IMPACT ASSESSMENT ON REPORTING AND DISCLOSURE ITS AMENDMENTS 2021

EIOPA-BoS-21/296
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European Insurance and
Occupational Pensions Authority

1. Introduction

1.1 According to Article 15 of the EIOPA Regulation[1], the Authority conducts analysis of costs and benefits in the policy development process. The analysis of costs and benefits is undertaken according to an Impact Assessment methodology. The draft amendments to the ITS and this Impact Assessment are subject to a public consultation. Stakeholders' responses to public consultation serve as a valuable input in order to revise the policy proposals.

1.2 The current impact assessment is largely based on the assessment prepared as part of the Solvency II Review 2020 while it has been further revised to reflect the new proposals that initially were not part of the 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).

1.3 The topics that have been further elaborated e.g. IGT and RC templates and the thresholds have been additionally assessed and included.

1.4 The impact assessments include the outcomes of the information request launched by EIOPA in parallel to the public consultation of the Opinion on the SII Review 2020, between mid-October and mid-December 2019 covering the administrative costs and benefits of the proposals based on the:

- Information request to undertakings on the cost and benefit of the proposals;
- Information request to NSAs on the cost/benefit of proposals.

1.5 The administrative costs and benefits of the proposals based on the information requests launched by EIOPA in 2019 are reflected in the "Holistic impact assessment" part while the impact of the selected policy options are covered under the "ITS amendments 2021 part".

[1] Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC *OJ L 331, 15.12.2010, p. 48–83.*

2. Impact assessment

Problem definition

2.1. Following the work on the Solvency II review, on a number of occasions, the experience with the information from the supervisory reporting have identified the need to review the reporting and disclosure requirements following fit-for purpose reporting e.g. removing the unnecessary and/or redundant information and requesting new information that is needed for the supervisory review. Insufficient information to carry out an appropriate supervisory review risks insufficient policyholder protection and potentially unlevel supervisory approaches in the European Union. Further, inappropriate supervisory data may disguise important information on business behaviours, trends and developments that are relevant for the analyses of risks and financial stability of the insurance and reinsurance sectors. However, redundant or excessive information requirements pose an inappropriate burden on insurance and reinsurance undertakings.

Impact on policyholder protection

2.2. The following tables provide an overview on the specific objectives of the ITS amendments on reporting and disclosure 2021 which are expected to enhance policyholder protection by contributing to effective and efficient supervision, whilst taking into account the need for proportionate approaches. The ITS amendments following the 2020 review of the content of the QRTs template by template is aimed to better reflect proportionality and to reflect supervisory needs by improving the information required on existing templates and by creating new templates when needed.

Table 1 – Impact of ITS amendments 2021 on policyholder protection

ITS amendments 2021	**Policyholder protection (positive impact)**					
Legislative changes	Adequate market-consistent technical provisions	Adequate risk sensitive capital requirements	Good risk management	Effective and efficient supervision	Improving proportionality	Policyholder protection in resolution/liquidation
QRT				X	x	

Impact on financial stability

2.3. The changes proposed in the area of financial stability provide additional data points and information, which have been identified as key to the ongoing monitoring and analysis of financial stability risks across Europe. As well as this, the additional data will feed into relevant EIOPA publications such as the Financial Stability Report, and EIOPA's Risk Dashboard, both of which are key tools in communicating Europe wide financial stability trends and risks directly to the public. The additional information requested is a result of gaps identified in the current supervisory reporting by relevant experts in the risks and financial stability area.

Table 2 – Impact of Financial stability guidelines proposals on financial stability

Pillar III	Financial stability (positive impact)					
Legislative changes	Sufficient loss-absorbency capacity and reserving	Discouraging excessive involvement in products/ activities with greater potential to pose systemic risk	Discouraging risky behaviour	Discouraging excessive levels of direct and indirect exposure concentrations	Limiting procyclicality and/or avoiding artificial volatility of technical provisions and eligible own funds	Orderly resolution of (re)insurance undertakings and groups
Financial stability	x			x		

Impact on internal market

2.4. The proposed legislative changes are expected to contribute to the proper functioning of the internal market, in particular by improving transparency and allowing better comparability.

Table 3 – Impact of ITS amendments 2021 proposals on proper functioning of the internal market

ITS amendments 2021	Proper functioning of the internal market objectives (positive impact)		
Legislative changes	Ensuring a level playing field through sufficiently harmonised rules	Effective and efficient supervision of cross-border business	Improving transparency and better comparability
QRT	x		x

Costs for industry

2.5. Between October and December 2019, as part of the Solvency II Review 2020 EIOPA performed a survey to insurance and reinsurance undertakings and a survey to groups about the expected costs and benefits of the proposals in the Consultation Paper of the Opinion on the 2020 review of Solvency II. The part covered also the proposals regarding changes in the QRTs and for this reason are included in the current document.

2.6. The survey for insurance and reinsurance undertakings was responded by 357 individual undertakings from 29 EEA Member States[2] with an EEA market of 32% in terms of total assets and 42% in terms of technical provisions[3].

[2] AT, BE, BG,CY, CZ, DK, EE, ES, FI, FR, GR, DE, HR, HU, IS, IE, IT, LI, LT, LU, LV, NL, NO, PL, PT, RO, SE, SI, SK

[3] 87% of undertakings in the sample reported technical provisions higher than 50 million Euro at 31 Dec 2018.

2.7. The survey was focused on the potential one-off and on-going costs for (re)insurance undertakings from the proposed legislative changes regarding number of proposals.

2.8. Around 21% of undertakings reported an estimation of the cost reduction related to the templates proposed to be deleted from the ITS on Reporting. The average cost reduction as a percentage of their total assets would amount 0.0001%. 12% of undertakings reported an estimation of the cost reduction related to the thresholds introduced in the templates regarding the ITS on Reporting (in case the company would face a reduction in reporting due to those thresholds). The average cost reduction as a percentage of their total assets would amount 0.0003%.

2.9. Approximately 61% of undertakings reported an estimation of the one-off costs on new reporting requirements split per topic. The average total cost as a percentage of their total assets would amount 0.0017%. 56% of undertakings reported an estimation of the on-going costs on new reporting requirements split per topic. The average total cost as a percentage of their total assets would amount 0.0010%.

2.10. The following table provides an overview on how the costs on the new reporting requirements as publicly consulted in 2019 are split per topic.

2.11. The underlying calculation of the costs is the same for one-off and estimated on-going costs and is an aggregate, computed as:

$$\frac{\text{Total cost per category (one for each of the 8 categories) for all undertakings in the survey (IM + SF)}}{\text{Total cost for all undertakings in the survey (IM + SF)}}$$

This has been done for the 8 categories as publicly consulted in 2019 e.g. cross-border business; full look-through information; product by product information for life; product by product information for non-life; cyber risk; variation analysis; internal models SF and internal models specific info.

2.12. It is worth noting that the current ITS amendments do not propose changes in the full look-though information and the internal models SF. However, the numbers below are kept as they reflect the answers provided in the survey.

Table 4- Split of estimated additional reporting costs per topic

	1. Cross-border business	2. Full look-through information:	3. Product by product information for Life	4. Product by product information for Non-Life	5. Cyber risk	6. Variation analysis	7. Internal models SF	8. Internal models specific info
One-off	11%	16%	11%	11%	16%	18%	10%	7%
Estimated on-going	7%	19%	12%	10%	10%	18%	19%	5%

2.13. The equivalent aggregate calculation for IM reporting (category 8) that only includes IM undertakings that submitted EUR data (24 undertakings) is 15% of the total cost for the one-off implementation and 12% of the total cost for the estimated on-going reporting.

2.14. With respect to the QRTs, the increased burden for undertakings derived from the need to report extra information (i.e. new templates or new data in existing templates) is compensated by the reduction of burden due to the streamlined content of existing templates (i.e. deletion or simplification) and in particular by reinforcing the risk-based thresholds to increase proportionality.

2.15. It is worth mentioning that some of the thresholds have been further revised and new ones introduced that aim to furder decrease the reporting burden. In addition, in the area of variation analysis reporting, only one of the newly proposed template has been introduced following the support received from the stakeholders.

Costs for supervisory authorities

2.16. Between October and December 2019, EIOPA performed a survey to National Supervisory Authorities about the expected costs and benefits of the proposals in the Consultation Paper of the Opinion on the 2020 review of Solvency II.

2.17. Regarding reporting and disclosure the expected increase of cost is presented in the table below:

2.18. Table 5 - Significant one-off costs for NSAs

Legislative changes	**NSAs which expect significant one-off costs**
14. QRT- solo	68%
15. QRT- groups	50%

Table 6 – Increase of on-going costs for NSAs

Legislative changes	**NSAs which expect an increase of on-going costs**
14. QRT- solo	25%
15. QRT- groups	14%

3. ITS amendments 2021 on reporting and disclosure

Reporting and disclosure at solo and group level

3.1. In the impact assessment of the ITS amendments on reporting and disclosure considering Quantitative Reporting Templates (QRTs) at solo and group level, EIOPA has duly analysed the costs and benefits of the main options considered; these options are listed in the table below.

