

**Consultation Paper  
on the draft proposal for  
Guidelines  
on Narrative Public Disclosure &  
Supervisory Reporting,  
Predefined Events and  
Processes for Reporting & Disclosure**

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# 1. Responding to this paper

EIOPA welcomes comments on the draft proposal for Guidelines on narrative public disclosure and supervisory reporting, as well as on predefined events and processes for reporting and disclosure.

The consultation package includes:

- The Consultation Paper
- A separate Impact Assessment
- Template for comments

Please send your comments to EIOPA in the provided Template for Comments, by email [cp009@eiopa.europa.eu](mailto:cp009@eiopa.europa.eu), by 20 January 2011.

Contributions not provided in the provided template for comments, or sent to a different email address, or after the deadline will not be processed.

EIOPA invites comments on any aspect of this paper and in particular on the specific questions included in the Impact Assessment Comments are most helpful if they:

- respond to the question stated;
- contain a clear rationale; and
- describe any alternatives EIOPA should consider.

## Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with EIOPA's rules on public access to documents<sup>1</sup>. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by EIOPA's Board of Appeal and the European Ombudsman.

## Data protection

Information on data protection can be found at [www.eiopa.europa.eu](http://www.eiopa.europa.eu) under the heading 'Legal notice'.

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<sup>1</sup> [https://eiopa.europa.eu/fileadmin/tx\\_dam/files/aboutceiops/Public-Access-\(EIOPA-MB-11-051\).pdf](https://eiopa.europa.eu/fileadmin/tx_dam/files/aboutceiops/Public-Access-(EIOPA-MB-11-051).pdf)

## 2. Consultation Paper Overview & Next Steps

EIOPA carries out consultations in the case of Guidelines in accordance to Article 16 (2) of the EIOPA Regulation.

This Consultation Paper is being issued in the frame of the development by EIOPA of the measures which should facilitate the convergent implementation of Solvency II.

This Consultation Paper presents the draft Guidelines as well as explanatory text.

The analysis of the expected impact from the proposed policy is covered in the Annex Impact Assessment and includes the chronology and results of previous consultations.

Where specific questions to the guidelines or the explanatory text are being asked for the purpose of the consultation and should be answered by using the template for comments provided by EIOPA.

### **Next steps**

EIOPA will consider the feedback received and expects to finalise the package in Summer 2012. The potential impact of future changes in the draft Delegated Acts ("Level 2"), of which details on possible topics are provided in the Cover Note will be taken into account where relevant.

Pending final confirmation of the deadlines in the Omnibus II Directive, EIOPA expects to submit the Implementing Technical Standards for endorsement by the European Commission by September 2012.

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## 3. Guidelines

### Guidelines on Narrative Public Disclosure & Supervisory Reporting, Predefined Events and Processes for Reporting & Disclosure

#### Introduction

3.1. Having regard to Articles 35, 51, 53, 54, 55, 254 (2) and 256 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II, hereafter "the Directive")<sup>2</sup>.

Whereas,

3.2. The following Guidelines aim at specifying the requirements on public disclosure and supervisory reporting that (re)insurance undertakings are subject to by giving further details as to what supervisory authorities expect from undertakings with regards to :

- the content of the narrative Solvency and Financial Condition Report (SFCR);
- and the content of the narrative Regular Supervisory Report (RSR);
- reporting in the case of predefined events (PDE);
- processes for public disclosure and supervisory reporting.

3.3. The Guidelines on the content of the Solvency and Financial Condition Report and the Regular Supervisory Report are aimed at harmonising public disclosure and supervisory reporting by specifying the minimum content of selected sections of the reports, to the extent that further clarification and detail to the delegated acts are necessary.

3.4. These Guidelines follow the structure of the Solvency and Financial Condition report and the Regular Supervisory Report as set out in the delegated acts. There is no specific section for groups<sup>3</sup>: specific guidelines for groups are included in the same sections as for solo undertakings. There are three kinds of Guidelines, those aimed at:

- All undertakings: these Guidelines should be applied by all solo undertakings when producing their solo SFCR/ RSR and also by groups when they are producing their group SFCR/ RSR in line with

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<sup>2</sup> OJ L 335, 17.12.2009

<sup>3</sup> The responsible entities for group reporting are referred to as « participating insurance and reinsurance undertakings » or « insurance holding companies » in the following text to be in line with the level 1 text on groups.

Article 256 of the Directive which states that “Articles 51 and 53 to 55 shall apply *mutatis mutandis*” and Article 254 which states that “Article 35 shall apply *mutatis mutandis*”;

- Undertakings belonging to a group in case some specific elements need to be disclosed or reported on how group-level strategies or processes are being applied at solo level: only undertakings which belong to a group, whatever the group is (insurance or not) should respect those guidelines;
- Participating insurance and reinsurance undertakings or insurance holdings companies when requirements are only to be applied in the group SFCR/ RSR: in this case a group is defined within the meaning of Article 212 and 213 of the Directive.

3.5. Some Guidelines apply only to undertakings and groups undertakings using an Internal Model to calculate the SCR.

3.6. The Guidelines on predefined events are aimed at further specifying the requirements set out in Article 35 (2) (a) (ii) and 245 (2) of the Directive, concerning reporting taking place upon occurrence of such predefined events.

3.7. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction.

## **Section I: Solvency and Financial Condition Report – Narrative**

### **Title I: Business & Performance**

#### **Guideline 1 Business**

3.8. Undertakings should provide the following information regarding their business:

- a) Identification of the corporate entities or the natural persons that are holders of qualifying holdings, the proportion of ownership interest held and, if different, the proportion of voting power held;
- b) The name and location of the parent and of the ultimate parent entity;
- c) A list of material subsidiaries and significant investments in joint controlled entities and associates including the name, country, proportion of ownership interest and, if different, proportion of voting power held; in the case of participating insurance and reinsurance undertakings or insurance holding companies, this requirement extends to all subsidiaries and material participations; and
- d) A simplified structure chart.

### **Guideline 2 Business**

3.9. Participating insurance and reinsurance undertakings or insurance holding companies should provide organisational structure information about the group including information on internal structures.

### **Guideline 3 Any other disclosures<sup>4</sup>**

3.10. Participating insurance and reinsurance undertakings or insurance holding companies should provide qualitative and quantitative information regarding relevant operations and transactions within the group including information on:

- a) The amount of the operations and transactions;
- b) The amount of outstanding balances, if any; and
- c) Relevant terms and conditions of the operations and transactions.

## **Title II: System of governance**

### **Guideline 4 Governance Structure**

3.11. Undertakings should explain how risk management, internal audit, compliance and actuarial functions are integrated in the organisation structure and decision making process of the undertaking.

3.12. This includes explanation on how the functions have the necessary authority, resources and independence to carry out their tasks and how they report to and advise the administrative, management or supervisory body.

### **Guideline 5 Risk management system**

3.13. When explaining how the risk management function is incorporated in their organisational structure and decision-making process, undertakings using an Internal Model to calculate the SCR should specifically address the governance of the Internal Model, including:

- a) Specific committees and/or responsible persons if any, their main roles and scope of responsibilities;
- b) The way these committees interacts with the Administrative Management and Supervisory Board (AMSB) in order for the latter to meet article 116 of the Directive;
- c) Processes for accepting changes to the internal model ;
- d) Material changes to the internal model governance during the reporting period; and

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<sup>4</sup> See EIOPA upcoming L3 guidelines on Supervision of Risk Concentration and Intra-Group Transactions

e) A description of the validation tools and processes used within the validation policy for the Internal Model.

### **Title III: Risk Profile**

#### **Guideline 6 Underwriting risk**

3.14. In relation to the use of Special Purpose Vehicles (SPV), undertakings should provide information at least on whether the SPV is authorized under Article 211 of the Directive or not, what risks are transferred to the SPV and how the fully funded principle is implemented.

### **Title IV: Valuation for Solvency Purposes**

#### **Guideline 7 Assets**

3.15. When undertakings aggregate assets into classes, in order to describe the valuation basis that has been applied to them, that aggregation should be based on the nature and function of assets and their materiality for solvency purposes. Classes other than those used in the Solvency II balance sheet template should only be used if the undertaking can demonstrate that another presentation is clearer and more relevant.

#### **Guideline 8 Assets**

3.16. For each material class of asset in the Solvency II balance sheet the undertaking should disclose quantitative and qualitative information on:

- a) Recognition and valuation basis applied;
- b) Assumptions and judgements including those about the future and other major sources of estimation uncertainty;
- c) Changes made to the recognition and valuation basis and on estimations during the period;
- d) Methods and inputs used to determine the economic value;
- e) The extent to which valuation is based on an economic value provided by an external independent valuation expert; and
- f) Information on the specific classes of assets on the Solvency II balance sheet as described in Guidelines 9 to 13.

3.17. In addition undertakings should disclose and explain the material differences between a) to c) in the Solvency II balance sheet and in the undertaking's financial statements.

#### **Guideline 9 Intangible assets**

3.18. If undertakings value intangible assets on the Solvency II balance sheet at an amount other than zero, they should disclose:

- a) The nature of the assets; and
- b) Information on the evidence and criteria they have used to conclude that an active market exists for those assets exists.

#### **Guideline 10 Financial assets**

3.19. Undertakings should include in their disclosure on financial assets:

- a) The criteria used to assess whether markets are active; and
- b) Significant changes to valuation models used and to model inputs, including the impact of and reasons for the change.

#### **Guideline 11 Lease assets**

3.20. Undertakings should disclose, separately for financial leases and operating leases, a general description of their material leasing arrangements.

