Proposal for amendments to the Solvency II Technical Standards on Reporting and Disclosure - Feedback statement from comments received

1. Introduction

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

The input received provided important guidance to EIOPA in preparing a final draft of the amendments of both draft ITSs on supervisory reporting and public disclosure before submission to the COM. All of the comments submitted were given careful consideration by EIOPA. The individual comments received and EIOPA's response to them are published as a separate document on EIOPA's website.

The current document summarises the major comments received and EIOPA's answer.

2. Scope and objectives of the amendments

According to Solvency II article 35, national competent authorities shall have the information which is necessary for the purposes of supervision. It is crucial that supervisors receive meaningful data in terms of granularity, coverage, frequency and within proper timelines to identify and early assess the risks the industry face, both at micro and macro levels. Furthermore, the harmonisation of the information to supervisory authorities throughout Europe has been an essential instrument to promote supervisory convergence.

After a number of years of implementation of Solvency II and of use of information received by supervisory authorities it was important to reflect on the adequacy of the regular supervisory reporting defined in 2015. EIOPA has enrolled since 2019 in a comprehensive reassessment of the reporting and disclosure requirements. As a result, in December 2020 EIOPA published its Report on quantitative reporting templates (QRT)[1], with proposals in the area of the reporting and disclosure.

Current draft amendments to the ITS on Supervisory Reporting and ITS on Public Disclosure are mainly based on this report. However, some additional work has been done in the areas where no concrete proposals were provided at that time

[1] https://www.eiopa.europa.eu/content/opinion-2020-review-of-solvency-ii_en

EIOPA | Westhafen Tower, Westhafenplatz 1 | 60327 Frankfurt | Germany
Tel: +49 69-951119-20
info@eiopa.europa.eu | https://www.eiopa.europa.eu

e.g. risk-based thresholds, solvency capital requirements and own funds templates at group level, intra-group transactions and risk concentration templates, climate change-related risks to investments and the new granular non-life template.

Following the public consultation and the feedback received, the initial proposals have been further reviewed and in many cases changes introduced in line with the comments received, for instance the revision of thresholds and elimination of new information proposed in the consultation.

The current draft is considered by EIOPA balanced and is expected to bring several benefits, which will ultimately lead to a better protection of policyholders. In a nutshell the final draft ITS include simplification of quarterly reporting for all undertakings, elimination of some annual reporting templates for all undertakings and new thresholds to better promote risk-based and proportionate reporting requirements, leading to exemptions of reporting certain templates for many undertakings. As such, the proposed draft amendments lead to a better fit-for-purpose reporting requirements, reduction of reporting costs for the majority of insurance undertakings and better supervision through the inclusion of information needed for supervisory purposes focusing on emerging risks and new areas for which supervisors identified a number of data gaps.

Furthermore, considering the specific nature of captive insurance and captive reinsurance undertakings the reporting requirements have been adjusted to the nature, scale and complexity of their business and taking account their different business models.

3. Impact Assessment of draft amendment of ITS on Reporting and ITS on Disclosure

According to Article 15 of the EIOPA Regulation, EIOPA conducts analysis of costs and benefits in the policy development process. The analysis of costs and benefits are undertaken according to an impact assessment methodology and published in a separate document.

4. Implementation efforts

All amendments will be incorporated in the XBRL taxonomy version 2.8.0. to be applicable to the end of Y2023 and Q42023 reporting. The consultation of the 2.8.0 taxonomy release will follow the XBRL Taxonomy Releases map[2] as published on EIOPA's website. The current plan foresees the consultation of a Public Working Draft soon after submission of the drafts ITSs to the COM. The calendar published allows for adequate implementation timing for both industry and supervisors.

[2] https://www.eiopa.europa.eu/tools-and-data/supervisory-reporting-dpm-and-xbrl_en

EIOPA | Westhafen Tower, Westhafenplatz 1 | 60327 Frankfurt | Germany
Tel: +49 69-951119-20
info@eiopa.europa.eu | https://www.eiopa.europa.eu

5. Comments by stakeholders

The individual comments received and EIOPA's response to them are published as a separate document, however the following areas deserve specific feedback.

