	Comments Template on Impact Assessment and Questions	Deadline 20 January 2012 12:00 CET
Name of Company:	RSA Insurance Group plc	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
	Please follow the following instructions for filling in the template: ⇨ 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 empty. ⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph or a cell, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **Please send the completed template, in Word Format, to cp009@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.** The numbering of the paragraphs refers to this Consultation Paper.	
Reference	**Comment**	
General Comment	RSA Insurance Group and its subsidiaries welcome the opportunity to respond to EIOPA's consultation on public reporting and disclosure. As part of our preparations for the introduction of Solvency II, the Group has undertaken a full dry-run of the proposed disclosure requirements. The comments made in this document are often based on the practical experiences of doing the dry-run during 2011. The entities covered by the exercise were: • RSA Insurance Group plc (consolidated Group)	

	• Royal & Sun Alliance Insurance plc (UK) • Royal & Sun Alliance Reinsurance Ltd (UK) • The Marine Insurance Company Ltd (UK) • Sun Insurance Office Ltd (UK) • Codan Forsikring A/S (Denmark) • Trygg-Hansa Försäkrings AB (Sweden) • Forsikringsselskabet Privatsikring A/S (Denmark) • Holmia Livförsäkring AB (Sweden) • Sveland Sakförsäkringar AB (Sweden) • RSA Insurance Ireland Ltd (Irish Republic) • RSA Reinsurance Ireland Ltd (Irish Republic) • Link4 Towarzystwo Ubezpieczen Na Zycie SA (Poland) • AS Balta (Latvia) • Direct - Pojistovna AS (Czech Republic) • Lietuvos Draudimas (Lithuania) In addition, due to the need to gather consolidated data for the Group, our operations and branches around the world, in particular outside the EEA, were also involved to varying extents. Summary of key points: • We welcome the harmonisation of reporting across member states; however we are concerned at the level of detail being required, with very little justification as to why some of it is really needed. • We are concerned at the timeframes for reporting and associated practicalities, given the volume of information to be reported. • We welcome EIOPA's discussion on whether certain proposed forms are necessary, given other reporting proposals. We believe all such duplication ought to be removed. • The variation analysis templates, whilst improved from previous versions, are still in need of	

	further simplification and inadvertently mandate the use of underwriting year analysis. • We believe the decision on the year convention (accident vs. underwriting) ought to be left to entities and not to national supervisors.	
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4.5.	Investment freedom under the Prudent Person principle is given as a reason why a detailed list of assets is required on a quarterly basis. Investment portfolios are managed within a Corporate Governance framework and in accordance with the company's investment policy. This freedom is consequently largely restricted where companies have good internal governance and low risk appetite; not to take account of this in regulatory disclosure requirements penalises these companies. The proposed exemption ought to be extended in reflection of this.	

	If undertakings are using derivative instruments for hedging and qualify for such under IAS39, it means they will have already met stringent criteria to prove that such instruments are not being used for speculative purposes. We believe that such instruments therefore need not be reported at all in form D2, especially since the only purpose seems to be whether prudence is really being exercised in line with the prudent person principle. Otherwise, given the extent of data requested (further, on a quarterly basis), undertakings might be discouraged from engaging in such prudent, risk-mitigation activities.	
4.6.	We do not understand the aim of QRT D2T in connection with this stated purpose – this ought to be clarified; else it ought to be deleted.	
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4.12.	See 4.5 above.	
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4.14.	Setting the threshold at a European level means it is impossible for undertakings to plan whether or not they will be exempted, resulting in continuing uncertainty over potentially significant investment in systems to facilitate quarterly reporting.	
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4.21.	Having internal data for internal consumption is one thing; having to present such data to external parties is quite another, in view of:	

	• the additional data items demanded that we do not need (e.g. CIC code, issuer country, issuer group code); and • the significant costs for the insurer in compiling this quarterly list in the format and to the timescales required by the supervisor. These, along with the accumulated burden of producing other reports, means the use of proportionality and the level of detail here must be reconsidered. This proposal is heavily reliant on third-parties for the provision of the required data. For this reason, it appears that the costs to be incurred by those undertakings unlikely to benefit from the proposed proportionality provisions have not been properly considered. Further, there are certain data items requested that do not improve risk management, such as mandating the use of CIC codes (not universally used), reporting external ratings (some undertakings need to purchase licences to report such information), or reporting the ultimate parent of an issuer (inconsistencies within the whole industry). We believe such items only serve to amplify the burden for undertakings and should be removed entirely. Unless invested in assets carrying greater risk, portfolios should be subject to a lower-than-proposed level of scrutiny – this is all the more reasonable given that insurance undertakings are not likely to have a lot of churn in their investment portfolios as their investments are not used for trading.	
4.22.	We disagree with the assertion that the costs of compliance here are consistent with those of a proper risk management system – please see 4.21 above.	
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4.27.	We disagree with the assertion that the burden here is consistent with that of a proper risk management system – please see 4.21 above.	

