solvency II and FiCo serve different purposes.

Updates on the proposed changes:

On IGTs:

- (NEW) S.36.00. Summary: it will be including all the IGTs reported in the year (significant, very significant and to be reported in all circumstances), only the relevant columns are kept (IGTs from or toward the insurance sector).
- (NEW) S.36.05 P&L. P&L information kept in a separate template and taken out from S.36.04

On RCs:

- S.37.01 NEW approach exposures by counterparty (and not item by item), for the significant exposure.
- NEW S.37.02 and S.37.03 Summary tables by main drivers (currency, sector, country, asset class and rating) based on all the exposures.

S.37 Risk Concentrations, and non-proportional reinsurance

Background: In the proposed ITS-2021 reporting templates for RCs, the groups will be requested to present the **significant risk concentration according to the counterparty**. The insurance exposures are included in the reporting and therefore the significant differences between reinsurance gross and net exposures can be expected. From a supervisory point of view, the net exposure is much more interesting and useful for the analysis to understand the actual picture of the significant exposures. The exposure to the reinsurer is considered separately.

Issue: **How to deal with non-proportional reinsurance treaty?** When encompassing more than one counterparty (possible cases are that the whole portfolio and the losses on the whole portfolio decide whether there is payment from the reinsurer or not), it is very difficult to present the net value according to the single counterparty as it is requested in the template.

Options for consideration and under discussion:

1. A proportional break-down of the capacity of the treaty among the counterparties. It may be 'practical' from an operational point of view but is very arbitrary, artificial and does not fit the aim.
2. Application of simulations to see how in chosen scenarios the reinsurance treaty may work. This option has a dependency on the selecting adequate and consistent scenarios, and it is quite burdensome for the aim of the reporting and could impair data comparability across groups.
3. Not applying such contracts in the presentation of the net exposure, but supplementing the template with the narrative information about the reinsurance contracts encompassing the reported exposures. This option is currently applied in one member state. It gives the supervisor an idea of the actual reinsurance protection of the significant exposure. However, it is difficult to carry out a proper analysis. Thus, this option is also not deemed as an appropriate solution for the template which should present risk concentration.

Question to Stakeholders: What are your views on the above?

S.32 Undertakings in the Scope of the Group

December 2020 Report:

Eiopa proposes to amend C0020 – Identification code of the undertaking – to require the LEI code to be mandatorily used for EEA insurance and reinsurance undertakings and other EEA regulated undertakings (approach to non–EEA undertakings and non–regulated undertakings is kept); and to include certain information that facilitates the identification of a group and easily maps the relationship between the various undertakings in a group.

Updates on the proposed changes:

- Clarifications on the scope: a list of all undertakings in the scope of the group, in the meaning of Article 212(1)(c) of Directive 2009/138/EC, subject to full group supervision according to art 213(2)(a)(b)(c) (including the ones that are excluded according to art 214 of the SII directive)
- Considerations being made on how to visualise the group structure (e.g. new column with the information on the direct participating undertaking).

S.33 (Re)Insurance & S.34 Other regulated and non-regulated financial undertakings including IHC and MFHC individual requirements

December 2020 Report:

S.33 - EIOPA proposes that information regarding own funds and SCR (cells C0060 to C0230) should be reported also for all EEA and all non EEA (not only on local basis) insurance and reinsurance undertakings under method 1 to provide supervisory authorities an overview of all solo SCRs. The template should also include a column with information on the solo contribution to group SCR.

S.34 - EIOPA proposes to include amendments to capture the contribution of the solo notional SCR to the group SCR with regard to insurance holding companies and mixed financial holding companies. The instructions will also need to be clarified in cases when groups report contribution from the banking sector on a sub-consolidated basis.

Updates on the proposed changes:

- S.33 enlargement of the scope to include all insurance and reinsurance undertakings
- S.33 and S.34 New column on the contribution of solo SCR to group SCR for the insurance and reinsurance undertakings, IHC and MFHC

THANK YOU

Time for your questions!