

Q&A

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737

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Question

Is S.37.01 (Risk concentration) to report all the risks with a single counterparty or to report the risks with multiple counterparties?

EIOPA answer

In S.37.01 all risks and contracts for all companies in the group should be reported in relation to the counterparties where exposure exceeds the threshold defined. The group should look at its overall exposure to a single counterparty and report the individual exposures that make up that overall exposure where the threshold has been exceeded. If the value of risk concentration exceeds the threshold determined by the group supervisor or if a particular type of risk concentration has been identified by the group supervisor to be reported in any circumstances, in accordance with Article 244(3) of the Solvency II Directive, the corresponding exposures should be reported.

The fourth paragraph in the instructions set out in S.37.01, “The aim is to list the most important exposure (value of the exposure) by counterparty and by type of exposure ...” is not necessarily to be interpreted as only one exposure (the largest) is to be reported for a counterparty / type of exposure combination. A group’s reporting of its risk concentrations should be discussed with the group supervisor.

According to Article 376(2) of the Commission Delegated Regulation 2015/35, for the purposes of identifying significant risk concentrations, direct and indirect exposures of undertakings in the group to all of the following shall be considered: individual counterparties; groups of individual but interconnected counterparties, for example undertakings within the same corporate group; specific geographical areas or industry sectors; natural disasters or catastrophes.

Please also refer to the answer to Q635 published on 8 April 2014 in the file including Answers to questions on the Final report on the ITS on procedures, formats and templates of the solvency and financial condition report (CP-14-055), which describes how to report risk concentration caused by exposure to a natural disaster or catastrophe created by a high volume of insurance contracts with low exposures per contract.