

## **Consultation Paper on proposals for Solvency II 2020 Review**

### **Package on Supervisory Reporting and Public Disclosure**

#### **2. EIOPA proposals template by template**

##### 2.1 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.

##### 2.2. Previous advice – not applicable

##### 2.2 Relevant legal provisions

1. The legal provision in place to take into account for this Advice are:
  - Directive 2009/138/EC (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, 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 2015/2450 (EU) and following amendments (2016/1868; 2017/2189; 2018/1844)

- Commission Implementing Regulation 2015/2452 (EU) and following amendments and (2017/2190; 2018/1842)

## 2.3 Other regulatory background

2. Under the other relevant regulatory framework the following needs to be considered:
  - EIOPA Guidelines on Reporting and Disclosure;
  - EIOPA Guidelines on Financial Stability Reporting;
  - EIOPA Guidelines on supervision of Third Countries Branches;
  - 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).

## 2.4 Identification of the issues

3. This consultation paper deals with the templates for the submission of information to the supervisory authorities (QRTs).
4. For this revision when analysing the QRTs EIOPA focused on the following questions:
  - Were the QRTs used and if yes whether regularly or ad-hoc;
  - What is the main use by the NCAs;
  - Can regular reporting be eliminated;
  - Can regular reporting be reduced, e.g. with a threshold;
  - Can different granularity in a different template replace this information;
  - If template is proposed to be kept, is there an information that is missing.
5. Stakeholders, during the regular dialogue and as part of the Call for Input performed by EIOPA raised the following concerns:
  - Changes to the QRTs should be limited to deletion of QRTs or specific line items. Changes in definitions or restructuring of requirements would necessitate changes in IT systems to such an extent that these would likely outweigh any benefit brought by the changes;
  - Insurers have now developed processes for completion so that substantial simplification would be necessary to justify revision of either the forms or the data contained within them. Efforts would be best directed towards clarifying areas of uncertainty in the LOG files as they stand;
  - QRT materiality thresholds should be re-thought in order to be more efficient; increase simplification and remove information that is regarded as not useful;
  - Clarification as to which QRTs are used for supervisory and statistical purposes and removal of those templates which are not used;
  - Avoiding redundant information in QRT templates e.g.: SCR appear in templates S.23.01, S.25.01 and S.28.01 and MCR in templates S.23.01 and

S.28.01.; Risk module's capital charges appear in the different S.26 templates and S.25.; Net best estimates appear in S.17.01 and S.28.01.; Net premiums appear in templates S.05.01 and S.28.01.

- Allow for non-life insurers to present annuities stemming from non-life business among other non-life technical provisions, if their volume is not material, for example less than 5% of the sum of technical provisions. In this case having to fill the whole set of life-QRTs is not proportionate to the relatively low level of "life"-TPs.
  - Stop changing the formats of the QRTs (and updating the hierarchies) and if changes are required inform companies sufficiently far in advance of the reporting period. At the moment, implementing and testing SII changes in the reporting system is an almost permanent ongoing task;
  - An obligatory IFRS accounting for solo entities would make the undertakings more comparable;
  - Limit the information for those assets and investment funds that have ISIN codes.
6. The current proposal includes the QRTs analysed by EIOPA taking into account the feedback received during the call for Input and the use of the different QRTs. Each QRT section includes a proposal for the way ahead. The analysis of each QRT also took into consideration the discussions reflected in document on General issues on proportionality principle, Q4 reporting, etc.

## S.01.01 - Content of submission

### Background

7. Template S.01.01 is a core template, both at annual and quarterly reporting, and describes the content of each submission sent to NSAs. It allows supervisors to assess completeness and coherence of the submission.
8. No major issues reported but when using it for the purposes for example of EIOPA Report on Reporting Exemptions and Limitations inconsistent reporting of option on exemptions were identified.

### Options considered

9. EIOPA considered the following options:
- 1) Keep template as in current ITS
  - 2) Improve close lists and the instructions to ensure higher consistency of reporting

### EIOPA Proposal

10. Considering that this template is core to the submission and to allow supervisors to assess completeness and coherence of the submission the following improvements were identified:
- The instructions on when to use the "exemption" option or the "non business" options needs to be improved;

- New risk-based thresholds are being considered as part of this consultation, this template will need to be adapted to reflect the final risk-thresholds agreed;
- Templates deleted or new templates that will result from this consultation will also need to be reflected in this template;
- Inconsistencies between the options across different entry points have been identified and further alignment will be performed;
- It should be clarified that when a template is submitted only with zeros or without figures, then S.01.01 should indicate one of the “non reported” options.

11. The changes identified are mostly linked to the result of this consultation therefore more detailed proposals will only be developed after public consultation.

## S.01.02 - Basic information

### Background

12. Template S.01.02 is a core template, both at annual and quarterly reporting, and includes all relevant information that characterise the insurance or reinsurance undertaking reporting information, including methods used for calculation of the SCR or use of LTG as well as relevant information on the information such as reference date, type of submission, etc.
13. It is considered a crucial template that allows supervisors to better interpret and analyse the information submitted in the remaining reporting package.

### Options considered

14. EIOPA considered the following options:
  - 1) Keep template as in current ITS
  - 2) Improve with relevant information which will empower the use of the remaining reporting package

### EIOPA proposal

15. Considering that without proper basic information other parts of the information being submitted is difficult to interpret, to put into context and to draw conclusions from it is important to have a Basic information template as complete as possible. This would reduce the number of ad-hoc requests moving forward.
16. EIOPA have identified the following gaps in this template and the respective instructions:
  - R0020 – LEI: make the use of LEI code mandatory (and delete R0030). This is consistent with the need for higher standardisation and use of international standards, with EIOPA Guideline on LEI and with MiFIR. It is fundamental that by now all insurance and reinsurance undertakings already have a LEI.

- New Row – Legal form of the undertaking, in particular to identify mutual (and similar types of) undertakings. This is important due to their specific nature and specificities to have into account when supervising.
- New Row – Type of business (if applicable) to capture the following types of business: captive business (when undertakings comply with definition as described in the Directive); Run-off business (when undertakings do not accept new contracts for any LoB even if new premiums still exist from existing contracts – definition to be further defined as an outcome of the work on supervisory convergence regarding supervision of run-off business<sup>1</sup>);
- New Row – M&A: flag to identify if mergers or acquisitions affecting the information reported occurred during the reporting period;
- New Row: Link to the SFCR when available in the website.

17. In addition the data point modelling of R0210 should be revised, considering as well similar cell in the entry point of third country branches.

EIOPA proposes to add the following information to the basic information template:

- R0020 – make LEI as mandatory (and delete R0030)
- New rows to identify:
  - mutual (and similar types of) undertakings;
  - captive business;
  - Run-off business (when undertakings do not accept new contracts for any LoB even if new premiums still exist from existing contracts – definition to be further defined as an outcome of the work on supervisory convergence regarding supervision of run-off business);
  - M&A during the period;
  - URL for the SFCR.

## S.02.01 - Balance-sheet

### Background

18. Template S.02.01 is a core template, both at annual and quarterly reporting, and should be a stable reliable template as it is the basis for all the remaining reporting and a number of validations apply between the balance-sheet and other templates. In this sense the Instructions should not raise any doubts.
19. The Balance-sheet is required considering two different valuations: Solvency II and financial statements. In this sense is also important to reflect on the potential impact/no impact of the IFRS.

### Options considered

20. EIOPA considered the following options:
- 1) Keep template as in current ITS
  - 2) Improve with relevant information

<sup>1</sup> [https://eiopa.europa.eu/Publications/Reports/EIOPA\\_2018\\_SupervisoryActivities\\_April2019.pdf](https://eiopa.europa.eu/Publications/Reports/EIOPA_2018_SupervisoryActivities_April2019.pdf)

21. The following amendments were considered under the option to improve the template with relevant information:

- The risk margin is net of transitionals on Technical Provisions: some users do not appreciate the size of the risk margin as a result. S.02.01 should report the risk margin before transitionals on Technical Provision deduction, and include a line for TMTP. This was discussed in 2015 and it was agreed that enough information on transitionals is included in both reporting and disclosure template and the balance sheet should reflect the final amount of the Risk Margin;
- The balance sheet template should be requested by matching adjustment portfolio: this was discussed in 2015 and considered burdensome. Not enough evidence of this need was put forward;
- Inconsistencies between Solvency II and CRD, namely regarding different definitions for the bonds and loans;
- Balance Sheet item "Government bonds": reconsider the approach taken where government bonds that do not have a risk charge of 0 due to different currency are not presented in the Balance-sheet as Government Bonds;
- Details on Debts owed to credit institutions (R0800) and Financial liabilities other than debts owed to credit institutions (R0810) as in the ECB add-on template would be relevant information for supervisors as well:
  - o Debts owed to credit institutions (R0800) divided by:
    - Debts owed to credit institutions resident domestically
    - Debts owed to credit institutions resident in the euro area other than domestic
    - Debts owed to credit institutions resident in rest of the world;
  - o Financial liabilities other than debts owed to credit institutions (R0810) divided by:
    - Debts owed to non-credit institutions
      - Debts owed to non-credit institutions resident domestically
      - Debts owed to non-credit institutions resident in the euro area other than domestic
      - Debts owed to non-credit institutions resident in rest of the world
    - Other financial liabilities (debt securities issued)
- The definition of Insurance and intermediaries' receivables (S.02.01 Balance sheet C0010/R0360), Reinsurance receivables (S.02.01 Balance sheet C0010/R0370), Insurance and intermediaries payables (S.02.01 Balance sheet C0010/R0820), Reinsurance payables (C0010/R0830) and Reinsurance recoverable (C0010/R0270-R0340) in particular in terms of doubts related to the presentation Reinsurance receivables/payables that are not past-due or not due for payment by the valuation date have raised doubts and the instructions should be clarified;

- In addition to the accounting Balance-sheet, it is important to receive information on accounting equity and reserves (additional lines open for statutory accounts between R0800 and R0810);
- Deferred taxes and thus LAC DT stem from the temporary differences between the fiscal and Solvency II balance sheets and their change respectively, as well as from the potential carry-back or carry-forward of fiscal losses. Insight in the fiscal balance sheet of the undertaking provides insights in the sources of these temporary differences and help to understand the likely utilisation of the DTA. One could set up one column where the fiscal valuation is above the Solvency II valuation (resulting in DTA for assets and DTL for liabilities) and one where the fiscal valuation is below the Solvency II valuation (resulting in DTL for assets and DTA for liabilities). The granularity for determining this distinction within a category should correspond to the granularity necessary to evaluate the tax impacts. A less granular approach that just focuses on several grouped items, for the fiscal balance sheet could be used as a proportionate approach. Where netting is not possible without any restrictions, at least there is a need to have insights in the total gross DTA from temporary differences and total gross DTL on the balance sheet before any netting. More granular information regarding the asset category is required to determine the timing of the deferred taxes; in some tax jurisdictions undertakings can extend the timing of the taxation on the profits of their property and equity investments indefinitely, whereas for bonds this timing cannot extend the maturity of the bonds. In that sense the least granularity required is the granularity that corresponds to the homogenous risk groups and asset categories for which different tax treatments are applicable. Although it is acknowledge that the supervision of the LAC DT is crucial the proposals presented were not considered proportionate to the problem. The amendments included in ITS 2019 should be enough to get a better view of the risks and trigger off-site analysis when needed.

22. This template is considered as core so no proportionality threshold was considered. However it should be noted that the template may be exempted quarterly for some undertakings according to article 35 of the Solvency II Directive.

#### EIOPA proposal

23. Considering the need for stability of the balance-sheet template while at the same time allow for some simplifications in other templates, including the reduction of the ECB add-ons and ensure clear instructions for the different items EIOPA have identified the following improvements in this template:
- Balance Sheet item "Government bonds": reconsider the approach taken where government bonds that do not have a risk charge of 0 due to different currency are not presented in the Balance-sheet as Government Bonds;
  - Add details on Debts owed to credit institutions (R0800) and Financial liabilities other than debts owed to credit institutions (R0810) as in the ECB add-on template would be relevant information for supervisors as well:
    - o Debts owed to credit institutions (R0800) divided by:

- Debts owed to credit institutions resident domestically
- Debts owed to credit institutions resident in the euro area other than domestic
- Debts owed to credit institutions resident in rest of the world;
- Financial liabilities other than debts owed to credit institutions (R0810) divided by:
  - Debts owed to non-credit institutions
    - Debts owed to non-credit institutions resident domestically
    - Debts owed to non-credit institutions resident in the euro area other than domestic
    - Debts owed to non-credit institutions resident in rest of the world
  - Other financial liabilities (debt securities issued)
- Clarify the instructions of the Insurance and intermediaries' receivables (S.02.01 Balance sheet C0010/R0360), Reinsurance receivables (S.02.01 Balance sheet C0010/R0370), Insurance and intermediaries payables (S.02.01 Balance sheet C0010/R0820), Reinsurance payables (C0010/R0830) and Reinsurance recoverable (C0010/R0270-R0340) in particular in terms of doubts related to the presentation Reinsurance receivables/payables that are not past-due or not due for payment by the valuation date;
- Add information on accounting equity and reserves (additional lines open for statutory accounts between R0800 and R0810).

EIOPA proposes to add the following amendments to the balance-sheet template:

- Change the definition of Government bonds so that all Government Bonds are showed as such regardless of the SCR treatment;
- Include details on debts owed to credit institutions (R0800) and Financial liabilities other than debts owed to credit institutions (R0810) as in the ECB add-on template;
- Clarify the instructions of Receivables/payables and Reinsurance recoverables.

## S.02.02 - Assets and liabilities by currency

### Background

24. Template S.02.02 is not a core template and currently already includes a risk-based threshold. The template is not required to be submitted if one single currency represents more than 90% of assets and also of liabilities.
25. The template includes information on both assets and liabilities. For the assets covered by the list of assets this is redundant information. The analysis of this template reflected on the need to keep the information on assets given the major (not full) duplication with the list of assets as well on the adequacy of the threshold.

### Options considered

26. EIOPA considered the following options:

- 1) Keep template as in current ITS
  - 2) Simplify the template regarding items
27. In addition, as part of the overall proportionality approach, the threshold adequacy was assessed.

#### EIOPA proposal

28. The information on the currency is available in the list of assets. Template S.02.02 includes assets which are not reported under the list of assets but this is not material for most undertakings, except for the item Reinsurance recoverables. Considering the need to streamline the reporting package it is proposed that this template covers only the liabilities per currency. However, the template S.31.01 would need to include information by currency for the Reinsurance recoverables.
29. Regarding the liabilities per currency, the template does not need to be reported if the reporting currency represents more than 90% of the total liabilities.

#### EIOPA proposes to (in S.02.02):

- Delete the assets part of the template (and add currency in S.31.01);
- Keep the liabilities part of the template with the already existing threshold.

### S.03.01 - Off-balance sheet items – General

#### Background

30. Template S.03.01 is a non-core template and provides information on off-balance-sheet limited guarantees. The information is regularly used by the NCAs and no feedback was received from the stakeholders during the call for input.
31. The analysis of this template took into account the proportionality principle and the proposed deletion of templates S.03.02 and S.03.03.

#### Options considered

32. Two options have been considered:
- 1) Keep template as in current ITS
  - 2) Improve, also considering the deletion of S.03.02/S.03.03
33. In addition, as part of the overall proportionality approach, the definition of a threshold was discussed.

#### EIOPA proposal

34. The template is considered as generally fitting the purpose as it stands (even if improvements were identified as referred below) however, considering the deletion of S.03.02 and S.03.03 it is important to include in this template two cells indicating if the undertaking holds any unlimited guarantee provided and received. This would allow supervisors to trigger further supervisory actions such as consulting the appropriate other sources of information for more information on unlimited guarantees.

35. As for the remaining template EIOPA considered the following additional information:
- For R0030 "Guarantees received by the undertaking, including letters of credit" further split the information in:
    - Value of guarantee provided by central government,
    - Value of guarantee provided by RGLA,
    - Value of guarantee provided by other third parties.
  - For R0040 "Guarantees received by the undertaking, including letters of credit, of which, guarantees, including letters of credit received from other undertakings of the same group" ask for additional information on "Of which, partial guarantees recognised for type 2 mortgage loans exposure"
36. EIOPA believes that even if the above information is relevant additional sources of information are valid and the information on partial guarantees might be difficult to report. Therefore it does not propose any additional amendment on its content.
37. Regarding the proportionality principle EIOPA believes a risk-based threshold may be considered. The template would be due when any of the following apply:
- Undertakings have any unlimited guarantees received or provided;
  - Amount of any of the following rows is higher than 1% of the total Assets:
    - R0010/C0020: Guarantees provided by the undertaking, including letters of credit
    - R0030/C0020: Guarantees received by the undertaking, including letters of credit
    - R0200/C0020: Total collateral held
    - R0300/C0020: Total collateral pledged
    - R0400/C0010: Total Contingent liabilities
  - Amount of any of the following additions is higher than 1,5% of the total Assets
    - R0010/C0020: Guarantees provided by the undertaking, including letters of credit + R0300/C0020: Total collateral pledged + R0400/C0010: Total Contingent liabilities
    - R0030/C0020: Guarantees received by the undertaking, including letters of credit + R0200/C0020: Total collateral held
  - If for any row the Maximum value reported in C0010 is higher than 120% of the Solvency II value reported.

EIOPA proposes to (in S.03.01):

- Add two cells on the existence of unlimited guarantees received/provided;
- Introduce a risk-based threshold.

## S.03.02/S.03.03 - Off-balance sheet items - List of unlimited guarantees received by the undertaking and Off-balance sheet items - List of unlimited guarantees provided by the undertaking

### Background

38. Templates S.03.02 and S.03.03 are non-core templates and they complement the information provided in template S.03.01 by providing an item-by-item list of unlimited guarantees received and provided while S.03.01 provides information on limited guarantees. During the analysis performed by EIOPA it was acknowledged that both templates are not regularly frequently used as NCAs receive information from other sources e.g. part of the statutory account which they prefer to use.
39. During the call for input the stakeholders commented that these templates require the reporting of metrics on off-balance sheet contingent liabilities, such as maximum cash out flow and Solvency II value which is overly burdensome and can be considered impossible. In addition they pointed out that under IFRS these items are considered either remote (to low probability) or impossible to provide a reliable estimate of cash flows for. If remote they are not even disclosed under IFRS, but a value or quantitative metrics (as if it can be valued) are not provided in any case, since it is not possible.
40. Another comment on S.03.03 pointed that any value for the maximum value of an unlimited guarantee is per definition a very crude estimate and does not provide meaningful information.

### Options considered

41. Based on the above stated EIOPA considered the following options:
  - 1) Keep template as in current ITS
  - 2) Delete both templates

### EIOPA proposal

42. EIOPA believes that item by item information on unlimited guarantees is relevant for supervisory purposes given exactly the “unlimited” feature, especially the guarantees provided. However it acknowledges that other sources of information may be used considering as well the amount of unlimited guarantees at stake.

EIOPA proposes to delete both S.03.02 and S.03.03 from the reporting package.

## S.04.01 - Activity by country

### Background

43. Template S.04.01 is a core annual template that collects information on business performed outside the home-country and shall be reported distinguishing between the home country, each of the other countries belonging to the European Economic Area and material non-EEA countries.

44. Information on business transacted on a cross-border basis is needed for a variety of statistical and prudential purposes. Information sharing between Member States is mandated by Article 159 of the Solvency II Directive and NCAs must gather the information required to meet these information sharing requirements. In addition EIOPA Decision on Decision of the Board of Supervisors on the collaboration of the insurance supervisory authorities of the Member States of the European Economic Area establishes provisions relating to the collaboration of the insurance supervisory authorities of the Member States of the European Union, including sharing of information.
45. The supervisory assessment of the solvency position of undertakings carrying out cross-border insurance business, particular that of a long-term nature, is complex due to the need for the Home NCA to assess the ability of the undertaking to understand the local specificities of the market(s) in which they are operating. In order for the NCA to perform effective and efficient supervision, it is necessary to gather (and, where relevant, share) information on the cross-border business carried out by the undertaking.
46. While the level of detail sought in a particular case should reflect the supervisory assessment of whether the activity represents an elevated risk, there is nevertheless a base level of information that NCAs require on a regular basis for routine supervision of cross-border exposures (including information on technical provisions).
47. The current Solvency II reporting package collects information on cross-border business across a number of templates: S.04.01 (Activity by country), S.04.02 (Information on class 10 in Part A of Annex I of Solvency II Directive, excluding carrier's liability), S.05.02 (Premiums, claims and expenses by country), S.12.02 (Life and Health SLT Technical Provisions - by country) and S.17.02 (Non-Life Technical Provisions - By country).
48. EIOPA believes it is crucial to improve the information available on cross-border business, including business in non-EEA countries. During 2018 the Report from the European Court of Auditors<sup>2</sup> highlighted the following:
- "Although insurance services in the past were mainly provided by subsidiaries established in the relevant country, many insurers have started to provide more cross-border services via branches or in a direct capacity (based on the Freedom of Establishment or respectively Freedom of Services envisaged under the Single Market). In 2016, 750 insurers provided business worth 59 billion euros to other European Economic Area (EEA) Member States without a local subsidiary (see Figure 5). While cross-border business allows insurers to reduce their administrative and regulatory burden, the current system creates the wrong incentives for insurers and supervisors."
  - This leads to a situation where NCAs supervise business in other Member States without having to bear the consequences of poor supervision, because

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<sup>2</sup> <http://publications.europa.eu/webpub/eca/special-reports/eiopa-29-2018/en/>

it has no impact on the home market. They also often lack sufficient knowledge of national specifications and laws. Furthermore, the Member State in which the service is provided needs to rely fully on the supervision of the home supervisor of the insurer without exerting influence over the supervision process. This system has not been designed to supervise a Europe-wide market in a way that is effective and based on EU citizens' interests. Several NCAs confirmed that the current supervision of cross-border business and cooperation is unsatisfactory (see Box 2)."

49. Also in 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"<sup>3</sup>, issued in December 2018, the following could be read in paragraph 1.77:

- "EIOPA is of the view that the information regarding cross-border business be enhanced in the Solvency II reporting package given its importance from a prudential perspective. The current requirements were designed to comply solely with Article 159 of the Solvency II Directive which is mainly addressing statistical needs and should be reviewed having in mind prudential needs of both home and host supervisors."

50. During the call for input the stakeholders commented these templates and put forward the following concerns, including concerns on the content of the template as well as on the specific question of EIOPA if a change of the valuation principle should be considered:

- For companies with business worldwide, the template can grow to enormous proportions, making the governance process difficult. The introduction of a materiality threshold for the inclusion of EEA countries in the same way as currently exists for non-EEA countries could reduce workload with limited impact on the value of the information;
- We would like to recommend to report a threshold for the QRT. In our opinion, the QRT does not contribute to further insights in the risks, while it takes a lot of effort filling it properly;
- The accounting information on these templates is required to be analysed in a different way to that in the IFRS accounts. It is not clear what additional benefit EIOPA achieves from this data, over and above that provided in the IFRS accounts?
- For an international reinsurer this form is very extensive;
- S.04.01; S.05.01, S.05.02 - EIOPA could provide a simplified version of this template by consolidating all premium and claim related templates to provide an overall picture of the premiums and claims and how these are broken down by line of business and country with a total column at the end;

- Country definitions in S.05.02 are not very intuitive. They cause additional work and are open to misunderstanding. There are different country definitions for different lines of business, making comparison between them problematic. It would be simpler to use a single country definition across lines of business. This could be based on country of risk, country where the contract was entered into or country of localisation of the ceding undertaking. The same issues apply to S.17.02.
- An exemption threshold could be put forward for this template.
- Templates S.04 and S.05 do not deliver substantial necessary information at all. The data should be available from Accounting Annual Reports. This data has nothing to do with Solvency II valuations, so reporting them "from a Solvency II valuation perspective" makes no sense, since these are yearly data from transactions and not balance sheet valuation data.
- Normally, those values offer no added value. In our opinion, the principles of accounting cannot reasonably be transmitted to Solvency II. It is hard to interpret the resulting values and they raise more issues than giving answers;
- Neither S.04 nor S.05 are revealed to the public. A value added could be to make reconciliation between accounting and Solvency II reporting, ideally based on IFRS. Especially IFRS consolidation practices would help to better understand the underlying investment risks;
- Whilst the current accounting focus of the forms might appear duplicative with the financial statements, it is not clear that moving to a Solvency II accounting approach would provide any improved information to the reader and therefore it is question as to what extent this would be a beneficial change;
- The templates S.04 and S.05 include amounts such as premiums written and premiums earned where no valuation rules exist under Solvency II. Such rules or definitions exist only from an accounting perspective and may differ in different GAAPs. If the templates should be reported from a Solvency II perspective it has to be defined which amounts have to be reported. However, according to Solvency II regulations those numbers have to be further adjusted, e.g. by allocating those amounts according to Solvency II lines of businesses or by omitting several items of the income statement (e.g. expenses for the managements of investments of P-C insurer are part of the S.05.01 template, but are not part of the underwriting performance of the insurer). This ties up resources in the companies while the additional benefit of disclosing those amounts is limited;
- It depends on the information the EIOPA would like to get. If EIOPA seek to receive data on previous 12 months regarding premiums, claims and expenses it is better to keep the accounting valuation in templates S.04 and S.05 as this information (except for premiums) may not be used in a Solvency II basis. Information on expected future premiums, claims and expenses are already provided in other different templates such as S.17.01.

Therefore, we believe that templates S.04 and S.05 should follow an accounting valuation as it is already the case;

- This would add an unnecessary additional burden to reporting which is already very extensive. The information reported in S.05 based on accounting valuation already gives stakeholders and policyholders adequate information regarding technical results. A Solvency II valuation of the P&L would make Solvency II reporting and the SFCR even more complex for readers and gives no added insight to the solvency situation of a company.
- The change of the accounting prospective for the mentioned templates would result in a relevant IT investment and maintenance. Furthermore the above templates provide information not directly related to the calculation of the solvency requirements.
- We strongly disagree. This would result in additional effort and expense and would not be used internally for managing the business.
- Do not support this proposal. The Solvency II reporting framework does not specify anything regarding the income statement using Solvency II valuation principles. The closest undertakings come to producing this is through P&L attribution for the purposes of internal model validation (but this would not apply to undertakings applying the standard formula; as such it would not be consistent between undertakings), or through the variation analysis QRTs (S.29.0x, but these do not apply to groups).
- Were this proposal to be adopted, this would amount to the introduction of a brand-new primary statement in the Solvency II reporting framework – much more significant than merely a new QRT – which would create an onerous amount of work both to implement and to report each period. Models would have to be rebuilt and tested, and the costs entailed would not be outweighed by the benefits.
- It is not clear how templates related to P&L could be reported from a Solvency II valuation perspective. In our opinion, templates S.05.01 and S.05.02 should remain unchanged. Template S.04.01 and S.04.01 should be deleted;
- Solvency II fair valuation principles cover assets and liabilities, and it is therefore unclear how this would be extended to premiums, claims, commissions and other expenses as variables of the profit and loss account. In particular, premium recognition rules are not set out under Solvency II, and until IFRS 17 becomes effective, premium recognition approach would still be following local GAAP (given IFRS 4 permits this). Presumably if S.04 and S.05 are changed, this will also impact reporting of underwriting performance in Section A (Business & Performance) of the SFCR which would mean that the entity reports its underwriting performance on two differences bases: one under GAAP/IFRS for its financial statements and another under SII. We doubt that this does make sense as it could potentially create confusion for stakeholders who rely on both sets of public information (financial statements and SFCR);
- Reporting from a Solvency II valuation perspective would require an income statement using SII valuation principles which is not currently specified in the SII rules. The nearest we have is a P&L attribution produced for internal

model validation but Standard formula firms would not have this. Creating a new SII income statement would likely create a significant amount of work in terms of systems/models etc.

#### Options considered

51. EIOPA considered the following options:

- 1) Keep template as in current ITS;
- 2) Consolidate all templates with cross-border information and simplify the current templates;
- 3) Change and consolidate as much as possible the current templates with cross border information to improve the relevance of the information gathered for prudential and statistical purposes.

52. The option to change the valuation basis were not considered given the comments received during the Call for Input.

53. Regarding the impact of IFRSs in all templates where accounting valuation is used, EIOPA would like to clarify the following:

- IFRS 17, once applicable, will be part of the IFRSs 'GAAP' to be used alongside other local GAAPs;
- IFRS 17 does not require a P&L that is similar to the Insurance Accounting Directive, meaning that there will not be 'earned' or 'written premiums' in a P&L under IFRS 17. However, the concept of premiums exists and is embedded in IFRS 17's disclosure requirements;
- The instructions refer to the accounting Directives that will continue to be in force;
- No impact on the templates are foreseen from the adoption of the IFRS 17.

54. The following amendments were considered under the option to change the templates:

- Consolidate the existing information requirements into a single template capturing both location of underwriting and location of risk information;
- Addition of new fields to existing S.04.01 to disaggregate commissions for the total acquisition costs currently reported;
- Addition of new fields to existing S.04.01 to capture information on number of insured and contract;
- Replacement of the existing templates with a new series of templates which better facilitate the collection of the required information.

