

Insurance Europe comments on EIOPA consultation on 2.2.0 Public Working Draft release of the EIOPA Solvency II DPM and XBRL taxonomy (June 2017)

General comments

Insurance Europe welcomes the opportunity to comment on EIOPA consultation of the 2.2.0 version of the XBRL taxonomy.

Given the short timeline allotted for the consultation, our members have focused their attention on only some of the parts of the consultation package including the validations and business requirements changes, the detailed comments of which can be found farther below.

On the business requirements, Insurance Europe welcomes that EIOPA has considered and taken on board some of the comments provided for the EIOPA Public consultation on Reporting and Disclosure that took place in May. However, Insurance Europe has reiterated some of the comments that were not (fully) taken on board as they are considered crucial for a pragmatic reporting package.

Insurance Europe would like to stress as part of the general comments that:

- **The shorter than anticipated timeline prevented a more thorough assessment of the changes.**
The consultation package was publicly released by EIOPA on 7 June with a deadline 30 June, resulting in effect in a 3 week consultation period instead of 4 weeks as mentioned on page 5 of the [EIOPA Governance of Taxonomy Releases and Schedule 2017](#).
- **EIOPA should ensure that changes to currently used taxonomy are published on time.**
With the publication of the 2.2.0 Public Working Document, EIOPA also amended the list of validations for DPM and Taxonomy 2.1.0 which was announced on 7 June, ie almost a week after the update had been carried out. As these validations are used by companies in their ongoing reporting processes, Insurance Europe would like to stress that the timely delivery of these changes is crucial for undertakings to meet their ongoing reporting deadlines.
- **EIOPA should ensure that unexpected changes to the taxonomy scope are avoided.**
Firms expect periodic taxonomy amendments; however, the addition of new forms to the scope (whether variants of existing public reporting templates or completely new forms like the T.99.01.01 technical table) is unexpected and will be burdensome for many firms. EIOPA made no mention of these new forms in any of its public presentations prior to this consultation.
- **Clarity is needed on the reporting format of disclosure QRTs.**
EIOPA should clarify whether the intention of the revised taxonomy is to require XBRL submission of disclosure templates, as appears to be the case. Such a requirement would introduce a significant additional reporting burden, the benefits of which are unclear.

1. Business requirements

The comments below relate to annex 2 and 3 of the EIOPA proposed ITS on reporting (instructions regarding reporting templates for individual and group undertaking):

S.06.02 – List of assets

C0320/C0340

We are now required to enter “9” in C0340 if there is no external rating. What if a standard formula firm has an internal rating that is not a “9” that is used for its SCR calculation? There appears to be a conflict here in the guidance between C0320 and C0340. Without further guidance, this remains a source of confusion.

S.06.03 – Collective investment undertakings – look-through approach

Insurance Europe supports the intentions of EIOPA behind the amendments of S.06.03, as stated in the impact assessment of the EIOPA Public consultation on Reporting and Disclosure by the following excerpts: *“The proposed amendment aims to allow assessing the 90% considering the total amount of investments in Collective Investment Undertakings and not per fund.”* *“From a prudential perspective the relevance is in the total amount looked or not looked through. It makes sense that from the total CIU portfolio, 90% of the value is identified by country.”*

However, the proposed amendments to the log file of S.06.03 are incomplete, and will not reach the intended goal of EIOPA (mentioned in the impact assessment) because of the following reasons:

- The log file still requires that: *“Considering proportionality and specific instructions of the template, the look through shall be performed until the asset categories, countries and currencies are identified.”* The threshold of 90 % is only applicable for the identification of countries: *“For the identification of countries the look-through should be implemented in order to identify the country exposition of 90% of the value of the funds.”* Therefore, with respect to the asset categories and currency, still every single fund – and therefore also funds with a negligible amount – would have to be looked through. Hence, the effort for the whole look-through remains the same.
We would like to point out that the biggest problem is not the evaluation of existing data, but the access to the data. For this reason, a relief can only arise, if the insurance undertakings can exclude non-material funds completely from reporting via their volume. The wording of the log file provides relief (ie no look-through would be necessary) only for non-material residual values of a fund or fund of fund and in cases where the application of the look-through would be disproportionate. This wording is ambiguous which leads to uncertainties for insurance undertakings and can prompt various interpretations of national supervisors.
- The new proposal requires in addition that *“undertakings should have a reasonable confidence that the 10% not identified by country is diversified across geographical areas, for example that not more than 5% is in one single country”*. Insurance Europe believes that this wording would require a look through for funds, which are not covered by the look-through-approach and would result in an inappropriate effort. Apart from that, the exemplary reference to a threshold of 5 % for a single country can lead to various interpretations of national supervisors and increases the level of legal uncertainty.
- The subsequent wording *“the approach should be kept consistent over time”* is considered critical. Modifications which would lead to a more appropriate result should be allowed.
- Even when the risk regarding a fund investment is solely borne by the policyholder (e.g. unit linked products), the related assets must be considered when applying the look through. Insurers bear no financial risk for such funds. Thus, a look-through for unit-linked funds is insignificant for a risk reporting under Solvency II rules. The impact of the exclusion of that piece of information is insignificant but would at the same time be a real relief to the burden Companies face.