Policy issues	Options
1. Review the adequacy of the content of the supervisory reporting package both at solo and group level	1.1 No change 1.2 Review the requirements template by template to better reflect proportionality 1.3 Review the requirements template by template to better reflect proportionality and supervisory needs by improving existing templates and creating new templates when needed

3.2. This document addresses the ITS amendments both of reporting and disclosure at solo and group level.

Analysis of impacts of the review of adequacy of the supervisory reporting package

3.3. EIOPA focused on addressing several questions on the current regular or ad-hoc use of QRTs, to assess the use of the QRTs, and on the possible amendments that could be applied to the current reporting package to capture possibly missing information and to cut possibly redundant information.

Policy issue 1: Review the adequacy of the content of the supervisory reporting package		
Option 1.1: No change		
Costs	Policyholders	No additional costs are expected as the framework is kept as of today
	Industry	As the reporting systems are build and the reporting processes are already established, no additional costs are envisaged. However, there are areas where the reporting cost and burden could be potentially reduced by streamlining requirements, while continuing to ensure financial stability, market integrity, and protection of policyholders. No change imply minimum costs associated to the reporting of information that is not regularly used by supervisors.
	Supervisors	Additional costs might arise in case ad-hoc information is needed in the supervisory areas where gaps of information were identified. Supervisory resources might not be optimally used in cases where proportionality can be further strengthened. Consideration on applying no change to the current reporting package would not take into account the gaps identified by supervisors during the last 3 years of use of the templates and would limit the improvement of the Supervisory Review Process. It will also not allow to further enhance the use of thresholds, countering to further the application of proportionality considerations.
	Other	N/A
Benefits	Policyholders	No material benefit is expected
	Industry	No material benefit is expected.
	Supervisors	No material benefit is expected.
	Other	N/A
Option 1.2: Review the requirements template by template to better reflect proportionality		
Costs	Policyholders	No material costs are expected.
	Industry	The application of proportionality will allow requirements to be implemented in ways that are less complex and therefore less burdensome. On-going reporting burden on supervised entities would be partially relieved. However, some initial costs might be foreseen to adapt reporting systems to the new supervisory reporting package.

		Costs are expected to be *una tantum* and are expected to be offset by the reduced reporting burden.
	Supervisors	Some potential costs are expected, as it might be necessary to adapt systems to receive the new supervisory reporting package. However, some costs might also be reduced thanks to the reduced redundancy of information. Not receiving information on the full market might be seen as a cost as well as it impacts the time series of the information within the supervisors database.
	Other	For EIOPA not receiving information identified as important and missing for financial stability, market integrity, and protection of policyholders might be seen as a cost.
Benefits	Policyholders	No material benefits are expected.
	Industry	Proportionality regarding the nature, scale and complexity of the risk undertakings face is further enhanced taking into account lessons learnt. The application of an increased degree of proportionality would be in line with the urgent need for improvement of the supervisory reporting package identified by the feedback provided by the industry via the COM Fitness Check on Supervisory Reporting and via EIOPA Call for input. The proportionality is further strengthen via embedded proportionality and via risk-based thresholds in some templates that have been revised to fully reflect the nature, scale and complexity of the risk exposure of the risk area covered by each template.
	Supervisors	Supervisory information needed for the purposes of fulfilling national supervisory authorities' responsibilities under Directive 2009/138/EC is kept. However the potential gaps identified are not addressed.
	Other	-
Option 1. 3: Review the requirements template by template to better reflect proportionality and supervisory needs by improving existing templates and by creating new templates when needed (preferred)		
Costs	Policyholders	No material costs are expected.
	Industry	Same observations as those highlighted in Option 1.2. In addition, costs might be impacted by the need to reflect or produce additional information. Additional costs are expected in modification of the reporting systems and in case of undertakings with more complex risk-profile, for the reporting of cyber risk, cross-border business, sustainable finance and internal models. However, in the long term decrease in costs is expected as the reporting is kept to the fit for the purpose – the inefficiencies of reporting are removed and thresholds are revised.
	Supervisors	Same observations as those highlighted in Option 1.2. In addition to this, the costs might be impacted by the need to process the newly required information.
	Other	For EIOPA, additional costs are expected by the need to process the newly required information.
Benefits	Policyholders	Policyholder protection is enhanced by a reporting package which is fit-for-purpose and eliminates the inefficiencies of reporting.
	Industry	The submission of information (i.e. templates) on a risk-based approach shall guarantee that information sharing is proportionate to the risks insisting on undertakings, but also to the nature, scale and complexity of those risks. The application of the revised thresholds will affect the costs which are expected to be substantially reduced immediately for less complex undertakings. EIOPA's proposal applies proportionality and risk-based principles in a way that will translate in a material reduction of reporting for simple less complex undertakings, while for undertakings with more complex risk-profile, for example covering cyber risk, with material cross-border business and using internal models there are additional costs expected. The proposed deletion of some templates will in addition reduce the current costs. Furthermore, the alignment of the

		reporting on IGTs and RCs to the FiCo templates on IGTs and RC[4] will support the principle of consistency with other financial sectors, reduced complexity and burden on industry. The reporting package will be more fit-for-purpose.
	Supervisors	Supervisory authorities will receive information at the required level of detail to pursue their supervisory duties according to Directive 2009/138/EC. The elimination of redundant information, the improved structure in which information is provided and the provision of additional information driven by supervisory needs, will enhance risk-based supervision and protection of policyholders.
	Other	-

3.4. With regards to option 1.1 neither additional material costs nor cost reductions are expected as it keeps the status quo. Option 1.3 is considered to bring additional costs (especially for more complex undertakings reporting cyber risk, cross border business and internal models) which are expected to decrease in the long term as the reporting is kept to the fit for the purpose – the inefficiencies of reporting are removed and thresholds are revised while also new ones are introduced.

3.5. As far as impacts of possible changes are concerned, options 1.2 and 1.3 mainly imply IT rearrangements for reporting systems (both for undertakings delivering information and for supervisory authorities processing it) and staff costs (e.g. for training). In addition, the initial costs for implementation of the proposals are foreseen to be una tantum and foreseen to decrease in the long term.

3.6. According to the time horizon, the aforementioned costs are likely to impact mainly in the short-term the implementation in the IT systems. Costs are expected to be substantially reduced immediately for less complex undertakings while for more complex undertakings a decrease in costs might instead occur in the long-run once the new infrastructure is fully set up and working.

3.7. In terms of expected benefits, option 1.1 is not anticipated to reduce the reporting burden or to increase proportionality because it keeps the status quo. Option 1.2 is expected to reduce the reporting burden for less complex and risky undertakings but does not lead to the necessary degree of information for supervisory authorities. Option 1.3 is expected to bring the same benefits of option 1.2, plus the value-added brought by the removal of the unnecessary information and request additional information so that the reporting is fit-for-purpose.

3.8. Therefore, the reporting package has been revised through:

- Deletion of currently existing templates, which are not regularly used;
- Changes to already existing templates, simplifying them whenever possible and adding missing information;
- Aligning the reporting of IGT and RC at group level and at solo level with the reporting requirements for financial conglomerates considering the different specificities of the insurance business;
- Addition of new templates to reflect supervisory needs;

[4] The templates as currently included in the draft TS "Final Report on draft implementing technical standards on the reporting of intra-group transaction and risk concentration under Article 21a (2b) and (2c) of Directive 2002/87/EC"

- Revision of the thresholds and introduction of new ones.

Evidence

3.9. The analysis is based on the work done as part of the Solvency II Review on reporting and disclosure 2020 where the following evidence has been used:

- Public Call for input from stakeholders (December 2018 – February 2019);
- Public workshops on Reporting and Disclosure over the period 2019-2021 year, including ECB/EIOPA/NCB/NCA Workshops with industry;
- Stakeholders' feedback to the Commission public consultation on fitness check on supervisory reporting;
- Stakeholders' feedback during the Public consultation of the Reporting and Disclosure Review both at solo and group level during 2019.

In addition, as part of the ITS amendments 2021 the following event has been held:

- Public workshops on ITS amendments 2021 on Reporting and Disclosure pre-public consultation.

The amendments on the thresholds is proposed following an impact assessment of the application of different thresholds.

1.1. The thresholds have been further analysed in order to enhance proportionality.

1.2. New thresholds have been introduced.

1.3. Whenever the impact of the threshold change is considered to not be materially different from the current one, the change is not proposed.

<u>The assessments are included below as per the following templates:</u>

1.4. *<u>Template S.02.02</u>* - Assets and liabilities by currency

EIOPA proposal: limit to liabilities and decrease the threshold from the current 90% to 80%

Impact: Only liability side, with 80% threshold

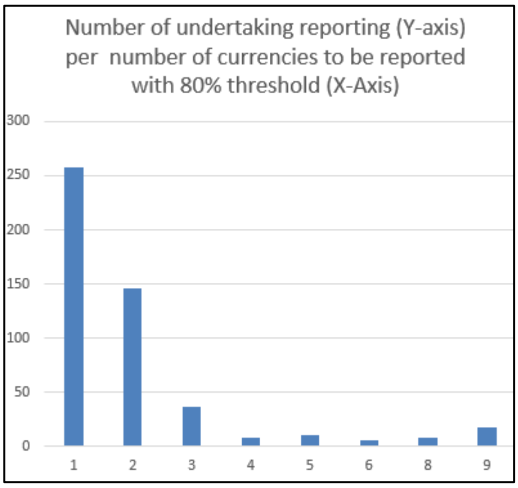
	Reported in annual 2019		with 90% liabilities threshold		with 80% liabilities threshold	
	Nr. of entities reporting the template	Nr. of reported currencies	Number of entities	Number of currencies	Number of entities	Number of currencies
Solos	640	1899	427	723	351	490
Groups	102	533	73	145	58	86

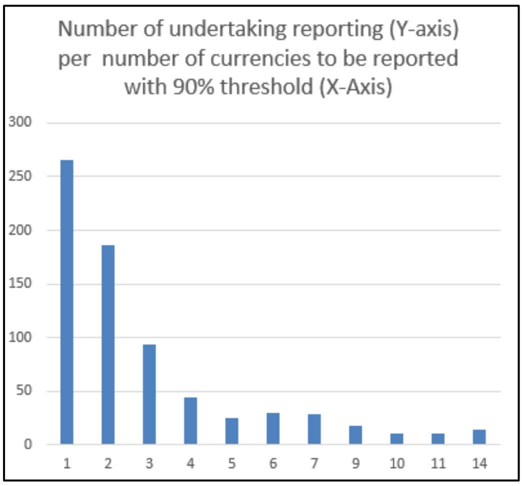
Currently 640 solos are reporting 1899 material currencies.

