



Consultation reporting and disclosure on 2020 review

Frankfurt, 30 September 2019



Key Messages

- The industry welcomes the European Commission's call for advice to assess
 - "the ongoing appropriateness of the requirements related to reporting and disclosure, in light of supervisors' and other stakeholders' experience;
 - and whether the volume, frequency and deadlines of supervisory reporting and public disclosure are appropriate and proportionate,
 - and whether the existing exemption requirements are sufficient to ensure proportionate application to small undertakings."
- **The messages reflected in the presentation are emerging key messages, these may still be subject to changes.**

Key messages

- **Consultation taking place in two waves**
 - ❑ Makes it challenging to have a clear overview of the full impact of the proposals.
 - ❑ Any changes in the second wave of the consultation may impact industry's views on the first wave of proposals (eg changes to the thresholds in Art 4 of SII or the areas addressing the proportionality principle).

Key messages

- **Pillar 3 burden can be reduced without impact on policyholder protection, the primary goal of the Directive.**
 - Very significant investments were made by insurers to implement SII reporting requirements, and standard reporting is already very extensive.
 - NSAs already have adequate powers and tools to request data and information from insurers when justified.
 - Insolvencies have never been a significant source of loss to policyholders and Solvency II `s Pillar 1 and 2 ensure even greater protection

Key messages

- Support EIOPA's intention to
 - ❑ increase proportionality of supervisory reporting and public disclosure and
 - ❑ avoid adding to the reporting burden.
- Welcome the core/non-core concept for the QRTs' and the 'split of the SFCR into a policyholder section and a professional section', but improvements needed to
 - ❑ ensure any new reporting is useful and proportionate
 - ❑ avoid overall proposals leading to an increase rather than decrease in both burden and cost of reporting;
- A number of other industry contributions were dismissed in CP
 - ❑ Industry responded to the EC fitness check (including response to additional questions) and EIOPA's call for input on reporting

Specific areas of concern - with recommendations (1)

- **Focus on specific areas of concern**

- With recommendations building on EIOPA's draft proposals, aiming to achieve the original goals of a material overall reduction in burden without impact on consumer protection.

Specific areas of concern - with recommendations (2)

- **Welcome proposal to split the SFCR into a policyholder section and a professional section**
 - ❑ In their current form, the proposals would merely increase the burden
 - ❑ the professional section still requires a narrative report
 - ❑ new standardised templates are excessive.

Specific areas of concern - with recommendations (3)

■ **Recommendation:**

- ❑ The professional section should only include data, ie the public QRTs – part of the narrative information is already provided elsewhere and should not be required within the SFCR.
- ❑ Disclosing sensitivities should remain a decision of the insurer. Further the number of standardised sensitivities included should be reduced and made less severe.
- ❑ The SFCR should include only data including the VA/MA – the current requirement to include the impact of VA/MA separately should be removed

Specific areas of concern - with recommendations (4)

▪ External audit requirements

- ❑ Discussed and rejected during the development of Solvency II.
- ❑ Very limited benefits, with significant additional burden and costs across the industry
- ❑ Current proposal - unworkable within the 2018 reporting year timetable.

Recommendation:

No introduction of external audit requirements is needed

Specific areas of concern - with recommendations (5)

■ **Welcome concept of core and non-core templates**

- ❑ In the current proposed form - unlikely to provide material benefits
- ❑ Further, it would require a substantial effort to calculate the thresholds, and there are concerns that these will apply to only a limited portion of companies.

Recommendation:

Exempt non-core templates automatically from reporting,

- ❑ unless NSA requires - with sufficient notice - an undertaking to report specific templates, based on a justification related to their risk profiles or activities.

Specific areas of concern - with recommendations (6)

- **New QRT templates (eg cyber) and a significant extension of the scope of others is suggested**
 - Need for cyber risk reporting is acknowledged, but the level of detail is excessive.
 - Proposal for a number of template deletions, however in some cases this involves merging existing templates with new data requirements on top.

