EIOPA-19/512
15 October 2019

Technical specification of the information request on the 2020 review of Solvency II

Solo undertakings

1. Introduction

1. The European Commission issued in February 2019 a request to EIOPA for technical advice on the review of Solvency II.[1] EIOPA will provide this advice until June 2020. The advice will be accompanied by an impact assessment quantifying in particular its impact on the solvency position of insurance undertakings. In order to collect data for the impact assessment EIOPA is carrying out information requests to the insurance industry.
2. EIOPA published on 15 October 2019 a consultation paper on the Opinion that will set out its advice on the review of the Solvency II. Specific options and proposals from the consultation paper are subject to this information request. The information collected will inform EIOPA's final decision on the advice in 2020.
3. This information request is about the impact of specific single changes relating to:
   - Risk-free interest rate term structures
   - Technical provisions
   - Equity risk
   - Solvency Capital Requirement
4. An information request on the combined impact of all changes advised by EIOPA will be carried out in 2020.
5. This information request is addressed at insurance and reinsurance undertakings.

2. Timing

6. Following the launch of the information request, undertakings will be requested to submit results to their national supervisory authorities. After validating the submissions, national supervisory authorities will report this information to EIOPA.
7. EIOPA plans to disclose results from the information request as part of its Opinion on the 2020 review of Solvency II in June 2020. Results will only be disclosed in anonymised or aggregated way in order to ensure the confidentiality of company data.
8. The timeline for these steps is as follows:

16 October 2019	Launch of the information request
6 December 2019	Deadline for participants to submit results to their national supervisory authorities
9 December 2019 to 8 January 2020	Validation of results by national supervisory authorities
8 January 2020	Deadline for reporting of information from national supervisory authorities to EIOPA

Participants should stand ready to reply to possible requests of their national supervisory authorities for clarifications or resubmissions after the submission and until March 2020.

[1] https://ec.europa.eu/info/files/190211-request-eiopa-technical-advice-review-solvency-2_en

3. Technical specifications

3.1. Risk-free interest rate term structures

3.1.1. Specification of the sample

9. Two specific scenarios are being asked in this part. The first scenario relates to risk-free interest rate term structures that results from a DLT assessment (only for CZK, HUF, PLN, RON, CHF & USD). The second scenario relates to a risk-free interest rate term structure that is derived using an alternative extrapolation methodology (only for USD).

10. This part is subject to a specific preselection.

11. Scenario 1 on PLZ and HUF: Preselection for the cases where the DLT assessment leads to the choice of a different financial instrument (interest rate swaps instead of government bonds). Only relevant for undertakings from Poland and Hungary. The respective NSAs preselect insurance and reinsurance undertakings representative for their local market and covering at least 50% of the market share expressed in terms of technical provisions.

12. Scenario 1 on CZK, RON and CHF: Preselection for the cases where the DLT assessment only results in a change of the LLP, leaving the choice of financial instrument unchanged. Only relevant for undertakings from the Czech Republic, Romania and Liechtenstein. Insurance and reinsurance undertakings exceeding the following threshold are part of the preselection by NSAs.

    - Sum of cash-flows beyond 10Y is higher than 10% of the total sum of cash-flows

    $$\frac{\sum_{t>LLP} CF_t}{\sum_t CF_t} \leq 10\% \text{ materiality threshold not exceeded}$$

    $$\frac{\sum_{t>LLP} CF_t}{\sum_t CF_t} > 10\% \text{ materiality threshold exceeded}$$

    The preselected undertakings should be representative for undertakings from the local market that exceed the threshold and should cover at least 50% of the market share, expressed in terms of technical provisions, of all undertakings exceeding the threshold.

13. Scenario 1 & 2 on the USD: Only relevant for undertakings with significant liabilities denominated in USD. All undertakings exceeding the two following thresholds and where a material amount of the cash-flow beyond 30 years is denominated in USD were preselected to report on the impact of both scenarios:

    - First threshold: Sum of cash-flows beyond 30Y is a higher than 10% of the total sum of cash-flows

    $$\frac{\sum_{t>LLP} CF_t}{\sum_t CF_t} \leq 10\% \text{ materiality threshold not exceeded}$$

    $$\frac{\sum_{t>LLP} CF_t}{\sum_t CF_t} > 10\% \text{ materiality threshold exceeded}$$

    - Second threshold: At least 1/3 of the liabilities is expressed in USD

3.1.2. Specification of the requested information

14. This tab collects information on the impact of a new DLT assessment on the extrapolation of risk-free interest rates on the financial position of undertakings. This tab is only relevant for the undertakings that were preselected by their NSA.