4.28.	Given that insurance undertakings are not likely to have a lot of churn in their investment portfolios, we believe there are further opportunities for proportionality to be employed: for instance, quarterly reporting should not be mandated based on arbitrary thresholds. Instead, only annual reporting should be mandated at a European level, with national supervisors left to determine whether quarterly reporting is required in addition, based on an individual undertaking's level of portfolio churn and the level of risk within specific portfolios. Employing such discretion would be much more preferable and proportionate.	
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4.56.	Answering EIOPA's questions in turn: • introducing proportionate requirements for small undertakings; We disagree – see 4.21, 4.22 and 4.27 above. • harmonising supervisory reporting; There will be some harmonisation as a result of these proposals, but at a disproportionate level. Undertakings will not know until an indeterminate point in time whether or not they will be exempted. • promoting compatibility of valuation and reporting rules with the international accounting standards elaborated by the IASB; and The hedging criteria under IAS39 do not appear to have been noted – see 4.5 above. • ensuring efficient supervision of insurance groups and financial conglomerates. It is likely that most large groups will not qualify for the exemption, meaning the proposals might not be efficient.	
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4.70.	We do not agree with this conclusion, as this could otherwise lead to inconsistencies between entities within a group. Since no uniformity at the European level is proposed, we believe there ought to be no uniformity at the national level either, i.e. Option 1 - not requiring any specific standard for claims development, and letting undertakings choose the standard they use. Answering EIOPA's questions in turn: • introducing proportionate requirements for small undertakings; Enforcing a nationwide convention would impose a disproportionate burden on small undertakings. • harmonising supervisory reporting; As no harmonisation is proposed at European level, harmonisation does not need to apply at national level either. • promoting compatibility of valuation and reporting rules with the international accounting standards elaborated by the IASB; and IFRS does not mandate a particular convention. • ensuring efficient supervision of insurance groups and financial conglomerates. The QRTs in question are not within the scope of group reporting; however, were they to be so, leaving the decision to national supervisors and not to the groups themselves would lead to potential inconsistencies within the group.	

	It is important to note, however, that the proposed structure of form VA-C2C requires analysis by underwriting year regardless, meaning this form ought to be reconsidered. Please see our comments in 4.117 below.	
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4.77.	We do not agree with this conclusion – please see 4.78 below.	
4.78.	It was not until November 2011 that it was clarified that the RBNS triangles in form TP-E3 were in respect of "case reserves", thus highlighting the duplication of reporting on E3 and E4. We believe this duplication removes the need for E4 rather than E3, the latter form containing sufficient information for the needs of supervisors. Firstly, "case reserves" are not a Solvency II concept. It would seem undue weight is being placed on case reserves as a component of the Technical Provision calculation. In order to calculate our Technical Provisions, we already perform actuarial techniques that assess the sufficiency or otherwise of the case reserves as part of our process and hence the risk of the case reserves being too high or low is less important than the disclosure suggests. There are two basic chain-ladder methods to assess the ultimate cost of claims. • Paid chain-ladder - this uses just the paid claims, so ignores the case reserves • Incurred chain-ladder - this uses the sum of the paid claims and the case reserves. Only the second method is affected by case reserves and could potentially lead to an error in calculation; however an actuary always uses a variety of methods and if the case reserves were	

