

5th ECB-EIOPA Joint Workshop on Insurance Reporting

# ITS reporting and disclosure amendments 2021

20<sup>th</sup> October 2021

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## Scope and timeline

## ITS amendments on reporting and disclosure 2021 – scope

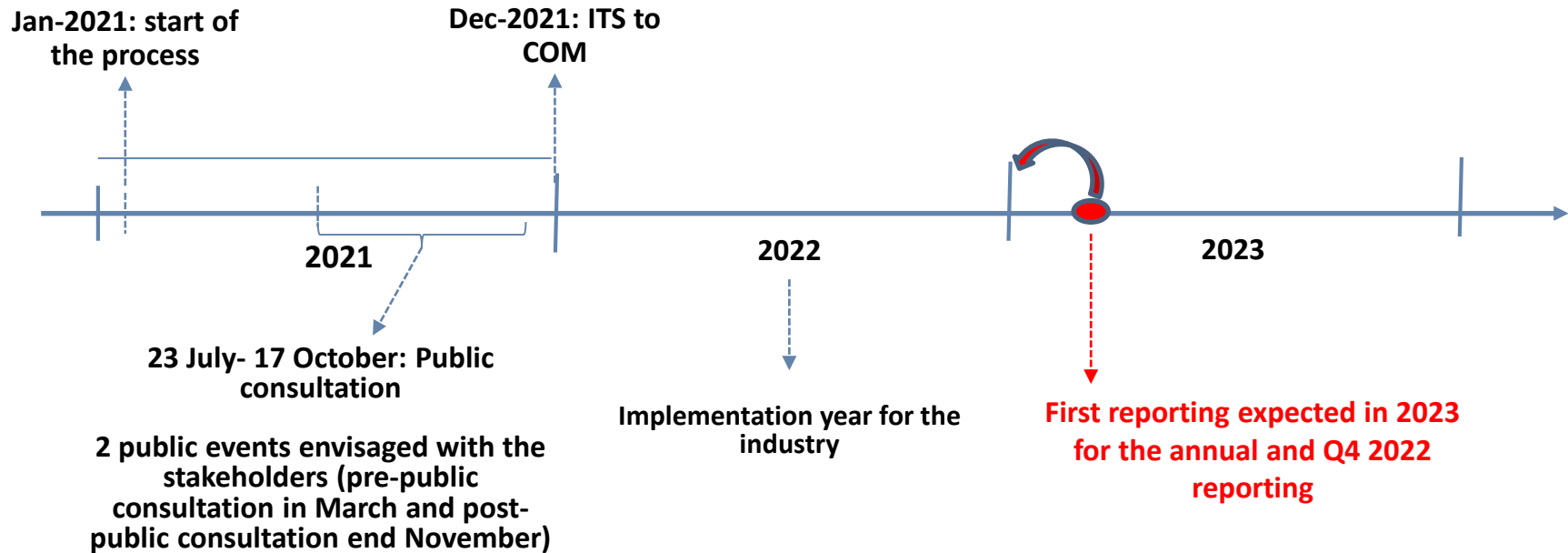
- Covering – ITS on reporting and ITS on disclosure, GLs on Financial stability reporting and GLs on 3<sup>rd</sup> countries branches - <https://www.eiopa.europa.eu/document-library/consultation/consultation-amendments-of-supervisory-reporting-and-public-disclosure>
- Based on:
  - Report on quantitative reporting templates - part of the SII Review 2020 and published in December 2020 at EIOPA web site ([https://www.eiopa.europa.eu/content/opinion-2020-review-of-solvency-ii\\_en](https://www.eiopa.europa.eu/content/opinion-2020-review-of-solvency-ii_en));
  - Changes proposed in the other area of Opinion on SII Review 2020 that covers reporting and disclosure and are not dependent on changes in the Regulation;
  - Additional work done in the areas where no concrete proposals were provided e.g. risk-based thresholds, intra-group transactions and risk concentrations templates, variation analysis templates, sustainable finance reporting and the new S.14 non-life templates;
  - Alignment of the reporting on IGTs and RC templates with the proposals in the area of FiCo taking into account that the reporting under Solvency II and FICOD serve different purposes.

