

To: Solvency II Working Group  
From: Prudential Team  
cc:  
Date: 26-02-2020  
Reference: ECO-SLV-20-047

Subject: Feedback on EIOPA proposal for reporting category by products in S.14 non-life

## Summary

Following EIOPA's request to assess its '**proposal for the list of product categories for template S.14**' Insurance Europe has asked members for feedback. The comments in this document represent a compilation of individual member feedback.

The industry would like to thank EIOPA for the opportunity to feedback to the 'proposal for the list of product categories for template S.14'. The industry's position and comments from the response to wave 1 of the consultation are still valid. Therefore, **the industry does not support the introduction of template S.14 for Non-Life**. The information is very granular and would require significant IT and process investment to provide the information requested. In the industry's opinion the costs are superior to the benefits. Further, it is not clear to what extent the information requested actually helps the supervisory authority to better assess and monitor the solvency situation and stability of a non-life insurer.

The industry does not support introducing template S.14 for non-life. Regarding EIOPA's proposals for the template, the industry has the following comments:

### ■ General concerns/comments:

- **The main concern is that EIOPA's suggested list of product categories is not aligned with the 'lines of business' as listed in Annex 1 of the Delegated Act (EU) 2015/35.** In fact, it is a new view that is introduced, in addition to SII LoBs, and with the future IFRS 17 framework, even a third view will be introduced.

- Reporting processes, database tables and the operational business have been structured to report along the lines of business as highlighted in Annex 1 of the Solvency II DA. Adding yet another unaligned product categorization would require unnecessary and costly changes to these reporting processes and require additional reconciliations and are therefore undesired. The proposed categories are quite vague;
- These proposals, if implemented, would require significant systems changes which would take time to implement – insurers would need a sufficient period of transition for the implementation phase. In addition, these proposals would also require changes to Solvency II technical provision calculation models to accommodate the proposed product categories.

**Therefore, if EIOPA maintains its request for an additional non-life S.14. QRT, the product categorization and its definitions should be aligned with Annex 1 of the Solvency II DA in order to prevent unnecessary additional costs and allow for reconciliations in order to control and improve data quality.** In addition, duplication should be avoided, i.e. individual values should only be collected in one template (reporting lines), which may mean that other templates and verifications in accordance with national reporting requirements are no longer required.

- **Clear definitions/descriptions of product groups are needed** - in the absence of clear definitions on what products/coverage belong to what category (eg what is the definition of a 'gadget'), insurers will make their own, different choices which will result in incomparable results across insurers/countries.
  - **The information to be reported for the Homogenous Risk Group for this QRT is not clear.** The Columns C0170 to C0210 have not been defined in 'EIOPA-BoS-19-355\_Annex XXVI\_Instructions new NL template similar to S14'.
  - There is a **risk of double counting the number of contracts if the main products and the add-ons are reported in separate rows**, and it is not clear how this should be resolved. We are not supportive of a split of this nature, and do not see what supervisory benefit it will bring.
  - Further, it will be **difficult to separate main products and add-ons on a line by line basis**, because the premiums will have to be split between the two for this template. Some "best endeavours" will be needed – this is likely to be the biggest challenge in producing this template.
  - It is **unclear** why the why the **amount of commissions paid is needed**. If the idea is to follow the evolution of the portfolio, then in that case, gross written premium, number of contracts and number of insured will suffice. It will be even more difficult to separate commissions paid on such contracts between main products and add-ons.
  - The **template is not useful for reinsurers**.
- **Comparing Annex 1 Lines of Business with the proposed S.14 product categorization:**
- Annex 1 of the Solvency II DA lists (A) 12 basic categories of non-life insurance obligations, followed by (B) the same 12 categories for proportional non-life reinsurance, (C) 4 categories of non-proportional non-life reinsurance and (D and E) 8 categories of life insurance and reinsurance. These last 8 categories are already captured in the current S.14 QRT template.
  - The new proposal lists 18 product categories. Some of these categories can be considered as a subset of the current Annex 1 categorization, but others overlap more than one line of business (for example 'car insurance' or MTPL, or travel insurance), or are a sub-coverage / add-on within existing products (for example catastrophe insurance)
  - Although the structure with core products being sold with additional add-ons in other Annex 1 Lines of business indeed reflects some of our insurance products, the concept of flagging add-ons instead of separately reporting, may cause great complexity in our reporting processes and makes reconciliations complex. It is not clear what the reason is for defining 'CASCO' as an 'add-on' instead of a separate product category.
  - Compared to the standard SII Lines of Business, Casco&Assistance are missing, but strangely gadget insurance seems to be part of the main Lines of Business (group 12)
- **Comments as to the chosen categories:**
- **Natural catastrophe** (eg hail and storm) are commonly not separate products but are covered by products like eg 'Home and content insurance', 'Building/ real estate insurance' or 'MTPL with Casco'). It is not clear why it is necessary to capture 'Natural catastrophe insurance' with a separate product/add-on.
  - Many insurers will find it difficult to split "fire and other damage to property" into the two new categories of (6) "home and content insurance" and (7) "building/real estate insurance".
  - **Category 'other':** Industry is concerned that the category (18) 'Other' becomes the default category, and hence significant in size. This could lead to further requests from regulators asking for a breakdown of its contents.
  - **Property insurance:** it is now divided into Building / Real estate and Home & Content. It is not entirely clear to us what belongs where. There is a problem in some products because there is no distinction between coverage for buildings and content (both covered).
  - **Accident insurance:** seems to appear in 2 groups: 3 and 5. We are not acknowledged to Accidental & Medical insurance sold jointly at all.
  - The differentiation "**Third party liability**" / "**Professional liability insurance**" does not make sense in some markets.