	being over or underestimated, this would be identified by the paid chain-ladder, or any of the other non chain-ladder methods such as AVCC. It would also be identified by validation of actual vs expected that the actuarial function would perform. Hence, we strongly believe there is a false concern about the accuracy of case reserves affecting Technical Provisions that underlies the vast proposed disclosures. Thus, we do not in principle agree that E4 as a form is necessary. We support limited disclosure on an aggregated basis as in E3. A suggestion would be to include within E3 additional triangles for the numbers of open and closed claims. We also disagree with the conclusion in 4.77 which states that the costs of reporting E3 and E4 are "medium". They are "High" for a number of reasons: 1. Data need to be allocated by SII LoB which incurs costs and is not the way we manage our business. We currently use more granular Homogenous Risk Groups. We suggest that data at SII LoB level are likely to be a mixture of non-homogenous risk groups and hence not appropriate for the use to which the data are intended to be put. 2. In our recent dry-run exercise, we discovered that the data required for TP-E4 is simply not collected in the manner required to complete the form, which would necessitate new systems. We do not understand why data is required that would necessitate counting, defining and aggregating information based on all records of the individual claim in all the claims systems that might exist in the particular undertaking.	
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4.80.	**Answering the questions in turn:** Do you agree that the EIOPA's suggested approach would be the most efficient and effective in order to achieve the objectives of: • introducing proportionate requirements for small undertakings;	

	No, the high costs of introducing this duplicative disclosure requirement, particularly in our experience for smaller undertakings without appropriate data systems, is disproportionate. It also does not achieve the suggested benefit, for the technical reasons given in 4.78 above. We believe sufficient information on case reserves is contained in E3 to remove the need for E4 entirely. • harmonising supervisory reporting; Since in many cases data systems do not contain data at SII LoB level, decisions made on allocation will not lead to harmonised supervisory reporting. • promoting compatibility of valuation and reporting rules with the international accounting standards elaborated by the IASB; and Such requirements are met by E3, without requiring the existence of E4. • ensuring efficient supervision of insurance groups and financial conglomerates. Such requirements are met by E3, without requiring the existence of E4.	
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4.92.	Given forms E1Q and F1Q are not applicable to groups, it would appear that the proposed exemption is not available to groups. If that is the intention, we believe that is disproportionate and we should like to understand the reasons for this – unless the financial stability templates proposals have already been anticipated.	

	Further, it would appear – once the assets, technical provisions and own funds have been reported – there would be little benefit to this exemption, since nearly all the work required to produce a balance sheet will have been done anyway. It is also unclear if the quarterly QRTs will actually help explain the quarterly reconciliation reserve movement required under paragraph 4.90. Finally, the conditions are met only when reconciliation reserve is explained "sufficiently" by these other templates – there is an implicit materiality threshold to be applied, i.e. "sufficiently" needs to be clearly defined. The proposed exemption would therefore appear to yield any benefit only in a very limited number of circumstances.	
4.93.	The table is unclear regarding the public disclosure of forms A1Q, B1Q, E1Q and F1Q: it does not clearly state that what is required is actually the annual version of these forms, but in a format identical to the quarterly version. Instead, the table might be misconstrued to mean that the quarterly forms will need to be disclosed. The clarity needs to be improved here.	
4.94.		
4.95.	We believe that public disclosure regarding risk concentrations ought to be in line with, and not exceed, those of the SFCR (Level 2 text, Article 286 PDS5 (3) and Article 341 PDG1 (2)(c)). We also believe there should be no public disclosure of capital add-ons within the transitional period allowed for in Article 51 of the Directive, due to sensitivity and the fact that a number of factors could lie at their source.	
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4.100.	RFF are not applicable to our Group; however, reporting in respect of RFF ought to be as proportionate as possible, having regard to materiality.	
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4.115.	There is no reason why the change in BOF due to changes in investment valuation needs to be analysed between cells A6, A7 and A8 in form VA-C2B. We (and many other firms) simply do not keep such records. When multiple purchases are made of a single stock, an average cost price is computed. When changes in investment valulation are quantified, they are done in total. The purpose in the LOG does not explain why this is needed, apart from stating the obvious. We request that this analysis be removed.	
4.116.		
4.117.	The proposed structure of this analysis effectively requires analysis by underwriting year, completely contradicting the conclusion reached in 4.69. We suggest a simpler, alternative layout, using brought-forward and carried-forward balances, which would accommodate both accident year and underwriting year analyses.	
4.118.		
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4.120.	We agree that the current VA templates are much improved from previous versions, both the original EIOPA proposal and the 2011 industry counterproposal. There are still areas where a less complex approach is required, not least in form VA-C2C. We suggest a simpler, alternative layout, using brought-forward and carried-forward balances, which would accommodate both accident year and underwriting year analyses. Under this proposal, the section on risks accepted prior to the period would disappear and the section on risks accepted during the period would include the brought forward premium provision, with subsequent lines (B1-D1) pertaining to those accumulated during year N only.	
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4.125.	We agree that option 3 is the most preferable; however more of an “option 2 approach” has been taken with the L3 guidelines for narrative reporting: some of the guidelines are too prescriptive or bureaucratic; and others are simply duplicative. We have commented on these separately in our response to the draft L3 Guidelines.	
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4.131.	We agree with EIOPA: the current proposed form duplicates, in part, solo-level reporting for assets (D series) and reinsurance (e.g. J3). There is no new information being reported here in these areas, so these elements should be withdrawn at the very least. Further, the proposed requirements for the SFCR and RSR already include disclosures on risk concentrations, for each of the major types of risk. Such disclosures are both qualitative and	

