REPORT ON THE USE OF LIMITATIONS AND EXEMPTIONS FROM SOLVENCY II REPORTING DURING 2021 AND Q1 2022

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EXECUTIVE SUMMARY

This annual report focuses on the limitations and exemptions from regular supervisory reporting under Solvency II, as granted by the national competent authorities (NCAs) in the European Economic Area (EEA)[1] to the 2021 year-end and to the first quarter of 2022 reporting.

Compared to the previous report[2], the same 11 NCAs granted limitations and/or exemptions to 671 individual ('solo') undertakings regarding the first quarterly reporting in 2022 (compared with 669 'solo' undertakings in Q1 2021).

Regarding annual reporting with reference to 2021 year-end, three NCAs, the same as in the previous report, granted limitations and/or exemptions from reporting item-by-item templates to 111 'solo' undertakings in 2021 (113 in 2020).

With regards to the quarterly reporting requirements at group level, four NCAs (two in Q1 2021) granted limitations and/or exemptions to 41 groups for Q1 2022 (compared to 27 in Q1 2021) and two NCAs (the same as in 2020) granted limitations and/or exemptions from annual reporting to eight groups in 2021 (seven groups in 2020).

Similarly to the previous year, the report evidences that proportionality is embedded in the reporting requirements. The results for 2021 are in line with the findings of the last year's report with the average number of templates submitted by undertakings with different sizes varying substantially: in the first quarter 2022, large undertakings reported around 10 templates while on average only five templates were submitted by smaller ones. Furthermore, regarding annual reporting the ten largest undertakings by total assets reported on average almost 37 templates, while the ten smallest undertakings reported 28 templates. This shows that the proportionality embedded in the design of reporting requirements reflects the nature, scale and complexity of the risks inherent to the business.

The majority of NCAs reported as in the last year no changes in the supervisory processes in 2021 and continued granting limitations and/or exemptions mainly on a case-by-case basis, both for 'solo' undertakings and groups alike.

Regarding the possibility to exempt information on credit rating in the assets and derivatives templates, it was once more evidenced that only a few limitations were granted.

Finally, it is worth reminding that in March 2022, EIOPA submitted to the European Commission the draft amendments to the Solvency II Technical Standards on Reporting and Disclosure under

[1] The European Economic Area comprises 27 European Union (EU) countries together with the 3 European Free Trade Association (EFTA) countries of Iceland, Liechtenstein and Norway.

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Solvency II. These amendments overall aim at keeping reporting requirements fit for supervisory purposes, namely including some new information as well as including additional simplifications, elimination of some quarterly/annual reporting for all undertakings and introduction of new proportionality measures in the form of risk-based thresholds, which will lead to more reporting exemptions for many undertakings once applicable from year-end 2023 onwards.

I. BACKGROUND

1. The report on the use of limitations and exemptions from Solvency II is an EIOPA Annual Report evidencing how many NCAs grant limitations and/or exemptions from Solvency II reporting requirements to ‘solo’ undertakings and groups.[3] Indeed, as described in Article 35, paragraphs 6 and 7 of the Solvency II Directive[4], ‘solo’ undertakings (life, non-life, reinsurance or composite undertaking) can be authorised to:
   - Limitation: Submit quarterly reporting information of reduced scope, where this information is reported at least annually. All templates, but the minimum capital requirement (MCR) template[5], can be subject to a limitation (Article35(6)).
   - Exemption: Be exempted from both quarterly and annual reporting in case of reporting templates on an item-by-item basis under certain conditions (Article35(7)).
2. The limitation to regular supervisory reporting can be granted only to undertakings that do not represent more than 20% of a Member State's market share. [6]
3. Moreover, Article 35 requires national supervisory authorities to give priority to the smallest undertakings when determining the eligibility of the undertakings for those limitations.
4. This report includes also the analysis of the application of Articles 35(6) and 35(7) with respect to reporting of External Credit Assessment Institutions (ECAI) ratings, related to item-by-item list of assets and derivatives, in a separate section of the report (see VII for more details).
5. As outlined in this report (see section IV), the limitations and/or exemptions foreseen in Article 35 are a concrete proportionality measure, but embedded proportionality and risk-based thresholds are additional aspects that alleviate the administrative burden of reporting, namely:
   - Embedded proportionality: the extension of reporting is directly connected to the nature, scale and complexity of the risks inherent to the business. As an example, the types of

[3] The same possibility applies also to third-country insurance undertakings when the submission of the reporting information would be unduly burdensome in relation to the nature, scale and complexity of the risks inherent to the business of the branch (see Guidelines on the supervision of branches of third-country insurance undertakings | Eiopa (europa.eu), 18 March 2022).