#### **Guideline 12 Holdings in related undertakings**

3.21. Undertakings should include in their disclosure on valuation of holdings in related undertakings:

- a) The nature of the relationship (subsidiary, associate or joint controlled entity);
- b) The participations held;
- c) Summarized financial information on the related undertakings; and
- d) The reasons supporting the use of the IFRS equity method and/or of alternatives valuation methods, where applicable.

#### **Guideline 13 Deferred tax assets**

3.22. Undertakings should include in their disclosure on deferred taxes assets:

- a) The amount of deferred tax assets and the nature of the evidence supporting its recognition; and
- b) The amount and expiry date if applicable, of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the Solvency II balance sheet.

#### **Guideline 14 Technical provisions**

3.23. Undertakings should provide information on technical provisions which should include:

- a) Any significant simplifications used for valuation of the technical provision (including deriving the risk margin); and
- b) An explanation of the general approach to contract boundaries.

**Guideline 15 Other liabilities**

3.24. When undertakings aggregate liabilities into classes, in order to describe the valuation basis that has been applied to them, that aggregation should be based on the nature and function of liabilities and their materiality for solvency purposes. Classes other than those used in the Solvency II balance sheet template should only be used if the undertaking can demonstrate that another presentation is clearer and more relevant.

**Guideline 16 Lease liabilities**

3.25. Undertakings should provide a general description of material leasing arrangements, separately disclosing information on financial and operating leases.

**Guideline 17 Provisions other than technical provisions and contingent liabilities**

3.26. Undertakings should include in their disclosure on provisions other than technical provisions and Contingent liabilities:

- a) The nature of the obligation and expected timing of any outflows of economic benefits; and
- b) An indication of uncertainties surrounding the amount or timing of the outflows of economic benefits.

**Guideline 18 Employee benefits**

3.27. Undertakings should include in their disclosure on employee benefits:

- a) The nature of the obligations with employee benefits; and
- b) The nature of the plan assets, the percentage and the amount of each class of assets in the total defined benefit plan assets, including reimbursement rights.

**Guideline 19 Deferred tax liabilities**

3.28. Undertakings should include in their disclosure on deferred tax liabilities the amount of deferred tax liabilities and the nature of the evidence supporting its recognition.

**Guideline 20 Any other disclosures**

3.29. Undertakings should describe the processes and procedures to deliver reliable financial and non-financial information in a timely manner.

## **Title V: Capital Management**

### **Guideline 21 Own funds**

3.30. Undertakings should disclose their solvency ratio, calculated as eligible own funds as a percentage of the SCR. Where undertakings believe that additional ratios are relevant to providing an understanding of their solvency position they can choose to disclose them so long as they are clearly explained, and do not divert attention from the solvency ratio mentioned above and are compatible with it.

### **Guideline 22 Own funds**

3.31. Undertakings should provide information regarding their own funds, including:

- a) The information about the objectives, policies and processes employed by the undertaking for managing its own funds (including information on the time horizon used for business planning, and on any material changes over the reporting period) and information on the structure, amount and quality of own funds at the end of the reporting period and at the end of the previous reporting period (including an analysis of the significant changes in each tier over the reporting period), should be separately provided for each type of basic own funds item as well as for ancillary own funds;
- b) For each capital instrument in issue at year end, the extent to which they are subordinated, their duration and issue size as well any other features that are relevant for assessing the quality of the capital;
- c) The value of capital instruments issued as debt and the value of debt instruments redeemed during the year and the extent to which the issuance has been used to fund redemptions;
- d) The value of subordinated debt (which is valued according to the economic valuation principles, excluding adjustment in own credit risk) which should also explain changes arising from movements in the risk free rate and, if relevant, from fluctuations between the currency in which the subordinated debt is issued and the reporting currency;
- e) With regard to the disclosure of eligible amounts to cover the SCR and MCR, an explanation of any restrictions to available own funds and the impact of limits on eligible Tier 2 and Tier 3 capital, and on restricted Tier 1 capital;
- f) An explanation addressing the key elements of the reconciliation reserve;
- g) Information in relation to the transitional arrangements on the disclosure for each separate own-fund item should include:
  - the tier into which each has been classified and why;
  - and

- the date of the next call and the regularity of any subsequent call dates (or the fact that no call dates fall until after the end of the transition date).
- h) In case a method has been used to determine the amount of an ancillary own fund item a disclosure of:
- how the valuation provided by the method has varied over time;
  - which inputs to the methodology have been the principal drivers for this movement; and
  - the extent to which the method takes account of past experience, for example the outcome of past calls, and how the amount calculated is affected.
- i) The total excess of assets over liabilities within ring-fenced funds, the split between those which are deducted and those which are not and the extent of and reasons for significant restrictions, deductions or encumbrances, including any relating to participations.
- j) The description of each material ancillary own fund item should include information on the form of arrangement and the nature of the basic own funds items it would become on being called up or satisfied (including the tier), as well as when the item was agreed by the supervisory authority and for how long.

### **Guideline 23 Own funds**

- 3.32. Participating insurance and reinsurance undertakings or insurance holding companies should disclose information regarding their own funds including:
- a) Which own funds items have been issued by an undertaking of the group other than the participating insurance and reinsurance undertakings or insurance holding companies;
  - b) The currency used to disclose own fund items should be the same currency used in the 'group returns' (the local currency). Where own fund items are denominated at the solo level in a currency other than the local currency, details should be provided identifying those own funds, their issuing undertaking, the currency that they are denominated in and a reconciliation between the value of the own funds in the two currencies, even if the currency used to disclose own funds items should be the reporting currency;
  - c) Where the own funds are issued by an equivalent third country insurance undertaking and when applying the Deduction and Aggregation method, the participating insurance and reinsurance undertakings or insurance holding companies should disclose the local tiering of those own funds, including information on the tiering structure, criteria and their limits; the participating insurance and reinsurance undertakings or insurance holding companies should also

- include information on the levels of their own funds in each tier;
- d) Where the own funds are issued by an undertaking that is not a insurance undertaking and is subject to tiering requirements other than Solvency II requirements, the participating insurance and reinsurance undertakings or insurance holding companies should disclose the source and nature of those tiering requirements, as well as the level of the own funds in each tier;
  - e) How group own funds have been calculated net of any intra-group transactions, including intra-group transactions with entities of other financial sectors; and
  - f) The nature of the restrictions to the transferability and fungibility of own funds in the related undertakings, if any.

#### **Guideline 24 Solvency Capital Requirement and Minimum Capital Requirement**

- 3.33. Undertakings should provide information on the justifications that simplifications used for calculation of the solvency capital requirement are proportionate to the nature, scale and complexity of risks.

#### **Guideline 25 Differences between the standard formula and any internal models used**

- 3.34. Undertakings should consider, when disclosing the differences between Standard Formula and Internal Models:
- a) Structure of the model,
  - b) Risk categories concerned by internal models and those not,
  - c) Aggregation methodologies and diversification effects,
  - d) Risk not covered in the Standard Formula but in the internal model,
  - e) High level differences in the methodologies.

#### **Guideline 26 Any other disclosures**

- 3.35. Undertakings should provide a high level description of the operational performance of the internal model, in particular security, contingency planning and recovery plans, as well as computational capabilities and efficiency of the model.

#### **Guideline 27 Any other disclosures**

- 3.36. Within the description of the nature and appropriateness of the key data used, undertakings should provide a description of the process in place for checking data quality.

## **Section II: Regular Supervisory Report – Narrative**

### **Title I: Business & Performance**

#### **Guideline 28 Business**

- 3.37. When providing information regarding their business, undertakings should include information on:
- a) number of full time equivalent employees;
  - b) a list of all subsidiaries and branches;
  - c) a detailed structure chart; and
  - d) distributions to shareholders.

#### **Guideline 29 Performance of investment activities**

- 3.38. When providing information on risk mitigation techniques related to underwriting activities, undertakings should include a description of:
- a) the impact of the mitigation techniques on the performance of underwriting activities; and
  - b) the effectiveness of the risk mitigation techniques.

#### **Guideline 30 Any other disclosures**

- 3.39. Undertakings should provide information about any significant related party transactions.

#### **Guideline 31 Any other disclosures**

- 3.40. Undertakings belonging to a group should provide qualitative and quantitative information regarding relevant operations and transactions within the group including information on:
- a) The amount of the operations and transactions;
  - b) The amount of outstanding balances, if any;
  - c) Relevant terms and conditions of the operations and transactions.

#### **Guideline 32 Any other disclosures**

- 3.41. Participating insurance and reinsurance undertakings or insurance holding companies should provide information on the terms and conditions of the intra-group operations and transactions including information on:
- a) Commercial rationale for the operation or transaction;
  - b) Risks borne by, and rewards available to, each party to the operation or transaction;
  - c) Any particular aspects of the operation or transaction that are (or may become) disadvantageous to either party;

- d) Any conflicts of interest that may have arisen in negotiating and executing the operation or transaction, and any potential conflicts of interest that may arise in the future;
- e) If the transaction is linked to other operations or transactions in terms of timing, function and planning, the individual effect of each operation or transaction and the overall net impact of the linked operations and transactions on each party to the operation or transaction and on the group should be reported; and
- f) Extent to which the operation or transaction is depending on a winding-up and circumstances in which the operation or transaction can be unwound.

## **Title II: System of governance**

### **Guideline 33 Governance structure**

3.42. Within the information on the governance structure, undertakings should provide an organisational chart of the undertaking, including positions of key function holders.

