

To: Solvency II Working Group, Supervisory Reporting Project Group
From: Prudential Team
Date: 19 April 2019
Reference: SLV-REP-19-018

Subject: Follow-up questions from call with EIOPA on SFCR, RSR and Timelines proposals

Members' feedback requested

The secretariat recently had a call with EIOPA to discuss the SFCR, RSR and Timelines proposals. (see REP-SLV-19-015). The main takeaways of this call can be found in the memo.

On some of the areas emerging from the call (3 issues, marked in **bold**), the secretariat is kindly asking members to provide comments by email to prudential@insuranceeurope.eu, before **Thursday 25 April**.

In terms of next steps, the secretariat will compile members' feedback and provide feedback to EIOPA.

Summary of the call with EIOPA

Process

- The secretariat explained it is working on further proposals on QRTs and proposals in the area of proportionality. EIOPA welcomed these proposals and would like to receive these as soon as possible.
- EIOPA indicated they are working on the consultation paper for the 2020 review consultation over the summer. EIOPA intends to finalise the paper early June, and have it approved in the EIOPA BoS of June.

SFCR

- EIOPA agrees with the industry proposal to split between an executive summary and a report for professionals.
- EIOPA is not convinced that having only a quantitative report for professionals would be sufficient.
- The industry explained the advantages of having only a narrative, firstly it improves comparability and secondly the narrative is already covered by many other reports.
- **EIOPA asked whether the minimum information included in paragraph 2.12 of EIOPA's Supervisory Statement - Solvency II: Solvency and Financial Condition Report would be appropriate for the executive summary for policyholders.**
 - Paragraph 2.12 states that EIOPA expects the SFCR Summary to at least include:
 - The key elements and drivers of the undertaking's business model and business strategy
 - Main indicators for the undertaking's underwriting performance and investment performance including material lines of business and material geographical areas where the business is carried
 - Any significant business or other events with material impact on the solvency and financial condition that have occurred over the reporting period
 - The key elements of the system of governance
 - Information about the undertaking/group key risks
 - Solvency ratio with and without volatility or matching adjustment
 - The approach towards the use of transitional arrangements, including the solvency ratio without the transitional adjustment to the relevant risk-free interest rate term structure or without transitional measure on technical provisions
 - The amount of the Solvency Capital Requirement (SCR) and the eligible amount of own funds to cover the SCR, classified by tiers
 - The amount of the Minimum Capital Requirement (MCR) and the eligible amount of basic own funds to cover the MCR, classified by tiers
 - Information about any non-compliance with the MCR or significant noncompliance with the SCR over the last reporting period

- EIOPA noted it was aware of at least two gaps in the SFCR: 1) standardised SCR sensitivities and 2) information about changes in SCR and own funds. EIOPA requested the industry's views on this.
- The industry noted the CFO/CRO fora may be working on both of these points and will enquire whether this work can be shared.
- EIOPA understands there is a lot of overlap and duplication, with for example annual reports, investor presentations, however it also pointed out that not all companies prepare such reports and documents.
- External audit – EIOPA is currently discussing this with its members.

Timelines

- EIOPA pointed out that supervisors are not aware of the problems companies face with the acceleration of timelines. **EIOPA encouraged the industry to liaise with its national supervisors, and raise the issues they are facing, and make supervisors aware of the consequences**, eg negative impact on data quality.
- From EIOPA's point of view, a freeze of the deadlines to 2018 data deadlines would not be a problem, however, they raised two issues that block changes
 1. The deadlines are defined in Level 1, and it is not possible to change level 1 ahead of the 2020 review.
 2. Having a change in the ECB and the ESRB deadlines would be a challenge.
 - Regarding the ECB deadlines EIOPA advised to liaise and discuss this with the ECB
 - Regarding the ESRB deadlines, EIOPA is currently doing an exercise to see which information it needs, and EIOPA invites the industry to identify the information within the financial stability templates that creates the most problems. EIOPA is willing to try to help on this issue, however it is also bound by deadlines that need to be met.

RSR

- EIOPA will look into the proposal of the single group RSR.
- Cross-references - EIOPA will check internally which member states decided not to Comply with the guideline on cross referencing and will discuss this with the supervisors in question. **EIOPA also asked whether the industry can share (even informally) which supervisors are not applying the guideline.**
- A three-year RSR should be the standard. EIOPA is currently performing a peer review on the RSR. For example, it is checking whether supervisors are using risk-based criteria to decide on the frequency of the RSRs. Once the peer review is ready, EIOPA will, depending on the conclusions, include proposals in the summer consultation.

Additional QRTs

- EIOPA noted it is looking into additional/changed QRTs in the following areas:
 - Cyber
 - More granular information for non-life
 - Cross border information
 - Revision of the QRTs on variation analysis