## ITS amendments 2021

**Should EIOPA wait for the conclusion of the 2020 review (including full scrutiny by the EU institutions) before making any changes to QRTs?**

- The full conclusion of the SII Review 2020 will take time depending on the political negotiations;
- Changes limited to the QRTs, within EIOPA's power, that don't require amendment of Level 1 and Level 2;
- Changes to the QRTs are largely based on the Reporting and disclosure review;
- Changes are considered important to be implemented following the regular reviews as they reflect a better proportionality the “fit for purpose” reporting principle;
- ITS amendments are publicly consulted in 2021 and stakeholders feedback will be further analysed;
- ITS amendments in 2021 will be given enough time for the implementation (2022).

## ITS amendments on reporting and disclosure 2021 - timing





# Overview of the main changes

## ITS amendments on reporting and disclosure 2021 –main changes

- Main amendments in line with the *Report on quantitative reporting templates (Dec 2020)*:
  - Templates to be deleted – S.03.02/S.03.03; S.05.02 at solo level; S.06.01; S.08.02; S.15.01; S.15.02;
  - New templates –for cross-border business replacing the old S.04.01; S.06.04 sustainable finance; S.14.02 non-life; S.14.03 cyber risk; model changes; alignment of S.37 in line with the FiCo proposal;
  - Changes in the area of financial stability reporting;
  - Simplification of quarterly reporting for all undertakings;
  - Revision of all thresholds and introduction of new thresholds to promote better risk-based and proportionate reporting requirements;
  - Clarifications of instructions and review of the information requested (deletion of some data and request of new one);
  - Introduction of different, more proportional reporting to captive insurance and reinsurance undertakings (on top of the limitations/ exemptions given to them under Article 35) following a risk-based approach.





## Cross-border templates – S.04.03, S.04.04 and S.04.05

## Cross-border business templates – S.04.03, S.04.04, S.04.05

- Deletion of the existing templates which capture information on premiums, claims and expenses for cross border business (S.04.01, S.05.02 at solo level) and replacement with a new S.04s matrix approach of reporting templates that consolidate the information requirement which captures the line of business, the relevant underwriting entity (i.e. head office or branch) and geographical split by both location of underwriting and location of risk.
- Template S.04.03 provides list of underwriting entities including lists of all EEA and non-EEA branches of the insurance undertaking;
- Template S.04.04 focuses on the location of underwriting. The information shall be reported distinguishing between the business underwritten in the country in which each of the underwriting entities (as listed in template S.04.03) are established and business underwritten in each of the other countries belonging to the EEA under freedom to provide services (FPS) by each of the underwriting entities.
- Template S.04.05 focuses on the location of risk. Details are split on a location of risk basis and at the level of the individual country-by-country basis (for both EEA and non-EEA business).



## **IFRS17 AND S.05.01 Premiums, claims and expenses by line of business**

# Introduction

- EU Regulation 2015/2450 requires solo undertakings<sup>(1)</sup> & groups<sup>(2)</sup> to report in S.05.01 information on premiums/claims/expenses as accounted for in the accounting financial statements
- Currently, the definition of written premiums is included in:
  - For local gaap users: Article 35 of Insurance Accounting Directive ([Directive 91/674/EEC](#))
  - For IFRS users: IFRS 4 doesn't include a definition of written premiums but defines insurance contracts as the contracts that transfer significant insurance risk<sup>(3)</sup>
    - ↳ some index/unit linked contracts are NOT considered as insurance contract → written premiums are NOT accounted for in the IFRS income statement → They are still required to be reported in S.05.01<sup>(4)</sup>

(1) See Art. 6 for the quarterly reporting and Art. 9 for the annual reporting

(3) See Appendix A and Appendix B, par. B.23 of IFRS 4 ([link](#))

