

EIOPA Public Event on Reporting

# ITS reporting and disclosure 2023 – issues identified

EIOPA-23-769

10 October 2023

## ITS amendments on reporting and disclosure 2023

- ITS 2023/894 on reporting and ITS 2023/895 on disclosure officially published by the COM on 05.05.2023 - <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2023:120:FULL>.
- The ITS repealed the previous ITS on reporting and on disclosure as of 31.12.2023.
- How to deal with mistakes and inconsistency in the ITS
  - List of known issues;
  - Q&As published on EIOPA's website - [https://www.eiopa.europa.eu/browse/supervisory-convergence/qa-regulation\\_en](https://www.eiopa.europa.eu/browse/supervisory-convergence/qa-regulation_en);
  - Reflection in the future ITS amendments.

# Issues identified by the industry - thresholds

- Thresholds

Industry: *Instructions provided are too vague and open to interpretation; there are optional simplifications that are not clearly notified as such.*

*Some simplification thresholds that were intended to help the smaller entities with their reporting can be real burdens for larger groups whose processes are automated and much harder to adapt within the given timeframe.*

EIOPA: *All instructions were publicly consulted. EIOPA clarifies doubts via the Q&A process and will introduce changes in the next ITS amendments.*

*Thresholds introduced aims to further enhance proportionality and it is expected that they might not be of a relief for the larger group. There is also an option of reporting 100% of the data without applying thresholds.*

## Issues identified by the industry – ECB add-ons

- ECB add-ons

Industry: *It will be useful if a Q&A process on the ECB add-ons, similar to the EIOPA's Q&A process is implemented.*

EIOPA: There are not so many questions asked on ECB Add-ons and questions related to ECB Add-ons are currently shared within EIOPA's Q&A.

NCBs should be the first point of contact for any other further questions regarding reporting.

## Some identified issues via the Q&As

- S.04.05 – clarification that it is to be reported on a country-by-country basis for at least 95% of gross written premium. All business shall be reported, however, **any residual business over the 95% threshold may be grouped as “other countries”**.
- S.04s – confirmation that templates S.04.03.01, S.04.04.01 and S.04.05.01 are not due if the home country represents 100% of "activity. (Q&A 2531)
- S.05.01.04 - mistakes in the labels of C0280/R2600
- S.06.02:
  - CIC95 shall be excluded from the C0296 and C0297;
  - C0292, SCR calculation approach for CIU – request for adjusting the definition from being investment related to being position related in case of same asset held in different portfolios (for example, unit linked and non-unit linked) (Q&A 2648);
  - typo in the instructions of C0320 – instead of including items with CIC code 87 and 88 it should be CIC 8, other than 87 and 88 in line with the provisions for the internal rating and nominated ECAI.

## Some identified issues via the Q&As

- S.12.01 - R0300 does not need to be reported for reinsurance accepted which would mean that C0100 and C0200 can be crossed out.
- S.12.01 and S.17.01 - restore the breakdown of the "Amount of transitional on Technical Provisions" rows in the quarterly S.12.01 and S.17.01 (Q&A 2533)
- S.18/S.19/S.20/S.21 – threshold clarification that “at least” 90% coverage is to be reported to so that companies that wish to report 100% can still do it (Q&A 2606)
- S.21.01 – inconsistency in the definition of the C0100 (Q&A 2413)

## Some identified issues via the Q&As

- S.22.01.04 – mistake, the MCR ratio (R0130) shall not be reported in.
- S.27.01 - C0090-C0120 should be calculated after diversification effect.
- S.30.01 and S.30.02 - clarification of the LOG that the reinsurance recoverables referred to in the threshold refer to all reinsurance recoverables (Q&A 2504).

## Issues identified by the industry – S.06.04

- Sustainability

- *No clear definitions for sustainability related terms or reference to where definitions can be sourced from are provided.*
- *Unclear what EIOPA intends to use the additional data in QRT S.06.04 for.*
- *Connectivity between Solvency II and sustainability-related disclosures?*
- *Specific questions on scope of investments included in the KPI on physical risk*



## Issues identified by the industry – S.06.04 – EIOPA answers

- Sustainability
  - Calculation of the ratios in S.06.04 may be done by undertakings using their own methodology. Q&As received on the template – the answers clarified the calculation of the KPI. Instructions will be updated in the next ITS amendments.
  - The KPIs aim to assess prudential risk – exposures of investments and properties to transition and physical risk. No overlap with Taxonomy or SFDR measures; aligned with CSRD (QRT output can serve as CSRD input).
- As to the scope of investments:
  - KPI on physical risk: includes property, plant and equipment (PPE), indirectly held properties (the definition of property used in S.02.01.).
  - KPI on transition risk: includes assets held in funds, such as CIU (look through, possible to make own estimates). UL and index-linked investments are not in the scope of the KPI on transition risk.