15. Scenario 1 is a base case with risk-free rate term structures that relates to the outcome of changes in the DLT assessment (only relevant for the CZK, HUF, PLN, RON, CHF & USD) and to an alternative extrapolation methodology (USD). For all the other currencies the risk-free interest rates are unchanged.

16. Scenario 2 is a base case with risk-free rate term structures that has been derived using an alternative extrapolation methodology (only relevant for the USD). For all the other currencies the risk-free interest rates are unchanged.

17. The risk-free interest rate term structures for these scenarios are provided in the Excel file "LTG Information Request – Technical Information". The file also includes stressed term structures for the calculation of the interest rate risk sub-module of the SCR standard formula. For currencies not covered in the Excel file the risk-free interest rate term structures are unchanged in the scenarios.

18. The selected undertakings are requested to report <u>the impacted amounts</u> of the components included in the table below

19. To facilitate the analysis of the collected data, also information on the baseline financial position of the undertaking is collected. These data should be defined as in the respective cells in the annual reporting templates as follows:

	Template	Row	Column
Total Assets	S.02.01.01	R0500	C0010
Investments	S.02.01.01	R0070	C0010
Loans and mortgages	S.02.01.01	R0230	C0010
Reinsurance recoverables	S.02.01.01	R0270	C0010
Deferred tax assets	S.02.01.01	R0040	C0010
Technical provisions	S.02.01.01	R0510 + R0600 + R0690	C0010
Best estimate	S.02.01.01	R0540 + R0580 + R0630 + R0670 + R0710	C0010
Risk Margin	S.02.01.01	R0550 + R0590 + R0640 + R0680 + R0720	C0010
Technical provisions calculated as a whole	S.02.01.01	R0530 + R0570 + R0620 + R0660 + R0700	C0010
Deferred tax liabilities	S.02.01.01	R0780	C0010
Basic own funds	S.22.01	R0020	C0010
Excess of assets over liabilities	S.22.01	R0030	C0010
Eligible own funds to meet Solvency Capital Requirement	S.22.01	R0050	C0010
Solvency Capital Requirement	S.22.01	R0090	C0010
Eligible own funds to meet Minimum Capital Requirement	S.22.01	R0100	C0010
Minimum Capital Requirement	S.22.01	R0110	C0010

3.2. Technical provisions

20. In this tab information on the assumptions used by insurance undertakings for calculating best estimates is collected, especially when undertakings use a model to produce projections of future market parameters. It covers the following topics:

- Part 1: Contract boundaries,
- Part 2: Economic scenario generators and valuation of options and guarantees,
- Part 3: Modelling of policyholder behaviour,
- Part 4: Future management actions,
- Part 5: Assumptions on expenses

21. The purpose of the information request is to collect sufficient data from undertaking in order to assess the materiality of some potential divergent practices across jurisdictions.

3.2.1. Specification of the sample

22. The information request is addressed to a representative sample of insurance and reinsurance undertakings which should include a sufficient number of small and medium undertakings.

23. For each EEA country the undertakings belonging to the sample will be selected by the national supervisory authorities and should cover at least 50% (measured in technical provisions and for each line of business) of the undertakings in the local market.

24. Taking into account the topics under investigation, this tab is mainly designed for life and composite undertakings. It is thus expected that those undertaking provide information on the questions mentioned in all parts of the tab.

25. Other undertakings may also optionally provide information if relevant.

3.2.2. Specification of the requested information

Part 1: Contract boundaries

26. This part aims to collect information on the impact of contract boundaries for certain specific types of products falling in the scope of the legal provisions for which a clarification is being considered. It does not require any additional calculation as the figures that are being asked are the best estimates and the expected profits in future premiums. If these figures are not readily available, an approximation should be provided.

