

REPORTING AND DISCLOSURE ITS AMENDMENTS – IMPACT OF LEVEL 2 CHANGES

Meeting: **Public Event with stakeholders**

Date: **03 February 2026**

EIOPA REGULAR USE

LEVEL 2 CHANGES – IMPACT ON SUPERVISORY REPORTING

For the following level 2 changes we identified a need for changes to supervisory reporting:

- Matching Adjustment: Articles 70, 81, 216, 217 and 234
- Simplified calculations in the Standard Formula: Articles 89a and 107a
- Equity Investments under Legislative Programmes: Article 173
- Spread Risk for Securitisations: Article 178
- Counterparty Default Risk for defaulted forborne loans: Articles 189 and 192
- Long Term Equity (LTE): Articles 169, 171a-171d

LEVEL 2 CHANGES – MATCHING ADJUSTMENT (MA)

Relevant specifications in the legal text

- Recital 16 of the amending regulation indicates that insurance and reinsurance undertakings which use the matching adjustment should not be required to calculate a distinct notional solvency capital requirement for the portfolio of assets and obligations to which the matching adjustment is applied, unless the portfolios of assets covering a corresponding best estimate of insurance or reinsurance obligations form a ring-fenced fund.
- But the changes go beyond and concern SCR and own funds:
 - Changes to Articles 70 and 81 DR remove own fund restrictions for matching adjustment portfolios (MAP) which are not ring fenced funds (RFF)
 - Changes to Article 216, 217 and 234 DR remove the requirement to calculation notional SCRs and limitations to diversification for MAP which are not RFF

LEVEL 2 CHANGES – MATCHING ADJUSTMENT (MA)

Assessment of reporting needs

- A standalone matching adjustment portfolio (MAP) no longer *de facto* results in a notional SCR being required to be calculated and reported.
- It is no longer necessary to separately report a MAP where the purpose was for identifying a lack of diversification.
- It is still desirable to report a MAP where the purpose is to explain the investment mix or the impact on the best estimate calculation.
- Post presentation corrigendum – the information in S.01.01 and S.01.03 has been identified as having Supervisory Value and will be retained.

LEVEL 2 CHANGES – MATCHING ADJUSTMENT (MA)

Changes proposed to ITS – solo level

Template	Change
S.23.01 (R0740/C0060) S.23.04 (C0660 to C0710) S.23.04 (C0970/R0010)	Remove references to MAP adjustment to reconciliation reserve
S.25.01 & S.25.05 (Z0020) S.25.01 (R0010–R0050/C0030) S.25.05 (C0050/R0020-R0530) S.25.01 & S.25.05 (R0430/C0100)	Remove requirement to report MAP which are not RFF Remove requirement to report nSCR of MAP Remove requirement to report nSCR of MAP Remove requirement to report nSCR of MAP
S.26.01; S.26.02; S.26.03; S.26.04; S.26.05; S.26.06; S.26.07; S.26.08	Remove requirement to separately report each MAP
S.27.01	Remove requirement to separately report each MAP

LEVEL 2 CHANGES – SIMPLIFIED CALCULATION FOR IMMATERIAL (SUB)MODULES AND FOR RISK MITIGATION

Relevant specifications in the legal text

- New Art. 89a DR sets out for risk modules or submodules of the standard formula which satisfy the criteria of Article 109 (2) and (3) of Directive 2009/138/EC a simplified calculation based on volume measures can be applied during a period of no more than three years.
- New Art. 107a DR sets out that where the requirements of Article 88 DR are complied with, the risk mitigating effect of a reinsurance arrangement, securitisation or derivative for an external counterparty can be calculated as the proportion corresponding to the exposure at default (EAD) for this instrument to the sum of EADs for all external counterparties.

LEVEL 2 CHANGES – SIMPLIFIED CALCULATION FOR IMMATERIAL (SUB)MODULES AND FOR RISK MITIGATION

Assessment of reporting needs

- Supervisors need to know if a simplification is used
- For the simplification according to Article 89a DR the information is needed by module and submodule. But due to the undertaking specific character of the simplification, which relies on undertaking specific volume measures, a reporting of details via QRTs seems not to be efficient.
- The simplification according to Article 107a DR only impacts the counterparty default risk and an existing cell can be used.

LEVEL 2 CHANGES – SIMPLIFIED CALCULATION FOR IMMATERIAL (SUB)MODULES AND FOR RISK MITIGATION

Changes proposed to ITS – solo level

Template	Change
S.26.01, S.26.02, S.26.03, S.26.05, S.26.06	Article 89a: Additional cells to collect information if the simplification is used for the whole module or for submodules.
S.26.03, R0100/C0010	Article 107a: New entry in the list of options for applied simplifications.

LEVEL 2 CHANGES – EQUITY INVESTMENTS UNDER LEGISLATIVE PROGRAMMES

Relevant specifications in the legal text

- Art. 173 DR sets out that a reduction in the percentages laid down in Article 169 DR can be reduced where an undertaking invests in equity under a legislative programme that fulfils the conditions laid down in Article 133(5) of Regulation (EU) No 575/2013.
- Fulfilment can either be asserted by the undertaking, or by reference to a public register of legislative programmes, maintained by the Commission, that have been deemed to fulfil the conditions.
- The reduction is only applicable to the part of such equity investments that in aggregate does not exceed 10 % of the undertaking's eligible own funds, and is subject to the approval of the supervisory authority.