5.1. Timeline and implementation

Stakeholders' comments: Implementation date of the ITS amendments as originally foreseen by EIOPA (2022 year-end with 1 year for implementation) was considered as too tight. EIOPA was then asked to align it with the implementation date of the Solvency II review or to postpone at least for 1-2 years. The rational for this request is that the amendments introduce many changes which requires some resources (i.e. human and IT ones) and it comes in a period where other major regulatory changes (i.e. IFRS 17, IFRS 9 as well as the sustainability reporting requirements) will have to be implemented.

EIOPA's feedback: Considering stakeholders feedback, EIOPA moved the application date of 1 year to 2023 year-end and will publish the taxonomy public working draft by March/April 2022 allowing industry for at least 20 months preparation. Waiting for the review of Solvency II was not considered adequate given the benefits embedded in this amendment, namely a reduction of reporting burden for small and medium size entities, through the deletion of some templates, simplification of others or introduction of new thresholds, proposed reflecting the lesson learned from last years.

Also important to highlight that a fit-for-purpose reporting should also reflect on new emerging risks and gaps identified by supervisors should be addressed.

The introduction of new information should however impact mainly the large undertakings with complex business or undertakings with specific risk profiles, main examples being the use of internal models, business performed in a large number of markets or the coverage of cyber risk. On the contrary, medium and small entities should benefit from the reduction of templates, for example, around 1700 out of 2442 companies use Standard Formula and have less than 5% cross-border and are therefore impacted by the reduction of the number of templates while not being impacted by new information needs on cross-border and internal models.

5.2. Risk-based thresholds

Stakeholders' comments: Stakeholders questioned whether the new risk-based thresholds would reduce the burden as insurers should have at all times a process in place to collect and submit the requested data.

Therefore, industry proposed to increase the validity of the thresholds to a longer period, or introducing a requirement that a single breach should not directly lead to a submission and reiterate the need to develop further thresholds and to further improve the newly introduced thresholds so that they have an impact in terms of reducing the workload for insurers.

EIOPA's feedback: All thresholds have been analysed in light of comments received and further changes were introduced e.g. new thresholds, change in the methodology of the existing ones etc. The threshold observation period has been extended to 2 years thus increasing the extension and predictability of the exemptions and reducing the workload and burden for insurers.

5.3. Loss Absorbency Capacity of Deferred Taxes (LAC DT)

Stakeholders' comments: Stakeholders objected the introduction of the new templates considering that the information currently reported should be considered sufficient, while the new templates would be burdensome, asking for information that may go beyond their purpose and very complex to calculate for groups.

The industry proposed these templates to be gathered only on ad-hoc basis by the national supervisor.

EIOPA's feedback: Although EIOPA recognises the need for additional information when LAC DT is material, it recognises that further convergence in the area of LAC DT is also needed, preferably before defining standardised templates, therefore EIOPA agrees to drop these templates for the moment.

5.4. Cross-border information – templates S.04.03, S.04.04, S.04.05

Stakeholders' comments: Some of the stakeholders objected the new matrix approach with information from both location of risk and location of underwriting perspective and asked EIOPA to keep the current templates. If introduced, a threshold of gross written premium should be considered to avoid burdensome processes for insignificant cross border activities.

ECB on contrary welcomes the amendments that will lead to a more comprehensive reporting of cross-border business.

EIOPA's feedback: EIOPA confirms that the information required in the new templates is essential, also in light of EIOPA's strategic priority to enhance the supervision of the cross-border business. However, a risk-based threshold of 5% Gross Written Premiums on S.04.05 (information on "location of risk") is introduced as proposed by the industry.

EIOPA | Westhafen Tower, Westhafenplatz 1 | 60327 Frankfurt | Germany
Tel: +49 69-951119-20
info@eiopa.europa.eu | https://www.eiopa.europa.eu

5.5. Premiums, claims and expenses by line of business and IFRS 17 impact – template S.05.01

Stakeholders' comments: Stakeholders argued that, with the introduction of IFRS 17, the reporting of the written premiums will no longer be available and will be burdensome to keep old accounting standards in place in order to match supervisory needs. While the concept of the premium continues to exist under IFRS 17 disclosure requirements it is not the same as earned and written premium.