The proposed wording should then further be adjusted to ensure that no look-through is necessary for funds with a non-material amount. This requires in Insurance Europe's view:

- EIOPA should make explicit its intention to allow for smaller, non-material funds to be excluded entirely from look-through, and to remove any remaining ambiguity in the instructions that may suggest that the materiality limits only apply to look-through analysis by country.
- Clarification that the look through shall be performed at least up to an amount of 90% of the combined value of all funds (ie the 90 % threshold should not only be applicable for the identification of countries but for all three categories – funds, country, and currency).
- The 5 % threshold, which is noted as "for example", should be deleted as it does not seem to be necessary since undertakings must look through the fund until the 90 % threshold is reached, starting with the largest fund.
- The wording "*the approach should be kept consistent over time*" should be amended in such a way that modifications which would lead to a more appropriate result are allowed.
- When the risk regarding a fund investment is solely borne by the policyholder (e.g. unit linked products), the related assets should not have to be considered when applying the look through and should thus be exempted from the look-through requirement.
- It should be made clear that any of these newly introduced rules are optional and that it remains at the liberty of the entities to report their information on the look through of collective investment undertakings based on the current look-through approach.

S.03.01 and S.11.01 – Off-balance sheet items and Assets held as collateral (With focus on reporting requirements concerning mortgages and loans)

In Insurance Europe's view the reporting requirements concerning mortgages and loans should be clarified. According to S.06.02, mortgages and loans (CIC 8) to natural persons including as mortgages and loans to AMSB members must be reported summarised in one position as those assets are not required to be individualized. Mortgages and loans to other than natural persons should be reported line by line. For all these positions, it should be clarified, that they should exclusively be reported in S.06.02. The real estate that serves as security should not be reported separately as an off-balance-sheet-item neither in S.11.01 nor in S.03.01. By analogy with mortgage bonds where the cover pool is not reported separately in S.03.01 or S.11.01, the real estate that serves as security for the mortgage should also not be reported neither individually nor in sum. The reason for this is that in both cases the real estate as well as the cover pool form respectively an inseparable part of the mortgage loan and the mortgage bond. Therefore, they cannot be seen as an independent position that could be shown in S.11.01 or in S.03.01.

This aspect should be clarified in the general comments of S.06.02, S.03.01 and S.11.01 and consequently we believe that all remarks concerning mortgage loans in S.11.01 (C0150-C230) could be deleted.

S.21.01 – Loss distribution risk profile

Insurance Europe is broadly satisfied with this change. However, the risk of negative numbers (which are not envisaged by the QRT) still exists, as there might be subrogation to consider. EIOPA has previously dismissed such a possibility; however, it needs to provide guidance on how to deal with it.

S.23.01.04 – Own funds (group reporting)

According to the log file on S.23.01.04 the Group SCR (R0680/C0010) shall include the capital requirement for other financial sectors. Unfortunately, S.23.01.04 does not provide for reporting the capital requirement for other financial sectors. Therefore, we propose to add a new row in S.23.01.04 above row R0680 ("Group SCR") for the capital requirement for other financial sectors. Consequently, we propose to amend R0590 ("Consolidated Group SCR") as follows: "Consolidated Group SCR excluding other financial sectors".

2. Validations

The comments below relate to potential mistakes/errors in the validations regarding templates S.17.01, S.17.02, S.26.06:

S.26.06 – Solvency Capital Requirement - Operational risk

Validation ID	Validation
BV650_1	$\{r0130\} = 0.0045 \cdot \max(0, \{r0100\} - \{r0110\}) + 0.03 \cdot \max(0, \{r0120\})$
BV652_1	$\{r0260\} = 0.04 \cdot (\{r0200\} - \{r0210\}) + 0.03 \cdot \{r0220\} + \max(0, 0.04 \cdot (\{r0200\} - 1.2 \cdot \{r0230\} - (\{r0210\} - 1.2 \cdot \{r0240\}))) + \max(0, 0.03 \cdot (\{r0220\} - 1.2 \cdot \{r0250\}))$

The above validations refer to Form S.26.06 Operational Risk. Namely, BV650_1 refers to the calculation of capital requirements for operational risk based on technical provisions, and BV652_1 to the calculation of capital requirements for operational risk based on premium income. Both validations do not take into account technical fees and premium income for life insurance liabilities where the investment risk is borne by policy holders.