### **Guideline 34 Governance structure**

3.43. Within the information on the governance structure, undertakings should explain how the undertaking's remuneration policies and practices are consistent with and promote sound and effective risk management and do not encourage excessive risk taking. The information should focus on the linkage between remuneration and performance.

### **Guideline 35 Governance structure**

3.44. Participating insurance and reinsurance undertakings or insurance holding companies should if they have obtained approval for Centralized Risk Management explain how they comply with the Centralized Risk Management requirements<sup>5</sup>.

### **Guideline 36 Risk management system**

3.45. When providing information on the strategies, objectives, processes and reporting procedures of the undertaking's risk management for each separate category of risk, undertakings should explain how these are documented, monitored and enforced.

## **Title III: Risk Profile**

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<sup>5</sup> See Upcoming EIOPA L3 guidelines on Group Governance

#### **Guideline 37 Risk Profile**

3.46. Within the information reported with regards to risk exposure, undertakings should explain how they ensure that derivatives contribute to the reduction of risks or facilitate efficient portfolio management.

#### **Guideline 38 Risk Profile**

3.47. Participating insurance and reinsurance undertakings or insurance holding companies should provide qualitative and quantitative information on any significant risk concentration at the level of the group, including:

- a) Identification of the risk(s);
- b) Probability of risks materialising into losses;
- c) Mitigation actions;
- d) Analysis and quantification of the risk concentrations along legal entity lines;
- e) Consistency with the group's business model, risk appetite and strategy, including compliance with the limits set by the internal control systems and risk management processes of the group;
- f) Whether losses arising from the risk concentrations affect not just the overall profitability of the group but also its short-term liquidity;
- g) Relationship, correlation and interaction between risk factors across the group, and any potential spill over effects from risk concentrations in a particular area;
- h) Specific information about the group counterparty and the exposure (nature/country of exposure, rating/rating agency, ID code and sector of issuer);
- i) Quantitative information about the risk concentration and the effect on the undertaking and the group and the effect of reinsurance contracts; and
- j) Whether the item concerned is on the asset side or liability side or if it is an off-balance sheet item.

### **Title IV: Valuation for Solvency Purposes**

#### **Guideline 39 Assets**

3.48. Where related undertakings have been valued with other methods than by using quoted market prices in active markets or the adjusted equity method, undertakings should explain why the use of these methods are not possible or practical.

#### **Guideline 40 Assets**

3.49. When deferred tax assets are recognised, undertakings should explain how they calculated future taxable profits and identified the amount and

expected time horizons for reversal of temporary differences.

#### **Guideline 41 Technical Provisions**

3.50. Undertakings should provide information on technical provisions which should include:

- a) details of the relevant actuarial methodologies and assumptions used in the calculation of the technical provisions including details of any simplification used in the calculation of the technical provision (including deriving the risk margin) and including a justification that the method chosen is proportionate to the nature, scale and complexity of risks;
- b) an explanation of the contract boundaries applied to each different business in the valuation of technical provisions, and details of any contracts that include significant renewals within existing business;
- c) details of the key options and guarantees within the calculation of the technical provisions and the significance of each and how they are evolving;
- d) an overview of any material changes in the level of technical provisions since the last reporting period, including reasons for material changes, especially the rationale of material changes in assumptions.
- e) material changes in lapse rates;
- f) details of the homogeneous risk groups used to calculate the technical provisions;
- g) any recommendations on the implementation of improvements in the internal procedures in relation to data that are considered relevant;
- h) information about any significant data deficiencies and adjustments ;
- i) a description of the technical provision that have been calculated as a whole;
- j) a description of where unbundling has been used;
- k) details of the Economic Scenario Generator, including an explanation of how consistency to the risk free rate has been achieved and which volatility assumptions have been chosen; and
- l) details of the approach taken to calculate reinsurance recoverables.

#### **Guideline 42 Any other material information**

3.51. Participating insurance and reinsurance undertakings or insurance holding companies should provide information on how the group Solvency II accounts has been prepared as well as the processes in place to prepare them.

### **Title V: Capital Management**

#### **Guideline 43 Solvency Capital Requirement and Minimum Capital Requirement**

3.52. Within the information reported with regards to SCR, undertakings should include details of any allowance for reinsurance and financial mitigation techniques and future management actions used in the SCR calculation and how these have met the criteria for recognition.

### **Section III: Supervisory reporting following pre-defined events**

#### **Guideline 44 Supervisory reporting following pre-defined events**

3.53. Undertakings should consider as pre-defined events to be reported to the supervisor those that could reasonably be expected to lead or have already led to material changes in an undertaking's or a group's business and performance, system of governance, risk profile, and solvency and financial position. In case of doubt, undertakings should consult supervisory authorities on whether a given event would classify as a pre-defined event.

#### **Guideline 45 Supervisory reporting following pre-defined events**

3.54. Undertakings should consider as a pre-defined event the performance of an additional ORSA in accordance with Article 45(5) of the Directive on account of a significant change in its risk profile, and report the results of this ORSA accordingly.

### **Section IV: Public Disclosure and Supervisory Reporting – Processes**

#### **Guideline 46 Undertakings' disclosure policy**

3.55. Undertakings should, in their disclosure policy :

- a) detail who is responsible for drafting the disclosures along with those who are responsible for reviewing the disclosures;
- b) set out processes for completion of the various disclosure requirements and for review and approval by the administrative, management or supervisory body before disclosure;
- c) outline their view on information already available in the public domain that they believe is equivalent in nature and scope to the information requirements in the SFCR;
- d) set out their view on the specific information they intend not to disclose, under the circumstances set out in Article 53(1) of the Directive; and
- e) set out additional information voluntarily disclosed under Article 54 (2) of the Directive.

**Guideline 47 SFCR - Non-disclosure of information**

3.56. In order not to disclose specific information in the SFCR, undertakings should demonstrate that this information meets the criteria set out in Article 53(1) of the Directive.

**Guideline 48 SFCR - Non-disclosure of information**

3.57. Undertakings should not set up obligations to policy holders or other counterparty relationships binding an undertaking to secrecy or confidentiality in order to avoid disclosure of information in the SFCR.

**Guideline 49 SFCR - Additional voluntary disclosure**

3.58. Undertakings should not voluntarily disclose in the SFCR, or in any other public disclosure, any confidential information sent by the supervisor to the undertaking without prior permission from the supervisor.

**Guideline 50 SFCR - References to other documents**

3.59. Undertakings should make references to other documents in the SFCR through references that lead directly to the information itself and not to a general document.

**Guideline 51 SFCR – Single Group SFCR**

3.60. In addition to the condition that all subsidiaries of the group included in the single solvency and financial condition report have to be easily identified as stated in Article 256 (2) of the Directive, when requesting for approval to provide a single SFCR, the group will provide an explanation on how the subsidiaries are covered and how the subsidiaries' administrative, management or supervisory body is involved in the process and approval of the outcome.

**Guideline 52 SFCR – Single Group SFCR**

3.61. When a parent undertaking requests approval for providing a single solvency and financial condition report, the group supervisor should promptly contact all relevant supervisors and specifically discuss any language constraints.

**Guideline 53 RSR - Stand-alone document**

3.62. Undertakings should not use references to other documents in the RSR.

#### **Guideline 54 Undertakings' reporting policy**

- 3.63. Undertakings should in their reporting policy:
- a) detail who is responsible for drafting any reporting to the supervisor along with those who are responsible for reviewing any reporting to the supervisor;
  - b) set out processes and timeline for completion of the various reporting requirements and review and approval by the administrative, management or supervisory body before reporting; and
  - c) explain the processes and controls for guaranteeing the reliability, completeness and consistency of the data provided and facilitate the analysis and comparison throughout the years.

#### **Guideline 55 RSR – Approval by Administrative, Management or Supervisory Board**

- 3.64. Undertakings should have the RSR approved by the administrative, management or supervisory body of the undertaking.

### **Compliance and Reporting**

- 3.65. This document contains Guidelines issued under Article 16 of the EIOPA Regulation<sup>6</sup>. In accordance with Article 16(3) of the EIOPA Regulation, Competent Authorities and financial institutions must make every effort to comply with Guidelines.

[The following text will be completed after the finalisation of the guidelines. Please also consider Question 9 at the end of this document].

- 3.66. Competent Authorities shall confirm to EIOPA whether they comply or intend to comply with these Guidelines, with reasons for non-compliance, by [date].
- 3.67. Financial undertakings shall report whether they comply with the specified [text].

### **Final Provision on Reviews**

- 3.68. The present Guidelines shall be subject to a review by the Authority by [date].

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<sup>6</sup> EIOPA Regulation,

## 4.Explanatory text

### Section I: Solvency and Financial Condition Report – Narrative

#### Title I: Business & Performance

##### Guideline 1 Business

Undertakings should provide the following information regarding their business :

- a) Identification of the corporate entities or the natural persons that are holders of qualifying holdings, the proportion of ownership interest held and, if different, the proportion of voting power held;
- b) The name and location of the parent and of the ultimate parent entity;
- c) A list of material subsidiaries and significant investments in joint controlled entities and associates including the name, country, proportion of ownership interest and, if different, proportion of voting power held; in the case of participating insurance and reinsurance undertakings or insurance holding companies, this requirement extends to all subsidiaries and material participations; and
- d) A simplified structure chart.

