EIOPA-CP-14/045

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Consultation Paper on the draft proposal for Guidelines on reporting for financial stability purposes

EIOPA – Westhafen Tower, Westhafenplatz 1 - 60327 Frankfurt – Germany - Tel. + 49 69-951119-20;
Fax. + 49 69-951119-19; email: info@eiopa.europa.eu site: https://eiopa.europa.eu/

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Responding to this paper

EIOPA welcomes comments on the draft proposal for Guidelines on reporting for financial stability purposes.

Comments are most helpful if they:

- contain a clear rationale; and
- describe any alternatives EIOPA should consider.

Please send your comments to EIOPA in the provided Template for Comments, by email Consultation_Set2@eiopa.europa.eu, by 2 March 2015.

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

Publication of responses

Contributions received will be published on EIOPA's public website 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.

Please note that EIOPA is subject to Regulation (EC) No 1049/2001 regarding public access to documents and EIOPA's rules on public access to documents[1].

Contributions will be made available at the end of the public consultation period.

Data protection

Please note that personal contact details (such as name of individuals, email addresses and phone numbers) will not be published. They will only be used to request clarifications if necessary on the information supplied.

EIOPA, as a European Authority, will process any personal data in line with Regulation (EC) No 45/2001 on the protection of the individuals with regards to the processing of personal data by the Community institutions and bodies and on the free movement of such data. More information on data protection can be found at https://eiopa.europa.eu/ under the heading 'Legal notice'.

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

Consultation Paper Overview & Next Steps

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

This Consultation Paper presents the draft Guidelines together with the following Technical Annexes:

Technical Annex A: List of Reporting Items for Financial Stability purposes.

Technical Annex B: LOG Files.

Technical Annex C: List of data plausibility tests.

These Annexes have been attached to the Consultation Paper.

Additionally, the Guidelines make reference to the following Annexes from the Technical Standard on the Templates for the Submission of Information to National Competent Authorities:

Annex III: Asset categories;
Annex IV: CIC table
Annex V: Definitions of the CIC table.

The analysis of the expected impact from the proposed policy is covered under Annex I Impact Assessment.

Next steps

EIOPA will consider the feedback received and will publish a Final Report on the consultation. The final Guidelines will be submitted for adoption to the Board of Supervisors.

1. Guidelines on the reporting for financial stability purposes

Introduction

1.1. According to Article 16 of Regulation (EU) 1094/2010 of 24 November 2010 (hereafter EIOPA Regulation)[2], EIOPA is issuing these Guidelines which apply to individual insurance and reinsurance undertakings, insurance third country branches and participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and cover reporting to national supervisory authorities for the purpose of financial stability.

1.2. EIOPA is issuing these Guidelines to ensure a consistent and uniform approach on the collection of data for financial stability purposes and to provide guidance to national supervisory authorities on how to collect the data which EIOPA will request according to Article 35 of the EIOPA Regulation.

1.3. EIOPA requires the data described in these Guidelines in order to carry out its tasks according to Article 8, 32 and 36 of the EIOPA Regulation. In particular, the collected data will enable EIOPA to monitor and assess market developments and allow EIOPA to inform the other European Supervisory Authorities, the European Systemic Risk Board (ESRB) and the European Parliament, the Council and the Commission about the relevant trends, potential risks and vulnerabilities in its area of competence. It will also enable EIOPA to provide the ESRB with regular and timely information necessary for the achievement of its tasks.

1.4. For insurance and reinsurance groups most of the information requested for financial stability purposes is also required for supervisory reporting according to Article 254 of Directive 2009/138/EC. However, the information obtained for financial stability purposes and covered by these Guidelines is requested with earlier deadlines and/or increased frequency. The information will be used for macro prudential analysis.

1.5. According to Article 35, paragraphs 6 and 7 of Directive 2009/138/EC, national supervisory authorities may limit regular quarterly supervisory reporting and exempt certain undertakings from item-by-item reporting where the submission of that information would be overly burdensome in relation to the nature, scale and complexity of the risks inherent in the business of the undertaking. Undertakings which are exempted from reporting with higher frequency than annual, and/or exempted from item-by-item reporting under Article 35 of Directive 2009/138/EC should also be exempted from semi-annual, quarterly and/or item-by-item reporting according to these Guidelines, as set out in Guideline 2 point 1.16. It is noted, however, that Article 35 of Directive 2009/138/EC only permits exemptions for undertakings until a maximum of

[2] OJ L 331, 15.12.2010, p. 48–83

20% of the Member State's life and non-life insurance and reinsurance market respectively. Moreover, the article requires national supervisory authorities to prioritise the smallest undertakings. Finally, the exemption should not undermine the stability of the financial systems concerned in the European Union.

1.6. The best-effort principle established in Guideline 10 and Guideline 11 is intended to aid insurance and reinsurance undertakings, insurance third country branches and the participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies in providing the level of accuracy deemed sufficient for macro prudential purposes, while balancing the work required by the undertakings to submit this information, and to provide some legal certainty to undertakings of its content.