55. This template is considered as core so no proportionality threshold was considered.

#### EIOPA proposal

56. EIOPA believes that the collection of additional information on cross-border insurance business is required to enable the effective supervision of these business models and ensure that all policyholders and beneficiaries receive

equal treatment regardless of their nationality or place of residence. The proposal reflects the evidence gathered over the last years.

57. Excel files S.04.03.01, S.04.03.02, S.04.03.03 are already available in Annex I - Cross border templates proposal - and will be better prepared to invite stakeholders to voluntarily test the template and provide feedback during the consultation period.

EIOPA proposes to delete the existing templates for cross border business (S.04.01, S.05.02, S.12.02, S.17.02) from the reporting package and replace these with a new approach of reporting templates that consolidate the information requirement.

These templates should entail:

- A listing of all EEA and non-EEA branches of the insurance undertaking;
- Template with cross-border business from an underwriting perspective aiming in particular the supervision of cross-border business: annual template with information, by line of business and for each of the entities identified in the first template, on the premiums, claims, expenses, commissions, number of insured and number of contracts underwritten, in the country of establishment and business written on the basis of Freedom to Provide Services on a country-by-country basis. This template would not have any threshold as NCAs need to know all cross-border business performed.
- Template with cross-border business from a location of risk perspective aiming in particular the supervision of risks: annual template with information, by line of business and for each of the entities identified in the first template, on premiums, claims, expenses and technical provisions on a location of risk basis a country-by-country basis.

## S.04.02 - Information on class 10 in Part A of Annex I of Solvency II Directive, excluding carrier's liability

### Background

58. Template S.04.02 is a core template designed according to Article 159 of directive 2009/138/EC to collect specific information in relation to freedom to provide services performed by the undertaking and by EEA country, identifying separately the business performed by branch and through freedom to provide services.
59. No comments were received regarding this template.

### Options considered

60. Two options have been considered:
- 1) Keep template as in current ITS
  - 2) Improve the template considering experience
61. This template is considered as core so no proportionality threshold was considered.

### EIOPA proposal

EIOPA proposes not to change template S.04.02.

## S.05.01 - Premiums, claims and expenses

### Background

62. Template S.05.01 is a core template, reported both at annual and quarterly frequency. Information is used to calculate financial indicators and generate various analyses. The template is reported from an accounting perspective, i.e.: Local GAAP or IFRS if accepted as local GAAP but using Solvency II lines of business, as defined in Annex I to Delegated Regulation (EU) 2015/35. It provides information on Premiums written, Premium earned, Claims incurred and Expenses incurred.
63. During the call for input the stakeholders commented that these templates and put forward the following concerns:
- Reported as a template with highest burden;
  - Similar information provided in the Financial Statements of an insurance entity. While, the granularity is at a different level than is required by Solvency II, this is in essence a duplication of publicly available information. In addition, Investment management expenses have to be broken down per line of business. It is not possible to simply insert a total. Many companies manage assets centrally and it does not make sense to allocate them to specific LoBs. It would be advantageous if it were possible to simply insert a total number
  - The accounting information on these templates is required to be analysed in a different way to that in the IFRS accounts. It is not clear what additional benefit EIOPA achieves from this data, over and above that provided in the IFRS accounts?
  - Solvency II is a prudential regime and it does not have a "profit or loss account". The requested information duplicates information already provided in the financial statements.
  - There are duplications between the S.05.01, S.04.01 and S.05.02 templates.
  - If local standards are applied, it must be concluded that template S.05 has no relevance in Solvency II reporting. The application of the local standard would ensure better comparability. Finally, it is unrealistic to require technical provisions for each quarterly closing.
  - We question the need for the information on accounting valuation for prudential supervision. One of the major principles within Solvency II is the economic view. The reporting of this data does not provide additional information to the supervisory authorities as insurers are already required to produce financial statements based on local GAAP or IFRS as adopted by the EU. The S.05 template is one of the most contested QRTs given that it is difficult to reconcile with the information from the insurer's financial statements and it does not provide relevant information for the insurer's solvency position. This template could be removed from the reporting package.

- With the adoption of IFRS 17, S.04 and S.05 as designed will be incomparable to IFRS financial statements unless changes are made to these QRTs to align to IFRS 17 presentation.

#### Options considered

64. The following options have been considered:

- 1) Keep template as in current ITS
- 2) Extend the template according to the accounting Directive 91/674/EEC
- 3) Simplify the template - only total, information by LoB only from national specific reporting
- 4) Change/ improve the template with relevant information
- 5) Extend the quarterly template in line with the annual

65. The following amendments were considered under the option to extend the template according to accounting directive:

- According to the regulation, the template shall be reported from an accounting perspective, i.e.: Local GAAP or IFRS if accepted as local GAAP but using Solvency II lines of business. For the individual items the definition of the accounting directive 91/674/EEC is referred to. However the table does not include all items of the profit and loss account or even of the technical account, therefore it is not possible to calculate/find out a profit or even a technical result from current version of S.05.01. It would be useful to refer to all items of the profit and loss account. In that way it would be possible to have a complete overview.
- "Balance on the technical account" in life and non-life insurance would provide information about the company's technical business.
- "Bonuses and rebates" and "Change in the equalization provision" are missing from an accounting perspective.
- "Investment result" and "Investment charges" should be included as part of the technical account. "Investment result" should be added by LoB especially in life insurance in order to have all related income and expenses in this template and because the profit or loss of life insurance companies is nowadays mainly driven by investment results.

66. Solvency II is a prudential regime and it does not have a "profit or loss account". The requested information duplicates information already provided in the financial statements.

67. We considered the need for the information on accounting valuation for prudential supervision. One of the major principles within Solvency II is the economic view. The reporting of this data does not provide additional information to the supervisory authorities as insurers are already required to produce financial statements based on local GAAP or IFRS as adopted by the EU. The S.05 template is one of the most contested QRTs given that it is difficult to reconcile with the information from the insurer's financial statements and it does not provide in the view of stakeholders relevant information for the insurer's solvency position.

68. Abovementioned amendments were rejected as even if accounting profit and loss is relevant for supervisors, other sources should be used instead.
69. Regarding the impact of IFRSs in all templates where accounting valuation is used, EIOPA would like to clarify the following:
- IFRS 17, once applicable, will be part of the IFRSs 'GAAP' to be used alongside other local GAAPs;
  - IFRS 17 does not require a P&L that is similar to the Insurance Accounting Directive, meaning that there will not be 'earned' or 'written premiums' in a P&L under IFRS 17. However, the concept of premiums exists and is embedded in IFRS 17's disclosure requirements;
  - The instructions refer to the accounting Directives that will continue to be in force;
  - No impact on the templates are foreseen from the adoption of the IFRS 17.
70. The following amendment was considered under the option to simplify the template according to accounting directive:
- Instead of S.05.01 by LoBs, the NCAs would use national reporting (P&L statement) and S.05.01 would consist only of item "total".
71. EIOPA and NCAs use the S.05.01 template in various analyses and calculates several financial indicators that are subsequently used for supervisory purposes. The information by LoBs are important source of information and only total values would not provide sufficient source of data.
72. The following amendments were considered under the option to improve the template with relevant information:
- Number of contracts and Number of insured by LoBs is important source of information in order to monitor for example the development of premiums for the motor vehicle liability insurance and to be able to calculate gross and net loss ratio.
  - Commissions to intermediaries within the first year and after the first year should be also reported by LoBs in order to monitor for example excessive commissions.
  - Changes in other technical provisions could be deleted in order to maintain proportionality of the template and considering the fit-for-purpose.
  - The item "Other expenses" should be renamed "Balance – other technical expenses/income" and it should be defined as a balance between the other technical expenses and the other technical income. The rationale for adding other income (comprising other technical revenues not covered by above mentioned revenues in S.05.01 and these revenues shall not include non-technical revenues) is to have all related (correlated or compensated) income and expenses in the template S.05.01. Currently, the template S.05.01 comprises other expenses and one of the main sub-items of other expense are expenses related to the creation of adjustments to receivables or write-

offs. Therefore if the template S.05.01 comprises the creation of adjustments to receivables or write-offs, it should also comprises the release or use of these adjustments to receivables. But unfortunately in current version of S.05.01 these revenues are not included and therefore the obtained information from S.05.01 is distorted.

- Gross written premiums would be collected by different distribution channels. The distribution channels will need to be defined in the ITS (Direct business, Written via credit institutions, Written via other distributors). IDD takes an activity based approach, however, there is no common definition amongst Member States and different categories exist. From a prudential perspective this would allow more visibility on concentration levels amongst distribution channels – a high concentration could increase operational risks. It would also allow capturing information on bancassurance and having better visibility on business models and the overall functioning of group structure. This would also assist in the regular market monitoring work which EIOPA and NCAs need to perform to identify conduct risks – which could also lead to prudential risks – and would aim at eliminating double reporting/inconsistent reporting on distribution channels which NCAs have at the national level.
  - Clarify the cell C0300/R2700 (Total/Total amount of surrenders). In ITS (EU) 2015/2450 Annex II there is no instructions for the cell and it seems that the data point should not be reported. The current situation causes different understanding how to report: some undertaking does not report it, others report and fill with the sum of C0210 to C0280/R2700.
  - The template S.05.01.02 could include additional useful items: contract concluded (life and non-life), number of persons insured by the new contract (life), terminated contracts (life) during the reporting period), number of contract in force and number of persons/items insured (life and non-life) at the end of the reporting period; number of claims (life and non-life), number of annuities (life and non-life), number of claims paid then the contract was terminated at the end of the contract and before the end of the contract (life), claims paid.
73. It is important to prevent duplications between template S.05.01, S.04.03 and S.14.01, in particular regarding items “Number of contracts”, “Number of insured”, “Commissions” and items by the distribution channels. In the final Opinion EIOPA will take this into consideration and the three templates seen together should not have any duplications. For this Consultation Paper some items are included in both to assess stakeholders opinion on the adequacy of the information in each of the template.
74. Proposals regarding quarterly reporting:
- Quarterly reporting should be in the same detail as it is required for annual reporting in order to ensure proper analysis on quarterly basis.
  - Administrative expenses, investment management expenses, acquisition expenses, claims management expenses, overhead expenses shall be presented with the same granularity as in the annual report.
  - The quarterly reporting might be split by the countries where the business is underwritten.

- Total amount of surrenders should be included in the quarterly reporting and per line of business.
  - Investment management expenses should be reported separately from Expenses incurred (and also maybe not by LOB's but total) mostly from the perspective of quarterly reporting.
75. The split by countries for premiums, claims and expenses will be already included in the new S.04.03 template.
76. This template is considered as core so no proportionality threshold was considered. However it should be noted that the template may be exempted quarterly for some undertakings according to article 35 of the Solvency II Directive.

#### EIOPA proposal

77. EIOPA acknowledges the concerns of the stakeholders which was the reason to ask in the Call for Input if a change in the valuation used in the template for Solvency II valuation was an alternative. The answer from stakeholders was clear that they prefer to keep the accounting valuation.
78. As for the value-added of this template it is a fact that is one of the most used templates by both NCAs and EIOPA. Given the use an assessment of the fit-for-purpose was made and EIOPA concluded that from one side the template could be slightly simplified but from other side information was missing. EIOPA proposes to include the following additional items in the quarterly and annual template: number of contracts, number of insured, commissions to intermediaries, Balance – other technical expenses/income (instead of Other expenses), Gross written premiums by different distribution channels (Direct business, Written via credit institutions, Written via other distributors).
79. The additional items are also covered in templates S.04.03 (cross-border activity) and S.14.01 (life obligation analysis). In the final Opinion EIOPA will take this into consideration and the three templates seen together should not have any duplications. For this Consultation Paper some items are included in both to assess stakeholders opinion on the adequacy of the information in each of the template.
80. The Total amount of surrenders will also be included in the quarterly reporting in order to provide information to supervise liquidity risk of the undertaking.
81. On the other hand items such as Changes in other technical provisions may be deleted.

#### EIOPA proposes to (in S.05.01):

- delete "Changes in other technical provisions"; and
- add the following information in the quarterly and annual template to improve the template:
  - number of contracts,
  - number of insured,

- commissions to intermediaries,
- Balance – other technical expenses/income (instead of Other expenses),
- Gross written premiums by different distribution channels (Direct business, Written via credit institutions, Written via other distributors).

EIOPA proposes to add the total amount of surrenders to the quarterly reporting.

## S.05.02 - Premiums, claims and expenses - by country

### Background

82. Template S.05.02 collects information on premiums, claims and expenses by country. Information on cross-border business is crucial and EIOPA is proposing a revision on the way it is collected. The new proposal (see new S.04 templates) should replace all templates with information by country including this one.

### Options considered

83. EIOPA considered the following options:
- 1) Keep template as in current ITS
  - 2) Delete this template and replace it by a general cross-border template

### EIOPA proposal

EIOPA proposes to replace template S.05.02 by a general cross-border template. See proposal under S.04.01 template.

## S.06.01 - Summary of assets

### Background

84. Template S.06.01 is a non-core template collecting information on the summary of assets. It contains a summary of information on assets and derivatives regarding the undertaking as a whole, including assets and derivatives held in unit linked and index linked contracts. This template is applicable only for the insurance and reinsurance undertakings exempted from the annual submission of information in templates S.06.02 or S.08.01.

### Options considered

85. EIOPA considered the following options:
- 1) Keep template as in current ITS
  - 2) Delete the template

### EIOPA proposal

86. The information included in this template was aimed to replace the information on the list of assets when S.06.02 or S.08.01 is not reported.
87. The experience so far shows that there is little use of this template and that above all the split by asset classes is inconsistent with S.06.02, and the

additional information compared to what is reported in the Balance sheet is in practice very low.

EIOPA proposes to delete template S.06.01.

## S.06.02 - List of assets

### Background

88. The List of assets template is a core template and contains already a set of reporting items which form a valuable input for the risk assessment performed by supervisory authorities.
89. Financial markets are continuously changing, as well as the political, economic and social environment. Under this moving framework, there is a need to continuously improve the supervision of insurance undertakings, fostering policyholder protection and financial stability.
90. Experience from the past reporting history has thought supervisors some lessons as well, leading to the introduction of some refinements in the assets reporting.

### Options considered

91. EIOPA considered the following options:
  - 1) Keep template as in current ITS
  - 2) Change / improve with relevant information
92. The following amendments were considered under the option to change / improve the template with relevant information, by reducing items or including additional reporting items:
  - Include in the prudential reporting the additional items considered in the ECB add-on which are relevant for the prudential reporting:
    - o Write-offs/write-downs
    - o Issue date
  - Additional data item required regarding ESG-compliant/sustainable investments, to be further defined once the taxonomy on sustainable activities that is under development is finalised.
  - Additional data item on applicability of bail-in rules, in line with the data needs following the implementation of the Bank Recovery and Resolution Directive (BRRD). In fact, bail-in poses a significant risk to undertakings' exposures against financial institutions and needs to be permanently analysed, which is not possible with SII data by now. Bail-in poses a relevant risk to undertakings and they have an own need to know about this. Furthermore, even small insurers must monitor their respective assets regarding bail-in on a permanent basis.
  - A new field in the list of assets, something like "Investment linked to cryptocurrencies" (Yes/No/...)

- Treatment of guarantees, exposure guaranteed by a third-party and exposures to regional governments and local authorities (RGLA). Add a data item to collect information in order to distinguish RGLA listed and not listed in the ITS (EU) 2015/2011, regarding assets classifiable with CIC ##13 and ##14.
  - Additional data item "Custodian Code", requiring the report of the LEI of the custodian. This would facilitate aggregate analysis, especially in case of financial institutions crisis. The number of custodians per undertaking is limited and changes are not frequent. Providing/updating the LEI code seems not to impose a significant reporting burden on the long run.
  - Introduction of materiality thresholds on investments with ISIN or other recognised codes as well as for investments without ISIN codes (e.g. capture 90% of assets by value and any asset class representing more than 5% of assets)
93. Along with the additional items considered above, the following improvements to the reporting instructions were considered under the option to improve the template with relevant information (the concrete preliminary proposals are included in Annex II - S.06.02 – revised):
- S.06.02.C0100 (Asset pledged as collateral): Replace "One of the options in the following closed list shall be used for the pledged part of the asset" by "One of the options in the following closed list shall be used for the asset". The objective is to address misinterpretations of these instructions;
  - S.06.02.C0120 (Custodian): amend the instructions in order to clarify that in those cases when no custodian exists due to the nature of the asset, then the item is also not applicable, and for assets stored in-house, the undertaking should be reported as the custodian;
  - S.06.02.C0130, C0140, C0160, C0190, C0230 and C0280: clarify reporting for CIC09;
  - S.06.02.C0200 and C0210 (Issuer name/Issuer code): Amend "Regarding CIC category 4 – Collective Investments Undertakings, the issuer name is the name of the fund manager" by "(entity)". The objective is to address misinterpretations of these instructions;
  - S.06.02 C0240, C0250, C0260 (Issuer Group/Issuer Group code/Type of issuer group code): include in the instructions the outcome of Q&A 1411;
  - S.06.02 C0240 (Issuer Group) and C0250 (Issuer Group code): amend the instructions in order to avoid misinterpretation when referring to CIUs, by replacing the second sentence by "For collective investment undertakings, the ultimate parent of the fund manager (entity) should be reported."
  - S.06.02 C0240 (Issuer Group): amend the instructions in order to clarify the definition of issuer group;
  - S.06.02 C0270 (Issuer Country): amend "EU: European Union Institutions" by adding "(as defined in Title III Article 13 of the Treaty (2016/C 202/01)". The objective is to clarify the instructions;
  - S.06.02 C0270 ("Issuer Country"): improve the definition of option "XA" by adding the following "(public institutions established by a commitment

between national states, e.g. issued by a multilateral development bank as referred to in paragraph 2 of Article 117 of Regulation (EU) No 575/2013 or issued by an international organisations referred to in Article 118 of Regulation (EU) No 575/2013, with exemption of 'European Union Institutions')".

- S.06.02 C0340 (Credit quality step): Include in the instructions a reference to the application of the mapping table prescribed in the Commission Implementing Regulation (EU) 2016/1800, in order to complete the reporting requirement understanding.
  - S.06.02 C0350 (Internal rating): the reporting does not allow the reporting of the internal rating of an asset where that internal rating is used in the application of the matching adjustment. To overcome that, include in item "Internal rating" the requirement to report an internal rating for undertakings applying a matching adjustment to the extent that the internal ratings are used to calculate the fundamental spread referred to in article 77(c)(2) of the Directive.
  - Improve the instructions regarding when items may/should be left empty.
  - Consider the possibility of a mandatory report of the item "Fund number", which is already applicable to assets held in ring fenced funds, and that should be widely used in the case of or other internal funds, defined according to national markets, exist, in especial regarding funds (portfolios) supporting life products. Being a unique number (or code) assigned to each fund, used consistently over time, would allow linking the information on assets, derivatives, look-through and the fund number reported in S.14.01.
94. Changes proposed to Annex VI of Reporting ITS (CIC Table) (the concrete preliminary proposals are included in Annex III - CIC Definitions – revised):
- Definition XL/XT recurs to MiFID ("Identify assets that are not negotiated on a regulated market or on a multilateral trading facility, as defined by Directive 2004/39/EC. ") – needs to be adjusted to MiFID II
  - Definition CIC 27: Replace "Art 22 para 4 of directive 2009/65/EG" by "Art 52 para 4 of directive 2009/65/EG" (obviously wrong reference when changing from old directive 85/611/EC)
  - Improve the definition of CIC 22 in order to accommodate, without doubts, all kinds of convertible bonds, and not restrict it to the ones convertible by the bond holder
  - Clarify the CIC definitions of Government bonds by including "bonds that are fully, unconditionally and irrevocably guaranteed by the European Central Bank, Member States' central government and central banks"
  - Identify government bonds and corporate bonds with government guarantees in a different currency by adding a new CIC ##18 and amending the definitions of other CIC ##1# accordingly
  - Identify separately with a CIC code Loans made to AMSB members and Loans made to other natural persons (CIC ##87 and CIC ##88).

95. Additional reporting requirements and clarifications:

- Collect data to understand the change in the composition of asset portfolios
  - o Main reason for not considering this option: EIOPA considers this would be too much burdensome for undertakings to produce. A proxy can be obtained from the regular assets reporting, and if needed, additional (ad-hoc) information can be asked or on-site actions can be used to consult this information
- Give supervisory authorities the option to specify codes attributed by the undertaking where no recognised code exists
  - o This is already possible
- Additional data item "Guarantee assets", indicating whether an asset is part of the "guarantee assets", only applicable in jurisdictions with a special register of assets representing the technical provisions
  - o This is already possible by using the item "Portfolio"
- Add "Acquisition date"
  - o Main reason for not considering this option: EIOPA considers that this reporting item would be overly burdensome for undertaking to produce and resulting in the multiplication of reporting lines, with no significant benefit to the supervisory tasks, on a regular basis
- Change the CIC code by adding positions to allow capturing other characteristics of the assets
  - o Main reason for not considering this option: EIOPA considers that changing the structure of the CIC code would imply a considerable cost to the market and to supervisors. EIOPA considers that some alternatives are possible and preferable, such as (limited) additional reporting items and specially the resource to external sources
- In item C0230 (Issuer sector), regarding "Regarding CIC category 4 – Collective Investments Undertakings, the issuer sector is the sector of the fund manager": should be more precise.
  - o Main reason for not considering this option: EIOPA considers that it is not feasible to provide additional precision as it considers that the NACE definitions are sufficient
- In item C0270 (Issuer Country), replace "This item is not applicable for CIC 71, CIC 75 and CIC category 9 – Property;" by "This item is not applicable for CIC 71, CIC 75 and CIC 95. Regarding CIC Category 9, excluding CIC 95 – Plant and equipment (for own use), the issuer country is assessed by the address of the property." Change C0110 (Country of custody) accordingly so that the country for property is reported only once (in C0270) and C0110 is empty.
  - o Main reason for not considering this option: EIOPA considers that the present requirements better captures the information of the underlying risk (country of localization of the asset), and also that the custodian concept does not apply to property
- In item C0310 (Holdings in related undertakings, including participations), align the values to be entered between the solo and groups template
  - o Main reason for not considering this option: The scope if this item is different between solo and group reporting

- There is a need for computing cash flows arising from assets for deeper understanding of the LTG measures, additional use of RFR information and estimating profit participation. Therefore, we need additional data items on:
    - coupon of any respective bond in the insurer's portfolio
    - the first call date of any respective bond in the insurer's portfolio
    - reference benchmark of floater (e.g. EURIBOR 3 M)
    - spread of the floater
    - Cap or Floor of the respective floater
      - o Main reason for not considering this option: EIOPA considers that these reporting items would be overly burdensome for undertakings to produce. EIOPA considers that some alternatives are possible and preferable, such the resource to external sources
  - Merge tables "Information on positions held" and "Information on assets" into one table.
    - o Main reason for not considering this option: EIOPA considers that this would be a structural change on the reporting of assets, which would be overly burdensome for undertakings to produce and for supervisors to implement, with no benefit to the market
96. This template is considered as core so no proportionality threshold was considered. However it should be noted that the template may be exempted quarterly for some undertakings according to article 35 of the Solvency II Directive.

#### EIOPA proposal

97. Considering the need for stability of the List of assets template while at the same time recognising the wide application for supervisory purposes of the information already collected, that financial markets are continuously changing, as well as the political, economic and social environment, EIOPA proposes the following set of amendments with the objective of improving and updating the reporting requirements in the List of assets template and the CIC Table:
- Include in the prudential reporting the additional items considered in the ECB add-on which are relevant for the prudential reporting;
    - o Write-offs/write-downs
    - o Issue date
  - Additional data item required regarding ESG-compliant/sustainable investments;
  - Additional data item on applicability of bail-in rules;
  - Add a data item to collect information in order to distinguish RGLA listed and not listed in the ITS (EU) 2015/2011, regarding assets classifiable with CIC ##13 and ##14;
  - A new field in the list of assets, something like "Investment linked to cryptocurrencies" (Yes/No/...)
  - Additional data item "Custodian Code", requiring the report of the LEI of the custodian;
  - Require that the item "Custodian" is reported with a new options "No custodian" where there is no custodian for a specific assets;

- Clarify the CIC definitions of Government bonds by including “bonds that are fully, unconditionally and irrevocably guaranteed by the European Central Bank, Member States' central government and central banks”;
- Identify government bonds and corporate bonds with government guarantees issued in a different currency by adding a new CIC ##18 and amending the definitions of other CIC ##1# accordingly;
- Improvements to the reporting instructions and to the definition of CIC codes, with the objective of providing specific clarifications and reflecting the outcome of Q&A on reporting.

98. Recognising that the financial, economic and social environment is changing fast, EIOPA considers that in order to keep fulfilling its supervision duties while not imposing additional cost to the insurance market, any change in the reporting requirements regarding the list of assets should be balanced with the recourse to complementary external financial information by national and European supervisors.

EIOPA proposes to add the following amendments to the list of assets template (S.06.02) and CIC table:

- Include ECB add-on items relevant for prudential supervision purposes;
- Additional item regarding ESG-compliant/sustainable investments;
- Additional data item on applicability of bail-in rules;
- Additional item on RGLA;
- Additional item on cryptocurrencies related investments;
- Additional item regarding Custodian LEI code;
- New CIC code to identify government bonds issued in a different currency;
- Improvements to the reporting instructions and to the definition of CIC codes, with the objective of provide specific clarifications and reflecting the outcome of Q&A on reporting.

At the same pace, EIOPA proposes that changes in the reporting requirements regarding the List of assets should be balanced with use of complementary external financial information by NCAs.

#### **Question to stakeholders:**

EIOPA would like to also collect stakeholders views on the possibility of having a mandatory report of the item “Fund number”, which is already applicable to assets held in ring fenced funds, and that should be widely used in the case of or other internal funds, defined according to national markets, exist, in especial regarding funds (portfolios) supporting life products. Being a unique number (or code) assigned to each fund, used consistently over time, would allow linking the information on assets, derivatives, look-through and the fund number reported in S.14.01.

### S.06.03 - Collective investment undertakings - look-through approach

#### Background

99. Template S.06.03 is a non-core template, both quarterly and annually, and collects information of the look-through approach of collective investment undertakings. This template contains information on the look through of collective investment undertakings or investments packaged as funds, including when they are participations, by underlying asset category, country of issue and currency.
100. The template already has risk-based thresholds in place:
- The template must be reported quarterly only when the ratio of collective investments undertakings held by the undertaking to total investments is higher than 30%
  - For the identification of countries and currencies the look-through should be implemented in order to identify the exposures of 90% of the value of the funds. In the case of country exposure, the 90% is calculated excluding the amounts related to CIC 8 and 9. Undertakings should have a reasonable confidence that the 10% not identified by country is diversified across geographical areas, for example that not more than 5% is in one single country.
101. This template contains already valuable input for the risk assessment performed by supervisory authorities. However, the experience from the past reporting history shown that important information is still missing, and consequently there is still limited usage in the supervisory review process. There is a clear conclusion that for an adequate assessment of CIUs in the undertakings' portfolios, additional information not included in S.06.03 is needed, in particular when those investments are material.
102. The cases of CIUs where the undertaking has influence on the investment strategy or when the undertaking performs a full look through of the CIU, are seen as situations where the undertaking already possesses relevant information which could be the basis for more detailed reporting. Moreover, in some circumstances these investments are material and in those cases the information available regarding investments is clearly deficient for the purposes of supervision of the prudent person principle.
103. Financial markets are continuously changing, as well as the political, economic and social environment. Under this moving framework, there is a need to continuously improve the supervision of insurance undertakings, fostering policyholder protection and financial stability.
104. Detailed information on individual securities is currently not available to competent authorities. Supervisory reporting in this respect could be made more efficient by supplementing or replacing some reporting requirements by making available other sources of reporting data to competent authorities.

## Options considered

105. EIOPA considered the following options:

- 1) Keep template as in current ITS
- 2) Change / improve with relevant information
- 3) Change the materiality thresholds
- 4) Ask more detailed item-by-item information to specific CIUs
- 5) Remove the requirement to report in relation to CIUs exclusively in unit-linked products
- 6) Balance additional reporting requirements with the possibility to recourse to external sources

106. The following amendments were considered under the option to change / improve the template with relevant information:

- Require that in the item "Country of issue" is also reported regarding Mortgages and Loans and Property, in line with S.06.02. This would allow a more complete assessment on the risk of the location of the counterparty and on the property risk linked to the physical location of the property;
- Add item Fund number to assure linkage between S.06.03 and S.06.02/S.08.01/08.02/S.14 or other appropriate templates;
- Include the item "Asset held in unit linked and index linked contracts". This column is foreseen in form S.06.02 (C0090), it seems that it was forgotten to include such a column in form S.06.03;
- Add item to identify exposures against financial institutions, as this is information regularly needed. This information is urgently needed for financial stability analyses and answering governmental policy questions and adding the item would prevent ad-hoc requests to undertakings.