- 4.1. Where undertakings form part of financial conglomerates, information on the name and contact details of the supervisory authority responsible for financial supervision of the undertaking and, where applicable, the name and contact details of the group supervisor of the group to which the undertaking belongs , refers not only to the identification of the group supervisor (at insurance group level), but also of the coordinator appointed from amongst the competent authorities involved in the supervision of the financial conglomerate.
- 4.2. The parent or ultimate parent entity is not necessarily an insurance or reinsurance undertaking.
- 4.3. The simplified structure chart explains the ownership and legal links between the undertaking and, on the one hand, its parent and ultimate parent entity and, on the other hand, its material subsidiaries and significant investments in joint controlled entities and associates.

- 4.4. Information on any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking includes information on new lines of business, business combinations, portfolio transfers, changes in ownership interest, loss of control over subsidiaries, significant restrictions over subsidiaries (e.g. ability to transfer funds) and other events which may have a material impact on the undertaking or in terms of risks or/and management.

#### **Guideline 2 Business**

**Participating insurance and reinsurance undertakings or insurance holding companies should provide organisational structure information about the group including information on internal structures.**

- 4.5. The information on internal structures allows understanding of departments or divisions, management hierarchy, task forces or committees at least.

#### **Guideline 3 Any other disclosures <sup>7</sup>**

**Participating insurance and reinsurance undertakings or insurance holding companies should provide qualitative and quantitative information regarding relevant operations and transactions within the group including information on:**

- a) The amount of the operations and transactions;**
- b) The amount of outstanding balances, if any; and**
- c) Relevant terms and conditions of the operations and transactions.**

- 4.6. Information on operations and transactions within the group, which are relevant within the undertaking's financial performance are integral in allowing the public to understand whether the performance stems from intra-group transactions or from business external to the group. This also provides relevant information about the level of support provided by entities in the group.
- 4.7. This information includes disclosure to be made for all intra-group transactions even with entities that are not within the scope of group supervision. This scope is consistent with IFRS disclosure requirements for related party transactions (IAS 24).
- 4.8. The assessment of the relevance of the intra-group transactions (that need to be disclosed) can be based on the thresholds confirmed by the group supervisor and used for the quantitative reported templates.

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<sup>7</sup> See EIOPA upcoming L3 guidelines Supervision of Risk Concentration and Intra-Group Transactions

- 4.9. Terms and conditions to be disclosed include information about for example guarantees pledged or received and whether the transaction is linked to another transactions in terms of timing, function and planning.

## **Title II: System of governance**

### **Guideline 4 Governance Structure**

**Undertakings should explain how risk management, internal audit, compliance and actuarial functions are integrated in the organisation structure and decision making process of the undertaking.**

**This includes explanation on how the functions have the necessary authority, resources and independence to carry out their tasks and how they report to and advise the administrative, management or supervisory body.**

- 4.10. By including the general information on how the four functions are implemented and integrated into the organisational structure and decision-making processes of the undertaking, the undertaking also explicitly discloses information that allows an understanding of the status and resources of the four functions within the undertaking.

### **Guideline 5 Risk management system**

**When explaining how the risk management function is incorporated in their organisational structure and decision-making process, undertakings using an Internal Model to calculate the SCR should specifically address the governance of the Internal Model, including:**

- a) Specific committees and/or responsible persons if any, their main roles and scope of responsibilities;**
- b) The way these committees interacts with the Administrative Management and Supervisory Board (AMSB) in order for the latter to meet article 116 of the Directive;**
- c) Processes for accepting changes to the internal model;**
- d) Material changes to the internal model governance during the reporting period; and**
- e) A description of the validation tools and processes used within the validation policy for the Internal Model.**

- 4.11. Specific committees and personnel, their main roles and responsibilities: Without a high level description of the internal model governance a knowledgeable person will not achieve a reasonably good understanding of the design, the use and the reliability of the internal model. Whereas there is no specific requirement for undertakings to have committees in the governance of their internal model, EIOPA expects that this may be

the case for many undertakings intending to use an internal model to calculate the SCR.

- 4.12. Processes for accepting changes to the internal model : This a key feature of the internal model governance which ensures that internal models continuously reflect the risk profile of undertakings, incorporate better risk management practices and comply with the internal model requirements.
- 4.13. Validation policy for the Internal Model: Validation is by definition a set of tools that increase the confidence in internal models and the primary source to test their robustness, stability and to identify potential weaknesses or circumstances where internal models may not perform effectively. A rigorous, independent set of validation tools will increase stakeholders confidence in the reliability of the internal model; public disclosure of all validation tools will increase validation standards across the market.

### **Title III: Risk Profile**

#### **Guideline 6 Underwriting risk**

**In relation to the use of Special Purpose Vehicles (SPV), undertakings should provide information at least on whether the SPV is authorized under Article 211 of the Directive or not, what risks are transferred to the SPV and how the fully funded principle is implemented.**

- 4.14. The information disclosed allows an understanding of the possible transfer of risks to any kind of Special Purpose Vehicle (SPV) (i.e. including SPVs which are established in the EEA, or in a non-EEA country , whether or not the supervisory regime of this non-EEA country has been found equivalent to the European regime.

### **Title IV: Valuation for Solvency Purposes**

#### **Guideline 7 Assets**

**When undertakings aggregate assets into classes, in order to describe the valuation basis that has been applied to them, that aggregation should be based on the nature and function of assets and their materiality for solvency purposes. Classes other than those used in the Solvency II balance sheet template should only be used if the undertaking can demonstrate that another presentation is clearer and more relevant.**

- 4.15. Using the classes contained on the Solvency II balance sheet template has the advantage of ensuring consistency between the narrative and quantitative information disclosed, aiding transparency and comparability between the methods used and the amounts.
- 4.16. If undertakings use a different assets aggregation they explain the rationale and ensure that the information is understandable and reconcilable.

#### **Guideline 8 Assets**

**For each material class of asset in the Solvency II balance sheet the undertaking should disclose quantitative and qualitative information on:**

- a) **Recognition and valuation basis applied;**
- b) **Assumptions and judgements including those about the future and other major sources of estimation uncertainty;**
- c) **Changes made to the recognition and valuation basis and on estimations during the period;**
- d) **Methods and inputs used to determine the economic value;**
- e) **The extent to which valuation is based on an economic value provided by an external independent valuation expert; and**
- f) **Information on the specific classes of assets on the Solvency II balance sheet as described in Guidelines 9 to 13.**

**In addition undertakings should disclose and explain the material differences between a) to c) in the Solvency II balance sheet and in the undertaking's financial statements.**

- 4.17. Undertakings describe, by asset classes, the recognition and measurement basis chosen in the Solvency II balance sheet as a good representation of economic value (e.g. fair value, revaluation model, equity method) in line with the Directive. In doing so undertakings also describe the judgements made, other than estimations, which could materially affect the amounts recognised (e.g. investment objectives, substance of the relationship with a SPV).
- 4.18. Undertakings have to disclose the methodology used to estimate the effects of uncertain future events on assets (e.g. risk adjustment to cash-flows or discount rates) in the Solvency II balance sheet.
- 4.19. Where the recognition and/or valuation basis of assets in the Solvency II balance sheet has changed during the period, undertakings describe the nature and reasons for these changes, the amount of the adjustment for the current and prior period, and how these changes affect the asset valuation.

## **Property**

- 4.20. In cases where the IFRS revaluation model is used as a good representation of the economic value, undertakings clearly disclose that.
- 4.21. Information about methods and significant assumptions applied in determining the economic value states whether the valuation is supported by market evidence or if it is more heavily based on other facts. If the latter, these facts are described including the rationale.

## **Inventories**

- 4.22. When undertakings included the net realisable value in the Solvency II balance sheet because they consider the differences between the net realisable value (calculated in accordance with IAS 2) and fair value to be immaterial, this is clearly identified.

### **Guideline 9 Intangible assets**

**If undertakings value intangible assets on the Solvency II balance sheet at an amount other than zero, they should disclose:**

- a) the nature of the assets; and**
- b) information on the evidence and criteria they have used to conclude that an active market exists for those assets exists.**

- 4.23. Information on intangible assets provides an evaluation of the undertaking's assessment that the intangibles can be sold separately.
- 4.24. Where an economic value is ascribed to intangible assets the undertaking indicates :
- whether this value is supported by quoted market prices from an active market for the same or similar assets; and
  - whether the assets were recognised as a result of a business combination or portfolio transfer.
- 4.25. Intangibles and goodwill valued at zero do not need to be described unless the undertaking or supervisory authority considers it necessary to achieve a faithful representation of the effect of the relevant transactions or other events.

### **Guideline 10 Financial assets**

**Undertakings should include in their disclosure on financial assets:**

- a) the criteria used to assess whether markets are active; and**
- b) significant changes to valuation models used and to model inputs, including the impact of and reasons for the change.**

- 4.26. Undertakings disclose information about methods and assumptions applied in determining the economic value, as required under guideline 7, including a clear identification of which assets were valued according to the following approaches:
- quoted prices in active markets for identical assets;
  - quoted prices in active markets for similar assets;
  - inputs other than quoted prices in active markets for identical or similar assets, that are observable for the asset directly (i.e. as prices) or indirectly (i.e. derived from prices);
  - inputs not based on observable market data.
- 4.27. Where inputs used are not based on observable market data, undertakings need to provide quantitative and qualitative information about all significant unobservable inputs used, including information about the possible interrelationships between those inputs and other unobservable inputs.
- 4.28. Disclosure of the impact of significant changes in valuation inputs includes a sensitivity analysis showing how those changes affect the asset valuation and basic own funds.

