



ECB-EIOPA Joint Workshop on Insurance Reporting

20 October 2021



Agenda

- Insurance Europe views on amendments to ITS on reporting and disclosure
 - General comments
 - Comments on specific templates
- High level views on Solvency II - 2020 review

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Timing & Process

- The implementation period is too short given the high number of proposed changes. And the consultation period was very short.
 - To be able to report QRTs timely, changes would have to be implemented before December 2022, leaving insurers only around 9 months starting from EC approval of the proposals.
 - It is unclear why EIOPA is rushing these extensive changes. They will be expensive to implement, could lead to data quality issues and ultimately the customer will be paying for this.
 - 2022 IT budget/planning/resources/systems is already decided
As the final QRT package is not known by then it is difficult for companies to anticipate these unknown changes.
 - Resource availability issue
Resources working on the implementation of the reporting package will also be working on other major regulatory changes, including the implementation of IFRS 17/IFRS 9 and sustainability requirements.

Timing & Process (continued)

- All changes should be made as part of the SII 2020 review.
 - Avoiding having to change the QRTs and the IT-systems twice in a period of 3 years, which is both costly and burdensome.
 - The hierarchy of the EU-regulation should be respected, the QRTs are addressed in the ITS, while at the same time L1 and L2 are subject to an extensive review.
- Should EIOPA go ahead with the proposals:
 - Implementation date must be delayed by at least one year.
 - For new templates more time is needed.
 - And, if implemented according to plan, the new validation coming with the new taxonomy should be not blocking in the first year of submission (currently planned for 2023).

Disproportionate changes leading to an excessive cost and burden for insurers

- EIOPA states that “*the majority of the undertakings would benefit from a reduction in reporting costs for several reasons*” (simplification of quarterly reporting, elimination of reporting templates and the risk-based thresholds).
- Deletion of a number of templates is welcomed
- However, the many changes proposed by EIOPA would overall lead to a complication rather than a simplification and would entail a disproportionate implementation cost and burden.
- Any changes to the reporting package should be limited to those that are necessary to fulfil its supervisory duties.

Proportionality?

- Clear reference to proportionality and introduction of proportionality provisions for captives and specific 'business models' is welcomed
- However, remainder of the reporting package is not proportionate at all and the specific proportionality measures and their respective impact are unclear.
- The link to the planned proportionality framework - treatment of low-risk undertakings - seems to be missing.
- Further, in an attempt to eliminate/reduce ad hoc requests, it seems that every single possible 'NSA ad hoc request' has been anticipated resulting in more and more reporting requirements.

Thresholds

- Thresholds are helpful to some extent.
- Only few thresholds were introduced or lowered, and only to a limited extent.
- Note that thresholds may not result in a real reduction of the burden for (smaller) insurers, in case of breach in one period, this would result in a requirement to submit the data.
- Therefore, the threshold should be valid for a longer period, or a single breach should not directly lead to a requirement to submit.

Structure of the consultation

- The structure of the consultation was rather untransparent
- Comprehensive overview of the proposed changes was missing
- This made it difficult to assess the significance of the changes and to provide meaningful and timely comments

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S.06.04 New template for sustainable investments and climate change-related risks to investments

- Need for specific climate related reporting in particular in relation to transition risk and physical risk is acknowledged.
- However, reporting should not anticipate requirements already foreseen under taxonomy regulation and duplication of information should be avoided, and data availability should be considered.
- On taxonomy-aligned investments: Sustainability reporting should only have to be done in one reporting format and with the same scope and timing. And CSRD is the preferred format, has the right scope and timing of reporting entities.

S.06.04 New template for sustainable investments and climate change-related risks to investments (continued)

- On indicators on physical and transition risks: More in depth assessment is needed, to consider the following issues:
 - Indicators for climate risk should be consistent with ongoing policy work
 - Unlikely that computation of the new indicators would result in comparable figures based on a consistent understanding and classification of risk and methodology.
 - Supervisory usefulness of the indicators is not clear
- Consistency of sustainability-related developments is key.
 - Risk exposures of activities based on top-down methodologies (as opposed to leaving this to insurers' individual methods) could be determined.
 - The information received from climate scenario analysis (see SII Review proposals) would also provide important information for EIOPA to assess aggregate climate risk in the sector.

S.14.02 Non-life business - policy and customer information

- The benefit/purpose of this template is unclear
- Burdensome to make another product classification, in addition to the LOBs and the internal classifications currently used.
- Cannot be completed based on accounting data, is labour intensive and automation is hardly possible.
- Climate related information required is similar, but not identical to the new requirements under Article 8 of the Taxonomy Regulation to be disclosed via the NFRD, and with different timing and scope.
- Given the similarities of indicators, the framework for the CSRD should be the preferred way to report on this type of information.
 - **Recommendation:** the industry would ask EIOPA not to go ahead with this template. However, if EIOPA would decide on asking information on Non-life, a possible alternative to be considered could be an extension of existing templates to cover information for the largest total number of single risks by sum insured.

S.14.03 cyber risk

- It is acknowledged that information on underwritten cyber risks is to be reported.
 - Currently proposed template is overly detailed and very burdensome for undertakings.
 - Offering little obvious benefit for supervisors seeking to understand cyber insurance market trends.
- **Recommendation:** A threshold must be applied to the template and the level of detail of the template must also be reduced.

LAC DT/Deferred taxes

- Three further templates, not previously consulted, were added to the reporting package.
 - **Recommendation:** templates should only be requested on an ad-hoc basis by the national supervisor. Should EIOPA decide to introduce these templates, all LACDT templates should be subject to very high thresholds.

Internal Models – standardized reporting

- Additional insights provided by these new templates is unclear
 - Templates require much more and to a vast extent unnecessary information which often does not align with the structure individual internal models
 - Supervisors already have extensive tools to ensure that internal models continue to generate prudent SCR numbers.
 - The templates undermine the functioning supervisory dialogue between internal model firms and their NCAs.
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- **Recommendation:** do not proceed with the introduction of these templates.

Further comments

- Financial stability reporting templates
 - **Recommendation:** The inclusion of any new detail in the Financial Stability QRTs is not supported by the industry.
- Cross border templates, for which a set of three templates (S.04.03-05 is proposed in order to replace S.04.01/S.05.02)
 - **Recommendation:** Keeping the existing templates, and have no new S.04.03/04/05. Should EIOPA decide to proceed with these changes, the industry highlights a threshold, for example 10% of gross written premium, is needed to avoid burdensome processes for insignificant cross border activities
- List of assets (S.06.02)
 - **Recommendation:** Not to proceed with its proposals to expand this template, since it is already very extensive.
- Life obligations analysis (S.14.01)
 - **Recommendation:** Not to go ahead with the changes proposed to this template

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High level views on reporting aspects of SII - 2020 review

How can we avoid excessive overall increases in reporting?

- Simplify the SFCR, by splitting it in two parts, where the part for the other beneficiaries would consist of the public QRTs with no mandatory narrative.
- No minimum external audit requirements for the SFCR
- Remove the requirement to report solvency ratios without volatility adjustment (VA) and matching adjustment (MA)
- No new standard formula reporting for internal models
- Support data exchange as part of the EC Digital Finance Strategy and Supervisory Data Collection Strategy



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