Part 2: Economic scenario generators and valuation of options ang guarantees

27. This part aims to collect information on the use of economic scenario generator (ESG) to then project liabilities cash flows by the insurance undertakings. For the undertakings that use ESG, some quantitative data are collected to analyse the impact of such use.

28. Question 7.1 (Cell C41) shall be answered by the whole sample. It collects information on whether the undertaking conducts a stochastic valuation of some (at least) of its liabilities using an ESG. "Yes" should be answered if there is a stochastic valuation. "No" should be applied if no stochastic valuation is conducted by the undertaking. If there is no products with options and guarantees, "Not applicable" should be answered.

29. Question 7.2 to 7.4 (Cells C42 to D44) only concerns undertakings that answered “Yes” to question 8.1.

30. Question 7.2 (C42 and D42) collects information on the scope of the Best Estimate that is estimated using a stochastic valuation and an ESG. The undertaking can either provide an exact value as a percentage of its total Best Estimate in cell C10, or an approximate answer in cell D10 if no exact answer is available.

31. Question 7.3 and 7.4 (C43 to D43) collects information on the impact of using an ESG.

32. The assessment of the impact could have been performed either through full recalculation of “non-stochastic” best estimates that can for instance be achieved by forcing the volatility in input of the ESG to 0. Il that case, the “exact” impact is expected to be reported in column C (cells C43 and C44 for question 7.3 and 7.4). If a partial recalculation (proxy estimation) or pure expert judgment is used, the impact can be reported in column D (cells D44 and D44 for question 7.3 and 7.4).

33. Question 7.3 collects figures on the impact on the Best Estimate as a percentage of its value in the Solvency 2 balance sheet of the undertaking.

34. Question 7.4 collects figures on the impact on the solvency ratio as an absolute amount of percentage points (e.g. +20 pp if an increase from 160 % to 180 % is observed).

Part 3: Modelling of policyholder behaviour

35. This part aims to collect information on the use dynamic policyholder behaviour, especially for lapses when insurance undertakings conduct stochastic valuation of liabilities. For the undertakings that use dynamic modelling, some quantitative data are collected to analyse the impact of such use.

36. Question 8.1 (Cell C50) shall be answered by the whole sample. It collects information on whether the undertaking uses a dynamic modelling of some (at least) of liabilities that are subject to lapses. “Yes” should be answered if there is a use of dynamic modelling. “No” should be applied if no dynamic modelling is used by the undertaking. If there is no liabilities subject to lapses, “Not applicable” should be answered.

37. Question 8.2 (Cell C51) shall be answered by the whole sample. It collects information on whether the undertaking uses a “bidirectional dynamic modelling” of some (at least) of liabilities that are subject to lapses. “Bidirectional dynamic modelling” means that the mean lapse rates could be subject to an increase or a decrease depending on the conditions embedded in the projected scenario. “Yes” should be answered if there is a use of bidirectional dynamic modelling. “No” should be applied if no bidirectional dynamic modelling is used by the undertaking. If there is no liabilities subject to lapses, “Not applicable” should be answered.

38. Question 8.3 to 8.5 (Cells C52 to D54) only concerns undertakings that answered “Yes” to question 8.1.

39. Question 8.3 (C52 and D52) collects information on the scope of the Best Estimate that is estimated using a stochastic valuation and an ESG. The undertaking can either provide an exact value as a percentage of its total Best Estimate in cell C10, or an approximate answer in cell D10 if no exact answer is available.

40. Question 8.4 and 8.5 (C53 to D54) collects information on the impact of using an ESG.

41. The assessment of the impact could have been performed either through full recalculation of “non-stochastic” best estimates that can for instance be achieved

by forcing the volatility in input of the ESG to 0. Il that case, the "exact" impact is expected to be reported in column C (cells C53 and C54 for question 8.4 and 8.5). If a partial recalculation (proxy estimation) or pure expert judgment is used, the impact can be reported in column D (cells D53 and D54 for question 8.4 and 8.5).

42. Question 8.4 collects figures on the impact on the Best Estimate as a percentage of its value in the Solvency 2 balance sheet of the undertaking.

43. Question 8.5 collects figures on the impact on the solvency ratio as an absolute amount of percentage points (e.g. +20 pp if an increase from 160 % to 180 % is observed).

