

Consultation Paper on proposals for Solvency II 2020 Review

Package on Supervisory Reporting and Public Disclosure

1. General issues on Supervisory Reporting and Public Disclosure

1.1. Extract from the Call for Advice

3.15. Reporting and disclosure

EIOPA is asked to assess, taking into account stakeholders' feedback to the Commission public consultation on fitness check on supervisory reporting:

- the ongoing appropriateness of the requirements related to reporting and disclosure, in light of supervisors' and other stakeholders' experience;
- whether the volume, frequency and deadlines of supervisory reporting and public disclosure are appropriate and proportionate, and whether the existing exemption requirements are sufficient to ensure proportionate application to small undertakings.

1. Summary of stakeholders' feedback to the Commission's public consultation on fitness check on supervisory reporting (summary relevant for Solvency II elaborated by EIOPA on the basis of "Summary Report of the Public Consultation on the Fitness Check on Supervisory Reporting having taken place from 1 December 2017 to 14 March 2018 – full document available [here](#)):
 - For some information requested in the quantitative reporting templates (QRT) it is questionable if they are used for supervisory purposes and if they deliver added value for supervision, e. g. the specification of the nominated ECAI using a closed list of entities as published on ESMA's website. In many cases undertakings do not know which subsidiary of a rating group issued a rating.
 - Solvency II requires separate reports, quantitative and narrative, on groups. Group reports often provide only limited added value, especially if a group is dominated by one large entity.

- Often information needs to be reported repeatedly but using different allocation which leads to inconsistent reporting obligations. One example for this is that under Solvency II, information on the underwriting performance as shown in the financial statements should be reported but allocated to Solvency II lines of business.
 - The amount of required information is too high – for the quarterly Solvency II QRT alone, some undertakings are required to report more than 120.000 data fields. Currently, it is not transparent if and how all these data are used for supervisory purposes. In our view, regular reporting should focus on data which are essential for supervision. If further data are required in certain cases, these should be required individually.
 - For one insurance entity, the reporting frameworks that contribute the most to the cost of compliance are the Quantitative Reporting Templates (QRT) for EIOPA, ECB and FSB, the Solvency & Financial Condition Report (SCFR) and the Own Risk and Solvency Assessment (ORSA) report. Therefore, reporting requirements which are not essential, should be omitted, e. g. extensive narrative reporting in the Regular Supervisory Report (RSR) besides SCFR and ORSA report.
 - In the Solvency II framework, only the most granular data points should be required to be reported
 - Within a financial conglomerate, there is double reporting by the insurance group and by the financial conglomerate group.
 - The reporting deadline for the local summary report is also earlier than for Solvency II reports.
 - Some data elements need to be reported twice, under different formats. For instance, the transfer of accounting data into Solvency II lines of business is already covered in the annual report.
 - Data used internally for steering purposes is often not at the same level of aggregation or format and may be calculated in a different way from the specific regulatory requirements. Also the validation processes could be different for non-critical data.
 - Producing the numbers is more burdensome than the visible effects; there is very little discussion on the numbers. The feedback to Pillar II could be strengthened.
 - Large amount of data being requested, excessively detailed requirements - a significant amount of the information collated for Solvency II reporting would not be produced for any other purpose than reporting to the regulator, and is not used for decision making purposes.
2. Detailed list of the feedback received is included in Annex I – Identified issues as part of the Fitness check on supervisory reporting across EU supervisory reporting framework.

1.2 Previous advice – not applicable

1.3 Relevant legal provisions

3. The legal provision in place to take into account for this Advice are:
- Directive 2009/138/EC of the European Parliament and the of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II Directive), in particular articles 35 and 254 for supervisory reporting and articles 51, 53 to 56 and 256 for public disclosure;

- Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of insurance and reinsurance, in particular Chapter XII of Title I and Chapter V of Title II for public disclosure and Chapter XIII of Title I and Chapter VI of Title II for regular supervisory reporting;
- Commission Implementing Regulation (EU) 2015/2450 of 2 December 2015 laying down implementing technical standards with regard to the templates for the submission of information to the supervisory authorities and following amendments (2016/1868; 2017/2189; 2018/1844)
- Commission Implementing Regulation 2015/2452 (EU) of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report and following amendments (2017/2190; 2018/1842)

1.4 Other regulatory background

4. Under the other relevant regulatory framework the following needs to be considered:
 - EIOPA Guidelines on reporting and public disclosure ;
 - EIOPA Guidelines on Financial Stability Reporting;
 - EIOPA Guidelines on the supervision of branches of third-country insurance undertakings;
 - Regulation (EU) No 1374/2014 of the European Central Bank of 28 November 2014 on statistical reporting requirements for insurance corporations (ECB/2014/50);
 - Guideline (EU) 2016/450 of the European Central Bank of 4 December 2015 amending Guideline ECB/2014/15 on monetary and financial statistics (ECB/2015/44).

1.5 Identification of the issues

5. This consultation paper deals with the following issues regarding Solvency II Supervisory Reporting:
 - Principle of proportionality;
 - Quarterly reporting;
 - Deadlines for regular reporting;
 - Currency of supervisory reporting;
 - Reporting of specific business models;
 - Main information gaps identified.
6. It should be noted that the Review of Supervisory Reporting should be seen as a whole and the assessment of the policies options for the different issues should consider relevant issues within this paper as well as of other papers under consultation. This is particularly true for the assessment of principle of proportionality.
7. National competent authorities should receive the information which is necessary for the purposes of supervision. It is crucial that supervisors receive meaningful data in terms of granularity, coverage, frequency and within proper timelines to identify and early assess the risks the industry face, both at micro and macro

levels. Furthermore, the harmonisation of the information to supervisory authorities throughout Europe has been an essential instrument to promote supervisory convergence.

8. After more than 3 years of implementation of Solvency II and of use of information received by supervisory authorities it is important to reflect on the adequacy of the regular supervisory reporting defined in 2015. It should be noted that 3 years could be considered a good timing to reflect on lessons learned, but in fact part of this 3 years were of learning to both insurance and reinsurance undertakings and to supervisors and challenges such as the quality of the data had to be addressed along the way. This consultation reflects on the lessons already learned but it should be noted that in some cases more experience is needed before proposing changes to the requirements.

1.5.1. Principle of proportionality

Background

9. Proportionality principle is one of the overarching principles of Solvency II.
10. The Solvency II Directive should not be too burdensome for small and medium-sized insurance undertakings. One of the tools by which to achieve that objective is the proper application of the proportionality principle. In addition to proportionate requirements, in order to ensure the effectiveness of the supervision all actions taken by the supervisory authorities should be proportionate to the nature, scale and complexity of the risks inherent in the business of an insurance or reinsurance undertaking.
11. In particular, Solvency II should not be too burdensome for insurance undertakings that specialise in providing specific types of insurance or services to specific customer segments, and it should recognise that specialising in this way can be a valuable tool for efficiently and effectively managing risk.
12. It is generally acknowledged¹ and even if is not comprehensively defined proportionality principle applies throughout the Solvency II legislation. The mention of the principle of proportionality in certain Articles should not lead to the conclusion that it does not apply or applies less where it is not explicitly mentioned.
13. When speaking about proportionality it should be noted that the proportionality covers two aspects:
 - Proportionality in implementation of the requirements laid down in the Framework Directive Proposal; and
 - Proportionality in the supervision of insurance undertakings and insurance groups.
14. The importance of the principle of proportionality is explicitly linked to the need to avoid excessive strain on small and medium-sized undertakings. This does however not mean that size is the only relevant factor when the principle is considered. The principle is to be applied where it would be disproportionate to the nature, scale and complexity of undertakings' business to apply the general rules (quantitative and qualitative) without relief.

¹ Article 5 of the Treaty on the EU states that the content and form of Union action should not exceed what is necessary to achieve the objectives of the Treaties

15. In considering the nature of the risks, supervisors will take into account the underlying risk profiles of the classes of business an undertaking is writing, e.g. whether it is long or short-tail business, or whether it is a low frequency and high severity business or consists of high frequency and low severity risks. The specific nature of risks inherent to the reinsurance business and to the genuine captives business should also be taken into account.
16. Via scale a size criterion is introduced. In fact, the size of the insurance undertaking portfolio, including the value of the assets, liabilities or number of policyholders affected in case a failure occurs, is of relevance to the proportionality principle as well.
17. Complexity is linked to the nature of the business as certain kinds of businesses may dictate the use of more demanding methods or an advanced system of governance, in particular a more sophisticated risk management system in order to deal properly with all risks the undertaking faces. However, it may also be introduced via the investment strategy of the undertaking or because the insurer chooses to employ challenging methods or processes in some areas that require a commensurate degree of complexity in other areas of the undertaking. It is also linked to the complexity in the evaluation of the commitments, for example unlimited motor liability, investment in a complex option, annuities (as opposed to a lump sum) or non-proportional reinsurance (as opposed to a straightforward direct insurance business). Relating to the valuation of assets, liabilities or risks, this criterion resembles a materiality principle and the approach applied should ensure an appropriate relative and absolute approximation of the theoretically correct value.
18. In particular regarding reporting and disclosure, in the COM Call for advice EIOPA was asked to assess, taking into account stakeholders' feedback to the public consultations:
 - The ongoing appropriateness of the requirements related to reporting and disclosure, in light of supervisors' and other stakeholders' experience;
 - Whether the volume, frequency and deadlines of supervisory reporting and public disclosure are appropriate and proportionate, and whether the existing exemption requirements are sufficient to ensure proportionate application to small undertakings.
19. In preparing this opinion, EIOPA considered the input received from the industry via EU Commission Public Consultation on the Fitness Check on Supervisory Reporting², EIOPA Call for Input on Solvency II Reporting and Disclosure Review 2020³ as well as the input received during the last years both in workshops with industry, informal dialogues with several stakeholders and in the comments to the annual amendments to the ITSS. EIOPA also considered its Report on the use of Limitations and Exemptions on reporting performed for 2017⁴ and 2018⁵.

² The EU Commission Summary Report of the Public Consultation on the Fitness Check on Supervisory Reporting is available under the following link: https://ec.europa.eu/info/sites/info/files/2017-supervisory-reporting-requirements-summary-report_en.pdf

³ The EIOPA Call for Input on Solvency II Reporting and Disclosure Review 2020 is available under the following link: <https://eiopa.europa.eu/Pages/Consultations/Call-for-Input-on-Solvency-II-Reporting-and-Disclosure-Review-2020-deadline-21-February-2019.aspx>

⁴ https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-17-240rev2_EIOPA%202017%20report%20on%20the%20use%20of%20limitations%20and%20exemptions.pdf

⁵ https://eiopa.europa.eu/Publications/Reports/EIOPA%20LER%20report%202018_Final.pdf

20. In general, the feedback provided identified that the majority of insurance undertakings are currently unsatisfied with proportionality implementation by legislation and their respective national supervisory authorities and see an urgent need for improvement.
21. Criticism focuses, among other things, on the extensive reporting requirements under Solvency II and the – from the industry’s perspective – unsatisfactory solution applied to exempt undertakings from their quarterly reporting obligations and the strict reporting timelines. The undertakings mainly refer to cost-benefit considerations when they complain about the lack of proportionality, whereas from the supervisory point of view the information is seen as crucial to ensure implementation of a risk-based approach e.g. lower risks will allow the requirements to be implemented in ways that are less complex and therefore less burdensome.
22. Furthermore the conditions under which undertakings can be exempted from the quarterly reporting requirements – especially the labour-intensive quarter four – are also shown as an area where proportionality can improve (for more background information see also subsection 1.5.2).
23. However, the fact that reporting requirements are in most cases rule-based requirements⁶ and therefore are not subject to the principle of proportionality, requires a closer look to how the rules are defined so that proportionality is embedded and well reflected in the rules.
24. EIOPA agrees that proportionality principle should be assessed and revised but also believes that to promote a proper and fair revision is important to fully understand the application of proportionality principle currently implemented:
25. According to Article 35, paragraphs 6 and 7 of the Solvency II Directive, NCAs may limit regular quarterly supervisory reporting and exempt certain undertakings from item-by-item reporting, where the submission of that information would be overly burdensome in relation to the nature, scale and complexity of the risks inherent in the business of the undertaking. It is noted, however, that Article 35 only permits exemptions for undertakings until a maximum of 20% of the Member State’s life, non-life insurance and reinsurance markets respectively. Moreover, the Article requires NCAs to prioritise the smallest undertakings. Finally, the exemption should not undermine the stability of the financial systems concerned in the European Union;
 - The limitations and exemptions foreseen in Article 35 are a concrete proportionality measure in reporting requirements but should not be seen as the only proportionality measure in reporting requirements. The following proportionality measures should also be considered: embedded proportionality and risk-based thresholds;
 - Embedded proportionality: the extension of reporting is directly connected to the nature, scale and complexity of the business. As an example the type of investments or the lines of business have a direct impact in the reporting to be submitted to NCAs;
 - Risk-Based thresholds: the risk profile is the main trigger for proportionality on reporting as a number of thresholds were included in different templates.