1.7. Quarterly information on the solvency capital position of undertakings is considered crucial for financial stability purposes. However, it is acknowledged that a full calculation of the Solvency Capital Requirement (SCR) on a quarterly basis may be an unnecessary burden for the concerned institutions. Therefore, the aim of these Guidelines is to approximate the development of the overall SCR based on a re-calculation of only the more volatile SCR modules, rather than requiring a full SCR calculation. The method is detailed in Guideline 12. In particular the market risk module may require a more frequent recalculation due to its more volatile input parameters, namely investment exposures. Other SCR modules are considered stable enough to accept an extrapolation of yearly figures, unless exceptional circumstances necessitate a recalculation according to Directive 2009/138/EC.

1.8. Technical Annex C describes the data plausibility checks with which the data submitted should comply.

1.9. Taking into consideration the time required for consolidation of individual reports by groups for the submission of group data, the deadline for submission of information described in these Guidelines is 1 week after the individual deadline for reporting under article 35 of Directive 2009/138/EC. During the transition period, the deadlines for financial stability will follow the individual deadlines, plus 1 week (i.e. envisaged 8+1 week the first year decreasing to 5+1 week four years after implementation of Solvency II). The deadlines are provided in Guideline 19.

1.10. These Guidelines are addressed to national supervisory authorities.

1.11. These Guidelines shall apply from 1 January 2016.

Section I: Reporting by individual insurance and reinsurance undertakings and groups to national supervisory authorities for the purpose of financial stability

Guideline 1 – General provisions

1.12. Individual insurance and reinsurance undertakings and insurance third country branches which are required to report according to these Guidelines should report individual data.

1.13. Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies which are required to report according to these Guidelines should report consolidated data.

1.14. Individual insurance and reinsurance undertakings which belong to insurance or reinsurance group that is reporting according to these Guidelines should not report individually.

Guideline 2 – General criteria to identify reporting entities

1.15. The criteria to identify the reporting entities is as follows:

a) Insurance or reinsurance groups with more than EUR 12 bn in total assets or the equivalent in the national currency in the Solvency II balance sheet;
b) Individual insurance and reinsurance undertakings and insurance third country branches with more than EUR 12 bn in total assets or the equivalent in the national currency in the Solvency II balance sheet and that do not belong to a group reporting under previous sub-paragraph;
c) Insurance and reinsurance undertakings, groups and insurance third country branches designated for reporting by the national supervisory authority in order to reach a national market coverage of 50% in accordance with Guideline 6 and Guideline 7.

1.16. In cases where method 2 as defined in Article 233 of the Solvency II Directive is used, either exclusively or in combination with method 1 as defined in Article 230 of Solvency II Directive for the calculation of the solvency capital requirement, national supervisory authorities should assess the threshold defined under paragraph 1.15 a) considering the total assets of the group including the solvency II balance and the assets of undertakings for which method 2 was employed.

1.17. Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches which have been granted limited supervisory reporting by the national supervisory authority on the basis of Article 35, paragraphs 6 or 7 of Directive 2009/138/EC, are not required to report according to Guideline 14 and Guideline 15 for insurance and reinsurance groups and to Guideline 17 and Guideline 18 for insurance and reinsurance undertakings and insurance third country branches.

1.18. Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies identified following one of the criteria a), b) or c) of paragraph 1.15 above should submit to the national supervisory authority the information set out in Guideline 13, Guideline 14 and Guideline 15.

1.19. Insurance and reinsurance undertakings and insurance third country branches identified following one of the criteria a), b) or c) of paragraph 1.15 above should submit to the national supervisory authority the information set out in Guideline 16, Guideline 17 and Guideline 18.

Guideline 3 – Currency

1.20. The equivalent amount in national currency for points a) and b) of paragraph 1.15 as well as the value of any asset or the amount of any liability denominated in a currency other than the solvency II reporting currency shall be expressed in the solvency II reporting currency as if conversion had taken place at the closing rate on the last day for which the appropriate rate is available in the reporting period to which the asset or liability relates.

1.21. The amount of any income or expense shall be expressed in the solvency II reporting currency using such basis of conversion as used in accounting basis.

1.22. The conversion into the solvency II reporting currency as referred to in paragraphs 1.20 and 1.21 shall be calculated by applying the exchange rate reported by the European Central Bank or the relevant National Central Bank.

Guideline 4 – Inclusion in the sample and first reporting instance following the size threshold

1.23. Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches that were not within the scope of Guideline 2 but that at the end of a financial year reports total assets in the Solvency II balance sheet of more than EUR 13 bn or the equivalent in the national currency should submit to the national supervisory authority the set of quantitative information identified in Guideline 13, Guideline 14 and Guideline 15 for insurance and reinsurance groups and in Guideline 16, Guideline 17 and Guideline 18 for insurance and reinsurance undertakings and insurance third country branches starting in the third quarter of the following financial year.

