

Draft SII 2020 review of reporting requirements – proposals for improvements for QRTs, limitations and exemptions, Q&A process and taxonomy

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Contact person:	Carolien Afslag	E-mail:	prudential@insuranceeurope.eu
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General Comments

The primary objective of all following reporting review working streams should be to reduce the reporting requirements.

QRTs

QRTs should not follow a one-size-fits-all approach

■ Background

- The total quarterly reporting package for Solvency II is enormous – covering well over 100 reporting templates, resulting in tens of thousands of data points for an average life insurance company. This creates an enormous burden both in setting up reporting processes needed to generate the data but also on an ongoing basis because it is impossible to automate the entire process, and validation of the data is still required. Not all of the information is considered vital or even used actively by all insurers and it is unlikely that the reported information is used in its entirety by supervisors or for necessary statistical or FSB purposes.

■ Proposal

- For **quantitative reporting (QRT)** the current total set should be split into two parts
 - A **set of core (basic) QRTs reported by all undertakings**, containing the key figures needed to assess the risks and solvency situation of an undertaking.
 - A **set of additional QRTs templates for which companies would be exempt from reporting unless the NCA** required the company to report specific templates based on justification related to their risk profile/activities.
 - NCAs would have to give at least 12 months' notice for a company to have to add optional templates to their reporting package. In addition, changes to this additional set of templates should be an

exception and should only be made in case of material changes in risk profile or other aspects of the undertaking.

- The content of both sets should be clearly defined prior.
- Practicability and feasibility relating to the group reporting should be taken into account.
- It should be avoided that the templates from which companies are exempted are requested by NSAs via the National Specific Templates.

Insurance Europe is in the process of discussing with members the possibility to provide more detailed input regarding specific QRTs.

- This would limit the cost and operational burden and focus efforts where of value and ensure the data will be used by the supervisor. For example, well capitalised companies or those with stable risk exposure, or simply where certain QRTs are less relevant, would report less information and/or at longer intervals.
- In addition, if any existing QRTs can be removed completely this should be done as part of this process and reviewed regularly.
- The introduction of new QRTs as part of this process should be avoided as it would lead to a need to change systems and likely more than offset any benefits of reductions elsewhere. In particular, the reporting framework for internal models should not be changed to introduce new disclosure requirements which may defy the purpose of the internal model framework itself and lead to inappropriate comparisons between internal models as well as with the standard formula.

Q4 reporting requirements should be reduced

■ Background

- For Q4 reporting data there is duplication with the annual reporting figures, these figures have to be prepared ahead of the annual figures, which inevitably leads to the use of estimations, approximations to determine the figures and duplication of work.

■ Proposal

- Applying the core and additional QRT approach highlighted above, **the Q4 core QRTs would an especially limited and reduced set.**
- Investment reporting may not be needed, assuming that assets hold materially the same value as for statutory reporting. S.05.01 (Premiums, claims and expenses by line of business) would certainly not be needed.
- Publishing further explanatory notes would be also beneficial to the industry – for example for the reinsurance QRTs (S.30, S.31, S.36 etc.). Currently there are comprehensive explanatory notes only on the variation analysis templates.

Limitations and exemptions

The use of waivers should be increased

■ Background

- The waivers are allowed for in the Solvency II legislation and are key mechanisms to allow application of proportionality. However, they are currently used in an inconsistent and limited way – EIOPA's [report on the use of limitations and exemptions from reporting 2018](#) shows that only 13 member states make use of them. Furthermore, even where they are granted by NCAs, the lack of certainty over whether the waivers will also be granted for the next reporting periods, creates a significant disincentive for companies to actually make use of them.
- Groups are not always exempted from the quarterly reporting even if solo undertakings are exempted from quarterly reporting. Therefore, the provision as currently foreseen in Art 35 (6)(b) is not appropriate for groups.

■ Proposal

- Regardless of other proposals made, the **waivers foreseen in Art 35(6) (7) should be made mandatory instead of optional** and national gold-plating must be avoided. In case not all solo undertakings of an insurance group are exempted from the quarterly reporting, Dir Art 35 (6)(b) should be modified to allow for the use of roll-over methods or to omit the undertakings exempted from

quarterly reporting entirely. This would make the group reporting process considerably simpler, more efficient and keep the focus on the material aspects.

- Regardless of other proposals made, the **availability of waivers should be expanded**; therefore the **20% market threshold should be increased**. (Dir Art 35(6)(b)/Art 35(7)(d)).
- **NSAs should** look to **promote these waivers**, and **support smaller firms in applying for these waivers**.

Q&A process

Q&A process should be improved

- **Background**
 - The industry appreciates EIOPA's efforts to provide an answer to questions from the industry. However, the current Q&A process could be improved. The responses are not easily searchable, the timelines for responding are not clear and in some cases, answers are ambiguous and can be interpreted in different ways. At least one supervisor has also noted this issue.
- **Proposal**
 - The Q&A process should be reviewed, Q&A feedback should be faster and a comprehensive list of Q&As on the EIOPA website would enhance their use as a supporting reference for undertakings.
 - Further, links between the answers and the current ITS or taxonomy documents are necessary.

Taxonomy

Timely communication of large changes to the reporting requirements (taxonomy)

- **Background**
 - EIOPA currently publishes the taxonomy hotfixes very late in the year, ie in the course of November and need to be implemented by the end of the year. This gives companies very little time to make the necessary changes. This also results in a surge in the need for the external service providers many companies use to support implementation of such changes, leading to shortages and/or price increases.
- **Proposal**
 - **Large changes to the reporting requirements (ITS/reporting templates/taxonomy), in particular year-end changes should be communicated timely.** More lead time is necessary to amend system and data feed, especially when hot fixes are issued or changes to the validation file. For example, the ITS in May and finalizing the new taxonomy in September would give more time to implement the changes.

Reasonable deviations for validations and reasonable thresholds for resubmissions could avoid high costs

- **Background**
 - The several hundreds of **validations** in the templates that all have to be fulfilled before the templates can be submitted generate large costs. While the industry agrees that these validations can be useful to detect errors in the reporting, they are problematic for several reasons, eg the fact they are very sensitive to rounding. This is especially problematic for cross validations between different templates.
 - **Resubmissions** that are triggered for very small errors is a similar issue leading to large costs. Small errors should not lead to re-reporting given the extensive amount of work it requires for the undertakings and the little additional (insignificant) information for the supervisors
- **Proposal**
 - A lot of unnecessary work could be avoided, without affecting the quality of the reporting, if **validations could accept a specified minimum deviation**, for example a [10] Euro limit. This would eliminate the need for small adjustments that often lead to other, additional adjustments elsewhere.
 - Similarly, reasonable **thresholds for resubmissions** would address the problem of small errors that trigger resubmissions.