EIOPA's feedback: EIOPA decided to keep S.05.01 unchanged (i.e. written/earned premums to be reported) for the following reasons:

- IFRS users are expected to keep track of written/earned premiums (as defined Art. 1(12) of Delegated Regulation) in order to calculate capital requirements under Solvency II (e.g. S.28.02);
- S.05.01 is not a Profit & Losses statement and therefore some deviation may occur (e.g. differences exists also today with IFRS 4[3])
- At 'solo' level IFRS 17 is expected to be applied only by a minority of undertakings and it is preferable to keep one consistent metric.

In addition, the instructions of the template have been clarified considering the comments received.

5.6. List of assets – template S.06.02

Stakeholders' comments: Stakeholders welcomed the clarification of the instructions while objecting the number of changes proposed (e.g. applicability of bail-in rules; detailed information on property; write-offs/write-downs and issue date) and ask EIOPA not to proceed with its proposals to expand the template since it is already very extensive.

EIOPA's feedback: The list of assets is one of the most used templates in supervision. Its level of granularity allows supervisors to adequately assess different types of risks. Keeping this template up-to-date adding information addressing emerging risks and gaps identified by supervisors is crucial and replaces many ad-hoc requests. As such relevant information was kept, but write-offs/write-downs and issue date were removed. Additionally, further clarifications are introduced in the template following the comments received and the.

5.7. Climate change-related risks to investments – templates S.06.02 and S.06.04

Stakeholders' comments: Stakeholders commented on the redundancy and limited relevance for prudential purposes of the ratio of sustainable investments

[3] IFRS 4 excludes from its application insurance contracts whichdon't transfer significant insurance risk (with the consequence that their premiums are not accounted for in the IFRS income statement), whileare still required to be reported in S.05.01 under Solvency II.

and on the lack of guidance for computing the ratio of investments exposed to transition and physical risk. Furthermore, with regard to the requirement to report 4-digit NACE codes, some stakeholders commented on the difficulty to report it. With regard to the requirement to report on the location of investments, stakeholders recognised the relevance of reporting the location of all investments, not limited to property risk.

EIOPA's feedback: Considering the comments received, EIOPA agreed to eliminate the reporting of the share of sustainable investments. EIOPA is conducting further work on methodologies for the assessment for transition and physical risk, for example as part of the application guidance for climate change materiality assessment and using climate change scenarios in the ORSA.[4]

EIOPA has not however amended its proposal to require detailed NACE reporting, considering that supporting tools to identify NACE (e.g. the EU Taxonomy Compass[5] or the EU Platform on Sustainable Finance's NACE classification mapping[6]) are expected to increase and that the use of 4-digit NACE code is a common method to identify economic activities for the purpose of transition risk assessment.

Geospatial information for all property assets is also kept. Given the long-term perspective of the reporting requirement, to allow proper identification of physical risk of a property, reporting of the location of the properties at highest level of granularity available is crucial.

5.8. Life and Health SLT Technical Provisions (comments also relevant for Non-Life Technical Provisions) – templates S.12.01 and S.17.01

Stakeholders' comments: Stakeholders welcomed EIOPA's proposal to simplify the quarterly template S.12.01 by deleting the information on the transitional measures. However, questioned the reporting of EPIFP[7] by Line of Business or HRG[8] as such information is already reported in the Regular Supervisory Reporting according to Article 309 of the Delegated Regulation and proposed to include a threshold.

EIOPA's feedback: EIOPA confirms the importance of including EPIFP in the QRT, in addition to the narrative reporting to better understand the structure of the

[4] https://www.eiopa.europa.eu/media/news/eiopa-consults-application-guidance-climate-change-risk-scenarios-orsa

[5] https://ec.europa.eu/sustainable-finance-taxonomy/

[6] https://ec.europa.eu/info/files/sustainable-finance-taxonomy-nace-alternate-classification-mapping_en

[7] Expected Profits Included in Future Premiums.