	quantitative in nature. We do not see what the RC form is seeking that is not already being obtained from these disclosures. In addition, such disclosures are available at a solo level, not just at a group level, meaning granularity of data is not an issue. As such, we therefore believe this form should not be retained.	
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4.138.	See 4.140.	
4.139.	See 4.140.	
4.140.	See 4.21 above: the assertion made in this paragraph does not take into account certain practicalities.	
4.141.	The purported view of the ECB needs to be justified, especially since the risk profile of an insurer is very different from that of a bank. Any reporting over and above that already proposed in this consultation needs to be accompanied by very clear rationale.	
4.142.		
Q1.	Whilst the requirements have become clearer with each iteration of the QRTs, there are still a number of areas of clarification required, too numerous to mention here. (We have cited these in our response to the QRTs in the relevant response template.) We recommend that there be a further public consultation on the next version, given that a number of significant issues still remain.	
Q2.	See above and our response to the QRTs in the relevant response template.	
Q3.	We believe the reporting requirements are excessively comprehensive as currently proposed, providing users and supervisors with more than sufficient information to assess the adequacy of	

	an undertaking's/group's capital. We recommend that serious consideration be given to reducing the level of detail required, for example the quantity and necessity of claims triangles data.	
Q4.	Some of the requested data is reliant upon third parties (e.g. investments data and stocklending collateral). Such data willi simply not be available in the manner requested. It needs to be clarified that reasonable differences between Q4 quarterly submissions and annual submissions will be acceptable, given the shorter timeframe available to complete the former. Any such differences ought not to be accompanied by formal reconciliations, but only explanations where significant enough to merit them. In order for firms to complete the forms in a meaningful manner, firms have to be given adequate time to compile the data and to go through internal governance to ensure their accuracy. The current proposed timeframes are at the lower end of the range of acceptability. There needs to be a recognition that groups require additional time to consolidate responses.	
Q5.	The harmonisation of reporting requirements is welcomed by our Group; however, this should not be done at the expense of expediency, practicality and proportionality. For instance, it should be left to undertakings and groups to determine whether accident year or underwriting year is to be adopted, not national supervisors.	
Q6.	The anticipated costs have been underestimated in a number of instances: • The data required to complete certain forms significantly exceed those needed for internal risk management purposes (e.g. Assets-D1, BS-C1B). • The insistence that salvage and subrogation cash inflows be separately analysed in a number of forms, despite such analysis not being needed for the Solvency II technical provisions calculation, will create an unreasonable burden for non-life undertakings. • Various data items are asked to be analysed in different ways: e.g. underwriting location by country of risk or country of underwriting; and premiums written/earned/paid. • The variation analysis templates implicitly require analysis by underwriting year. • A number of the forms either have no reference to materiality, or the proposed de minimis limits are too small as to be useful. For instance, the limits proposed for form TP-E3 would	

	potentially mean a currency comprising only 0.75% of the total LoB would need to be reported. • Certain forms are duplicative (e.g. Re-J1 and Re-J2 – assuming the latter covers the whole reinsurance programme, not just treaties), with no apparent benefit. One potential source of cost savings is an automation of the standard formula templates, which would in turn be linked to the other reporting templates. This would reduce effort and processing times.	
Q7.	See our responses to the individual questions above.	
Q8.	See our responses to the individual questions above.	
Q9.	For internal purposes, the administrative, management or supervisory board (AMSB) would normally approve submissions prior to release. A confirmation of compliance with guidelines could be made by management to the AMSB, prior to the latter's approval. We see no value in having these returns externally audited.	