## S.14.01 and S.14.02 – main issues identified

- For S.14.01 and S.14.02 a number of questions emerged on the reconciliation between commissions paid to be reported in these templates and acquisitions expenses to be reported in S.05.01.
  - *As per instructions, acquisitions expenses are broader than commissions for the sale of a product hence the values should be different taking into account that acquisitions expenses also includes commissions paid*
- S.14.01 questions around product ID codes emerged, including on the number of rows
  - *One row per product ID should be reported. However, if the product is marketed in multiple countries multiple rows can be reported indicating the product ID plus country code*
- S.14.01 questions on remaining contractual maturity
  - *The remaining contractual maturity should be the average remaining contractual maturity taking into account the entire portfolio for the relevant products at the reporting date.*

## S.14.01 and S.14.02 – main issues identified

- S.14.02 questions on the number of rows to be reported
  - *A maximum of one row for those lines of business for which no additional product categories have been indicated. Where product categories have been indicated the number of row should correspond to the line of business plus all the relevant product categories reported. If under the line of business only products in the specific product category are reported then one row should be reported.*
  - *If the products are marketed in multiple countries, no additional row should be indicated; countries should be reported in the same row in C0120 separated by a comma.*
- S.14.02 questions on whether for C0130 and C0140 information for additional product categories and/or lines of business can be reported
  - *The lines of business and product categories indicated in the reporting instructions are the ones identified by EIOPA as the minimum requirements. If additional information is available, insurers can report it.*

## Issues identified by the industry – S.14.03 cyber underwriting risk

Industry: Further clarity is needed to the case where the contract includes: (i) multiple guarantees (i.e. first party loss, third party loss and related costs and services) under a single policy, with each guarantee associated with a maximum coverage limit, and (ii) an overall coverage limit that is lower than the sum of the individual limits associated with each guarantee.

EIOPA: *The granularity is not per contract but per product or group of products. If for the product multiple guarantees (i.e. first party loss, third party loss and related costs and services) are covered either the overall coverage should be considered, if existing, if not should be the sum. Each line should reflect the sum of the sum insured for all the contracts/policies sold regarding the cyber product.*

Industry: In this situation the overall exposure of the company to cyber underwriting risk cannot be calculated as the sum of the “Sum(s) Insured” (C0080) for each “Product Identification” (C0030), as it would return an outstanding amount substantially higher than the real exposure. This would result in a reporting that is not fit for supervisory purposes. Can EIOPA provide more information on how to report the “Sum(s) Insured” (C0080) for contracts that include multiple guarantees and an overall coverage limit?

EIOPA: *If there is an overall coverage, that amount is the one to be considered. The amount to be reported would be the sum of the overall amount for all contracts/policies sold regarding the cyber product.*

## S.14.03 – main issues identified by EIOPA

- Level of granularity of the data
  - ✓ Data should not be provided for each contract, but rather for each product or product groups
- Multiple rows and split of information
  - ✓ If there is one commercial product referring to one product identification/LoB/risk coverage, only one line identifier will be reported.
  - ✓ If a commercial product refers to multiple LoBs or different risk coverages, then there will be as many line identifier reported as needed to reflect the number of LoB/risk coverages.
- Concept “Set of LoB”
  - ✓ Set of LoB should be interpreted as products referring to the same LoB (not to a multiple group of LoBs)



# Financial stability

## Issues identified by the industry – S.14.04 and S.14.05

- Direct and accepted insurance

Industry: In both S.14.04 & S14.05 Liquidity risks (Financial Stability QRTs) in life and non-life insurance there are inconsistencies between the different types of data requested (e.g. claims for direct business only but premiums taking acceptations into account). This may be due to a misunderstanding between gross reinsurance data and the inclusion of accepted reinsurance but it needs to be corrected.