[8] Homogenous Risk Group.

business of the undertakings. However, in order to relieve the burden of reporting this information will be required only annually.

5.9. Life obligations analysis – templates S.14.01

Stakeholders' comments: Stakeholders object the changes introduced to the template (particularly the different premium breakdowns and information on commissions for old and new contract), considered as burdensome and costly to implement.

EIOPA's feedback: Acknowledging the comments received EIOPA decided to to further simplify and reduce granularity on many aspects of the template but keep the premiums breakdown, in particular to collect information on premium written by credit institutions.

5.10. Non-life business - policy and customer information – template S.14.02

Stakeholders' comments: Stakeholders referred that changes introduced are burdensome and costly. The 27 product categories proposed represent a new categorisation, different from the lines of business and national categorisations. Some stakeholders also affirmed that the template does not fulfil prudential needs but other supervisory purposes.

In addition, it is also criticised that the template requires information similar, but not identical to the new requirements under Article 8 of the Taxonomy Regulation to be disclosed via the NFRD, causing unnecessary burden.

Further comments request further explanations, alignment of definitions and introduction of minimum threshold of non-life business to trigger the reporting obligation.

EIOPA's feedback: EIOPA notes that there is currently an unbalance of information for life and non-life products and supervisors have limited visibility on the undertakings which sells non-life products. In fact, information on the products, its characteristic and liabilities is relevant for prudential supervision as extreme events may lead to higher claims pay outs and/or reputational and concentration risks. For example, at the on-set of the pandemic, concerns in relation to business interruption emerged as some undertakings may have been exposed to higher claims pay-outs.

This approach would also limit *ad hoc* requests from supervisors which are often burdensome and uncoordinated. It would also limit the risks that new reporting requirements are being developed at the national level to fill the gap on product related information.

EIOPA | Westhafen Tower, Westhafenplatz 1 | 60327 Frankfurt | Germany
Tel: +49 69-951119-20
info@eiopa.europa.eu | https://www.eiopa.europa.eu

However, acknowledging the comments a number of simplifications are introduced in the template. In particular, EIOPA proposes to have this template filled by line of business only rather than by product categories, with the only exception of four product categories (i.e. natural catastrophe, business interruption, travel insurance and payment protection insurance), to be reported in a separately, which relate to products for which for which it is difficult to assess risks based on lines of business either because they fall under multiple lines of business (e.g. travel insurance falls under assistance, medical expense, and miscellaneous financial loss lines of business) or because they fall under lines of business covering multiple products (e.g. non-damage business interruption falling under the miscellaneous financial loss line of business with multiple other products).

EIOPA also deleted the differentiation between products sold with add-on/without add-on and products will need to be unbundled under the main line of business based on the risks covered by the product.

Finally, in relation to information on climate related perils EIOPA's proposal is to ask companies to report as it is also prudentially relevant, as it can contribute to establishing insurance penetration rates for certain perils and supports the analysis of the undertaking’s underwriting strategy.

5.11. Non-Life Technical Provisions, by country – template S.17.02

Stakeholders’ comments: Stakeholders object the extension of the scope of the template to reinsurance while welcoming the inclusion of a threshold representing a coverage of 90% of the non-life technical provisions.

The inclusion of the reinsurance business is however welcomed by ECB. If the proportional reinsurance could be singled out, ECB Specific template E.03.01 could be deleted. ECB also argued that due to the new materiality concept introduced (LOBs to capture 90% of TPs only) the allocation of TPs on an appropriate country-by-country base becomes even more incomplete. Dependent on whether ESCB breakdowns can still be estimated with a high quality, some additional information might need to be collected via ECB add-ons.

EIOPA’s feedback: Acknowledging the comments received and assessing the reduced benefits of the simplification against the consequences for ECB reporting EIOPA kept information by "Business Type" and decided to drop out this proposal and keep the current threshold. Please note that the name of the template has been changed to S.17.03 - Non-Life Technical Provisions — By country.