With a 90% threshold of liabilities, 427 solos and 73 groups would need to report the template.

With an 80% threshold of liabilities, 351 solos and 58 groups would need to report the template.

The step from 90% to 80% impacts 188 solos and 42 groups, either by not reporting anymore the template or by reducing at least one currency.





1.5. *Template S.03.01* - Off-balance sheet items – General

Currently the template has no threshold.

New threshold proposed: Amount of any of the following additions is higher than 2% of the total Assets:

- o R0010/C0020: Guarantees provided by the undertaking, including letters of credit + R0300/C0020: Total collateral pledged + R0400/C0010: Total Contingent liabilities
- o R0030/C0020: Guarantees received by the undertaking, including letters of credit + R0200/C0020: Total collateral held.

Impact of the 2% threshold	number of entities	in value of numerator of first threshold	in value of numerator from second threshold
Annual SOLO & 3CB (incl ECB)			
Would need to report	575	97.8%	97.9%
Would not be reported anymore	489	2.2%	2.1%
Annual Solvency II reporting Group			
Would need to report	109	98.6%	98.3%
Would not be reported anymore	98	1.4%	1.7%

1.6. *Template S.07.01 - Structured products* – the current threshold and the impact of the different options have been analised but decided to keep as of today

S.07.01 Structured products										
	above 10%			Between 5% and 10%			smaller 5%			
Row Label	number	%number	%value	number	%number	%value	number	%number	%value	Total number
Solo	79	10%	12%	79	10%	28%	599	79%	60%	757
Group	9	7%	2%	13	10%	22%	103	82%	76%	125

Total number is based on all entities that reported structured products in the list of assets

1.7. *Template S.10.01 - Securities lending and repos* - the current threshold and the impact of the different options have been analised but decided to *keep as of today*

S.10.01 Securities lending and repos										
	above 10%			Between 5% and 10%			smaller 5%			
Row Label	number	%number	%value	number	%number	%value	number	%number	%value	Total number
Solo	15	13%	61%	20	17%	33%	82	70%	6%	117
Group	4	14%	85%	6	21%	13%	19	66%	2%	29

Total number is based on all entities rpeorting the template in annual reporting 2019

1.8. *Template S.11.01 - Assets held as collateral* - the current threshold and the impact of the different options have been analised but decided to *keep as of today*

S.11.01 Assets held as collateral										
	above 10%			Between 5% and 10%			smaller 5%			
Row Label	number	%number	%value	number	%number	%value	number	%number	%value	Total number
Solo	162	32%	99.97%	74	14%	0.02%	278	54%	0.01%	514
Group	31	24%	72.39%	18	14%	13%	82	63%	15%	131

Total number is based on all entities reporting the template in annual reporting 2019

No threshold in ITS. Values calculated as ratio of sum of C0120 "total amount" compared to total investments (C0070+C0220) from balance sheet.

1.9. *Template S.12.01 - Life and Health SLT Technical Provisions – template has no threshold as of today. Analysing the different options, the proposal is to keep the status quo*

- TP and BE

A	B	C	D	E	F	G
	Current SII Market coverage		Scenario 1: 70% threshold			
NCA_CTR	TP and BE (R0010, R0030)	No of Lines of business	TP excl. (EUR)	TP excl. (%)	LoB excl. (no.)	LoB excl. (%)
AT	80,955,525,922	93	11,682,816,528	14.40%	59	63.40%
BE	257,154,222,942	111	37,133,192,790	14.40%	65	58.60%
BG	630,478,548	29	33,239,231	5.27%	13	44.80%
CY	1,743,688,755	32	157,412,691	9.03%	19	59.40%
CZ	7,917,222,342	44	1,090,618,844	13.80%	23	52.30%
DE	1,543,087,144,441	558	94,615,939,967	6.13%	266	47.70%
DK	336,355,838,913	68	10,744,099,229	3.19%	28	41.20%
EE	1,054,230,022	13	113,688,383	10.80%	4	30.80%
EL	10,813,021,039	68	975,161,282	9.02%	38	55.90%
ES	213,022,828,364	230	31,302,489,339	14.70%	102	44.30%
FI	59,521,108,915	85	2,620,066,670	4.40%	35	41.20%
FR	2,178,471,164,556	738	306,631,528,188	14.10%	366	49.60%
HR	2,929,745,206	34	356,452,078	12.20%	21	61.80%
HU	5,698,215,123	59	658,165,365	11.60%	38	64.40%
IE	327,730,165,626	139	20,926,279,649	6.39%	60	43.20%
IS	84,470,555	12	15,593,001	18.50%	5	41.70%
IT	770,889,116,445	160	105,899,333,739	13.70%	110	68.80%
LI	22,923,871,166	32	421,325,807	1.84%	14	43.80%
LT	731,549,989	17	123,127,495	16.80%	8	47.10%
LU	205,086,252,551	120	5,730,297,231	2.79%	51	42.50%
LV	750,332,372	10	32,265,234	4.30%	2	20.00%
MT	4,881,917,175	25	419,904,573	8.60%	8	32.00%
NL	371,412,725,127	89	68,180,293,195	18.40%	27	30.30%
NO	154,992,969,733	43	3,586,008,292	2.31%	15	34.90%
PL	16,863,513,550	97	1,841,849,589	10.90%	43	44.30%
PT	45,948,623,529	67	7,511,575,860	16.30%	31	46.30%
RO	1,478,302,250	43	158,103,157	10.70%	22	51.20%
SE	220,466,198,052	125	9,994,901,874	4.53%	51	40.80%
SI	4,370,661,807	37	354,506,426	8.11%	20	54.10%
SK	4,747,766,547	54	659,019,411	13.90%	31	57.40%
EEA	**6,852,712,871,562**	**3,232**	**723,969,255,118**	**10.56%**	**1,575**	**48.73%**

H	I	J	K	L	M	N	O
Scenario 2: 80% threshold				Scenario 3: 90% threshold			
TP excl. (EUR)	TP excl. (%)	LoB excl. (no.)	LoB excl. (%)	TP excl. (EUR)	TP excl. (%)	LoB excl. (no.)	LoB excl. (%)
9,732,021,773	12.00%	55	59.10%	1,560,873,525	1.93%	42	45.20%
30,605,959,639	11.90%	61	55.00%	10,787,439,644	4.19%	48	43.20%
25,511,704	4.05%	12	41.40%	17,026,772	2.70%	10	34.50%
153,644,726	8.81%	18	56.30%	63,715,595	3.65%	12	37.50%
325,505,839	4.11%	20	45.50%	293,702,365	3.71%	17	38.60%
87,309,065,185	5.66%	248	44.40%	58,350,339,691	3.78%	198	35.50%
10,306,038,917	3.06%	27	39.70%	10,306,038,917	3.06%	27	39.70%
113,688,383	10.80%	4	30.80%	26,714,595	2.53%	3	23.10%
818,153,171	7.57%	34	50.00%	658,102,664	6.09%	26	38.20%
17,816,756,815	8.36%	93	40.40%	8,612,781,034	4.04%	66	28.70%
2,575,570,309	4.33%	32	37.60%	396,371,986	0.67%	28	32.90%
185,965,454,727	8.54%	328	44.40%	81,801,792,657	3.76%	268	36.30%
196,243,974	6.70%	19	55.90%	138,812,890	4.74%	18	52.90%
395,209,863	6.94%	35	59.30%	189,695,133	3.33%	30	50.80%
16,060,568,292	4.90%	50	36.00%	9,983,466,384	3.05%	44	31.70%
15,593,001	18.50%	5	41.70%	2,217,574	2.63%	1	8.33%
54,484,785,179	7.07%	98	61.30%	19,068,092,449	2.47%	83	51.90%
300,160,195	1.31%	13	40.60%	122,044,841	0.53%	11	34.40%
61,887,997	8.46%	7	41.20%	19,012,580	2.60%	5	29.40%
4,705,601,930	2.29%	45	37.50%	2,333,567,317	1.14%	40	33.30%
32,265,234	4.30%	2	20.00%	32,265,234	4.30%	2	20.00%
419,904,573	8.60%	8	32.00%	175,975,740	3.60%	6	24.00%
25,607,291,074	6.89%	21	23.60%	410,499,516	0.11%	13	14.60%
2,651,878,172	1.71%	13	30.20%	1,837,590,096	1.19%	11	25.60%
1,613,586,105	9.57%	38	39.20%	319,576,332	1.90%	28	28.90%
3,219,150,385	7.01%	25	37.30%	1,177,896,335	2.56%	20	29.90%
126,520,681	8.56%	20	46.50%	57,672,081	3.90%	18	41.90%
6,507,464,374	2.95%	39	31.20%	6,496,177,108	2.95%	35	28.00%
284,143,514	6.50%	18	48.60%	197,571,581	4.52%	16	43.20%
482,958,741	10.20%	27	50.00%	288,922,863	6.09%	23	42.60%
462,912,584,472	**6.76%**	**1,415**	**43.78%**	**215,725,955,499**	**3.15%**	**1,149**	**35.55%**