⁶ The principle-based approach merely sets out a supervisory objective. It does not stipulate a specific implementation path. However, under Solvency II, there are still rule-based requirements which provide no leeway in implementation, either to undertakings or to supervisors. These rule-based requirements cannot be fulfilled on a proportional basis.

26. EIOPA Report on the use of limitations and exemptions from reporting during 2017 and Q1 2018⁷ explains and evidence how the use of embedded proportionality and risk-based thresholds is an efficient and effective proportionality measure e.g.:
- Insurance undertakings without derivatives in their portfolio simply do not need to report the templates S.08.01 and S.08.02 on derivatives. The risk profile remains the main source of proportionality with 52% of undertakings not reporting template S.08.01 due to “no derivatives” (embedded proportionality). In this case, no threshold is applied but 22% of the undertakings were exempted by the NCAs from quarterly reporting. In total only 26% of the undertakings needed to report template S.08.01 in Q1 2018;
 - In the case of template S.06.03 on look-through, in total only 23% of the undertakings had to report template S.06.03 in Q1-2018. The analysis revealed that 28% of undertakings don't report as they have no investments in collective investment undertakings (CIU) (embedded proportionality), 41% of the undertakings are exempted due to the risk- based threshold included in the ITS (CIU>0% and <30% of the investments) and 8% of the undertakings were exempted by the NCAs from quarterly reporting.
27. Stakeholders, during the regular dialogue and as part of the Call for Input performed by EIOPA raised concerns regarding the duplication between annual reporting and the reporting of quarter 4. Especially because the reference date of the Q4 coincides with the reference date of the annual reporting.
28. The reason to have Q4 reporting was the importance of such information, to be received in a timely manner for the purposes of the supervisory review process. The responsibilities of the supervisory authorities are not compatible with receiving information on the Q4 only 14 weeks after the end of the quarter (considering the current deadline).
29. The reporting deadlines currently differ 9 weeks between the quarterly and the annual submissions. This means that even if the reference date is the same the annual reporting is received 9 weeks after the receivable of the Q4 information. Duplication of reporting was also eliminated to the utmost extend possible. Some annual templates regarding information submitted for Q4 do not have to be submitted. This is applicable for example for the list of assets and list of derivatives where annual submission is only required for the undertakings that have been exempted from quarterly submissions. However, in fact, some duplications still exist when the templates are different between the quarterly and annual submission such as the information on technical provisions (for more background information see subsection 1.5.3).
30. Another area of criticism from stakeholders focuses on the narrative reporting for the fact that both the SFCR and the RSR must be submitted even though there are many overlaps, and that the benefits derived from these reports are disproportionate to the efforts involved.
31. The national supervisory authority only has room for manoeuvre with respect to the submission frequency of the RSR. It may require its undertakings to submit their reports annually, every two years or every three years. EIOPA acknowledges that some national supervisors take a risk-based approach and determine the frequency of submission depending on the undertakings' market significance and quality.

⁷ https://eiopa.europa.eu/Publications/Reports/EIOPA%20LER%20report%202018_Final.pdf

Please note that the RSR will be subject to consultation only on the second wave of 2020 Review Consultation.

32. The contents to be included in the RSR and SFCR are specified in detail in the Solvency II Directive. All member states are bound by this requirement under European law. Please note that deviations from this are therefore not permitted.
33. During the regular dialogue and as part of the Call for Input performed by EIOPA stakeholders proposed the following solutions to address proportionality:
 - The waivers foreseen in Article 35(6) and (7) should be made automatic instead of optional and national gold plating must be avoided;
 - The availability of waivers should be expanded; by increasing the 20% market threshold (Article 35(6)(b)/Article 35(7)(d)), and by using the threshold to its full extent;
 - If the waivers are not made automatic, NCAs should look to promote these waivers, and support smaller undertakings in applying for these waivers, up to the threshold of each member state's market;
 - Exemptions should be given if an undertaking has a very high SCR-coverage Ratio (without transitional measures), e.g. above 200/300%;
 - In the long run propose to introduce a risk-based approach to determine the extent of QRTs each undertaking has to report. Based on these facts a limitation and exemptions process is not necessary;
 - Need for transparent thresholds for specific reporting requirements so that undertakings and the supervisors have clear legal presumptions about the scope of the supervision;
 - Consistent approach across Europe is needed, it is important that EIOPA continues to monitor usage of exemptions and limitations over time and to publish the results;
 - Creation of the different sets of templates:
 - Basis set: QRTs, which have to be reported by all insurance companies depending on their line of business. These QRTs contain risk-relevant information that directly influences the undertaking's solvency and risk situation.
 - Additional Set of QRTs: which have to be reported depending on the risk profile of the insurance company. Sufficiently capitalised undertakings with a less complex risk profile are exempted.
 - "system relevance" and "consumer protection" are not used sufficiently as trigger for the extent of the reporting requirements (QRTs and narratives);
 - The thresholds are efficient;
 - Need to improve the current ideas of a risk-based approach. Quantitative reporting needs to be more risk-oriented as opposed to the current mandatory one-size-fits-all approach. In specific terms, this means well capitalised companies with stable risk exposure should report less information at longer intervals than insurers with a volatile risk profile and low cover. Furthermore, the reporting should focus on risk-relevant key areas, i.e. putting the company's main business front and centre.
 - Thresholds can be defined for peripheral areas that don't actually affect the company's solvency so that they are reported in less detail. Reporting could

also be made more straightforward for insurance groups. Solo companies within a group accounting for a negligible proportion of the entire group could be included in the group report via, for example, roll-over methods or even be omitted entirely. This would make the group reporting process considerably simpler, more efficient and align the focus on the material aspects.

- Some NCAs suggest that information above the risk-based thresholds should be provided anyway. We are not sure as to the rationale for such a request. This should be avoided on national level.
- The volatility of technical provisions or any changes in the group structure could be considered as first indicators to assess if an undertaking has to report specific QRTS
- Risk based thresholds are appropriate and could be enhanced.
- Re-think some QRT threshold in order to be more efficient and increase simplification, if the requested information is not material for the undertakings and the costs related to this disclosure exceed the benefit even for NSAs
- Introduce timeline for responding for NSAs - NSAs should get a timeline to adhere to provide feedback on submitted reports. When the deadline has passed, undertakings should have the certainty that no further NSA comments will follow.
- Increase the threshold for requiring resubmissions.

Options considered

34. Considering the above background the proposals put forward by the industry and considered by EIOPA were the following:

- 1) Change the "may" in Article 35 (6) and (7) to a "shall" and oblige member states to grant exceptions if the conditions for exemptions laid out in level 1 and in the respective Guidelines are met by Reviewing Guidelines on market share and provide additional guidance and clarifications in level 2 to support supervisory convergence while promoting the use of proportionality principle;
- 2) Delete Article 35 (6) to (8) and to introduce alternative proportionality instruments, i. e. risk based thresholds;
- 3) Keep the approach of a single reporting package with current risk-based thresholds;
- 4) Keep the approach of a single reporting package with additional and/ or redesigned risk-based thresholds;
- 5) Keep the approach of a single reporting package with risk-based thresholds, but change the valid time period of the exemption (currently exemption period = 1 y, option to increase to 3y);
- 6) Create a core reporting package and an additional package (risk-based) depending from the individual risk profile of the undertaking.

EIOPA proposal

35. In the analysis of the options EIOPA considered that with “exemption from quarterly reporting” being already possible⁸, except for the reporting of the MCR templates⁹, legislators have already introduced a tool for fostering proportionality in quantitative reporting. MS may grant these simplifications for a maximum of 20 percent of its life and non-life insurance market.
36. However, the exemptions and limitation process is only one aspect of proportionality laid out in reporting framework.
37. At solo level, quantitative reporting in principle includes 68 annual reporting templates (excluding RFF) and 12 quarterly templates. At group level, there is a total of 47 annual (excluding RFF) reporting templates and 8 quarterly templates.
38. The scope of reporting also depends in part on the type of business the undertaking conducts.
39. In Q1 2018, 791 undertakings were subject to limited quarterly reporting. In addition some quarterly reporting are subject to risk-based thresholds (see Report on the use of limitations and exemptions from reporting during 2017 and Q12018¹⁰; short: LER Report).
40. As described in the LER Report, the majority of insurance undertakings has not applied and/or has not given any limitations or exemptions in both 2017 and 2016.
41. Apart from the EIOPA Guidelines (such as e.g. EIOPA Guidelines on methods for determining the market shares for reporting, EIOPA-BoS-15/106) and the relevant articles of the Solvency II Directive, the majority of NCAs confirmed to not have had any formal policies in place for granting the authorisation to use limitations or exemptions from reporting and to withdraw such authorisation. Not to forget that some MS do not make use of exemptions and limitations at all and no MS currently meets the desired 20 % exemption market share.
42. It is important to note that after three full years of implementation of Solvency II, with all reporting systems in place, some undertakings, even if allowed not to report, prefer to continue doing it. This is not only due to the fact that the systems are already in place but also because the limitation/exemption may be withdrawn at the end of one year, which creates uncertainty and instability to undertakings.
43. Many undertakings which could, in EIOPA’s and NSAs’ view, be eligible for exemptions do not make use of this possibility. The observed reluctance is also due to the fact that the exemptions NSAs can grant are only for one year. Under the current legal situation, the supervisory authorities are required to review annually whether they can continue to grant an exemption. This is in particular due to the qualitative conditions for applying the proportionality principle.
44. The analysis showed that the rather cumbersome procedure of the exemptions and limitations process currently does not foster efficient forms for proportionality in pillar 3 and that proportionality has to be improved by adding

⁸ Article 35 (for solo) and article 254 (for groups) of the Solvency Directive

⁹ Article 129 of the Solvency Directive

¹⁰ https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-17-240rev2_EIOPA%202017%20report%20on%20the%20use%20of%20limitations%20and%20exemptions.pdf

¹⁰ https://eiopa.europa.eu/Publications/Reports/EIOPA%20LER%20report%202018_Final.pdf

new proportionality methodologies – and by improving already present alternative proportionality methodologies.