(2) See Art. 23 for the quarterly reporting and Art. 26 for the annual reporting

(4) See instructions of S.05.01, which were amended following Q&A 908

# BACKGROUND ON IFRS 17

- IFRS 17 is expected to be applied in **2023** (subject to the endorsement by COM)
- IFRS 17 will replace IFRS 4, introduced in 2004 as an interim standard
- IFRS 17 will bring material changes in the recognition, valuation, presentation, disclosure of insurance contracts. Considering the P&L, insurers shall not present in profit or loss **written premiums** (on a cash basis) but **insurance revenue**, that reflect the services already provided.
- Written premiums/claims paid will be reported in the notes to the financial statements

Typical existing P&L

P&L	20X1	20X0	
Gross premiums	16,321	13,56	→ Cash based and includes collection of deposits. Inconsistent with other industries
Premiums ceded to reinsurers	(816)	(678)	
Investment income	9,902	9,030	
<b>Total income</b>	<b>25,407</b>	<b>21,919</b>	
Gross claims, benefits and expenses	(13,827)	(11,721)	→ Includes repayment of deposits
Claims and expenses ceded to reinsurers	368	35	
Acquisition costs amortisation	(1,259)	(1,150)	→ Confusing adjustment that incorporates multiple factors
Change in insurance contract liabilities	(9,308)	(8,372)	
<b>Total expenses</b>	<b>(24,026)</b>	<b>(21,188)</b>	→ Inconsistent measurement reduces comparability
<b>Profit before tax</b>	<b>1,381</b>	<b>731</b>	

IFRS 17 P&L

P&L
Insurance revenue
Insurance service expenses
Incurred claims and insurance contract expenses
Insurance contract acquisition costs
Gain or (loss) from reinsurance
<b>Insurance service result</b>
Investment income
Insurance finance expenses
<b>Net financial result</b>
<b>Profit before tax</b>

## S.05.01 Premiums, claims and expenses by line of business

EIOPA proposed to keep S.05.01 as it is now, i.e. premiums written/claims paid should be reported in S.05.01 even if IFRS insurers don't do that in their accounting P&L (compliant to IFRS, from 2023 onwards). Benefit: consistent basis of reporting for all insurers (IFRS and local-gaap users).

### Reasons for that:

- 1) Although linked to accounting, S.05.01 is not a P&L but simply requires some P&L related items to collect some volume measures to measure the performance trend and for market wide analysis;
- 2) This approach is already in place today with regard to insurance contracts with no significant insurance risk, whose written premiums/claims paid are not accounted for in the IFRS P&L (according to IFRS 4) but are still to be reported in S.05.01;
- 3) The mandatory disclosure of IFRS 17 on written premiums/claims paid would allow undertakings to fill in S.05.01 following the current approach;
- 4) Re(insurance) undertakings will have to keep track of written premiums for MCR/SCR calculation;
- 5) Impact limited to “solo” undertakings (generally local gaap users), more material for groups (generally IFRS users).

## **S.06.02 List of assets and S.06.03 Collective investment undertakings**

## S.06.02 List of assets

**Major changes:** Addition of the following items, applicable both at solo and group levels, as well as clarifications and improvements to items definitions and CIC table:

- 1) ECB add-on items relevant also for prudential supervision purposes (Write-offs/write-downs and Issue date);
- 2) Item on ESG-compliant/sustainable investments;
- 3) Item on applicability of bail-in rules;
- 4) Item on Regional Governments and Local Authorities (RGLA) listed and not listed;
- 5) Item on crypto-assets;
- 6) Item regarding Custodian LEI code;
- 7) Item “Long-term equity investment”, following DR article 171a.;
- 8) Items following ESRB Recommendation on closing real estate data gaps;
- 9) Various clarifications and improvements to the reporting instructions and to the definition of CIC codes, from Q&A on reporting.