- Total TP

NCA_CTR	Current SII Market coverage: Total TP (R0200)	Current SII Market coverage: No of Lines of business	Scenario 1: 70% threshold: TP excl. (EUR)	TP excl. (%)	LoB excl. (no.)	LoB excl. (%)
AT	81,943,295,808	93	11,078,672,991	13.50%	58	62.40%
BE	260,024,613,567	112	37,987,349,903	14.60%	66	58.90%
BG	646,494,271	29	34,059,722	5.27%	13	44.80%
CY	1,822,005,014	32	172,909,669	9.49%	19	59.40%
CZ	8,066,963,093	44	1,013,511,508	12.60%	24	54.50%
DE	1,512,174,313,644	559	91,213,824,134	6.03%	268	47.90%
DK	339,467,794,163	68	11,263,895,258	3.32%	28	41.20%
EE	1,054,461,396	13	264,509,871	25.10%	5	38.50%
EL	11,001,162,523	68	1,442,832,787	13.10%	39	57.40%
ES	207,415,537,145	230	30,304,422,778	14.60%	103	44.80%
FI	59,719,895,331	86	2,588,164,865	4.33%	36	41.90%
FR	2,183,073,365,264	741	310,713,182,693	14.20%	370	49.90%
HR	2,956,704,842	34	344,418,583	11.60%	21	61.80%
HU	5,845,001,499	59	669,233,374	11.40%	38	64.40%
IE	324,707,085,040	139	21,602,033,264	6.65%	60	43.20%
IS	86,496,113	12	16,578,793	19.20%	5	41.70%
IT	774,441,047,504	160	97,692,024,005	12.60%	109	68.10%
LI	23,067,799,125	32	424,458,687	1.84%	14	43.80%
LT	564,859,637	17	92,763,348	16.40%	8	47.10%
LU	207,372,394,989	120	6,345,754,828	3.06%	52	43.30%
LV	753,851,301	10	24,792,460	3.29%	2	20.00%
MT	4,487,391,433	25	466,542,542	10.40%	8	32.00%
NL	388,384,035,283	89	69,948,460,915	18.00%	27	30.30%
NO	156,597,970,213	43	3,609,467,852	2.30%	15	34.90%
PL	17,438,202,305	97	1,709,230,413	9.80%	44	45.40%
PT	43,936,791,784	67	6,927,233,851	15.80%	31	46.30%
RO	1,458,027,461	43	115,184,485	7.90%	22	51.20%
SE	223,258,877,786	126	10,154,403,835	4.55%	52	41.30%
SI	4,328,017,788	37	309,347,873	7.15%	20	54.10%
SK	4,611,105,351	54	706,833,046	15.30%	32	59.30%
EEA	**6,850,705,560,673**	**3,239**	**719,236,098,333**	**10.50%**	**1,589**	**49.06%**

NCA_CTR	Scenario 2: 80% threshold: TP excl. (EUR)	TP excl. (%)	LoB excl. (no.)	LoB excl. (%)	Scenario 3: 90% threshold: TP excl. (EUR)	TP excl. (%)	LoB excl. (no.)	LoB excl. (%)
AT	9,357,717,678	11.40%	54	58.10%	1,852,380,988	2.26%	43	46.20%
BE	31,407,078,624	12.10%	62	55.40%	11,245,775,476	4.32%	49	43.80%
BG	26,327,968	4.07%	12	41.40%	17,759,869	2.75%	11	37.90%
CY	168,490,756	9.25%	18	56.30%	97,372,532	5.34%	13	40.60%
CZ	599,247,737	7.43%	22	50.00%	259,335,699	3.21%	18	40.90%
DE	87,172,492,056	5.76%	249	44.50%	56,223,664,813	3.72%	200	35.80%
DK	10,797,017,163	3.18%	27	39.70%	10,797,017,163	3.18%	27	39.70%
EE	134,617,640	12.80%	4	30.80%	24,872,058	2.36%	2	15.40%
EL	716,451,284	6.51%	34	50.00%	512,627,131	4.66%	27	39.70%
ES	24,681,999,190	11.90%	94	40.90%	8,560,824,380	4.13%	68	29.60%
FI	2,555,001,432	4.28%	34	39.50%	365,358,077	0.61%	30	34.90%
FR	183,469,538,268	8.40%	330	44.50%	82,829,668,480	3.79%	268	36.20%
HR	183,124,076	6.19%	19	55.90%	125,666,661	4.25%	18	52.90%
HU	401,420,076	6.87%	35	59.30%	209,565,332	3.59%	31	52.50%
IE	16,548,843,988	5.10%	50	36.00%	10,457,757,928	3.22%	44	31.70%
IS	16,578,793	19.20%	5	41.70%	2,381,018	2.75%	1	8.33%
IT	58,712,293,412	7.58%	99	61.90%	19,169,105,312	2.48%	83	51.90%
LI	298,508,895	1.29%	13	40.60%	141,841,283	0.62%	11	34.40%
LT	47,564,639	8.42%	7	41.20%	16,850,559	2.98%	6	35.30%
LU	4,930,388,719	2.38%	45	37.50%	2,504,625,256	1.21%	40	33.30%
LV	24,792,460	3.29%	2	20.00%	24,792,460	3.29%	2	20.00%
MT	159,539,658	3.56%	7	28.00%	144,175,522	3.21%	5	20.00%
NL	25,999,221,466	6.69%	21	23.60%	442,584,609	0.11%	13	14.60%
NO	2,665,737,080	1.70%	13	30.20%	1,974,343,589	1.26%	11	25.60%
PL	1,574,259,771	9.03%	41	42.30%	538,412,597	3.09%	30	30.90%
PT	3,398,709,715	7.74%	28	41.80%	2,229,810,381	5.08%	22	32.80%
RO	82,521,704	5.66%	20	46.50%	77,232,266	5.30%	18	41.90%
SE	6,654,592,958	2.98%	40	31.70%	6,642,782,576	2.98%	36	28.60%
SI	275,465,194	6.36%	19	51.40%	171,218,396	3.96%	16	43.20%
SK	593,597,077	12.90%	28	51.90%	268,426,181	5.82%	23	42.60%
EEA	**473,653,139,477**	**6.91%**	**1,432**	**44.21%**	**217,928,228,592**	**3.18%**	**1,166**	**36.00%**

1.10. *Templates S.12.02, S.17.02, S.18.01, S.19.01, S.20.01, S.21.01, and S.21.03 -* thresholds are based on Best estimates or technical provisions from Lobs S.12.01 and S.17.01 (see above S.12.01):

EIOPA proposal: Ask for LoB information for material LoB representing a coverage of 90% of the TP.

With the 90% threshold, a significant number of LoBs are exempted (36%), but in volume only 3% are not reported. This has been acknowledged to be a good balance between supervisory needs and reporting burden reduction.

1.11. *Template S.16.01 -* Information on annuities stemming from Non-Life Insurance obligations

The current threshold is 3%. The impact was measured by assessing the effect of an increase of threshold, as shown in the table below. Considering the impact, EIOPA is proposing to keep the current threshold approach and percentage as any other change will not make a technical difference.

Share of reported lob to total	**% in value of C0070 R0200**	**Number of LoBs**	**% of LoBs**
below 3%	0.57%	199	22.21%
between 3 and 5%	0.35%	30	3.35%
between 5% and 10%	1.05%	50	5.58%
between 10% and 25%	2.53%	65	7.25%
above 25%	95.49%	552	61.61%
Grand Total	**100.00%**	**896**	**100.00%**

1.12. Template S.23.03 - Annual movements on own funds and *S.23.04 List of items on own funds*

Currently this themplate has no threshold. EIOPA analysed different thresholds and is proposing to exempt undertakings from reporting this template if the own funds changed less than 5% per tier to the previous year.