EIOPA: *Claims and premiums for both life (S.14.04) and non-life business (S14.05) shall be reported on a gross basis taking into account **direct business + accepted reinsurance business**. Guidelines will be adjusted accordingly in the next amendments.*

Industry: EIOPA did not update the guidelines on Financial Stability Reporting but only the list of amendments. We would appreciate is a final version of the guidelines should be available.

EIOPA: *Currently is not planned but EIOPA will evaluate the need in the next amendments.*

## Financial stability – main issues identified

- S.14.04 and S.14.05 - C0015 is optional (Q&A 2476)
- Label in column C0030 in S.38.01.11.02 template to be adjusted to “Option-adjusted duration”.





# Internal model templates

## IM reporting – annotated QRTs

Template code	Template title
S.25.05	Solvency Capital Requirement - for undertakings using an internal model (partial or full)
S.26.01	Solvency Capital Requirement - Market risk
S.26.02	Solvency Capital Requirement - Counterparty default risk
S.26.03	Solvency Capital Requirement - Life underwriting risk
S.26.04	Solvency Capital Requirement - Health underwriting risk
S.26.05	Solvency Capital Requirement - Non-Life underwriting risk
S.26.06	Solvency Capital Requirement - Operational risk
S.26.07	Solvency Capital Requirement - Simplifications
S.26.08	Solvency Capital Requirement - for undertakings using an internal model (partial or full)
S.26.09	Internal model - Market & credit risk and sensitivities
S.26.10	Internal model - Credit event risk Portfolio view details
S.26.11	Internal model - Credit event risk for financial instruments
S.26.12	Internal model - Credit risk Non-Financial Instruments
S.26.13	Internal model - Non-life & Health Non-SLT
S.26.14	Internal model - Life & Health risk
S.26.15	Internal model - Operational risk
S.26.16	Internal model - Model Changes
S.27.01	Solvency Capital Requirement - Non-life and Health catastrophe risk

## IM reporting – main issues identified

- Due to the 2023/894 - ITS, NCAs have started identifying mistakes in the LOG files. EIOPA acknowledges these mistakes, and they will be amended in the next ITS revision. However, until they are amended, EIOPA can only provide clarifications as to what is expected in these data cells using the Q&A process.
- The Q&A file for IMs is located [here](#). Currently there are 48 observations in the file.
- Most observations refer to incorrect data cell references and omissions/mistakes in the descriptions of some cells.

## IM reporting – main issues identified

- Two of the observations that stand out refer to the Nat Cat part of the Non-life underwriting risk template (S.26.13.01.10 and S.26.13.01.11).
- NCAs explained that it is very helpful in the supervision of the Nat Cat part of the IM to also include in these templates cat scenarios that are partly (sub-) aggregated even if they are relevant. An example would be "Terror Total" or "Cyber total" aggregated by some regions/attack types (in addition to the various individual Terror or Cyber scenarios).
- Currently, it is not foreseen to populate C0020 and C0160 in S.26.13.01.10 and Z0010/Z-Axis in S.26.13.01.11 with sub-aggregates / intermediate aggregates. **[Note, that furthermore the entries in Z0010/Z-Axis need to correspond exactly with the entries in C0160 and C0020].**

## IM reporting – main issues identified

- NCAs are used to request undertakings to report sub-aggregates / intermediate aggregates (e.g. Europe earthquake total as aggregation of Italy\_Earthquake, Greece\_Earthquake or cyber/terror total as aggregation of individual cyber/terror attack scenarios etc.). Without further precautions and agreed conventions the inclusion of such sub-aggregate entries in the list could lead to double counting when further processing data.
- The introduction of sub-aggregates / intermediate aggregates - where applicable- would be possible, if the respective entries in C0020, C0160 and Z0010/Z-Axis would be marked with the prefix "AGG\_". Example: In addition to granular entries "Italy\_Earthquake", "Greece\_Earthquake", "Terror\_US conventional" etc. there is an entry for the sub-aggregate "AGG\_Europe\_Earthquake". If more than one level of sub-aggregates exist (e.g. Southern Europe, Europe) then it is possible to use "AGG1\_" for the lower granularity, "AGG2\_" for the next level and so on e.g. "AGG1\_Southern\_Europe\_Earthquake", "AGG2\_Europe\_Earthquake". **Note, that the reporting of sub-aggregates is not a requirement but might be an additional aggregation level agreed between undertaking and NCA.**
- With the help of the above mentioned prefix, the data records can be filtered to avoid any potential double counting when further processing data.



