

EIOPA-17-345

8 June 2017

Proposal for amendments to the adopted Solvency II Technical Standards on Reporting and Disclosure and related Guidelines

Feedback statement from comments received

**Introduction**

EIOPA would like to thank all the participants of the public consultation for their comments on the corrections and amendments of the Technical Standards on Reporting and Disclosure (ITSs) and related Guidelines.

The input received provided important guidance to EIOPA in preparing a final draft of the amendments of both ITSs before submission to the COM and adoption of the ERRATAS for the Guidelines. All of the comments submitted were given careful consideration by EIOPA. A summary of the main comments received and EIOPA’s response to them can be found below.

Prior to the public consultation a workshop was held on 19 April at EIOPA premises which contributed to the better understanding by stakeholders of the goals of the corrections and amendments, and that reflected in the amount and quality of the comments received.

EIOPA acknowledges the importance of the reporting package and of a continued exchange of views with stakeholders and will prepare timely the next interaction of amendments/corrections of the ITSs.

**Implementation efforts**

Following the consideration of the comments received, EIOPA has published the Public Working Draft (PWD) of taxonomy version 2.2.0. at its website on the 1 June, together with the business packaged. This package was a draft and published only for the purposes of supporting the PWD publication.

The Final Taxonomy version is published together with the final package of the ITSs and relevant Guidelines amendments on 17 July, as foreseen in “Governance of Taxonomy - Releases and Schedule 2017”.

**Main comments by stakeholders**

The amendments and corrections were generally well received by stakeholders and additional corrections were identified by stakeholders and incorporated in the final version. In Annex 1 a list of the additional amendments introduced (new amendments, not including re-drafts) after the consultation is made available.

However the following areas deserve specific analysis.

**Nominated ECAI – S.06.02, S.08.01, S.30.02, S.30.04, S.31.01, S.31.02 and S.37.01**

1. Most stakeholders agreed to include a closed list to report the ECAI. However, a stakeholder would have preferred that the list also included the subsidiaries from parent ECAIs;
2. EIOPA understands the argument, but would like to highlight that the proposed closed list reflects a simplification in the reporting package to allow the use of a closed list with indication of the LEI code. This simplification contributes to data standardisation and better use of data reported. To include the subsidiaries it could no longer be a closed list and the option would be to request the LEI code, which would be more burdensome. In addition there was no guarantee that all subsidiaries will have an available LEI code which would damage the standardisation without value added to the supervision.

**List of assets - S.06.02, S.08.01 – External rating and Credit Quality Step**

1. Stakeholders required additional explanations on the approach taken as it appeared to be a conflict between the guidance for external rating and the credit quality steps.
2. Stakeholders required a clarification if the External Rating should only refer to the issue ratings or if the instructions should be updated to cover potential instances where issuer ratings (or other methods) are used to derive a credit quality step?
3. EIOPA clarified the instructions to make clear the following:
   1. External rating refers to issue rating (and if there is no issue rating the cell should be left blank);
   2. The reporting of CQS is independent from the external rating and should be reported regarding the assets for which a credit quality step needs to be attributed for the purpose of SCR calculation. The CQS should be attributed to the asset, as defined by Article 109a(1) of Directive 2009/138/EC (one sentence deleted from external rating instructions).

**Collective investment undertakings – look–through approach - S.06.03**

1. Stakeholders generally supported EIOPA intentions behind the amendments of S.06.03, which allowed assessing the 90% threshold considering the total amount of investments in Collective Investment Undertakings (CIU). However, stakeholders believed that the proposed amendments to the S.06.03 Instructions would not reach the intended goal if the 5% limit per country would remain applicable, as this limit would in practice imply the look-through of 100% of the fund to be adequately implemented;
2. One stakeholder additional suggested to clarify that funds where all risks are borne by the policyholder (e. g. in case of unit-linked products) would not have to be considered when determining the 90% threshold and should be exempted from the look-through requirement;
3. In general some doubts still remain on the operational implementation of all proportionality thresholds and their interaction;
4. EIOPA further clarified the Instructions to accommodate the proportionality reflected by the thresholds. Undertakings are now requested to identify the country exposition of 90% of the value of the funds. In addition they should have a reasonable confidence that the remaining 10% is diversified across geographical areas. The 5% is given only as an example. A consistency principle was added;
5. EIOPA disagrees with the proposal regarding the exemption of look-through regarding the CIU of unit-linked products as this issue was deeply discussed during the consultation for the ITS and EIOPA rational extensively explained;
6. Regarding the interaction of all limits EIOPA would like to clarify that:
   1. When looking-through by underlying asset category EIOPA expects that all categories are identified and that Category 4 is only used for non-material residual values. The amounts under this category are not expected to be looked-through by country, i.e. the code “AA” could be used for this amount. However it is expected the split of this amount by reporting and foreign currency.
   2. When looking-through by country, 10% may not be looked-through, considering all the amendments introduced. The amount identified as “AA” (including the ones identified as Category 4) should not be higher than 10%. For the amount identified as “AA” it is expected the split by reporting and foreign currency.