Specific areas of concern - with recommendations (7)

■ Recommendation:

- ❑ Limit cyber QRTs to affirmative exposures
- ❑ Variation analysis templates (S29) should be removed, these templates should not be replaced.
- ❑ The new proposed look-through template S.06.04 is not needed
- ❑ The existing cross border templates (S.04.01, S.05.02, S.12.02 and S.17.02) should be maintained

Specific areas of concern - with recommendations (8)

- **Proposal for internal model users to complete standard formula reporting, is onerous and unnecessary.**
 - Internal models reflect a company-specific risk profile, making any comparison between standard formula figures meaningless.
 - National supervisors have an extensive suite of tools available to ensure that internal models continue to generate correct SCR numbers. Indeed, they are responsible for the original internal model approval, approval of any major changes to the internal model and they will be notified regularly of all other changes.

Specific areas of concern - with recommendations (9)

Recommendation:

- ❑ No standard formula reporting is needed for internal model undertakings
- ❑ The additional granular information on internal models should not be requested.
- ❑ The aim should be to confirm/ensure all supervisors approving internal models
 - ❑ appropriately apply approval processes
 - ❑ are receiving the appropriate information from internal model companies.
- ❑ Focus on sharing best practices and issues among EIOPA, NSAs and internal model experts from companies would be beneficial

Specific areas of concern - with recommendations (10)

- **Proposal of additional data sets- outside of the ITS - which can be requested at the discretion of the NSAs**
 - This would circumvent the usual process involving co-legislators.
- **Proposal to keep deleted QRTs within XBRL taxonomy, meaning this data could also be requested by NSAs.**
 - Adds to potential net increase in reporting arising out of this review and there would be no clarity for companies on the reporting package.

Recommendation:

- Templates that are deleted from the official QRTs should not be kept in the taxonomy
- The taxonomy should not contain data sets that are not part of the official QRT set.

Specific areas of concern - with recommendations (11)

- **The consultation proposes a large number of changes, on a template by template basis, presumably to accommodate the requests of NSAs.**
 - ❑ Changes will be costly to implement and will only provide a limited incremental benefit to EIOPA and NSAs.
 - ❑ Changes are burdensome to implement. The very high costs that can be involved do not seem to be acknowledged. Even though these changes are well-intentioned, benefits were not assessed against costs.

Recommendation: Changes should be limited to the deletion of QRTs or specific line items, as restructuring of requirements could result in IT systems changes that could outweigh any benefit.

Specific areas of concern - with recommendations (12)

- **The proposal to keep the annual 2018 reporting timetable is welcomed, however, this is also needed for quarterly reporting.**

Recommendation:

- The 2018 timetable for reporting requirements should become applicable as soon as possible, both for quarterly and annual reporting.

- **EIOPA notes in the CP *“that the implementation of the review currently under consultation may need in any case an extension of the reporting deadlines at least in the first year. If this is the case it could be considered that the extension is given in a definitive way.”***

Recommendation:

- Industry strongly believes this extension in reporting deadlines should become permanent.

Further points (1)

■ **Waivers and Limitations in Art 35 (6) to (8)**

- Industry believes that the waivers/limitations should be made mandatory instead of optional, up to the market threshold.

■ **Q4 reporting should be removed**

- One of the options considered in the CP, but dismissed, however prudential risks of eliminating it are not clear.

■ **SFCR to be machine-readable**

- **No details provided yet.**
- It should be noted that it can be challenging to have the 2-page summary for policyholders as machine readable because of its diverse nature and as it is tailor made to the individual companies.
- While the pure data elements of the SFCR could in theory be made machine readable, the cost of this would need to be weighed against potential benefits.

Further points (2)

■ Product by product information

- ❑ Proposals for 'Life obligations analysis – template' (S.14.01) and new non-life equivalent represent material increase in reporting burden.
- ❑ Life template includes significant number of additional fields
- ❑ For Non-life undertakings completely new template.
- ❑ 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 template seems to satisfy rather a general information interest of the supervisory authority.

QUESTION - Set out more clearly why this increase in reporting burden is necessary?

Recommendation -not to proceed with this proposal.



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