[4] For insurance groups, Article 254(2), paragraphs 2 and 3, applies. Groups can benefit from limitations and/or exemptions from reporting only in cases in which all insurance or reinsurance undertakings within the group would benefit from the limitation and/or exemption.

[5] Template S.28.01 or S.28.02

[6] Life market share based on gross Technical Provisions (TPs) and Non-Life and reinsurance’s share on Gross Written Premiums (GWPs)

investments or the lines of business have a direct impact on the type and extension of reporting to be submitted to NCAs.

- Risk and size-based thresholds: the risk profile is the main trigger for proportionality reporting, as a number of thresholds were incorporated in the relevant regulation and apply to different templates (Commission Implementing Regulation (EU) 2015/2450 laying down Implementing Technical Standards (ITS) with regard to the templates for the submission of information).

II. DATA SOURCES

6. The report is based on the information submitted to EIOPA by NCAs via the quantitative reporting templates (QRTs) with reference date 2021 year-end and first quarter of 2022 and an additional survey. EIOPA received answers from all NCAs in the EEA.
7. The quantitative information is obtained from the following QRTs:[7]
   - Solvency capital requirement (SCR): from the ‘Own funds’ template (S.23.01);[8]
   - Gross written premiums (GWPs): from the ‘Premiums, claims and expenses by line of business’ template (S.05.01);
   - Technical provisions (TPs): from the ‘Balance sheet’ template (S.02.01);
   - Total assets: from the ‘Balance sheet’ template (S.02.01).
8. The survey aims to receive quantitative and qualitative information among national supervisors to gain a better understanding of information across Member States and to check the correctness of data extracted from the templates.
9. The reporting information was converted to EUR based on the European Central Bank (ECB) exchange rates on the relevant dates, when necessary.

III. CHANGES ON PROCESSES FOR GRANTING LIMITATIONS AND/OR EXEMPTIONS

10. This section focuses on the changes NCAs reported in the survey on the processes for granting limitations and/or exemptions when completing reporting templates.

[7] All templates may be exempted quarterly for some undertakings according to Article 35 of the Solvency II Directive.
[8] Limitations cannot be granted for the S.28.01 or S.28.02 MCR templates.

11. This year's survey confirmed that there have been – once more - no changes to the processes on granting limitations and/or exemptions, with all NCAs clearly stating this unchanged approach.
12. Hence, this report should be read in conjunction with the previous year's report.[9]
13. The granting of limitations and/or exemptions for completing the reporting templates on a case-by-case basis is not considered as an automated approach.
14. Most NCAs confirmed applying a case-by-case approach, mainly for their annual reporting, both for 'solo' undertakings and groups alike.
15. Interestingly, NCAs that have not granted any limitations and/or exemptions from reporting also stated they would apply the case-by-case approach, if they were to grant limitations and/or exemptions.
16. EIOPA takes note of these answers and will take them into consideration when setting up future surveys for the yearly reports on limitations and/or exemptions, especially as NCAs confirm not expecting any changes in their current approach.