**Life obligations analysis - S.14.01 - Product ID code (C0010)**

1. Stakeholders questioned the benefit of the change introduced as they believe it will not add value to the current reporting. Besides no added value to the quality of the information this change implies additional implementation and maintenance effort to that otherwise would not be required. Where the same product code appears in multiple rows, the current approach makes it possible to see what the different versions of the code represent. For example, in the Portfolio section, the split by country and by fund gives a clear distinction between the different rows;
2. EIOPA would like to highlight that the change introduced do not add any requirement to unbundle contracts. It only provides a technical solution for the cases where contracts have to be unbundled. The need to unbundle might depend of different markets; in some cases one single product is associated to different internal funds, which are reported by fund. On the other side, in the cases where the same product has different “Product denomination” different situations might apply and undertakings should contact the NSA. The amendment reflected clarifications already provided through a published Q&A.

**Life obligations analysis - S.14.01 - Number of contracts at the end of the year (C0040)**

1. Stakeholders expressed reservations about the proposed change in respect of unbundled policy counts as a result to the belief that it is potentially misleading to count two different policies in specific situations. Stakeholders believe the correct presentation is to show the count associated with the main policy but not to show a second policy count for the “rider” (i.e. show one policy, not two).
2. Also there are cases in which stakeholders, prior to the clarification introduced in the Instructions were advised to count each contract once even if it is treated as a multiple policy i.e. unbundled. As this approach had already been implemented stakeholders believe this change would cause an additional burden.
3. EIOPA would like to highlight and clarify that the need to report the number of contracts twice when the contracts are reported in more than one row does not imply any requirement on unbundling, but if unbundling is done, then the approach as described should be followed. If a contract is reported using different rows because there are different characteristics that need to be distinguished, it makes sense to repeat the information common to the contract in every row. EIOPA believes this does not contradict to anything stated above by any NCA. Concretely, if a contract and its rider are reported separately they may count as 1. However if either the contract or the rider needs to be reported in more than one row (e.g. if the product covers more than one LoB), then the “1” needs to be repeated in C0040 of all rows related to the product/rider.