107. The following was considered under the option to change the materiality thresholds:

- Increase the quarterly threshold from 30% to 50%;
- Decrease the quarterly threshold from 30% to 10%;
- Have also an annual threshold of 20%. Presently no exemption threshold is applied for annual reporting. However, Article 84 (3) of the Solvency II Delegated Acts allows firms to use data groupings up to 20% of the total value of the assets. The template S.06.03 could be aligned with the Delegated Acts so that the same level of granularity is required;
- Remove the thresholds completely to allow an overall market view.
- Reduce the thresholds to identify exposures by country to 80% in S.06.03

108. The current look through approach does not allow deeper insights about the kind, quality or quantity of assets within the CIU. This information is urgently needed for financial stability analyses and answering governmental policy questions. Therefore, the following was considered under the option to ask more detailed item-by-item information to specific CIUs:

- Keep the original S.06.03 template but make it applicable only in relation to the collective investment undertakings or investments packaged as funds,

where the undertaking has no influence on the investment strategy or when the undertaking does not perform a full look through of the collective investment undertaking or investments packaged as funds and;

- Introduce a new template S.06.04, containing item-by-item information on the look through of collective investment undertakings or investments packaged as funds, including when they are participations. In any case, regarding funds of funds the look-through of the underlying asset categories shall be reported in S.06.03. This template is applicable only in relation to the collective investment undertakings or investments packaged as funds, where the undertaking has influence on the investment strategy or when the undertaking performs a full look through of the collective investment undertaking or investments packaged as funds. In order to mitigate the increased effort, in terms of timing and contractual arrangement with fund or portfolio managers, it is allowed that the undertaking uses for reporting the last known position of each collective investment undertakings or investments packaged as funds, in each quarterly reporting, with a fixed maximum delay of one month.

(a concrete proposal is included in Annex IV – Look-through template\_rev and Annex V - Instructions Look-through\_rev).

109. Regarding the option to remove the requirement to report in relation to CIUs exclusively in unit-linked products, it was argued by stakeholders that the application of look-through in S.06.03 in this regard is extremely burdensome to implement and to comply with. At the same time the impact of the exclusion of that piece of information would be insignificant for a risk reporting under Solvency II rules. The regulatory burden resulting from the look-through requirement could be significantly alleviated if unit-linked products were excluded or if a threshold for annual reporting was introduced, by analogy with the existing threshold for quarterly reporting. However, supervisory needs in this area have not changed and this option was not considered appropriate.

110. The discussion on this topic must be done in close relation with the proposed requirement to report information on CIUs on an item-by-item basis. In those cases where the undertaking doesn't have influence on the investment strategy and the CIU is only present in the portfolio of unit-linked assets, those CIUs could be excluded from look-through reporting.

111. The following was considered under the option to balance reporting requirements with the possibility to recourse to external sources, and as such not given raise to additional reporting requirements:

- This template does not cover information on individual securities. Simultaneously, detailed information on individual securities is currently not available to competent authorities. Supervisory reporting in this respect could be made more efficient by deleting reporting requirements that can be covered by making available other sources of reporting data to competent authorities, in particular data reported under the statistical mandate of the

ESCB (in this case in particular Regulation (EU) 1073/2013 of the European Central Bank concerning statistics on the assets and liabilities of investment funds).

- The Solvency II Directive and the CRR requires banks and insurance undertakings which invest in investment funds to look through into the risks and assets of the investment funds for the purposes of their own capital requirements and internal risk-bearing capacity assessments. These Directives require, in practice, delivery of data and further support services by asset managers about risks assessments and asset data of investment funds in completely different ways and which are also not consistent with the reports which must be provided by the asset managers to their own authorities. The data for look-through of investment funds could be centrally provided by the fund managers instead of being reported separately by each insurance company which invests in the funds. Especially for mutual funds which are open to the public the current procedure is highly inefficient.

112. However it should be noted that the template may be exempted quarterly for some undertakings according to article 35 of the Solvency II Directive.

#### EIOPA proposal

113. Considering the need for additional information to provide deeper insights about the kind, quality or quantity of assets within the CIU, particularly in a context where financial markets are continuously changing, as well as the political, economic and social environment, EIOPA proposes the following set of amendments with the objective of improving and updating the reporting requirements:

- Keep the original S.06.03 template but only applicable to the CIUs where the undertaking has no influence on the investment strategy or when the undertaking does not perform a full look through of the CIU;
- Introduce a new template S.06.04, containing item-by-item information on the look through of CIUs, applicable only in relation to the CIUs, where the undertaking has influence on the investment strategy or when the undertaking performs a full look through of the CIU.
- Allow that the undertaking uses for reporting the last known position of each CIUs, in each quarterly reporting, with a fixed maximum delay of one month.
- Require that in the item "Country of issue" is also reported regarding Mortgages and Loans and Property;
- Increase the quarterly threshold to 50% for S.06.03;
- Reduce the thresholds to identify exposures by country to 80% in S.06.03
- Propose a threshold for the new S.06.04 quarterly and no threshold annually. The new template with information on CIU where the undertaking has influence on the investment strategy or when the undertaking performs a full look represents more than 10% of the total investments.

EIOPA proposes the following regarding look-through (S.06.03):

- Keep the original S.06.03 template with a different (reduced) scope;
- Include a new S.06.04 full look through template applicable to CIUs where the undertaking has influence on the investment strategy or when the undertaking performs a full look through of the CIU.
- S.06.04 is to be reported quarterly when those investments represent more than 10% of the total investments.
- S.06.04 does not have an annually threshold;
- Allow that the undertaking use for reporting purposes the last known position of each CIUs, in each quarterly reporting, with a fixed maximum delay of one month;
- Require that the item "Country of issue" is also reported regarding Mortgages and Loans and Property;
- Increase the quarterly threshold of S.06.03 from 30% to 50%;
- Reduce the thresholds to identify exposures by country to 80% in S.06.03;

At the same pace, EIOPA acknowledges that changes in the reporting requirements regarding look-through should be balanced with the use of complementary external financial information, especially to centralised sources provided by fund managers or resulting from other supervisory or statistical reporting requirements.

## S.07.01 - Structure products

### Background

114. The structured products template is a non-core template. It contains an item-by-item list of structured products held directly by the undertaking in its portfolio, allowing to provide additional insight of those products' characteristics.
115. Structured products can vary in terms of risk exposure. It is recognised that this type of products can enclose significant risks that the undertaking should be able to recognise, manage and report on.
116. The template has a materiality threshold and must be reported annually if structured products in the undertaking's portfolio exceed 5% of total investments.

### Options considered

117. EIOPA considered the following options:
  - 1) Keep template as in current ITS
  - 2) Simplify the template
118. The following amendment was considered under the option to reduce reporting items: the template could be significantly simplified by eliminating items C0120 to C0190 (Prepayment structured product, Collateral value, Collateral portfolio, Fixed Annual Return, Variable Annual Return, Loss given default, Attachment point, Detachment point).

119. In addition, as part of the overall proportionality approach, the threshold adequacy was assessed.
120. The option to remove the materiality threshold was also considered as it was argued that it would provide an overall market view by the NCA and EIOPA, and that any reporting thresholds lead to an increase in uncertainty and to an incomplete picture of the market.
121. On the other hand, it was argued that this template provides very limited additional insights, as the information is available in the external auditor's report in an in-depth way.

#### EIOPA proposal

122. Given the recognition that structured products can enclose significant risks that the undertaking should be able to recognise, manage and report on, EIOPA considers that this template should be maintained as it is.
123. Considering that this template is non-core, a threshold should be kept continuing to ensure a proportional approach but no additional simplifications were agreed.

EIOPA proposes the following (in S.07.01):

- Keep the template
- Keep the reporting threshold at 5%

### S.08.01 - Open derivatives

#### Background

124. Template S.08.01 is a core template, both quarterly and annually, and contains already a set of reporting items on derivatives open at the end of the reporting period which form a valuable input for the risk assessment performed by supervisory authorities.
125. This template contains an item-by-item list of derivatives held directly by the undertaking. It includes all derivatives contracts that existed during the reporting period and were not closed prior to the reporting reference date.
126. Financial markets are continuously changing, as well as the political, economic and social environment. Under this moving framework, there is a need to continuously improve the supervision of insurance undertakings, fostering policyholder protection and financial stability.
127. Main comments from stakeholders addressed the duplication with EMIR and the burden of reporting the template, with a suggestion to have more aggregated reporting.
128. In Solvency II, reporting requirements such as (S.08.01 – open derivatives / S.08.02 – derivatives transactions) are in fact sometimes identified as a duplication of EMIR obligations. However, some important differences/issues need to be highlighted:
- EMIR is in force only since 2014 and therefore, for example, it is not possible to assess contracts in place before that date (those which are long term, like

- for example Interest Rate Swaps are generally quite relevant), and consequently compute the derivative positions at the end of the period;
- EMIR is a transaction by transaction data and the computation of the derivative positions at the end of the period for each undertaking could be complex.
129. Nevertheless, the collection of information from EMIR database could be useful as a complementary source, for example in investigating problematic issues on an ad-hoc basis, or to assess the flow of risk in the contract, in those cases in which insurers trade with a counterparty, need to centrally clear and therefore need to go via a prime broker which is a clearing member.
130. To properly assess if the EMIR data could be used to replace the derivatives reporting EIOPA will engage with ESMA to establish access to the EMIR database and share relevant data and analysis with NSAs. Currently, not all NCAs have access to the EMIR database.
131. According to article 81 (3) of the Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories both EIOPA (paragraph c)) and NCA (paragraph o)) shall have available from the trade repository the necessary information to enable them to fulfil their respective responsibilities and mandates. EIOPA currently receives some information directly from the trade repositories but not all the information. Legally it seems that the EMIR database may be made available to both EIOPA and NCAs and EIOPA will engage with ESMA to assess the possibilities from an operational perspective. When EIOPA gains experience with the use of EMIR database and assess if the difficulties identified above can be overcome or not the need for template S.08.01 may be re-assessed.

#### Options considered

132. EIOPA considered the following options:

- 1) Keep template as in current ITS
- 2) Simplify the template

133. The following amendments were considered under the option to simplify the template:

- Eliminate information (items) which has been found of reduced usefulness;
- Clarify reporting instructions;
- Introduce new requirements such as: mandatory LEI, mandatory ISIN (i.e. derivative id code)

134. In addition, as part of the overall proportionality approach, the threshold adequacy was assessed, however EIOPA considers this template is a core template, and as such should not be subject to materiality thresholds.

135. Experience from the past reporting history has thought supervisors some lessons as well, leading to the identification of some possible refinements in the derivatives reporting.

136. Additional reporting requirements/issues found and clarifications:

- In the derivatives template S.08.01 the following fields are often missing or not applicable and may be dropped:
  - o Duration (C0230)
  - o Maximum loss under unwinding event (C0190):
  - o Number of contracts (C0170)
  - o Contract size (C0180)

Main reason for not considering this option: EIOPA considers that this is a data quality issue. These items are needed for supervisory purposes and the quality of reporting issue should be addressed

- Remove reporting of ratings as it generates excessive costs.  
Main reason for not considering this option: Undertakings should use already external ratings to fulfil the Prudent Person Principle. Also the information regarding the external rating and nominated ECAI may be limited (not reported) through a decision of the national supervisory authority in the cases where the insurance and reinsurance undertakings have in place outsourcing arrangements in the area of investments that lead to this specific information not being available directly to the undertaking
- Consider the possibility to bridge the information collected in S.08.01 with the data in EMIR database (e.g. introduce requirements to describe the flow of risk in the contract in cases in which insurers trade with a counterparty, need to centrally clear and therefore need to go via a prime broker which is a clearing member) – see above;
- Potentially redundant data requirements on S.08.01 (open derivatives) that contain information already included in EMIR reporting obligations to trade repositories (Commission delegated Regulation (EU) 2017/104) – see above;
- Introduce a transaction identifier to be able to link the template with the EMIR database. In future consideration should be give regarding the Unique Product Identifier.
- Template could be replaced by a highly aggregated table on derivative holdings (e.g. breakdown by derivative type) reporting totals.  
Main reason for not considering these options: EIOPA considers that only if it would be possible to get the relevant information from EMIR, it could be considered appropriate to reduce the Solvency II derivative QRTs.

137. This template is considered as core so no proportionality threshold was considered. However it should be noted that the template may be exempted quarterly for some undertakings according to article 35 of the Solvency II Directive.

## EIOPA proposal

138. Simplify the template in the following way by removing, clarify and replace specific items:

- Delete items: "delta", "premium paid", "premium received";
- In order to obtain more information about the instruments underlying swaps, and about currency derivatives it is proposed to replace items: "Swap\_delivered\_Cur" and "Swap\_received\_Cur" by the new items "Swap delivered" e "Swap received" (in order to capture all swaps and to be able to know what is exactly being swapped);
- Add the new item "Currency of price" to identify the currency of the price of the derivative, i.e., the currency of the amount exchanged against the notional amount of the derivative
- Require that the item "Counterparty code" is also reported for derivatives cleared through a central counterparty
- Require that items "Counterparty code" and "Counterparty Group code" are always reported, even when a LEI code isn't available, reporting a code attributed by the undertaking
- Clarify that item "Notional amount of the derivative" shall be reported in the original currency, as settled in Q&A 957

139. Introduce a transaction identifier to be able to link the template with the EMIR database. In future consideration should be give regarding the Unique Product Identifier.

140. The concrete preliminary proposals are included in Annex VI - S.08.01\_revised and Annex VII – Instructions\_S.08.01\_revised).

### EIOPA proposes the following (in S.08.01):

- Simplify the template in the following way by removing, clarifying and replacing specific items:
  - o Delete items: "delta", "premium paid", "premium received";
  - o Replace items: "Swap\_delivered\_Cur" and "Swap\_received\_Cur" by the new items "Swap delivered" and "Swap received";
  - o Add the new item "Currency of price";
  - o Require that the item "Counterparty code" is also reported for derivatives cleared through a central counterparty;
  - o Require that items "Counterparty code" and "Counterparty Group code" are always reported, even when a LEI code isn't available, reporting a code attributed by the undertaking;
  - o Clarify that item "Notional amount of the derivative" shall be reported in the original currency;
- Add the item "unique transaction identifier" to make connection of EMIR and Solvency II data possible.

## S.08.02 - Derivatives transaction

### Background

141. Template S.08.02 is a non-core template requesting an item-by-item list of closed derivatives held directly by the undertaking. Closed derivatives are the ones that were open at some point of the reference period but were closed before the end of the reporting period.

### Options considered

142. EIOPA considered the following options:
- 1) Keep template as in current ITS
  - 2) Delete the template

### EIOPA proposal

143. The aim of this template is to allow the supervisor to spot anomalous trading activity targeting a “make-up” of the risk profile of an insurer only at reporting dates. The existence, per se, of this template might reduce insurers’ incentives for this behaviour.
144. However, the reporting of this template is an additional burden to the already very detailed S.08.01. Therefore, template S.08.02 could be eliminated from reporting. When supervisors have reasons to believe that the derivatives reported at the end of each period does not reflect the derivatives strategy of the undertaking or the derivatives activity over the reporting period other supervisor actions need to be taken.
145. In order to be able to have a complete overview of anomalous trading behaviour on derivatives, the supervisor could make use of the EMIR database (in the future) or require additional information on an ad-hoc basis.

EIOPA proposes to delete template S.08.02.

## S.09.01 - Income/gains and losses in the period

### Background

146. Template S.09.01 is a core template and collects information on gains/income and losses by asset category. It is not the intention to create a P&L but to receive, by asset category, relevant information on the capacity of undertakings to earn yields as are implicitly required in the valuation of technical provisions.
147. During the call for input the stakeholders commented that these templates and put forward the following concerns:
- Query why this template is needed as it relates to accounting data. Furthermore, next to the financial statements, this information can also be assessed in section A of the RSR. It is a burdensome template to produce and the added value for the supervisors and other stakeholders is limited;
  - Solvency II is based on an economic perspective and does not have a “profit or loss account”, the impact on the Basic Own Funds is relevant.

## Options considered

148. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience

## EIOPA proposal

149. The view of supervisors regarding this template are in fact contradictory to the perception of stakeholders. This is a regularly used template and provides valuable information. Some gaps, such as the information on yields the undertakings are able to earn – current and forward looking, were even identified.
150. It is acknowledge that some similar information can be found in the financial statements but the regular reporting of financial statements in European harmonised templates is not part of Solvency II. Therefore it is important that core information needed for the Supervisory Review Process is requested in the Solvency II package.
151. As said this template provides useful information on the capacity of undertakings to earn yields as are implicitly required in the valuation of technical provisions. In particular, this links to the question as to whether the volatility adjustment (VA) can be earned which is currently investigated by EIOPA.
152. One amendment that could be considered is the change towards a cash-flows basis. However, considering the undertakings have already implemented the processes for the reporting of the template as well as technical views that this change would not be adequate it is proposed not to change it.
153. Regarding the proportionality principle EIOPA believes that being a core template no risk-based threshold should be considered.

EIOPA proposes no changes to template S.09.01.

## S.10.01 - Securities lending and repos

### Background

154. The securities lending and repos template is a non-core template. This template contains an item-by-item list of securities lending transactions and repurchase agreements (buyer and seller) contracts, held directly by the undertaking.
155. A repurchase agreement (repo) is defined as the sale of securities together with an agreement for the seller to buy back the securities at a later date. Securities lending is defined as the lending of securities by one party to another, which requires that the borrower provides the lender with collateral.
156. The template has a materiality threshold and must be reported annually if the value of the underlying securities on and off balance sheet involved in lending

or repurchase agreements, with maturity date falling after the reporting reference date represent more than 5% of the total investments.

157. All contracts that are on the balance sheet or off balance sheet shall be reported. The information shall include all contracts in the reporting period regardless of whether they were open or closed at the reporting date.

#### Options considered

158. EIOPA considered the following options:

- 1) Keep template as in current ITS
- 2) Reduce the threshold
- 3) Remove the threshold
- 4) Delete the template

159. On the option to reduce the threshold, it was proposed to reduce it to 0.5%. It is argued that the 5% threshold of total investments is too high, as very few undertakings are engaged in sufficient levels of this activity to meet the threshold (particularly for unit-linked providers, where shareholder investments are a small proportion of overall investments). This could mean trends in repo activity could be overlooked.

160. On the option to remove the threshold, it was proposed to delete the materiality thresholds to allow an overall market view. This is not only relevant for the NCA but also for EIOPA. It should be our aim to receive complete information. Any reporting thresholds lead to an increase in uncertainty and to an incomplete picture of the market.

161. On the option to delete the template, it was argued that this template contains redundant data requirements on securities lending as this is also reported in the context of EU COM Securities Financing Transactions Regulation (SFTR), issued in January 2016. The regulation requires firms to report their SFTs to a trade repository registered by ESMA.

#### EIOPA proposal

162. Considering that securities lending and repos operations can imply important risks that the undertaking should be able to recognise, manage and report on, EIOPA considers that this template should be maintained.
163. Considering that this template is non-core, the present threshold should be kept continuing to ensure a proportional approach.

#### EIOPA proposes the following (in S.10.01):

- Keep the template
- Keep the reporting threshold at 5%

### S.11.01 - Assets held as collateral

#### Background

164. The assets held as collateral template is a non-core template. This template contains an item-by-item list of off-balance sheet assets held as collateral for covering balance sheet assets held directly by the undertaking. It consists of

detailed information from the perspective of the assets held as collateral and not from the perspective of the collateral arrangement.

#### Options considered

165. EIOPA considered the following options:

- 1) Keep template as in current ITS
- 2) Improve the template with relevant information
- 3) Delete the template

166. On the option to delete the template, it was argued that:

- This template contains redundant data requirements on assets held as collateral, as this is also reported in the context of EU COM Securities Financing Transactions Regulation (SFTR), issued in January 2016. The regulation requires firms to report their SFTs to a trade repository registered by ESMA;
- This template provides very limited additional insights, as the information is available in the external auditor's report in an in-depth way;
- The template is very granular and it is not unclear whether the reporting burden is commensurate to the supervisory benefit.

#### EIOPA proposal

167. Considering that the information being presently required on assets held as collateral is valuable for supervisory purposes, allowing assessing the quality of the assets held to cover balance sheet positions, and that this is something that the undertaking should be able to recognise, manage and report on, EIOPA considers that this template should be maintained.

168. Considering that this template is non-core, a threshold should be introduced to ensure a proportional approach. EIOPA proposes that this template is only reported annually when the ratio of the value of assets held as collateral to total balance sheet exceeds 5%.

EIOPA proposes the following (in S.11.01):

- Keep the template
- Introduce a threshold of 5%

### S.12.01 - Life and Health SLT Technical Provisions

#### Background

169. Template S.12.01 is a core template, both quarterly and annually, and collects information on Life and Health SLT Technical Provisions. This template has a simplified version for the quarterly reporting and a more detailed version for the annual reporting.

170. During the call for input the stakeholders commented that these templates and put forward the following concern: 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).

171. From NCAs perspective it is identified as a valuable template where changes could be considered:

- The TVOG (Time Value of Options and Guarantees), which is the difference in the BE between the deterministic valuation and the stochastic valuation (when performed). It would provide a clear understanding of how the volatility on the returns of the assets would affect the value of the undertaking as well as of the actual absorbing capacity of FDB;
- The usability of this template could be enhanced through the addition of a number of totals or through including directly relevant information so this does not need to be extracted from elsewhere. These includes:
  - o Total TMTP - this is not directly available and extra data needs to be extracted when a total in the form would be helpful. Add an additional row as sum of R0110, R0120, R0130.
  - o Total Life and Health - Total not directly available in S.12 whereas S.05 has total. Add an additional column as sum of C0150 and C0210.
  - o C0030, C0060, C0160 subdivisions not useful as some guarantees are not insightful such as availability of a surrender value on unit-linked. Remove options and guarantees split and rely on C0030, C0060, C0160.
- Transitionals information quarterly is not relevant for the supervision.

#### Options considered

172. EIOPA considered the following options:

- 1) Keep template as in current ITS, for both quarterly and annually
- 2) Improve the annual template but keep the quarterly template
- 3) Simplify the quarterly template but keep the annual templates

173. This template is considered as core so no proportionality threshold was considered. However it should be noted that the template may be exempted quarterly for some undertakings according to article 35 of the Solvency II Directive.

#### EIOPA proposal

174. EIOPA considered that it is important not to change the templates unless a strong case is presented to do it. In this sense it believes that the improvements identified should not be included at this stage while simplifications could be introduced in the quarterly template by deleting the information on the transitional information on the quarterly template.

EIOPA proposes to simplify the quarterly template S.12.01 by deleting the information on the transitional information.

## S.12.02 - Life and Health SLT Technical Provisions - by country

### Background

175. Template S.12.02 collects information on Life and Health SLT Technical Provisions by country. Information on cross-border business is crucial and EIOPA is proposing a revision on the way it is collected. The new proposal (see new S.04 templates) should replace all templates with information by country including this one.

### Options considered

176. EIOPA considered the following options:

- 1) Keep template as in current ITS
- 2) Delete this template and replace it by a general cross-border template

### EIOPA proposal

EIOPA proposes to replace template S.12.02 by a general cross-border template. See proposal under S.04 template.

## S.13.01 - Projection of future gross cash flows

### Background

177. Template S.13.01 is non-core template and includes information on the life business best estimate, specifically, the cash-flow projections gross of reinsurance and undiscounted.

178. The template is regularly used by supervisors to perform analysis on the best estimate amounts, to assess the average maturity of liabilities or perform liquidity or duration gap analysis.

### Options considered

179. Two options have been considered:

- 1) No change
- 2) Improve the template considering experience

180. In addition, as part of the overall proportionality approach, the scope of the template was discussed including the introduction of risk-based thresholds.

### EIOPA proposal

181. As referred the template is widely used, when using the template some challenges have been identified:

- How cash-flows related to Unit linked business and short term contract boundaries business should be reported;
- The item "Total recoverable from reinsurance (after the adjustment)" is reported only for total LoBs, the information in this template is used by LoBs so this item should be reported as well by LoB.
- The item use of data would benefit from splitting "future benefits" within "future guaranteed benefits" and "future discretionary benefits". This information would be useful to evaluate the calculation of LAC TP and the

impact of lapses and experience shows that the information is available within undertakings systems;

- Number of years could be extended until 50 years on a yearly basis plus two additional buckets of 10 years, from 50 to 60 and from 60 to 70 and finally a category for 71+;
- Commissions could be reported in a different column.
- It was also identified by supervisors gaps in the information regarding:
- Assumptions used in best estimate calculation (including the changes in assumptions year by year);
- Costs with claims by nature (e.g.: maturity, redemption, mortality);
- Specific template which is dedicated to the assessment of the interest rate risk for Life Insurance companies - BE (Statement of rate guarantees, Durations of assets and liabilities, Cash flow projections).

182. Regarding proportionality the template already includes one limitation to the scope: "In case the undertaking uses simplifications for the calculation of technical provisions, for which an estimate of the expected future cash-flows arising from the contracts are not calculated, the information shall be reported only in those cases where more than 10% of total technical provisions have a settlement period longer than 24 months."

183. EIOPA believe that this limitation of scope could be extended to all undertakings using simplifications for the calculation of technical provisions, for which an estimate of the expected future cash-flows arising from the contracts are not calculated.

EIOPA proposes to (in S.13.01):

- To ask the value of the "Total recoverable from reinsurance (after the adjustment)" by LoB;
- To split the "future benefits" within "future guaranteed benefits" and "future discretionary benefits"
- To increase the scope of undertakings exempted from this template by exempting all undertakings using simplifications for the calculation of technical provisions, for which an estimate of the expected future cash-flows arising from the contracts are not calculated.

## S.14.01 - Life obligations analysis

### Background

184. Template S.14.01. is an annually core template for life insurance undertakings and intends to serve supervisory information needs on the characteristics of products with life insurance obligations. The template includes four tables, three of which are reported on the level of products and another table that is to be reported on the level of homogeneous risk groups (HRG). Whereas the level of HRG is undertaking specific, NSAs have room to require – for their national market - a level of granularity for the reporting on product level to ensure comparability across undertakings.

185. Another aspect that goes along with that setting is the combination of information across the four tables included in S.14.01. This was observed being burdensome as the level of products and HRG cannot always be easily and directly linked.
186. Apart from the level of granularity of the reporting in that template, supervisory experience has also identified room for improvement on the existing template to enhance insights into the products on the market. The Supervisory Review Process is also evolving taking advantage of new technologies available. The use of innovative technology by NCAs to support supervision helps NCAs to be more efficient and proactive monitoring the risks undertakings face or may face. New applications could represent an important step in more advanced data analytics and ultimately increased policyholder protection. The use of these technologies (SupTech), similarly to when they are used by undertakings (Insurtech, including RegTech) require good quality data at an adequate granular level.
187. In the following section, EIOPA sets out its proposal of how the template could be improved to increase its benefit and fulfil different supervisory needs.
188. During the call for input the stakeholders commented that this template would require some amendments; some information requested is not consistent with the nature of the template. For example, they query why the number of contracts is needed.

#### Options considered

189. The following options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience
- 3) Keep the granularity of the template (three tables by product, one by homogenous risk groups)
- 4) Streamline the granularity of the template by asking all templates by
  - a. Products
  - b. Product categories

190. Improvements addressed two main areas:

- Content of the template (see below);
- Level of granularity, i.e. Product or HRG
  - o One option is to request all information by product (alternatively by product category): This entails some difficulties as the BE is calculated at the level of HRG, therefore the information on best estimate and potentially capital at risk may not be available at product level;
  - o Other option is to keep current approach as the information at HRG is needed for supervision.

191. EIOPA would prefer the approach only by product (alternatively by product category) even acknowledging that approximations would be needed to fill in

the information regarding best estimate and potentially capital at risk. This would, however, reduce the complexity of the reporting with two different levels of granularity and the link between products and HRG. EIOPA would welcome stakeholders views on this two options considered regarding the level of granularity.

### EIOPA proposal

192. This template is extensively used by supervisors and the level of granularity of the template is seen as adequate to the proper analysis of information and development of analysis tools. EIOPA believes that the information at granular level in both the assets and liabilities side is crucial for supervision. As such, NCAs had some suggestions to improve the use of the template:

- Request the number of insured in addition to number of contracts. This would improve usability e.g. for consumer protection purposes. Current reporting does not capture group contracts and there is also a need for more instructions on how to fill the template for UL (inconsistent reporting at the moment);
- Guaranteed rates do not match with the best estimate, as best estimate is based on SII valuation. To use guaranteed rates the information on the related "technical reserves" is needed;
- Homogenous risk groups is not usable as no description/categorisation. Granularity is in practice very different between undertakings;
- Country information needs to be a drop-down list, not free text;
- Add "Line of Business" information in S.14.01.01.03 to better assign the HRGs (homogenous risk group) to the concrete LoB;
- Change the instructions of S.14.01 C0210.
- Clarify how values in % with 2 decimal places should be reported. We got entries from 1,2%, 0,012, 0.012, 12 to even text forms;
- Add information about Commissions, surrenders and information by channels of distribution;
- Add information on exit conditions and tax penalties to better understand the exposition to lapse rates;
- Not only interest rate guarantees should be required but also implicit interest rate guarantees should be reported;
- Add a column to ask when the product includes InsurTech element (to be further define – e.g. life contract with access to apps;
- Add a column in the table "Information on Homogeneous risk groups" with the type of risk to which HGR are exposed – could be a closed list with multiple choice:
  1. Mortality risk
  2. Longevity risk
  3. Disability-morbidity
  4. Expense risk
  5. Revision risk
  6. Lapse risk

- Add 2 flags to the table "Characteristics of product", one to identify the models used (multiple choice, e.g. AI, Big Data, ...) and another to inform if the product is covering any type of cyber risk;
- Proposal to adopt the rules for identifying products, by providing a matrix of characteristics to include in the initial part of the "Product ID code". This could be country specific or applicable in all jurisdictions.