IV. STATISTICS ON LIMITATIONS AND/OR EXEMPTIONS AT 'SOLO' LEVEL[10]

17. No major changes were detected with regard to the number of limitations and/or exemptions given in 2021 and Q1 2022, for 'solo' undertakings and groups alike.
18. For the quarterly reporting in Q1 2022, the same 11 NCAs as in Q1 2021 granted limitations to 671 'solo' undertakings, showing a very slight increase in the numbers.
19. This number corresponds to 28% of the total number of undertakings in the EEA. Although representing more than one quarter in terms of numbers these undertakings represent only 2.3% of the market in terms of total assets and 3.8% in terms of the volume of the Solvency Capital Requirement (SCR)(see Table 1.1 and Figure 1.1).
20. NCAs from France and Luxembourg continue making the most use of this measure granting limitations and/or exemptions to 69% and 71% of the total number of undertakings to quarterly reporting. It is worth noting that even if the market share of total assets of the undertakings benefiting from these limitations and/or exemptions is low, 4.3% and 5.2% respectively, the SCR of these entities represents 29% for Luxembourg.

Table 1.1 — Summary of limitations/exemptions to quarterly reporting in number for 'solo' undertakings in Q1 2022 (compared to Q1 2021)

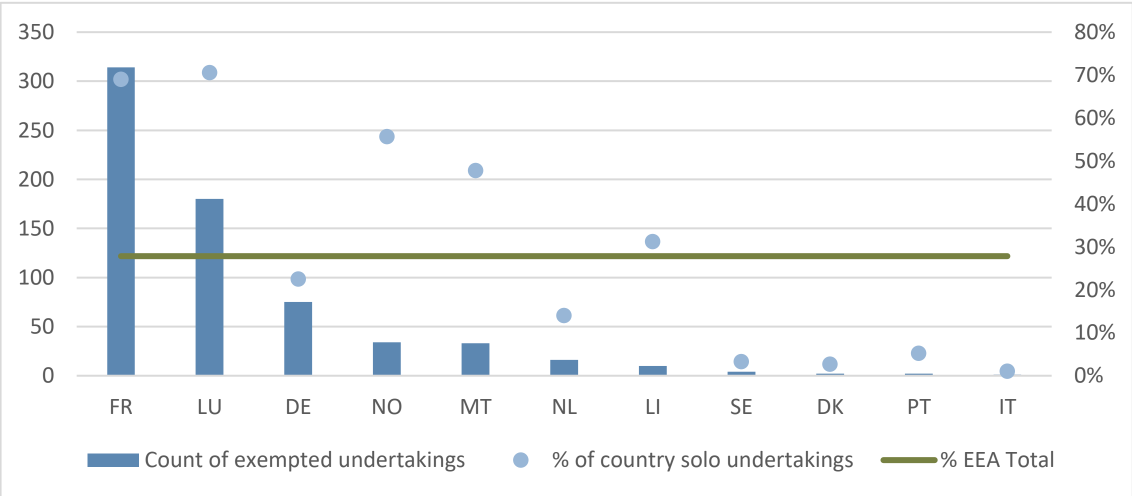
[9] The previous REPORT ON LIMITATIONS AND EXEMPTIONS FROM SOLVENCY II REPORTING DURING 2020 AND Q1 2021 can be consulted on EIOPA's website under this link.

[10] Undertakings that are solely exempted from reporting credit rating information, but need to fulfil all other reporting obligations, are not included in this quantitative chapter. They are treated separately in chapter VII of this report.

	Number of under-takings	Incidence in term of:				
		Total number of undertakings (%)	Total assets (%)	SCR (%)	Non-life GWP (%)	Life TP (%)
Total for EEA	**671 (669) ↑**	**27.9**	**2.3**	**3.8**	**4.2**	**1.9**
FR	314 (302) ↑	69.0	4.3	6.9	11.3	3.6
LU	180 (189) ↓	70.9	5.2	29.0	13.3	0.1
DE	75 (75) =	22.5	3.5	3.6	3.5	3.4
NO	34 (35) ↓	55.7	1.2	6.9	6.7	0.0
MT	33 (26) ↑	47.8	13.8	23.6	11.3	3.4
NL	16 (18) ↓	14.0	0.2	0.6	0.6	0.0
LI	10 (11) ↓	31.3	8.3	20.0	4.0	4.7
SE	4 (8) ↓	3.3	0.0	0.1	0.1	0.0
PT	2 (3) ↓	5.3	0.1	0.2	0.2	0.0
DK	2 (1) ↑	2.7	0.0	0.0	0.1	0.0
IT	1 (1) =	1.1	0.0	0.0	0.2	0.0

21. Figure 1.1 below shows the limitations and/or exemptions to quarterly reporting for 'solo' undertakings in Q1 2022 in terms of number and percentage of number of undertakings.