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

In the report on QRT published with the SII 2020 review (Dec 2020), EIOPA considered to introduce a new template, following a full look-through approach, for non-covered CIUs (some EEA non-euro and 3<sup>rd</sup> countries). For other CIUs, the full look-through approach would be possible (with some legal change) using ESCB statistics

**In ITS amendments** EIOPA proposed not to introduce a new template only for the non-covered CIUs as publicly consulted. Instead it keeps S.06.03 as it is now, i.e. no changes in the template and in the current threshold.

- Reasons for that:
  - 1) On-going review of the AIFMD, covering both Eurozone and non-Eurozone CIUs, that will probably introduce more reporting requirements (full look-through);
  - 2) Possibility to have this information available in the future through a different data flow;
  - 3) If introduced now the solution will be costly and temporary.

## **S.06.04 - Sustainable investments and climate change-related risks to investments**

# Sustainable finance reporting

- **EIOPA Report on quantitative reporting templates, published together with the Opinion on the 2020 review of Solvency II (Dec 2020), proposed the reporting of 'Green bonds and ESG-compliant/sustainable investments' in QRT S.06.02 (list of assets)**
- Building on this, EIOPA proposed to follow a slightly different approach:
  - Keep the focus on assets (technical provisions at a later stage – step-by-step approach) => this is not a change, but actually in line with the approach of the report of Dec 2020
  - Move from item-by-item reporting to reporting by total assets (=> *to be more proportionate*)
  - Require information by all insurance/reinsurance undertakings with some risk-based threshold
  - Require reporting (% of the total investments) on:
    - Sustainable investments;
    - Investments exposed to transition risk;
    - Investment exposed to physical risk.
- The aim is to implement prudentially relevant and proportionate reporting requirements (no item-by-item reporting at this stage), building on available methodologies and EIOPA's analysis so far, and taking into account ongoing regulatory developments.

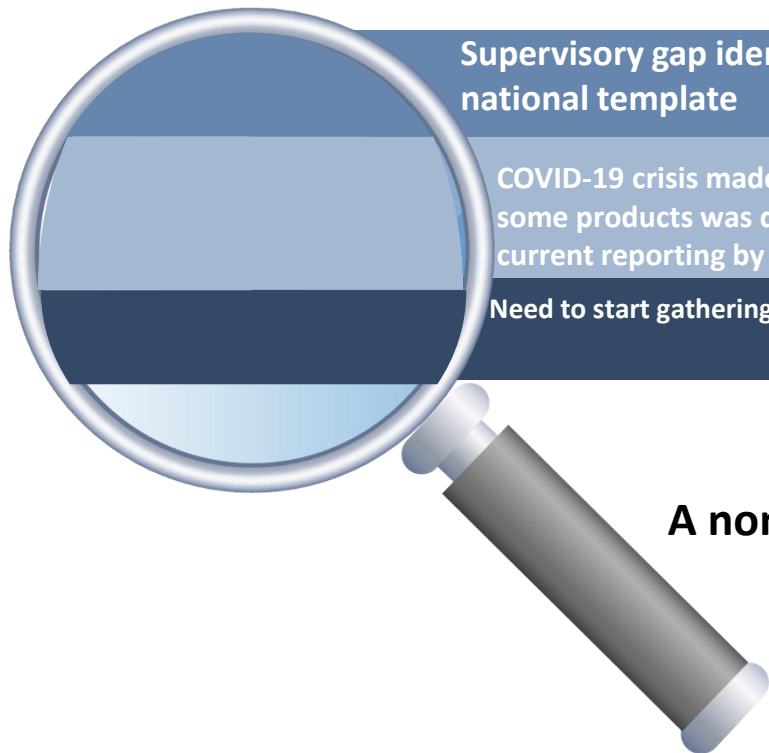
## Sustainable finance reporting (cont.)