% change (T; T-1):= $\frac{Available\ Own\ funds\ in\ tier\ i\ to\ cover\ SCR\ in\ T}{Available\ Own\ funds\ in\ tier\ to\ cover\ SCR\ in\ T-1}$

Impact for Solo and group if 5% and 10% threshold based on change in tiers:

	Groups 2018 to 2019			
	with 10% threshold by tiers		with 5% threshold by tiers	
	exempted (below threshold)	need to report (above threshold)	exempted (below threshold)	need to report (above threshold)
AT		5		5
BE	3	7	1	9
BG	1	2	1	2
DE	28	23	15	36
DK	9	5	3	11
EL		2		2
ES	10	11	7	14
FI	2	2	1	3
FR	15	30	7	38
HR	1			1
HU		1		1
IE	2	1	1	2
IS	1	3		4
IT	3	15	2	16
LU	3	6	1	8
MT	5	17	4	18
NL	8	15	4	19
NO		8		8
PL		1		1
PT	2	4	2	4
SE	4	10	3	11
SI		2		2
Total	**97**	**170**	**52**	**215**

	Solos 2018 to 2019			
	with 10% threshold by tiers		with 5% threshold by tiers	
	exempted (below threshold)	need to report (above threshold)	exempted (below threshold)	need to report (above threshold)
AT	20	15	15	20
BE	30	34	18	46
BG	7	24	3	28
CY	18	13	14	17
CZ	10	15	4	21
DE	166	162	83	245
DK	31	37	15	53
EE	3	6	1	8
EL	7	29	3	33
ES	69	77	36	110
FI	31	13	11	33
FR	237	210	114	333
HR	8	8	2	14
HU	15	7	7	15
IE	62	115	34	143
IS	4	4	2	6
IT	26	70	14	82
LI	7	23	5	25
LT	2	6	1	7
LU	122	133	68	187
LV		6		6
MT	11	52	7	56
NL	**53**	**68**	**28**	**93**
NO	12	56	6	62
PL	21	37	8	50
PT	14	25	10	29
RO	11	15	7	19
SE	40	86	24	102
SI	6	9	4	11
SK	7	6	4	9
Grand Tot	1050	1361	548	1863

A higher threshold would result in losing information needed for supervisory purposes. With the suggested 5% threshold already more than 500 undertkaings would have benefitted, based on 2018/2019 data, which is seen as a signfiant decrease in reporting burden. The impact analysis for a 10% threshold shows that in a number of countries more than half of the undertakings would not report this template anymore.

1.13. S.30 templates

Considering the feedback received from the stakeholders that the proposed threshold (templates should only be due when the ratio of recoverables over best estimate is, for any line of business, higher than 1% and the Total Non-life catastrophe risk after diversification after risk mitigation is lower than 70% of the amount after risk mitigation) is very complicated to be calculated EIOPA proposes no thresholds.

Recoverables ratio	**Number of LoBs**	**Volume of recoverables**
More then 10%	5746	87.83%
Between 1% and 10%	2126	11.32%
smaller then 1%	1510	0.85%
No recoverables	8149	0.00%
Grand Total	**17531**	**100.00%**

Comparison of options

Policy issue 1: Review the adequacy of the content of the supervisory reporting package

1.14. The preferred policy option for this policy issue is Option 1.3: "Review the requirements template by template to better reflect proportionality and supervisory needs by improving the information required on existing templates and by creating new templates when needed". The overall balance of costs and benefits for the preferred option highlights the importance to reduce the burden on undertakings while guaranteeing that necessary information for supervisory purposes will be delivered to supervisory authorities. Furthermore, as the need for new supervisory information (e.g. cyber) is increasingly growing, the proposed option takes on the opportunity to meet supervisory needs while granting integration of the new information set in the already existing one to preserve efficiency and effectiveness of the process. In addition, the option further aligns reporting requirements with nature, scale and complexity of the risks insisting on undertakings. The option also allows revision of the existing Variation analysis templates to reflect on the stakeholders comments during the public consultation and field test in 2019 while also considering the experience gained during the last years, introduction of a new S.14 non–life template and further revision of the Internal model reporting and introduction of new templates in the area of internal models. Regarding internal models, the granularity of data collected for each risk category reflects some NCA experience from on-going model supervision and also reflects the experience gained by EIOPA's internal model consistency studies. Undertakings are not requested to change their internal model to be able to follow the structure of the templates. If the model does not allow producing some of the requested data, then that data does not need to be reported. EIOPA is trying to minimise "artificial data", meaning information that is not used or relevant for the internal model undertaking. However, if the model supports the production of such data in a sensible manner, then it has to be reported. In addition, the IGT and RC reporting at group level is also revised considering the reporting at the level of conglomerates and alignment of the two frameworks. The proposed risk-based thresholds lead to a material reduction of the reporting burden. Option 1.2 has been disregarded because, even though it allows for greater application of proportionality across undertakings it does not sufficiently reflect the objective of the review to have fit-for-the purpose reporting.

1.15. Option 1.1 has been disregarded because keeping the status quo would not match the needs highlighted by the inputs received by stakeholders to apply more proportionality and to have fit for purpose reporting. The guiding principle of the review is that only information needed for the purposes of fulfilling national supervisory authorities' responsibilities under Directive 2009/138/EC shall be required. Option 1.1 would clearly not follow the aim of the provisions of proportionality that are outlined in Directive 2009/138/EC. In conclusion, given EIOPA's willingness to guarantee better outcomes for both supervisors and undertakings and given the importance to guarantee the right level of information without requiring too burdensome reporting for supervised entities, EIOPA believes that option 1.1 would not guarantee the fulfilment of such objectives and will not reflect on the lessons learned from the last years of reporting and disclosure.

1.16. The selection of the preferred option has required in some cases a trade-off between supervisors' needs and those of the industry. Taking policyholders' protection and willingness to decrease burden on undertakings while preserving supervisory needs as a baseline, the three foreseen options have been compared measuring efficiency and effectiveness granted by each of them.

1.17. In terms of Effectiveness, the three options are expected to have the following outcomes:

- option 1.1 means keeping the status quo and represents a solution that is not expected to increase effectiveness;
- option 1.2 combines a positive effect on effective supervision of undertaking and on the improvement in comparability of information and transparency with a highly positive effect on improvement in the application of proportionality;
- option 1.3 proves to be better fitting all the three objectives also granting more efficiency and effectiveness in the supervision of (re)insurance undertakings if compared to option 1.2 as the reporting is aligned to be more fit-for purpose reflecting also on the need for new information.

1.18. In terms of Efficiency, the three options are expected to have the following outcomes:

- option 1.1 means keeping the status quo, does not generate any cost efficiency and represents a solution that is not foreseen to increase efficiency;
- option 1.2, combines a positive effect on effective supervision of undertaking and on the improvement in comparability of information and transparency with a highly positive effect on improvement in the application of proportionality. Eventual costs are off-set by the good benefits granted by the solution;
- option 1.3 proves to be a better fitting for all the three objectives also granting more efficiency and effectiveness in the supervision of (re)insurance undertakings if compared to option 1.2. The estimated costs related to the implementation of the option are expected to be offset by the high benefits implied by the option and the benefits in removing some of the templates. The estimated costs are more evident for complex undertakings with internal model, extensive cross-border business.

1.19. The above mentioned effects are also illustrated by the table below:

Policy issue: 1. Review the adequacy of the content of the supervisory reporting package			
	Effectiveness (0/+/++)		
Options	Objective 1: Effective and efficient supervision of (re)insurance undertakings and groups	Objective 2: Improving proportionality, in particular by limiting the burden for (re)insurance undertakings with simple and low risks	Objective 3: Improving transparency and better comparability

Option 1.1: No change	0	0	0
Option 1.2: proportionality review	+	++	+
Option 1.3: proportionality review and new supervisory needs	++	++	++
	Efficiency (0/+/++)		
Options	Objective 1: Effective and efficient supervision of (re)insurance undertakings and groups	Objective 2: Improving proportionality, in particular by limiting the burden for (re)insurance undertakings with simple and low risks	Objective 3: Improving transparency and better comparability
Option 1.1: No change	0	0	0
Option 1.2: proportionality review	+	++	+
Option 1.3: proportionality review and new supervisory needs	++	++	++

1.20. With respect to option 1.3, the impact of the changes proposed by EIOPA to the reporting and disclosure package and the expected impacts in terms of reporting burden for undertakings has been estimated through a qualitative assessment based on the nature of the proposed changes, the number of the templates and entry points affected, the complexity of the calculations and the availability of data as well as the number of undertakings affected by the proposed change.

<u>Reporting requirement on sustainable investments and climate change-related risks to investments</u>

<u>Analysis of impacts of the introduction of reporting requirements on sustainable investments and climate change-related risks to investments</u>

Sustainability risks can arise from environmental, social or governance (‘ESG’) factors. Among environmental risks are climate change, pollution or the non-sustainable use/lack of protection of water and marine resources, of biodiversity and eco-systems. Among social and governance risks are social and employee, respect for human rights anti-corruption and anti-bribery matters.

Climate change can affect insurers’ assets and liabilities through:

- <u>Transition risk</u>: risk of investments’ depreciation due to policy, technology or shifting sentiment and societal preferences for sustainable investments, due to the transition from a carbon-intensive economy to a lower-carbon economy;
- <u>Physical risk</u>: risk of physical damage to assets due to increased frequency, severity or volatility of extreme weather events as a result from climate change; and
- <u>Liability risk</u>: via liability insurance, where people or businesses seek compensation for losses they may have suffered from physical or transition risks.

In this context, supervisory expectations have been set out and regulatory developments are underway, requiring undertakings to manage sustainability risks on their assets and liabilities, take into account the potential long-term impact of their investment strategy and decisions on sustainability factors, and disclose their exposure to sustainable economic activities as well as to adverse sustainability impacts. Supervisors should, step-by-step, integrate ESG risks in their supervisory practices. (see: evidence below).

In its report on quantitative reporting templates, EIOPA expressed the intention to implement sustainability reporting requirements on assets.[5]

The proposals for prudential reporting requirements aim to support reporting by undertakings in a proportionate and prudentially relevant manner.