Figure 1.1 — Summary of limitations/exemptions to quarterly reporting for 'solo' undertakings in Q1 2022 (% in terms of numbers of undertakings)



22. At country level, when looking at the type of templates in quarterly reporting for 'solo' undertakings in Q1 2022 (Table 1.2), it is evident that approaches across countries still differ in terms of the specific templates that are exempted. For example:

- Luxembourg is the only NCA that continues exempting all templates for those undertakings subject to limitations and/or exemptions for quarterly reporting (except the MCR template than cannot be exempted);
- For the first time, also France, Malta and Sweden are exempting all templates for those undertakings subject to limitations and/or exemptions for quarterly reporting (except the MCR template that cannot be exempted);
- Denmark, Liechtenstein and Norway still never exempt the balance sheet, even for the undertakings exempted of reporting other templates; and
- Germany continues exempting almost all quarterly templates except for the own funds template.

23. In general, the balance sheet and the own funds template are the less exempted ones.

Table 1.2 — Overview of limitations/exemptions in number for 'solo' undertakings in quarterly reporting in Q1 2022

	Number of undertakings	Balance Sheet	Premiums, claims, expenses	List of assets	Collective investment	Open derivatives	Derivatives Transactions	Life and Health SLT TP	Non-Life TP	Own funds
Total for EEA	**671 (669) ↑**	**614**	**634**	**668**	**660**	**651**	**651**	**612**	**630**	**550**
DE	75 (75) =	64	74	72	71	71	71	64	72	0
DK	2 (1) ↑	0	1	2	2	1	1	1	1	0
FR	314 (302) ↑	314	314	314	314	314	314	314	314	314
IT	1 (1) =	1	1	1	1	0	0	0	1	1
LI	10 (11) ↓	0	9	10	4	3	3	4	8	0
LU	180 (189) ↓	180	180	180	180	180	180	180	180	180
MT	33 (26) ↑	33	33	33	33	33	33	33	33	33
NL	16 (18) ↓	16	16	16	15	9	9	10	15	16
NO	34 (35) ↓	0	0	34	34	34	34	0	0	0
PT	2 (3) ↓	2	2	2	2	2	2	2	2	2
SE	4 (8) ↓	4	4	4	4	4	4	4	4	4

24. For annual limitations and/or exemptions, three NCAs (the same three as in 2020) granted limitations and exemptions from annual reporting regarding the item-by-item templates to 111 'solo' undertakings for 2021 (113 in 2020) (Table 1.3), showing a very slight decrease in number compared with 2020.

25. This corresponds to 4.6% of the total number of undertakings, representing 0.9% of the total assets and 1.3% of the SCR.

26. For the 3 NCAs that use the power to limit annual reporting one can note that Liechtenstein and Norway provide these annual limitations to the exact same number of undertakings that benefit from the quarterly exemptions, while Germany differentiates slightly between quarterly and annual exemptions and provides annual limitations and/or exemptions to 20.1% of the undertakings against 22.5% that benefit from exemptions in quarterly reporting.

Table 1.3 — Summary of annual limitations/exemptions in number for 'solo' undertakings in 2021 (compared to 2020)

	Number of undertakings	Incidence in term of:				
		Proportion of total number of undertakings (%)	Total assets (%)	SCR (%)	Non-life GWP (%)	Life TP
Total for EEA	**111 (113) ↓**	**4.6**	**0.9**	**1.3**	**1.2**	**0.7**
DE	67 (66) ↑	20.1	3.3	4.0	4.3	3.0
LI	10 (11) ↓	31.3	8.3	20.0	4.0	4.7
NO	34 (36) ↓	55.7	1.2	6.9	6.7	0.0

27. Table 1.4 shows how many undertakings are exempted to report these specific templates from annual reporting.

Table 1.4 — Overview of countries with limitations/exemptions from annual reporting for 'solo' undertakings in 2021