Part 4: Future management actions

44. This part aims to collect information on the use of some future management actions by insurance undertakings when projecting cash flows for calculating best estimates. It especially lists some generic type of future management actions ans collect quantitative impacts of them on best estimates and SCR ratio (optional). It would then provide elements to determine whether there is a need of clarification in terms of definition for future management actions or in terms of setting up assumptions related to those future management actions, especially when new business shall be taken into account.

45. Question 9.1 (Cell C57) shall be answered by the whole sample. Questions10.1 to 10.4 only concerns undertaking that answered "Yes" to question 1, which means that they effectively use future management actions for best estimates calculation.

46. Then completion of the table listing some types of future management actions is expected. It covers future management actions concerning risk mitigations, future asset allocation, profit sharing and expenses. Especially

- *Reinsurance treaties that are assumed to be implemented or renewed*: some undertakings might consider that reinsurance treaties will be implemented or renewed over the projection period as this mitigation techniques is part of the strategy and practices of the insurance undertakings. In that case, costs (fixed or variable) for renewals are modelled.
- *Financial derivatives are assumed to be renewed*: some undertakings might consider that financial protection provided by the use of financial derivatives will be put in place / renewed over the projection period as this mitigation technique is part of the strategy and practices of the insurance undertakings. In that case, costs (fixed or variable) for implementation / renewal are modelled.
- *Asset duration is kept constant (potentially inside predefined boundaries) over the projection period:* undertakings usually take into account in their strategic allocation of assets some constraints for assets and liabilities management such as duration gap. As a consequence, some undertakings might consider that the duration over the projection period will remain constant as subscription of new business and collection of new premiums will maintain that practice. Others considers that the duration of the existing assets shall be adapted to the duration of liabilities included in the balance sheets, without taking into the collection of new premiums.
- *Allocation on certain types of assets risky (e.g. equity or property) is kept constant (potentially inside predefined boundaries) over the projection period*: undertakings could usually either consider a constant strategic allocation of assets or a variable allocation – notably a reduction of the part of risky assets - which depends on several factors (duration of liabilities, market conditions, etc…).

- *Profit sharing rules take into account business and premiums (and associated costs) that are outside the contract boundaries*: in order to model the future discretionary benefits, undertakings could consider either that profits/losses and costs associated to new business shall be included as it impacts the profit sharing rules or that this rule is not affected by future premiums not included in the contract boundaries.
- *Profit sharing rules for future discretionary benefits assumes realisation of unrealized capital gains or use of special reserves:* in order to model the future discretionary benefits, undertakings could consider either that they will use reserves or unrealized capital gains to pay the target rate to policyholders or that they will reduce the served rate without assuming any change in those reserves/unrealized capital gains.
- *Expenses assumptions (per unit or per amount) are kept constant over the projection period:* Some undertakings may consider that expenses allocated to the projected business will remain constant over time. Some others might consider variations linked to new business or to specific program concerning costs reduction.

47. Question 10.1 (Cells C64 to I64) collects information on different generic types of future management actions. Undertakings are invited to answer as follow:

- *Reinsurance treaties that are assumed to be implemented or renewed*: "Yes" when they effectively use the FMA as described (implementation or renewal of reinsurance treaties), "No" when they use a different assumption (e.g. no renewal), and "Not applicable" when they do not have a recourse of such type of FMA (e.g. no reinsurance embedded in the calculation).
- *Financial derivatives are assumed to be renewed*: "Yes" when they effectively use the FMA as described, "No" when they use a different assumption (e.g. no renewal), and "Not applicable" when they do not have a recourse of such type of FMA (e.g. no use of financial derivatives embedded in the calculation).
- *Asset duration is kept constant (potentially inside predefined boundaries) over the projection period:* "Yes" when they effectively use the FMA as described, "No" when they use a different assumption (e.g. duration decreases over the projection period), and "Not applicable" when they do not have a recourse of such type of FMA.
- *Allocation on certain types of assets risky (e.g. equity or property) is kept constant (potentially inside predefined boundaries) over the projection period*: "Yes" when they effectively use the FMA as described, "No" when they use a different assumption (e.g. derisking over the projection period, depending or not to market conditions), and "Not applicable" when they do not have a recourse of such type of FMA.
- *Profit sharing rules take into account business and premiums (and associated costs) that are outside the contract boundaries*: "Yes" when they effectively use the FMA as described, "No" when they use a different assumption (e.g. no costs/profits associated to future business is modelled to calculate the profit sharing), and "Not applicable" when they do not have a recourse of such type of FMA.
- *Profit sharing rules for future discretionary benefits assumes realisation of unrealized capital gains or use of special reserves:* "Yes" when they effectively use the FMA as described, "No" when they use a different assumption (e.g. modification of the rate provided to policyholder rather than using resources