Building on available analysis and developments in the regulatory framework so far (see: evidence below), EIOPA' base-line for the proposals is the reporting of climate change-related risks to investments. Developments on the identification of environmental and social sustainability risks are underway as part of the taxonomy, and EIOPA is conducting further analysis on the impact of climate change on insurers' liabilties in the course of 2021-2022. Reporting on sustainability risks beyond climate change and on liabilities will be addressed in the near future.

Three proposals are being assessed as to their costs and benefits:

Policy issues	**Options**
1. Reporting on sustainable investments.	1.1 No change. 1.2 Reporting on the share of sustainable investments.
2. Reporting on investments exposed to climate change-related transition risk.	2.1 No change. 2.2 Reporting on the share of investments exposed to climate change-related transition risk, including four-digit NACE code reporting.
3. Reporting on investments exposed to climate change-related physical risk.	3.1 No change. 3.2 Reporting on the share of investments exposed to climate change-related physical risk, including standardised reporting on the property's physical location.

The following table summarises the costs and benefits for the main options considered.

Policy issue 1: Reporting on sustainable investments
Option 1.1: No change

[5] https://www.eiopa.europa.eu/sites/default/files/solvency_ii/eiopa-bos-20-754-quantitative-reporting-templates.pdf At the same time, as part of its opinion on the Solvency II 2020 review submitted proposals to the European Commission on ESG-related public disclosure requirements: these are pending adoption by the Commission as part of the future revised SII Directive and Delegated Regulation. See: https://www.eiopa.europa.eu/sites/default/files/solvency_ii/eiopa-bos-20-750-background-analysis.pdf

Costs	Policyholders	No additional costs are expected as the framework is kept as of today.
	Industry	As no additional reporting is required, no additional costs are expected. However, additional ad-hoc prudential reporting could be required from undertakings to assess their transition towards a sustainable investment portfolio.
	Supervisors	Additional costs might arise for supervisors to collect information to assess prudential risks related to sustainability of investments.
	Other	N/A
Benefits	Policyholders	No material benefit is expected.
	Industry	No material benefit is expected.
	Supervisors	No material benefit is expected.
	Other	N/A
Option 1.2: Reporting on the share of sustainable investments		
Costs	Policyholders	No additional costs expected.
	Industry	No additional costs expected for large and listed undertakings as they will need to anyhow report this information in their non-financial reporting. Costs arise for non-listed small and medium-sized undertakings.
	Supervisors	Minor additional costs are expected to set up the systems to receive and analyse this information.
	Other	N/A
Benefits	Policyholders	The measure gives an indication of the sustainability of undertaking's investments. As such, it provides a prudentially useful perspective of how a company may mitigate its exposure to transition risk and, over time, gives an indication of the sustainability of the undertakings' business model, with a view to future affordability and availability of insurance products for policyholders.
	Industry	Consistent disclosure and reporting requirements are transparent to the different users of the information and cost-efficient.
	Supervisors	Comparable information on sustainable investments will improve the supervisory review and will reduce the need for add-hoc information in this developing area.
	Other	N/A
Policy issue 2: Reporting on investments exposed to climate change-related transition risk		
Option 2.1: No change		
Costs	Policyholders	No additional costs are expected as the framework is kept as of today. However, potential costs to policyholders if risks to the insurer are not properly identified.

	Industry	As no additional reporting is required, no additional costs are necessarily expected. However, undertakings might face some costs related to the additional ad-hoc reporting that could be required from undertakings to assess transition risk to investments.
	Supervisors	Additional costs might arise for supervisors to collect information to assess undertakings' transition risk in their investments.
	Other	N/A
Benefits	Policyholders	No material benefit is expected.
	Industry	No material benefit is expected.
	Supervisors	No material benefit is expected.
	Other	N/A
Option 2.2: Reporting on the share of investments exposed to transition risk, including more granular NACE code reporting		
Costs	Policyholders	No additional costs are expected.
	Industry	Identification and measurement of transition risk will require effort from industry and will carry potential costs.
	Supervisors	No additional costs expected.
	Other	N/A
Benefits	Policyholders	Potential transition risks to investments, which may materialise in policyholder detriment would be identified and subject to supervisory scrutiny.
	Industry	Convergent supervisory expectations towards undertakings on identification of transition risks to investments can help to streamline the reporting burden.
	Supervisors	Comparable information in sustainability risks are expected to improve supervisors' review.
	Other	N/A
Policy issue 3: Reporting on investments exposed to climate change-related physical risk		
Option 3.1: No change		
Costs	Policyholders	No additional costs are expected as the framework is kept as of today. However, potential costs to policyholders if risks to the insurer are not properly identified.
	Industry	As no additional reporting is required, no additional costs are necessarily expected. However, additional ad-hoc reporting could be required from undertakings to assess physical risk to investments.
	Supervisors	Additional costs might arise for supervisors to collect information to assess physical risks to undertakings' investments.
	Other	N/A
Benefits	Policyholders	No material benefit is expected.
	Industry	No material benefit is expected.

	Supervisors	No material benefit is expected.
	Other	N/A
Option 3.2: Reporting on the share of investments exposed to physical risk, including standardised reporting on the property's physical location		
Costs	Policyholders	No additional costs expected.
	Industry	Identification and measurement of physical risk will require effort from industry and will carry potential costs. As to the reporting on the physical location/address of the properties, no significant additional cost should arise as the location should be available to undertakings or the investment funds, in which the undertaking may invest in.
	Supervisors	No additional costs expected.
	Other	N/A
Benefits	Policyholders	Potential physical risks to investments, which may materialise in policyholder detriment can be identified and subject to supervisory scrutiny.
	Industry	Convergent supervisory expectations towards undertakings on identification of physical risks to investments help to streamline the reporting burden.
	Supervisors	Comparable information in sustainability risks are expected to improve the supervisory review.
	Other	N/A

Comparison of options

On the reporting of the share of sustainable investments (Policy Issue 1): As this measure gives an indication of the undertaking's investments towards sustainable objectives, it provides a prudentially useful perspective of how a company may mitigate its exposure to transition risk and gives an indication of the sustainability of the undertakings' business model.

Large undertakings, and all undertakings listed on EU regulated markets except listed micro-enterprises[6], , will be required to report this ratio as part of the mandatory reporting requirements set out by the Taxonomy Regulation[7] and its forthcoming delegated acts supplementing Article 8 of the Taxonomy Regulation[8].

[6] Undertakings within the scope of the Non-Financial Reporting Directive ('NFRD'), as currently being reviewed by the proposal for a **Corporate Sustainability Reporting Directive** ('CSRD') as adopted by COM in April 2021, pending adoption by the European Parliament and the Council, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0189).

[7] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ('**Taxonomy Regulation'**), http://data.europa.eu/eli/reg/2020/852/oj.

[8] Draft Commission Delegated Regulation pending public consultation and adoption by the European Parliament and the Council **('Art. 8 Taxonomy Regulation Delegated Act'**), May 2021, https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-article-8-draft_en.pdf.

The ratio includes direct and indirect investments, including investments in collective investment undertakings (CIU). The underlying information will need to be sourced from the asset manager who will assess the weighted average of the value of its investments based on the share of taxonomy-aligned economic activities of the investee companies, as required by the aforementioned Delegated Act supplementing Article 8 of the Taxonomy Regulation.

The 're-use' of this ratio for prudential purposes will ensure consistent and efficient reporting towards supervisors in a proportionate manner, without creating undue additional burden. The broadening of the scope to all undertakings under Solvency II can be mitigated by allowing a materiality threshold to apply for those undertakings out of the scope of the NFRD, based on, for example, an initial qualitative assessment by the undertaking taking into consideration the asset categories, type of sector and amount of investment and/or remaining duration. Stakeholders' views on an appropriate threshold are being sought through the public consultation.

On the reporting of investments exposed to climate change-related transition risk (Policy Issue 2): EIOPA's sensitivity analysis of climate-change related transition risks (Dec. 2020[9]) identified potential climate-change related transition risks in the investment portfolios of European insurers. These may expose the insurance sector to transition risks in the event of a drastic alignment of the economies to an outcome in line with the aims of the Paris Agreement, the Commission's European Green Deal, Renewed Sustainable Finance Strategy and Fit-for-55 package (expected in summer 2021). Hence, the measure of the share of investments exposed to transitional risk is of prudential relevance.

To implement the requirement in a proportionate manner, EIOPA proposes the reporting of the share of investments exposed to transition risk as a starting point for undertakings' risk identification and supervisory review. Undertakings can apply their own methodologies performing the risk assessment, leaving the possibility for the development of risk analysis methodologies for climate change-related transition risk. Undertakings will be able to calculate the proportion of investments exposed to transition risk, using reasonable proxies and assumptions, with reference to available analysis (see e.g. EIOPA Sensitivity analysis of climate-change related transition risks, referred to above). Stakeholders' views on appropriate thresholds are being sought through the public consultation on this reporting requirement.

To support the convergent identification of the investments exposed to transition risk, EIOPA proposes to broaden the standard requirement for reporting on NACE codes for investments to the four-digit NACE codes. The identification of economic activities at NACE code level 4 is also used by the EU taxonomy. NACE sections A to N include sectors of economic activities which, based on currently available research and analysis[10] may be likely exposed to climate change-related transition risk.

[9] See https://www.eiopa.europa.eu/sites/default/files/publications/reports/sensitivity-analysis-climate-change-transition-risks.pdf
[10] As, for example, applied in EIOPA Sensitivity analysis of climate-change related transition risks, https://www.eiopa.europa.eu/sites/default/files/publications/reports/sensitivity-analysis-climate-change-transition-risks.pdf .