193. Once further clarification is available on the ESA's Review final text and role of EIOPA regarding sustainable finance and ESG factors EIOPA may need to add additional info both from investment perspective as well from liabilities (for the liabilities side this product-by-product template is the best solution for that).

EIOPA proposes to amend S.14.01

Fostering granularity of the template in the following way by removing, clarifying and replacing specific items:

#### In Portfolio of Products S.14.01.01.01

- Division of S.14.01.01.01
  - o S.14.01.01.01 Portfolio of Products (methodology unchanged to the current design of the template)
  - o S.14.01.01.0X Portfolio of Products, if there are several funds existing per one single product to avoid duplication of the numbers of contracts, persons insured, etc [if applicable at national level].
- Specify the information of "number of contracts at the end of the year" by adding information "number of contracts at the end of the year, of which have a surrender option"
- Adding information on "number of contract surrendered during the year"
- Adding information on "number of insured at the end of the year", by adding "number of insured at the end of the year" and "number of insured at the end of the year of which related to new contracts during the year"
- Adding information on the "fiscal treatment" on the products
- Adding information on the "total amount of written premiums - single premiums -total", divided by:
  - o Total amount of Written premiums - single premiums direct business
  - o Total amount of Written premiums - single premiums written via credit institutions
  - o Total amount of Written premiums - single premiums written via other insurance distributors
- Adding information on the "total amount of written premiums - single premiums - new contract", divided by:
  - o Total amount of Written premiums - single premiums direct business
  - o Total amount of Written premiums - single premiums written via credit institutions
  - o Total amount of Written premiums - single premiums written via other insurance distributors
- Adding information on the "total amount of Written premiums - regular premiums - total", divided by:
  - o Total amount of Written premiums - regular premiums direct business

- Total amount of Written premiums - regular premiums written via credit institutions
- Total amount of Written premiums - regular premiums written via other insurance distributors
- Adding information on the "total amount of Written premiums - regular premiums – new contract", divided by:
  - Total amount of Written premiums - regular premiums direct business
  - Total amount of Written premiums - regular premiums written via credit institutions
  - Total amount of Written premiums - regular premiums written via other insurance distributors
- Adding information on "Commission paid, divided by
  - Total amount of commissions paid during year
  - Total amount of commissions paid during year – new contracts during year
  - Administrative expenses
- Adding information on "expected future premiums"
- Adding information on "expected future premiums – new contracts"

#### In Characteristics of Products S.14.01.01.02

- Adding information on "Pensions entitlements"
- Adding information on "Profit Sharing"
- Adding information of "Remaining contractual maturity"
- Deletion of information on "Type of Premium"
- Deletion of information on "use of financial instrument replication"

#### Information on Homogenous Risk groups S.14.01.01.03

- Adding information on the exit conditions

### **Questions to Stakeholders:**

Do you support the overall aim to streamline the different granularities of reporting within the templates in S.14.? (explanation: in its current version the first three templates are to be reported by product and the forth one by HRG, the question intends to reflect the preference for aligning the granularity across these templates, but acknowledging the challenges – see also above)

Both proposals can be found in the Annex VIII (templates) and Annex IX (Instructions).

QRT S.14.01.01 intends to serve supervisory information needs on the characteristics of products with life insurance obligations. The template includes four tables, three of which are reported on the level of products and another table that is to be reported on the level of homogeneous risk groups (HRG). Whereas the level of HRG is undertaking specific, NSAs have room to require – for their national market - a level of granularity for the reporting on product level to ensure comparability across undertakings.<sup>4</sup>

<sup>4</sup> Currently NL and UK have national guidance on how to categorize the products

## S.15.01. - Description of the guarantees of variable annuities EIOPA

### Background

194. During the analysis performed by EIOPA it was acknowledged that this template is not frequently regularly used. In addition no comments have been provided from stakeholders on this template.

### Options considered

195. Following options have been considered:

- 1) Keep template as in current ITS
- 2) Deletion of the template from the reporting package

### EIOPA proposal

EIOPA proposes to delete S.15.01 from the reporting package.

## S.15.02 - Hedging of guarantees of variable annuities

196. During the analysis performed by EIOPA it was acknowledged that this template is not frequently regularly used. In addition no comments have been provided from stakeholders on this template.

### Options considered

197. Following options have been considered:

- 1) Keep template as in current ITS
- 2) Deletion of the template from the reporting package

### EIOPA proposal

EIOPA proposes to delete S.15.02 from the reporting package.

## S.16.01 - Information on annuities stemming from Non-Life Insurance obligations

### Background

198. Template S.16.01 is a non-core template and requires information to be reported on annuities formally settled stemming from non-life contracts and relating to health insurance obligations and relating to insurance obligations other than health insurance obligations.

199. The information reported in this template is interlinked with the non-Life template S.19.01.

200. During the call for input the stakeholders commented that these templates and put forward the following concerns:

- This template requires individual claim information, which is usually not available in the case of proportional reinsurance treaties. Suggest removing this template for reinsurance business;

- The information is costly to produce;
- Templates which use more than two Z-Axis are always labour intensive (S.16 or S.19) as they cannot be efficiently entered with automatic data import. However, since almost every undertaking uses different source systems under various methodologies it has always to be a major implementation effort.

#### Options considered

201. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience

202. In addition, as part of the overall proportionality approach, the risk-based threshold was re-assessed.

#### EIOPA proposal

203. This template is used by supervisors for specific analysis of annuities. However the following issues have been reported:

- The existence of a risk-based threshold does not allow for a full view of annuities in the insurance market;
- The template lacks information on number of annuity obligations reported in column C0060 that relate to non-life annuity obligations accepted on a co-insurance basis. With this information supervisory authorities will be aware of the extent to which the average size of annuity obligations can be ascertained from the information reported on the template. In case of co-insurance the supervisor would know when further would be needed to fully use the information of the template;
- The link to the template S.19.01 could be further clarified. The following drafting proposals were discussed:

Replace the second paragraph of general instructions of template S.16.01 by "This template shall be reported ~~only~~ for annuities ~~formally settled~~ stemming from non-life contracts and relating to health insurance obligations and relating to insurance obligations other than health insurance obligations".

- Replace the Penultimate and last paragraph of general instructions of template S.16.01 by: "~~This template is interlinked with the non-Life template S.19.01. The sum of technical provisions in templates S.16.01 and S.19.01 for one non-life line of business, as defined in Annex I to Delegated Regulation (EU) 2015/35, represents the total claims best estimate originating from this line of business (also refer log to template S.19.01).~~

All or part of an obligation moves from S.19.01 into S.16.01, when one both of the conditions below are met:

- i. All or part of the obligation has been formally settled as an annuity and its best estimate has been established using life technics; and
- ii. a best estimate of an obligation ~~formally settled~~ as an annuity can will be established using life techniques.

Formally settled as an annuity typically means that a legal process has ordered that the beneficiary is to receive payments as an annuity.

In the event that after an obligation has been ~~formally~~ settled as an annuity some of that obligation subsequently ends up being settled via a lump sum payment that was not in the original annuity payment order, that lump sum would be recorded as a payment in template S.16.01; i.e. there is no movement of claims data out of template S.16.01 and into S.19.01"

- The reporting of both Lines of Business and currency is crucial for the analysis of technical provisions in general and annuities specifically. EIOPA will further investigate if a better technical solution is possible.

204. On the application to the reinsurance business please see as well General issues on reporting, section 1.5.5.

205. EIOPA believes that any improvement of the Instructions which clarified the reporting requirements are welcomed and would ask stakeholders if the proposed amendments clarify.

206. Regarding proportionality the template already includes a risk-based threshold defined as follows. This template shall be reported by non-life line of business, as defined in Annex I to Delegated Regulation (EU) 2015/35, originating the annuity and by currency, considering the following specifications:

- i. If the best estimate for the annuity claims provisions on a discounted basis from one non-life line of business represents more than 3% of the total best estimate for all annuity claims provisions the information shall be reported with the following split by currencies in addition to the total for the line of business:
  - a) Amounts for the reporting currency;
  - b) Amounts for any currency that represents more than 25% of the best estimate for the annuity claims provisions on a discounted basis from that non-life line of business; or
  - c) Amounts for any currency that represents less than 25% of the best estimate for the annuity claims provisions (discounted basis) from that non-life line of business but more than 5% of total best estimate for all annuity claims provisions.
- ii. If the best estimate for the annuity claims provisions on a discounted basis from one non-life line of business represents less than 3% of the total best estimate for all annuity claims provisions no currency split is required, only the total for the line of business shall be reported;
- iii. The information shall be reported in the original currency of the contracts unless otherwise specified.

207. EIOPA understands the drawbacks of having risk-based thresholds for the analysis of the market as a whole but believes that non-core templates should keep the risk-based approach.
208. It is acknowledge that the existent threshold requires the reporting of very detailed information on currencies, in particular when the LoB represents close to 3% of the BE. EIOPA could consider different approaches to the threshold such for example put the focus on the materiality of the currency and request information by currency only if material regarding the total BE for all annuity claims provisions, for example, when a single currency represents more than 10% of the BE then that currency should be reported for all LoB where there is business for that currency. An alternative would be to simply increase the 3% to 5%-10%. EIOPA believes that the new approaches would definitely make the information reported more proportionate but has doubts if it would not create additional problems to the industry to change the approach now.

EIOPA proposes to (in S.16.01):

- Clarify the general Instructions;
- Exempt the template for reinsurance business (still required for the direct business performed by reinsurance undertakings);
- Revise risk-based threshold.

#### **Question to stakeholders:**

Regarding the threshold concrete views from stakeholders are welcomed on how to revise it in order not to create a more complex system than the one in place today unless it really reduces the burden of reporting (see proposal above).

### **S.17.01. - Non-Life Technical Provisions - S.17.01**

#### **Background**

209. Template S.17.01 is a core template, both quarterly and annually, and collects information on Non-Life Technical Provisions. This template has a simplified version for the quarterly reporting and a more detailed version for the annual reporting.
210. During the call for input the stakeholders commented that these templates are part of the set of the costliest to report, along with investments templates.
211. From NCAs perspective it is identified as a valuable template where changes could be considered: number of policyholders/insured persons for non-life alongside renewal rates is missing.

#### **Options considered**

212. EIOPA considered the following options:

- 1) Keep template as in current ITS, for both quarterly and annually
- 2) Improve the annual template but keep the quarterly template
- 3) Simplify the quarterly template but keep the annual templates

213. This template is considered as core so no proportionality threshold was considered. However it should be noted that the template may be exempted quarterly for some undertakings according to article 35 of the Solvency II Directive.

#### EIOPA proposal

214. EIOPA considered that it is important not to change the templates unless a strong case is presented to do it. For the decision it is also relevant the new template being proposed for Non-life information by product, similar to S.14.

215. In this sense it believes that the improvements identified should not be included at this stage while simplifications could be introduced in the quarterly template by deleting the information on the transitional measures on the quarterly template.

EIOPA proposes to simplify the quarterly template S.17.01 by deleting the information on the transitional measures.

### S.17.02 – Non-Life Technical Provisions - by country

#### Background

216. Template S.17.02 collects information on Non-Life Technical Provisions by country. Information on cross-border business is crucial and EIOPA is proposing a revision on the way it is collected. The new proposal (see new S.04 templates) should replace all templates with information by country including this one.

#### Options considered

217. EIOPA considered the following options:

- 1) Keep template as in current ITS
- 2) Delete this template and replace it by a general cross-border template

#### EIOPA proposal

EIOPA proposes to replace template S.17.02 by a general cross-border template. See proposal under S.04 template.

### S.18.01 - Projection of future cash flows (Best Estimate - Non Life)

#### Background

218. Template S.18.01 is a non-core template and includes information on the non-life business best estimate, specifically, the cash-flow projections gross of reinsurance and undiscounted separately for the claims provisions and the premium provision.

219. The template is regularly used by supervisors to perform analysis on the best estimate amounts, to assess the average maturity of liabilities or perform liquidity or duration gap analysis.

220. During the call for input the stakeholders identified this template as a burdensome template.

#### Options considered

221. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience

222. In addition, as part of the overall proportionality approach, the scope of the template was discussed including the introduction of risk-based thresholds.

#### EIOPA proposal

223. As referred the template is widely used, when using the template some challenges have been identified:

- Information by Lines of Business is needed for an adequate use of the information reported. The analysis of information on technical provisions for non-life always need to have into consideration the LoB;
- If a split by LoB is considered, in line with the proposal in template S.13.01 the item "Total recoverable from reinsurance (after the adjustment)" should be reported as well by LoB.

224. Regarding proportionality the template already includes one limitation to the scope: "In case the undertaking uses simplifications for the calculation of technical provisions, for which an estimate of the expected future cash-flows arising from the contracts are not calculated, the information shall be reported only in those cases where more than 10% of total technical provisions have a settlement period longer than 24 months."

225. EIOPA believe that this limitation of scope could be extended to all undertakings using simplifications for the calculation of either the claims provisions or the premiums provisions technical provisions, for which an estimate of the expected future cash-flows arising from the contracts are not calculated.

226. The extension to Lines of Business information should be considered only for material LoB defined a percentage of the total NL TP, such as for LoB representing a coverage of 90% of the TP. Please note that the reporting of the template for the entire business would not be requested.

#### EIOPA proposed to (in S.18.01):

- Ask for LoB information for material LoB representing a coverage of 90% of the TP;
- To ask the value of the "Total recoverable from reinsurance (after the adjustment)" by material LoB;
- To increase the scope of undertakings exempted from this template by exempting all undertakings using simplifications for the calculation of technical provisions, for which an estimate of the expected future cash-flows arising from the contracts are not calculated.

## S.19.01 - Non-life insurance claims

### Background

227. Template S.19.01 is a non-core annual template aiming to collect information on claims development triangles showing the insurer's estimate of the cost of claims (claims paid and claims provisions under Solvency II valuation principle) and how this estimate develops over time. It consists of three set of triangles regarding claims paid, best estimate of claims provisions and RBNS claims.
228. During the call for input the stakeholders commented that these templates and put forward the following concerns:
- The lines of business which are less material are those which are normally not integrated in the systems and to retrieve the information requested for those non-material lines of business is very time consuming. On the S.19.01, S.20.01, S.21.01, S.21.03 templates different thresholds could be put forward, for example: submit the 2 or 3 most important lines of business only in terms of best estimate - submit the most important lines of business whose cumulative best estimate represents at least 50% (for example) of the total best estimate;
  - 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;
  - EIOPA requires insurers to present development tables in a granular manner. The need for the RBNS triangle to be disclosed separately may be questioned. Furthermore, the split into several components is burdensome;
  - QRTs which use more than two Z-Axis are always labor intensive (S.19, S.16) - these QRT can only be efficiently entered which automatic data import. However, since almost every company uses difference source systems under various methodologies it has always to be a major implementation effort;
  - For those members with general insurance business, the granularity required in these templates is excessive and not necessary for managing the business;
  - The information by currency in template S.19.01 should be suppressed as totals should be sufficient.
229. One point that was raised by stakeholders in the context of the currency used to report this template was if the reporting of the total with the reporting currency is needed, as the analysis is certainly performed by LoB and using the original currency. EIOPA agrees that this is not needed for supervisory reporting purposes but it is a requirement in the Solvency and Financial Condition Report.

### Options considered

230. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience

231. In addition, as part of the overall proportionality approach, the risk-based threshold was re-assessed.

#### EIOPA proposal

232. From NCAs perspective this is a very important template in the analysis of the best estimate. On the basis of this template tools are being developed (both at national and EIOPA level) to assess the level of adequacy of the technical provisions. EIOPA acknowledge that data quality of this templates could be improved and is analysing ways to promote that quality. Some additional information could be considered to include in the template such as:

- History of earned premium per accident year, having triangles of claims net of catastrophe claims and all information gross and net of reinsurance
- Expenses triangles;
- Should be extended such as to make number of years in line with S.18.01 which then also supports cross-validation of tabs.
- The exclusion of any expenses could be reconsidered. Non-life insurance claims triangles could include Allocated Loss Adjustment Expenses (or ALAE) and are usually used in this format within the process of assessing claims reserves. Furthermore, excluding ALAE from these triangles would also correspond to a loss of information, considering that these expenses would not be identified as such elsewhere in the official reporting;
- Missing information about development of incurred but not reported claims (IBNR) and related annuity reserves;
- The amount placed in the annuity reserve as a one-off payment at the beginning of annuity. The same applies to adjustment of annuities (because the adjustment is not considered as a life technique, therefore should be shown in S.19.);
- BE claims provisions are calculated with regard to claims settlement currencies but not contract currencies. Consequently if information by currency shall be reported in the original currency of contracts (i.e. the currency in which contracts are priced and sold), then for e.g. MTPL contracts all information should be reported in local currency without split by currencies despite the value of claims incurred abroad and valued in foreign currency is significant (met condition ii(b) or ii(c)). Therefore it should be possible to specify original currency as the currency of gross Best Estimate claims provisions valuation.
- The link to the template S.19.01 could be further clarified. The following drafting proposals were discussed:

Replace the Penultimate and last paragraph S.19.01 by: "All or part of an obligation moves from S.19.01 into S.16.01, when ~~both~~ one of the conditions below are met:

- All or part of the obligation has been formally settled as an annuity and its best estimate has been established using life technics; and

- a best estimate of an obligation ~~formally~~ settled as an annuity ~~can~~ will be established using life techniques.

Formally settled as an annuity typically means that a legal process has ordered that the beneficiary is to receive payments as an annuity.

233. EIOPA acknowledges the need for additional information but believes that the template as it stands represents already a good basis for analysis and identification of situations where more detailed analysis and information might be needed.
234. Regarding proportionality the template already includes a risk-based threshold defined as follows. This template shall be reported by non-life line of business, as defined in Annex I to Delegated Regulation (EU) 2015/35, originating the annuity and by currency, considering the following specifications:
235. This template shall be reported for each line of business, as defined in Annex I to Delegated Regulation (EU) 2015/35, and material considering the following specifications:
- i. reporting by line of business: it is required to report lines of business 1–12 (as reported in S.17.01) for both direct and accepted proportional reinsurance (to be reported together) and lines of business 25–28 for accepted non-proportional reinsurance;
  - ii. If the total gross best estimate for one non-life line of business represents more than 3% of the total gross best estimate of the claims provision the information shall be reported with the following split by currencies in addition to the total for the line of business:
    - a) Amounts in the reporting currency;
    - b) Amounts for any currency that represents more than 25% of the gross best estimate of the claims provisions from that non-life line of business; or
    - c) Amounts for any currency that represents less than 25% of the gross best estimate of the claims provisions from that non-life line of business but more than 5% of total gross best estimate of the claims provisions.
  - iii. If the total gross best estimate for one non-life line of business represents less than 3% of the total gross best estimate of the claims provision no currency split is required, only the total for the line of business shall be reported.
  - iv. The information by currency shall be reported in the original currency of the contracts unless otherwise specified.
236. EIOPA understands the drawbacks of having risk-based thresholds for the analysis of the market as a whole but believes that non-core templates should keep the risk-based approach.

237. It is acknowledge that the existent threshold requires the reporting of very detailed information on currencies, in particular when the LoB represents close to 3% of the BE. EIOPA could consider different approaches to the threshold such for example put the focus on the materiality of the currency and request information by currency only if material regarding the total BE for all claims provisions, for example, when a single currency represents more than 10% of the BE then that currency should be reported for all LoB where there is business for that currency. An alternative would be to simply increase the 3% to 5%-10%. EIOPA believes that the new approaches would definitely make the information reported more proportionate but has doubts if it would not create additional problems to the industry to change the approach now.

238. Regarding the Lines of business the reporting should be required only for material LoB representing a coverage of 90% of the TP.

EIOPA proposes to (in S.19.01):

- Clarify the general Instructions;
- Eliminate the requirement to report the total using the reporting currency;
- Revise risk-based threshold:
  - o For material LoB: LoB representing a coverage of 90% of the TP;
  - o For currencies: concrete views from stakeholders on how to do it to not create a more complex system than the one in place today unless it really reduces the burden of reporting (see proposals above).

## S.20.01 - Development of the distribution of the claims incurred

### Background

239. Template S.20.01 is a non-core template annual template providing an overview about the run-off/movement of non-life claims portfolios, in terms of both claims paid (split by different type of claims) and RBNS claims (as defined in S.19.01).

240. During the call for input the stakeholders commented that these templates and put forward the following concerns:

- The lines of business which are less material are those which are normally not integrated in the systems and to retrieve the information requested for those non-material lines of business is very time consuming. On the S.19.01, S.20.01, S.21.01, S.21.03 templates different thresholds could be put forward, for example: submit the 2 or 3 most important lines of business only in terms of best estimate - submit the most important lines of business whose cumulative best estimate represents at least 50% (for example) of the total best estimate;
- 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;
- Completing the table is extremely time-consuming and its value is questioned because several commonly used estimation techniques are based

on aggregated data on homogeneous risk groups and case by case reserving is not used. Instead, this template has to be filled by artificially allocating the claims provisions to the different columns of the table. The actual reserving processes in the undertakings cannot be used to fill this template.

#### Options considered

241. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience

242. In addition, as part of the overall proportionality approach, a risk-based threshold was considered.

#### EIOPA proposal

243. This template is used by NCAs to analyse the claims management. In fact some NCAs believe it would be better to ask % of claims re-opened, however this is information could be derived from the information already reported, while other NCAs would like to see the number of years in line with S.18.01.

244. EIOPA believe that the template as it is it is fit-for-purpose and used adequately by NCAs.

245. However from a proportionality perspective some threshold should be considered, in particular regarding the LoB to report. Regarding the Lines of business the reporting should be required only for material LoB representing a coverage of 90% of the TP.

#### EIOPA proposes to (in S.20.01):

- Introduce a risk-based threshold for material LoB: LoB representing a coverage of 90% of the TP.

## S.21.01 – Loss distribution risk profile

#### Background

246. Template S.21.01 is anon core annual template providing information on the loss distribution profile non-life shows the distribution, in (predefined) brackets, of the accumulated claims incurred at the end of the reporting year.

247. During the call for input the stakeholders commented that these templates and put forward the following concerns:

- The lines of business which are less material are those which are normally not integrated in the systems and to retrieve the information requested for those non-material lines of business is very time consuming. On the S.19.01, S.20.01, S.21.01, S.21.03 templates different thresholds could be put forward, for example: submit the 2 or 3 most important lines of business only in terms of best estimate - submit the most important lines of business whose cumulative best estimate represents at least 50% (for example) of the total best estimate;

- EIOPA is requiring information on the number of claims per granular time bucket. It is very unclear how this contributes to a better understanding of the solvency position of insurers;
- The classification of losses is made based on a too wide a spectrum. Data compilation is heavy.

#### Options considered

248. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience

249. In addition, as part of the overall proportionality approach, a risk-based threshold was considered.

#### EIOPA proposal

250. This template is used by NCAs and some would like to receive similar information for claims paid.

251. EIOPA believe that the template as it is it is fit-for-purpose and used adequately by NCAs.

252. However from a proportionality perspective some threshold should be considered, in particular regarding the LoB to report. Regarding the Lines of business the reporting should be required only for material LoB representing a coverage of 90% of the TP.

EIOPA proposes to introduce in template S.21.01 a risk-based threshold for material LoB: LoB representing a coverage of 90% of the TP should be reported.

## S.21.02 – Loss distribution risk profile

#### Background

253. Template S.21.02 is a non-core annual template requesting information on the 20 biggest single underwriting risks, based on net retention, across all lines of business, as defined in Annex I to Delegated Regulation (EU) 2015/35, shall be reported. If the 2 biggest single underwriting risks for any of the lines of business, as defined in Annex I to Delegated Regulation (EU) 2015/35 are not covered through the above methodology, then they shall be reported in addition.

254. During the call for input the stakeholders commented that these templates and put forward the following concern:

- Any template, which uses the string metric, is virtually impossible to be used for cross company analysis. Information such as "type of product" (C0110) in S.14.01, "description risk" (C0030) S.21.02, "description of subordinated liabilities" (C0270) S.23.04 etc. do not provide any benefit unless the local language is known.

#### Options considered

255. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience

256. In addition, as part of the overall proportionality approach, a risk-based threshold was considered.

#### EIOPA proposal

257. It is true that the use of string makes it difficult for undertaking comparison but the cells are still relevant for supervision.
258. EIOPA believes that the reporting of the 20 biggest single underwriting risks is already a reflection of the principle of proportionality, however consideration should still be given to the materiality of the non-life business.

|                                                |
|------------------------------------------------|
| EIOPA proposes not to change template S.21.02. |
|------------------------------------------------|

### S.21.03 – Non-life distribution of underwriting underwriting risks – by sum insured

#### Background

259. Template S.21.03 is a non core annual template providing information on the underwriting risk portfolio, i.e. on the distribution, in (predefined) brackets, of the sum insured of each and every single underwriting risk which have been accepted by the undertaking.
260. During the call for input the stakeholders commented that these templates and put forward the following concerns:
- The lines of business which are less material are those which are normally not integrated in the systems and to retrieve the information requested for those non-material lines of business is very time consuming. On the S.19.01, S.20.01, S.21.01, S.21.03 templates different thresholds could be put forward, for example: submit the 2 or 3 most important lines of business only in terms of best estimate - submit the most important lines of business whose cumulative best estimate represents at least 50% (for example) of the total best estimate.

#### Options considered

261. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience

262. In addition, as part of the overall proportionality approach, a risk-based threshold was considered.

### EIOPA proposal

263. This template is used by NCAs and some would like to receive information for annual earned instead of written business.
264. EIOPA believe that the template as it is it is fit-for-purpose and used adequately by NCAs.
265. Regarding the materiality of the LoB, in fact the template is only mandatory for the following LoB:
- Other motor insurance;
  - Marine, aviation and transport insurance;
  - Fire & other damage to property insurance;
  - Credit & Suretyship insurance.
266. Regarding the other LoB the NCAs may exempt the reporting.
267. EIOPA believes that the definition of a materiality threshold by LoB on top of the existent requirement is consistent and therefore proposes the reporting should be required for LoB identified as mandatory only if representing a coverage of 90%.

EIOPA proposes to introduce in template S.21.03 a risk-based threshold for material identified LoB: LoB representing a coverage of 90% of the TP should be reported.

### S.22.01 to S.22.06 - Long term guarantees measures and transitionals

To be consulted on second wave.

### S.23.01 - Own funds

#### Background

268. Template S.23.01 is a core template, both quarterly and annually, which provides information on own funds by nature and classified by Tiers.
269. Stakeholders have not provided any comments on this template.

#### Options considered

270. Two options have been considered:
- 1) Keep template as in current ITS
  - 2) Improve the template considering experience
271. This template is considered as core so no proportionality threshold was considered. However it should be noted that the template may be exempted quarterly for some undertakings according to article 35 of the Solvency II Directive.

### EIOPA proposal

272. Being a core template the information of the template is extensively used by NCAs. As a result the following has been identified by supervisors:

- Review the use of "Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds" and whether the rows for the Tiers should be uncrossed;
- It is unclear how to report Tier 1 instruments classified as equity for accounting purposes;
- Solvency II Directive requests in the Article 73 and 74 the separate management of life and non-life activities in case of "old" composites, i.e. the insurance activity have to be distinct from non-life insurance activity, therefore it would be suitable to have reported the own funds classification in case of composite undertakings. Suggest to amend the report S.23.01.01 with additional columns where should be specified the classification of own funds according to the tiers separately for life and separately for non-life activities;
- The instructions of the balance sheet, and any other templates showing Own Funds details, should be amended to make clear that in the case of partially written down instruments, only the remaining regulatory value should be entered on the template;
- Unclear whether the reporting of EPIFP is sufficient;
- The use of template could be reviewed to better reflect the scope of and nature of own funds items issued in Member States.

273. EIOPA believes that at this point no change should be introduced but that using the experience and Q&A outcome the Instructions could be revised and clarified.

EIOPA proposes not to change template S.23.01.