45. EIOPA proposes to introduce methodologies for proportionality which are not directly dependent on the decision/culture of the respective NSA for granting any form of exemptions or limitations. Proportionality should be a general principle laid down in the Solvency II Framework which should reflect the complexity, scale and nature of the risk area covered by each template, and therefore the risk area of the respective undertaking.
46. EIOPA believes that the exemptions and limitations as currently in article 35 of the Directive should be kept as they are currently drafted. In fact, even if not used in some Members, in others it revealed to be a tool already in place that allowed for a number of limitations and exemptions both quarterly and annually. However, EIOPA believes that the other proportionality measures such as risk-based thresholds could be reinforced in order to better complement article 35 provisions.
47. EIOPA shares the Industry's view that the supervisory reporting package is to be transformed towards a core and non-core reporting package.
48. For quantitative reporting (QRT) the current total set should be split into two parts:
 - A set of core (basic) QRTs reported by all undertakings (unless exempted under article 35 (6) and (7)), containing the key figures needed to assess the risks and solvency situation of an undertaking.
 - A set of additional QRTs_templates for which companies would be exempted from reporting unless their business is above predefined risk-based thresholds
49. However, EIOPA does not share the Industry's view that the distinguishable feature for reporting the additional QRTs should be defined by the NSA based on justification related to their risk profile/activities of the individual undertaking, and particularly EIOPA does not agree that the level of capitalisation should be the risk factor to consider.
50. The risk-based threshold should be defined by the risk exposure of the risk area covered by each template. Additionally creating more certainty for the undertaking and allowing undertakings to monitor their own reporting requirements and not being dependent on regular NCAs decisions. Moving forward is important to promote more convergence on the use of article 35 and avoid situations where very small and low risk profile subsidiaries are not exempted from reporting, even when their "bigger and riskier" core group would be exempted at home.
51. Furthermore, as part of the fit-for-purpose principle, all QRTs were revised and eliminated/simplified when the information was considered not to be frequently regularly used. However, gaps in the information received have also been identified.
52. For the other proportionality measures, and comprehensive background information, options and EIOPA proposals please view sections 1.5.2 (Quarterly reporting), 1.5.3 (Deadlines), 1.5.5. (Business models) and EIOPA-BoS-19-305 document on EIOPA proposals template by template.

EIOPA proposes a number of proportionality provisions while considering that the information should be fit-for-purpose. It is important that supervisors continue receiving meaningful data in terms of granularity, coverage, frequency and within proper timelines which can be used for potential risk detection and analysis in the insurance market across EU member states.

Regarding proportionality EIOPA proposes to:

- Keep Article 35 (6) to (8) as it is currently drafted in the Solvency II Directive;
- In addition, reinforce the risk-based thresholds to increase proportionality while ensuring legal certainty for undertakings. The templates would be divided into two categories:
 - o the core (basic) QRTs will include only those templates without risk-based thresholds for quarterly and annually reporting, where the figures for all the market are relevant on a regular basis (please note that exemptions under article 35 would still be possible);
 - o the non core: additional (risk-based) QRTs will include all other QRTs with risk-based thresholds different for annual or quarterly submissions. The risk based threshold shall reflect the nature, scale and complexity of the risk exposure of the risk area covered by each template.
- Reduce the quarterly reporting package [for more information, please view 1.5.2 section on quarterly reporting];
- Introduce a dedicated SFCR section for the policyholders ("Two-Pager" type) in the SFCR while the rest focused on a more quantitative and professional public information [for more information, please view EIOPA-BoS-19-309 on the Solvency Financial Condition Report];
- No SFCR section for the policyholder, if the undertaking is only underwriting business to business (i. e. genuine captives). However, the respective undertaking still needs to disclose the rest of the SFCR including professional public information"; [for more information, please view EIOPA-BoS-19-309 on the Solvency Financial Condition Report];
- Reduce the annual reporting package. However some templates /information is also added according to supervisory needs. [for more information, please view section 1.5.7. and the respective subsections of EIOPA-BoS-19-305 document on EIOPA proposals template by template]

1.5.2 Quarterly reporting

Background

53. The supervisory reporting requirements include an annual reporting and the reporting of 4 quarters. The reference date of the Q4 coincides with the reference date of the annual reporting. Considering this, when the ITSs were discussed during 2014-2015 the issue of duplication between Q4 and annual reporting was thoroughly discussed.
54. The reporting deadlines differ 9 weeks between the quarterly and the annual submissions. This means that even if the reference date is the same the annual reporting is received 9 weeks after the receivable of the Q4 information. Duplication of reporting was also eliminated to the utmost extend possible. Some

annual templates do not have to be submitted unless the undertakings were exempted from submitting Q4 information. This is applicable for example for the list of assets and list of derivatives where annual submission is only required for the undertakings that have been exempted from quarterly submissions. However, in fact, some duplications still remain.

55. The main reason to keep Q4 reporting is the importance of such information, to be received on a timely manner for the purposes of the supervisory review process. The responsibilities of the supervisory authorities are not compatible with receiving the first information regarding the end of the financial year only 14 weeks after the end of the quarter.
56. Stakeholders, during the regular dialogue and as part of the Call for Input performed by EIOPA raised the following concerns regarding this duplication between Q4 and annual reporting:
- Quantitative reporting regarding the fourth quarter in addition to yearly reporting seems superfluous as both reports share the same reporting reference date;
 - Reporting on the fourth quarter can cause misinterpretations as it has to be done on preliminary figures due to tight reporting deadlines. As supervisory authorities receive annual reports the reporting regarding the fourth quarter does not create added value for supervision;
 - Proposal to cancel almost all the QRTs required for Q4 reporting, since the information required is too granular and specific as well as there are no material differences between Q4 and year end;
 - Q4 data is not audited and often has no ASMB approval; data quality is lacking; labour intensive weeks;
 - Q4 reporting requirements could be restricted to companies with a relatively low solvency ratio without transitionals;
 - The quantitative reporting should not follow the approach one-size-fits-all. In specific terms, this means well capitalised companies with stable risk exposure should report less information at longer intervals than insurers with a volatile risk profile and low cover. There should be a basis set of information for all undertakings, containing the key figures on the finance and solvency situation of an undertaking. Further information can be requested, but the information that is requested should be determined by following a risk-oriented approach. Undertakings should report undertaking-specific information.
 - Some stakeholders see some merits in the Q4 reporting as they understand the supervisory authorities are aiming at obtaining preliminary information about the insurer's year-end figures. However, Q4 submissions fall in the middle of the year-end production figures and the Q4 reporting data are normally based on estimates which may have to be amended later in the process following some business/management decisions, findings from the external auditors or any other reason. Some insurers have to re-submit the Q4 figures to their supervisory authorities once the year-end reporting information has been finalized. In normal circumstances Q3 data could be extrapolated to approximate what would be the Q4 submission.

Options considered

57. Considering the above background the proposals put forward by the industry and considered by EIOPA were the following:

- 1) Eliminate Q4 reporting;
- 2) Eliminate Q4 reporting but reduce the annual reporting deadlines;
- 3) Reduce the scope of Quarterly reporting;
- 4) Reduce the universe of undertakings reporting Q4 information.

EIOPA Proposal

58. In the analysis of the options EIOPA considered that exemption from quarterly reporting is already possible, except for the reporting of the MCR templates, according to article 35 of the Solvency Directive. In Q1 2018, 791 undertakings were subject to limited quarterly reporting. In addition some quarterly reporting are subject to risk-based thresholds (see ISSN 2599-8773 – Report on the use of limitations and exemptions from reporting during 2017 and Q12018).

59. EIOPA understands the argument of duplication but highlights that the duplications are minimum and only cover the templates which annual version is different from the quarterly version.

60. The Q4 reporting is crucial for the supervisors risk assessment frameworks and the calculation of early warning indicators on a timely fashion. The timely information of the undertakings solvency and financial condition at the end of the year is crucial supervisory information and could not be received later than the other quarters and definitely not after 14 weeks.

61. Even if of secondary nature it was also taken into account the needs of National Central Banks and of the European Central Bank which also receive Q4 information.

62. In the analysis it should also be considered the relative duplication between templates as well where similar information, even if not exactly the same information is requested, in particular the following:

- S.02.01 Balance sheet includes high level information on technical provisions, in particular considering the split for Life in the Balance-sheet;
- S.28's MCR includes information on Net (of reinsurance/SPV) best estimate and TP calculated as a whole for Non-Life and Life LoB.

63. On the possibility to reduce the universe of undertakings reporting Q4 information please see point 1.5.1. and EIOPA preferred approaches to proportionality principle.

64. Considering that:

- Q4 information is needed for supervisory purposes for all undertakings;
- The timing of the information is crucial;
- Proportionality is applicable as well by NCAs exempting undertakings from the quarterly reporting according to Article 35;
- Information should be fit for purpose for the assessment at the end of each quarter.

65. EIOPA proposes to keep Q4 reporting but revised the content of the quarterly templates (for all quarters) and proposes some simplifications. To better understand the simplifications proposed please see EIOPA-BoS-19-305 document

on EIOPA proposals template by template. See also proposal under section 1.5.1. on Proportionality Principle.

EIOPA proposes to:

- Keep Q4 reporting;
- Reduce the quarterly templates scope as follows:
 - o Simplify template S.08.01;
 - o Delete template S.08.02 from quarterly information;
 - o Simplify template S.12.01 by deleting the information on transitionals;
 - o Simplify S.17.01 by deleting the information on transitionals.

1.5.3 Deadlines

Background

66. The deadlines for supervisory reporting were defined in Solvency II Directive with a transitional period of 3 years¹¹. The deadlines were defined as follows:
- 2016: 8 weeks after each quarter; 20 weeks after end-year
 - 2017: 7 weeks after each quarter; 18 weeks after end-year
 - 2018: 6 weeks after each quarter; 16 weeks after end-year
 - 2019: 5 weeks after each quarter; 14 weeks after end-year
67. For groups the same deadlines as for individual reporting plus 6 weeks apply¹².
68. For public disclosure the deadlines follow the ones defined for annual supervisory reporting.
69. In 2019 it was the first year where the default (final) deadlines applied.
70. Stakeholders, during the regular dialogue and as part of the Call for Input performed by EIOPA raised concerns regarding this last step of the transitional period. They claimed that the deadlines are highly demanding, especially quarterly solo reporting within 5 weeks. It is very challenging for undertakings to meet this requirement as data for quarterly reporting need to be gathered from different partners and have to be approved internally. Further, the Solvency II deadline for annual reporting including RSR and SFCR will be 14 weeks in a steady state which is very challenging as well. It is not feasible for data processing of cash flows of insurance contracts. Furthermore, there are additional information requests by NSAs (e.g. results of stress tests, quantification of level of uncertainty in valuation of technical provisions).
71. Several examples of the challenges were provided:
- Auditing requirements: in some countries, there are audit requirements that need to be resolved before submitting the information, thus further shortening the deadlines;

¹¹ Article 308b(5) [annual] and article 308b(7) [quarterly] of Directive 2009/138/EC for the reporting in the transitional period, Article 312 of Commission Delegated Regulation (EU) 2015/35

¹² Article 373 of Commission Delegated Regulation (EU) 2015/35

- Consortium agreements: in this case, several undertakings participate in one insurance agreement, for example if major risks cannot be covered by a single insurance undertaking. Undertakings participating in a consortium receive relevant data from the undertaking acting as lead manager. Due to the very short reporting timelines under Solvency II, data on the consortium participation often cannot be delivered on time to be included in the reports of participating undertakings;
- Timely data gathering is also critical in view of the required look through for collective investments undertakings. Even if undertakings receive the necessary data from the fund manager, undertakings often have to use outdated data for supervisory reporting, due to tight reporting deadlines. This often leads to inconsistencies as the data used differ between various reports. This causes difficulties, for example when reports are validated by receiving authorities;
- Q2 reporting: it is in the middle of the holiday periods in most countries;
- Reinsurance undertaking: is even more challenging for reinsurance companies, due to the heavy reliance on information received from cedants;
- Availability of RFR: the fact that EIOPA does not publish the interest curve earlier, implies that each month insurers run the risk of having to recalculate;
- Finally, the fact that the Implementing Technical Standards relating to supervisory reporting QRTs and public disclosure QRTs are being amended every year and that a new taxonomy laying out changes and corrections to the QRTs and log files has to be implemented in shortened timescales, endangers the possibility of improving the quality of the data submitted.