We seek confirmation from EIOPA that this is not a mistake (i.e. the bits highlighted in yellow above should be indeed struckthrough) as a result of the fact that unit linked amounts do not need to be deducted as they are not reported in R0100, R0200 or R0230.

Formulas of the Commission Delegated Regulation (EU) 2015/35, Article 204:

- For validation BV652_1:

- The capital requirement for operational risks based on earned premiums shall be calculated as follows:

$$O_{P_{\text{premiums}}} = \begin{cases} 0,04 \cdot (Earn_{\text{life}} - Earn_{\text{life-UL}}) + 0,03 \cdot Earn_{\text{non-life}} \\ + \max(0; 0,04 \cdot (Earn_{\text{life}} - 1,2 \cdot pEarn_{\text{life}} - (Earn_{\text{life-UL}} - 1,2 \cdot pEarn_{\text{life-UL}}))) \\ + \max(0; 0,03 \cdot (Earn_{\text{non-life}} - 1,2 \cdot pEarn_{\text{non-life}})) \end{cases}$$

- For validation BV650_1:

- The capital requirement for operational risk based on technical provisions shall be calculated as follows:

$$O_{P_{\text{provisions}}} = 0,0045 \cdot \max(0; TP_{\text{life}} - TP_{\text{life-UL}}) + 0,03 \cdot \max(0; TP_{\text{non-life}})$$

S.17.01 – Direct and Proportional business, S.17.02 – Direct business

EIOPA's validation rules (range BV446 - BV457) related to templates S.17.01 (Direct and Proportional business) and S.17.02 (Direct business) continue to cause validation errors for no valid reasons in Insurance Europe's opinion.

These rules compare best estimates reported in both templates and expect to see lower or equal position for S.17.02 compared to S.17.01. Where for example the Proportional business occurs as negative (which may happen for some lines of business) this will cause a validation error. Our members have discovered this error so far for two lines of business, i.e. Credit & Surety and Medical expenses but believe that this is a general issue because the validation rules do not work appropriately with negative figures.

EIOPA might be aware of issues with these validation rules, because they were deactivated in the previous release. Now EIOPA seems to intend to activate them again without having fixed them. Although they are now "non blocking" Insurance Europe thinks they should be either changed or not required at all (to avoid validation errors).

