

IRSG

INSURANCE AND REINSURANCE STAKEHOLDER GROUP

Advice on reporting disclosure

IRSG-21/38
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eiopa

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1. COMMENTS

Comments Template on EIOPA-CP-21-001 Consultation on the amendments and corrections to the Implementing Regulation (EU) 2015/2450 with regard to the templates for the submission of information to the supervisory authorities and to the Commission Implementing Regulation (EU) 2015/2452, laying down implementing technical standards with regard to the procedures, formats and templates of the SFCR			
Main Reference	Sub Reference (only if applicable)	Solo/Group/Both	Comment
Other			<p>The IRSG welcomes EIOPA's consultation on proposed amendments on reporting and public disclosure, and particularly the intent to reduce reporting costs for the majority of insurance undertakings, and to focus on emergent risks and on areas where supervisors have identified gaps. The IRSG supports the intent to promote better risk-based and proportionate reporting requirements and to reduce the number of templates to be reported for the majority of undertakings. The IRSG is also supportive of a requirement for proportionate, relevant, specific, and materially pertinent reporting of information.</p> <p>In the interest of full consistency and to avoid several changes within a relatively short timeframe, new reporting and disclosure requirements should only become applicable once the corresponding pieces of Level 1 legislation are finalised, in particular the revised Solvency II Directive as well as the Corporate Sustainability Reporting Directive (CSRD). Therefore, we propose to align the timing of the changes with the timing of the revised Solvency II Directive; this would allow sufficient time to enable undertakings to effectively implement the required changes at a time of many other required changes.</p> <p>Generally, companies are at an advanced stage in planning IT resources budgets for 2022. As the final QRT proposals will only be known and approved by the end of this year, they will not be included in current plans for 2021 activity, leading to technology and personnel resource challenges, with IFRS 17 and sustainability requirements implementation likely presenting direct conflict for resource for many undertakings.</p> <p>The way the consultation is presented is unstructured; a complete and concise overview of the changes is missing, which makes it hard for stakeholders to deliver relevant feedback. A comprehensive document outlining the changes and the rationale for the changes would help stakeholders to get a better understanding of the impact of the changes proposed and would enable them to provide more targeted comments.</p> <p>EIOPA highlights that the changes to the reporting package will lead to a reduction in reporting costs, for instance through simplifying quarterly templates and eliminating less relevant templates. It is difficult to see how the many changes, both minor and material, will achieve this, and there are notable and complex additional requirements proposed as well as reductions. It is likely in many</p>

		<p>cases that the amount of data to be reported would increase significantly were these proposals to be implemented. Implementing these changes will add more costs to the already high cost and burden of reporting. The additional costs will ultimately be borne by the policyholder. The changes to the reporting package should be limited to proposals that are essential for supervisors to fulfil their supervisory responsibilities.</p> <p>Reporting which is dependent on the exercise of subjective judgement on the part of undertakings or NCAs should be avoided, unless guidance can be provided to ensure consistency of approach between undertakings. Requirements to allocate data to cyber or climate change might fall into this category.</p> <p>One of the issues with thresholds is that data is still required to be accessed and collated in defined structures in order to compare the company's position with applicable thresholds and, if necessary, report. Nevertheless, we support appropriate thresholds and, where thresholds are to be set, we recommend that they be set at as high a level as is acceptable in order to effectively cater for proportionality and reduce cost burden. Where the size of these limits subsequently appears too high on the basis of experience, they can if necessary be lowered.</p> <p>EIOPA should also have regard to the requirements of IFRS17, where additional burdens could be imposed on companies reporting under the new standard if they are also required to provide information for regulatory purposes which is no longer required for accounting purposes. IRSG also proposes that EIOPA consider providing support for undertakings on how to bridge reporting requirements under Solvency II and IFRS 17.</p> <p>Throughout the instructions, EIOPA references individual requirements stemming from national supervisors and even allows for deviation on national level from the provided instructions. Instructions in the nature of “unless required by the national supervisory authority” do not facilitate convergence of regulation and make data comparison on cross country level impossible. IRSG considers that EIOPA should strive to find a common ground and unify requests from national supervisors to a common basis in all but exceptional circumstances. It will not be possible to capture all potential requests from supervisors in general reporting requirements and to entirely eliminate ad-hoc reporting requests, as ad-hoc requests are often in response to unforeseen situations. Constantly introducing new reporting requirements with a view to capturing requirements for every situation will lead to excessive reporting and associated cost.</p>
<p>Sustainable finance questions</p>	<p>1. Do you consider relevant to introduce a materiality threshold for the reporting requirement on the share of sustainable investments for undertakings not</p>	<p>We believe that undertakings which are not subject to NFRD (Non-Financial Reporting Directive) should not be required to report on sustainable investments. The extension of reporting requirements from NFRD to Solvency II is neither proportionate nor justified. The policymakers have already considered the principle of proportionality in the scope of the NFRD and there is no added benefit by increasing the reporting burden to the industry beyond already passed regulation.</p> <p>In addition, the reporting obligations of Article 8 of the Taxonomy Regulation enter into force sequentially from 31.12.2023 with the full scope only to be disclosed from 01.01.2024. The Solvency II</p>