Options considered

72. Considering the above background the proposals put forward by the industry and considered by EIOPA were the following, including different combinations:
- 1) The reporting deadlines could be aligned with the reporting deadlines applicable for 2018: only for quarterly, only for annually or both;
 - 2) Chronological timeline for quantitative and narrative reporting; reporting deadlines for SFCR and the RSR should be different from the annual QRT's ones because in a first step QRTs have to be done prior finalising the SFCR and RSR;
 - 3) Consideration of national public holidays and counting of the deadlines in working days instead of weeks.

EIOPA Proposal

73. EIOPA believes some of the challenges of undertakings to comply with the deadlines could be mitigated with other changes being proposed such as a better implementation of the proportionality principle and more specifically the proposals for simplification of quarterly reporting.
74. It should be noted that regarding the publication of the RFR EIOPA has been publishing the information within 4 working days of the end of each quarter, even if the KPI indicated 5 working days. For the year of 2019 EIOPA has already identified as KPI the 4 working days and for 2020-2021 publication within 3

working days (EIOPA-19-057, 30 January 2019 – The Revised EIOPA Single Programming Document 2019-2021 with Annual Work Programme 2019).

75. The annual amendments of the Implementing Technical Standards relating to supervisory reporting QRTs and public disclosure QRTs reflect mostly amendments in the Delegated Regulation and are therefore needed. However, EIOPA delivers a number of working documents to facilitate the implementation of such amendments, including technical and business documentation.
76. The change from weeks to working days would create a material miss-alignment of the reporting deadlines not only between different Member States but as well within one unique Member State and is not seen as adequate. As for the number of weeks it is understood that the market should be ready to apply the final deadlines during 2019 and following years and extending the deadline by one/two additional weeks in the review would not be adequate.
77. It is also acknowledged that the implementation of the review currently under consultation may need in any case an extension of the reporting deadlines at least in the first year. If this is the case it could be considered that the extension is given on a definitive way.
78. However, EIOPA also discussed the scope of quarterly reporting and is proposing a material reduction in the scope of quarterly reporting. This reduction would in EIOPA view make the 5 weeks deadline more feasible for undertakings. The deadline currently in place better fits the supervisory processes in place. EIOPA highlights once more article 7 of the ITS 2015/2450 which defines simplifications for quarterly reporting.
79. Even if of secondary nature it was also taken into account the needs of National Central Banks and of the European Central Bank which also receive quarterly information and for which the 5 weeks deadline is fundamental for its own business users.
80. EIOPA considers crucial that the quantitative and qualitative information is both reported and disclosed together. EIOPA believes that the reporting or disclosure of narrative information after the delivery of the quantitative information is not adequate and could raise misunderstandings of the quantitative information delivered.
81. However, as EIOPA proposal in this section also considers the EIOPA proposal under the document EIOPA-BoS-19-309 on the Solvency Financial Condition Report, section 4.5.5. on Audit of the SFCR information of the SFCR, EIOPA believes that the annual reporting and disclosure deadlines could be revised and extended by two weeks.
82. Considering the:
 - Timeliness of quarterly reporting is crucial;
 - Content of quarterly reporting was simplified;
 - Use of working days instead of weeks would create a number of challenges, in particular in some countries;
 - Proposals on the Audit of elements of the SFCR.
83. EIOPA proposes to keep deadlines for quarterly reporting but extend the deadline of annual reporting by 2 weeks.

EIOPA proposes to:

- Keep the deadlines for quarterly reporting: 5 weeks;
- Amend annual supervisory reporting deadlines in line with the reporting deadlines applicable for 2018, but keep the reference to weeks and not working days, i.e. 16 weeks for annual individual supervisory reporting;
- Keep the delay of 6 weeks for groups supervisory reporting

1.5.4. Currency of the contract instead of reporting currency

Background

84. The Solvency II reporting package requests data to be reported using the reporting currency as defined in article 3 of ITS 2015/2450 with some exceptions. The exceptions were included in the following specific templates for supervisory reasons:

- S.08.01 and S.08.02: Notional amount of the derivative;
- S.16.01. – Information on annuities stemming from Non-Life Insurance obligations;
- S.19.01 – Non-life insurance claims;
- S.30.01 – Facultative covers for non-life and life business basic data: All the amounts must be expressed in this currency for the specific facultative cover;
- S.30.02 – Facultative covers for non-life and life business shares data: All the amounts must be expressed in this currency for the specific facultative cover;
- S.30.03 – Outgoing Reinsurance Program basic data: All the amounts must be expressed in this currency for the specific facultative cover;
- S.36.02 – IGT – Derivatives: Notional amount of the derivative;
- S.36.03 – IGT – Internal reinsurance: Maximum cover by reinsurer under contract/treaty.

85. In all cases the National Competent Authority may require the information to be required in the reporting currency.

86. In template S.22.06 the template shall reflect the gross best estimate of insurance and reinsurance life obligations subject to volatility adjustment split by currency of the obligations and by country in which the contract was entered into but the amounts should be reported in the reporting currency.

87. This specific situation needs special attention when performing data analysis and may impact the ability to use the templates in some tools.

88. Stakeholders, during the regular dialogue and as part of the Call for Input performed by EIOPA raised contradictory views. In favour of keeping the approach in the templates where original currency is requested:

- Requesting to report the figures in reporting currency for these reports will introduce complexity and exchange rates effects;
- For undertakings with insurance business only in their domestic currency it would simplify matters if the QRTs needed to be submitted only once (and not once in their domestic currency plus another time in total). This would avoid preparing and validating additional QRTs that have no added value. In

our view, this could be solved by including an additional cell in which undertakings confirm that they only report in their domestic currency. The QRTs concerned are S.19.01 and S.16.01.

- In general it is appropriate if information about contracts is reported with the currency of the contract; whether information with accounting character is shown in reporting currency.

Example: QRT S.36.03 "IGT – Internal reinsurance" as an example, we think that it would be easier for the entities to report the values in columns C0120 to C0150 with the currency of the contract instead of the reporting currency. To report the conditions of the reinsurance contract in the reporting currency suggest that there would be a fixed exchange rate. But in fact there is no fixed exchange rate. The applicable exchange rate depends on the time of payment. Furthermore, if the undertaking would have to report the reporting currency instead of the currency of the contracts, the contract conditions would appear to change every year even though there are no real changes to the conditions. For example, let's say we have an excess of loss contract with 10 Mio. USD xs 10 Mio. USD. If we have an exchange rate of 1,19 on 31.12.2019, this contract would be reported as 8,4 Mio. EUR xs 8,4 Mio. EUR. In the following year there is an exchange rate of 1,14 on 31.12.2020. Then the unchanged contract conditions would be reported as 8,8 Mio. EUR xs 8,8 Mio. EUR. One would conclude that there are changes in the conditions.

89. In favour of changing the approach in the templates where original currency is requested:

- Companies from a certain group are strongly encouraged to use "reporting currency" for these templates. Using "currency of the contract" usually leads to issues with the correct identification of the FX rates for cross company analysis, data quality review and proper communication;
- The change to using always reporting currency would be of benefit to undertakings, it would be a material improvement to limit these QRTs to the reporting currency rather than splitting them out to the currency of the contract.

90. Depending on the templates: whenever a new requirement is proposed, the business benefit must always be considered. In these instances:

- For actuarial development data such as S.16/S.19, although data in the original currency helps in the understanding of the development of claims without the distorting effects of FX fluctuation, converting everything to the reporting currency by applying the current year FX rate to all numbers will achieve the same result. For this reason, there is no need to change the current requirements, as no additional benefit will be realised.
- Limits in reinsurance contracts are set in the currency of the contract – conversion to the reporting currency would create more confusion. This is particularly the case where there are intra-group arrangements. Therefore, support of the original currency for both S.30 and S.36.03

- S.36.02 contains a lot of information already reported in S.08.01/2; however, because the latter uses reporting currency, the former is inconsistent. In this instance, to simplify reporting for undertakings, the same basis ought to be used across both sets of forms.
- Similarly, because S.36.01/4 contains data that reconciles to the balance sheet, the reporting currency is considered best.

Options considered

91. Considering the above background the proposals put forward by stakeholders and considered by EIOPA were the following:

- 1) Request all templates in the reporting currency;
- 2) Keep the *status quo* and not change approach but consider the request for totals in reporting currency when only original currency is reported (see also section on S.19);
- 3) Change the approach in S.16 and S.19 but consider the request for totals in reporting currency when only original currency is reported and keep it for all templates addressing reinsurance contracts.

EIOPA Proposal

92. In this case, EIOPA believes that in fact there are pros and cons for both solutions. Therefore considering the contradictory signs from stakeholders and in particular the burden of any change compared to the status quo EIOPA does not propose any change.

EIOPA proposes to keep the *status quo* and to not change the approach but considers the request for totals in reporting currency when only original currency is reported (see also document EIOPA-BoS-19-305 document on EIOPA proposals template by template QRT document, section on S.19).

1.5.5. Reporting of specific business models

Captives insurance and captive reinsurance undertakings

Background

93. A first and broad definition of Captive Insurance undertakings is provided under article 13 (2) of Solvency II Directive: 'Captive insurance undertaking' means an insurance undertaking, owned either by a financial undertaking other than an insurance or reinsurance undertaking or a group of insurance or reinsurance undertakings within the meaning of Article 212(1)(c) or by a non-financial undertaking, the purpose of which is to provide insurance cover exclusively for the risks of the undertaking or undertakings to which it belongs or of an undertaking or undertakings of the group of which it is a member.
94. Captive Reinsurance undertakings are addressed under the same article at (5): 'Captive reinsurance undertaking' means a reinsurance undertaking, owned either by a financial undertaking other than an insurance or reinsurance undertaking or a group of insurance or reinsurance undertakings within the meaning of Article 212(1)(c) or by a non-financial undertaking, the purpose of which is to provide reinsurance cover exclusively for the risks of the undertaking or undertakings to which it belongs or of an undertaking or undertakings of the group of which it is a member.