On the reporting of investments exposed to climate change-related physical risk (Policy Issue 3): While physical risk due to climate change may be more pronounced for non-life insurers' liabilities, physical damage caused by increased frequency and severity of extreme weather events has the potential to lead to wider disruption in the economy, reflecting on investments, through for example supply-chain disruption or other second-order effects.

To implement the requirement in a proportionate manner, EIOPA proposes the reporting of the share of investments exposed to physical risk as a starting point for undertakings' risk identification and supervisory review. Undertakings can apply their own methodologies performing the risk assessment, leaving the possibility for the development of risk analysis methodologies for climate change-related physical risk. Undertakings will be able to calculate the proportion of investments exposed to physical risk, using reasonable proxies and assumptions, with reference to available analysis (see, e.g. as referred to in EIOPA discussion paper on methodology for potential inclusion of climate change in nat cat standard formula).[11] Considering the importance of insurers' investments in investment funds, EIOPA considers it proportionate in relation to the risk exposure, to cover all investments, i.e. not to exclusively focus on properties. Stakeholders' views on appropriate thresholds are being sought through the public consultation on this reporting requirement.

To support the convergent identification of investments exposed to physical risk, EIOPA proposes to standardise the reporting on the physical location of properties. Where possible, undertakings shall report on the latitude & longitude of the property location. If not possible, undertakings shall report the country ISO Alpha-2 + postal code + city + streetname + streetnumber of the property.

The standard reporting of the geolocation is however only one aspect; a multitude of other aspects impacts on the physical risk exposure of investments (e.g. building standard, construction date, location of manufacturing or storage…). It remains to be assessed whether relevant standard reporting requirements for such parameters can be usefully implemented in a prudential reporting framework. Stakeholders' views on such requirements are being sought through the public consultation.

The above mentioned effects are also illustrated by the table below, assessing the effectiveness and efficiency of the options in achieving the objectives of effective supervision of climate change-related risks to investments, ensuring a level playing field through sufficiently harmonised reporting and improved transparency and comparability of the reporting:

Reporting requirement on sustainable investments and climate change-related risks to investments			
	Effectiveness (0/+/++)		
Options	Objective 1: Effective supervision of climate-change	Objective 2: Ensuring a level playing field through sufficiently harmonised reporting	Objective 3: Improving

[11] See https://www.eiopa.europa.eu/sites/default/files/publications/consultations/discussion-paper-methodology-on-potential-inclusion-of-climate-change-in-nat-cat-standard-formula.pdf (Final methodological paper for release in July 2021)

	related risks to investments		transparency and comparability
Option 1.1, 2.1 and 3.1: no change	0	0	0
Option 1.2: Reporting on the share of sustainable investments	++	++	++
Option 2.2: Reporting on the share of investments exposed to transition risk, including more granular NACE code reporting	++	+	++
Option 3.2: Reporting on the share of investments exposed to physical risk, including standardised reporting on property addresses	++	+	++
	Efficiency (0/+/++)		
Options	Objective 1: Efficient supervision of climate-change related risks to investments	Objective 2: Ensuring a level playing field through sufficiently harmonised rules	Objective 3: Improving transparency and better comparability
Option 1.1, 2.1 and 3.1: no change	0	0	0
Option 1.2: Reporting on the share of sustainable investments	++	++	++
Option 2.2: Reporting on the share of investments exposed to transition risk, including more granular NACE code reporting	++	++	++
Option 3.2: Reporting on the share of investments exposed to physical risk, including standardised reporting on property addresses	++	++	++

Evidence

The proposals for the reporting requirements on sustainable investments and climate change-related transition and physical risks to investments build on the analysis conducted and supervisory expectations expressed so far by EIOPA, as well as the regulatory requirements, partially under development, as referred to below:

- EIOPA Technical Advice on the integration of sustainability risks and factors in Solvency II and IDD.[12]
- EIOPA Opinion on sustainability within Solvency II.[13]
- EIOPA Sensitivity analysis of climate-change related transition risks.[14]
- EIOPA Opinion on the supervision of the use of climate change risk scenarios in the ORSA.[15]
- EIOPA Supervisory Convergence Plan 2021.[16]
- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ('Taxonomy Regulation').[17]
- Commission Delegated Regulation (EU) …/… of 21.04.2021 amending Delegated Regulation (EU) 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings.[18]
- Commission Delegated Regulation (EU) …/… supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives ('Climate Delegated Act').[19]
- Commission Delegated Regulation (EU) supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation ('Art. 8 Taxonomy Regulation Delegated Act').[20]
- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector[21] ('SFDR').

[12] April 2019, https://www.eiopa.europa.eu/sites/default/files/publications/advice/technical_advice_for_the_integration_of_sustainability_risks_and_factors.pdf

[13] Sept. 2019, https://www.eiopa.europa.eu/sites/default/files/publications/opinions/2019-09-30_opinionsustainabilitywithinsolvencyii.pdf.

[14] Dec. 2020, https://www.eiopa.europa.eu/sites/default/files/publications/reports/sensitivity-analysis-climate-change-transition-risks.pdf

[15]April 2021, https://www.eiopa.europa.eu/sites/default/files/publications/opinions/opinion-on-climate-change-risk-scenarios-in-orsa.pdf).

[16] Jan. 2021, https://www.eiopa.europa.eu/sites/default/files/publications/eiopa_supervisory-covergence-plan-2021.pdf

[17] http://data.europa.eu/eli/reg/2020/852/oj

[18] April 2021, pending adoption by the European Parliament and the Council, https://ec.europa.eu/finance/docs/level-2-measures/solvency2-delegated-act-2021-2628_en.pdf

[19] April 2021, pending adoption by the European Parliament and the Council: http://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800_en.pdf

[20] May 2021, pending public consultation and adoption by the European Parliament and the Council https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-article-8-draft_en.pdf

[21] https://eur-lex.europa.eu/eli/reg/2019/2088/oj

Financial Stability reporting

1.21. Regarding the changes to the EIOPA Guidelines on Financial Stability (FS) Reporting, EIOPA has considered the policy issues driving the need for a new approach. These are presented in the table below. The further information proposed in option 2.3 includes more detailed information on duration, profit and loss and specifically on liquidity risk.

Policy issues	**Options**
1. Content of FS reporting package	2.1. No change 2.2. Simplification of FS reporting package 2.3. Simplification of reporting package and introduction of further, relevant information, based on supervisory experience

Analysis of impacts

1.22. The following table summarises the costs and benefits for the main options considered in order to address the policy issue mentioned above.

Policy issue : Content of FS reporting package		
Option 1: No change (irrespective of the changes in the reporting package)		
Costs	Policyholders	No material costs are expected.
	Industry	Reporting requirements stay as-is, no additional costs but no simplification either.
	Supervisors	Limitations in the information available in order to identify Financial Stability risks. Information identified as needed over the last three years would continue not to be available and the package will not be aligned with the changes proposed in the other areas of reporting.
	Other	N/A
Benefits	Policyholders	No material benefits are expected.
	Industry	Reporting requirements stay as-is: additional burden is avoided.
	Supervisors	No material benefits are expected.
	Other	N/A
Option 2: Simplification of FS reporting package		
Costs	Policyholders	Less complete financial stability oversight and possibly non-identification of relevant risks.
	Industry	Processes for financial stability reporting would need to be kept.
	Supervisors	Limitations in the information available in order to identify Financial Stability risks. Information identified as needed over the last three years would continue not to be available.
	Other	-
Benefits	Policyholders	No material benefits are expected.
	Industry	Reduce the scope of the reporting for financial stability would reduce the reporting burden for undertakings.
	Supervisors	No material benefits are expected.

	Other	-
Option 3: Simplification of reporting package and introduction of new information		
Costs	Policyholders	No material costs are expected.
	Industry	Removal of entry points should results in a net benefit in terms of reporting requirements, but increase in information to be reported would balance the simplification. Costs however offset by proposed reductions as information requested should be available to undertakings within the scope of financial stability reporting.
	Supervisors	The mplementation of a new taxonomy will cause some one-off costs.
	Other	-
Benefits	Policyholders	Timely identification of relevant risks.
	Industry	More accurate assessment of Financial Stability risks should also benefit industry. Reduction in entry points, streamlining the financial stability package, decreasing the reporting burden and alignment with the suggested amendments for the reporting.
	Supervisors	Enhanced information gathered thereby increasing analysis areas and oversight by NCA as well as enhanced oversight for EIOPA as well as EIOPA products benefitting from additional information. Streamlining the financial stability package while keeping the relevant needed information.
	Other	-

Comparison of options

1.23. The preferred option for this policy issue is the simplification in reporting requirements through the removal of entry points, combined with the introduction of new relevant information (option 2.3).

1.24. It is considered that the removal of entry points should result in a net benefit for the industry in terms of reporting requirements. Costs to supervisors and EIOPA are considered to be minimal and related to the need for a change in FS reporting taxonomy. Improvement the scope of the information collected through Financial Stability reporting will be beneficial to supervisors and regulators by increasing the key information gathered from Financial Stability reporting entities, ultimately benefitting the protection of policyholders through more complete assessment of risks stemming from the insurance industry. It is considered that the benefits outweigh the costs of an increased reporting burden and amendment of Financial Stability reporting taxonomy for the industry and supervisors (including EIOPA).