- There is a **lack of technical insurance**, business interruption, extended coverage and other property insurance. Instead, a rather insignificant segment like "gadget insurance" is surveyed separately. This belongs under technical insurance.
  - It is questioned whether '**gadget insurance**' can be considered as a significant product category.
  - Finally, one jurisdiction noted a problem with the proposed breakdown due to the fact that many policies in reality are a package of different insurances. For example, homeowner's insurance covers besides "4. Home and content insurance" also at least "5 Building/real estate insurance", "6 Third party liability", "7 Legal expense insurance", "9 Travel insurance" and "10 Gadget insurance". It would be very problematic and burdensome to split the homeowner's insurance into the proposed product categories.
- **Potentially missing items from EIOPA's proposed product list:**
- Pet insurance – this is a significant market in parts of Europe and would be worth including.
  - First party property damage – although this is usually purchased with MTPL, the template requests premiums for each category. As a result, it might be more insightful to have separate categories for these covers.
  - "other motor insurance" or "assistance" which are currently used by many insurers.
  - Agriculture
  - Energy
  - Construction insurance
  - Cyber insurance
  - technical insurance, business interruption, extended coverage and other property insurance
  - A separation between one-year vs multiyear contracts and a split in "other" between compulsory and voluntary
- **Questions for clarification:**
- It would be appreciated if EIOPA could explain why there is a need to have separate data on 'gadget insurance'. Could this be considered as a significant product? And EIOPA is asked to clarify what approach insurers should follow if gadgets are insured by sub-coverages.
  - Is 'travel insurance' different from 'assistance' as defined in Annex 1 of the Solvency DA?
  - For first proposed category, MTPL (Motor Third Party Liability), the following comment is provided:
 

*"Have a flag – with instruction to report the relevant data in a separate row – when the main product is sold with an 'add-on' (eg, MTPL sold with CASCO or Road Assistance)."*

    - Some insurers sell motor insurance with other guarantees. And, their understanding is that under this category, the total amount of motor insurance would be presented with a flag warning that it is sold with other guarantees.
 

Currently the information is reported under two categories: Motor vehicle liability insurance and Other motor insurance, with the aim to distinguish between longer or shorter coverage.

With this new classification, what would happen with the guarantees that currently are under "Other motor insurance"?, Would they be included within "Motor vehicle liability insurance" or under other category?
    - Under 'Building/real estate insurance' and 'Home and content insurance' products are included related to Home and Communities (neighborhoods) are included, but what would happen with products related to Commerce and Industrial?

■ **Annex – proposal**

Product category	Flag if sold with add-on coverage	Flag if compulsory
1 MTPL		
2 Marine, aviation and transport		
3 Accidental & medical Insurance sold jointly		
4 Medical insurance		
5 Accident insurance		
6 Home & content insurance		
7 Building/real estate insurance		
8 Third party liability		
9 Legal expense		
10 Income protection		
11 Travel insurance		
12 Gadget insurance		
13 Payment protection insurance		
14 Credit Suretyship insurance		
15 Workers' compensation insurance		
16 Natural catastrophe insurance (fire, earthquakes flooding...)		
17 Professional liability insurance		
18 Other		