#### **Guideline 11 Lease assets**

**Undertakings should disclose, separately for financial leases and operating leases, a general description of their material leasing arrangements.**

- 4.29. The information on lease assets is separately disclosed under the subheadings of lessors and lessees.
- 4.30. Where the IAS 17 standard for lessors is not considered to be a good representation of the economic value for the Solvency II balance sheet, this needs to be disclosed.
- 4.31. Undertakings may disclose the information on lease assets and liabilities (guideline 16) together if they wish.

#### **Guideline 12 Holdings in related undertakings**

**Undertakings should include in their disclosure on valuation of holdings in related undertakings:**

- a) the nature of the relationship (subsidiary, associate or joint controlled entity);**
- b) the participations held;**
- c) summarized financial information on the related undertakings;**

**and**

**d) the reasons supporting the use of the IFRS equity method and/or of alternatives valuation methods, where applicable.**

- 4.32. Summarised financial information on holdings in related undertakings includes the aggregated amount of assets, liabilities, revenues and profit or loss.
- 4.33. Information about methodologies applied in determining the participation value as required under guideline 7 includes a clear identification of which holdings in related undertakings were valued according to the following approaches:
- quoted prices in active markets for identical assets;
  - adjusted equity method;
  - IFRS equity method;
  - an alternative valuation method using inputs based on direct or indirect market data (i.e. prices or inputs derived from prices);
  - an alternative valuation method using inputs not based on observable market data.
- 4.34. When non-insurance entities are valued using the IFRS equity method rather than the adjusted equity method, or alternative valuations models are used for valuing associates, undertakings have to explain what prevents these participations from being valued using the adjusted equity method.
- 4.35. Where undertakings have used alternative valuations methods they disclose information about the methods and assumptions applied.

**Guideline 13 Deferred tax assets**

**Undertakings should include in their disclosure on deferred taxes assets:**

- a) The amount of deferred tax assets and the nature of the evidence supporting its recognition; and**
- b) The amount, and expiry date if applicable, of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the Solvency II balance sheet.**

- 4.36. Undertakings disclose information regarding the nature of the evidence supporting the recognition of deferred tax assets. This disclosure outlines the following:
- The extent to which deferred tax assets arise from the adjustments made between accounting financial statements and the Solvency II balance sheet;

- Whether utilisation of deferred tax assets depends on projected future taxable profits in excess of those profits arising from the reversal of existing taxable temporary differences;
  - Actual tax losses suffered by the undertaking in either the current or preceding period in the tax jurisdiction to which the deferred taxes assets relate;
  - The assessment of deferred tax assets at group level.
- 4.37. Where applicable tax rates have changed since the previous period undertakings explain the changes and their effect on the deferred taxes.
- 4.38. Undertakings may disclose the narrative information on deferred tax assets and deferred tax liabilities together if they wish.

#### **Guideline 14 Technical provisions**

**Undertakings should provide information on technical provisions which should include:**

- a) any significant simplifications used for valuation of the technical provision (including deriving the risk margin); and**
- b) an explanation of the general approach to contract boundaries;**

- 4.39. Some elements of the valuation of technical provisions may prove to raise specific issues and are specifically disclosed, such as simplifications, future premiums, and reasons for material changes.
- 4.40. Reasons for material changes include at least a description of material changes in the development patterns of existing claims, new material claims that have emerged over the year, those material claims settled during the year and any increase in new business.

#### **Guideline 15 Other Liabilities**

**When undertakings aggregate liabilities into classes, in order to describe the valuation basis that has been applied to them, that aggregation should be based on the nature and function of liabilities and their materiality for solvency purposes. Classes other than those used in the Solvency II balance sheet template should only be used if the undertaking can demonstrate that another presentation is clearer and more relevant.**

- 4.41. Explanatory text of guideline 7 is applicable to the aggregation of liabilities into classes.

### **Financial liabilities**

- 4.42. When explaining the differences between the values on the Solvency II balance sheet and the general purpose financial statements, undertakings outline the impact of (changes in) its own credit risk.
- 4.43. Undertakings explain how they determine the spread of credit when financial liabilities were originated and the risk free rate used for valuation purposes.

#### **Guideline 16 Lease liabilities**

**Undertakings should provide a general description of material leasing arrangements, separately disclosing information on financial and operating leases.**

- 4.44. The information on lease liabilities is separately disclosed under the subheadings of lessors and lessees.
- 4.45. Where the present value of the minimum lease payments valued in accordance with IAS 17 in financial leases (lessees) is considered to be a good representation of the economic value and is used as the basis for Solvency II balance sheet valuation purposes, undertakings explain how the valuation has been adjusted to reflect market consistent rates of interest and the need to take into account changes in its own credit standing.
- 4.46. Undertakings may disclose the information on lease assets and liabilities together if they wish.

#### **Guideline 17 Provisions other than technical provisions and Contingent liabilities**

**Undertakings should include in their disclosure on provisions other than technical provisions and Contingent liabilities:**

- a) The nature of the obligation and expected timing of any outflows of economic benefits; and**
- b) An indication of uncertainties surrounding the amount or timing of the outflows of economic benefits.**

- 4.47. Undertakings disclose cases where no amount is recognised either in the general purpose financial statements or Solvency II balance sheet because no reliable estimate is possible.
- 4.48. Undertakings disclose cases where market value of liabilities have not been adjusted for changes in an entity's own credit risk and explain the reason for this.

- 4.49. Undertakings also disclose information about interest rate used, risk adjustment (including risk premium) and other major assumptions made concerning future events.

#### **Guideline 18 Employee benefits**

**Undertakings should include in their disclosure on employee benefits:**

- a) The nature of the obligations with employee benefits; and**
- b) The nature of the plan assets, the percentage and the amount of each class of assets in the total defined benefit plan assets, including reimbursement rights.**

- 4.50. Undertakings clearly identify which obligations have the nature of short-term obligations, post-employment benefits (distinguishing defined contribution plans and defined benefit plans), other long-term employee benefits and termination benefits following either IAS 19 definitions or local GAAP definitions.
- 4.51. When explaining the differences between the general purposes of financial statements and the Solvency II balance sheet, undertakings explain differences resulting from the prohibition under Solvency II for deferred recognition of actuarial gains and losses.
- 4.52. Undertakings disclose information about the methodologies and inputs used to determine the economic value. This requires a description of the actuarial valuation method, including the internal valuation model (where applicable), and the actuarial assumptions used (e.g. demographic assumptions such as mortality, rates of employee turnover, disability and early retirement, proportion of dependants eligible for benefits, claim rates under medical plans and financial assumptions such as discount rate, future salary and benefit levels, medical cost trend rates, the expected rate of return on plan assets. Disclosure is also required in cases where the overall expected rate of return of the assets is used, including the effect on the major classes of the plan assets.
- 4.53. Undertakings disclose information about the plan assets, to allow for an assessment of the level of risk inherent in the plan to be made. In cases where the plan assets correspond to insurance policies, the issuer of those policies is clearly identified.

#### **Guideline 19 Deferred tax liabilities**

**Undertakings should include in their disclosure on deferred tax liabilities the amount of deferred tax liabilities and the nature of the evidence supporting its recognition.**

- 4.54. Undertakings include in their disclosure on deferred tax liabilities:
- the extent to which deferred tax liabilities arise from the adjustments made between accounting financial statements and the solvency II balance sheet; and
  - assessment of deferred tax liabilities at group level.
- 4.55. Where applicable tax rates have changed since the previous period undertakings explain the changes and their effect on the deferred taxes.
- 4.56. Undertakings may disclose the information on deferred tax assets and deferred tax liabilities together if they wish.

**Guideline 20 Any other disclosures**

**Undertakings should describe the processes and procedures to deliver reliable financial and non-financial information in a timely manner.**

- 4.57. The information provided covers in particular closing procedures for providing Solvency II figures.

**Title V: Capital Management**

**Guideline 21 Own funds**

**Undertakings should disclose their solvency ratio, calculated as eligible own funds as a percentage of the SCR. Where undertakings believe that additional ratios are relevant to providing an understanding of their solvency position they can choose to disclose them so long as they are clearly explained, and do not divert attention from the solvency ratio mentioned above and are compatible with it.**

- 4.58. A standardised solvency ratio will achieve comparability of solvency ratios and ensure that users of solvency ratios disclosed by undertakings are not misled. The solvency ratio is the ratio of eligible own funds as a percentage of the SCR.
- 4.59. The eligible own funds / SCR ratio is easy to calculate and reveals whether or not an undertaking is meeting the SCR. While no single solvency ratio can deliver all the solvency information users might find relevant, the chosen ratio is considered the most useful ratio.
- 4.60. Undertakings may believe that disclosure of additional ratios, for example providing more granularity of information or focusing on a particular quality of capital, would provide a better understanding of their solvency position. In that case undertakings are allowed to disclose

them, so long as those additional ratios are compatible with the ratio of eligible own funds to SCR and do not divert attention from that ratio.