Proportionality

1.25. There are no changes to the proportionality in the requirement for Financial Stability reporting from undertakings. It is considered that the additional information requested does not translate into an increased reporting burden on the groups in combination with the reduction of entry points.

1.26. It should be noted that the scope of Financial Stability Reporting is reduced, aiming the groups and undertakings with the highest impact: information is currently received from ~95 groups and 22 solo undertakings, domiciled across 16 different European countries.

Effectiveness & efficiency

1.27. The comparison of the options against the baseline scenario has been based on their contribution to achieving the following objectives: i) Effective and efficient supervision of (re)insurance undertakings and groups; ii) Improving proportionality, in particular by limiting the burden for (re)insurance undertakings with simple and low risks; iii) Financial Stability. The effectiveness and efficiency of each option to achieving the former three objectives has been illustrated in the table below.

1.28. Effectiveness measures the degree to which the different policy options meet the relevant objectives.

1.29. Efficiency measures the way in which resources are used to achieve the objectives. The extent to which objectives can be achieved for a given level of resources/at least cost (cost-effectiveness).

1.30. In the table below "0" covers both cases where the option does not increase the effectiveness/efficiency in achieving the objectives and cases where the option decrease the effectiveness/efficiency compared to the baseline. Consequently, it should be noted that option 2 (simplifications in the reporting requirements) is deemed to have a negative impact with respect to the objective of and effective and efficient supervision of (re)insurance undertakings and groups as well as the financial stability objective.

Policy issue: Content of FS reporting package						
	Effectiveness (0/+/++)			Efficiency (0/+/++)		
Options	Objective 1 Effective and efficient supervision of (re)insurance undertakings and groups	Objective 2: Improving proportionality, in particular by limiting the burden for (re)insurance undertakings with simple and low risks	Objective 3: Financial Stability	Objective 1: Effective and efficient supervision of (re)insurance undertakings and groups	Objective 2: Improving proportionality, in particular by limiting the burden for (re)insurance undertakings with simple and low risks	Objective 3: Financial Stability
Option 2.1: No change	0	0	0	0	0	0
Option 2.2: Simplifications in reporting requirements	0	++	0	0	+	0
Option 2.3: Simplifications and improvements in reporting requirements	+	+	++	+	+	++

Third countries branches reporting

1.31. Following the changes on reporting and disclosure (the revision of the instructions, introduction of new information, revision of threshold and deletion of unnecessary information), the Guidelines on the supervision of branches of third country insurance undertakings (Guidelines on third countries branches) have been also revised. The revision is important due to the close connection between the ITS on reporting and the Guidelines on third countries branches.

Policy issues	**Options**
1. Review the adequacy of the Guidelines on third countries branches	1.1 No change despite changes in the reporting package 1.2 Review the Guidelines and align the requirements with the changes proposed in the reporting package

Analysis of impacts of the review of adequacy of the Guidelines on the supervision of branches of third country insurance undertakings

Policy issue: Review the adequacy of the Guidelines on third countries branches		
Option 1.1: No change despite changes in the reporting package		
Costs	Policyholders	No additional costs are foreseen as the framework is kept as of today
	Industry	As the reporting systems are build and the reporting processes are already established no additional costs are envisaged stemming from the Guidelines. However, as the reporting for third countries branches is largely based on the reporting templates most of which have been changed via the ITS amendments still there will be costs following the amended reporting templates to which the Guidelines referred. The third countries branches will need to change their reporting systems for the templates where the Guidelines make reference to the ITS on reporting while the specific third countries branches templates will remain not synchronised with the changes proposed at reporting level. In addition, this option will create a lot of unclarity and confusion. The Guidelines will have references to some templates that following the ITS amendments on reporting might have been deleted. The branch specific templates will not be amended following the changes introduced at reporting level. The existence of the old reporting framework and the new one will increase the costs and will bring unclarity which templates are to be reported.
	Supervisors	Supervisory resources might not be optimally used as the third countries branches reporting will not be synchronised with the reporting for insurance undertakings. In addition, the gaps identified in the reporting via the ITS amendments that are relevant for some third countries branches specific templates will not be reflected and would limit the improvement of the Supervisory Review Process. Additional costs might arise due to the lack of synchronisation of the reporting and in case where the Guidelines make references to templates in the reporting package that have been deleted.
	Other	N/A
Benefits	Policyholders	No material benefit is expected.
	Industry	No material benefit is expected.

	Supervisors	No material impact is foreseen.
	Other	N/A
Option 1.2: Review the Guidelines and align the requirements with the changes proposed in the reporting package		
Costs	Policyholders	No costs are expected.
	Industry	Some initial costs are expected to adapt reporting systems to the new supervisory reporting package. Costs are expected to be *una tantum* and are expected to be offset by the reduced reporting burden as some of the templates are deleted and the reporting is kept to fit-for purpose. These costs are however still expected even without amending the Guidelines due to the amendments of the reporting package with which the Guidelines on third countries branches are closely connected.
	Supervisors	Some potential costs will be necessary to adapt systems to receive the new supervisory reporting package. However, some costs might also be reduced through to the deleted templates and the synchronisation with the reporting package.
	Other	-
Benefits	Policyholders	Policyholder protection is enhanced by a reporting package which is fit-for-purpose that eliminates the inefficiencies of reporting.
	Industry	The reporting of the third countries branches will be synchronised and aligned with the reporting package. This will decrease the reporting burden and will provide clarity to the reporting requirements. Benefits are expected also due to the deletion of some templates following the ITS amendments on reporting. The Guidelines will be updated, providing clear reference to the reporting templates, reflecting changes in the thresholds and in the deletion/addition of templates following the fit for purpose principle.
	Supervisors	Supervisory authorities will receive the needed level of detail to pursue their supervisory duties according to Directive 2009/138/EC. The reporting requirements will be aligned and the improved structure in which information is provided and the provision of additional information driven by supervisory needs, will enhance the supervision and protection of policyholders
	Other	-

1.32. Both option 1.1 and 1.2 are expected to cause additional costs. In option 1.2, the costs are expected to decrease in the long term. Option 1.1. will lead to increased uncertainty and unclarity and additional costs are expected with the amendments of the Guidelines.

1.33. As far as impacts of possible changes are concerned, both options mainly imply IT rearrangements for reporting systems (both for third countries branches delivering information and for supervisory authorities processing it) and staff costs (e.g. for training). In addition, the initial costs for implementation of the proposals are foreseen to be una tantum and foreseen to decrease in the long term.

1.34. According to the time horizon, the aforementioned costs are likely to impact mainly in the short-term the implementation in the IT systems.

1.35. In terms of expected benefits, option 1.2 is expected to align the reporting with the reporting package, consequently removing such unnecessary information, requesting additional information so that the reporting is fit-for-purpose and aligning the thresholds for the reporting.

Comparison of options

1.36. The preferred policy option for this policy issue is Option 1.2: "Review the Guidelines and align the requirements with the changes proposed in the reporting package". The overall balance of costs and benefits for the preferred option highlights the importance to review the Guidelines and this way reduce the burden on third countries branches while guaranteeing that necessary information for supervisory purposes will be delivered to supervisory authorities.

1.37. Option 1.1 has been disregarded because keeping the status quo would lead together with the increased costs to uncertainty and unclarity of the information that needs to be reported. In addition more costs are expected in the future with the amendments to the reporting.

1.38. In terms of Effectiveness, the two options are expected to have the following outcomes:

- option 1.1 means keeping the status quo and represents a solution that is not expected to increase effectiveness. In addition, considering that the reporting package have been amended and the Guidelines of third countries branches refer to them to number of templates it is foreseen that this situation will even lead to decrease effectiveness. It will not ensure a level playing field through sufficiently harmonised rules as the third countries branches guidelines will not be harmonised with the reporting changes;
- option 1.2 proves to be better fitting all the three objectives also granting more efficiency and effectiveness in the supervision of third countries branches if compared to option 1.1 as the reporting is aligned to the reporting package effecting the fit-for purpose and the need for new information.

1.39. In terms of Efficiency, the two options are expected to have the following outcomes:

- option 1.1 means keeping the status quo, does not generate any cost efficiency as the option will still lead to costs. It is a solution that is not expected to increase efficiency;
- option 1.2, combines a positive effect on effective supervision of third countries branches and on the improvement in comparability of information and transparency while ensuring sufficiently harmonised rules. The estimated costs related to the implementation of the option are expected to be offset by the high benefits implied by the option and the benefits in removing some of the templates.

1.40. The above mentioned effects are also illustrated by the table below:

Policy issue: 1. Review the adequacy of the Guidelines on third countries branches

	Effectiveness (0/+/++)		
Options	Objective 1: Effective and efficient supervision of third countries branches	Objective 2: Ensuring a level playing field through sufficiently harmonised rules	Objective 3: Improving transparency and better comparability
Option 1.1: No change despite changes in the reporting package	0	0	0
Option 1.3: Review the Guidelines and align the requirements with the changes proposed in the reporting package	++	++	++
	Efficiency (0/+/++)		
Options	Objective 1: Effective and efficient supervision of third countries branches	Objective 2: Ensuring a level playing field through sufficiently harmonised rules	Objective 3: Improving transparency and better comparability
Option 1.1: No change despite changes in the reporting package	0	0	0
Option 1.2: Review the Guidelines and align the requirements with the changes proposed in the reporting package	++	++	++

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