## S.23.02 - Detailed information by tiers on own funds

### Background

274. Template S.23.02 is a core template which provides detailed information by tiers on own funds and attribution to valuation differences.
275. The objective of the third table relative to attribution of valuation differences is to illustrate how own funds move forward from the financial statements to the own funds from the Solvency II balance sheet. But due to national specificities in the financial statements, the current version of the template is difficult to understand.
276. In that respect, surplus funds could be regarded as an own fund in some member states and as liabilities in some other member states.
277. In the same way, depending on the local accounting framework, subordinated liabilities could be considered as equity or liability.
278. The existence of deferred tax assets in the financial statements can also increase the complexity of the approach.

279. All these particularities make it difficult to define “retained earnings and reserves from financial statements” (as they include or not surplus fund) and influence the amount of the difference in the valuation of liabilities (as liabilities include or not surplus fund and subordinated loans and a part of deferred tax).

280. Stakeholders have not provided any comments on this template.

#### Options considered

281. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience

282. This template is considered as core so no proportionality threshold was considered.

283. The second option aims to clarify the template in order to avoid misinterpretation by adding cells related to specific own funds items from the financial statements and cells related to the valuation of specific own funds items.

#### EIOPA proposal

284. For all these reasons, keeping in mind the objective of transition from the own funds from the financial statements to the own funds from the Solvency II balance sheet, the proposal is to clarify the template.

EIOPA proposes to amend template S.23.02 adding the following cells:

- to obtain a first subtotal corresponding to “Core own funds from the financial statements”:
  - o Capital from financial statement;
  - o Reserves from financial statements excluding retained earnings, surplus fund and subordinated liabilities;
  - o Retained earnings from financial statements (excluding retained earnings from the result of the year);
  - o Result of the year (before distribution of dividends)
- to obtain a second subtotal corresponding to Own funds from the financial statements Subordinated liabilities (as valued in the financial statements):
  - o Surplus fund (as valued in the financial statements);
  - o Deferred tax assets (if accounted in the financial statements and to the value in the financial statements) ;
- to the other valuation difference in order to have the all breakdown of own funds from the financial statements adjusted for Solvency II valuation differences:
  - o Difference in the valuation of deferred tax asset;
  - o Difference in the valuation of subordinated liabilities

### S.23.03 - Annual movements on own funds

#### Background

285. Template S.23.03 is a non-core template requesting information on the annual movements on own funds.

286. Stakeholders have not provided any comments on this template.

#### Options considered

287. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience

288. In addition, as part of the overall proportionality approach, the definition of a threshold was discussed.

#### EIOPA proposal

289. The template is considered as fit-for-purpose and no changes were identified.

290. The instructions for reporting own funds tiers for S.23.03, C0290 sub-liabilities don't contain the mapping of the tier options to the closed list in the template. This mapping exists for other OF items such as sub-MMAs in C0030. A small number of undertakings are reporting the wrong tier i.e. for Tier 2 choosing option 2 in closed list which actually maps to T1 unrestricted. Clarification of the Instructions should be considered.

291. From a proportionality principle perspective the template is considered relevant only when material movements occur during the year. Therefore the template should only be due when the notional amount of any increase or decrease on own funds, i.e. the sum of amounts of the cells reflecting changes regardless of representing increases or decreases, represent more than 10% of the own funds amount at the beginning of the year.

EIOPA proposes not to change template S.23.03 and introduce a risk-based threshold:

- Template is due only when sum of notional movements is higher than 10% of the own funds amount at the beginning of the year.

## S.23.04 - List of items on own funds

#### Background

292. Template S.23.04 is a non-core template requesting a list annual of own funds items.

293. During the call for input the stakeholders commented that these templates and put forward the following concern:

- Any template, which uses the string metric, is virtually impossible to be used for cross company analysis. Information such as "type of product" (C0110) in S.14.01, "description risk" (C0030) S.21.02, "description of subordinated liabilities" (C0270) S.23.04 etc. do not provide any benefit unless the local language is known.

#### Options considered

294. Two options have been considered:

- 1) Keep template as in current ITS

## 2) Improve the template considering experience

295. In addition, as part of the overall proportionality approach, the definition of a threshold was discussed.

### EIOPA proposal

296. The template is considered as fit-for-purpose and no changes were identified, however the following has been identified:

- Reconsider the need for 'option 1 - Tier 1' in C0030, instruments are either restricted T1 or unrestricted T1.

297. It is true that the use of string makes it difficult for undertaking comparison but the cells are still relevant for supervision.

298. From a proportionality principle perspective the template is considered relevant only when material changes occurred during the year or when RFF exist. Therefore the template should only be due when material changes occur or when RFF exist. It is proposed that the submission of this template is partially linked to the submission of template S.23.03 and the same threshold is used.

EIOPA proposes not to change template S.23.04 and introduce a risk-based threshold:

- Template is due only when S.23.03 is due, or
- When RFF exist.

## S.24.01 - Participations held - S.24.01

### Background

299. Template S.24.01 is a non-core template with information on Participation held. This is a very specific template and relevant to complement the information on SCR and Own Funds.

300. No specific comments received from stakeholders.

### Options considered

301. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience

302. In addition, as part of the overall proportionality approach, a risk-based threshold was considered.

### EIOPA proposal

303. EIOPA believes the template is fit for purpose and should not be amended.

304. Regarding proportionality EIOPA believes that the nature of how participations included in the template are defined already has embedded proportionality.

EIOPA proposes no changes to template S.24.01.

## S.25.01 - Solvency Capital Requirement - for undertakings on Standard Formula

### Background

305. Template S.25.01 is a core annual template reflecting information on the Solvency Capital Requirement. It is reported by undertakings using the standard formula.
306. The template is not currently requested for undertakings using internal models, however each undertaking that applies for an internal model has to provide standard formula SCR data for comparison during the approval process. After the internal model approval there is no legal obligation to report its solvency position using standard formula unless special circumstances exist and the NCA requests it (under article 112 (7) of the Solvency II Directive). In practice, many NCAs, as part of their regular reporting, request standard formula figures for comparison purposes and to monitor the differences to the internal model data.
307. EIOPA has included one question on the Call for Input regarding the reporting of this template by internal model users with the amounts relating to the standard formula calculation and the input received was as follows:
- Undertakings that use an internal model need to be able to produce estimates for standard formula figures, including the detailed information on S.26s and S.27. This is evident from the fact that the corresponding numbers have to be calculated as part of the documentation of the application to use an internal model. At the same time, the very reason to use an internal model is based on the assessment that the standard formula does not reflect the risk profile of the undertaking well enough. This especially applies to undertakings that provide special services like reinsurers, who might mainly assume peak risks. Thus we see very limited use of standard formula figures as part of the regular supervisory reporting; at the same time we consider these figures to be misleading in public disclosures. In addition, a public disclosure of standard formula figures could potentially jeopardize the level playing field with (equivalent) non-EEA countries and could shift the corresponding business outside the EEA. One prominent example here is cat business (direct or reinsurance) covering EEA, and especially non-EEA exposures, where the standard formula figures are not risk-sensitive to the actual exposure;
  - Users of internal models should be forced to publish figures calculated with the Standard model as well, otherwise the results are not comparable, since internal models differ a lot from the Standard model in the Areas of stochastic Simulation, interest rate models, coverage of spread risk, government bonds or dynamic Volatility Adjustment.
  - Internal models are aligned to the specific risk profile of an undertaking. In consequence, we recommend defining a common disclosure structure only on a (very) high level and even then, meaningful comparisons need to be

handled with care, as differences in methodology and company specific interpretations apply.

- Due to differences in national reporting templates for internal models, no comparability is in place. We suggest the definition of consistent and harmonized reporting templates for internal models. Since there are substantial differences between the internal models implemented in the undertakings, we would suggest further that the requested information is minimised to data, which is well comparable;
- A standardised template is not a substitute for an in-depth understanding of a company's portfolio and risk profile. If these insurers are obliged to additionally complete standard formula figures, this will not reflect their actual Solvency position, it would not lead to a meaningful comparison between undertakings, and it would increase the reporting burden on internal model undertakings for limited practical benefit;
- The reporting of standard formula figures additionally to the PIM figures is not considered problematic;
- Internal models have contributed to making capital assessments for (re)insurers more risk sensitive and reliable. Internal models address limitations that exist in standard approaches, such as an inadequate recognition of diversification, missing risk factors and deviations from market-standard characteristics. In this way, internal models increase the comparability of capital levels between (re)insurers and help to improve transparency in the insurance sector. In contrast, standardised approaches hinder comparability, as they typically cannot capture differences in business profiles. Attempts at further harmonisation would likely lead to more administrative burdens and less meaningful information;
- To address the comparability issue, as a first step, a common aggregation level at which the comparison should be carried out (e.g. module level: Non-Life, Market, Life, Credit, Operational, rather than sub-module or sub-sub module level), taking into account the increasing complexity that would be faced when moving towards more granular levels, should be set out. At the same time, the choice of a common aggregation level should not hamper the undertaking's capability to freely choose the most appropriate risk taxonomy in order to model its own risk profile;
- Internal model users would normally optimise their solvency position based on their internal model which should reflect the entity's risk profile. If internal model players were going to populate the standard formula QRTs, this would not reflect their actual solvency position and it would distort any comparison among different insurers in the market;
- As the standard formula is to be reported to supervisors, the completion of these templates should be feasible. However, completing these templates are not normally embedded in the IT systems and other processes. Furthermore, the XBRL solution will in most cases not support this as these are not embedded in the current IT systems. This would require additional programming and additional interfaces;
- Reporting SF figures is likely to require additional IT build and changes to models/systems. Standard formula information is provided in the SF.01

national-specific template to the PRA, though this perhaps not as granular as the S.26, s.27 QRTs. Standard formula information is however scheduled to be submitted six weeks after the main QRT submission, so any acceleration would need to be consulted on. This adds increased workload for internal model undertakings to report standard formula results in the same timescales as internal model. This is not really feasible due to the amount of work required to report standard formula (complete rerun of models, totally separate process). Current process of reporting standard formula as a separate exercise in SF01 is much more preferable.

- An internal model aims at capturing the distinct risk profile of an insurer and the modelling, inputs and outputs would reflect this objective. We wonder whether harmonization is really possible at a more granular level. In our opinion it will not be possible and will lead to a more administrative burden and less meaningful information. Comparing internal model with standard formula results has proven to be very difficult and demanding given the differences in the internal model design, model specificities and the aggregation and correlation matrices used;
- Users of internal models should be forced to publish figures calculated with the Standard model as well, otherwise the results are not comparable, since internal models differ a lot from the Standard model in the Areas of stochastic Simulation, interest rate models, coverage of spread risk, government bonds or dynamic Volatility Adjustment;
- Internal models are aligned to the specific risk profile of an undertaking. In consequence, we recommend defining a common disclosure structure only on a (very) high level and even then, meaningful comparisons need to be handled with care, as differences in methodology and company specific interpretations apply;
- A standardised template is not a substitute for an in-depth understanding of a company's portfolio and risk profile. If these insurers are obliged to additionally complete standard formula figures, this will not reflect their actual Solvency position, it would not lead to a meaningful comparison between undertakings, and it would increase the reporting burden on internal model undertakings for limited practical benefit;
- There are currently different versions of S.25.01 for the full annual QRT and the publicly available (SFCR) version. The individual SCR components are different between the two versions due to the different treatment of aggregation and diversification benefits. We don't believe that there is any benefit of having the two different versions of this QRT. It also adds extra work to the preparation of the SFCR QRTs that, in our opinion, is needless.

#### Options considered

308. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Request standard formula SCR calculation data from undertakings using an internal model

309. Option 2 implies an amendment in article 112 (7) of Solvency II Directive.

310. This template is considered as core so no proportionality threshold was considered.

#### EIOPA proposal

311. The use of the template by supervisors revealed that the template is generally fit-for-purpose with the following issues identified:

- In general, the granularity of the quarterly reporting is sufficient. However, it would be beneficial to include some information on the SCR-calculations in the quarterly reporting as SCR is important in the SRP and many insurance undertakings recalculate their SCR on a quarterly basis. For undertakings using the standard formula the quarterly reporting could include e.g. templates S.25.01 and S.26.01 (market risk). Since it is not mandatory to recalculate the SCR on a quarterly basis, undertakings should be allowed to resubmit the results of the last yearly calculations;
- Information on capital add-ons should be split according to the type of capital add-on.

312. For standard formula users EIOPA believes that the template could be improved to capture the type of capital add-on imposed while the request of quarterly information does not seem absolutely needed for the moment.

313. However from an internal model users perspective EIOPA identified the need to request as well standard formula amounts regularly. The proposal takes into account stakeholders concerns and supervisor's needs, in particular the following:

- In practice, some NCAs request SF reporting from IM undertakings. They use it for three kinds of comparisons of internal model results with standard formula figures: (1) For a single undertaking or group comparison of internal model results with additionally requested standard formula results, (2) comparison for the market across internal model users and (3) comparison for the market across internal model and standard formula users. It is a relevant tool to monitor how the difference evolves since model approval and on-going appropriateness. Internal models allow undertakings to better calculate their capital requirements according to their risk profile but should be adequately monitored;
- The Standard Formula is a common standard across SII undertakings. It has limitations and internal models better describe individual risk profiles but it is well-known and can be used for comparison between undertakings.
- Standard Formula information will be used to assess the usefulness of the data when comparisons are being made.
- NCAs can and should ask for more in depth data in order to tailor their supervision to the specificities of each internal model. The Standard Formula data is not meant to replace other needs supervisors may have and is not to be publicly disclosed.
- In addition, 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. EIOPA believes that internal models

better reflect the risk profile of the undertakings and its use to calculate the SCR reflect the goals of Solvency II. However, it is crucial to guarantee that internal models are used to better reflect the risk and as a risk management tool and not to reduce the Solvency Requirement. To reinforce the trust of the use of internal models EIOPA has been performing European comparative studies as a supervisory tool, in order to support the supervision of models and foster convergence of supervisory approaches given the potential choices of mathematical, statistical and IT solutions to tailor models to the concrete risk profile. In the longer term, such tool should also allow for the analysis of changes, models, approaches and calibrations over time and spot potential trends. In practice, the tool has already been used by NCAs, or supervisory colleges when relevant, and the conclusions of the study provide input to the Supervisory Review Process, e.g. with regards to internal model changes.

EIOPA proposes to (in S.25.01):

- Propose to COM an amendment to article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.25.01 with Standard Formula figures of undertakings that use an internal model;
- Collect the split of Capital add-ons by type

## S.25.02 - Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

### Background

314. Template S.25.02 is a core annual template developed to collect information from undertakings using partial internal models.
315. This template allows great flexibility but it severely compromises comparability and consistency. The data reported is agreed upon between each undertaking and the respective NCA and usually contains only high level SCR data. This results in the submission of data which is difficult to use at a European level for the purposes of market analysis and comparison between undertakings.

### Options considered

316. Three options have been considered:

- 1) Keep template as in current ITS
- 2) Keep the design of the template but enrich with unique codes that address specific risk modules and sub-modules that will be mandatory to report if the model supports them
- 3) Keep the design of the template but provide a coding system to the undertakings so they can use it to produce unique codes based on the structure of the internal model

317. This template is considered as core so no proportionality threshold was considered.

### EIOPA proposal

318. The use of the template by supervisors revealed that the template is generally fit-for-purpose with the following issues identified:

- It would be helpful that interest rate assumptions and scenarios are revealed for undertakings using internal models, particularly if these affect EPIFP calculations;
- Information on capital add-ons should be split according to the type of capital add-on.

319. EIOPA proposes to keep the design of the template but enrich with unique codes that address specific risk modules and sub-modules that will be mandatory to report if the model supports them. Such codes could be used for both S.25.02 and S.25.03 and EIOPA believes there is no added value to keep the templates separate.

320. A new template is being proposed that will replace S.25.02 and S.25.03 (Annex X) and Instructions (Annex XI). Annex XII contains the proposed internal model templates in a tabular form. The coding system will follow along with the Instructions as in Annex XIII to XVII and additional explanations on the approach are included in Annex XVIII.

EIOPA proposes to (in S.25.02 and S.25.03):

- Create a new template replacing S.25.02 and S.25.03 (Annex X) and Instructions (Annex XI). Annex XII contains the proposed internal model templates in a tabular form. The coding system will follow along with the Instructions as in Annex XIII to XVII and additional explanations on the approach are included in Annex XVIII;
- Collect the split of Capital add-ons by type.

## S.25.03 - Solvency Capital Requirement - for undertakings on Full Internal Models

### Background

321. Template S.25.03 is a core annual template developed to collect information from undertakings using full internal models.

322. This template allows great flexibility but it severely compromises comparability and consistency. The data reported is agreed upon between each undertaking and the respective NCA and usually contains only high level SCR data. This results in the submission of data which is difficult to use at a European level for the purposes of market analysis and comparison between undertakings.

### Options considered

323. Three options have been considered:

- 1) Keep template as in current ITS
- 2) Keep the design of the template but enrich with unique codes that address specific risk modules and sub-modules that will be mandatory to report if the model supports them
- 3) Keep the design of the template but provide a coding system to the undertakings so they can use it to produce unique codes based on the structure of the internal model

324. This template is considered as core so no proportionality threshold was considered.

## EIOPA proposal

325. Supervisors have identified the following issues:

- It seems useful to us to standardise the template for calculating the SCR in an internal model and to provide a set of information to be provided per module. However, during the year, the changes in SCR values are not sufficiently transparent. The risk module, sub-module data and other details are not available in the reporting during the year, while some insurers are calculating it on quarterly basis;
- It would be helpful that interest rate assumptions and scenarios are revealed for undertakings using internal models, particularly if these affect EPIFP calculations;
- Information on capital add-ons should be split according to the type of capital add-ons.

326. EIOPA proposes to keep the design of the template but enrich with unique codes that address specific risk modules and sub-modules that will be mandatory to report if the model supports them. Such codes could be used for both S.25.02 and S.25.03 and EIOPA believes there is no added value to keep the templates separate.

327. A new template is being proposed that will replace S.25.02 and S.25.03 (Annex X) and Instructions (Annex XI). Annex XII contains the proposed internal model templates in a tabular form. The coding system will follow along with the Instructions as in Annex XIII to XVII and additional explanations on the approach are included in Annex XVIII.

EIOPA proposes to:

- Create a new template replacing S.25.02 and S.25.03, (Annex X) and Instructions (Annex XI). Annex XII contains the proposed internal model templates in a tabular form. The coding system will follow along with the Instructions as in Annex XIII to XVII and additional explanations on the approach are included in Annex XVIII;
- Collect the split of Capital add-ons by type.

## S.26.01 - Solvency Capital Requirement - Market risk

### Background

328. Template S.26.01 is a core annual template reflecting information on the Market risk of the Solvency Capital Requirement. It is reported by undertakings using the standard formula.

329. No specific comments received from stakeholders.

330. For internal models users please see section on S.25.01.

### Options considered

331. Two options have been considered:

- 1) Keep template as in current ITS

- 2) Request standard formula SCR calculation data from undertakings using an internal model

332. Option 2 implies an amendment in article 112 (7) of Solvency II Directive.

333. This template is considered as core so no proportionality threshold was considered.

334. For standard formula users EIOPA believes that the template is fit for purpose.

#### EIOPA proposal

335. Following the experience of the last 3 years the following has been identified:

- In current table it is hard to understand to what amount of liabilities the direct shock is applied and for what indirect (unit linked fees, profit sharing, etc). Could be useful to expand the table;
- Review of the usefulness of gross SCR data is needed, particularly for with-profits business as it does not make an allowance for terminal bonus charges.

336. For standard formula users EIOPA believes that the template is fit for purpose.

337. However from an internal model users perspective EIOPA identified the need to request as well standard formula amounts regularly. Please see section on S.25.01.

EIOPA proposes to (in S.26.01 to S.26.06):

- Propose to COM an amendment to article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.26.01 with Standard Formula figures of undertakings that use an internal model.

## S.26.02 - Solvency Capital Requirement - Counterparty default risk

### Background

338. Template S.26.02 is a core annual template reflecting information on the Counterparty default risk of the Solvency Capital Requirement. It is reported by undertakings using the standard formula.

339. No specific comments received from stakeholders.

340. For internal models users please see section on S.25.01.

### Options considered

341. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Request standard formula SCR calculation data from undertakings using an internal model

342. Option 2 implies an amendment in article 112 (7) of Solvency II Directive.

343. This template is considered as core so no proportionality threshold was considered.

#### EIOPA proposal

344. For standard formula users EIOPA believes that the template is fit for purpose.
345. However from an internal model users perspective EIOPA identified the need to request as well standard formula amounts regularly. Please see section on S.25.01.

#### EIOPA proposes to (in S.26.01 to S.26.06):

- Propose to COM an amendment to article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.26.02 with Standard Formula figures of undertakings that use an internal model.

### S.26.03 - Solvency Capital Requirement - Life underwriting risk

#### Background

346. Template S.26.03 is a core annual template reflecting information on the Life underwriting risk of the Solvency Capital Requirement. It is reported by undertakings using the standard formula.
347. No specific comments received from stakeholders.
348. For internal models users please see section on S.25.01.

#### Options considered

349. Two options have been considered:
- 1) Keep template as in current ITS
  - 2) Request standard formula SCR calculation data from undertakings using an internal model
350. Option 2 implies an amendment in article 112 (7) of Solvency II Directive.
351. This template is considered as core so no proportionality threshold was considered.

#### EIOPA proposal

352. For standard formula users EIOPA believes that the template is fit for purpose.
353. However from an internal model users perspective EIOPA identified the need to request as well standard formula amounts regularly. Please see section on S.25.01.

#### EIOPA proposes to (in S.26.01 to S.26.06):

- Propose to COM an amendment to article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.26.03 with Standard Formula figures of undertakings that use an internal model.

## S.26.04 - Solvency Capital Requirement - Health underwriting risk

### Background

354. Template S.26.04 is a core annual template reflecting information on the Health underwriting risk of the Solvency Capital Requirement. It is reported by undertakings using the standard formula.

355. No specific comments received from stakeholders.

356. For internal models users please see section on S.25.01.

### Options considered

357. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Request standard formula SCR calculation data from undertakings using an internal model

358. Option 2 implies an amendment in article 112 (7) of Solvency II Directive.

359. This template is considered as core so no proportionality threshold was considered.

### EIOPA proposal

360. Following the experience of the last 3 years the following has been identified:

- For both S.26.04.01 (SCR health underwriting risk) and S.26.05.01 (SCR non-life underwriting risk) Split "Vprem" into its components to allow an assessment of the main drivers of the risks and to supervise the calculation of FPfuture: Ps, Plast, FPexisting and FPfuture. The split could also be done to distinguish annual from multi-annual contracts. This would provide useful information for supervision (short term or long term risk) and for possible recalibrations of the newly introduced "alpha" parameter.

361. For standard formula users EIOPA believes that the template is fit for purpose.

362. However from an internal model users' perspective EIOPA identified the need to additionally request standard formula amounts on a regular basis.

363. Please see section on S.25.01.

### EIOPA proposes to (in S.26.01 to S.26.06):

- Propose to COM an amendment to article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.26.04 with Standard Formula figures of undertakings that use an internal model.

## S.26.05 - Solvency Capital Requirement - Non-Life underwriting risk

### Background

364. Template S.26.05 is a core annual template reflecting information on the Non-Life underwriting risk of the Solvency Capital Requirement. It is reported by undertakings using the standard formula.

365. No specific comments received from stakeholders.

366. For internal models users please see section on S.25.01.

### Options considered

367. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Request standard formula SCR calculation data from undertakings using an internal model

368. Option 2 implies an amendment in article 112 (7) of Solvency II Directive.

369. This template is considered as core so no proportionality threshold was considered.

### EIOPA proposal

370. Following the experience of the last 3 years the following has been identified:

- For both S.26.04.01 (SCR health underwriting risk) and S.26.05.01 (SCR non-life underwriting risk) Split "Vprem" into its components to allow an assessment of the main drivers of the risks and to supervise the calculation of FPfuture: Ps, Plast, FPexisting and FPfuture. The split could also be done to distinguish annual from multi-annual contracts. This would provide useful information for supervision (short term or long term risk) and for possible recalibrations of the newly introduced "alpha" parameter.

371. For standard formula users EIOPA believes that the template is fit for purpose.

372. However from an internal model users perspective EIOPA identified the need to request as well standard formula amounts regularly. Please see section on S.25.01.

EIOPA proposes to (in S.26.01 to S.26.06):

- Propose to COM an amendment to article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.26.05 with Standard Formula figures of undertakings that use an internal model

## S.26.06 - Solvency Capital Requirement - Operational risk

### Background

373. Template S.26.06 is a core annual template reflecting information on the Operational underwriting risk of the Solvency Capital Requirement. It is reported by undertakings using the standard formula.

374. No specific comments received from stakeholders.

375. For internal models users please see section on S.25.01.

#### Options considered

376. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Request standard formula SCR calculation data from undertakings using an internal model

377. Option 2 implies an amendment in article 112 (7) of Solvency II Directive.

378. This template is considered as core so no proportionality threshold was considered.

#### EIOPA proposal

379. For standard formula users EIOPA believes that the template is fit for purpose.

380. However from an internal model users perspective EIOPA identified the need to request as well standard formula amounts regularly. Please see section on S.25.01.

#### EIOPA proposes to (in S.26.01 to S.26.06):

- Propose to COM an amendment to article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.26.06 with Standard Formula figures of undertakings that use an internal model.

### S.26.07 - Solvency Capital Requirement – Simplifications - 07

381. Template S.26.07 is a core annual template reflecting information on the simplifications used in the calculation of the Solvency Capital requirements. It is reported by undertakings using the standard formula.

382. This template was amended in the ITS 2019 to reflect the amendments introduced in the Delegated Regulation.

383. No specific comments received from stakeholders.

#### Options considered

384. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template

385. This template is considered as core so no proportionality threshold was considered.

#### EIOPA proposal

386. For standard formula users EIOPA believes that the template is fit for purpose.

#### EIOPA proposes to keep template S.26.07 as in current ITS.

## S.27.01 - Solvency Capital Requirement - Non-life and Health catastrophe risk

### Background

387. Template S.27.01 is a core annual template reflecting information on the Non-Life and Health catastrophe risk of the Solvency Capital Requirement. It is reported by undertakings using the standard formula.

388. During the call for input the stakeholders commented that these templates and put forward the following concerns:

- This template can be burdensome, and does not add value internally for undertakings. This is because the structure of information required is not consistent with the approach taken to calculating Catastrophe Risk as typically advised by auditors. Specifically, this relates to the diversification approach required when applying a reinsurance programme across multiple perils, which doesn't follow the same structure as required in the QRT reporting;
- Should be suppressed/simplified. Information by totals and not by country in the natural catastrophe and the health catastrophe scenarios seem enough;
- Information of the capital charges by scenarios is repeated in the summary and in each scenario;
- The distinction between premium and catastrophe risks, although it makes sense from a practical point of view, is not always comprehensible for all the named catastrophe sub-modules. In particular, for Man Made Catastrophe risks the very same guarantee may generate both attritional or catastrophic losses (Motor vehicle liability is an example). Thus, in an internal model, an undertaking could address some CAT risk within the premium risk module thus making the filing of S.26-27-like reports more challenging.
- Requires information very detailed with respect to S.26.04-05; this means that the reporting requirements are similar but in this case, due to a higher degree of complexity, more work is required;
- In light of the above considerations, it emerges that the feasibility for the undertakings using internal models to report standard formula figures decreases as the difference of the internal model structure with respect to the one adopted by the standard model increases. Thus, given the requirement of a common reporting standard, a possible way to move forward could be to consider the use of standardized risk taxonomies and/or to reduce the details included in the reports (e.g. in the S.27 one could keep the first section on the SCRs and drop the information about exposures/losses).

In any case, the problem is to strike the right balance between the flexibility of the undertakings to develop their own internal models and the need to standardize the reporting requirements, to foster comparability between undertakings.

389. For internal models users please see section on S.25.01.

#### Options considered

390. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Adapt the template to identify application of EIOPA Supervisory Statement
- 3) Request standard formula SCR calculation data from undertakings using an internal model

391. Option 3 implies an amendment in article 112 (7) of Solvency II Directive.

392. This template is considered as core so no proportionality threshold was considered.

#### EIOPA proposal

393. Following the experience of the last 3 years the following has been identified:

- there is no reporting per zone, only per region. However it would be useful to know whether this option has been used. Further info could be then requested:
  - o a cell indicating whether this option has been used and for which risk and within which region;
  - o the comparison of the calculation with and without the option to assess the materiality: "SCR before risk mitigation and regardless of the application of policy conditions (such as indemnity limits and deductibles)" and "SCR before risk mitigation and taking account of specific policy conditions"
- to regularly assess the NAT CAT risks, it would be beneficial to request results of vendor models used by insurers. Information from vendor models could be reported for each risk and each country.

394. For standard formula users EIOPA believes that the template is fit for purpose.

395. However from an internal model users perspective EIOPA identified the need to request as well standard formula amounts regularly. Care will be taken not to duplicate data with template S.25.04 (old S.25.02 and S.25.03). Please see section on S.25.01.

EIOPA proposes to (in S.27.01):

- Propose to COM an amendment to article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.27.01 with Standard Formula figures of undertakings that use an internal model

### S.28.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity - S.28.01

#### Background

396. Template S.28.01 is a core annual template reflecting information on the Minimum Capital Requirement. It is reported by undertakings non composites.