linked to special reserves or unrealized capital gains), and "Not applicable" when they do not have a recourse of such type of FMA.

- *Expenses assumptions (per unit or per amount) are kept constant over the projection period:* "Yes" when they effectively use the FMA as described, "No" when they use a different assumption (e.g. expenses are modified due to assumption on new business or program related to costs reduction), and "Not applicable" when they do not have a recourse of such type of FMA.
- Question 10.2 to 10.4 (Cells C65 to I67) collect information on analysis already performs by the sample on the materiality of those type of FMA. For question 10.2, undertakings are invited to answer "Yes" when they effectively assessed the impact of that type of FMA, "No" when they never assessed it and "Not applicable" when they do not have a recourse of such type of FMA. The assessment could have been performed either through full recalculation of best estimates not taking into account the FMA, partial recalculation (proxy estimation) or pure expert judgment. For question 10.3, the materiality of the impact is expressed in percentage of the total best estimate. For question 10.4 (optional) the materiality of the impact is expressed in percentage points on the SCR ratio.

48. Question 10.5 (Cells C68 to I68) is optional and collect any additional information that might be considered as relevant.

Part 5: Assumptions on expenses

49. Assumptions on investment management expenses may have impacts on technical provisions. So, as part of the current assessment the undertakings should describe how the investment management expenses have been addressed in the current calculation model.

50. Quantitative assessment includes the following different investment management expense versions:

- *Baseline*: Expense assumptions are the same as the undertakings uses at the moment,
- *Investment expenses of assets covering Solvency 2 technical provisions*: The share of investment expenses that is equal to the share of SII technical provisions from all assets,
- *Investment expenses covering Solvency 2 technical provisions plus the SCR*: The share of investment expenses that is equal to the share of SII technical provisions plus the SCR from all assets. In order to avoid circular calculations, the investment expense share of SCR in technical provision calculations is not affected by the increase of SCR after calculation of SCR,
- *All investment expenses*,
- *Investment expenses covering local GAAP technical provisions*: The share of investment expenses that is equal to the share of GAAP technical provisions from all assets.

51. Investment management costs means both administration and trading costs.

3.3. Equity risk measures

3.3.1. Specification of the sample

52. This part of the information request is addressed to a representative sample of insurance and reinsurance undertakings subject to Solvency II which calculate their SCR with the standard formula. The sample should be representative of the different types of undertakings (life, non-life and composite insurance undertakings and reinsurance undertakings) and size (small, medium and large), including both being part of a group and not.

53. For each EEA country the undertakings belonging to the sample will be selected by the national supervisory authorities and should cover at least 50% (measured in technical provisions) of the undertakings in the local market that apply the SCR standard formula.