95. Captive insurance and reinsurance undertakings are referred to in recitals (10), (21) of the Solvency II Directive. With particular reference to recital (21), the Directive already foresees that such kind of undertakings provide coverage for particular risk categories that may require some specific, appropriate and proportionate approaches according to the nature, scale and complexity of the business they exercise.
96. What must be considered is that the business model of a captive, being it insurance or reinsurance, matters in the definition of a captive. There are indeed many kinds of captives and the captive type matters to define proper supervision approaches.
97. As far as Article 35(8) is concerned, it is stated that authorities should assess whether the submission of information can be overly burdensome in relation to the nature, scale and complexity of the business and allow for proper limitations and exemptions from reporting. In this case, when the undertaking at stake is a captive insurance or reinsurance undertaking providing coverage only for the risks associated with the industrial group to which it belongs, there may be room for the application of limitation and exemptions from the submission of information.
98. Furthermore, although the Solvency II Directive includes a number of simplifications for captives (articles 86 (h), 111, 129 (d) (i, ii and iii)) besides those provided for by article 4, the package related to supervisory reporting and public disclosure did not include any specific provision for this type of undertakings.
99. In relation to reporting, some stakeholders, during the regular dialogue and as part of the Call for Input performed by EIOPA raised the following concerns regarding reporting by captives:
- Captive (re-)insurance companies should be defined in a clear and consistent manner, with the criteria being system relevance and end consumer protection;
 - With respect to the business model of the captives and under consideration of the criteria "system relevance" and "consumer protection" the requirements and frequency for QRT-submission and narrative reporting should be reduced, e.g. only yearly QRT-submission and release from SFCR-creation;
 - Use system relevance and end consumer protection as criteria for reporting requirements. If neither is applicable, reporting should be limited to a bare minimum (e.g. no SFCR, no quarterly reporting, no RSR, "checklist" based ORSA Report. E.g. reinsurance companies with <1% of total market premium value are exempt;
 - Necessity to supervise certain reinsurance captives at all should be questioned, as there is no systemic relevance, no end consumer protection is applicable and the financial strength is already evaluated by the contract partners, i.e. the fronting insurer;
 - It is not proportional to require templates S.02.02, S.06.03, S.19.01, S.27.01 and S.31.01 for captives. The template S.02.02 should be suppressed as information by reporting currency (template S.02.01) seem enough. The template S.31.01 should be suppressed as information on best

- estimates ceded and net receivables can be found in template S.02.01 and detail by retrocessionaire does not seem proportionate for captives;
- Information by currency provided in templates S.16, S.19, S.30 and S.36 is not relevant and not proportional for captives and the detail by reporting currency should be enough;
 - As captive reinsurance company we would propose the following changes: only S.01.01, S.01.02, S.02.01, S.23.01, S.23.02, S.25.01 and S.28.01 are in our view required for a proportional supervision. The other QRTs should not be requested by default, as they only detail the reported QRTs, do not vary year-by-year due to a rather stable business model.

Options considered

100. EIOPA acknowledges that captives exercise a specific business and proposes the following set of options. It should however be noted that the following options and proposals should only be considered for captives fully compliant with the definition under article 13(2) of the Solvency II Directive, i.e. with no business other than covering exclusively for the risks of the undertaking or undertakings to which it belongs or of an undertaking or undertakings of the group of which it is a member.
101. EIOPA considered the following options:
 - 1) Embedded proportionality and risk-based thresholds as defined for the other undertakings is enough;
 - 2) A specific proportionate treatment is needed considering the risks:
 - Reduce annual package and keep quarterly package;
 - Reduce annual package and eliminate quarterly package;
 - Reduce annual package and provide for an ad hoc set of templates for quarterly reporting.
102. The application of possible limitations or exemptions on SFCR is discussed under the EIOPA-BoS-19-309 on the Solvency Financial Condition Report document where a specific approach for captives is proposed.

EIOPA Proposal

103. In the analysis of the possible options EIOPA considered the already embedded proportionality and risk-based threshold plus the proposed revised set of templates in light of 2020 review process translating into a simplification of the quarterly package and the possibility of NCAs to exempt captives undertakings from quarterly reporting. With this in mind EIOPA proposes to not create additional specific simplifications in the quarterly reporting for captives.
104. It is important to note that the information contained in the proposed reporting package is a value added to risk based supervision and that the complete elimination of quarterly reporting could lead to a drastic reduction of the informative set during the year.
105. EIOPA believes that not requesting templates by default taking into account the instability of some captives' business model would be a threat to risk based supervision and that such a practice of ad hoc selection of templates would lead to poor harmonisation in the structure with which data are delivered and consequently lack of convergence in the supervision of captives.

106. Regarding the annual reporting EIOPA, having analysed the input received, and considered the practice of NCAs proposes the following simplifications:
- Reduce the reporting by currency translating into elimination of template S.02.02 and reporting only by LoB, not by currency, of templates S.16.01 and S.19.01;
 - Develop a specific S.27.01 for captives with only table 1 of the current template.
107. EIOPA is further discussing the supervision of captives from a supervisory convergence perspective. If from this discussion results the identification of more proportionate approaches to be considered this will be taken into account for the second wave of consultation.

EIOPA proposes that:

- For quarterly reporting: no specific further simplifications are proposed as embedded proportionality, simplification of the quarterly reporting package and application of Article 35 should allow for appropriate proportionality;
- For annually reporting: to introduce the following specific simplifications for captives:
 - o Reduce the reporting by currency translating into elimination of template S.02.02 and reporting only by LoB, not by currency, of templates S.16.01 and S.19.01;
 - o Develop a specific S.27.01 for captives with only table 1 of the current template.

For the SFCR please see document EIOPA-BoS-19-309 on the Solvency Financial Condition Report "SFCR".

Reinsurance undertakings

Background

108. Under Solvency II (recital 13) reinsurance undertakings should limit their objects to the business of reinsurance and related operations. Such a requirement should not prevent a reinsurance undertaking from pursuing activities such as the provision of statistical or actuarial advice, risk analysis or research for its clients.
109. Article 4 reflects on this specific business and introduced thresholds for exemption of article 4 which are lower than the thresholds for the direct business, recognising the importance of a proper regulation and supervision of reinsurance business.
110. Recital 22 says that "the supervision of reinsurance activity should take account of the special characteristics of reinsurance business, notably its global nature and the fact that the policyholders are themselves insurance or reinsurance undertakings, i.e. that it is a peer-to-peer business. This fact may impact mainly the public disclosure (please see document EIOPA-BoS-19-309 on the Solvency Financial Condition Report).
111. In reality reinsurance undertakings usually perform as well, for different reasons, some direct business. The last amendment to the ITS on Reporting already reflected on the need to clearly identify this companies in template S.01.02 (Basic information).

112. Stakeholders, during the regular dialogue and as part of the Call for Input performed by EIOPA raised the following concerns regarding reporting by reinsurance undertakings:
- Reinsurance undertaking, should have templates S.30.03/S.30.04 limited to material reinsurance balances (e.g. based on a specified amount of premium to ensure proportionality);
 - For reinsurance undertakings, templates that require individual claim information are usually not available for proportional reinsurance treaties. This is the case for instance with Information on annuities stemming from non-life insurance obligations (S.16.01);
 - As a reinsurer providing surrender values is not meaningful and usually not material. It should be clarified that for S.12.01 etc. only primary insurance companies are required or a definition of the surrender value for reinsurers should be given. Deposits from cedants should be netted against technical provisions because the actual payments will be made on a net basis with the deposit asset amount reducing any claims payments to be made;
 - Templates S.05.01 and S.05.02 require full details: materiality thresholds should be introduced and allow for the appropriate grouping of countries and lines of business for reinsurers.

Options considered

113. EIOPA considered the following options:
- 1) Embedded proportionality and risk-based thresholds are enough;
 - 2) A specific proportionate treatment is needed considering the specificities of reinsurance undertakings

EIOPA Proposal

114. EIOPA has considered carefully the proposals from stakeholder on the simplifications for reinsurance undertakings and conclude the following:
- The reporting of S.30.03 and S.30.04 is equally important and should not be specific for reinsurance undertakings;
 - The reporting of S.16.01 by reinsurance undertakings may be deleted for the reinsurance business (still required for the direct business performed by reinsurance undertakings)
 - All references to surrender values should not address reinsurance business;
 - Template S.05.01 and S.05.02 (in its revised version) are considered adequately for reinsurance undertakings.

EIOPA proposes to introduce specific treatment for reinsurance business regarding the following areas:

- The reporting of S.16.01 by reinsurance undertakings to be deleted for the reinsurance business (still required for the direct business performed by reinsurance undertakings);
- All references to surrender values should not address reinsurance business.

Others

Background

- 115. The variety of the insurance market presents some challenges regarding the analysis of the supervisory reporting submitted by all undertakings. The first major issue supervisors face is to be able to identify the sample of undertakings which are of relevance for a certain analysis.
- 116. Moving forward some of this specific businesses might need specific reporting but at the moment the first step that has been identified is to allow supervisors to identify the relevant undertakings for analysing specific type of business.
- 117. This issue has been identified for Run-off businesses and for loans and mortgages businesses.
- 118. In this area no relevant input from stakeholders was received.

Options considered

- 119. EIOPA considered the following options:
 - 1) No change in the current package;
 - 2) Introduce information to identify relevant undertakings for analysing specific type of business
 - 3) Develop specific templates for specific type of business

EIOPA Proposal

- 120. EIOPA has considered carefully the issues at stake concluded that it is too soon to elaborate concrete proposals on specific type of business but it is crucial to be able to identify relevant undertakings.
- 121. EIOPA proposal believe that this information together with the proposed templates to be reported product-by-product (S.14 for life revised and 'S.14' for non-life) should provide enough information to supervisors.

EIOPA proposes to introduce an information request in Basic Information template (S.01.02) to identify undertakings running a run-off business (see EIOPA-BoS-19-305 document on EIOPA proposals template by template, section S.01.02 for details).

Regarding the mortgage lending activity EIOPA will propose a template to be used by NSAs when needed to ensure consistency and harmonisation. EIOPA will not include it in the ITS as a regular requirement of information [see more details in document EIOPA-BoS-19-305 document on EIOPA proposals template by template, section Incorporation in the XBRL taxonomy].

1.5.7. Main information gaps identified:

Background

- 122. As stated above one of the main principles followed was the fit-for-purpose. The information received should be fit for the purposes of the Supervisory Review Process. This lead to a revision of the current framework and identification of the information that was not regularly used for the majority of insurance and reinsurance undertakings (see more detail of this

analysis in section 1.5.1) but as well to an analysis of the information supervisors identified as gaps in the regular information received.

123. Sometimes the gaps addressed information to complement existing templates while in other it addressed new information. The main gaps identified were the following:

- Cross-border information: in the last years it has been identified the need for more detailed cross-border information. Please refer to "EIOPA Report to the European Commission on Group Supervision and Capital Management with a Group of Insurance or Reinsurance Undertakings, and FoS and FoE under Solvency II" or to the ECA Special Report 29/2018¹³;
- Life insurance: the information reported on Life insurance is not considered enough to supervise life business. More information on a product level is needed as well as more information on the assumptions used in the calculation of technical provisions;
- Internal models: the information on internal models need to be specific for each internal model. However, over the last years EIOPA has performed Internal Model comparative studies which allowed EIOPA to better understand internal models and how a more comparable set of information could be requested to allow EIOPA and NCAs to comply with their responsibilities towards internal models;
- List of assets: the following gaps in information reported on assets were identified:
 - o Asset class is not reported, for example specific asset classes such as student housing loans, Commercial Real Estate loans, etc. cannot be identified;
 - o Methodology used for the asset class e.g. Internal Rating Methodology for CRE Loans, Internal Rating Methodology for SME Loans, etc.;
 - o Date of the internal rating;
 - o Last review of the internal rating.
- Cyber risk: in the last years a lot has been written on cyber risk (see ENISA Report on Commonality of risk assessment language in cyber insurance¹⁴ or EIOPA Report Understanding Cyber Insurance – A structured dialogue with insurance companies¹⁵) with a common main conclusion, more information is needed on cyber underwriting business and on cyber incident reporting. On the latter one EIOPA will follow-up on the Joint Advice on the need for legislative improvements relating to Information and Communication Technology (ICT) risk management requirements in the European Union (EU) financial sector. Regarding information on cyber underwriting business EIOPA is proposing a new template to cover this business.