# Group templates

## Group reporting – clarifications sought via Q&As (1)

- **S.23.01.04** most basic own funds items are subdivided into two parts: a main part and the non-available part at group level. For each of these cases, should the non-available part be included in the main item on the row above?

EIOPA confirms that the non-available part should be included in the main item (reflecting available and non-available) and the non-available part is specified in the row “non-available ...”. R0020, R0060, R0080, R0100, R0120, R0150, R0170, R0190 and R0210 in S.23.01 is summed into R0270. (Q&A 2503)

- **S.25.01** Please note the following changes in 2.8, reflecting Q&A 2381.

**Consolidated group SCR** in R0220 should only include the calculated group SCR, without considering the minimum consolidated group SCR [S.25 R0220= S.25 R0200+R0210+ R0500+ R0540+R0550+R0555]

**Total group SCR** in R0570: Overall SCR for all undertakings regardless of the method used. The total group solvency capital requirement is expected to be equal to the sum of R0220 and R0560. In case the minimum consolidated group SCR (R0470) is higher than the Consolidated group SCR (R0220), then the total group solvency capital requirement is equal to the sum of R0470 and R0560 [S.25: R0570 = MAX (R0220; R0470) + R0560 ]

- **S.33.01** this QRT is now always required for group reporting?

EIOPA confirms that the templates S.33.01 will be required (from EY 2023) to collect information on all insurance and reinsurance undertakings of the group from EEA and non-EEA countries, regardless of the method used for the calculation of the group solvency, according to the relevant instructions. (Q&A 2488)

## Group reporting – clarifications sought via Q&As (2)

- **S.37.01 Risk concentration** – Exposure to Counterparties. What to report in C0310 Credit or insurance risk mitigation technique?

EIOPA clarifies that Column (C0310) should include all risk techniques mitigating the exposure towards the counterparty, this can include external reinsurance and derivatives when these are used as risk mitigation techniques. (C0310) is however not sum of column (C0210) and column (C0260) given that the related risk mitigation technique is used to mitigate the risk towards a different counterparty.

For example, in case of exposure in derivatives the gross (market) value of the exposure towards the issuer of the derivative should be indicated in column C0210. When the derivative (i.e. credit derivative) issued by counterparty A is used as a risk mitigation technique towards counterparty B, its value is taken into account in C0310 for computing the net exposure towards counterparty B.

- **S.37.02/03** Can EIOPA please confirm that:
  - 1) these two templates should always be reported (in annual group submissions) i.e. even if S.37.01 is not required; and
  - 2) we assume, most of the S.37th-information can be derived from S.06.02. In case characteristics are not applicable to QRT S.06.02, we assume, those assets are not relevant for the S.37th QRTs (S.37.01, 37.02 & 37.03).

EIOPA confirms that:

- 1) S.37.02 and S.37.03 should always be reported to show all (external to the group) exposures, split by the various properties - regardless of whether the exposure is a significant risk concentration.
- 2) S.37 should include all type of exposures and is therefore not limited by information in S.06. However, when specific asset characteristics are not applicable (e.g. country of issuer is not applicable) to the assets following the assessment for S.06 this will also impact the tables under S.37 (e.g. table S.37.02.04.03 exposure by country will not reflect this asset but the asset still needs to be included in for example S.37.01.04.01, if significant).



## Group reporting – typos identified via Q&As

- **S.05.02.04** Can we ask for confirmation that in the public version of the row R2700 (Total amount of surrenders) is required?

EIOPA confirms that “Row R2700 (Total amount of surrenders) is missing from the table of the 2.8.0 Final release by mistake. It was identified as an issue to be corrected in the 2.8.0 Hotfix.”

- **S.36.03**, C0170 "Maximum possible value of contingent liabilities" the definition concerns the concept of "Maximum possible value of contingent liabilities" but the second part of definition concerns the notion of "Maximum value of letters of credit / guarantees" (but this notion is deleted). What information should be given in the column C0170 ?

Both information "Maximum possible value of contingent liabilities" and "Maximum value of letters of credit / guarantees" should be given in the column C0170. The error will be fixed in a future revision of the ITS.

**Time for your questions!**

**THANK YOU**

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