- EIOPA proposes to introduce a new S.06.04 template for reporting of sustainable finance and climate-change related topics requiring the following information:
  1. Report a standardised KPI\* on **sustainable investments** - share of the investments, as a proportion of total investments, that are directed at funding, or associated with economic activities identified as environmentally sustainable in the EU taxonomy.
  2. Identification of **assets exposed to climate-change related transition risk** through:
    - Report the share of investments, as a proportion of total investments, exposed to transition risk
    - Full four-digit reporting of NACE codes for investments in economic activities under NACE sections A to N as laid down in Regulation (EC) No 1893/2006.
  3. Identification of **assets exposed to climate-change related physical risk** through:
    - Report the share of investments, as a proportion of total investments, exposed to transition risk,
    - Standardised address reporting - latitude & longitude OR country ISO Alpha-2 + postal code +city + streetname + streetnumber).

(\*) The same KPI required by the Non-Financial Reporting Directive (NFRD) to larger (re)insurer (i.e. public-interest companies with more than 500 employees)

## **S.14.02 — Non-Life business – policy and customer information**

# Background information



Supervisory gap identified: lack of data, when available not comparable and based on national template

COVID-19 crisis made the need to fill the reporting gap more urgent because an assessment of some products was deemed necessary (e.g. travel insurance and business interruption) but the current reporting by line of business does not allow a thorough assessment

Need to start gathering data on which products cover climate related risks

**A non-life S.14 template has been proposed**

## S.14.02 — Non-Life business – policy and customer information - at glance

The S.14.02 template should present a number of information on non-life product categories. In particular:

- A flag specifying whether the main product is sold with an add-on
- Number of contracts at the end of the year
- Number of new contracts during year
- Total amount of Written premiums - direct writing
- Total amount of Written premiums - written via credit institutions
- Total amount of Written premiums - written via insurance distributors other than credit institutions
- Total amount of commissions paid during year
- Total amount of claims paid during year
- Country



## S.14.02 Non-life business– policy and customer information – product level information

**Proposal:** given the multitude of non-life products and possible modular options it is proposed to have [a less granular reporting](#) by product categories – two rows for each product category are possible (one as standalone and one with add-on)

- The [proposal defines product categories leveraging as much as possible](#) to existing classes of non-life insurance:
  - 8 product categories refer to specific products;
  - The remaining product categories (19) are ‘catch all’ categories matching 1 to 1 insurance classes or sub-classes.

### ESG level information

→ **To monitor the climate risk two new pieces of information are sought via two new cells:**

- C0033: proportion of premiums covering climate-related perils (0-100);
- C0034: allowance for climate risk-prevention measures in product design (Y/N).



## S.14.03— Cyber risk products

## S.14.03 Cyber risk products

**New template collecting information on cyber risks underwritten by undertakings covering the following information:**

- Product Group Code (CAU-type of code assigned internally by undertakings); Target market; Product Category; Impact of cyber component in the Product Category Lines of Business; Description of risks included in the coverage
- Currency
- Sum(s) insured
- Premium(s)
- Sum(s) reinsured
- Number of claims settled with Payment
- Amount of Claims Paid
- Number of Claims settled without payment
- Technical Provisions

## S.29s— Variation analysis templates

## Variation Analysis

- Currently it is made of four templates
  - S.29.01, Excess of Assets over Liabilities
  - S.29.02, Explained by investments and financial liabilities
  - S.29.03, Explained by technical provisions
  - S.29.04, Detailed analysis per period - Technical flows versus Technical provisions
- In the past: subject to many uncertainties
- 2018: EIOPA Explanatory notes on VA templates, response to existing Q&A including a number of concrete filling examples for non-life, index-linked and unit-linked business

## S.29s – Variation analysis templates

### Proposal:

- No deletion of existing templates: S.29.01, S.29.02, S.29.03 and S.29.04 will still be part of the reporting package;
- Split of Life- and Non-Life Business Templates: regarding the Analysis of the variation of the Best Estimate;
- Introduction of a new template for Non-Life, „the already consulted S.29.06“, generally supported by industry and supervisors;
- Deletion of non-life cells in S.29.03, S.29.04 for pure non-life insurers;
- Clarification of instructions in all templates wherever necessary;
- Composite insurer with no clear material/ dominant activity shall submit S.29.03 and S.29.04 for their life business, as well as the new non-life template for their non-life business;
- Composite insurer with a clear material business activity shall only submit the templates for their respective material business activity;
- A threshold proposed to identify the “material business model for a composite insurer”.