	subject to the Non-Financial Reporting Directive (NFRD)? If so, which threshold would you propose?		<p>risk considerations should be then developed in context of the NFRD and in line with it. With EIOPAs knowledge and experience from its work on the sensitivity analysis of climate related risks it would be then possible to derive a better understanding on activities that should be considered for the exposure after the first figures are disclosed and analyzed by the supervisors.</p> <p>If such reporting is to be required, we believe that a materiality threshold should be introduced. Undertakings should not be subject to reporting the same information as already reported under NFRD, and Solvency II reporting requirements for sustainable investments and climate change related risks should not be applied before the NFRD enters into force.</p>
Sustainable finance questions	2. Do you consider relevant to introduce a materiality threshold for reporting the share of investments exposed to climate change-related transition risk? If so, which threshold would you propose?		<p>The requirement to identify and report on exposures to transition risks is new and could therefore prove to be onerous for firms which do not currently have access to such information. If such requirement is introduced, then it should be explained what companies are expected to report. In this sense, a materiality threshold would be welcome, ideally consistent with threshold requirements in NFRD.</p>
Sustainable finance questions	3. What could be a methodology for standardised reporting of climate change-related physical risk exposure for other investments than property?		<p>Key aspects of reporting in relation to physical risk exposure would be consistent measurement of exposures and supplementary qualitative information to provide insight into exposure differences which are not properly assessed by qualitative means.</p>
Sustainable finance questions	4. Do you consider relevant to introduce a materiality threshold for reporting the share of investments exposed to climate change-related risk? If so, which threshold would you propose?		<p>Yes. The IRSG considers that a threshold for physical risk exposure for investments other than property should be introduced, ideally consistent with NFRD requirements.</p>
Reporting	S.06.04		<p>EIOPA's decision not to go ahead with the new template on look-through for CIU, and EIOPA's efforts to get access to the information already reported by companies, are welcome.</p>

Reporting	S.06.04	<p>New template for sustainable investments and climate change-related risks to investments. While the wish to receive specific climate related reporting, particularly in relation to transition risk and physical risk, is understood, it is also key that requirements already foreseen under the Taxonomy Regulation are taken into account. In addition, for fulfilling these proposals, consideration should be given to availability of data, and it should be ensured that the same information is not reported twice. For taxonomy-aligned investments: CSRD would be the preferred format, and it is considered that the entities in scope of CSRD and the timing would be appropriate for sustainability reporting. The scope of the DA on Article 8 Taxonomy under NFRD should not be extended to all Solvency II companies. Regarding timing, EIOPA should take into consideration other sustainability initiatives and it should not require the reporting of taxonomy-alignment indicators before 2024 as envisaged in the CSRD.</p> <p>Regarding indicators on physical and transition risks, the regular QRTs is not an appropriate way to collect that data. The reporting should aim at collecting standardised data, thus allowing meaningful aggregation. As the indicators on physical and transition risks would be based on the outcome of idiosyncratic scenario analysis, they cannot be appropriately aggregated. The European Commission’s legislative proposal on Solvency II will render long-term climate change scenario analysis mandatory in the ORSA. The IRSG believes that the ORSA is a more natural recipient of the outcome of own analysis than QRT.</p>
Reporting	S.14.02	<p>The introduction of this new template would imply that insurers need to make another product classification, on top of the currently used Lines of Business and the internal classifications. It will not be possible to use existing accounting data to report this template, making it more labour intensive and costly to implement, support and maintain this template.</p> <p>The granularity of the template makes automation of the template near to impossible in the initial reporting periods and its completion will require significant manual effort.</p> <p>It is hard to see the purpose of S.14.02 because many details and information is already reported at line of business level.</p> <p>While the requested climate related information in the template is analogous, it is not identical to the new requirements under Taxonomy Regulation Article 8 (to be disclosed via the NFRD). Furthermore, it is required to be reported with different scope and timing, adding an unnecessary burden.</p> <p>Given the similarities of indicators for reporting on this type of information, the CSRD framework would be the preferred way.</p>
Reporting	S.14.03	<p>The wish to receive reporting of underwritten cyber risks is recognised; however, EIOPA’s proposed template is too granular, impossible to populate in many instances as the data is not available, and will be costly and burdensome to complete for the remaining fields. For example, an insurer writing excess layers behind several primary carriers will have a variety of policies in his portfolio, with different coverages. And reinsurers underwriting this portfolio will have even less granular information about the coverages provided.</p>

