

Annex XVIII - Explanation of Internal model reporting approach

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1. Context of proposal

This document aims to provide the reasoning and context behind the design and development of the Internal Model (IM) quantitative reporting templates. These templates are expected to replace the current S.25.02 and S.25.03 QRTs, but will be split into two parts: Those to be reported also to the public and those that will only serve supervisory purposes.

Motivation: The existing S.25.02 and S.25.03 templates reflect the individual IM structure and consequently allow reporting flexibility, but on the other hand, this compromises comparability and to a certain extent consistency too. Each undertaking reports S.25.02 or S.25.03 at the granularity agreed with their national supervisory authority, which differs highly in some cases. This can result in data that is per se insufficient to compare IM undertakings appropriately.

Mandate: Article 29 (1) (c) of EIOPA's regulation states that EIOPA should contribute to the development of high quality and uniform supervisory standards, including reporting standards. Leveraging on this, EIOPA, with support from ENW4, has developed IM reporting templates, which are based on a consistent level of information. In particular, this should allow all NCAs concerned to have access to a minimum level of information about the model inputs and outputs, and to facilitate comparison across undertakings, creation of peer groups and time series analysis where applicable.

Standard formula data: Templates S.26 and S.27 are also requested to be completed with SF data by undertakings using an internal model. This data will facilitate comparison between SF and IM Solvency Capital Requirements (SCR). The comparison using Standard Formula should be made acknowledging the difference in the risk profile of companies compared to the assumptions underlying the standard formula and its calibration. EIOPA notes that several NCAs already request such data. Where relevant, the equivalent SR.26 and SR.27 templates should also be completed with SF data.

Public disclosure: There is no intention to significantly alter the information disclosed in the SFCR for undertakings using an internal model. Templates S.25.02 and S.25.03 (which are disclosed in the SFCR) are expected to include SCR data at the level of main risk sub-modules, as well as diversification benefits across those. The detailed information covered in the respective risk tabs will be reported to NCAs and EIOPA only.

Context and principles: The context under which the structured IM templates were developed is presented in the bullet points below:

1. The templates follow a modular approach. The main risk categories are: Market & Credit, Non-Life, Life & Health and Operational. Also a template has been developed to track model changes.
2. The granularity of data collected for each risk category reflects some NCA experience from on-going model supervision (sometimes combining different local supervisory practices) and also reflects the experience gained by EIOPA's IM consistency studies.
3. Undertakings are not requested to change their internal model to be able to follow the structure of the templates. If the model does not allow producing some of

the requested data, then that data does not need to be reported. We are trying to minimise “artificial data”. However, if the model supports the production of such data in a sensible manner, then it has to be reported.

4. NCAs can ask for more data in order to supervise an internal model. The templates are not exhaustive and by nature cannot cover all aspects of all internal models. There is no change to Article 19 of the ITS, so an undertaking using an internal model shall agree with its supervisory authority on the additional templates to be submitted annually in relation to the information on the SCR. EIOPA however expects that less “extra” information should be needed, thanks to the new more detail set of QRT data.
5. Interpretation of IM reporting will rely heavily on NCA’s knowledge of the internal models they supervise. Any future Internal Model dashboard produced by EIOPA, either for use by national supervisors, or to inform EIOPA’s Board, will take into account the experience and explanations from NCAs via consultations with NCAs. It is acknowledged that uniform templates might force some undertakings to use proxies, which should be considered when comparing results. Experience will have to be gained.
6. A coding system has been developed in order to allow undertakings to use these templates to report on the new structure of the data requested. The coding system is described below.

Stakeholders are especially invited to comment on use and benefit of the data requirements for internal model supervision, as views of supervisors are still developing and conclusions are expected to benefit from experts input. In your comments please also consider the use of comparison across undertakings and over time.

2. Coding system

The coding system comprises of five alphanumeric entries separated by underscores (_). Undertakings using a partial or full internal model shall report all data in the new S.25.02 template using the coding system in column C0010. Columns C0050 and C0070 as well as rows R0120, R0400 and R0450 shall only be reported by undertakings using a partial internal model. Data that shall be reported as text (free text or closed text lists) and not numerical data shall be reported in column C0020 (Text data). Numerical data shall be reported in column C0030 (Numerical data)

The following table describes each entry and lists the available options. Undertakings can provide their own codes if they want to submit data that is not already included. In this case, the ‘Text data’ column (C0020) of the new S.25.02 template shall be used to provide a short explanation of the supplied code.

The data requested is also provided in tabular form in Annex XII Each cell has been assigned a code so all code combinations requested are listed.

Entry number	Description	Options
1	Indicates which risk module in the tabular form (provided as an Annex) of the coding system is being reported.	TOT – Total MCRFI – Market & Credit FinInstr CRFI – Credit FinInstr CRNFI – Credit NonFinInstr NL – Non-Life & Health NSLT NLH – Health NSLT in the Non-Life & Health NSLT template LH – Life & Health SLT OP – Operational
2	Indicates which category in each module is being reported.	SCR – Solvency Capital Requirements MSR – Modelled Specific Risks QUE – QUEstion SPR – Statistical PROperty PCT – Percentile SEN – Sensitivity EAD – Exposure At Default PD – Probability of Default EXPT1 – EXPosure Type 1 EXPT2 – EXPosure Type 2 RSIIOB – Reserve SII Line Of Business RINTLOB - Reserve INTernal Line Of Business REXP – Reserve EXPosure RMAP – Reserve MAPping RSCR – Reserve Solvency Capital Requirements RSPR – Reserve Statistical PROperty RPCT – Reserve Percentile PSIILOB – Premium SII Line Of Business PINTLOB - Premium INTernal Line Of Business PEXP – Premium EXPosure PMAP – Premium MAPping PSCR – Premium Solvency Capital Requirements PSPR – Premium Statistical PROperty PPCT – Premium Percentile EXP – EXPosure CAT – CATastrophe NCP – NATural CATastrophe Peril MMP – Man Made Peril LRCOR – Linear Reserve CORrelation LRPCOR – Linear Reserve Premium CORrelation LPCOR – Linear Premium CORrelation RRCOR – Rank Reserve CORrelation RRPCOR – Rank Reserve Premium CORrelation RPCOR – Rank Premium CORrelation LIF – LIFe

		<p>HLT – Health DES – DEScription MAP – MAPPING</p>
3	Indicates which sub-category in each category is being reported.	<p>GRO – GROss of reinsurance GUD – Gross of reinsurance UnDiscounted GDI – Gross of reinsurance DIscounted NET – NET of reinsurance NUD – Net of reinsurance UnDiscounted NDI – Net of reinsurance DIscounted SPR – Statistical PProperty PCT – Percentile SCR – Solvency Capital Requirements EXP – EXPosure APO – Annuities Paid Out ANPO – Annuities Not Paid Out QUE – QUEstion EXPTLC – EXPosure Trend Level Catastrophe SCRTLC – Solvency Capital Requirements Trend Level Catastrophe SPRTLC – Statistical PProperty Trend Level Catastrophe PCTTLC – Percentile Trend Level Catastrophe XXX – not applicable/irrelevant</p>
4	Indicates the row number.	<p>RXX – Row followed by number. In templates where the number of rows has no limit, usually indicated by a single dot (.) or three dots (...), the number increases by one for each extra row.</p>
5	Indicates the column number.	<p>CXX – Column followed by number. In templates where the number of rows has no limit, usually indicated by a single dot (.), the number increases by one for each extra column.</p>