¹³ <http://publications.europa.eu/webpub/eca/special-reports/eiopa-29-2018/en/>

¹⁴ <https://www.enisa.europa.eu/publications/commonality-of-risk-assessment-language-in-cyber-insurance>

¹⁵

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=2ahUKEwifvr_ztI7iAhUSKBoKHVfRD8MQFjAAegQIABAC&url=https%3A%2F%2Feiopa.europa.eu%2Fpublications%2FReports%2FEIOPA%2520Understanding%2520cyber%2520insurance.pdf&usg=AOvVaw2DMarTPWJYPaUPWX1KEZk

- Sensitivity of the financial position for a different extrapolation to determine the risk-free rate;
- Not enough information on expenses: information is not granular enough taken into account the effect of those cash flows;
- Unlisted equities qualifying for a type 1 risk charge information:
 - o Total SII value of unlisted equities which qualify for the treatment as listed equities
 - o Average Gross Margin, Total Debt to Average CFO and Average Return on Common Equity for the portfolio of qualifying unlisted equities weighted by book values
 - o Portfolio Beta
 - o Highest share which an individual equity investment represents in the value of all qualifying unlisted equities.
 - o Per unlisted equity/private equity fund: Information whether it qualifies for type 1 treatment.
- On the area of financial stability reporting a number of gaps have been identified: information on profitability and accounting equity;
- Information by channel of distribution: information about the share of internal distributional channels and external distributional channels (GWP and commission costs by internal or external distributional channels)
- Include information about risks connected with other entities that are part of the same group as an undertaking for example banks or other financial institutions (when supervisory authority is not supervising a group);
- Remuneration information: When discussion EIOPA Draft Opinion on Remuneration (to be publicly consulted during the summer) it was identified the potential need for quantitative information on a standardised format to allow supervisors to assess the compliance with remuneration principles. The question is if such information should be regular or if a template should be developed but only to be used upon request;
- IFRS17: more accounting information from undertakings/groups applying IFRS17 would be needed.
- EPIFP: additional reporting could be considered. As a first stage, the RSR could have an EPIFP section with clear instruction at Level 2/guideline level of what should be reported.
- LAC Deferred taxes: the reporting on LAC DT is very limited. Deferred taxes and LAC DT often materially contribute to the SCR ratio of undertakings. Despite this significant impact there is currently no information regarding the calculations and assumptions. In the ITS 2019 amendment minor data points were introduced but given the materiality of such an item more detailed information to allow an adequate supervision of the use of such an item such as information on assumptions, deferred tax recoverability test, its drivers, origin and the method of determining deferred taxes before and after the shock.
- There is no template which allows undertakings to inform supervisory authority about significant events or changes as well as changes in the valuation.

124. When asked about gaps stakeholders provided the following input:

- EPIFP information is completely useless and leads to misinterpretation, any ESG-reporting should not become mandatory;
- Information is sufficient;
- For potential improvements related to specific business topics and relevant risks we would agree on recommending companies to further enrich the disclosure, when deemed useful;
- The Solvency reporting package is comprised of quantitative templates and the narrative reporting. Not all information should be embedded in quantitative templates.

Options considered

125. EIOPA considered the following options:

- 1) Do not include any new information in the reporting package;
- 2) Include new information in the reporting package which is identified as crucial for the Supervisory Review Process.

EIOPA Proposal

126. Considering the number of gaps identified by supervisors, which reflect the use of the templates over the last 3 years and aim to improve the Supervisory Review Process as well as the overall concern on the burden of reporting EIOPA proposes to include new information in the reporting package which is identified as crucial for the Supervisory Review Process but this should be conditional to the reduction or elimination of current information reflecting the other side of the coin, i.e. eliminate the information not regularly used by supervisors. EIOPA believes it is important to guarantee the right level of information for supervisors while not increasing the reporting burden.
127. This means that in some cases the gaps identified lead to proposals currently under public consultation while in others the cost benefit analysis lead to the conclusion that more experience is needed before proposing changes to the reporting package. Concerns on the overall proportionality of the package was also taken into consideration for this analysis.
128. Therefore, from the list above EIOPA proposes amendments in the current consultation only for some areas.

EIOPA proposes to introduce new information on the following areas:

- Cross-border business (please see proposals on S.04s, replacing old S.04.01, S.05.02, S.12.02 and S.17.02);
- Cyber risk (please see proposal for new template);
- Internal model users (please see proposal on S.25/S.26 and S.27);
- Product by product information for both life and non-life (improved S.14 and proposal for new template for non-life).

Please see details in document EIOPA-BoS-19-305 document on EIOPA proposals template by template QRT document.

1.6. Analysis

Impact assessment

129. In the development of the advice regarding General issues on supervisory Reporting and public Disclosure, EIOPA has duly analysed the costs and benefits of the main options considered; these options are listed in the table below.

1. Scope of reporting requirements	1.1 No change 1.2 Introduction of risk based thresholds for certain templates (preferred)
2. Reporting and disclosure deadlines	2.1 No change 2.2 Extend the deadlines for annual QRT and SFCR (preferred) 2.3 Extend the deadlines for quarterly reporting
3. Content of reporting package	3.1 No change 3.2 Application of proportionality only 3.3 Application of proportionality and introduction of new information (preferred)
4. Public disclosure	4.1 No change 4.2 Dedicated SFCR section for the policyholders (preferred)

130. This document addresses the general issues on reporting and disclosure and focus mainly on the proportionality principle and fit-for-purpose principle. This impact assessment should be read in together with the Impact Assessment of the document EIOPA-BoS-19-305 document on EIOPA proposals template by template and document EIOPA-BoS-19-309 on EIOPA proposals regarding the SFCR.
131. The principle of proportionality has always been taken into account by the European Community. This means that regulations should not go beyond what is necessary to achieve satisfactorily the objectives which have been set. With regard to Small and Medium sized Enterprises (SMEs), due to their size and limited resources, they can be affected by the costs of regulations more than their bigger competitors. At the same time, the benefits of regulations tend to be more unevenly distributed over companies of different sizes. SMEs may have limited scope for benefiting from economies of scale. In general, SMEs find it more difficult to access capital and as a result the cost of capital for them is often higher than for larger businesses. Therefore the principle of proportionality is always taken into account while considering different policy options.
132. Considering the proportionality principle and the purpose of the templates, i.e. only information needed for the purposes of fulfilling national supervisory authorities' responsibilities under Directive 2009/138/EC shall be required, it is proposed that some templates are only required to be submitted on a risk-based approach, by reinforcing the risk-based thresholds and by dividing the templates into two categories – core and non core, risk-based. This guarantees that information submitted is proportional to the risks assumed by

the insurance and reinsurance undertakings or groups. In addition, implicit proportionality applies, meaning that reporting requirements are proportionate to the nature, scale and complexity of the risks faced by the undertakings.

133. Regarding the fit-for-purpose principle the information received should be fit for the purpose of the Supervisory Review Process not only at the level of the content of the regular reporting package but also at the level of granularity, the market coverage, the frequency of reporting and the timeliness of the submission.
134. The proposals addressing general issues have been prepared balancing the necessity of supervisory authorities to get an appropriate level of information with possible proportionality measures embedded. Different options were identified for the following areas:
 - Proportionality principle;
 - Quarterly reporting;
 - Reporting deadlines;
 - Currency of the contract instead of reporting currency;
 - Reporting of specific business models – captives and reinsurance;
 - Main information gaps identified.

Analysis of impacts

135. The following table summarises the costs and benefits for the main options considered regarding policy issue 1 on “General areas issues on supervisory reporting and public disclosure”. Please note this impact assessment addresses general policy options and should be read in together with the Impact Assessment of the document EIOPA-BoS-19-305 document on EIOPA proposals template by template and document EIOPA-BoS-19-309 on EIOPA proposals regarding the SFCR.

Policy issues 1 to 4: <u>General issues on supervisory reporting and public disclosure</u>		
Option 1.1: No change to the current framework		
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 is already established no additional costs are envisaged. However, the areas where the reporting cost and burden could be potentially reduced by streamlining requirements, while continuing to ensure financial stability, market integrity, and consumer protection will not be introduced and implemented. In addition, if no change is implemented in the areas identified based on the experience already gained the areas of proportionality, deadlines and quarterly reporting will continue to be in some cases burdensome and difficult to comply with, requiring more resources especially in case of proportionality (e.g. non reduced quarter reporting) The feedback provided via the COM Fitness Check on Supervisory Reporting and via EIOPA Call for input identified that the majority of insurance undertakings are currently unsatisfied with proportionality implementation by legislation and their respective national supervisory authorities and see an urgent need for improvement.

	Supervisors	Additional costs might arise in case ad-hoc information is needed in the newly identified areas for which information is needed. Supervisory resources might not be used optimal in cases where proportionality can be further strengthen.
	Other	
Benefits	Policyholders	No material impact
	Industry	No material impact as the status quo will be kept
	Supervisors	No material impact as the status quo will be kept
	Other	
Option 1.2: Amend current framework in particular to consider proportionality		
Costs	Policyholders	No material impact
	Industry	The application of proportionality will allow requirements to be implemented in ways that are less complex and therefore less burdensome. Some initial costs are envisaged related to the simplification of the templates part of the quarter reporting, the implementation of the proportionality in the reporting systems or the new section addressing policyholders. However after this initial increase of the costs it is expected that the reporting cost and burden will be potentially reduced.
	Supervisors	Some potential costs are envisaged following the simplification of some templates in the quarter package and implementation of the proportionality.
	Other	
Benefits	Policyholders	Having a special "two pager" section of the SFCR dedicated to policyholders would be an improvement on the access to information.
	Industry	Proportionality regarding the nature, scale and complexity of the risk undertakings face is further enhanced taking into account lessons learnt. Furthermore, the reduce in the quarterly reporting package will pose additional relief – especially during the labour-intensive quarter four. The proportionality is further strengthen via embedded proportionality, via introduce of two templates categories (core and non-core - risk-based) and via risk-based thresholds in some templates which are to reflect the nature, scale and complexity of the risk exposure of the risk area covered by each template. The extension of two weeks for the annual supervisory reporting and public disclosure will help on the internal processes of the undertakings.
	Supervisors	Better proportionate and fit-for-purpose supervisory reporting and public disclosure reflecting the experience gained and considering the needs of the users and the costs involved. Keeping the quarterly deadlines allows for timely supervision and maintenance of current processes and supervisory products.
	Other	COM work on the fitness check of supervisory reporting in EU financial legislation and whether they are meeting their

		objective is taken into account
Option 1. 3: Amend current framework to consider proportionality as well as gaps identified and need to consider different business models		
Costs	Policyholders	No material impact as overall assessment is positive regarding proportionality
	Industry	As in Option 1.2. In addition, some initial costs are estimated for reinsurers to reflect the specific treatment for reinsurance business regarding the reporting of S.16.01 and reference to reinsurance business. In long term the reporting cost and burden will be potentially reduced
	Supervisors	Some potential costs are envisaged following the simplification of some templates in the quarter package and implementation of the proportionality.
	Other	
Benefits	Policyholders	Having a special "two pager" section of the SFCR dedicated to policyholders would be an improvement on the access to information.
	Industry	Considering the proportionality principle and that only information needed for the purposes of fulfilling national supervisory authorities' responsibilities under Directive 2009/138/EC shall be required, some templates are only required to be submitted on a risk-based approach. This guarantees that information submitted is proportional to the risks assumed by the insurance and reinsurance undertakings or groups. In addition, implicit proportionality applies, meaning that reporting requirements are proportionate to the nature, scale and complexity of the risks faced by the undertakings. Benefits are estimated especially for reinsurance business and for undertakings meeting the proportionality criteria (e.g. application of thresholds, application of exemptions under Art.35, reduce of the quarterly reporting package). The extension of two weeks for the annual supervisory reporting and public disclosure will help on the internal processes of the undertakings.
	Supervisors	Supervisors receive a proper level of detail of the reporting related to the nature, scale and complexity of risks of undertakings, allowing them to properly identify and assess risks undertaken by undertakings and to ensure the protection of policyholders.
	Other	

136. Identifying direct impacts in areas such as, among others, regulatory compliance costs and administrative burden, the direct impacts of the proposed policy options 1.2 and 1.3. are mainly IT (related to the reporting systems) and staff costs. As option 1.1 propose no change to the current framework no additional costs are expected, but also no reduction of costs.
137. Both 1.2. and 1.3 options include mainly one-off cost related to the adjustment of the reporting systems to the new requirements e.g. for simplification of templates, for reduce of the quarterly reporting package etc. . However, regardless of the initial cost in on-going base it is envisaged that the proposals in the area of proportionality will reduce the reporting burden and will contribute to a better proportionate and fit-for-purpose supervisory reporting and public disclosure.