Validation ID	Template 1	Template 2	Validation
BV446	S.17.01	S.17.02	{S.17.02, r0010,c0020}+{S.17.02, r0020,c0020}+{S.17.02, r0030,c0020}+Sum({S.17.02, r0040,c0020,(sNNN)})<={S.17.01, r0010,c0020}+{S.17.01, r0260,c0020}+{S.17.01, r0290,c0020}+{S.17.01, r0300,c0020}
BV447	S.17.01	S.17.02	{S.17.02, r0010,c0030}+{S.17.02, r0020,c0030}+{S.17.02, r0030,c0030}+Sum({S.17.02, r0040,c0030,(sNNN)})<={S.17.01, r0010,c0030}+{S.17.01, r0260,c0030}+{S.17.01, r0290,c0030}+{S.17.01, r0300,c0030}
BV448	S.17.01	S.17.02	{S.17.02, r0010,c0040}+{S.17.02, r0020,c0040}+{S.17.02, r0030,c0040}+Sum({S.17.02, r0040,c0040,(sNNN)})<={S.17.01, r0010,c0040}+{S.17.01, r0260,c0040}+{S.17.01, r0290,c0040}+{S.17.01, r0300,c0040}
BV449	S.17.01	S.17.02	{S.17.02, r0010,c0050}+{S.17.02, r0020,c0050}+{S.17.02, r0030,c0050}+Sum({S.17.02, r0040,c0050,(sNNN)})<={S.17.01, r0010,c0050}+{S.17.01, r0260,c0050}+{S.17.01, r0290,c0050}+{S.17.01, r0300,c0050}
BV450	S.17.01	S.17.02	{S.17.02, r0010,c0060}+{S.17.02, r0020,c0060}+{S.17.02, r0030,c0060}+Sum({S.17.02, r0040,c0060,(sNNN)})<={S.17.01, r0010,c0060}+{S.17.01, r0260,c0060}+{S.17.01, r0290,c0060}+{S.17.01, r0300,c0060}
BV451	S.17.01	S.17.02	{S.17.02, r0010,c0070}+{S.17.02, r0020,c0070}+{S.17.02, r0030,c0070}+Sum({S.17.02, r0040,c0070,(sNNN)})<={S.17.01, r0010,c0070}+{S.17.01, r0260,c0070}+{S.17.01, r0290,c0070}+{S.17.01, r0300,c0070}
BV452	S.17.01	S.17.02	{S.17.02, r0010,c0080}+{S.17.02, r0020,c0080}+{S.17.02, r0030,c0080}+Sum({S.17.02, r0040,c0080,(sNNN)})<={S.17.01, r0010,c0080}+{S.17.01, r0260,c0080}+{S.17.01, r0290,c0080}+{S.17.01, r0300,c0080}
BV453	S.17.01	S.17.02	{S.17.02, r0010,c0090}+{S.17.02, r0020,c0090}+{S.17.02, r0030,c0090}+Sum({S.17.02, r0040,c0090,(sNNN)})<={S.17.01, r0010,c0090}+{S.17.01, r0260,c0090}+{S.17.01, r0290,c0090}+{S.17.01, r0300,c0090}
BV454	S.17.01	S.17.02	{S.17.02, r0010,c0100}+{S.17.02, r0020,c0100}+{S.17.02, r0030,c0100}+Sum({S.17.02, r0040,c0100,(sNNN)})<={S.17.01, r0010,c0100}+{S.17.01, r0260,c0100}+{S.17.01, r0290,c0100}+{S.17.01, r0300,c0100}
BV455	S.17.01	S.17.02	{S.17.02, r0010,c0110}+{S.17.02, r0020,c0110}+{S.17.02, r0030,c0110}+Sum({S.17.02, r0040,c0110,(sNNN)})<={S.17.01, r0010,c0110}+{S.17.01, r0260,c0110}+{S.17.01, r0290,c0110}+{S.17.01, r0300,c0110}
BV456	S.17.01	S.17.02	{S.17.02, r0010,c0120}+{S.17.02, r0020,c0120}+{S.17.02, r0030,c0120}+Sum({S.17.02, r0040,c0120,(sNNN)})<={S.17.01, r0010,c0120}+{S.17.01, r0260,c0120}+{S.17.01, r0290,c0120}+{S.17.01, r0300,c0120}
BV457	S.17.01	S.17.02	{S.17.02, r0010,c0130}+{S.17.02, r0020,c0130}+{S.17.02, r0030,c0130}+Sum({S.17.02, r0040,c0130,(sNNN)})<={S.17.01, r0010,c0130}+{S.17.01, r0260,c0130}+{S.17.01, r0290,c0130}+{S.17.01, r0300,c0130}

3. Other technical documentation of the PWD

Disclosure QRTs

The taxonomy appears to be introducing entry points for Group and Solo disclosure QRTs. This was not previously the case. The metrics and XBRL tags alongside the IDPs (identical data points) appear to suggest that the disclosure templates will need to be submitted as an XBRL. We were not expecting a requirement to submit disclosure templates via XBRL for 31 December 2017 – clarification as to whether this is the intention of EIOPA would be appreciated.

Implementing the disclosure QRTs for Group and Solo levels in XBRL would incur significant additional systems development and associated costs. We believe the benefit to stakeholders of any such requirement is unclear – all information in the disclosure QRTs is already submitted to the regulator in XBRL as part of the annual submission – and we presume XBRL submission is for regulator use only. We therefore believe that XBRL submission of disclosure templates should not be compulsory.

Annotated templates: T.99.01.01 - Technical table

The revised taxonomy has introduced "T.99.01.01" Technical Table. Members companies are unclear as to the purpose of this item, what data is expected to populate it and whether it needs to be implemented in their XBRL reporting systems. We would like EIOPA to provide additional details so that firms can determine the appropriate course of action.

DPM Database

With the new PWD 2.2.0 the following data fields have been included:

- si2468
- si2469
- si2470
- si2471

In the Annotated Templates those data fields have data type String, indicated by the prefix "SI". In the DPM Database on the other hand the data type for these fields is Enumeration, indicated by the prefix "EI". In our view, the prefix in the DPM Database should be "SI" as well. Therefore, we propose to amend the DPM Database accordingly. If the current draft of the DPM Database is correct, we would appreciate a clarification of this new requirement.

DPM dictionary: Domain GA-Geographical areas

A code for Kosovo is missing in domain GA-Geographical areas and it refers to the most of the dimensions that include values from this domain, that is:

CJ	Country of custody
BI	Countries by amount of gross premiums written
CY	Issuer country/country of residence
AH	Country of authorisation
HO	Home Country
RY	Reporting Country
LR	Location of the branch
LG	Localization of activity

It probably does not refer to the following dimensions:

EE	EEA or not EEA
CW	Regions
LA	Localization of activity [based on place of underwriting]
LX	Localization of activity [based on localization of risk]