5.12. Impact of long term guarantees measures and transitionals – template S.22.01

Stakeholders’ comments: Stakeholders support the inclusion of the SCR and MCR ratios in the S.22.01 template but not their inclusion in the disclosure

EIOPA | Westhafen Tower, Westhafenplatz 1 | 60327 Frankfurt | Germany
Tel: +49 69-951119-20
info@eiopa.europa.eu | https://www.eiopa.europa.eu

package. Requiring companies to disclose the impact without MA or VA is confusing for policyholders and it may give the impression that long-term guarantees measures might be a potentially movable or ancillary element of the framework that might at some point exist or not.

EIOPA's feedback: EIOPA agreed and removed the disclosure of the SCR and MCR ratios.

5.13. Internal model reporting – templates S.26.08 to S.26.16

Stakeholders' comments: The new templates require much more — and to a vast extent unnecessary — information, which often does not align with the structure of individual internal models, necessitating estimations that are likely to lead to meaningless results and comparisons. Supervisors already have extensive tools to ensure that internal models continue to generate prudent SCR numbers, and they are responsible for the original internal model approval, for approving any major change to that model, and will typically be notified of all other changes on a regular basis. Therefore, it is unclear which additional insights the new templates shall provide. Aside from granularity considerations, some insurance undertakings will not be able to provide the necessary information since the internal model structure does not match the templates' structure.

EIOPA's feedback: Current IM templates make comparison across undertakings very difficult since they are based on non-standardised text input for the risk types covered. Data on the internal model risk structure is usually very limited. EIOPA used the specific IM templates from several NCAs and incorporated this data in the new IM reporting templates. NCAs are expected to consider eliminating the specific IM templates wherever possible so no duplicate reporting is requested.

EIOPA would like to clarify that the granularity of data collected for each risk category reflects the NCAs experience from on-going model supervision and reporting (sometimes combining different local supervisory practices) and reflects the experience gained by EIOPA's IM consistency studies. Undertakings are not requested to change their IM to be able to follow the structure of the templates. If the model does not allow producing some of the requested data, then that data does not need to be reported. EIOPA minimised the request of "artificial data". However, if the model supports the production of such data in a sensible manner, then it has to be reported. Interpretation of IM reporting will rely heavily on NCA's knowledge of the internal models they supervise as well as the risk profile of the supervised undertakings or groups. EIOPA further clarified the instructions and the situation in which the data needs to be reported.

5.14. Variation analysis – templates S.29s

Stakeholders' comments: Some stakeholders considered the new templates onerous to complete and suggested to revert to the initial set of templates. Others stressed that relevant guidance was produced in respect of the original Variation Analysis templates and the fact that changes to these templates may necessitate similar guidance with worked examples to avoid inconsistencies in how these templates are populated. Others, welcomed the separation of the variation analysis templates between life and non-life business. However, the proposal for VA for non-life is considered to be more granular than the current template and thus being very costly to implement. In sum, many different views were reported.

EIOPA's feedback: Acknowledging the comments received EIOPA decided to revert to the original templates without introducing the changes publicly consulted. EIOPA will also publish the explanatory notes referred by stakeholders translated into the different languages to promote data quality of the template. EIOPA will further analyse the templates in the next years and on that basis propose changes in case needed in future ITS amendments.

5.15. IGTs templates – templates S.36s

Stakeholders' comments: Stakeholders welcomed the alignment with the FICOD template but highlight that not all undertakings covered by S.36/S.37 will also be covered by the FICOD templates. Proposal to not require the current templates for groups that do not form a financial conglomerate. In addition, S.36s templates as proposed require reporting of all intra-group transactions distinguishing between significant, very significant and transactions required to be reported in all circumstances while stakeholders request to report only based on significant and not significant intra-group transactions.