138. According to the time horizon, policy options 1.2 and 1.3:

- produce costs in the short term because of the related IT costs;
- does not produce material costs in the medium and long term because once the reporting systems are established no further additional cost compared to the current situation are expected. On the contrary, cost reductions are expected due reduced reporting for the majority of the undertakings.

Proportionality

The principle of proportionality is considered with the current solution proposed:

- Maintenance of article 35 of Solvency II as currently drafted complemented by a more risk-based supervisory reporting package with introduction of two templates categories:
 - o the core (basic) QRTs including only those templates without risk-based thresholds for quarterly and annually reporting, where the figures for all the market are relevant on a regular basis (please note that exemptions under article 35 would still be possible);
 - o the non-core: additional (risk-based) QRTs including all other QRTs with risk-based thresholds different for annual or quarterly submissions. The risk based threshold reflect the nature, scale and complexity of the risk exposure of the risk area covered by each template. The risk-based thresholds has proven to be effective in the application of proportionality principle;
- Simplification of the quarterly submission;
- Deletion of some QRTs and simplification of a number of other QRTs both quarterly and annually;
- Specific treatment for reinsurance business regarding the reporting of S.16.01 by reinsurance undertakings;
- Simplifications for captives undertakings;
- No SFCR section for the policyholder, if the undertaking is only underwriting business to business (i. e. genuine captives);
- Introduce a dedicated SFCR section for the policyholders ("Two-Pager") in the SFCR while the rest focused on a more quantitative and professional public information [for more information, please view subsection.

Evidence

139. During the analysis the following evidence has been used:

- Public Call for input from stakeholders (December 2018 – February 2019)
- Public workshops on Reporting and Disclosure over the last 2 years, including ECB/EIOPA/NCB/NCA Workshops with industry
- Stakeholders' feedback to the Commission public consultation on fitness check on supervisory reporting
- Insurance Europe proposals – April 2019
- Furthermore, additional evidence is expected to be collected at a later stage as part of the Public consultation of the proposal during Summer 2019.

Comparison of options

140. The preferred policy option for this policy issue is Option 1. 3: Amend current framework to consider proportionality as well as gaps identified and need to consider different business models because it guarantees that information submitted is proportional to the risks assumed by the insurance and reinsurance undertakings or groups, is built on the experience gained during the first years of SII implementation and considers the specificities of the different business models. In this option the reporting requirements are further aligned with the nature, scale and complexity of the risks faced by the undertakings. Option 1.1. has been disregarded because it choose to keep the status quo of today and is not reflecting on the input received from the stakeholders and their urgent need for improvement of the proportionality implementation. Option 1.2. has been disregarded as it only considers proportionality but leaves apart the gaps identified and the different business models.
141. The comparison of options against a baseline scenario has been based on the costs and benefits for the stakeholders and for the supervisors. In measuring the effectiveness, attention was put to assess the degree to which the different policy options meet the relevant objectives and more specifically whether the changes proposed will still assure adequate protection of policyholders and whether the risks related to the specific business models are reflected in the reporting requirements via embedded proportionality and development of two types of templates (core and risk-based).
142. In addition, the efficiency of each option has taken into account the efficient use of resources and costs to achieve the objectives in the area of reporting, considering the proportionality, the adequate protection of policyholders and that the risks are appropriately reported and supervised.
143. The proposals have been prepared balancing the necessity of supervisory authorities to get an appropriate level of information with possible proportionality measures taking into account the feedback received from the industry that proportionality can be further enhanced. As a results both options proposing changes propose further enhancement of proportionality reflecting on the lessons learnt.
144. The effect on effectiveness and efficiency can be illustrated according to the table below:

Policy issue 1: General areas issues on supervisory reporting and public disclosure of the reporting framework						
Options	Effectiveness (0/+ /++)			Efficiency (0/+ /++)		
	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	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	0	0	0

Option 1.2: Proportionality	+	+	+	+	+	+
Option 1.3: Proportionality, gaps and business models	++	++	++	++	++	++

1.7. Advice

EIOPA proposes a number of proportionality provisions while considering that the information should be fit-for-purpose. It is important that supervisors continue receiving meaningful data in terms of granularity, coverage, frequency and within proper timelines which can be used for potential risk detection and analysis in the insurance market across EU member states.

Regarding proportionality EIOPA proposes to:

- Keep Article 35 (6) to (8) as it is currently drafted in the Solvency II Directive;
- In addition, reinforce the risk-based thresholds to increase proportionality while ensuring legal certainty for undertakings. The templates would be divided into two categories:
 - o the core (basic) QRTs will include only those templates without risk-based thresholds for quarterly and annually reporting, where the figures for all the market are relevant on a regular basis (please note that exemptions under article 35 would still be possible);
 - o the non-core: additional (risk-based) QRTs will include all other QRTs with risk-based thresholds different for annual or quarterly submissions. The risk based threshold shall reflect the nature, scale and complexity of the risk exposure of the risk area covered by each template.
- Reduce the quarterly reporting package [for more information, please view 1.5.2 section on quarterly reporting];
- Introduce a dedicated SFCR section for the policyholders ("Two-Pager" type) in the SFCR while the rest focused on a more quantitative and professional public information [for more information, please view EIOPA-BoS-19-309 on the Solvency Financial Condition Report];
- No SFCR section for the policyholder, if the undertaking is only underwriting business to business (i. e. genuine captives). However, the respective undertaking still needs to disclose the rest of the SFCR including professional public information"; [for more information, please view EIOPA-BoS-19-309 on the Solvency Financial Condition Report];
- Reduce the annual reporting package. However some templates /information is also added according to supervisory needs. [for more information, please view section 1.5.7. and the respective subsections of EIOPA-BoS-19-305 document on EIOPA proposals template by template]

EIOPA proposes to:

- Keep Q4 reporting;
- Reduce the quarterly templates scope as follows:
 - o Simplify template S.08.01;
 - o Delete template S.08.02 from quarterly information;
 - o Simplify template S.12.01 by deleting the information on

- transitionals;
- Simplify S.17.01 by deleting the information on transitionals.

EIOPA proposes to:

- Keep the deadlines for quarterly reporting in 5 weeks;
- Amend annual supervisory reporting deadlines in line with the reporting deadlines applicable for 2018, but keep the reference to weeks and not working days, i.e. 16 weeks for annual individual supervisory reporting;
- Keep the delay of 6 weeks for groups supervisory reporting.

EIOPA proposes to keep the *status quo* and to not change the approach but considers the request for totals in reporting currency when only original currency is reported (see also document EIOPA-BoS-19-305 document on EIOPA proposals template by template QRT document, section on S.19).

EIOPA proposes that:

- For quarterly reporting: no specific further simplifications are proposed as embedded proportionality, simplification of the quarterly reporting package and application of Article 35 should allow for appropriate proportionality;
- For annually reporting: to introduce the following specific simplifications for captives:
 - Reduce the reporting by currency translating into elimination of template S.02.02 and reporting only by LoB, not by currency, of templates S.16.01 and S.19.01;
 - Develop a specific S.27.01 for captives with only table 1 of the current template.

For the SFCR please see document EIOPA-BoS-19-309 on the Solvency Financial Condition Report "SFCR".

EIOPA proposes to introduce specific treatment for reinsurance business regarding the following areas:

- The reporting of S.16.01 by reinsurance undertakings to be deleted for the reinsurance business (still required for the direct business performed by reinsurance undertakings);
- All references to surrender values should not address reinsurance business.

EIOPA proposes to introduce an information request in Basic Information template (S.01.02) to identify undertakings running a run-off business (see EIOPA-BoS-19-305 document on EIOPA proposals template by template, section S.01.02 for details).

Regarding the mortgage lending activity EIOPA will propose a template to be used by NSAs when needed to ensure consistency and harmonisation. EIOPA will not include it in the ITS as a regular requirement of information [see more details in document EIOPA-BoS-19-305 document on EIOPA proposals template by template, section Incorporation in the XBRL taxonomy].

EIOPA proposes to introduce new information on the following areas:

- Cross-border business (please see proposals on S.04s, replacing old S.04.01, S.05.02, S.12.02 and S.17.02);
- Cyber risk (please see proposal for new template);
- Internal model users (please see proposal on S.25/S.26 and S.27);
- Product by product information for both life and non-life (improved S.14 and proposal for new template for non-life).

Please see details in document EIOPA-BoS-19-305 document on EIOPA proposals template by template QRT document.

1.7. Annex I – Identified issues as part of the Fitness check on supervisory reporting across EU supervisory reporting framework

Issue ID	Description of issue	Theme	Framework (s) affected	Line unit assessment Please make sure that your assessment addresses the following points: 1. validity of the claim 2. supposed impact(s)/burden 3. estimate of the (economic) importance of the problem (to the extent possible)	Already being addressed? (Yes/No)	If being addressed, how?	What (else) needs to be done? Please provide your proposed solution if the claim is not sufficiently or not at all being addressed. If your suggestion is based on respondents' proposals, please indicate this clearly.	By whom? Please specify the entity that should be responsible for implementing the proposed solution.
1	There are instances where local legislation or quasi-legislation goes beyond the legal texts (gold-plating).	[Insufficient level or] lack of harmonisation & 'gold-plating' [by Member States]	Solvency II	This issue may be resolved directly at national level through dialogue between NSAs and insurers as this mainly refers to the regular supervision	Y	Partially. Even if national specific templates are allowed. Under the 2020 Solvency II review EIOPA will assess if any of the national specific templates would be more adequate if harmonised at European level.	MS are allowed to require additional reporting, according to SII Directive (please, see Art 34.3 and 35,1. "such information shall include AT LEAST (...)")	EIOPA and NCass

2	Within a financial conglomerate, there is double reporting by the insurance group and by the financial conglomerate group.	Double reporting & overlaps	FICOD	Further check is necessary to better understand the rationale of this comment. Anyway, the Supervisor of the insurance group and the financial conglomerate could be different. If this is the case, do you consider this as an overlap?	No	Also the scope of the reporting is different at the level of the insurance group and at the level of the conglomerate. In any case work is being developed to ensure consistency, in particular regarding reporting of Intra-Group transactions.	Further insights are necessary	
3	Potentially redundant data requirements: on derivatives, templates S.08.01 (open derivatives) and S.08.02 (derivatives transactions) contain information already included in EMIR reporting obligations	Double reporting & overlaps	Solvency II, EMIR	Check if EMIR requirements apply to all insurers, compare data requested by EMIR and Solvency II (are they exactly the same?) The addressees are different (ESMA vs EIOPA) Should we consider that sending the same information to different supervisors is an overlap?	Y	Potentially. The issue is under assessment as part of the 2020 Solvency II review	Further insights are necessary	EIOPA and NCAs
4	Potentially redundant data requirements: on securities lending (namely S.10.01 (securities lending and repos) and S.11.01 (assets held as collateral)) that	Double reporting & overlaps	Solvency II, SFTR	The EU COM published the Securities Financing Transactions Regulation (SFTR) in January 2016. The regulation will require firms to report their SFTs to a trade repository registered by ESMA. INSURERS SEND THIS TO INSURANCE SUPERVISORS,	No	Investigation ongoing	Further insights are necessary	

	also contain information already included in SFTR reporting obligations.			NOT TO ESMA Check with colleagues following SFTR more closely				
5	For the QRTs there are several cases of double reporting, e.g. the best estimate is reported in S.12 (Life and health SLT technical provisions), SR.12 as well as in S.14 (life obligations analysis) and the premiums and payments are reported in S.05 (premiums, claims and expenses), S.14, S.29 (Excess of assets over liabilities) as well as in S.26.06 (SCR – operational risk).	Double reporting & overlaps	Solvency II	The Call for Advice on the review of Solvency II Directive, which has been recently sent to EIOPA (11/02/2019), contains a specific request to review reporting and public disclosure requirements (towards appropriateness and proportionality). This request contains also a direct link to the Fitness Check exercise being conducted by EU COM. EIOPA will deliver its Advice by June 2020 and EU COM will then draft a report to co-legislators accompanied by legislative proposals by end 2020 <i>Relevant extract from the CfA:</i> <i>EIOPA is asked to assess, taking into account stakeholders' feedback to the Commission public consultation on fitness check on supervisory reporting:</i> • the ongoing appropriateness of the requirements related to reporting and disclosure, in	Y	When the information is the same it is identified as the same data point and there is no duplication of reporting. In the cases referred either different scope, different valuation methods or different levels of granularity is requested.	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020. The areas identified are not double reportings or overlaps.	-