	Number of undertakings	List of assets	Collective investment	Structured products	Open Derivatives	Derivatives Transactions	Securities lending and repo	Assets held as collateral
Total for EEA	**111 (113)↓**	**44**	**38**	**67**	**97**	**98**	**3**	**97**
DE	67 (66) ↑	0	2	64	60	61	2	61
LI	10 (11) ↓	10	2	3	3	3	1	2
NO	34 (36) ↓	34	34	0	34	34	0	34

28. The templates exempted vary from undertaking to undertaking indicating once more a risk-based approach being taken.

29. However, straightforward conclusions from the table are not possible as for some undertakings some templates are not applicable like structured products or securities' lendings and repo and hence no limitations and exemptions may be granted in these cases. This means that for example for NO, most probably all entities covered are exempted from all eligible templates.

30. In any case it is relevant to note that in Germany the list of assets is not exempted for any undertaking.

31. On the other side, in Liechtenstein for 10 entities, representing 20% of the volume of the SCR, the list of assets is never reported, neither quarterly nor annually.

STATISTICS ON LIMITATIONS AND/OR EXEMPTIONS AT GROUP LEVEL

32. Four NCAs (three in Q1 2021) granted limitations and/or exemptions to quarterly reporting to 41 groups in Q1 2022 (27 groups in Q1 2021) (Table 1.5).

33. Malta has granted limitations and/or exemptions to 11 groups for the first time in Q1 2022 representing 69% of the groups under supervision. In addition, also France exempts from quarterly reporting 58% of the groups under their supervision.

Table 1.5 — Summary of quarterly limitations/exemptions for groups in Q1 2022

	Number of groups	Proportion to total number of groups under group supervision in %
Total for EEA	**41 (27) ↑**	**14.8**
DE	7 (7) =	13.5
FR	22 (20) ↑	57.9
LU	1 (0) ↑	11.1.
MT	11 (0) ↑	68.8

34. Two NCAs (two in 2020) granted limitations and/or exemptions to annual reporting to eight groups in 2021 (seven groups in 2020) (Table 1.6).

35. One NCA exempted one more group from annual reporting in 2021, while another NCA kept the number unchanged.

36. It should be noted that for Germany the groups that are exempted from quarterly reporting are also benefiting from limitations and/or exemptions at annual reporting.

Table 1.6 — Summary of annual limitations/exemptions for groups in 2021

	Number of groups	Proportion to total number of groups under their group supervision in %
Total for EEA	**8 (7) ↑**	**2.6**
DE	7 (6) ↑	13.5
FR	1 (1) =	1.6

V. PROPORTIONALITY PRINCIPLE IN REPORTING

37. To evidence how proportionality is implemented in quarterly reporting, EIOPA has updated one example that has been included in last year's report as well.

38. This example confirms once more the previous conclusions that proportionality requirements incorporated in technical standards deliver the intended results.

39. At 'solo' level, quantitative reporting in principle includes 73 annual reporting templates and 13 quarterly templates. Information in terms of the average number of templates to be submitted by insurance undertakings is shown in Table 1.7 and can be summarised as follows:

- In Q1 2022, large undertakings had to fill in on average almost ten templates (same in Q1 2021), nearly twice as many as small undertakings;
- On an annual basis, the 10 largest undertakings by total assets, had to fill in on average 37 templates, while the 10 smallest undertakings had to complete 28 templates.

40. However, it should be noted that the numbers of reported templates do not take into account the complexity of the business. For smaller undertakings, for example, with very limited lines of business or only domestic business, the level of complexity of some templates is much lower

than for undertakings with broader business structures.[11]

Table 1.7 — Average number of templates provided by undertakings

	Q1 2022 (Q1 2021)	Annual 2021 (2020)
Large (10% largest by total assets)	9.5 (9.5) =	37.0 (36.9) ↑
Rest (80%, medium-sized by total assets)	7.1 (7.0) ↑	33.8 (33.7) ↑
Small (10% smallest by total assets)	5.4 (5.4) =	27.6 (27.6) =

41. Finally, it is worth reminding that in March 2022 EIOPA submitted to the European Commission the draft amendments to the Solvency II Technical Standards on Reporting and Disclosure under Solvency II.