3.3.2. Specification of the requested information

<u>Tab "Equity risk"</u>

54. In this tab, focus is on the provisions for LTE. It asks for information on the impact of the introduction of the LTE on the solvency position of undertakings. Furthermore, the impact of potential amendments to the provisions should be assessed.
55. The request is necessary because the Quantitative Reporting Templates (QRT) do not include all the data necessary for the opinion as the provisions on long-term equity (LTE) have only been recently introduced in the Delegated Regulation.
56. Participants are requested to submit the relevant information in a reporting template provided for this purpose. Further specifications on the contents of the reporting template are provided below.
57. In line 10, the impact of excluding controlled intra-group investments from the scope of LTE according to Art.171a of the Delegated Regulation should be assessed[2]. In column "E", undertakings are requested to answer with a simple yes/no question, whether they expect any impact of such exclusion on their scope for LTE. In case undertakings answer with "yes" - columns "F", "G", "H" and "I" should reflect the share of LTE (expressed as percentage) that would be negatively impacted[3]. When the result is a reduction of scope, the percentage shall be negative. In case undertakings answer with "no" – columns "F", "G", "H" and "I" can be left blank. Additional comments or explanations can be provided in column "J".
58. In line 11, undertakings are asked to estimate the impact of a provision to the LTE provisions, namely that the portfolio of LTE equities should be diversified[4]. The information should be provided similarly to line 10.
59. The tables in lines 13 to 46 should provide an overview of the allocation of equity investments according to the SCR standard formula. The format is similar to that of the QRT S.26.01. Numbers should be provided consistently with that template. The baseline information (lines 13 to 24) can be directly taken from the QRT submission as at year end 2018. The table includes the value of the investments

[2] On background to this option please cf. the draft opinion that is put for consultation (include link), para 2.908 ff.

[3] The percentage should be calculated assuming the status quo as a basis.

[4] On background to this option please cf. the draft opinion that is put for consultation (include link), para 2.935 ff.

before application of the equity risk shocks as well as gross and net capital charges. These figures are included to allow for easier comparison with the following table.

60. The second table (lines 26 to 46) provides for the allocation of equity investments after the introduction of the LTE provisions. As the LTE provisions did not apply as at year end 2018, undertakings are asked to provide the information as if the provisions would have applied.

61. Information on the total solvency capital requirement for equity risk gross and net is also provided to assess the impact of the introduction of the LTE provisions on the equity risk charge.

62. In column I and J, the total solvency capital risk gross and net is asked to assess the impact of the introduction of the LTE provisions on the total solvency capital requirement.

3.4. Solvency Capital Requirement

3.4.1. Specification of the sample

Interest rate risk, property risk, CAT risks, non-proportional reinsurance and definition of risk-mitigation techniques

63. These parts of the information request are addressed to a representative sample of insurance and reinsurance undertakings subject to Solvency II which calculate their SCR with the standard formula. The sample should be representative of the different types of undertakings (life, non-life and composite insurance undertakings and reinsurance undertakings) and size (small, medium and large), including both being part of a group and not.

64. For each EEA country the undertakings belonging to the sample will be selected by the national supervisory authorities and should cover at least 50% (measured in technical provisions) of the undertakings in the local market that apply the SCR standard formula.

CAT risks (tabs whose name starts with 'SCR – CAT')

65. This part of the information request should be addressed to the sample specified above, enlarged by insurance and reinsurance undertakings that apply an internal model to calculate the SCR.

66. The rationale underlying the request for CAT risks is to share with the market the average policy conditions (in terms of lower limits – deductibles – and upper limits – loss limits) expressed in percentage of their total sum insured for each of the 5 perils in the Standard Formula by country, underlying LoB and exposure type (for property LoBs – residential, commercial, industrial and agriculture), where relevant. Sharing these average policy conditions is eventually meant to facilitate the application of the alternative calculation method allowing undertakings to cap their losses to their loss limits (cf. subparagraph added to the paragraph 6 of the articles 121 to 125 in the amended Delegated Regulation of 8 March 2019 entered into force on 8 July 2019).

Contingent capital & convertible bonds (tab 'SCR – Fin. inst. reducing SCR')

67. This part of the information request should be addressed to the sample specified above, enlarged by insurance and reinsurance undertakings that apply an internal model to calculate the SCR.

68. For each EEA country these undertakings will be selected by the national supervisory authorities and should cover at least 50% (measured in technical provisions) of the undertakings in the local market that apply an internal model.

3.4.2. Specification of the requested information

Interest rate risk

69. Participants are requested to provide information about the calculation of the SCR for end of 2018 according to the current interest rate risk sub-module ('Base') and according to three recalibration scenarios ('Scenario 1', 'Scenario 2' and 'Scenario 3').
70. The stressed risk-free interest rate term structures for scenarios 1 to 3 are set out in the file Technical Information interest rate risk.
71. For the base scenario and the three scenarios the following information should be provided:
    - SCR for interest rate risk (gross and net)
    - Relevant scenario for the interest rate risk calculation (up or down shock for both gross and net)
    - Market risk SCR (gross and net)
    - BSCR
    - SCR
    - MCR
    - Eligible own funds to cover the SCR
    - Eligible own funds to cover the MCR
    - Loss-absorbing capacity of technical provisions/deferred taxes
    - Assets/liabilities
72. Undertakings with immaterial exposure to interest rate risk may apply approximations in carrying out the scenario calculations.