		<p>Furthermore, the split of the various fields in very granular sub-categories does not correspond to the reality of the market. For example, regarding the item C0040 (Cyber coverage in the Product Category), the portfolio ceded to the reinsurer is often composed of several Product categories: cyber standalone, alongside some cyber as add-on. In this case, what answer is expected? Same for the item Product Category (C0030) which represents one of the following: 1st party, 3rd party, costs and related services. Cyber insurance products often cover the 3 categories simultaneously. In this case, which code should be selected? This question extends to items C0080 (sum insured), C0090 (premium), etc. that should be split per Product Category. For insurers, the insurance product is often a comprehensive policy offering coverages across the 3 product categories (generally with a combined policy limit) and, for reinsurers, their portfolios are often composite.</p> <p>It is unclear how this information would give supervisors more insights in market trends for cyber insurance.</p> <p>In its previous proposals EIOPA suggested that a threshold would be introduced, however disappointingly this was not the case in the final EIOPA proposals, as such forcing companies with smaller cyber portfolios to report this information, which is burdensome to gather.</p> <p>Against this background, EIOPA is urged:</p> <ul style="list-style-type: none"> - to make this template less granular and to explicitly recognise the use of estimates and proxies, - to propose a threshold to allow for some proportionality, - to limit the reporting to affirmative cyber risk products, and - to limit the reporting to direct business (as in the new versions of templates S.14.01 and S.14.02), as corresponding figures from active reinsurance business cannot be adequately reported or would not be comparable. Example: the number of claims for reinsurance quotas is not available, and claims payments are only available for pure cyber quotas, but not for mixed contracts. International standards for a uniform taxonomy for recording exposure and damage data must be taken into account.
Reporting	S.25.05	<p>The 10 newly introduced templates requiring standardised reporting for Internal Model companies require granular and mostly inconsistent information, which does not fit the specific structure of full or partial internal models, thereby requesting estimations that would in all likelihood lead to results that do not make sense.</p> <p>IRSG opposes results from standardised reporting on internal models to be used as a basis for comparison between companies or as a basis for assessing the evolution of internal model capitalisation over time. Some of the data requests would even dictate how to model certain risks which is against the freedom of modelling risks recognised in the Solvency II directive.</p> <p>In addition, the level of granularity requested is often not available and EIOPA should make clear for every field that no data is to be expected if not readily available in the model. EIOPA should also better consider the case of reinsurance activities. Reinsurers manage portfolios consisting of heterogeneous risks, with less granular data on every underlying product than the cedents, and requesting to single out sub-portfolios for the sake of the QRT reporting is disproportionate.</p>