42. Overall these amendments aim at keeping reporting requirements fit for supervisory purposes, namely including some new information as well as including additional simplification/elimination of some annual/quarterly reporting templates for all undertakings and introduction of new proportionality measures in the form of risk-based thresholds, which will lead to more reporting exemptions for many undertakings once applicable from year-end 2023.

43. Parallel to the ITS amendments also the EIOPA Guidelines on Financial Stability Reporting and EIOPA Guidelines on the supervision of branches of third-country insurance undertakings have been revised.

[11] For instance, template S.19.01 (Non-life insurance claims) is counted as one template and no consideration is given to the potential multiple reporting by lines of business or currencies (when material); if this was to be considered it would increase the gap in the number of templates even further.

VI. PROCESS FOR GRANTING LIMITATIONS FROM CREDIT RATING INFORMATION

44. This section focuses on limitations from reporting the credit rating information in the assets templates 'list of assets' (S.06.02) and 'open derivatives' (S.08.01) only.
45. Undertakings which are exempted from the full templates S.06.02 and S.08.01 are not included in the analysis below.
46. The survey performed among NCAs confirmed there were no changes to the processes on formal policies for granting limitations from reporting external credit assessment institutions (ECAI) for the same reasons as mentioned in the past:
    - NCAs do not grant limitation to reporting external credit rating information as they consider credit rating information as an important information, with data being available and hence being easily accessible.[12]
47. The information regarding the external rating and nominated External Credit Assessment Institutions may be limited (not reported) in the following circumstances:
    - through a decision of the national competent authority under Article 35 (6) and (7) of the Directive 2009/138/EC; or
    - through a decision of the national competent authority in the cases where the insurance and reinsurance undertakings have in place outsourcing arrangements in the area of investments that lead to this specific information not being available directly to the undertaking. According to Article 44 (4a) of the Solvency II Directive, in order to avoid overreliance on external credit assessment institutions, insurance and reinsurance undertakings shall assess the appropriateness of those external credit assessments (when used in the calculation of technical provisions and the Solvency Capital Requirement) as part of their risk management by using additional assessments, wherever practicably possible.
48. Based on Q1 2022 data provided to EIOPA, the findings of last year's survey can be confirmed.
49. The granting of limitations and/or exemptions for the reporting of credit rating information remains relatively limited. (Table 1.8).
50. Granting exemptions for reporting of data on credit rating information is not limited to a few specific NCAs but is rather split across multiple NCAs (with the highest count for France which needs to be seen together with the large number of French undertakings).

[12] If 'solo' undertakings are part of a group applications are simply not received.

51. **Table 1.8 — Overview of limitations and/or exemptions for assets and derivatives based on Q1 2022 regarding credit rating information**

Type of exemptions	**% (in terms of numbers)**
Exemption for assets	7.5% (1%) ↑
Of which: based on Article 35(6) and (7)	*6.0%*
Of which: based on outsourcing	*1.5%*
Exemption for derivatives	0.2% (5.4%) ↓
Of which: based on Article 35(6) and (7))	*0.1%*
Of which: based on outsourcing	*0.1%*
Exemption for assets and derivatives	6.6% (8.2%) ↓
Of which: based on Article 35(6) and (7)	*4.6%*
Of which: based on outsourcing	*2.0%*
Not exempted	85.6% (85.3%) ↑

52. Still, overall only 7.5% of the total number of undertakings were exempted of such reporting in the list of assets in Q1 2022 (1% in Q1 2021).

53. The percentage of undertakings exempted only in the derivatives template is 0.2% in Q1 2022 (5.4% in Q1 2021).

54. A total of 6.6% of the total number of undertakings were exempted of the reporting of the credit rating information both in the assets and derivatives templates in Q1 2022 (8.2% in Q1 2021), 4.6% based on Article 35 (6) and (7) (6.3% in Q1 2022) of the Solvency II Directive and 2.0% (1.9% in Q1 2021) based on outsourcing reasons.