# LAC DT templates

## LAC DT templates

During the SII Review 2020 EIOPA developed new templates on LAC DT.

- Templates provide a good common basis for reporting, leveraging on the work done by EIOPA and the existing current templates in some NCAs;
- To gather stakeholders views the newly templates are included in the supporting Cover note and its annex;
- The proposal include a threshold that would cover 400-500 undertakings.



# Internal model templates



# IM reporting – annotated QRTs

Template code	Template title
S.25.01	Solvency Capital Requirement - for undertakings on Standard Formula
S.25.05	Solvency Capital Requirement - for undertakings using an internal model (partial or full)
S.26.01	Solvency Capital Requirement - Market risk
S.26.02	Solvency Capital Requirement - Counterparty default risk
S.26.03	Solvency Capital Requirement - Life underwriting risk
S.26.04	Solvency Capital Requirement - Health underwriting risk
S.26.05	Solvency Capital Requirement - Non-Life underwriting risk
S.26.06	Solvency Capital Requirement - Operational risk
S.26.07	Solvency Capital Requirement - Simplifications
S.26.08	Solvency Capital Requirement - for undertakings using an internal model (partial or full)
S.26.09	Internal model - Market & credit risk and sensitivities
S.26.10	Internal model - Credit event risk Portfolio view details
S.26.11	Internal model - Credit event risk for financial instruments
S.26.12	Internal model - Credit risk Non-Financial Instruments
S.26.13	Internal model - Non-life & Health Non-SLT
S.26.14	Internal model - Life & Health risk
S.26.15	Internal model - Operational risk
S.26.16	Internal model - Model Changes
S.27.01	Solvency Capital Requirement - Non-life and Health catastrophe risk

## IM reporting – main changes

- QRTs S.25.02 (PIM) and S.25.03 (FIM) will be replaced by S.25.05 which has a similar granularity level and will be published in the SFCR.
- QRTs S.26.08 – S.26.16 are new structured templates that will provide detailed information on individual risk modules and model changes.
- A change in the SII directive in order for undertakings using an internal model to submit SF data is foreseen for the future and will not be part of the current ITS amendments.

# Group templates

## Group reporting - overview

- **S.23 Group Own Funds:** Clarity on the presentation of group own funds in the templates to support supervisory analysis and assessment of own funds and solvency position.
  - S.23.01.04 - additional information on components of SCR and OFs to support the analysis of solvency ratios.
  - S.23.04.04 Tables 10 & 11 - are slightly amended to ensure complete and clear reporting on total non-available own funds and total non-available own funds to be deducted, including non-available minority interest to be deducted, per entity.
  - Application of thresholds on S.23.03.04 & S.23.04.04 – group specificities

## S.32 Undertakings in the Scope of the Group; S.33 (Re)Insurance & S.34 Other regulated and non-regulated financial undertakings

### S.32 Undertakings in the Scope of the Group

- Clarifications on the scope: a list of all undertakings in the scope of the group, in the meaning of Article 212(1)(c) of Directive 2009/138/EC, subject to full group supervision according to art 213(2)(a)(b)(c) (including the ones that are excluded according to art 214 of the SII directive).
- Considerations being made on how to visualise the group structure (e.g. new column with the information on the direct participating undertaking).

### S.33 (Re)Insurance & S.34 Other regulated and non-regulated financial undertakings including IHC and MFHC individual requirements

- S.33 enlargement of the scope to include all insurance and reinsurance undertakings.
- S.33 and S.34 new column on the contribution of solo SCR to group SCR for the insurance and reinsurance undertakings, IHC and MFHC.

## S.36 IGTs & S.37 RCs - alignment to FiCo templates

### On IGTs:

- (NEW) S.36.00. Summary: it will be including all the IGTs reported in the year (significant, very significant and to be reported in all circumstances), only the relevant columns are kept (IGTs from or toward the insurance sector).
- (NEW) S.36.05 P&L. P&L information kept in a separate template and taken out from S.36.04.