				<i>light of supervisors' and other stakeholders' experience;</i> <i>• whether the volume, frequency and deadlines of supervisory reporting and public disclosure are appropriate and proportionate, and whether the existing exemption requirements are sufficient to ensure proportionate application to small undertakings.</i>				
6	Information in the annual report (i.e. the annual financial statement) about the organisation, group structure, risk management, governance and the result of insurance business and investments are also required to be reported in other reports available for NSAs (SFCR and RSR).	Double reporting & overlaps	Solvency II	This is partially right, same of the templates that are part of the reporting package are included in the solvency and financial condition report. This report is disclosure to the public, and the supervisory reporting is not. But the annual report follows different criteria (accounting), and the SFCR and RSR follow SII valuation principles, so it would be justified on the narrative part of the reporting	Y	It is being addressed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	
7	Financial stability reporting creates additional reporting requirements, but does only contain Solvency II data. In fact, the same information has to be reported twice, but with different	Double reporting & overlaps	Solvency II, [financial stability reporting]	It is right, but the scope of the FSR is different, we can speak to EIOPA on this	Y	It is being addressed in the context of the 2020 review of Solvency II. However the different deadlines is related to the needs of business	No action can be undertaken at this stage.	EIOPA

	deadlines.					users. A full alignment might not be possible. In any case the Guideline for FS reporting will also be revised under the 2020 review.		
8	Global Systemically Important Insurers (G-SIIs) are required to submit information to the IAIS. These templates often request similar information to that required under Solvency II, but with differences.	Double reporting & overlaps	Solvency II, [reporting to IAIS]	The ICS is not the SCR. Furthermore the SCR is the regulatory capital requirement in place, while the ICS is still under development. This comment is really out of scope	Y	The work on solving this issue is initiated - IAIS colleagues approached.		
9	The detailed breakdown of expenses is provided only in yearly basis. It would be better to get them with quarterly frequency (useful for calculation of claim and combined ratios and incurred claims by LoBs).	[Excessive or inappropriate] frequency and timing of reporting	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
10	The deadlines are too short. For example, the deadlines for QRT submissions become	[Excessive or inappropriate] frequency and timing of reporting	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled	EIOPA with EU COM's steering

	shorter and shorter.						for 2020.	
11	Meeting the deadlines is even more challenging for reinsurance companies, due to the heavy reliance on information received from cedants. There is currently no allowance within the deadlines for this additional challenge.	[Excessive or inappropriate] frequency and timing of reporting	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
12	There are different deadlines for different reports with the same content.	[Excessive or inappropriate] frequency and timing of reporting	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II Comment not clear.	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
13	The deadlines for Q4 reporting and the annual reporting are different.	[Excessive or inappropriate] frequency and timing of reporting	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II. The deadlines are different as it is not possible for undertakings to report the annual package within the quarterly	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering

						deadlines. The issue will be discussed but the receipt of Q4 information only by the deadlines of annual information is not prudent and does not allow supervisors to comply with their responsibilities.		
14	The reporting deadline for the local summary report is also earlier than for Solvency II reports.	[Excessive or inappropriate] frequency and timing of reporting	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II. Comment not clear, not being addressed	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
15	Some data elements need to be reported twice, under different formats. For instance, the transfer of accounting data into Solvency II lines of business is already covered in the annual report.	Redundancy of certain data requirements	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
16	The look-through requirement, S.06.03 (Collective investment undertakings - look-through approach) for investment	Redundancy of certain data requirements	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering

	funds with ISIN code, including unit-linked products, should be removed. The holdings of these investments funds are reported elsewhere and this information is easy to access for the NSAs.							
17	Sometimes changes or deactivations on validation rules at short notice put challenges in our processes.	Validation issues, errors [& uncertainty]	Solvency II	same as point 5, this issue refers to EIOPA taxonomy, not to any legal act. TO BE ASSESSED ENTIRELY BY EIOPA	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage.	EIOPA
18	Validations are inconsistent as some authorities require additional validations which are not foreseen in the Solvency II taxonomy. This leads to additional burdens, e. g. for international groups as a uniform internal validation process is impeded.	Validation issues, errors [& uncertainty]	Solvency II	same as point 5, this issue refers to EIOPA taxonomy, not to any legal act. TO BE ASSESSED ENTIRELY BY EIOPA	Y	It is being assessed in the context of the 2020 review of Solvency II However additional validations by NCAs to increase data quality is a good practice	No action can be undertaken at this stage.	EIOPA
19	There have been very large problems with the introduction of new EIOPA taxonomies for reporting, for example with the validations. An	Validation issues, errors [& uncertainty]	Solvency II	same as point 5, this issue refers to EIOPA taxonomy, not to any legal act. TO BE ASSESSED ENTIRELY BY EIOPA	Y	EIOPA always try to answer questions as soon as possible. Also it only issued one taxonomy a year with completely	No action can be undertaken at this stage.	EIOPA with EU COM's steering

	example of this is the introduction of Taxonomy 2.3.0, where questions asked to EIOPA and NSA were answered very (too) late.					planned timings.		
20	The use of limitations and exemptions from reporting differs widely between the different MSs. As of 2016, only 10 MSs granted limitations and exemptions. For example, In Italy undertakings are not entitled to any exemption with regard to the RSR.	Unnecessary [complexity] / lack of proportionality	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
21	Data used internally for steering purposes is often not at the same level of aggregation or format and may be calculated in a different way from the specific regulatory requirements. Also the validation processes could be different for non-critical data.	Lack of alignment with internal business processes, requested data not available	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering Industry to submit concrete proposals

22	The data in reports S.19 (Non-life insurance claims), S.20.01(Loss distribution risk profile) - S.21.03 (Non-life distribution of underwriting risks - by sum insured) and S.14.01 (life obligations analysis) is burdensome and costly to produce because a lot of the data is not directly available in databases.	Lack of alignment with internal business processes, requested data not available	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II However is not possible to run an insurance undertaking without the referred information. The information referred to is seen as adequate.	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
23	Producing the numbers is more burdensome than the visible effects; there is very little discussion on the numbers. The feedback to Pillar II could be strengthened.	Lack of information on the usage of the reported data	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
24	The purpose of requesting the data for S.08.02 (derivative transactions) and how this data is used is unclear.	Lack of information on the usage of the reported data	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering

25	It would be very useful for supervisory and statistical purposes as well, if the Solvency II reporting provided information about the number of insurance contracts.	Data gaps	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
26	With regard to life insurance, it would be very useful to obtain more information on a product level besides written premiums, for example a product's impact on capital requirements and technical provisions.	Data gaps	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
27	To give supervisors insight in the (development of) profitability of future premiums in the premium provision, the amount of prepaid premiums and commissions is necessary.	Data gaps	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
28	Large amount of data being requested, excessively detailed requirements - a significant amount	Excessive data requirements	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering

	of the information collated for Solvency II reporting would not be produced for any other purpose than reporting to the regulator, and is not used for decision making purposes							
29	The reporting of ECAI ratings generates excessive costs.	Excessive data requirements	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II Unclear why the reporting of this information generates costs. This information is needed for the calculation of the financial requirements and for the risk management.	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
30	The added value of certain reporting requirements is questionable. For instance, the audience of the SFCR is too small compared to the effort behind it.	Excessive data requirements	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering

31	Delegated Regulation (EU) 2015/35 Art 293 (1)(b), (c) requires listing of the external auditor, the supervisory authority of the insurer and the group's supervisory authority. The benefit of this information for the general and professional public remains unclear.	Excessive data requirements	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
32	Current requirements for double-sided reporting under EMIR create unnecessary burdens, complications and costs.	Excessive data requirements	EMIR	This needs to be checked with colleagues following EMIR more closely	Y	Potentially. The issue is under assessment as part of the 2020 Solvency II review	Further insights are necessary	EIOPA and NCAs
33	For assets that have ISIN codes (or other recognised codes such as SEDOL) it should only be required to report the name, ISIN, market value and quantity in the S.06.02.01 (List of Assets). If the asset has an ISIN, EIOPA and NSAs can easily access additional	Excessive data requirements	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering

	information on the asset.							
34	In S.06.02.01 (List of assets) it is required to provide both the rating and the rating agency, however, for the three largest agencies (ie Moody's, S&P and Fitch) also the office of the rating agency needs to be reported. This can be problematic because many providers of ratings do not provide information at this level of detail.	Excessive data requirements	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
35	It is difficult to obtain the data for S.08.02 (derivative transactions), e.g. number of contracts and notional amount of derivative; in particular it is difficult to obtain the market value on the closing day of the derivative contract.	Excessive data requirements	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering

36	Reporting of metrics on off-balance sheet contingent liabilities, such as maximum cash out flow and Solvency II value. This is overly burdensome (and can be considered impossible). Note that these items under IFRS are considered either remote (to low probability) or impossible to provide a reliable estimate of cash flows for.	Excessive data requirements	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
37	Outgoing Reinsurance Program (S.30.03.01 and S.30.04.01): These templates are generally characterised by high levels of detail and takes considerable effort to complete. The information is too granular for large numbers of contracts.	Excessive data requirements	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering

38	Reporting of underwriting performance by Solvency II lines of business creates significant effort as the Solvency II lines of business differ from those under national accounting standards.	Insufficient use of (international) standards, formats, and identifiers	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
39	Changes in interpretations and regular updates to the Solvency II taxonomy and associated validations require significant effort to implement and the changes sometimes introduce new errors or inconsistencies.	Excessively frequent changes to requirements / insufficient time for implementation	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering
40	The timelines are not what they look like in practice. In some countries, there are audit requirements that need to be resolved before submitting the information, thus further shortening the deadlines.	Excessively frequent changes to requirements / insufficient time for implementation	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Directive is scheduled for 2020.	EIOPA with EU COM's steering

41	Insurance undertakings have to fulfill reporting demands from their national supervisors which differ from the regulatory Solvency II QRTs. It is worth noting also that the reporting of the 2016 insurance stress test exercise used ad-hoc templates.	Too many and uncoordinated ad-hoc requests	Solvency II	same as point 1 and 5	Y	Partially. Even if national specific templates are allowed. Under the 2020 Solvency II review EIOPA will assess if any of the national specific templates would be more adequated if harmonised at eurpean level.	No action can be undertaken at this stage. The review of the Direxctive is schduled for 2020.	EIOPA with EU COM's steering
42	The quality of the variation analysis reports is poor; hence, their usability is limited.	Low quality of the reported data	Solvency II	same as point 5	Y	It is being assessed in the context of the 2020 review of Solvency II	No action can be undertaken at this stage. The review of the Direxctive is schduled for 2020.	EIOPA with EU COM's steering