**ANNEX I**

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| **Reporting** | | |
| **Source** | **Template** | **Description** |
| Stakeholder | S.01.01 | In S.01.01, in the rows related to S.04.02, S.15.01, S.17.02, S.20.01, S.21.01, S21.02 and S.21.03 a new option was introduced:  “18 - Not reported as no direct insurance business” |
| EIOPA | S.01.01 | In S.01.01, in the rows related to S.06.02, S.06.03, S.08.01 and S.08.02, draft of the option “7” was amended as follows:  “7 – Not due annually as reported for Quarter 4 (this option is only applicable on annual submissions)”.  Templates are only due annually if not reported (exempted) for Q4. In case of material changes after Q4 submission Q4 information should be resubmitted. |
| EIOPA | S.01.01 | In S.01.01, in the rows related to all S.26 and SR.26 templates a new option was introduced:  “17 – Reported twice due to use of PIM”  This option is planned for the situations where S.26/SR.26 templates might have to be reported twice. This is the case of use of partial internal models, where the PIM only covers part of the risk module reported in each S.26. In this cases S.26 might have to be reported:  - As S.26, flag of Article 112 as “no” for the part of the risk module covered by the standard formula; and  - As S.26, flag of Article 112 as “yes” for the part of the risk module covered by the PIM, if requested by the NSA  For technical reasons this option is needed. |
| Stakeholder | S.06.02 | Drafting in the cell C0350 was amended and now it says “where available” at the end of the first paragraph, the same as it does in the cell C0320.  To avoid confusion and to be consistent with other instructions in relation to CIC 8, the following wording was added in the first paragraph of the instructions in both cells: “Regarding CIC 8 – Mortgages and Loans, other than mortgages and loans to natural persons”.  In the cell C0320 it has also been clarified that it relates to the “issue rating” and not to the rating of the issuer. |
| Stakeholder | S.07.01 | Drafting of the cell C0160 was amended and the following sentence was added at the end of the instructions:  “When needed this item may be reported as a string to reflect how the return is calculated.”. |
| EIOPA | S.07.01 | In the cell C0170 drafting was amended and the following part of the sentence in the first paragraph was deleted:  “e.g. 5% shall be reported as 0,05”. |
| Stakeholder | S.08.01  S.08.02 | In the instructions for the template S.08.01 cells C0150 and C0160, and template S.08.02 cells C0140, C0150 and C0160 the word “inception” was replaced by the following:  “.., the moment the undertaking entered in the derivative”.  Purpose of this change was to clarify the meaning of the inception. |
| Stakeholder | S.08.01 | The second and third paragraph of the instructions to the cell C0290 “External rating” are amended as follows :  “The rating of the counterparty of the derivative at the reporting reference date as provided by the nominated credit assessment institution (ECAI).  If an issuer rating is not available the item should be left blank.”. |
| Stakeholder | S.08.02  Individual undertakings | In order to align it with S.08.01 from the 4th paragraph of the general comments in the template S.08.02 the following was deleted:  “…or if they are issued by the undertaking” |
| Stakeholder | S.08.02  Groups | In order to align it with S.08.01 from the 4th paragraph of the general comments in the template S.08.02 the following was deleted:  “…or if they are issued by the group” |
| Stakeholder | S.09.01 | In the instructions for the template S.09.01 cells C0100 and C0110 the word “interests” was replaced by the word “interest”. |
| Stakeholder | S.12.01 | Following the clarification provided in response to Q&A 509, the LOG for S.12.01 cell C0020, C0100/R0240  is updated as follows:   1. From the name of the item wording “ - Insurance with profit participation” was deleted; 2. Instructions were changed to “Amount of discounted Cash out–flows (payments to policyholders and beneficiaries) for future guaranteed benefits. Regarding C0020/R0240, line of business, as defined in Annex I to Delegated Regulation (EU) 2015/35, “Insurance with profit participation” should be reported.  Regarding C0100/R0240 all future guaranteed benefits relating to accepted reinsurance, regardless of the line of business, should be reported.”. |
| Stakeholder | S.12.01 | Name of the item S.12.01.C0150/R0320 is changed as follows:  “Technical provisions without transitional on interest rate – Total (Life other than health insurance, including Unit–Linked)”. |
| Stakeholder | S.12.01 | Name of the item S.12.01.C0210/R0320 is changed as follows:  “Technical provisions without transitional on interest rate – Total (Health similar to life insurance)”. |
| EIOPA | S.16.01 | In general comments, 4th paragraph, subparagraph (i), bullet points (b) and (c), references to original currency were deleted.  The amounts are reported in original currency but thresholds need to be consistently applied in the reporting currency |
| EIOPA | S.16.01 | In the instructions of S.16.01.C0020/R0040–R0190 the second sentence was misplaced there and for that reason it was moved to S.16.01.C0030/R0040–R0190 where it belongs. |
| EIOPA | S.19.01 | In general comments, 4th paragraph, subparagraph (ii), bullet points (b) and (c), references to original currency were deleted.  The amounts are reported in original currency but thresholds need to be consistently applied in the reporting currency |