### On RCs:

- S.37.01 NEW approach exposures by counterparty (and not item by item), for the significant exposure.
- NEW S.37.02 and S.37.03 Summary tables by main drivers (currency, sector, country, asset class and rating) based on all the exposures.

**Time for your questions!**

**THANK YOU**

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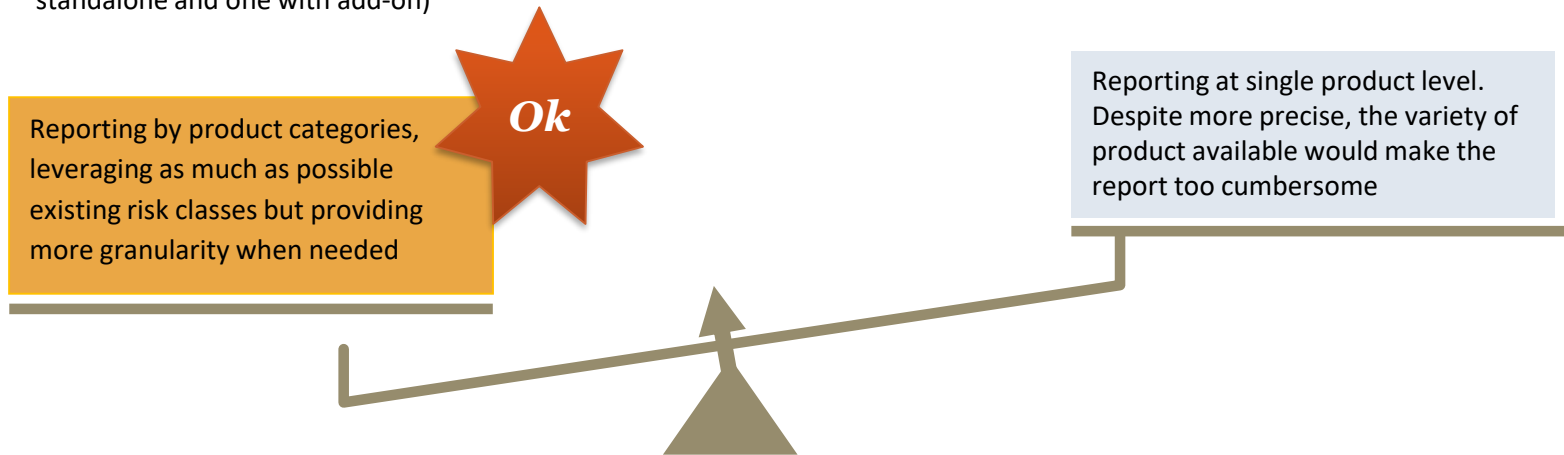


# Annex



# Reporting at product categories level

- Originally it was proposed to have a product by product reporting as for the S.14 life; however, given the multitude of non-life products and possible modular options during the public consultation concerns were raised
- As a result a new template with information **by product categories** has been proposed – reporting would be by product categories, including for bundled products / add-ons not to overburden with possible unbundling – two rows for each product category are possible (one as standalone and one with add-on)



# Product categories and proposed definition in S.14.02 template (1/4)

**To increase understanding and limit the burden of the new template EIOPA leveraged as much as possible the risk classes available in Solvency II to define the new product categories.**

