

SII 2020 review of reporting requirements - proposals for improvement SFCR, RSR and timelines

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Summary

In light of the upcoming consultation on the review of reporting requirements, which is part of the 2020 review, the industry has prepared a set of clear proposals on reporting.

This paper contains a first set of concrete industry proposals for improvement of SFCR, RSR and timelines.

Specific Proposals

SFCR

SFCR should be streamlined

- Background
 - The low level of public interest in the SFCR is significantly outweighed by the substantial effort put into preparing the information. The industry strongly believes that the intended objectives of the public reporting have not been achieved.
 - There is significant duplication between SFCR and annual report, in particular the narrative elements. Indeed, even duplicating the same information represents an unnecessary administrative burden for insurers (governance process needs to be set up).
 - NSAs base their supervisory review process mostly on QRTs, and they will not wait for the SFCR which is published later. Therefore, the SFCR should not address the information needs of NSAs.
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- **Proposal – streamline as described below**
 - The SFCR should target policyholders and the professional public only, as supervisors obtain all the information they need via other reports or audits.
 - In order to increase its impact, the SFCR should focus on these target groups, and it should consist of:
 - **A brief narrative report** (comparable to the executive summary of eg 2 pages) **for policyholders**, which would enable the average policyholder to acquire an overview of an insurer's key information. It should include an overview of an insurer's risk appetite, key risks and solvency and financial situation.

- **A detailed quantitative report without narrative explanations for the professional public consisting of the set of public QRTs, disclosed already.** Limiting the SFCR for professionals to quantitative information, would facilitate report comparison, and restricting the report to purely quantitative information would also enable cross-border analysis, which is currently complicated due to the language barriers arising from the narrative content.

Single Group SFCR 6-week extension of deadlines should be maintained.

- **Background**
 - From 2020 (Closing date 31 December 2019) on, the timeline for publishing Single group SFCRs will be the same as the solo SFCRs.
 - In level 1 and 2 (Dir Art 308b(6) and DA Art 368) a four-year transition period is foreseen, extending the timeline for publication of the single group SFCR by six weeks compared to the timelines applicable for solo SFCRs.
 - While the timeline for submission of annual QRTs for groups remains 20 weeks, companies would have to prepare their group QRTs within 14 weeks, in order to be able to submit the single group SFCR in time. Alternatively, companies will have to update the single group SFCR with the annual group QRT information, once available.
- **Proposal – maintain timetable related to 2018 data**
 - For the single group SFCR the timetable related to 2018 data should be maintained, including the extension of the deadline six weeks (as described in DA Art 368). In practice this would mean that the deadline for the single group SFCRs would be 22 weeks. (Solo SFCR deadline 16 weeks and Group SFCR deadline 22 weeks)

External audit requirements for the SFCR should be avoided

- **Background**
 - Externally auditing is deemed to only have a limited impact on the SFCR report quality, while the costs would exceed the benefit.
- **Proposal**
 - There should be no external audit requirements for the SFCR

RSR

A three-year RSR should become the standard

- **Background**
 - Solvency II legislation currently foresees the possibility, at the supervisor's discretion, to require an RSR only every 3 years. However, this option is only applied in a limited number of Member States.
- **Proposal**
 - A three-year RSR is sufficient and should become the standard, as opposed to simply being an option at the NSA's discretion.

Option to submit a single group RSR should be available

- **Background**
 - Currently, the submission of a single group report is only possible for ORSA (SII Dir Art 246(4)) and SFCR (DA Art 365 to 371).
- **Proposal:**
 - The option to submit a single group report should also be available for the RSR. Further, if undertakings got approval for a single group SFCR, the approval for a single group RSR should be given automatically. The industry acknowledges that it is theoretically possible for undertakings to submit a single group RSR, as cross-references to specific pieces of information are permitted. In practice, this approach has worked well for some groups and their supervisors. However, it would be sensible to make this option more explicit via the Delegated Act.