| EIOPA | S.19.01 | In the instructions for the items  C0560/ R0100 to R0260  C1160/ R0300 to R0460 and  C1760/ R0500 to R0660  now it is clarified that amounts are discounted. For the same items the name was changed by adding “(discounted data)” at the end of the name.  This is in line with Q&A 748 that also the issue of case-by-case reserving. |
| EIOPA | S.19.01 | In S.19.01.C0600 to C0750/R0300 to R0450 word “received” was deleted from the name of the item as it was misleading.  In the instructions clarification that reinsurance recoveries include claims paid by reinsurer plus reinsurance recoverables was done as follows:  “Triangles for each of the accident/underwriting years from N–14 (and prior) and all previous reporting periods to – including – N (last reporting year) of payments (claims paid by reinsurer plus reinsurance recoverables), reported in the “Gross Claims Paid (non–cumulative)”, covered by a reinsurance contract.  The amounts of reinsurance recoverables shall be considered after the adjustment for the counterparty default.”. |
| Stakeholder | S.22.01  Groups | At the end of the third paragraph of the general comments in the group LOG the following was added:  “As it is possible within a group for both types of transitional measure to be applied the template follows a cumulative step by step approach”. |
| EIOPA | S.22.01 | Second sentence of the third paragraph of the general comments was amended in order to clarify that a cumulative step–by–step approach should be followed taking out each transitional and LTG measure one by one and without recalculating the impact of the remaining measures after each step. |
| Stakeholder | S.22.05 | Instructions of the item C0010/R0070 - Limitation applied in accordance to Article 308d(4) are amended as follows:  “If no limitation the amount calculated as R0060\*(R0010-R0050) should be reported.” |
| Stakeholder | S.22.05 | In the item C0010/R0020 last paragraph was deleted.  These cells show the technical provisions before transitional (split TP as a whole, BEL and Risk Margin) that are in scope of the undertaking’s TMTP, at the reporting date. As these cells show the value at the reporting date, they will only include policies still in force at the reporting date. Such policies must also have been in force at the recalculation reference date, and hence the second paragraph in the instructions should be deleted. A recalculation of the TMTP would not impact these values. |
| Stakeholder | S.22.05 | References to valuation at reporting date are deleted in C0010/R0010-R0050. These cells show Day 1 values of Solvency II and Solvency I technical provisions, respectively. Ignoring any limit and assuming no recalculation, these would be unchanged throughout the transitional period. The TMTP at the reporting date is then the difference between the Day 1 Solvency I & Solvency II technical provisions multiplied by the portion in R0060 (which reduces by 1/16th each year). |
| Stakeholder | S.29.04 | In Z0010 definition of LoB 37 is amended as follows:  “37 – Life (including lines of business 30, 31, 32, 34 and 36, as defined in Annex I to Delegated Regulation (EU) 2015/35)”.  In Z0010 definition of LoB 38 is amended as follows:  “38 - Health SLT (including lines of business 29, 33 and 35)”. |
| EIOPA | S.29.04 | Reference “due to year N projected in and out flows” was deleted from the labels C0020/R0040 and C0050/R0110. |
| EIOPA | S.30.01  S.30.02 | Z0010 in the second table of both templates is changed to Z0020 for technical reasons. It was complicated that two different closed lists in one template refer to the same Z-axis. |
| Stakeholder | S.30.02 | Change added at the end of the 4th paragraph of the general comments clarifies that where a facultative reinsurance policy reported on the S.30.01 has more than 1 reinsurer, then the S.30.02 will consist of more lines than reported on the S.30.01.  “Where a facultative cover as reported in template S.30.01 is related to more than one reinsurance undertaking, this template should be filled in with as many rows as the number of reinsurance undertakings involved for the specific facultative cover.” |
| Stakeholder | S.30.02  S.30.04  S.31.01  S.31.02 | In S.30.02.C0330, S.30.04.C0230, S.31.01.C0210 and S.31.02.C0270 paragraph referring to issuer rating is redrafted as follows:  “If an issue rating is not available, the item should be left blank.” |
| **Disclosure** | | |
| **Source** | **Template** | **Description** |
| Stakeholder | S.19.01 | In template S.19.01.21 cell “Z0010” was replaced by the cell Z0020. |
| Stakeholder | S.23.01  Individual Undertaking | Item C0050/R0230 it’s not anymore crossed out and it is in line with the Annotated templates now. |
| Stakeholder | S.23.01.22  Groups | Item C0020/R0220 it’s now crossed out in order to be in line with the templates for individual undertakings. |
| Stakeholder | S.23.01.22  Groups | Item C0050/R0240 it’s crossed out now and it’s in line with the LOGs for the disclosure. |
| Stakeholder | S.23.01.22  Groups | Items C0040/R0350 and C0050/R0350 are not anymore crossed out as they exist in the LOGs and they also exist in the annotated templates.  Moreover there was a problem with the order of the rows that was corrected as well. |
| Stakeholder | S.23.01.22  Groups | Items in R0770+R0780+R0790 to the right of C0060 are crossed out as there aren’t any descriptions in the LOGs nor are there fields in the annotated templates. |
| Stakeholder | S.23.01 | The instructions for the item R0440/C0050 were added after the instructions for the item R0440/C0040. |