397. No specific comments received from stakeholders.

#### Options considered

398. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience

399. This template is considered as core so no proportionality threshold was considered. However it should be noted that the template may be exempted quarterly for some undertakings according to article 35 of the Solvency II Directive.

#### EIOPA proposal

400. EIOPA believes the template is fit for purpose and should not be amended.

401. Regarding proportionality EIOPA believes this is a core template and cannot be subject to proportionality.

EIOPA proposes no changes to template S.28.01.

### S.28.02 - Minimum Capital Requirement - Both life and non-life insurance activity - S.28.02

#### Background

402. Template S.28.01 is a core annual template reflecting information on the Minimum Capital Requirement. It is reported by undertakings non composites.

403. No specific comments received from stakeholders.

#### Options considered

404. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Improve the template considering experience

405. This template is considered as core so no proportionality threshold was considered. However it should be noted that the template may be exempted quarterly for some undertakings according to article 35 of the Solvency II Directive.

#### EIOPA proposal

406. EIOPA believes the template is fit for purpose and should not be amended.

407. Regarding proportionality EIOPA believes this is a core template and cannot be subject to proportionality.

EIOPA proposes no changes to template S.28.02.

## S.29.01 to S.29.04

### Background

408. Templates S.29.01 to S.29.04 were developed to analyse the variation of Excess of assets over liabilities (see EIOPA Explanatory notes).
409. They provided important information but revealed that in some areas more information was needed, in particular regarding the evolution of the Best Estimate. It was also identified the need to further specify the template for the Life and Non-Life business.
410. The information gathered by template S.29.01 and S.29.02, even if considered relevant for certain undertakings, on a regular basis additional sources could be used and the reporting by all undertakings regularly may be eliminated.
411. The comments and input received from stakeholders on these templates were extensive. Bellow a summary of those comments are presented:
- Costly to produce and time consuming, the time is taken generating numbers solely for the purpose of reporting in this QRT, with these figures not being representative of the risks taken on S.29 (variation analysis) is a burdensome template to complete, in particular on technical provisions, as the template is not unambiguous;
  - The information requested from a management point of view is different from what is asked by EIOPA. The AOC is important, but consistency with the AOC of the Balance Sheet and SCR should be ensured. The granularity required by EIOPA is not the same information as the information that is needed for management and steering purposes or for back testing;
  - Although the objective of this variation analysis is reasonable, it is very challenging for non-life undertakings using national GAAP to meet this reporting requirement. These undertakings do not have financial statements based on market values which are necessary for the purposes of the variation analysis. Therefore, undertakings have to determine the data especially for the variation analysis which gives rise to disproportionate effort;
  - The current state delivers information that is rather useless, the templates could be eliminated or replaced by very simple "what-if"-analyses: Giving the SCR-Coverage just with last years:
    - o interest rate curve
    - o contracts
    - o management rules
    - o best estimates
  - In our opinion, a more granular view would be helpful. However, this is hard to harmonize in the EU;
  - EIOPA has made efforts to clarify its expectations for these reports. We think that these efforts could be continued, in particular for S.29.03. Members encountered significant difficulties completing these forms and further detailed guidance had to be prepared by EIOPA. Whilst insurers generally see little value in the analysis provided, most have established processes for completion. As noted above, changes to forms should be restricted to cases

where they fail to achieve their objective, or they generate significant time savings for insurer.

- The reporting requirements on cash flows, in particular for non-life, should be dropped or only be reported at the level of the total portfolio. The preparation of those cash flows according to the different lines of business is burdensome as each component of the cash flows is recognized only at the level of business segments. The greatest amount of time relates to the allocation of cash flows to "Risk accepted prior, during and after period".
- As mentioned above the reports are to show the information in either Underwriting Year or Accident Year – as a reinsurer we do not have this information available for our Life/Health business and have decided to enter Calendar Year figures in the UW year fields. In addition, S.29.04 is very detail with technical cash flows per LoB, with this information being further split in "Risks accepted prior, during and after period is very burdensome. Is this level of detail of use to the NCAs?
- Specifically, for S.29.03 (technical provisions), a very detailed number of steps to explain the variation is required, and the template S.29.03 is rather constructed from a life-insurer point of view, and therefore the requirements don't fit very well for non-life-insurance. And there is no real use of S.29.04 for non-life insurers. And S.29.04 the purpose is currently not clearly formulated in the requirements.
- If these templates can be shown to meet cost/benefit justification and are maintained, then the following improvements should be considered:
  - o In the analysis of change, roll forward should be improved, specifically, VNB should be at point of sale instead of at end of period.
  - o The own fund approach could be used (same approach/sequence/categories Asset and Liability).
  - o Steps to explain the variation should be reduced, especially for S29.03 (technical provisions).A discussion of the requirements focusing on non-life-variation should take place, independent from life-insurance.
- These QRTs have embedded two views: one Solvency II and the other an Accounting view. We are available to open a discussion with EIOPA on this topic and how these QRTs should be changed. With a full Solvency II view the movements are in line with qualitative reports (like SFCR) with a less granular details than today. This approach is in line with internal analysis. In addition NSA requests will be aligned with internal managerial evidences avoiding internally monitoring two different views (managerial and regulatory)
- The templates should be deleted;
- The requirement for a balancing figure in R0250 of S.29.01, to match P&L movements against movements in the own funds QRT, means that the template is sometimes difficult to explain internally. Greater granularity of the template, so as to minimise the level of this balancing figure, would be welcome. It's not clear what the expected result from these templates is supposed to be. For us as a company we analyse P&L at own funds level, not

separately at assets/liability level, so these QRTs present additional work outside of our normal reporting processes - and the work is not used elsewhere within the business.

- We believe that EIOPA should start from scratch and re-design these templates. The current templates follow a very technical approach and they are not used by (senior) management. We would urge EIOPA to reach out insurers and ask them which analysis of change they are using for their internal reporting and other management purposes.
- In our view, the analysis of change should also be extended to an analysis of change of the insurer's solvency position. The analysis of change of the own funds and SCR should be consistent in nature where possible.
- Normally, from a business perspective/planning and control, firms assess (1) how policy decisions taken by the management have an impact into the solvency positions and whether this impact was intended; (2) how risk mitigation is having an effect in the solvency II ratio; (3) how any (artificial) developments have an impact in the solvency II position; (4) how external events such extreme weather events have an impact in the solvency II position.
- Feedback has indicated that the template is very stringent and may be challenging to adhere to, depending on their pre-existing BETP reconciliation process. More leeway from a practicality perspective would help to avoid companies having to use multiple reconciliation processes.
- Cells C0010/R0060 & C0020/R0060 in S.29.04 and C0090/R0300 in S.29.03 are only for information purposes, and in our opinion do not add value to these QRTs. We suggest that they could be removed.

### Options considered

412. The following options have been considered:

- 1) Keep template as in current ITS
- 2) Delete S.29.01 and S.29.02 and keep S.29.03 and S.29.04
- 3) Delete S.29.01 and S.29.02 and replace S.29.03 and S.29.04 by new templates, one applicable for Life business and another one applicable for Non-Life business

### EIOPA proposal

413. EIOPA has produced a very extensive additional guidance documentation for the VA templates. However, improvements are still possible. In its current design it is very labour and cost intensive and does not provide the insights supervisors need. Additionally EIOPA notes that the Analysis of Change (AOC) is considered by insurers management but in a different way than required by EIOPA. EIOPA believes that a better alignment between supervisory needs and information used internally by undertakings is possible regarding the analysis of the variation of the best estimate. The new templates developed are an attempt to address that misalignment.

414. Excel files (S.29.05, S.29.06.) are already available (in Annex XIX) and will be better prepared to invite stakeholders to voluntarily test the template and provide feedback during the consultation period. Instructions for both templates are included in Annex XX and XXI and an explanatory text is available in Annex XXII.
415. Regarding proportionality EIOPA believes that embedded proportionality should work enough in this template. The submission is dependent on the business model of the undertakings.

EIOPA proposes to focus on the change of the best estimate in life and non-life. EIOPA notes that life and non-life technical provision calculation varies. For this reason EIOPA has designed a template directly for life and non-life business. This will allow the undertaking and the supervisory authority to understand their profitability by focussing on the variation of the best estimate.

EIOPA proposes the following regarding the variation analysis:

- Replace S.29.03-04 templates by one template but distinguish between life and non-life (S.29.05/06);
  - Differentiate in S.29.05 between actual risk experience, changes of non-economic and economic assumptions, reinsurance, lapse and new business;
  - Differentiate in S.29.06 between changes of assumptions, key performance indicators for the premium provision calculation and an undiscounted actuarial analysis of movements in the claims provision including an actual vs expected analysis.
  - Delete templates S.29.01 and S.29.02;
  - The variation of own funds (S.29.01) will be retraced by the Own Funds Templates
  - The variation of changes of assets, will be retraced from the historical and present asset-templates
- Require this analysis for the LoB set out in section D and E of Annex I of DR for Life and for the LoB for which the S.19 was reported.

**Question to stakeholders:**

Stakeholders are invited to comment on the proposal, in particular what could be the main difficulty when filling the new VA templates (how to improve instructions). How could be further improve the template to gain good quality data on Best Estimate movements of the year.

## S.30s - Facultative covers for non-life and life business basic and shares data and Outgoing Reinsurance Program basic and shares data

### Background

416. Templates S.30.01 to S.30.04 are a non-core annual template containing information on reinsurance covers:

- S.30.01 and S.30.02 provide information on facultative covers for the 10 most important risks that helps the supervisor to understand the activity of the undertaking.
- S.30.03 and S.30.04 are filled with information on reinsurance treaties valid in the next reporting year, which is important to have a good view on the structure of the reinsurance program and the real exposure of the undertaking.

417. The aim of the data submitted by the undertakings regarding the outgoing reinsurance program and exposures are multiple, including:

- To get insight in and to monitor the reinsurer's share and related concentration risks in issued capacity, reinsurance premium and in technical provision (jurisdiction, (re)insurance group, rating, type of (re) insurer);
- to get insight into the structure and coverage of the reinsurance program for on-site and off-site inspections and for the use of stress tests (per insurer, group, type of insurer);
- To get insight into the composition of the reinsurance panel (geographical, group, rating, supervisory regime, type of (re) insurer) per type of reinsurance contract.
- Consistency check with other templates (balance, damage / premium / costs, technical provisions and SCR Catastrophe);
- Consistency checks with Pillar 1 (SCR calculation) and Pillar 2 (ORSA).

418. During the call for input the stakeholders commented that these templates and put forward the following concerns:

- S.30.01 requires information that cannot be used for internal purposes (complex, time-consuming and costly in terms of labour). Therefore, it is suggested to be omitted;
- S.30.03/S.30.04- Burdensome to produce and the added value for the supervisors and other stakeholders is limited;
- S.30.03/S.30.04: These templates are generally characterised by high levels of detail and take considerable effort to complete. The information is too granular for large numbers of contracts, in particular the setup of UW model and link to R/I, and the need to capture inclusions, exclusion, deductibles on a per policy basis. Reinsurance programmes are usually outlined in narrative reporting, which generally provides greater clarity;
- S.30.03/ S.30.04: a lot of information in these QRTs would not be used internally. Also for Life companies in particular, the gross estimated treaty premium income (past + future) is not a good barometer for the risk associated with individual reinsurance treaties. Some treaties are decades old

and so include historical premiums that no longer have any bearing on the risk exposure for the life company. The calculation involved is also time consuming.

- As confirmed by EIOPA, these templates are the ones which lead to more Q&A and where more data quality issues have been identified. We suspect that the cause is to be found in the granularity of the data requested. More clarity is also needed as to the purpose of this template for supervisory and/or statistical purposes and whether such level of detail is really needed.
- The explanatory notes for the variation analysis templates helped greatly with the proper reporting of the QRT. We would welcome more explanatory notes i.e. for the S.30 QRTs. More information and clarification in LOG files generally is needed, the answers from Q&A's could be used as a starting point.

#### Options considered

419. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Simplify the template considering experience

420. In addition, as part of the overall proportionality approach, a risk-based threshold was considered.

#### EIOPA proposal

421. EIOPA acknowledges the concerns on these templates but strongly believes that data quality issues will not be solved with the reporting of less granular information. EIOPA believes that the reporting of granular information is crucial for the analysis of reinsurance but understands that simplifications should be included when possible as well as additional clarifications are needed.

422. When using the information on this template the following was identified by NCAs:

- Most NCAs believe that overall the information that can be gathered from the reinsurance templates is vital for supervisory purposes. To get overall insight in the relevance of reinsurance and the current exposures (e.g. in case of a major insurance or credit risk event) on different levels (EU / Country and undertaking).
- CAT bonds issued could be included to have all risk mitigation tools;
- Usability of S.30 series templates for life business. Supervisors need to see at product level (individual protection, individual morbidity, group protection, annuity) the gross and reinsured amount of current sum assured / annuity.
- Suggestion to amend the closed list of type of reinsurer to avoid a situation where a reinsurer can fall into more than one category in the closed list. It is suggested deleting the current first four options in the closed list because the current first four options are types of insurance undertakings not types of reinsurance undertakings.

- We propose that Additional fields on S.30.02, S.30.04 and S.31.01 to identify the ultimate parent of the reinsurer to identify intra-group reinsurance exposures.
- Suggestions specific to S.30.03 so that it is easier for supervisors to understand from this template the important features of the outward reinsurance programmes of insurance undertaking:
  - o Question whether the information about commission {S.30.03, columns C0270 to C0350} at the level of granularity required in this template is needed for supervision purposes.
  - o Noting that S.30.03 is reported at a level of granularity of sections of a treaty. To avoid the reporting of amounts that apply to an entire treaty for each section of the treaty, it might be of use for the instructions to items: premium {S.30.03, C0150 and C0160}, deductibles {S.30.03, C0170 and C0180}, retention {S.30.03.03, C0190 and C0200}, limit {S.30.03, C0210 and C0220}, maximum cover {S.30.03, C0230 and C0240}, number of reinstatements {S.30.03, C0250 and C0260} to say that:
    - In the case where the item has not been attributed to each individual section of a treaty: the item should be reported only in the first line where that treaty is reported; the amount reported for the item should relate to the entire treaty; and for all other lines where that treaty is reported the item should be left blank.
    - If the item is to be reported for more than one section of an individual treaty, the amounts reported should relate to only the section of the treaty in question.
  - o One of the initial goals of the templates S.30.03 and S.30.04 was to be able to reconstruct the reinsurance program of an undertaking. At this moment in time there are doubts if this goal is attainable in the near future.
- One could consider if the reinsurance program information can be given via a kind of free format text in the ORSA (unless reinsurance does not play a material role for the undertaking).
- More attention is needed on retrocession.
- Members are not convinced that the detailed information regarding the reinsurance commissions is useful, but an indicator on whether or not a 'sliding scale commission' is used would be helpful.
- There is clearly a problem with the data quality. this could be partly solved by updating the Instructions
- Some information on the program and/or layering is missing. At this moment it is not clear what the order of claims within the program is and next to that the percentage of the layer that is actually covered is not reported.
- The reported data on 'commission' is often too detailed.
- The reported information regarding the brokers is hardly used. However this can be useful to identify possible concentration in the 'broker market'. This part can also be revised.
- Some information on the program and/or layering is missing. At this moment it is not clear what the order of claims within the program is and next to that the percentage of the layer that is actually covered is not reported. To accommodate this, add a field to address the coverage of a layer (it might not always be fully (100%) covered by reinsurance) could be added.

- There are doubts about the usefulness of S.30.01 and S.30.02 (giving insight in the risk profile of the undertaking by reporting the 10 most relevant risks per line of business including the reinsurance program info). However many NCAs indicate that there is a need to keep these templates. Therefore we propose the templates and make it less burdensome, by only reporting the 20 largest facultative reinsurance exposures plus the largest two in each line of business if not covered by the largest 20 (in line with template S21.02).

#### **S.30.01:**

423. The simplifications/improvements identified in S.30.01 were the following:

- Replace the 10 most relevant risks per line of business by the overall 20 largest facultative reinsurance exposures plus the largest two in each line of business if not covered by the largest 20 (in line with template S.21.02);
- To accommodate this the 'line of business' needs to be added to the first table;
- Delete C0180 and C0330 related to Commission;
- Replace C0040 by a new one with the description of operation of the facultative reinsurance item (e.g. how to apply this cover).

#### **S.30.02:** Undertakings need only to report on the shares reported in S.30.01

424. The simplifications/improvements identified in S.30.02 were the following:

- The reported information regarding the reinsurance brokers is hardly used, from a risk based perspective, as this information is business to business. For this reason we propose to delete the broker info (C0370/C0380/C0390).

#### **S.30.03:**

425. Members are not convinced that the detailed information regarding the reinsurance commissions is useful, but an indicator on whether or not a 'sliding scale commission' is used would be helpful. For that, EIOPA proposes:

- Add one field with the question: sliding scale commission y/n;
- Add two fields of relevant claim ratios for sliding scale commission – field with minimum and field with maximum claim ratio on which is the amount of sliding scale commission dependant;
- Add a field to address the coverage of a layer (it might not always be fully (100%) covered by reinsurance);
- Add a field to address the order of claims within the reinsurance program;
- Add field to report the minimum and maximum and the expected commission
- Delete the fields C0270 to C0350 (details on reinsurance commissions).

#### **S.30.04:**

426. The simplifications/improvements in S.30.03 were the following:

- according to the explanation given in S.30.02, we propose to delete the broker info (C0070/C0090/C0270/C0290).

427. EIOPA believes that the reporting of the 20 biggest single underwriting risks plus the 2 largest two in each line of business is already a reflection of the principle of proportionality, however consideration should still be given to the materiality of the reinsurance business ceded. These templates should only be due when the ratio of recoverables over best estimate is, for any line of business, higher than 1% and the Total Non-life catastrophe risk after diversification after risk mitigation is lower than 70% of the amount after risk mitigation.

428. Lastly the number of both stakeholders and NCAs comments clearly indicate the need to improve and provide ore clarifications in the Instructions.

EIOPA proposes to (in S.30.01 to S.30.04):

- Reduce the scope of the templates to the overall 20 largest facultative reinsurance exposures plus the largest two in each line of business if not covered by the largest 20 (in line with template S.21.02);
- Simplify all S.30 templates with a number of deletions and some replacements (as described above);
- Introduce a risk-based threshold: templates should only be due when the ratio of recoverables over best estimate is, for any line of business, higher than 1% and the Total Non-life catastrophe risk after diversification after risk mitigation is lower than 70% of the amount after risk mitigation;
- Clarify the Instructions of the templates.

## S.31.01 - Share of reinsurers (including Finite Reinsurance and SPV's)

### Background

429. Template S.31.01 is a core annual template with information on the recoverables recognised in relation to the reinsurer (even if all contracts with that reinsurer have terminated) and whose reinsurer is reducing the gross technical provisions as per end of the reporting year.

### Options considered

430. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Simplify the template considering experience

431. This template is considered as core so no proportionality threshold was considered.

### EIOPA proposal

432. The aim of the data submitted by the undertakings regarding the recoverables is mainly to get insight in and to monitor the reinsurer's share in the outstanding recoverables (on an EU, Country, undertaking). This is very important to monitor the concentrations in case of a credit / insurance event. As almost every insurance and reinsurance undertaking has an exposure with a reinsurer these templates are used intensively.

433. When using the information on this template NCAs identified the need to link the recoverable by treaty instead of by re-insurer. A solution would be to request the information of S.31 in the S.30s. However EIOPA considered the template fit-for-purpose.
434. It was also considered to request information in case of negative recoverables but that request was not considered in line with the purpose of the template.
435. The only change being proposed is the one resulting from the deletion of the assets from template S.02.02., i.e. need to include information on currency in template S.31.02.

EIOPA proposes to add in S.31.01 a currency field.

## S.31.02 - Special Purpose Vehicles

### Background

436. Template S.31.02 is an annual core template that gives insight in the exposure towards and SPV. This template is only used in case the reporting undertaking has a (potential) claim on an SPV (for instance if the insurance risk are (partly) securitised to a Cat-bond).

### Options considered

437. Two options have been considered:

- 1) Keep template as in current ITS
- 2) Simplify the template considering experience

438. This template is considered as core so no proportionality threshold was considered.

### EIOPA proposal

439. As there are not so many securitisations in place in the EU and as the information provided in case there is a securitisation via a SPV is key, it makes no sense to change anything on these templates.
440. In 2017 only 4 countries (in total 10 undertakings) had exposures to SPV, with a maximum exposure of 13.5 billion. For just a few undertakings this seems a material part of the exposure.

EIOPA proposes to keep template S.31.02 as in current ITS.

## Main information gaps identified

441. The analysis of the fit-for-purpose covered the proportionality principle as well as the identification of gaps in the information received. 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 but as well to an analysis of the information supervisors identified as gaps in the regular information received. Sometimes the gaps addressed information to complement existing templates while in other it addressed new information.

442. EIOPA proposal includes two different ways of covering the gaps identified:

- Creation of new templates (for example as proposed for cyber risk), or revised templates (for example as proposed for cross-border business), to incorporate new information;
- Incorporation in the XBRL taxonomy and all related implementation documentation of harmonised templates to be requested by NCAs when adequate but not to be included in the ITS as regular information. This approach was identified as necessary for the areas of Deferred Taxes and Loss Absorbency Capacity of Deferred Taxes, issuance of loans and mortgages and information on pension plan and products offered by insurance companies regarding the information included in EIOPA Database of Pension Plan and Products in the EEA.

## New templates

### Cyber risk

#### Background

443. The significance of the European cyber insurance industry is growing. New regulations, as well as new technological developments and further materialisation of incidents are expected to raise awareness and foster demand for cyber insurance in the coming years. EIOPA has developed a number of initiatives in the area of cyber having published EIOPA's Report on "Understanding Cyber Insurance - A Structured Dialogue with Insurance Companies" where one of the conclusions was that there is a clear need for a deeper understanding of cyber risk.

444. The coverage of cyber risks by the insurance industry is developing at a fast pace. Nevertheless, more work needs to be done in terms of products, services and risk transfer mechanisms. A first basic step from a supervisory perspective is to start receiving regularly information on the cyber insurance business, by types of covers and markets addressed.

445. The information to be requested should provide information to supervisors to allow to continue to better understand underwriting risks. This would include distinguish between commercial and individual customers, affirmative and non-affirmative exposures, types of coverages provided, potential accumulation of risks and risk mitigation techniques used. It could also cover the distribution channel used.

446. From a business perspective items such as number of policies, premiums, claims, expenses, technical provisions and capital at risk, split by direct and accepted business and as well ceded reinsurance.

447. For the purpose of reporting a definition of affirmative/non-affirmative exposures will need to be developed as well as agree on a split of types of coverage. The following type of covers are taken as a basis for affirmative exposures:

- Business Interruption;
- Data restoration;
- Cyber extortion;
- Privacy liability (e.g. GDPR);
- Network security liability and interruption;
- Media liability;
- Crisis management and Public Relations;
- IT forensics;
- Notification (of relevant parties);
- First and third party property damage;
- Physical injury to third parties;
- Operations coverage;
- Event management
- Other possible coverages.

#### Options considered

448. The following options were considered when designing the template:

- 1) Ask information as a LoB and include information across all relevant templates (e.g. S.04, S.14, S.17, etc);
- 2) Develop a specific template dedicated to cyber underwriting;
- 3) Use 'S.14.01' template newly developed for Non-Life to request specific information.

#### EIOPA Proposal

449. Ideally, this would be defined as a separate LoB by COM, but this would perhaps take a bit longer to realise as it has a number of direct and indirect impacts. In any case EIOPA would like to receive input on this proposal.

450. In SII reporting cyber insurance underwriting is not a separate line of business but would be included in other lines of business, e.g. general liability.

451. Excel file with the template is already available in Annex XXIII and will be better prepared to invite stakeholders to voluntary test the template and provide feedback during the consultation period. The "Instructions" for the template are included in Annex XXIV.

452. During the 2018 stress test, which included some data on cyber risks, it was acknowledge some difficulties for undertakings to provide information. EIOPA expects that the Instructions developed better support the understanding of the information to be reported. The current proposal entails a set of information by type of coverage/type of risks. In this area it is important to have information but also information of good quality. Stakeholders are invited to comment on

the proposal, in particular on the level of granularity they see as feasible to report good quality data on cyber underwriting.

EIOPA proposes to develop a specific template dedicated to cyber underwriting covering the following information:

- Type of policyholder:
  - o Commercial;
  - o Individual customers
- Types of coverage:
  - o Non-affirmative exposures by LoB
  - o Affirmative exposures: Identify the LoB under which the affirmative exposure is sold
- Type of risks covered:
  - o Business Interruption;
  - o Data restoration;
  - o Cyber extortion;
  - o Privacy liability (e.g. GDPR);
  - o Network security liability and interruption;
  - o Media liability;
  - o Crisis management and Public Relations;
  - o IT forensics;
  - o Notification (of relevant parties);
- First and third party property damage;
- Physical injury to third parties;
- Operations coverage;
- Event management
- Other possible coverages.
- Items:
  - o Number of policies,
  - o Premiums,
  - o Claims (settled with and without payments),
  - o Expenses,
  - o Technical provisions;
  - o Deductibles

Split by direct and accepted business and as well as information ceded reinsurance.

### **Questions to Stakeholder:**

Stakeholders are invited to comment on the proposal, in particular on the level of granularity they see as feasible to report good quality data on cyber underwriting or on defining a specific LoB in Solvency II.

## **'S.14' template for non-life**

### **Background**

453. A big gap was identified by supervisors in the information received regarding information on product-by-product for Non-Life. In fact some NCAs have even developed national specific templates to cover for this gap.

## Options considered

454. The following options were considered when designing the template:

- 1) Adapt existing templates. In the case of S.21.02, the template presently focuses on the 20 biggest single underwriting risk, based on net retention. It could be extended, by adding an additional table, to cover similar information for the total number of single risks by sum insured (eventually with a threshold)
- 2) Develop a new template

## EIOPA proposal

455. Excel file is already available and will be better prepared to invite stakeholders to voluntary test the template and provide feedback during the consultation period (Annex XXV). Instructions are also available in Annex XXVI.
456. Supervisory experience has identified room for improvement on the existing templates to enhance insights into the products on the market. The Supervisory Review Process is also evolving taking advantage of new technologies available. The use of innovative technology by NCAs to support supervision helps NCAs to be more efficient and proactive monitoring the risks undertakings face or may face. New applications could represent an important step in more advanced data analytics and ultimately increased policyholder protection. The use of these technologies (SupTech), similarly to when they are used by undertakings (Insurtech, including RegTech) require good quality data at an adequate granular level.

EIOPA is proposing a new template with information product by product for Non-Life business, based on an already existing national template including:

- Number of new contracts during year
- Number of renewed contracts during year
- Number of insured at the end of the year
- Number of new insured during year
- Total amount of Written premiums - direct writing
- Total amount of Written premiums - written via credit institutions
- Total amount of Written premiums - written via insurance distributors other than credit institutions
- Total amount of commissions paid during year
- Total amount of commissions paid during year - new contracts during year
- Country

## Question to stakeholders:

Stakeholders are invited to comment on the proposal, in particular what could be the main difficulty when filling the new template or how to improve instructions to ensure data quality.

## Model changes to the internal model

### Background

457. The Model Change Policy (MCP) for each internal model is agreed upon between each undertaking and the corresponding NCA. In this document the process for managing the changes and the formalized system of change is described; the MCP lists the criteria for the distinction between minor and major model changes, the reporting requirements for the changes, thresholds for accumulation of minor model changes to form one major change, what constitutes a major or minor model change, relevant documentation etc. While that sounds reasonable and straightforward, the reality and challenges of implementing such a process are far from straightforward. Changes to an internal model are treated in different ways under the local supervisory law and according to the MCP approved.
458. The data to be requested should provide information to supervisors to allow to continue to better monitor the evolution of each internal model and the impact it has on the capital requirements and own funds. Internal models are great tools for matching the risk profile of an undertaking but need constant monitoring due to changes in the economic environment and underlying statistical methodologies. Currently, this data is reported separately for each internal model and in a different format. This makes comparison, identification of trends in model changes and impact analysis across different reporting periods very difficult. If this information is consistently reported in one place then it can be easily accessed and analysed on a European level.
459. Also the template breaks down each major change to its subcomponents and the risk areas impacted. Minor changes are reported as an aggregate and also changes to the MCP are listed.

### Options considered

460. The following options were considered when designing the template:
- 1) Adapt existing templates;
  - 2) Develop a new template

### EIOPA Proposal

461. Excel files are already available and will be better prepared to invite stakeholders to voluntary test the template and provide feedback during the consultation period.
462. EIOPA proposes to create a new template as this data is not associated with the quantitative data in S.25.02 and S.25.03. Annex XXVII contains this new template proposal and Annex XXVIII includes instructions.