Some specific comments are made in relation to individual templates and more specifically:

- S.36.00 – proposal to remove it as summarises the requests already included in the other templates;
- S.36.04 - the scope of the QRT is significantly expanded. In addition to information on group-internal reinsurance, information on all group-internal insurances is requested. This leads to additional costly data collection within the group. It is welcomed that in the future only significant transactions must be reported.
- S.36.05 – repetition of a number of IGTs as already reported in S.36.01 - S.36.04. Proposal not to require undertakings to provide QRT S.36.05 and to include any additional information requested in QRT S.36.05 in other QRT S.36.

EIOPA's feedback: It should be noted that the changes are not only proposed to align the templates with the FICO ones but also to reflect improvements and lessons learned from data analysis and past years' experience, some of them already reflected in the design of the FICO templates.

Regarding the proposal to have 2 totally different reporting sets for insurance group and insurance groups that are also FICOs, such proposal would be technically difficult and would not consider the lessons learned for the non-FICO groups.

To reflect on the other comments the duplicated information was reduced whenever possible, definitions introduced as requested and instructions clarified.

In particular, the summary template S.36.00 has been removed from the package; the scope and content of S.36.04 have been clarified further to include all relevant information related to insurance and reinsurance contracts, P&L information related to insurance and reinsurance IGTs have been removed from the scope of S.36.05.

5.16. Risk Concentration - templates S.37s

Stakeholders' comments: The need of the newly introduced templates S.37.02 and S.37.03 is questioned as they do not seem to offer any more insight into risk concentration than that of S.06.02 reported on group level. Proposal to report only significant exposures and not all.

EIOPA's feedback: EIOPA disagrees that the new tables do not offer any more insight into risk concentration than that of S.06.02 reported on group level, since the last template is different in scope and granularity of information. It is crucial that the information is based on all group's exposures to third parties, including significant and not significant, in order to have a synthetic and comprehensive view on the major exposures of the group for each feature.

5.17. Financial stability reporting – templates S.14/04, S.14/05, S.38 and S.39

Stakeholders' comments: Stakeholders welcomed the deletion of the annual templates, however some concerns were raised regarding the new additional templates, in particular for:

- Liquidity information (S.14.04/05): Stakeholders raised concerns about both the granularity and frequency of the templates and the increase burden for insurance undertakings. Some questions were also received on the technical definition of some cells.
- Duration information (S.38.01): A question to stakeholders was posed for the reporting of effective/modified duration9, and majority responded with

[9] The exact criteria and format for the reporting of the effective duration of technical provisions was to be confirmed after the feedback received from the public consultation:

• Option 1: Modified duration reported for all undertakings; Effective duration to be reported only where material optionalities are present in the technical provisions (This version of the template just contains columns C0010 and C0030).

their favoured approach. Some stakeholders raised concerns about the additional burden of reporting effective duration. Comments were also received in support of EIOPA's effort to align the duration reporting for assets and liabilities.

- Profit & Loss (S.39.01): Stakeholders raised some concerns about both the timeline for reporting the template and how it would align with reporting rules.

EIOPA's feedback: Considering the comments received EIOPA proposes the following way forward:

- Liquidity information (S.14.04/05): reduce the frequency to semi-annual and reduce granularity of the templates in order to alleviate the burden for undertakings. Namely Life information is to be reported only with the split between unit and index linked business and non-linked business (instead of product level) and Non-life information is to be reported for the non-life business as a whole (instead of product category).
- Duration information (S.38.01): to require the effective duration only where material optionalities are present in the technical provisions, as proposed to stakeholders;
- Profit & Loss (S.39.01): as some information on P&L is already part of the financial stability templates the additional high-level breakdown should not add excessive additional burden to the undertakings and was therefore kept. Guidelines will be provided in relation to both the Insurance Accounting Directive and IFRS.

• Option 2: Portfolio to be split based on presence of optionalities: Both modified and effective duration to be reported for all undertakings along with the associate technical provisions for each measure (This version of the template contains columns C0010, C0020, C0030 and C0040 i.e. the additional reporting of the technical provisions values).

EIOPA | Westhafen Tower, Westhafenplatz 1 | 60327 Frankfurt | Germany
Tel: +49 69-951119-20
info@eiopa.europa.eu | https://www.eiopa.europa.eu