Product Category	Description
1 - Compulsory motor insurance	All products falling under "Risk class 10"
2 - Other motor insurance	All products falling under "Risk classes 3 and 4"
3 – Marine	All products falling under "Risk class 6"
4 – Aviation	All products falling under "Risk class 5"
5 – Transport	All products falling under "Risk classes 11 and 12"
6 - Goods in transit	All products falling under "Risk class 7"
7 - Accident insurance	All products falling under "Risk class 1" excluding the fourth indent as this is only connected to the injuries of passengers, products that fall under category 23, and excluding products solely falling under product category 20
8 - Medical insurance	All products falling under "Risk class 2" with the exception of products solely and specifically covering risk falling under product category 18 and excluding products solely falling under product category 20
9 - Home and content insurance distributed jointly	Insurance products covering damages to a household. The coverage is twofold: (i) Home refers to the structure of the home including additional elements, such as walls, fences, paths and driveways, garages, outbuildings and fuel storage tanks. (ii) Content refers to goods and personal belonging to the household or for which they are legally responsible. Certain items of property are specifically excluded, such as securities, certificates, documents, livestock and pets. In other to fall under this product category the coverage needs to be distributed jointly. This should include also homeowners comprehensive insurance
10 - Building insurance	Insurance products covering damages to a building, different from what already covered under product categories 9, 10 and 11

## Product categories and proposed definition in S.14.02 template (2/4)

Product Category	Description
11 - Fire damages to property	All products falling under "Risk classes 8", with the exception of what is covered under product category 9, 10, 12, and 13
12 - Other damage to property	All products falling under "Risk classes 9", with the exception of what is covered under product category 9, 10, 12, 13, and 19
13 - Natural catastrophe insurance	Products covering damages to properties and people caused by natural forces including earthquake, floods, storm, hail, frost, drought. In order to fall under this product category this coverage needs to be distributed separately and not as an "add-on" to products falling under product category 9, 10, 11, and 12.
14 - Business Interruption	Products covering business interruption, closure of business, or any financial loss of such nature regardless of whether physical damages on an insured property are required (e.g. business interruption referring to coverage for property damage arising from storm or flood; business closure covering damage for temporary closure of shops due to administrative actions or health authorities' decisions). In order to fall under this product category this coverage needs to be distributed separately and not as an "add-on" to products falling under product category 15 and 9.
15 - Third party liability	All products falling under "Risk class 13" with the exception of all the other product categories that cover liability risks

## Product categories and proposed definition in S.14.02 template (3/4)

Product Category	Description
16 - Legal expense insurance	All products falling "Risk class 17 ". In order for product to be falling under this product category they do not need to be distributed as an "add-on".
17 - Income Protection	All products falling under "risk class 16" with the exception of what is covered under product category 14 and 20
18 - Travel insurance	Products covering unforeseen losses incurred while travelling such as coverage for trip cancellation, lost luggage, flight delays and/or medical expenses medical expenses' need while on travel
19 - Gadget insurance	Products covering for loss, damages or thefts of different types of items including but not limited to electronic items such as washing-machines, mobile phones, laptops, cameras, tablets, music players, eReaders and GPS devices. In order for products to fall under this category the coverage needs to be specific to the item concerned and not to part of coverages sold under other product categories - e.g., product category 9 or product category 17
20 - Payment protection insurance	Products covering the event of not being able to meet the financial obligations of a mortgage, loan or any credit facilities. In order to fall under this product category it needs to be distributed separately from products falling under product category 17.
21 – Credit	All products falling under "Risk class 14 "

## Product categories and proposed definition in S.14.02 template (4/4)

Product Category	Description
22 - Suretyship insurance	All products falling under "Risk class 15 "
23 - Workers' compensation insurance	All products falling under "Risk class 1" covering injuries materialized in the workplace or connected to the workplace
24 - Professional liability insurance	All product falling under "Risk class 13, subclass III. Only"
25 - Directors and officers liability insurance	Products covering personal assets of corporate directors and officers, and their spouses, in the event they are personally sued by employees, vendors, competitors, investors, customers, or other parties, for actual or alleged wrongful acts in managing a company - in order to fall under this category this product should be sold separately from products selling under product category 24 and product category 15
26 - Assistance insurance	All products falling under "Risk class 18", with the exception of what is covered under product category 18
27 - Other miscellaneous financial loss	All products falling under "Risk class 12", with the exception of those falling specifically in other product categories (E.g., product category 19 and 15). Product categories have been defined based on the existing Classes of non-life insurance; however, some product categories have a more granular definition. All non-life products commercialized should be reported under the product category which best corresponds to the product taking into account the product characteristics and coverage.