Property risk

73. Provided the value of indirectly held property assets (i.e. certain assets allocated to CIC 4 – Complementary Identification Code – which are subject to the property risk sub-module shock excluding direct property investments) exceeds 20% of the overall value of property assets held, participants should report the Solvency II value of their property investments indirectly held per country (EEA as well as non-EEA countries) where the property is located and per type (commercial or residential).
74. In addition participants should report the CIC category and sub-category of each of these real estate investments (list and definitions of these codes are available here).
75. The request relates to all types of investment at the end of 2018 that are sensitive to the shock scenario specified in the property risk sub-module of the SCR standard formula, but excluding direct property investments. This should include property investments in related investment undertakings, which would have been subject to the property risk sub-module if look-through had been applied.

CAT risks

76. Participants should report their average policy conditions (in terms of lower limits – deductibles – and upper limits – loss limits) expressed in percentage of their total sum insured, as well as their absolute total sum insured for each of the 5 perils in the Standard Formula by country, underlying LoB and exposure type (for property LoBs – residential, commercial, industrial and agriculture), where relevant.

77. For both the lower and upper limits of the policy conditions, participants should report a best estimate over the region (country) covered, as well as lower and upper bounds around this best estimate.

78. For each participant reported total sum insured per peril should amount to at least 80% of the overall total sum insured for each peril.

Non-proportional reinsurance (tab 'SCR – NP reinsurance')

79. Undertakings should provide, where applicable, a data series on the use of adverse development and finite reinsurance covers over the past 5 underwriting years of such covers until 2018, expressed in technical provisions reinsured, by LoB or group of LoBs covered.

80. The cells in the column 'Cover ID' should be filled in with unique sequential numbers aimed at unequivocally identifying each of these reinsurance covers.

81. When more than 1 LoB are affected by a specific cover, participants are requested to use as many rows as affected LoBs and thus to duplicate the relevant information as necessary while keeping the same 'Cover ID'.

Definition of risk-mitigation techniques (tab 'SCR – RMT definition')

82. Participants are requested to check whether the risk-mitigation techniques that they recognised in the SCR calculation for end of 2018 comply with the following description:

The undertaking shall be able to show the extent to which there is an effective transfer of risk in order to ensure that any reduction in SCR or increase in available capital resulting from its risk transfer arrangements is commensurate with the change in risk that the insurer is exposed to.

The SCR and available capital shall reflect the economic substance of the arrangements that implement the technique. When calculating the Basic Solvency Capital Requirement, insurance or reinsurance undertakings shall only take into account risk-mitigation techniques as referred to in Article 101(5) of Directive 2009/138/EC where:

- *the reduction in the SCR requirements, or increase in the available capital is commensurate with the extent of risk transfer, and*
- *there is an appropriate treatment within the SCR of any corresponding risks that are acquired in the process.*

83. In case participants recognised risk-mitigation techniques that did not comply with that description, they should recalculate the SCR without recognising those techniques and report the result, separately for the SCR and the modules of the

SCR (non-life underwriting risk, life underwriting risk, health underwriting risk, market risk, counterparty default risk.

84. For internal model users, the SCRs by risk category mentioned in the previous paragraph should be reported on a best-effort-basis.

<u>Contingent capital and convertible bonds (tab 'SCR – Fin. inst. reducing SCR')</u>

85. Participants are requested to report whether contingent capital or convertible bonds were taken into account to reduce the SCR in the calculation for end of 2018.

86. Where it was the case participants should recalculate the SCR without recognising contingent capital or convertible bonds and report the result, separately for the SCR and the modules of the SCR (non-life underwriting risk, life underwriting risk, health underwriting risk, market risk, counterparty default risk.

87. For internal model users, the SCRs by risk category mentioned in the previous paragraph should be reported on a best-effort-basis.