LEVEL 2 CHANGES – EQUITY INVESTMENTS UNDER LEGISLATIVE PROGRAMMES

Assessment of reporting needs

- Supervisors need to know which equity is subject to the treatment and the size of any reduction
- Each equity exposure needs to be detailed individually to enable a check against the Commission register, or that any unregistered exposure has been explicitly approved
- The market value is important information to enable a sense-check against the limit of 10% of Own Funds

LEVEL 2 CHANGES – EQUITY INVESTMENTS UNDER LEGISLATIVE PROGRAMMES

Changes proposed to ITS – solo level

Template	Change
S.26.01	<p>Additional table with four columns:</p> <ul style="list-style-type: none">• Identifier (either reference to the Commission Register, or a standalone description of the investment)• Equity Risk Type• Market Value• % reduction applied

LEVEL 2 CHANGES – SECURITISATIONS (SPREAD RISK)

Relevant specifications in the legal text

- Art. 178 DR has a new subparagraph 8a inserted, providing revised risk factor stresses for “*Non-senior securitisation positions not covered by paragraphs 3 to 8, for which a credit assessment by a nominated ECAI is available*”
- Previously, those securitisations were included within subparagraph 8. Subparagraph 8 now applies solely to senior non-STS securitisations and has been recalibrated.
- This change results in there being separate stresses for senior and non-senior non-STS securitisations, mirroring the treatment of STS securitisations.

LEVEL 2 CHANGES – SECURITISATIONS (SPREAD RISK)

Assessment of reporting needs

- The current format of S.26.01 is that there is an individual row for each type of securitisation that is separately called out in subparagraphs to Article 178 DR
- In particular there are separate rows for senior STS and non-senior STS securitisations.
- In order to maintain this format, it is considered appropriate to add new rows to report the senior non-STS and non-senior non-STS securitisations.

LEVEL 2 CHANGES – SECURITISATIONS (SPREAD RISK)

Changes proposed to ITS – solo level

Template	Change
S.26.01	<p>Additional row (R0463) copying R0461 – senior non-STS securitisations</p> <p>Additional row (R0464) copying R0462 – non-senior non-STS securitisations</p> <p>Adjusting the description of R0481</p>

LEVEL 2 CHANGES – DEFAULTED AND FORBORNE LOANS (COUNTERPARTY DEFAULT RISK)

Relevant specifications in the legal text

- Art. 189(3) DR has a new point (ca) inserted. This creates a new type of exposure (defaulted loans and forborne loans – DAFL) that is to be definitively treated as a type 2 exposure when considering counterparty default risk.
- Article 192(4a) DR is also newly inserted, setting out the formula to be used in the calculation of the loss-given-default in respect of DAFL.
- Article 202 DR includes that loss-given-default using a 100% weighting, differing from the 90% weighting used for receivables from intermediaries which have been due for more than three months, and the 15% weighting for all other type 2 exposures.

LEVEL 2 CHANGES – DEFAULTED AND FORBORNE LOANS (COUNTERPARTY DEFAULT RISK)

Assessment of reporting needs

- The current format of S.26.02 is that there is an individual row for each type of Type 2 exposure that within Article 202 DR has a separate weighting applied to the losses-given-default
- In order to maintain this format, it is considered appropriate to add a new row for the newly inserted exposures, namely defaulted loans and forborne loans

LEVEL 2 CHANGES – DEFAULTED AND FORBORNE LOANS (COUNTERPARTY DEFAULT RISK)

Changes proposed to ITS – solo level

Template	Change
S.26.02	Additional row between R0310 and R0320 – defaulted loans and forborne loans – Loss Given Default (plus amendment to the description of R0320)

LEVEL 2 CHANGES – LONG-TERM EQUITY (LTE)

Relevant specifications in the legal text

- Art. 171a(1) DR sets out two approaches for undertakings to demonstrate their ability to avoid forced selling of equity. Undertakings shall consistently apply the selected approach. Notwithstanding, the undertaking may change the approach where it demonstrates ex ante to the supervisor that such change is justified.
- Art. 311(5) DR specifies information that the Regular Supervisory Report (RSR) shall contain regarding the holding of LTE investments. Among others, the undertaking is required to provide more detailed information on LTE in case where one of the following two conditions is triggered:
 - LTE investments represent more than 4% of total assets
 - The undertaking would not comply with the SCR without application of LTE
- In case of an insurance groups, Art. 372 DR does not set out additional reporting requirements for the group RSR in relation to LTE.

LEVEL 2 CHANGES – LONG-TERM EQUITY (LTE)

Assessment of reporting needs

- Information as to whether the undertaking uses LTE and, if so, which of the approaches set out in Art. 171a(1) DR it has chosen is necessary for the supervisory assessment.
- More detailed information on the holding of LTE investments is contained in the RSR. This is in particular relevant in case one of the conditions set out in Art. 311(5) DR is triggered.
- For the supervisory assessment of LTE at solo level, information on whether those conditions are triggered is of core relevance. On basis of other information contained in the QRT, the supervisor can assess whether the first condition (LTE assets more than 4% of total assets) is triggered.
- However the current QRT would not allow to determine whether the second condition (undertaking breaches SCR if LTE is not applied) is triggered. Reliance on the RSR information would not be sufficient since RSR may be reported less frequently than yearly.

LEVEL 2 CHANGES – LONG-TERM EQUITY (LTE)

Changes proposed to ITS

Template	Solo / Group	Change
S.01.02. (basic information)	Solo	Additional cell providing information on use of LTE. Closed list of options as follows: a) no use of LTE, b) use of LTE and use of approach referred to in Art. 171b DR and c) use of LTE and use of approach referred to in Art. 171c DR
S.01.02. (basic information)	Solo	Additional cell specifying whether or not the undertaking would be in breach with the SCR without applying LTE
S.01.02. (basic information)	Group	Additional cell specifying whether LTE is used. Closed list of options as follows: a) use of LTE, b) no use of LTE.

THANK YOU!

Questions?