EIOPA proposes to introduce new template for changes to internal models with the following information:

- Major changes broken down into subcomponents and risk areas impacted

- Aggregation of minor changes
- Changes to the Model Change Policy itself
- Description of each subcomponent for each major change
- Type of change
- Accumulation and reset information for minor changes
- Impact on SCR (amount and percentage)
- Impact on Own Funds
- Impact if trigger is not SCR

## Incorporation in the XBRL taxonomy

463. Incorporation in the XBRL taxonomy and all related implementation documentation of harmonised templates to be requested by NCAs when adequate but not to be included in the ITS as regular information.

464. This approach was identified as necessary for the following areas:

- Deferred Taxes and Loss Absorbency Capacity of Deferred Taxes,
- Issuance of loans and mortgages;
- Information on pension plan and products offered by insurance companies regarding the information included in EIOPA Database of Pension Plan and Products in the EEA;
- Shareholders of the insurance companies to be able to populate OECD information needs.

### **Question to stakeholders:**

This consultation paper does not include a proposal for templates yet but EIOPA would like to receive comments on this new concept.

## 2.7. Analysis

### **Impact assessment**

466. In the development of the advice regarding individual Quantitative Reporting Templates (QRTs) and Annexes, EIOPA has duly analysed the costs and benefits of the main options considered; these options are listed in the table below.

| <b><u>Policy issues</u></b>                                                | <b><u>Options</u></b>                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Review the adequacy of the content of the supervisory reporting package | 1.1 No change<br>1.2 Review the requirements template by template to better reflect proportionality, only<br>1.3 Review the requirements template by template to better reflect proportionality and to reflect supervisory needs by improving existing templates and creating new templates when needed |

467. This document addresses the QRTs for the submission of information to the supervisory authorities. This document should be read together with the Impact Assessment of the Document EIOPA-BoS-19-300 – EIOPA proposals on general issues concerning reporting and disclosure.

### **Analysis of impacts of the review of adequacy of the supervisory reporting package**

468. As already stated in the section dedicated to the Identification of the Issues, EIOPA focused on addressing several questions on the current regular or ad-hoc use of QRTs, to assess the use of the QRTs, and on the possible amendments that could be applied to the current reporting package to capture possible missing information and to cut possible redundant information.

469. After taking into account the concerns raised by the stakeholders during the Call for Input, EIOPA is now able to summarise in the following table the costs and benefits for the main options considered regarding policy issue 1 on “Templates for the submission of information to the supervisory authorities”. Please note that this impact assessment addresses general policy options and should be read together with the Impact Assessment of the document *EIOPA-BoS-19-300* - EIOPA proposals on general issues concerning reporting and disclosure.

| <b><u>Policy issue 1: Review the adequacy of the content of the supervisory reporting package</u></b> |               |                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------------------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Option 1.1: No change</b>                                                                          |               |                                                                                                                                                                                                                                                   |
| 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 processes are already established no additional costs are envisaged. However, there are areas where the reporting cost and burden could be potentially reduced by streamlining requirements, |

|                                                                                                         |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                         |               | while continuing to ensure financial stability, market integrity, and protection of policyholders. No change imply minimum costs associated to the reporting of information that is not regularly used by supervisors.                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                                                                                         | Supervisors   | Additional costs might arise in case ad-hoc information is needed in the supervisory areas where gaps of information were identified. Supervisory resources might not be optimally used in cases where proportionality can be further strengthened. Consideration on applying no change to the current reporting package would not take into account the gaps identified by supervisors during the last 3 years of use of the templates and would limit the improvement of the Supervisory Review Process                                                                                                                                   |
|                                                                                                         | Other         | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Benefits                                                                                                | Policyholders | No material benefit is expected                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                                                                                         | Industry      | No material benefit is expected.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                                                                         | Supervisors   | No material impact is foreseen.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                                                                                         | Other         | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Option 1.2: Review the requirements template by template to better reflect proportionality, only</b> |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Costs                                                                                                   | Policyholders | No material impact is foreseen                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                                                                         | Industry      | The application of proportionality will allow requirements to be implemented in ways that are less complex and therefore less burdensome. On-going reporting burden on supervised entities would be partially relieved. However, some initial costs might be foreseen to adapt reporting systems to the new supervisory reporting package. Costs are expected to be <i>una tantum</i> and are expected to be offset by the smaller reporting burden.                                                                                                                                                                                        |
|                                                                                                         | Supervisors   | Some potential costs as might be necessary to adapt systems to receive the new supervisory reporting package. However, some costs might also be reduced thanks to the reduced redundancy of information.<br>Not receiving information on the full market might be seen as a cost as well as it impacts the time series of the information within the supervisors database.                                                                                                                                                                                                                                                                  |
|                                                                                                         | Other         | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Benefits                                                                                                | Policyholders | No material impact is foreseen                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                                                                         | Industry      | Proportionality regarding the nature, scale and complexity of the risk undertakings face is further enhanced taking into account lessons learnt.<br>The application of an increased degree of proportionality would be in line with the urgent need for improvement of the supervisory reporting package identified by the feedback provided by the industry via the COM Fitness Check on Supervisory Reporting and via EIOPA Call for input.<br><br>The proportionality is further strengthen via embedded proportionality, via introduce of two templates categories (core and non-core, i.e 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                                                                                                                                                                                               | Supervisors   | Supervisory information needed for the purposes of fulfilling national supervisory authorities' responsibilities under Directive 2009/138/EC is kept and reporting will still be fit for purpose.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                                                                                                                                                                                               | Other         | The review work is meant to contribute to COM work on fitness check of supervisory reporting in EU financial legislation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Option 1. 3: Review the requirements template by template to better reflect proportionality and to reflect supervisory needs by improving existing templates and by creating new templates when needed</b> |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Costs                                                                                                                                                                                                         | Policyholders | No material impact is foreseen as overall assessment is positive regarding proportionality.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|                                                                                                                                                                                                               | Industry      | Same observations as those highlighted in Option 1.2. In addition, costs might be impacted by the need to reflect/produce additional information. A decrease in cost is however expected in the long term.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|                                                                                                                                                                                                               | Supervisors   | Same observations as those highlighted in Option 1.2. In addition to this, potential costs might be impacted by the need to process the newly required information.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                                                                                                                                                               | Other         | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Benefits                                                                                                                                                                                                      | Policyholders | Policyholders protection is enhanced by a reporting package which is fit-for-purpose and eliminates the inefficiencies of reporting.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                                                                                                                                                                                               | Industry      | The submission of information (i.e. templates) on a risk-based approach shall guarantee that information sharing is proportionate to the risks insisting on undertakings, but also to the nature, scale and complexity of those risks.<br>Costs are expected to be substantially reduced immediately for less complex undertakings. EIOPA proposal applies proportionality and risk-based principles in a way that will translate in a material reduction of reporting for simple less complex undertakings, while for undertakings with more complex risk-profile, for example covering cyber risk, with material cross-border business and using internal models, the costs reductions will balance the additions but it will certainly make the reporting package more fit-for-purpose. |
|                                                                                                                                                                                                               | Supervisors   | Supervisory authorities will receive the needed level of detail to pursue their supervisory duties according to Directive 2009/138/EC. The elimination of redundant information, the improved structure in which information is provided and the additional information driven by supervisory needs, will enhance risk-based supervision and protection of policyholders.                                                                                                                                                                                                                                                                                                                                                                                                                  |
|                                                                                                                                                                                                               | Other         | The review work is meant to contribute to COM work on fitness check of supervisory reporting in EU financial legislation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

470. With regards to option 1.1 neither additional material costs nor cost reductions are foreseen as it keeps the status quo.

471. As far as impacts of possible changes are concerned, options 1.2 and 1.3 mainly imply IT rearrangements for reporting systems (both for undertakings delivering information and for supervisory authorities processing it) and

eventual staff costs (e.g. for training). In addition, possible costs incurred are foreseen to be *una tantum* and foreseen to decrease in the long term.

472. According to the time horizon, the aforementioned costs are likely to impact only in the short-term without any foreseen material cost in the long-run. Costs are expected to be substantially reduced immediately for less complex undertakings while for more complex undertakings a decrease in costs might instead occur in the long-run once the new infrastructure is fully set up and working.
473. In terms of foreseen benefits, option 1.1 is not foreseen to reduce the reporting burden or to increase proportionality because it keeps the status quo. Option 1.2 is expected to reduce the reporting burden on undertakings but does not lead to the necessary degree of information for supervisory authorities. Option 1.3 is expected to bring the same benefits of option 1.2, plus the value-added brought by the additional information that will let supervisory authorities meet supervisory needs.
474. Regarding concrete application of proportionality, bearing in mind that Article 35 would be maintained allowing for limitations and exemptions, the reviewed proposal includes in addition to Article 35 the definition of two template categories:
- Core (basic): include templates that do not have risk-based thresholds for both annually and quarterly reporting;
  - Non-Core (risk-based): include templates that do have risk-based thresholds. Risk-based thresholds are meant to capture the need to reflect the nature, scale and complexity of the risks undertakings are exposed to.
475. In addition to this, the reporting package has been revised comprising:
- Deletion of currently existing templates which are not regularly used;
  - Changes to already existing templates, simplifying them whenever possible and adding missing information;
  - Addition of new templates to reflect supervisory needs.

### Evidence

476. 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
  - Furthermore, additional evidence is expected to be collected at a later stage as part of the Public consultation of this proposal during Summer 2019.
477. In the list below EIOPA presents a summary of the major changes/deletions and add-ons made to the reporting package:

- Template S.01.01 – Content of Submission

This template is a core template and is part of both quarterly and annual submission with no possibility to exempt quarterly or annually. No thresholds apply to this template. Changes applied to this template are adaptations that are linked to other changes in related templates to ensure higher consistency of reporting. Moreover, the adaptations applied to this template are introduced to reflect the newly introduced risk-thresholds.

- Template S.01.02 – Basic Information

This template is a core template and is part of both quarterly and annual submission with no possibility to exempt quarterly or annually. No thresholds apply to this template. Changes applied to this template are minor additions that are meant to allow for better use of residual information, such as:

- a) Mandatory LEI code use
- b) Introduction of a new row for information on the legal form of the undertaking
- c) Introduction of a new row for information (if applicable) on the type of business (namely, captive and run-off)
- d) Introduction of a new row for information on M&A operations
- e) Introduction of a new row for information on link to SFCR position on website

- Template S.02.01 - Balance Sheet

This template is a core template and is part of both quarterly and annual submission with no possibility to exempt quarterly or annually. No thresholds apply to this template. Changes applied to this template are additions and clarifications that are meant to more efficiently capture ECB details on debts (differentiating between debts owed to credit institutions, financial liabilities other than debts owed to credit institutions and other financial liabilities) and on accounting equity and reserves.

- Template S.02.02 - Assets and liabilities by currency

This template is a non-core template and is part of annual submission with no possibility to exempt annually. The following thresholds (the template already included thresholds) apply to this template: regarding liabilities per currency, the template does not need to be reported if the reporting currency represents more than 90% of the total liabilities. Changes applied to this template are deletions that require only information on liabilities per currency to be reported. However, the template needs to include information by currency on Reinsurance Recoverables.

- Template S.03.01 - Off-balance sheet items – General

This template is a non-core template and is part of annual submission. The following thresholds identify whether the template is required:

- a) The amount of any of the following rows is higher than 1% of Total Assets:
  - R0010/C0020: Guarantees provided by the undertaking, including letters of credit
  - R0030/C0020: Guarantees received by the undertaking, including letters of credit
  - R0200/C0020: Total collateral held
  - R0300/C0020: Total collateral pledged
  - R0400/C0010: Total Contingent liabilities
- b) The amount of any of the following sums is higher than 1,5% of Total Assets:
  - R0010/C0020: Guarantees provided by the undertaking, including letters of credit + R0300/C0020: Total collateral pledged + R0400/C0010: Total Contingent liabilities
  - R0030/C0020: Guarantees received by the undertaking, including letters of credit + R0200/C0020: Total collateral held
- c) If for any row the Maximum value reported in C0010 is higher than 120% of the Solvency II value reported

The template is also required when the undertaking has any provided or receive unlimited guarantee.

The changes are linked to the deletion of templates S.03.02 and S.03.03.

- Template S.03.02 - Off-balance sheet items - List of unlimited guarantees received by the undertaking and

This template is proposed for deletion.

- Template S.03.03 - Off-balance sheet items - List of unlimited guarantees provided by the undertaking

This template is proposed for deletion.

- Template S.04.01 - Activity by country

This template is a core template and is part of annual submission. No thresholds apply to this template. Changes applied to this template are major changes that led to a replacement of the old version of the template with a new S.04.01. Changes imply the deletion of currently existing templates for cross-border business (namely, S.04.01, S.05.02, S.12.02, S.17.02).

The new template entails the following details:

- a) Listing of all EEA and non-EEA branches of the undertaking
- b) Information, clustered by branch and line of business, from the underwriting point of view on premiums, claims, expenses, commissions, number of insureds, number of contracts underwritten with differentiation between country of establishment and freedom to provide services

- c) Information, clustered by branch and line of business, from a location of risk point of view on premiums, claims, expenses and technical provisions.
- Template S.04.02 - Information on class 10 in Part A of Annex I of Solvency II Directive, excluding carrier's liability

This template was not impacted by any change.

- Template S.04.03 – Cross-border business

This template is a newly introduced core template and is part of annual submission with no possibility of exemption. No thresholds apply to this template.

- Template S.05.01 - Premiums, claims and expenses

This template is a core template and is part of both quarterly and annual submission with possibility of exemption only for quarterly submissions. No thresholds apply to this template. Changes applied to this template are simplifications and minor additions that delete the section on “Changes in other technical provisions” and adds the following set of information:

- a) Number of contracts;
- b) Number of insureds;
- c) Commissions to intermediaries
- d) Balance – other technical expenses/income
- e) Gross written premiums by different distribution channels.

In addition, EIOPA proposes to add the total amount of surrenders to the quarterly reporting.

- Template S.05.02 - Premiums, claims and expenses - by country

This template was replaced by information required under the new version of template S.04.01. (S.04.03)

- Template S.06.01 - Summary of assets

This template is proposed for deletion.

- Template S.06.02 - List of assets

This template is a core template and is part of both quarterly and annual submission with possibility of exemption for both quarterly and annual submissions. No thresholds apply to this template. Changes applied to this template are improvements that were needed in order to reflect reality of business activities with particular reference to the following added information:

- a) Include ECB add-on items relevant for prudential supervision purposes;
- b) Additional item regarding ESG-compliant/sustainable investments;

- c) Additional data item on applicability of bail-in rules;
  - d) Additional item on RGLA;
  - e) Additional item on cryptocurrencies related investments;
  - f) Additional item regarding Custodian LEI code;
  - g) New CIC code to identify government bonds issued in a different currency;
  - h) Improvements to the reporting instructions and to the definition of CIC codes, with the objective of provide specific clarifications and reflecting the outcome of Q&A on reporting.
- Template S.06.03 - Collective investment undertakings - look-through approach

This template is a non-core template and is part of both quarterly and annual submission with possibility of exemption for both quarterly and annual submissions. The current version of the template already includes thresholds. The following thresholds apply to this template:

- a) the current quarterly threshold on the ratio of collective investments to total investments is increased from 30% to 50%.
- b) the current quarterly threshold on country exposure is reduced from 90% to 80%

Changes applied to this template are simplifications that reduce the scope of the template and move some information to template S.06.04.

- Template S.06.04 - Collective investment undertakings - look-through approach

This template is a newly-introduced non-core template and is part of both quarterly and annual submission with possibility of exemption only for both quarterly and annual submissions. This template was introduced in order to capture information as a full look through template applicable to CIUs where the undertaking has influence on the investment strategy or when the undertaking performs a full look through of the CIU. The following thresholds apply to this template:

- a) The template is required when the full look through performed by the undertaking is more than 10% over total investments
- b) No annual threshold applies to the template.
- c) Undertaking are allowed to use for reporting purposes the last known position of each CIUs in each quarterly reporting with a fixed maximum delay of one month.
- d) Moreover, information on "Country of Issue" should also be reported regarding mortgages and loans and property.

- Template S.07.01 - Structure products

This template was not impacted by any change (including the already existing threshold).

- Template S.08.01 - Open derivatives

This template is a core template and is part of both quarterly and annual submission with possibility of exemption for both quarterly and annual submissions. No thresholds apply to this template. Changes applied to this template are simplifications and minor additions that were needed in order to reflect reality of business activities with particular reference to the following items:

- a) Delete items: "delta", "premium paid", "premium received";
- b) Replace items: "Swap\_delivered\_Cur" and "Swap\_received\_Cur" by the new items "Swap delivered" and "Swap received";
- c) Add the new item "Currency of price";
- d) Require that the item "Counterparty code" is also reported for derivatives cleared through a central counterparty;
- e) Require that items "Counterparty code" and "Counterparty Group code" are always reported, even when a LEI code isn't available, reporting a code attributed by the undertaking;
- f) Clarify that item "Notional amount of the derivative" shall be reported in the original currency
- g) Add the item "unique transaction identifier" and "unique product identifier" to make connection of EMIR and Solvency II data possible

- Template S.08.02 - Derivatives transaction

This template is proposed for deletion.

- Template S.09.01 - Income/gains and losses in the period

This template was not impacted by any change.

- Template S.10.01 - Securities lending and repos

This template was not impacted by any change (including the already existing threshold).

- Template S.11.01 - Assets held as collateral

This template is a non-core template and is part of annual submission with possibility of exemption. The following thresholds apply to this template to ensure a proportionate approach: this template is only required to be reported annually when the ratio of the value of assets held as collateral to total balance sheet exceeds 5%.

- Template S.12.01 - Life and Health SLT Technical Provisions

This template is a core template and is part of both quarterly and annual submission with possibility of exemption only for quarterly submissions. No

thresholds apply to this template. Changes applied to this template are simplifications that delete information on transitional measures for quarterly reporting.

- Template S.12.02 - Life and Health SLT Technical Provisions - by country

This template is being replaced by the new set of S.04 templates on cross-border.

- Template S.13.01 - Projection of future gross cash flows

This template is a non-core template and is only part of annual submission. The following threshold applies to this template: all undertakings using simplifications for the calculation of technical provisions, for which an estimate of the expected future cash-flows arising from contracts are not calculated, are exempted from this template. Changes applied to this template are minor additions that require data on "Total recoverable from reinsurance (after adjustment) by LoB and splits details on future benefits in two elements "Future guaranteed benefits" and "Future discretionary benefits".

- Template S.14.01 - Life obligations analysis

This template is a core template and is only part of annual submission. No thresholds apply to this template. Changes applied to this template are major changes that impact on the following items:

- a) Portfolio of products (S.14.01.01.01)
- b) Characteristics of Products (S.14.01.01.02)
- c) Information on Homogeneous Risk Groups (HRG) (S.14.01.01.03)

Regarding the Portfolio of Products, the following changes apply:

- a) Division of S.14.01.01.01 into two sub-templates:
  - i. S.14.01.01.01 Portfolio of Products, with methodology kept unchanged with regard to the current design of the template
  - ii. S.14.01.01.0X Portfolio of Products, to avoid duplication in contract numbers in case several funds exist per one single product
- b) Require specific information on "number of contracts at the end of the year" by adding information "number of contracts at the end of the year, which have a surrender option"
- c) Additional information on "number of contract surrendered during the year"
- d) Additional information on "number of insured at the end of the year", by adding "number of insured at the end of the year" and "number of insured at the end of the year of which related to new contracts during the year"
- e) Additional information on the "fiscal treatment" on the products

- f) Additional information on the "total amount of written premiums – single premiums –total", divided by:
  - i. Total amount of Written premiums - single premiums direct business
  - ii. Total amount of Written premiums - single premiums written via credit institutions
  - iii. Total amount of Written premiums - single premiums written via other insurance distributors
  
- g) Additional information on the "total amount of written premiums – single premiums - new contract", divided by:
  - i. Total amount of Written premiums - single premiums direct business
  - ii. Total amount of Written premiums - single premiums written via credit institutions
  - iii. Total amount of Written premiums - single premiums written via other insurance distributors
  
- h) Additional information on the "total amount of Written premiums - regular premiums - total", divided by:
  - i. Total amount of Written premiums - regular premiums direct business
  - ii. Total amount of Written premiums - regular premiums written via credit institutions
  - iii. Total amount of Written premiums - regular premiums written via other insurance distributors
  
- i) Additional information on the "total amount of Written premiums - regular premiums – new contract", divided by:
  - i. Total amount of Written premiums - regular premiums direct business
  - ii. Total amount of Written premiums - regular premiums written via credit institutions
  - iii. Total amount of Written premiums - regular premiums written via other insurance distributors
  
- j) Additional information on "Commission paid, divided by:
  - i. Total amount of commissions paid during year
  - ii. Total amount of commissions paid during year – new contracts during year
  - iii. Administrative expenses
  
- k) Additional information on "expected future premiums"

- l) Additional information on “expected future premiums – new contracts”

Regarding the Characteristics of Products, the following changes apply:

- a) Additional information on “Pensions entitlements”
- b) Additional information on “Profit Sharing”
- c) Additional information on “Remaining contractual maturity”
- d) Deletion of information on “Type of Premium”
- e) Deletion of information on “use of financial instrument replication”

Regarding Homogeneous Risk Groups (HRG), the following changes apply:

- a) Additional information on exit conditions

- Template S.15.01. - Description of the guarantees of variable annuities EIOPA

This template is proposed for deletion.

- Template S.15.02 - Hedging of guarantees of variable annuities

This template is proposed for deletion.

- Template S.16.01 - Information on annuities stemming from Non-Life Insurance obligations

This template is a non-core template and is only part of annual submission with no possibility of exemption. The following thresholds apply to this template: the reporting of the template is required when the LoB represents between 5% and 10% of the BE. Changes applied to this template are minor deletions that do not require data for reinsurance business; however, reinsurance business is still required for the direct business performed by reinsurance undertakings.

- Template S.17.01. - Non-Life Technical Provisions - S.17.01

This template is a core template and is part of both quarterly and annual submission with possibility of exemption only for quarterly submissions. No thresholds apply to this template. Changes applied to this template are simplifications that delete quarterly request of information on transitional measures.

- Template S.17.02 – Non-Life Technical Provisions - by country

This template is a non-core template and only part of annual submission. No thresholds apply to this template. Changes applied to this template are major changes that led to a replacement of the template with the information captured by the new set of S.04 templates.

- Template S.18.01 - Projection of future cash flows (Best Estimate - Non Life)

This template is a non-core template and is only part of annual submission with no possibility of exemption. The following thresholds apply to this template:

- a) The template is required only for material LoBs representing a coverage of at least 90% of the TP;
- b) Undertakings using simplifications for the calculation of Technical Provisions, for which an estimate of the expected future cash-flows arising from the contracts are not calculated, are not required to submit this template.

Changes applied to this template are additions that require information on the value of "Total recoverable from reinsurance (after adjustment) by material LoB".

- Template S.14 – Non-Life obligations analysis

This template is a newly-introduced core template and is proposed to be part of annual submission. No thresholds apply to this template. EIOPA proposes to include the following information in the template:

- a) Number of new contracts underwritten during the year
- b) Number of renewed contracts during the year
- c) Number of insureds at the end of the reporting year
- d) Number of new insureds during reporting year
- e) Total amount of Written premiums - direct writing
- f) Total amount of Written premiums - written via credit institutions
- g) Total amount of Written premiums - written via insurance distributors other than credit institutions
- h) Total amount of commissions paid during year
- i) Total amount of commissions paid during year - new contracts during year
- j) Country

- Template S.19.01 - Non-life insurance claims

This template is a non-core template and is only part of annual submission with no possibility of exemption. The following thresholds apply to this template:

- a) In terms of material LoB, the template is only required when the LoB represents a coverage of 90% of the TP
- b) In terms of Currency, reporting is required only when the LoB represents 5% to 10% of the BE

Changes applied to this template are minor deletions that eliminate the requirement for information on totals for reporting currency.

- Template S.20.01 - Development of the distribution of the claims incurred

This template is a non-core template and is part of annual submission. The following thresholds apply to this template:

- a) The template is required only for material LoBs representing a coverage of at least 90% of the TP

- Template S.21.01 – Loss distribution risk profile

This template is a non-core template and is part of annual submission. The following thresholds apply to this template:

- a) The template is required only for material LoBs representing a coverage of at least 90% of the TP

- Template S.21.02 – Loss distribution risk profile

This template was not impacted by any change.

- Template S.21.03 – Non-life distribution of underwriting underwriting risks – by sum insured

This template is a non-core template and is part of annual submission. The following thresholds apply to this template:

- a) The template is required only for material LoBs representing a coverage of at least 90% of the TP ;

- Template S.22.01 to S.22.06 - Long term guarantees measures and transitionals

These templates will be eventually impacted by the second wave of consultation.

- Template S.23.01 - Own funds

This template was not impacted by any change.

- Template S.23.02 - Detailed information by tiers on own funds

This template is a core template and is only part of annual submission with no possibility of exemption. No thresholds apply to this template. Changes applied to this template are general changes that impact on the following items:

- a) Insert a first subtotal for the item “Core own funds from the financial statements” on the following sub-items:
  - i. Capital from financial statement

- ii. Reserves from financial statements excluding retained earnings, surplus fund and subordinated liabilities
  - iii. Retained earnings from financial statements (excluding retained earnings from the result of the year)
  - iv. Result of the year (before distribution of dividends)
- b) Insert a first subtotal for the item "Own funds from the financial statements Subordinated liabilities" on the following sub-items:
  - i. Surplus fund
  - ii. Deferred tax assets
- c) Insert information on:
  - i. The difference in the valuation of deferred tax assets;
  - ii. The difference in the valuation of subordinated liabilities.
- Template S.23.03 - Annual movements on own funds
 

This template is a non-core template and is only part of annual submission. The following threshold applies to this template: the template is only due when sum of notional movements is higher than 10% of the own funds amount at the beginning of the year.
- Template S.23.04 - List of items on own funds
 

This template is a non-core template and is only part of annual submission. The following threshold applies to this template: the template is only due when template S.23.03 is due or when RFF exist.
- Template S.24.01 - Participations held
 

This template was not impacted by any change.
- Template S.25.01 - Solvency Capital Requirement - for undertakings on Standard Formula
 

This template is a core template and is only part of annual submission with no possibility of exemption. No thresholds apply to this template. Changes applied to this template are major changes that would imply the following:

  - a) Intervention by COM to amend article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.25.01 with SF figures of undertakings that use an internal model;
  - b) Collect the split of Capital add-ons by type of CAO in template S.25.01
- Template S.25.02 - Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

This template is a core template and is part of annual submission. No thresholds apply to this template. Changes applied to this template are major

changes that led to a replacement of the current version of the template with a specific set of templates on Internal Models (see Annexes XII, XIII, XVII and XVIII). Moreover, EIOPA proposes to collect the split of Capital add-ons by type of CAO.

- Template S.25.03 - Solvency Capital Requirement - for undertakings on Full Internal Models

This template is a core template and is part of annual submission. No thresholds apply to this template. Changes applied to this template are major changes that led to a replacement of the current version of the template with a specific set of templates on Internal Models (see Annexes XII, XIII, XVII and XVIII). Moreover, EIOPA proposes to collect the split of Capital add-ons by type of CAO.

- Template S.25.04 – Full and partial internal models

This template is a newly-introduced core template and is only part of annual submission with no possibility of exemption. No thresholds apply to this template. This template was introduced in order to address the issue of coding system (see Annexes XIII, XVII and XVIII).

- Template S.26.01 - Solvency Capital Requirement - Market risk

This template is a core template and is only part of annual submission with no possibility of exemption. No thresholds apply to this template. Changes applied to this template are impacting Internal Model users and imply the following:

- COM to amend article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.26.01 with SF figures of undertakings that use an internal model

Template S.26.02 - Solvency Capital Requirement - Counterparty default risk

This template is a core template and is only part of annual submission with no possibility of exemption. No thresholds apply to this template. Changes applied to this template are impacting Internal Model users and imply the following:

- COM to amend article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.26.02 with SF figures of undertakings that use an internal model

Template S.26.03 - Solvency Capital Requirement - Life underwriting risk

This template is a core template and is only part of annual submission with no possibility of exemption. No thresholds apply to this template. Changes

applied to this template are impacting Internal Model users and imply the following:

- COM to amend article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.26.03 with SF figures of undertakings that use an internal model

#### Template S.26.04 - Solvency Capital Requirement - Health underwriting risk

This template is a core template and is only part of annual submission with no possibility of exemption. No thresholds apply to this template. Changes applied to this template are impacting Internal Model users and imply the following:

- COM to amend article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.26.04 with SF figures of undertakings that use an internal model

#### Template S.26.05 - Solvency Capital Requirement - Non-Life underwriting risk

This template is a core template and is only part of annual submission with no possibility of exemption. No thresholds apply to this template. Changes applied to this template are impacting Internal Model users and imply the following:

- COM to amend article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.26.05 with SF figures of undertakings that use an internal model

#### Template S.26.06 - Solvency Capital Requirement - Operational risk

This template is a core template and is only part of annual submission with no possibility of exemption. No thresholds apply to this template. Changes applied to this template are impacting Internal Model users and imply the following:

- COM to amend article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.26.06 with SF figures of undertakings that use an internal model

#### - Template S.26.07 - Solvency Capital Requirement – Simplifications

This template was not impacted by any change.