RSR should avoid requiring information already reported to supervisors

- Background
 - There are various overlaps within the reporting. In particular for information already published in the annual report and the overlaps between the supervisory ORSA and the RSR reports.
 - Level 3 guidelines (Guideline 35 of [Guidelines on reporting and public disclosure](#)) allow cross references, However, in one member state the possibility to use cross-references it is subject to the regulator's approval, and in another member state it is subject to specific provisions on how to reference.
- **Proposal**
 - Cross-references in the RSR should be allowed in all Member States

Timelines

- Background
 - Insurers encounter difficulties to submit reports and templates within required deadlines. The acceleration of the reporting deadlines will substantially increase difficulties. The accelerated timetable for the RSR and SFCR with a deadline of reporting 14 weeks after the end of the fiscal year will not be possible to meet, given the time it takes to finish the IFRS- and Solvency II-annual financial statements and the QRT reporting and the time it takes to prepare and compile these reports, to validate the data, to approval of the report, and the time needed for a possible audit of the report.
 - Timelines are reflected in level 1, therefore, it is problematic to address this before the before the 2020 review.
- **Proposals**
 - The industry would seek for this **ideally to be addressed in the course of 2019**, so that the **timetable applicable for 2018 data would remain the standard and would not accelerate**. If this would not be possible the industry would still seek a resetting back to the timetable applicable for 2018 data, even if companies had to report according to the accelerated timetable for a number of years. (See annex for an overview of the current timelines)
 - Financial stability reporting is more or less a duplication of the data requirements under Solvency II. However, the financial stability reporting data needs to be reported in a much shorter timeframe, which is burdensome for undertakings. This burden could be relieved by having the same timelines for the Financial stability reporting as for the Solvency II-reporting:
 - Solo annual financial stability reporting deadlines (7 weeks) should be aligned to mirror the Solvency II solo annual reporting deadlines related to 2018 data.
 - Group quarterly/annual financial stability reporting deadlines (7 weeks) should be aligned to mirror the Solvency II Group reporting deadlines related to 2018 data.
 - ECB Timelines should remain aligned with Solvency II timelines.

Annex

The table below gives an overview of the initial timelines, applicable for information related to 2016, timelines applicable for 2018 data and the timelines that will be applicable for 2019 data and onwards. The last column shows the deadlines we want to achieve.

	Initial timelines (Information related to 2016)	Information related to 2018	Information related to 2019 and onwards	Deadlines we want to achieve – maintain timetable related to 2018 data
Solo QRTs (including ECB add-ons) ■ Quarterly ■ Annual	■ 8 weeks ■ 20 weeks	■ 6 weeks ■ 16 weeks	■ 5 weeks ■ 14 weeks	■ 6 weeks ■ 16 weeks
Group QRTs (including ECB add-ons) ■ Quarterly ■ Annual	■ 14 weeks ■ 26 weeks	■ 12 weeks ■ 22 weeks	■ 11 weeks ■ 20 weeks	■ 12 weeks ■ 22 weeks
Financial stability reporting (solo/groups)	■ 10 weeks	■ 8 weeks	■ 7 weeks	Solo ■ Quarterly - 8 weeks (no change) ■ Annual - 16 weeks <i>(annual financial stability reporting deadlines should be aligned with 2018 solo QRT timelines)</i> Groups ■ Quarterly - 12 weeks ■ Annual - 22 weeks <i>(aligned with 2018 Group QRT timelines)</i>
SFCR ■ Solo SFCR ■ Group SFCR ■ Single Group SFCR	■ 20 weeks <i>(20 May 2017)</i> ■ 26 weeks <i>(30 June 2017)</i> ■ 26 weeks <i>(30 June 2017)</i>	■ 16 weeks <i>(22 April 2019)</i> ■ 22 weeks <i>(3 June 2019)</i> ■ 22 weeks <i>(3 June 2019)</i>	■ 14 weeks <i>(7 April 2020)</i> ■ 20 weeks <i>(19 May 2020)</i> ■ 14 weeks <i>(7 April 2020)</i>	■ 16 weeks ■ 22 weeks ■ 22 weeks
RSR ■ Solo ■ Group	■ 20 weeks ■ 26 weeks	■ 16 weeks ■ 22 weeks	■ 14 weeks ■ 20 weeks	■ 16 weeks ■ 22 weeks