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			<p>IRSG is also of the opinion that the QRT reporting package is not a suitable platform to report model changes. The national supervisors are already properly included in their reporting process on a quarterly basis and there is no additional need to double report them in an annual QRT set.</p> <p>Eventually the additional data request is so extensive that it would require for internal model users to engage in major and costly IT system projects unlikely to be completed for YE2022 reporting. As a result, the first year of application should be postponed and the implementation phased-in (see also comments above re timing of introduction).</p> <p>EIOPA specifies that detailed information shall only be reported if requested figures can be calculated with “reasonable effort”, where national supervisors can decide what constitutes a “reasonable effort”. This will likely lead to a situation where undertakings from different countries will be confronted with varying requirements and will lead to national “gold plated” requirements. If new templates are introduced EIOPA needs to formulate direct and detailed reporting conditions.</p>
Reporting	S.26.08		<p>The suggested demand requiring undertakings using internal model to also report according to the standard method needs to be questioned. This parallel reporting should only be requested when a company has applied for partial internal model / internal model as part of the application process, not for companies with an already existing and approved internal model.</p>
Reporting	S.29.01		<p>NSAs do not use these templates for interactions with companies, therefore the added value of these templates is not clear.</p> <p>Furthermore, these templates are particularly onerous to complete. In addition, new and changed QRTs require significant effort. Against this background, it is suggested to revert to the initial set of templates.</p>
Disclosure			<p>IRSG notices the removal of the S.05.02 template and its replacement in the form of the S.04.05. The change does not seem to provide any additional information to the customers and users of the SFCR and does not reduce the reporting burden for the industry. As such IRSG is of the opinion that the old template should be kept.</p> <p>IRSG notes the introduction of the Solvency and Minimum Capitals ratios in the S.22.01 template. While these figures constitute only an insignificant change, they provide a benefit for the customers and users of the SFCR. According to the annotated templates EIOPA also intends to add additional reporting requirements, however, since these are not reflected in the updated instructions IRSG assumes this to be a miscommunication and that there will be no additional reportable columns in the public version of the S.22.01 template.</p>
Financial stability guidelines			<p>EIOPA has proposed several changes to financial stability reporting. In particular, it proposes to include the annual balance sheet S.02.01.01 in the quarterly financial stability group entry point which leads to a situation where groups will need to provide a more detailed balance sheet for financial stability reporting purposes than for the quarterly Solvency II reporting (where S.02.01.02 is required). IRSG assumes that this is a miscommunication and S.02.01.02 is the intended template for the financial stability requirement.</p>

			<p>EIOPA has proposed several changes in this area, in particular the new requested liquidity templates (S.14.04/05) will be challenging to complete.</p> <p>The IRSG does not support the inclusion of new detail in the QRT. In particular for the S.02.01, S.23.02 and S.39.01 which require finalized figures on Group level. As the financial stability reporting deadline for groups is only 7 weeks (compared with quarterly at 11) it is not realistic to expect more detailed figures already by the shorter deadline. Expecting undertakings to provide more data under this circumstance will only increase data quality issues and require them to provide estimated figures instead of actual figures.</p>
LAC DT	Do you agree with the proposed threshold?	Solo	<p>IRSG understands that these templates were until now only requested on an ad-hoc basis by certain national supervisors. Introducing extensive additional reporting burden for all undertakings in scope of Solvency II seems unreasonable. IRSG opposes the introduction of these new templates and considers current S.25 information to be sufficient for the purpose. Ad-hoc requests of individual supervisors should not increase the reporting obligations of the full market and be only executed on a case-by-case basis by the national supervisor if the situation necessitates it, in which case the conditions for reporting should be clearly defined.</p>
Group reporting questions		Group	<p>EIOPA intends to align the intragroup transactions templates (S.36) and the risk concentration templates with the Financial Conglomerates Directive which will ensure consistency of reporting. IRSG is concerned that this alignment could introduce additional reporting requirements for undertakings not being a financial conglomerate which would not be appropriate.</p> <p>IRSG is also concerned that EIOPA intends to distinguish between “significant” and “very significant” transactions. From an operational point of view, it is recommended to only differentiate between “significant” and “not significant” transitions in order ensure clarity of reporting requirements.</p> <p>Chapter 5.9. IRSG is of the opinion that Option 1 is the most feasible one to implement for regular reporting purposes. Option 2 is both cumbersome to implement and does not contribute towards comparability across groups which would result in a costly solution which cannot be relied on to compare regulated undertakings, especially from different countries. Option 3 relies on narrative content which limits the quantitative nature of reported figures and leaves room for interpretation both the preparer and receiver of information. As such, similar to Option 2 this approach cannot ensure consistency of data and approaches between groups.</p>

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