- Template S.27.01 - Solvency Capital Requirement - Non-life and Health catastrophe risk

This template is a core template and is only part of annual submission with no possibility of exemption. No thresholds apply to this template. Changes applied to this template are impacting Internal Model users and imply the following:

- COM to amend article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.27.01 with SF figures of undertakings that use an internal model;
- Template S.28.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

This template was not impacted by any change.

- Template S.28.02 - Minimum Capital Requirement - Both life and non-life insurance activity

This template was not impacted by any change.

- Template S.29.01 – Excess of assets over liabilities

This template is proposed for deletion.

- Template S.29.02 – Excess of assets over liabilities - explained by investments and financial liabilities

This template is proposed for deletion.

- Template S.29.03 – Excess of Assets over Liabilities - explained by technical provisions

This template is a non-core template and is part of annual submission. No thresholds apply to this template. Changes applied to this template are major changes that led to a replacement of the current version of the template with one template distinguishing between life and non-life:

- a) Template S.29.05 differentiating between actual risk experience, changes of non-economic and economic assumptions, reinsurance, lapse and new business;
- b) Template S.29.06 differentiating between changes of assumptions, key performance indicators for the premium provision calculation and an undiscounted actuarial analysis of movements in the claims provision including an actual vs expected analysis.
- Template S.29.04 – Detailed analysis per period - Technical flows versus Technical provisions

- S.30 templates

These templates are non-core annual templates with no possibility of exemption. The following threshold applies to the templates: templates should only be due when the ratio of recoverables over best estimate is, for any line of business, higher than 1% and the Total Non-life catastrophe risk after diversification after risk mitigation is lower than 70% of the amount after risk mitigation

In addition, EIOPA proposes to:

- a) reduce the scope of the templates to the overall 20 largest facultative reinsurance exposures plus the largest two in each line of business if not covered by the largest 20;
- b) apply simplifications and a number of deletions and replacements

- Template S.31.01 - Share of reinsurers (including Finite Reinsurance and SPV's)

This template is a core template and is only part of annual submission with no possibility of exemption. No thresholds apply to this template. Changes applied to this template are minor changes that add a currency field to the template.

- Template S.31.02 - Special Purpose Vehicles

This template was not impacted by any change.

- Template on Cyber

This template is a newly introduced core template and is proposed to be part of annual submission. No thresholds apply to this template asking information on the following information regarding cyber underwriting:

- a) Type of policyholder (Commercial/Individual customers)
- b) Types of coverage (Non-affirmative exposures by LoB/ Affirmative exposures: Identify the LoB under which the affirmative exposure is sold)
- c) Type of risks covered
- d) Number of policies
- e) Sum Insured
- f) Premiums
- g) Number and amount of Claims (settled with and without payments)
- h) Technical provisions
- i) Deductibles
- j) Split by direct and accepted business and as well as information ceded reinsurance.

478. In order to assess the potential impact of the proposed introduction of risk-based thresholds in the non-core templates, EIOPA has applied proposed risk-based thresholds to QRTs reported with the following results:

| <b>Templates</b>                                                    | <b>Threshold</b>                                                                                                                                                                                                                                                                                                                             | <b>Impact of threshold in % of number of undertakings</b>                                                                                                      |
|---------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| S.03.01<br>Off-balance sheet items-general                          | 1%/1.5% Total assets/Maximum value higher than 120% of SII value                                                                                                                                                                                                                                                                             | 1%: Exempts around 37% of undertakings<br>1,5%: Exempts around 42% of undertakings<br>For 84% of undertakings the Max is lower than 120% of SI value           |
| S.11.01<br>Assets held as collateral                                | This template is only required to be reported annually when the ratio of the value of assets held as collateral to total balance sheet exceeds 5%.                                                                                                                                                                                           | Exempts around 60% of the undertakings                                                                                                                         |
| S.13.01<br>Projection of future cash flows                          | All undertakings using simplifications for the calculation of technical provisions, for which an estimate of the expected future cash-flows arising from contracts are not calculated, are exempted from this template                                                                                                                       | Average of the TP for which CF would not be reported: 18% of TP                                                                                                |
| S.16.01<br>Annuities stemming from NL obligations                   | The template is required when the LoB represents between 5% and 10% of the BE                                                                                                                                                                                                                                                                | Not possible to assess impact concretely - stakeholders are kindly asked to provide input<br>Average number of LoB reported by company: 3,48                   |
| S.18.01<br>Projection of future cash flows (Best Estimate-Non Life) | a) The template is required only for material LoBs representing a coverage of at least 90% of the TP;<br>b) Undertakings using simplifications for the calculation of Technical Provisions, for which an estimate of the expected future cash-flows arising from the contracts are not calculated, are not required to submit this template. | Average number of LoB to meet 90%: 2,35<br>42% of companies meet 90% with only one currency<br>Average of the TP for which CF would not be reported: 33% of TP |
| S.19.01<br>Non-life insurance claims                                | a) In terms of material LoB, the template is only required when the LoB represents a coverage of 90% of the TP<br>b) In terms of Currency, reporting is required only when the LoB represents 5% to 10% of the BE                                                                                                                            | 90% coverage: 2.33 LoB would not be reported out of 4.7 LoB reported in average (first triangle)                                                               |

|                                                                      |                                                                                                                                 |                                                                                                                 |
|----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| S.20.01<br>Development of the distribution of the claims incurred    | The template is required only for material LoBs representing a coverage of at least 90% of the TP                               | 90% coverage: 2.5 LoB would not be reported out of 5 LoB reported in average                                    |
| S.21.01<br>Loss distribution risk profile                            | The template is required only for material LoBs representing a coverage of at least 90% of the TP                               | 90% coverage: 2.7 LoB would not be reported out of 5,2 LoB reported in average                                  |
| S.21.03<br>Non-life distribution of underwriting risk by sum insured | The template is only required when the LoB represents a coverage of 90% of the TP                                               | 90% coverage: 2.95 LoB would not be reported out of 5,57 LoB reported                                           |
| S.23.03<br>Annual movements on own funds                             | The template is only due when sum of notional movements is higher than 10% of the own funds amount at the beginning of the year | Exempts around 90% of the undertakings                                                                          |
| S.23.04<br>List of items on own funds                                | The template is only due when template S.23.03 is due or when RFF exist                                                         | Exempts around 90% of the undertakings<br>But considering the RFF criteria 84% of the undertakings are exempted |
| S.30.01 to S.30.04<br>Reinsurance covers                             | %of reinsurance ceded based on recoverables and net/gross ratio 70%                                                             | Life: around 44% of undertakings would be exempted<br>Non-life: around 7% of undertakings would be exempted     |

### Comparison of options

#### **Policy issue 1: Review the adequacy of the content of the supervisory reporting package**

479. The preferred policy option for this policy issue is Option 1.3: Review the requirements template by template to better reflect proportionality and to reflect supervisory needs by improving the information required on existing templates and by creating new templates when needed. The overall balance of costs and benefits for the preferred option highlights the importance to reduce the burden on undertakings while guaranteeing that necessary information for supervisory purposes will be delivered to supervisory authorities. Furthermore, as need for new supervisory information (e.g. cyber) is increasingly growing, the proposed option takes on the opportunity to meet supervisory needs while granting integration of the new information set in the already existing one to preserve efficiency and effectiveness of the process. In addition, the option further aligns reporting requirements with nature, scale and complexity of the risks insisting on undertakings. The risk-based thresholds proposed lead to a material reduction of the reporting burden. Option 1.2 has been disregarded because, even though it allows for greater application of proportionality across

undertakings it does not sufficiently highlight the need to meet supervisory needs (e.g. cyber).

480. Option 1.1 has been disregarded because keeping the status quo would not match the needs highlighted by the inputs received by stakeholders regarding the need to apply more proportionality. The guiding principle of the review is that only information needed for the purposes of fulfilling national supervisory authorities' responsibilities under Directive 2009/138/EC shall be required. Option 1.1 would clearly not follow the aim of the provisions of proportionality that are outlined in Directive 2009/138/EC. In conclusion, given EIOPA's willingness to guarantee a win-win outcome for both supervisors and undertakings and given the importance to guarantee the right level of information without requiring a too burdensome reporting to supervised entities, EIOPA believes that option 1.1 would not guarantee the fulfilment of such objectives.

481. The selection of the preferred option has required a trade-off between supervisors' needs and those of the industry. Taking policyholders' protection and willingness to decrease burden on undertakings while preserving supervisory needs as a baseline, options for Policy Issue 1 have been compared measuring efficiency and effectiveness granted by each of the three foreseen options.

482. In terms of Effectiveness, the three options are foreseen to have the following outcomes:

- option 1.1 means keeping the status quo and represents a solution that is not foreseen to increase effectiveness;
- option 1.2, combines a positive effect on effective supervision of undertaking and on the improvement in comparability of information and transparency with a highly positive effect on improvement in the application of proportionality;
- option 1.3 proves to be better fitting all the three objectives also granting more efficiency and effectiveness in the supervision of (re)insurance undertakings if compared to option 1.2.

483. In terms of Efficiency, the three options are foreseen to have the following outcomes:

- option 1.1 means keeping the status quo, does not generate any cost efficiency and represents a solution that is not foreseen to increase efficiency;
- option 1.2, combines a positive effect on effective supervision of undertaking and on the improvement in comparability of information and transparency with a highly positive effect on improvement in the application of proportionality. Eventual costs are off-set by the good benefits granted by the solution;
- option 1.3 proves to be better fitting all the three objectives also granting more efficiency and effectiveness in the supervision of (re)insurance

undertakings if compared to option 1.2. Eventual costs incurred in to implement the option are more than offset by the high benefits implied by the option.

484. The above mentioned effects are also illustrated by the table below:

| <b>Policy issue: 1. Review the adequacy of the content of the supervisory reporting package</b> |                                                                                              |                                                                                                                                          |                                                                 |
|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
|                                                                                                 | <b>Effectiveness (0/+ /++)</b>                                                               |                                                                                                                                          |                                                                 |
| <b>Options</b>                                                                                  | Objective 1:<br>Effective and efficient supervision of (re)insurance undertakings and groups | Objective 2:<br>Improving proportionality, in particular by limiting the burden for (re)insurance undertakings with simple and low risks | Objective 3:<br>Improving transparency and better comparability |
| <b>Option 1.1:<br/>No change</b>                                                                | 0                                                                                            | 0                                                                                                                                        | 0                                                               |
| <b>Option 1.2:<br/>proportionality review</b>                                                   | +                                                                                            | ++                                                                                                                                       | +                                                               |
| <b>Option 1.3:<br/>proportionality review and new supervisory needs</b>                         | ++                                                                                           | ++                                                                                                                                       | ++                                                              |

| <b>Policy issue:</b>                                                    |                                                                                              |                                                                                                                                          |                                                                 |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
|                                                                         | <b>Efficiency (0/+ /++)</b>                                                                  |                                                                                                                                          |                                                                 |
| <b>Options</b>                                                          | Objective 1:<br>Effective and efficient supervision of (re)insurance undertakings and groups | Objective 2:<br>Improving proportionality, in particular by limiting the burden for (re)insurance undertakings with simple and low risks | Objective 3:<br>Improving transparency and better comparability |
| <b>Option 1.1:<br/>No change</b>                                        | 0                                                                                            | 0                                                                                                                                        | 0                                                               |
| <b>Option 1.2:<br/>proportionality review</b>                           | +                                                                                            | ++                                                                                                                                       | +                                                               |
| <b>Option 1.3:<br/>proportionality review and new supervisory needs</b> | ++                                                                                           | ++                                                                                                                                       | ++                                                              |

485. With respect to option 1.3, the changes proposed by EIOPA to the reporting package and the expected impacts in terms of reporting burden for undertakings are summarised in the tables below (and should be seen with the table above on the impacts of the thresholds). The expected impact has been estimated through qualitative assessment based on the nature of the change proposed, the number of templates and entry points affected, the complexity of calculations and availability of data and the number of undertakings affected by the proposed change.

**Quarterly templates – Out of 10 business templates (i.e. excluding S.01.01, S.01.02 and one S.28)**

| <b>Proposed change</b> | <b>Templates affected</b> |
|------------------------|---------------------------|
| Deletion               | 1 template                |
| Simplifications        | 4 templates               |
| Additions              | 1 templates               |
| New templates          | 1 template                |
| TOTAL                  | 10 templates              |

**Annually templates**

| <b>Proposed change</b>   | <b>Templates affected</b>                                |
|--------------------------|----------------------------------------------------------|
| Deletion                 | 9 template                                               |
| New/increased thresholds | 16 templates                                             |
| Simplifications          | 8 templates                                              |
| Additions                | 8 templates                                              |
| New templates            | 2 template                                               |
| TOTAL                    | Current: 62 business templates<br>Proposed: 55 templates |

|  |                     |
|--|---------------------|
|  | (44 core templates) |
|--|---------------------|

## 2.8. Advice

EIOPA proposes to add the following information to the basic information template:

- R0020 – make LEI as mandatory (and delete R0030)
- New rows to identify:
  - mutual (and similar types of) undertakings;
  - captive business;
  - Run-off business (when undertakings do not accept new contracts for any LoB even if new premiums still exist from existing contracts – definition to be further defined as an outcome of the work on supervisory convergence regarding supervision of run-off business);
  - M&A during the period;
  - URL for the SFCR.

EIOPA proposes to add the following amendments to the balance-sheet template:

- Change the definition of Government bonds so that all Government Bonds are showed as such regardless of the SCR treatment;
- Include details on debts owed to credit institutions (R0800) and Financial liabilities other than debts owed to credit institutions (R0810) as in the ECB add-on template;

Clarify the instructions of Receivables/payables and Reinsurance recoverables.

EIOPA proposes to (in S.02.02):

- Delete the assets part of the template (and add currency in S.31.01);
- Keep the liabilities part of the template with the already existing threshold.

EIOPA proposes to (in S.03.01):

- Add two cells on the existence of unlimited guarantees received/provided;
- Introduce a risk-based threshold.

EIOPA proposes to delete both S.03.02 and S.03.03 from the reporting package.

EIOPA proposes to delete the existing templates for cross border business (S.04.01, S.05.02, S.12.02, S.17.02) from the reporting package and replace these with a new approach of reporting templates that consolidate the information requirement.

These templates should entail:

- A listing of all EEA and non-EEA branches of the insurance undertaking;
- Template with cross-border business from an underwriting perspective aiming in particular the supervision of cross-border business: annual template with information, by line of business and for each of the entities identified in the first template, on the premiums, claims, expenses, commissions, number of insured and number of contracts underwritten, in the country of establishment and business written on the basis of Freedom to Provider Services on a country-by-country basis. This template would not have any threshold as NCAs need to know all cross-border business performed.

- Template with cross-border business from a location of risk perspective aiming in particular the supervision of risks: annual template with information, by line of business and for each of the entities identified in the first template, on premiums, claims, expenses and technical provisions on a location of risk basis a country-by-country basis.

EIOPA proposes not to change template S.04.02.

EIOPA proposes to (in S.05.01):

- delete “Changes in other technical provisions”; and
- add the following information in the quarterly and annual template to improve the template:
  - number of contracts,
  - number of insured,
  - commissions to intermediaries,
  - Balance – other technical expenses/income (instead of Other expenses),
  - Gross written premiums by different distribution channels (Direct business, Written via credit institutions, Written via other distributors).

EIOPA proposes to add the total amount of surrenders to the quarterly reporting.

EIOPA proposes to replace template S.05.02 by a general cross-border template. See proposal under S.04.01 template.

EIOPA proposes to delete template S.06.01.

EIOPA proposes to add the following amendments to the list of assets template (S.06.02) and CIC table:

- Include ECB add-on items relevant for prudential supervision purposes;
- Additional item regarding ESG-compliant/sustainable investments;
- Additional data item on applicability of bail-in rules;
- Additional item on RGLA;
- Additional item on cryptocurrencies related investments;
- Additional item regarding Custodian LEI code;
- New CIC code to identify government bonds issued in a different currency;
- Improvements to the reporting instructions and to the definition of CIC codes, with the objective of provide specific clarifications and reflecting the outcome of Q&A on reporting.

At the same pace, EIOPA proposes that changes in the reporting requirements regarding the List of assets should be balanced with use of complementary external financial information by NCAs.

EIOPA proposes the following regarding look-through (S.06.03):

- Keep the original S.06.03 template with a different (reduced) scope;
- Include a new S.06.04 full look through template applicable to CIUs where the undertaking has influence on the investment strategy or when the undertaking performs a full look through of the CIU.
- S.06.04 is to be reported quarterly when those investments represent more than 10% of the total investments.
- S.06.04 does not have an annually threshold;

- Allow that the undertaking use for reporting purposes the last known position of each CIUs, in each quarterly reporting, with a fixed maximum delay of one month;
- Require that the item "Country of issue" is also reported regarding Mortgages and Loans and Property;
- Increase the quarterly threshold of S.06.03 from 30% to 50%;
- Reduce the thresholds to identify exposures by country to 80% in S.06.03;

At the same pace, EIOPA acknowledges that changes in the reporting requirements regarding look-through should be balanced with the use of complementary external financial information, especially to centralised sources provided by fund managers or resulting from other supervisory or statistical reporting requirements.

EIOPA proposes the following (in S.07.01):

- Keep the template
- Keep the reporting threshold at 5%

EIOPA proposes the following (in S.08.01):

- Simplify the template in the following way by removing, clarifying and replacing specific items:
  - o Delete items: "delta", "premium paid", "premium received";
  - o Replace items: "Swap\_delivered\_Cur" and "Swap\_received\_Cur" by the new items "Swap delivered" and "Swap received";
  - o Add the new item "Currency of price";
  - o Require that the item "Counterparty code" is also reported for derivatives cleared through a central counterparty;
  - o Require that items "Counterparty code" and "Counterparty Group code" are always reported, even when a LEI code isn't available, reporting a code attributed by the undertaking;
  - o Clarify that item "Notional amount of the derivative" shall be reported in the original currency;
- Add the item "unique transaction identifier" to make connection of EMIR and Solvency II data possible.

EIOPA proposes to delete template S.08.02.

EIOPA proposes no changes to template S.09.01.

EIOPA proposes the following (in S.10.01):

- Keep the template
- Keep the reporting threshold at 5%

EIOPA proposes the following (in S.11.01):

- Keep the template
- Introduce a threshold of 5%

EIOPA proposes to simplify the quarterly template S.12.01 by deleting the information on the transitional measures.

EIOPA proposes to replace template S.12.02 by a general cross-border template. See proposal under S.04 template.

EIOPA proposes to (in S.13.01):

- To ask the value of the "Total recoverable from reinsurance (after the adjustment)" by LoB;
- To split the "future benefits" within "future guaranteed benefits" and "future discretionary benefits"
- To increase the scope of undertakings exempted from this template by exempting all undertakings using simplifications for the calculation of technical provisions, for which an estimate of the expected future cash-flows arising from the contracts are not calculated.

EIOPA proposes to amend S.14.01

Fostering granularity of the template in the following way by removing, clarifying and replacing specific items:

#### In Portfolio of Products S.14.01.01.01

- Division of S.14.01.01.01
  - o S.14.01.01.01 Portfolio of Products (methodology unchanged to the current design of the template)
  - o S.14.01.01.0X Portfolio of Products, if there are several funds existing per one single product to avoid duplication of the numbers of contracts, persons insured, etc [if applicable at national level].
- Specify the information of "number of contracts at the end of the year" by adding information "number of contracts at the end of the year, of which have a surrender option"
- Adding information on "number of contract surrendered during the year"
- Adding information on "number of insured at the end of the year", by adding "number of insured at the end of the year" and "number of insured at the end of the year of which related to new contracts during the year"
- Adding information on the "fiscal treatment" on the products
- Adding information on the "total amount of written premiums – single premiums –total", divided by:
  - o Total amount of Written premiums - single premiums direct business
  - o Total amount of Written premiums - single premiums written via credit institutions
  - o Total amount of Written premiums - single premiums written via other insurance distributors
- Adding information on the "total amount of written premiums – single premiums - new contract", divided by:
  - o Total amount of Written premiums - single premiums direct business
  - o Total amount of Written premiums - single premiums written via credit institutions
  - o Total amount of Written premiums - single premiums written via other insurance distributors
- Adding information on the "total amount of Written premiums - regular premiums - total", divided by:
  - o Total amount of Written premiums - regular premiums direct business
  - o Total amount of Written premiums - regular premiums written via credit institutions
  - o Total amount of Written premiums - regular premiums written via other insurance distributors
- Adding information on the "total amount of Written premiums - regular premiums – new contract", divided by:

- Total amount of Written premiums - regular premiums direct business
- Total amount of Written premiums - regular premiums written via credit institutions
- Total amount of Written premiums - regular premiums written via other insurance distributors
- Adding information on "Commission paid, divided by
  - Total amount of commissions paid during year
  - Total amount of commissions paid during year – new contracts during year
  - Administrative expenses
- Adding information on "expected future premiums"
- Adding information on "expected future premiums – new contracts"

#### In Characteristics of Products S.14.01.01.02

- Adding information on "Pensions entitlements"
- Adding information on "Profit Sharing"
- Adding information of "Remaining contractual maturity"
- Deletion of information on "Type of Premium"
- Deletion of information on "use of financial instrument replication"

#### Information on Homogenous Risk groups S.14.01.01.03

- Adding information on the exit conditions

EIOPA proposes to delete S.15.01 from the reporting package.

EIOPA proposes to delete S.15.02 from the reporting package.

EIOPA proposes to (in S.16.01):

- Clarify the general Instructions;
- Exempt the template for reinsurance business (still required for the direct business performed by reinsurance undertakings);
- Revise risk-based threshold.

EIOPA proposes to simplify the quarterly template S.17.01 by deleting the information on the transitional information

EIOPA proposes to replace template S.17.01 by a general cross-border template. See proposal under S.04 template.

EIOPA proposed to (in S.18.01):

- Ask for LoB information for material LoB representing a coverage of 90% of the TP;
- To ask the value of the "Total recoverable from reinsurance (after the adjustment)" by material LoB;
- To increase the scope of undertakings exempted from this template by exempting all undertakings using simplifications for the calculation of technical provisions, for which an estimate of the expected future cash-flows arising from the contracts are not calculated.

EIOPA proposes to (in S.19.01):

- Clarify the general Instructions;
- Eliminate the requirement to report the total using the reporting currency;
- Revise risk-based threshold:
  - For material LoB: LoB representing a coverage of 90% of the TP;

For currencies: concrete views from stakeholders on how to do it to not create a more complex system than the one in place today unless it really reduces the burden of reporting (see proposals above).

EIOPA proposes to (in S.20.01):

Introduce a risk-based threshold for material LoB: LoB representing a coverage of 90% of the TP.

EIOPA proposes to introduce in template S.21.01 a risk-based threshold for material LoB: LoB representing a coverage of 90% of the TP should be reported.

EIOPA proposes not to change template S.21.02.

EIOPA proposes to introduce in template S.21.03 a risk-based threshold for material identified LoB: LoB representing a coverage of 90% of the TP should be reported.

EIOPA proposes not to change template S.23.01.

EIOPA proposes to amend template S.23.02 adding the following cells:

- to obtain a first subtotal corresponding to "Core own funds from the financial statements":
  - o Capital from financial statement;
  - o Reserves from financial statements excluding retained earnings, surplus fund and subordinated liabilities;
  - o Retained earnings from financial statements (excluding retained earnings from the result of the year);
  - o Result of the year (before distribution of dividends)
- to obtain a second subtotal corresponding to Own funds from the financial statements Subordinated liabilities (as valued in the financial statements):
  - o Surplus fund (as valued in the financial statements);
  - o Deferred tax assets (if accounted in the financial statements and to the value in the financial statements) ;
- to the other valuation difference in order to have the all breakdown of own funds from the financial statements adjusted for Solvency II valuation differences:
  - o Difference in the valuation of deferred tax asset;
  - o Difference in the valuation of subordinated liabilities

EIOPA proposes not to change template S.23.03 and introduce a risk-based threshold:

- Template is due only when sum of notional movements is higher than 10% of the own funds amount at the beginning of the year.

EIOPA proposes not to change template S.23.04 and introduce a risk-based threshold:

- Template is due only when S.23.03 is due, or
- When RFF exist.

EIOPA proposes no changes to template S.24.01.

EIOPA proposes to (in S.25.01):

- Propose to COM an amendment to article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.25.01 with Standard Formula figures of undertakings that use an internal model;

- Collect the split of Capital add-ons by type.

EIOPA proposes to (in S.25.02 and S.25.03):

- Create a new template replacing S.25.02 and S.25.03 (Annex X) and Instructions (Annex XI). Annex XII contains the proposed internal model templates in a tabular form. The coding system will follow along with the Instructions as in Annex XIII to XVII and additional explanations on the approach are included in Annex XVIII;
- Collect the split of Capital add-ons by type.

EIOPA proposes to (in S.26.01 to S.26.06):

- Propose to COM an amendment to article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.26.01 with Standard Formula figures of undertakings that use an internal model.

EIOPA proposes to keep template S.26.07 as in current ITS.

EIOPA proposes to (in S.27.01):

- Propose to COM an amendment to article 112 (7) of Solvency II Directive that would envisage the inclusion in the regular supervisory reporting of the template S.27.01 with Standard Formula figures of undertakings that use an internal model

EIOPA proposes no changes to template S.28.01.

EIOPA proposes no changes to template S.28.02.

EIOPA proposes to focus on the change of the best estimate in life and non-life. EIOPA notes that life and non-life technical provision calculation varies. For this reason EIOPA has designed a template directly for life and non-life business. This will allow the undertaking and the supervisory authority to understand their profitability by focussing on the variation of the best estimate.

EIOPA proposes the following regarding the variation analysis:

- Replace S.29.03-04 templates by one template but distinguish between life and non-life (S.29.05/06);
- Differentiate in S.29.05 between actual risk experience, changes of non-economic and economic assumptions, reinsurance, lapse and new business;
- Differentiate in S.29.06 between changes of assumptions, key performance indicators for the premium provision calculation and an undiscounted actuarial analysis of movements in the claims provision including an actual vs expected analysis.
- Delete templates S.29.01 and S.29.02;
- The variation of own funds (S.29.01) will be retraced by the Own Funds Templates
- The variation of changes of assets, will be retraced from the historical and present asset-templates
- Require this analysis for the LoB set out in section D and E of Annex I of DR for Life and for the LoB for which the S.19 was reported.

EIOPA proposes to (in S.30.01 to S.30.04):

- Reduce the scope of the templates to the overall 20 largest facultative reinsurance exposures plus the largest two in each line of business if not

- covered by the largest 20 (in line with template S.21.02);
- Simplify all S.30 templates with a number of deletions and some replacements (as described above);
- Introduce a risk-based threshold: templates should only be due when the ratio of recoverables over best estimate is, for any line of business, higher than 1% and the Total Non-life catastrophe risk after diversification after risk mitigation is lower than 70% of the amount after risk mitigation;
- Clarify the Instructions of the templates

EIOPA proposes to add in S.31.01 a currency field.

EIOPA proposes to keep template S.31.02 as in current ITS.

EIOPA proposes to develop a specific template dedicated to cyber underwriting covering the following information:

- Type of policyholder:
  - o Commercial;
  - o Individual customers
- Types of coverage:
  - o Non-affirmative exposures by LoB
  - o Affirmative exposures: Identify the LoB under which the affirmative exposure is sold
- Type of risks covered:
  - o Business Interruption;
  - o Data restoration;
  - o Cyber extortion;
  - o Privacy liability (e.g. GDPR);
  - o Network security liability and interruption;
  - o Media liability;
  - o Crisis management and Public Relations;
  - o IT forensics;
  - o Notification (of relevant parties);
- First and third party property damage;
- Physical injury to third parties;
- Operations coverage;
- Event management
- Other possible coverages.
- Items:
  - o Number of policies,
  - o Premiums,
  - o Claims (settled with and without payments),
  - o Expenses,
  - o Technical provisions;
  - o Deductibles
- Split by direct and accepted business and as well as information ceded reinsurance.

EIOPA is proposing a new template with information product by product for Non-Life business, based on an already existing national template including:

- Number of new contracts during year
- Number of renewed contracts during year
- Number of insured at the end of the year

- Number of new insured during year
- Total amount of Written premiums - direct writing
- Total amount of Written premiums - written via credit institutions
- Total amount of Written premiums - written via insurance distributors other than credit institutions
- Total amount of commissions paid during year
- Total amount of commissions paid during year - new contracts during year
- Country

EIOPA proposes to introduce new template for changes to internal models with the following information:

- Major changes broken down into subcomponents and risk areas impacted
- Aggregation of minor changes
- Changes to the Model Change Policy itself
- Description of each subcomponent for each major change
- Type of change
- Accumulation and reset information for minor changes
- Impact on SCR (amount and percentage)
- Impact on Own Funds
- Impact if trigger is not SCR