#### **Guideline 22 Own funds**

**Undertakings should provide information regarding their own funds, including:**

- a) The information required about the objectives, policies and processes employed by the undertaking for managing its own funds (including information on the time horizon used for business planning, and on any material changes over the reporting period) and information on the structure, amount and quality of own funds at the end of the reporting period and at the end of the previous reporting period (including an analysis of the significant changes in each tier over the reporting period), should be separately provided for each type of basic own funds item as well as for ancillary own funds;**
- b) For each capital instrument in issue at year end, the extent to which they are subordinated, their duration and issue size as well any other features that are relevant for assessing the quality of the capital;**
- c) The value of capital instruments issued as debt and the value of debt instruments redeemed during the year and the extent to which the issuance has been used to fund redemptions;**
- d) The value of subordinated debt (which is valued according to the economic valuation principles, excluding adjustment in own credit risk) which should also explain changes arising from movements in the risk free rate and, if relevant, from fluctuations between the currency in which the subordinated debt is issued and the reporting currency;**
- e) With regard to the disclosure of eligible amounts to cover the SCR and MCR, an explanation of any restrictions to available own funds and the impact of limits on eligible Tier 2 and Tier 3 capital, and on restricted Tier 1 capital;**
- f) An explanation addressing the key elements of the reconciliation reserve;**
- g) Information in relation to the transitional arrangements on the disclosure for each separate own-fund item should include:**
  - the tier into which each has been classified and why; and**
  - the date of the next call and the regularity of any subsequent call dates (or the fact that no call dates fall until**

after the end of the transition date).

**h) In case a method has been used to determine the amount of an ancillary own fund item a disclosure of:**

- **how the valuation provided by the method has varied over time;**
- **which inputs to the methodology have been the principal drivers for this movement; and**
- **the extent to which the method takes account of past experience, for example the outcome of past calls, and how the amount calculated is affected.**

**i) The total excess of assets over liabilities within ring-fenced funds, the split between those which are deducted and those which are not and the extent of and reasons for significant restrictions, deductions or encumbrances, including any relating to participations.**

**j) The description of each material ancillary own fund item should include information on the form of arrangement and the nature of the basic own funds items it would become on being called up or satisfied (including the tier), as well as when the item was agreed by the supervisory authority and for how long.**

4.61. Member States have different accounting practices, and the specific circumstances of individual undertakings within a Member State will also vary. Both these facts will affect the nature and extent of the explanations provided by individual undertakings.

4.62. Disclosure of items which reduce the reconciliation reserve such as foreseeable dividends and own shares held is always considered appropriate.

### **Guideline 23 Own funds**

**Participating insurance and reinsurance undertakings or insurance holding companies should disclose information regarding their own funds including:**

- a) Which own funds items have been issued by an undertaking of the group other than the participating insurance and reinsurance undertakings or insurance holding companies;**
- b) The currency used to disclose own fund items should be the same currency used in the 'group returns' (the local currency). Where own fund items are denominated at the solo level in a currency other than the local currency, details should be provided identifying those own funds, their issuing undertaking, the currency that they are denominated in and a reconciliation**

between the value of the own funds in the two currencies, even if the currency used to disclose own funds items should be the reporting currency;

c) Where the own funds are issued by an equivalent third country insurance undertaking and when applying the Deduction and Aggregation method, the participating insurance and reinsurance undertakings or insurance holding companies should disclose the local tiering of those own funds, including information on the tiering structure, criteria and their limits; the participating insurance and reinsurance undertakings or insurance holding companies should also include information on the levels of their own funds in each tier;

d) Where the own funds are issued by an undertaking that is not a insurance undertaking and is subject to tiering requirements other than Solvency II requirements, the participating insurance and reinsurance undertakings or insurance holding companies should disclose the source and nature of those tiering requirements, as well as the level of the own funds in each tier;

e) How group own funds have been calculated net of any intra-group transactions, including intra-group transactions with entities of other financial sectors; and

f) The nature of the restrictions to the transferability and fungibility of own funds in the related undertakings, if any.

#### **Guideline 24 Solvency Capital Requirement and Minimum Capital Requirement**

Undertakings should provide information on the justifications that simplifications used for calculation of the solvency capital requirement are proportionate to the nature, scale and complexity of risks.

**Guideline 25 Differences between the standard formula and any internal model used**

**Undertakings should consider, when disclosing the differences between Standard Formula and Internal Models:**

- a) Structure of the model,**
- b) Risk categories concerned by internal models and those not,**
- c) Aggregation methodologies and diversification effects,**
- d) Risk not covered in the Standard Formula but in the internal model,**
- e) High level differences in the methodologies.**

- 4.63. Undertakings accompany quantitative information by a description of the main feature of the internal model in order not to mislead readers of the quantitative reporting templates and to ensure a better understanding.
- 4.64. It is impossible *a priori* to assess whether the methodologies used in an internal model will be close or similar to the one used in the standard formula. Nevertheless, undertakings may have chosen in their internal model to use terminologies that are close to the one used in the standard formula.
- 4.65. In particular, it is avoided to base comparisons between the quantitative outputs of two different undertakings that would have used the same name for some modules although:
- They may cover different risks;
  - They may use totally different approaches.
- 4.66. This is why undertakings provide a high-level description of the model.
- 4.67. Besides, modelling of diversification effects was one of the main flaws detected in internal models in the global financial crisis and is a key driver in the internal models results. The disclosure of these will simultaneously boost the public confidence in internal models and also have a disciplinary effect on the market.
- 4.68. Because some risks that are material to an undertaking may not be explicitly included in the standard formula. Nevertheless, in order to meet article 121(4) of the Directive 2009/138/EC, they would have included these risks in their internal model. This information seems to be of the utmost importance in order to analyse properly the reported quantitative information.

#### **Guideline 26 Any other disclosures**

**Undertakings should provide a high level description of the operational performance of the internal model, in particular security, contingency planning and recovery plans, as well as computational capabilities and efficiency of the model.**

4.69. Some generic information is useful for the public to form its opinion about the security of the internal model without raising confidentiality concerns. That information refers to contingency planning and recovery plans, as well as computational capabilities and efficiency of the model.

#### **Guideline 27 Any other disclosures**

**Within the description of the nature and appropriateness of the key data used, undertakings should provide a description of the process in place for checking data quality.**

4.70. The process of validating data is as important as the data itself, disclosure of this information will greatly improve public confidence in internal models. Without this information a knowledgeable person will not achieve a reasonably good understanding of the reliability of the internal model.

## **Section II: Regular Supervisory Report – Narrative**

### **Title I: Business & Performance**

#### **Guideline 28 Business**

**When providing information regarding their business, undertakings should include information on:**

- a) number of full time equivalent employees;**
- b) a list of all subsidiaries and branches;**
- c) a detailed structure chart; and**
- d) distributions to shareholders.**

4.71. Information on the number of employees, subsidiaries, and insurance as well as non-insurance, and distribution to shareholders enable the supervisor to better understand how the undertaking positions itself with regards to its external environment.

4.72. Information on the distribution to shareholders includes the amount of dividends distributed during the period, the amounts of dividends proposed or declared but not yet recognised as a distribution and the amount of any cumulative preference dividends not yet recognised.

- 4.73. The detailed structure chart explains the ownership and legal links between the undertaking and, on the one hand, its parent and ultimate parent entity and, on the other hand, all its subsidiaries, branches and significant investments in joint controlled entities and associates.
- 4.74. The information includes forward-looking information, explaining the assumptions that were applied, and any material factors that could cause results to differ. Also is included information on the assessments made by undertakings and group on the strategies adopted and the potential for successfully achieving such strategies.

**Guideline 29 Performance of underwriting activities**

**When providing information on risk mitigation techniques related to underwriting activities, undertakings should include a description of:**

- a) the impact of the mitigation techniques on the performance of underwriting activities; and**
- b) the effectiveness of the risk mitigation techniques.**

- 4.75. When indicating the effectiveness of risk mitigation techniques, undertakings need to also describe the methods and processes used to assess effectiveness as well as the consequences in cases of ineffectiveness.

**Guideline 30 Any other disclosures**

**Undertakings should provide information about any significant related party transactions.**

- 4.76. A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Related party transactions also include joint ventures or key management personnel.
- 4.77. To the extent that the undertaking has had significant transactions with related parties during the reporting period, these are clearly identified and explained.

### **Guideline 31 Any other disclosures**

**Undertakings belonging to a group should provide qualitative and quantitative information regarding relevant operations and transactions within the group including information on:**

- a) The amount of the operations and transactions;**
- b) The amount of outstanding balances, if any;**
- c) Relevant terms and conditions of the operations and transactions.**

- 4.78. Operations and transactions within the group relevant within the undertaking's financial performance are paramount for the supervisor to understand whether the performance stems from intra-group transactions or from business outside the group. Also gives relevant information about the level of support provided by entities in the group.
- 4.79. The amount of the transactions to be disclosed includes transactions without an outstanding balance at year end.
- 4.80. Terms and conditions to be disclosed include information about for example guarantees given or received and whether the transaction is linked to another in terms of time, function and planning.

### **Guideline 32 Any other disclosures**

**Participating insurance and reinsurance undertakings or insurance holding companies should provide information on the terms and conditions of the intra-group operations and transactions including information on:**

- a) Commercial rationale for the operation or transaction;**
- b) Risks borne by, and rewards available to, each party to the operation or transaction;**
- c) Any particular aspects of the operation or transaction that are (or may become) disadvantageous to either party;**
- d) Any conflicts of interest that may have arisen in negotiating and executing the operation or transaction, and any potential conflicts of interest that may arise in the future;**
- e) If the transaction is linked to other operations or transactions in terms of timing, function and planning, the individual effect of each operation or transaction and the overall net impact of the linked operations and transactions on each party to the operation or transaction and on the group should be reported; and**
- f) Extent to which the operation or transaction is depending on a winding-up and circumstances in which the operation or transaction can be unwound.**

- 4.81. The assessment of the relevance of the intra-group transactions cannot be based on a lower threshold than the threshold confirmed by the group supervisor and used on the quantitative reported templates.
- 4.82. Examples of possible conflicts of interest that may have arisen in negotiating and executing an intra-group transaction or that may arise in the future can be the deterioration of the financial position of one of the parties involved in the transaction or the shareholders' interests or those of policyholders.
- 4.83. If relevant for obtaining a complete understanding of a transaction, undertakings may consider appropriate to include specific contracts and other agreements within the RSR for adequacy of information.

