

**Comments Template on
Impact Assessment and Questions**

**Deadline
20 January 2012
12:00 CET**

Name of Company:	AMICE	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to cp009@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to this Consultation Paper.</p>		
Reference	Comment	
General Comment	<p>Please find attached our preferred options for the specific areas being consulted as part of the impact assessment</p> <p>A. Detailed list of assets</p> <ul style="list-style-type: none"> • <i>At what level should the market be defined? We believe that Option A1 can best contribute to the objectives described in section 3.</i> • <i>At what criteria should the "market" be defined in order to be relevant from an investments perspective? We believe that Option B2a can best contribute to</i> 	

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the objectives described in section 3.

- *What valuation basis should the criteria used for the “share” of the market is based on? We believe that **Option C1** can best contribute to the objectives described in section 3.*
- *What represents a “large” share of the European market and what should be the minimum floor at national level (as defined in option A4)? We believe that **Option D1b** can best contribute to the objectives described in section 3.*
- *Nature and complexity dimension: Should the ability to reduce the number of exemptions considered (i.e which could be exempted under the “size” dimension) be left to national discretion or not? We believe that **Option F3** better reflects the objectives from section 3.*

B. Underwriting vs. accident year for reporting of claims development
We would choose **Option 1** (not requiring any specific standard for claims development)

C. RBNS Triangles in TP-E3: Option 1 contributes better to the objectives from section 3 (outstanding claims should not be reported)

D. Quarterly BS – C1: Option 3 (no BS-C1 should be submitted quarterly)

E. Scope of disclosure: we agree with the EIOPA proposal on public disclosure.

F. Ring-fenced funds: no comments.

G. Variation Analysis: please refer to cell 4.104

H. Narrative Reporting: Option 1 (not to have a level 3 on narrative reporting).

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	I. <u>Risk Concentration</u>: Option 2 (only qualitative reporting for RC).	
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3.5.	<p>We fully support the recognition of the important role played by small and medium size (re) insurance undertakings in the financial markets and the need to ensure that the regulation does not impose excessive requirements on them.</p> <p>It is worth mentioning that, in addition to the central dimensions of proportionality (<i>"nature, scale, and complexity of risks"</i>), the Framework Directive explicitly calls for small and medium-sized insurers not to be overburdened, thus introducing an element of size, see Recital 19 (<i>"should not be too burdensome for small and medium-sized insurance undertakings"</i>).</p>	
3.6.		
4.1.		
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4.4.		
4.5.	<u>A. Detailed list of assets</u>	
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4.30.	<p><i>At what level should the “market” be defined?</i></p> <p>We would like to reiterate our comment that it is unnecessary to report detailed information on the asset portfolio on a quarterly basis. Therefore, we suggest that, under normal circumstances, asset templates should only be reported annually and quarterly asset templates should be abandoned. However, if they are introduced, their application should be restricted to solo undertakings and/or simplified through reporting according to categories rather than on a security by security basis.</p> <p>Having said that, AMICE members believe that Option 1 (where the market is defined at European level) would ensure that the objectives of macro and micro-prudential supervision, monetary policy and statistics at European level are fulfilled.</p> <p>The materiality threshold suggested by EIOPA will lead to an un-level playing field between firms of the same size in absolute terms, but subject to different reporting requirements when located in a different Member State, if the scope is not defined at European level.</p> <p>Under this option, and subject to supervisors’ decisions regarding proportionality, bigger firms (most probably representing 90% of the market at European level) would report a detailed list quarterly, and smaller firms would report quarterly investment by category.</p>	
4.31.		
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4.35.	<p><i>At what criteria should the ‘market’ be defined in order to be relevant from an investments perspective?</i> No comments.</p>	
4.36.		
4.37.		

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4.38.		
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4.40.		
	<i>What valuation basis should the criteria used for the “share” of the market is based on?</i>	
4.41.	We believe that Option C1 can best contribute to the objectives described in section 3. Taking an average over the last 5 years would be the only way to maintain some stability in the reporting requirements.	
4.42.		
4.43.	We acknowledge that this option is the most consistent with the Solvency II principles (i.e 1 year horizon and fair value of the asset investment). However, we fear that this option will lead to undertakings being obliged to adapt their processes and systems in order to be able to submit the information requested one year but perhaps not the next.	
4.44.		
4.45.		
4.46.	<i>What represents a « large » share of the European market and what should be the minimum floor at national level (as defined in option A4)?</i>	
4.47.	We strongly support Option D1b as it defines the market at European level which enforces the idea of a single market and the need to ensure proper levels of consistency and harmonization of the reporting requirements among different Member States. In this regard, defining a market share of 75% (where the market is defined at European level) would guarantee that most firms will fall under the scope of these assets templates (D1 & D2) but it would not undermine the application of the proportionality principle to small and medium size undertakings (as stated in Recital 19 of the Framework Directive).	
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4.50.	<i>Nature and complexity dimension: Should the ability to reduce the number of exemptions considered (i.e which could be exempted under the "size" dimension) be left to national discretion or not?</i>	
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4.54.	We support Option F3 . Supervisors should not be given the discretion to reduce the number of exemptions and set thresholds, presumably at national level, as it would lead to an un-level playing field among undertakings.	
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4.56.	<u>B.Underwriting vs accident year for reporting of claims development</u>	
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4.64.	We are in favour of Option 1 (<i>not requiring any specific standard for claims development, and letting undertakings choose the standard they use (i.e. follow the industry's feedback)</i>) as it provides the flexibility necessary for an efficient system. We agree with the arguments in favour of this approach (i.e undertakings are free to maintain the current standard without any extra costs for modifying IT systems).	

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	<p>We do not agree with the proposed argument against this option (<i>risk of no harmonization on that issue with no possibility to compare data between undertakings</i>) as the majority of undertakings in most jurisdictions compute their technical provisions on the basis of the accident-year standard for claims development.</p>	
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4.71.	<p><u>C. RBNS triangles in TP-E3</u></p>	
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4.73.	<p>We are in favour of Option 1. We oppose any requirement to report on the number of outstanding claims for the following reasons:</p> <ol style="list-style-type: none"> 1) The best estimate of technical provisions is mainly driven by paid claims and not by outstanding reserves (with some exceptions such as “peak claims”). 2) Outstanding claims amounts are not easily comparable to Best estimates triangles as the latter include IBNR and are computed using actuarial methodologies and expert judgement, and in some cases they can differ by a great deal. 3) Reinsurance treaties can not be directly applied to outstanding claims (a except XS treaties per claim) but are applied at other levels of aggregation and on a best estimate basis. 	

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4.81.	<u>D. Quarterly BS-C1</u>	
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4.89.	We support Option 3 where the balance sheet is not requested on a quarterly basis.	

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	Our members disagree with the request for quarterly balance sheets at both solo and group levels. To establish these would be tremendously burdensome and would add no value for either the supervisor or the undertaking. We would assume that the purpose of requesting the submission of quarterly balance sheet information is part of the Supervisory Review process (SRP) and undertakings' monitoring of their own internal strategic management needs. We argue, however, that the information needed for the continuous monitoring of an undertaking's solvency position will be provided by the ORSA. The ORSA will allow the assessment of own funds and technical provisions on a continuous basis by using proportionate methodologies and proxies but without the need for recourse to a formal balance sheet that would be very costly to establish.	
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4.93.	<u>E. Scope of disclosure</u>	
4.94.	We agree with the proposed approach for public disclosure.	
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4.96.	<u>F. Ring-fenced funds</u> : no comments	
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4.100.		
4.101.	<u>G. Variation Analyses</u>	
4.102.		
4.103.		
4.104.	We acknowledge that the variation analysis of changes in basic own funds are of utmost importance for the undertakings themselves as well as for supervisors. We agree on the need to create a Variation Analysis Template with the aim of understanding the changes in	

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	the balance sheet and own funds between the year N-1 and N. However, EIOPA would agree that the VA templates are still under discussion as some elements would have to be amended to be able to obtain the desired results. Please refer to our comments on QRTs.	
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4.121.	<p><u>H. Narrative reporting</u></p> <p>We are in favour of Option 1 (not to have a Level 3 on narrative reporting) as we believe that Level 1 and Level 2 in particular, provide very detail information on what is expected to be submitted to the supervisory authorities.</p>	

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4.122.		
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	<p><u>I. Risk Concentration</u></p> <p>We are in favour of Option 2 (to only report qualitative information on risk concentration). We agree that some quantitative information can still be included in the narrative report if deemed necessary.</p>	
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Q1.	<u>Q1. Are the requirements clear and will they help the undertakings understand what</u>	

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	<p><u>they need to do?</u></p> <p>Further clarity on the information requested in some areas of the templates is required in the LOG document. Please refer to our comments on the QRTs.</p>	
Q2.		
Q3.		
Q4.		
Q5.	<p><u>Q5. What benefits may flow from the proposed requirements?</u></p> <p>The benefits associated with the templates will give supervisors a lot of valuable information about the insurance undertakings. For many undertakings, the templates will increase the undertaking's own understanding of its business and risk profile. For most undertakings, the templates will inspire development and improvements in the internal management information, risk management, etc.</p> <p>Overall , however, the templates will primarily benefit Supervisors and, if the templates are published, they may provide some benefit to the consumers.</p>	
Q6.	<p><u>Q6. Do undertakings agree with the analysis of the costs for the implementation of the reporting requirements? Are there other costs and negative impacts EIOPA should consider?</u></p> <p>Although the templates, for the most part, only include information already stored at the undertakings, implementing the proposed reporting requirements will imply significant additional costs. The reporting templates will, with maybe some exceptions, not make existing internal reporting used for e.g. management decisions, risk management purposes, compliance and control, redundant.</p> <p>Furthermore, once in regular use, supervisors should acknowledge that the templates are closely scrutinized to ensure completeness, accuracy, etc. by the undertaking before being transmitted to the supervisor. Even if undertakings succeed in implementing fully automated "straight-through processed" reporting, the templates</p>	

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	<p>will always be liable to human error (e.g. wrong inputs), system failures (e.g. changes in data providers' data formats), etc. that require substantial controlling.</p> <p>All in all, we believe that the proposed reporting templates will put a heavy burden on undertakings beyond the actual cost of compliance. We are not convinced that the the benefits for supervisors and society will outweigh the cost for the undertakings and policyholders.</p> <p>Undertakings' risk management systems and procedures can (and should) function satisfactorily, independently of the proposed reporting templates.</p> <p>Undertakings' risk management will only be based on these reporting templates to a limited extend. Prudently managed undertakings will base their risk management on tailor made solutions addressing the risks embedded in their investment portfolios. We interpret the regulation on ORSA in such a way that tailor made risk management is more or less mandatory.</p>	
Q7.	<p><u>Q7. Do undertakings agree with the proposed options in the analysis of the impact? Are there other options EIOPA should consider?</u></p> <p>We generally agree with the suggested options analysed as part of the impact assessment. However, the number of areas to be addressed in the impact assessment should be expanded to cover the following topics:</p> <ul style="list-style-type: none"> • Look-through approach investment funds • Use of proxies and approximations for quarterly reporting 	
Q8.		
Q9.		