## **Title II: System of governance**

### **Guideline 33 Governance structure**

**Within the information on the governance structure, undertakings should provide an organisational chart of the undertaking, including positions of key function holders.**

- 4.84. The organisational chart helps identifying clearly the positions of key function holders within the organisational structure of the undertaking.

### **Guideline 34 Governance structure**

**Within the information on the governance structure, undertakings should explain how the undertaking's remuneration policies and practices are consistent with and promote sound and effective risk management and do not encourage excessive risk taking. The information should focus on the linkage between remuneration and performance.**

4.85. The information provided on the integration of the remuneration policy and practices into the risk management system are not limited to the elements provided in the SFCR, i.e. fixed/variable components and performance criteria, but encompass any incentive mechanism that could induce excessive risk taking that exceeds the risk tolerance limits of the undertaking.

#### **Guideline 35 Governance structure**

**Participating insurance and reinsurance undertakings or insurance holding companies should if they have obtained approval for Centralized Risk Management explain how they comply with the Centralized Risk Management requirements.<sup>8</sup>**

#### **Guideline 36 Risk management system**

**When providing information on the strategies, objectives, processes and reporting procedures of the undertaking's risk management for each separate category of risk, undertakings should explain how these are documented, monitored and enforced.**

4.86. This includes, for instance, information on elements such as pricing rules, underwriting policies, investment policies, or claims processing procedures.

### **Title III: Risk profile**

#### **Guideline 37 Risk profile**

**Within the information reported with regards to risk exposure, undertakings should explain how they ensure that derivatives contribute to the reduction of risks or facilitate efficient portfolio management.**

4.87. This is to ensure that derivatives are used in accordance with the prudent person principle as defined in Article 132 (4) of the Directive, since derivatives are financial instruments which can lead to very specific and complex risks.

#### **Guideline 38 Risk profile**

**Participating insurance and reinsurance undertakings or insurance holding companies should provide qualitative and quantitative information on any significant risk concentration at the level of the**

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<sup>8</sup> See Upcoming EIOPA L3 guidelines on Group Governance

**group, including:**

- a) Identification of the risk(s);**
- b) Probability of risks materialising into losses;**
- c) Mitigation actions;**
- d) Analysis and quantification of the risk concentrations along legal entity lines;**
- e) Consistency with the group's business model, risk appetite and strategy, including compliance with the limits set by the internal control systems and risk management processes of the group;**
- f) Whether losses arising from the risk concentrations affect not just the overall profitability of the group but also its short-term liquidity;**
- g) Relationship, correlation and interaction between risk factors across the group, and any potential spill over effects from risk concentrations in a particular area;**
- h) Specific information about the group counterparty and the exposure (nature/country of exposure, rating/rating agency, ID code and sector of issuer);**
- i) Quantitative information about the risk concentration and the effect on the undertaking and the group and the effect of reinsurance contracts; and**
- j) Whether the item concerned is on the asset side or liability side or if it is an off-balance sheet item.**

4.88. The information regarding the possibility of risks materialising into losses is expected to be captured by stress testing and scenario analysis.

## **Title IV: Valuation for Solvency Purposes**

### **Guideline 39 Assets**

**Where related undertakings have been valued with other methods than by using quoted market prices in active markets or the adjusted equity method, undertakings should explain why the use of these methods are not possible or practical.**

4.89. Undertakings are expected to be able to exercise sufficient control over subsidiaries to allow them to obtain the information necessary to apply the adjusted equity method. Therefore, if neither market price nor adjusted equity method have been used in the valuation of any subsidiary, then the undertaking explains (if it has not already been covered in the SFCR) why not.

#### **Guideline 40 Assets**

**When deferred tax assets are recognised, undertakings should explain how they calculated future taxable profits and identified the amount and expected time horizons for reversal of temporary differences.**

- 4.90. Undertakings need to disclose sufficient information to demonstrate the probability that future taxable profit will be available against which the deferred tax asset can be utilised. This information includes the parameters within that profit projection which are subject to expert judgement.

#### **Guideline 41 Technical provisions**

**Undertakings should provide information on technical provisions which should include:**

- a) details of the relevant actuarial methodologies and assumptions used in the calculation of the technical provisions including details of any simplification used in the calculation of the technical provision (including deriving the risk margin) and including a justification that the method chosen is proportionate to the nature, scale and complexity of risks;**
- b) an explanation of the contract boundaries applied to each different business in the valuation of technical provisions, and details of any contracts that include significant renewals within existing business;**
- c) details of the key options and guarantees within the calculation of the technical provisions and the significance of each and how they are evolving;**
- d) an overview of any material changes in the level of technical provisions since the last reporting period, including reasons for material changes, especially the rationale of material changes in assumptions.**
- e) material changes in lapse rates;**
- f) details of the homogeneous risk groups used to calculate the technical provisions;**
- g) any recommendations on the implementation of improvements in the internal procedures in relation to data that are considered relevant;**
- h) information about any significant data deficiencies and adjustments ;**
- i) a description of the technical provision that have been calculated as a whole;**
- j) a description of where unbundling has been used;**
- k) details of the Economic Scenario Generator, including an**

explanation of how consistency to the risk free rate has been achieved and which volatility assumptions have been chosen; and  
l) details of the approach taken to calculate reinsurance recoverables.

#### **Guideline 42 Any other material information**

Participating insurance and reinsurance undertakings or insurance holding companies should provide information on how the group Solvency II accounts has been prepared as well as the processes in place to prepare them.

### **Title V: Capital Management**

#### **Guideline 43 Solvency Capital Requirement and Minimum Capital Requirement**

Within the information reported with regards to SCR, undertakings should include details of any allowance for reinsurance and financial mitigation techniques and future management actions used in the SCR calculation and how these have met the criteria for recognition.

4.91. The description is sufficiently detailed to allow supervisors to assess if the undertaking has met the criteria for recognition.

### **Section III: Supervisory reporting following pre-defined events**

#### **Guideline 44 Supervisory reporting following pre-defined events**

Undertakings should consider as pre-defined events to be reported to the supervisor those that could reasonably be expected to lead or have already led to material changes in an undertaking's or a group's business and performance, system of governance, risk profile, and solvency and financial position. In case of doubt, undertakings should consult supervisory authorities on whether a given event would classify as a pre-defined event.

- 4.92. Pre-defined events and the associated information that supervisors would expect to be submitted along with any notification by an undertaking, could include, for example:
- a) *changes in an undertaking's business strategy, including delays to implementing strategies of which supervisors are already aware* – information could be provided on the reasons for the change or delay in implementing strategy and any material effects that it has had or is likely to have on other aspects of an undertaking's business (e.g. business performance, risk profile, etc);
  - b) *Relevant mergers, takeovers and acquisitions* – information could be provided on the implications on the undertaking's business, system of governance, risk profile and solvency and financial position. This would be provided irrespective of whether the event involves an insurer, or whether it is conducted with parties based in the EEA;
  - c) *internal organisational restructure* - information could be provided on the details of any significant reorganisation and the reasons for such a change, including any material effects in other areas of an undertaking's business;
  - d) *significant lawsuits or claims that have a reasonable chance of success being brought against the undertaking* - information could be provided on the nature of the lawsuit and any legal opinion received by the undertaking, as well as the potential impact of the lawsuit on the undertaking and any potential mitigation or management actions that could be enacted in the event that the lawsuit ruling were to decide against the undertaking;
  - e) *material changes in own funds levels, MCR, SCR, technical provisions and/or other balance sheet items* - information submitted by the undertaking could include the amount and reason for change and a consideration of any potential or actual consequence of changes. In relation to technical provisions, information submitted by an undertaking could include details on the emergence of any future material claims that had not been present in the previously reported technical provisions;
  - f) *new, emerging or crystallised internal or external risks of a material nature* – information could include details of emerging or crystallised risks and information on their actual or potential impact, as well as identifying mitigation plans (whether planned or already in place). Such pre-defined event could also include ratings' downgrade for rating sensitive companies;
  - g) *significant governance failures* – information could include details of the governance failure, the impact of failure on the undertaking and the action taken in response to it;
  - h) *significant operational failures* – information could include details of the operational failures such as business interruptions, IT-breakdowns,

internal frauds, etc., the impact of the failure on the undertaking and the action taken in response to it;

- i) *when an undertaking has reason to call into question the fitness and/or propriety of a person who effectively runs the undertaking or undertakes other key functions.* Information could include details on the circumstances leading to a reassessment of that person's fitness and/or propriety, any internal and/or external investigations procedures resulting from this and the eventual decision on that person's fitness and/or propriety. Such reporting to supervisory authorities is not limited to situations such as that mandated in Article 42(3) of the Directive Guidelines on Governance , but also includes all situations where reasonable doubt over a person's fitness and propriety exists;
- j) *when an undertaking has provided in its SFCR or RSR information from financial statements which were finally not approved by the general assembly meeting or not signed-off by external auditors,* undertakings report again to the supervisor their SFCR or RSR if material differences in financial statements appear; this is without prejudice to the possible need of publicly disclosing a modified SFCR according to other requirements;
- k) *Very significant intra-group transactions* - Intra-group transactions that will or possibly will weaken the solvency and financial condition of the group or any solo undertakings in the group or if they negatively affect the group.

4.93. Undertakings notify supervisors as soon as they become aware of circumstances that would give rise to the occurrence of a pre-defined event. This notification is made at the earliest opportunity. However, the notification of the occurrence of a pre-defined event is different from the reporting of information related to that pre-defined event: after notification of the pre-defined event, the delay to submit the information related to that pre-defined event can be discussed with supervisors on a case-by-case basis.

4.94. This does not preclude earlier dialogue between supervisors and undertakings on potential events. For example, in the instance of a merger, it would be sensible to engage with the supervisor when an undertaking is scoping the work.

4.95. Pre-defined events also include any specific reporting specifically provided for by the Directive and not stated above. For instance, article 102 (1) of the Directive explicitly states that if the risk profile of an insurance or reinsurance undertaking deviates significantly from the assumptions underlying the last reported SCR, the undertaking concerned shall recalculate the SCR without delay and report it to the supervisory authorities.

- 4.96. The information provided under pre-defined events includes relevant information as illustrated above, including updates of sections of the narrative SFCR (but solely for the use of the supervisor because pre-defined event information is not public) and RSR, and/or updates of the annual or quarterly templates.
- 4.97. To avoid unnecessary duplication of information and to respect the principle of proportionality, undertakings are not be required to report information that has already been provided to the same supervisory authority as part of the approvals, permissions or authorisations process it is subject to with regards to these pre-defined events.
- 4.98. Depending on the nature of the event, supervisors may also ask for undertakings to report information related to that pre-defined event on a regular basis over a period of time in order to monitor the situation of the undertaking. This is determined on a case-by-case basis. It has to be distinguished from internal information that may be reported regularly to supervisors for any undertaking (and not just for pre-defined events).
- 4.99. Pre-defined events reported to the supervisor differ from major developments to be publicly disclosed under Article 54 (1). Article 54(1) states that after a major development affecting significantly the relevance of the information publicly disclosed in the SFCR, undertakings shall publicly disclose appropriate information on its nature and effects. Article 54(1) explicitly states that such events shall include at least an undertaking's non-compliance with its MCR (including allowance for requirements around a short-term realistic finance scheme) or significant non-compliance with its SCR (including allowance for requirements around a realistic recovery plan).

#### **Guideline 45 Supervisory reporting following pre-defined events**

**Undertakings should consider as a pre-defined event the performance of an additional ORSA in accordance with Article 45(5) of the Directive on account of a significant change in its risk profile, and report the results of this ORSA accordingly.**

- 4.100. As stated in the Guidelines on ORSA, the performance of an additional ORSA in accordance with Article 45(5) on account of a significant change in its risk profile is considered as a pre-defined event.
- 4.101. As a consequence, the undertaking reports without delay to the supervisor the same information on the results of the ORSA as for the ORSA report, along with the following additional information : reasons and description of the change in risk profile that triggered the performance of the additional ORSA, qualitative and quantitative

comparison with the methods and outcome of the previous ORSA, including the specific effect of the change in risk profile, and , any proposed management actions considered necessary and any planned capital measures.

4.102. Very significant intra-group transactions follows article 245 and guidelines on supervision of intra-group transaction, guideline 3, but with an appropriate threshold or when the transaction exceeds the thresholds agreed within the college. Other very significant intra-group transactions to be reported are (non-exhaustive list):

- Movements of capital or income outright without proper collateralisation;
- Unusual or large amounts capital or income being transferred from an undertaking;
- intra-group transactions not conducted at arm's length and which may be disadvantageous to an undertaking – i.e. transactions on terms or under circumstances which parties operating at arm's length would not approve or participate;
- intra-group transactions that can adversely affect the solvency, liquidity or profitability of an undertaking, or are used as a mean of supervisory arbitrage to evade capital or other regulatory requirements;
- Significant cases of breach on governing rules around those transactions.

## **Section IV: Public Disclosure and Supervisory Reporting– Processes**

### **Guideline 46 SFCR - Undertakings' disclosure policy**

**Undertakings should, in their disclosure policy :**

- a) detail who is responsible for drafting the disclosures along with those who are responsible for reviewing the disclosures;**
- b) set out processes for completion of the various disclosure requirements and for review and approval by the administrative, management or supervisory body before disclosure;**
- c) outline their view on information already available in the public domain that they believe is equivalent in nature and scope to the information requirements in the SFCR;**
- d) set out their view on the specific information they intend not to disclose, under the circumstances set out in Article 53(1) of the Directive; and**
- e) set out additional information voluntarily disclosed under Article 54 (2) of the Directive.**

4.103. The undertakings' disclosure policy to be developed under Article 55 (1) of the Directive follows the guidelines for written policies established under the Delegated Acts Guidelines on Governance, but some specific elements need to be developed for the disclosure policy, especially with regards to given possibilities or requirements existing for the SFCR in order to know if and how they are applied by the undertaking, such as: non-disclosure of information, reference to other documents or additional voluntary disclosures.

**Guideline 47 SFCR - Non-disclosure of information**

**In order not to disclose specific information in the SFCR, undertakings should demonstrate that this information meets the criteria set out in Article 53(1) of the Directive.**

4.104. The permission not to disclose information in the SFCR is dependent upon demonstration by the undertaking :

- a) that the publication of a given information would give competitors an unwarranted advantage, as for example is the case of disclosing specific business data that will permit identifying its proprietary know-how; or
- b) of the characteristics of the obligations to policyholders or other contractual relations binding the undertaking to secrecy or confidentiality, such as their legal form, parties to the obligation or contract, descriptions of contractual clauses or other obligations that entail secrecy or confidentiality, impact on disclosure requirements, assessment that these clauses or obligations cannot be modified without undue burden, for example.

**Guideline 48 SFCR - Non-disclosure of information**

**Undertakings should not set up obligations to policy holders or other counterparty relationships binding an undertaking to secrecy or confidentiality in order to avoid disclosure of information in the SFCR.**

4.105. Undertakings need to demonstrate that obligations or contractual relations invoked to obtain permission for non-disclosure of information in the SFCR have not been put in place in order to avoid such disclosure. This avoids any regulatory arbitrage.

**Guideline 49 SFCR - Additional voluntary disclosure**

**Undertakings should not voluntarily disclose in the SFCR, or in any other public disclosure, any confidential information sent by the supervisor to the undertaking without prior permission from the supervisor.**

4.106. The SFCR, or any other public disclosures, does not contain any confidential information sent by the supervisory authority to the undertaking, for instance the findings or outcomes from the SRP such as the results of on-site inspections, without prior permission from the supervisor. This is to guarantee that supervisory assessment is not used by undertakings out of its context, for instance presented as a confirmation of the decisions of management.

**Guideline 50 SFCR - References to other documents**

**Undertakings should make references to other documents in the SFCR through references that lead directly to the information itself and not to a general document.**

4.107. In particular, it is not considered appropriate for an undertaking's SFCR to refer through general hyperlinks to other documents because links need to be very specific and this could present difficulties for readers having to find information that is located in various parts of other public disclosures.

**Guideline 51 SFCR – Single Group SFCR**

**In addition to the condition that all subsidiaries of the group included in the single solvency and financial condition report have to be easily identified as stated in Article 256 (2) of the Directive, when requesting for approval to provide a single SFCR, the group will provide an explanation on how the subsidiaries are covered and how the subsidiaries' administrative, management or supervisory body is involved in the process and approval of the outcome.**

**Guideline 52 SFCR – Single Group SFCR**

**When a parent undertaking requests approval for providing a single solvency and financial condition report, the group supervisor should promptly contact all relevant supervisors and specifically discuss any language constraints.**

**Guideline 53 RSR - Stand-alone document**

**Undertakings should not use references to other documents in the RSR.**

4.108. The RSR is a stand-alone document, which does not contain any reference to other documents. Elements from disclosures or internal reporting may of course be used, but is included in full and not through references.

4.109. Besides, in addition to the RSR, supervisory authorities may require on a regular basis a copy of the internal narrative or quantitative reports of the undertaking, as they deem necessary for the purposes of supervision. As stated in article 35 (3) of the Directive, data from internal sources can also be part of regular reporting. Such reporting requirements are assessed on a case-by-case basis taking into account the principle of proportionality and the intensity of the SRP. They may concern for instance internal audit reports, risk reports, reinsurance reporting or any regular management information.

#### **Guideline 54 RSR - Undertakings' reporting policy**

**Undertakings should in their reporting policy:**

- a) detail who is responsible for drafting any reporting to the supervisor along with those who are responsible for reviewing any reporting to the supervisor;**
- b) set out processes and timeline for completion of the various reporting requirements and review and approval by the administrative, management or supervisory body before reporting; and**
- c) explain the processes and controls for guaranteeing the reliability, completeness and consistency of the data provided and facilitate the analysis and comparison throughout the years.**

4.110. The undertakings' reporting policy to be developed under Article 35 (5) of the Directive follows the guidelines for written policies established in Delegated acts and Guidelines on Governance, but some specific elements need to be developed for the reporting policy, especially with regards to the timeline for completion, and the processes and controls implemented to guarantee accuracy and consistency of the data (for instance, back-testing in case approximations based on estimated data have been used).

4.111. This aims to ensure that the administrative, management and supervisory body of the undertakings takes responsibility and to ensure the correctness and completeness for the entire content of the regular information provided to the supervisor by putting in place the necessary controls, as this is a major Pillar 3 requirement and the basis of the SRP.

#### **Guideline 55 RSR – Approval by AMSB**

**Undertakings should have the RSR approved by the administrative, management or supervisory body of the undertaking.**