1.24. Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches that were not within the scope of Guideline 2 but that at the end of two consecutive financial years reports total assets in the Solvency II balance sheet of between EUR 12 bn and EUR 13 bn or the equivalent in the national currency should submit to the national supervisory authority the set of quantitative information identified in Guideline 13, Guideline 14 and Guideline 15 for insurance and reinsurance groups and in Guideline 16, Guideline 17 and Guideline 18 for insurance and reinsurance undertakings and insurance third country branches starting in the third quarter in the year following the second financial year.

Guideline 5 – Exclusion from the sample following the size threshold

1.25. Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches that were within the scope of Guideline 2 but that at the end of a financial year reports total assets in the Solvency II balance sheet of less than EUR 11 bn or the equivalent in the national currency should no longer submit according to these Guidelines to the national supervisory authority the set of quantitative information identified in Guideline 13, Guideline 14 and Guideline 15 for insurance and reinsurance groups and in Guideline 16, Guideline 17 and Guideline 18 for insurance and reinsurance undertakings and insurance third country branches starting in the first quarter of the following financial year.

1.26. Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches that were within the scope of Guideline 2 but that at the end of two consecutive financial years reports total assets in the Solvency II balance sheet of between EUR 11 bn and EUR 12 bn or the equivalent in the national currency should no longer submit according to these Guidelines to the national supervisory authority the set of quantitative information identified in Guideline 13, Guideline 14 and Guideline 15 for insurance and reinsurance groups and in Guideline 16, Guideline 17 and Guideline 18 for insurance and reinsurance undertakings and insurance third country branches starting in the first quarter of the year following the second financial year.

Guideline 6 – Calculation of the market share

1.27. National supervisory authorities should calculate the national market share referred to in Guideline 2, point 1.15 paragraph c) based on the annual data submitted by insurance and reinsurance undertakings, groups and insurance third country branches under the regular reporting according with Directive 2009/138/EC for each financial year end. For undertakings where the financial year does not correspond to the calendar year, national supervisory authorities should use the latest available figures.

1.28. The national market share should be calculated annually.

1.29. When determining the national market share in paragraph 1.30 national supervisory authorities should ensure that the market share:

a) includes the business underwritten by all insurance and reinsurance undertakings which are established in the relevant national market according to Article 2 of Directive 2009/138/EC;
b) includes the business underwritten by all insurance third country branches which are established in the relevant national market according to Article 2 of Directive 2009/138/EC;
c) does not include the business undertaken by insurance and reinsurance undertakings that meet the criteria laid down in article 4 of Directive 2009/138/EC.

1.30. National supervisory authorities should identify the insurance and reinsurance undertaking, groups and insurance third country branches eligible to be included under paragraph Guideline 2, point 1.15 paragraph c) using the following steps:

a) Identify the insurance and reinsurance undertakings and insurance third country branches writing life or non-life insurance or reinsurance business in the Member State, and which fall within the scope of Directive 2009/138/EC;
b) Consider the undertakings identified under a) that belong to an insurance or reinsurance group for which the national supervisory authority is the group supervisor as a group when applicable and prepare a list of individual undertakings, groups and insurance third country branches ranked by total assets in the Solvency II balance sheet;
c) Calculate the market share of each of the undertakings, groups and insurance third country branches in the list prepared under b) by dividing the total assets held by each group on a consolidated basis or by each undertaking by the total assets of all insurance and reinsurance undertakings, groups and insurance third country branches identified in paragraph b);
d) Identify the minimum number of insurance and reinsurance undertakings, groups and insurance third country branches for which the accumulated market share in terms of assets calculated in point c) reaches at least 50%;
e) Identify the insurance and reinsurance undertakings, groups and insurance third country branches identified under paragraph d) that are not already within the scope of Guideline 2 paragraphs a) and b) and which do not belong to a group reporting to a different national supervisory authority by conferring with the list shared between EIOPA and national supervisory authorities according to paragraph 1.34.

Guideline 7 – Inclusion in the sample and first reporting instance following the market share requirement

1.31. National supervisory authorities should require the insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches identified in paragraph 1.30, e) to report according to these Guidelines.

1.32. It is within the discretion of national supervisory authorities to require additional insurance and reinsurance undertakings and groups to submit to the national supervisory authority the information set out in Guideline 13, Guideline 14 and Guideline 15 for insurance or reinsurance groups and in Guideline 16, Guideline 17 and Guideline 18 for individual insurance and reinsurance undertakings and insurance third country branches to achieve a higher national market coverage, or to achieve a desired representation both of non-life and life business.

1.33. Insurance and reinsurance undertakings, groups and insurance third country branches which are required to report under the market share requirement given in Guideline 2, paragraph 1.15 c) and notified according to Guideline 9 should submit to the national supervisory authority the set of quantitative information identified in Guideline 13, Guideline 14 and Guideline 15 for insurance and reinsurance groups and in Guideline 16, Guideline 17 and Guideline 18 for insurance and reinsurance undertakings and insurance third country branches starting in the fourth quarter in the financial year when notification was given.

Guideline 8 - Notification by national supervisory authorities to EIOPA

1.34. National supervisory authorities should annually report to EIOPA the legal name, the national identifier and, where available, the Legal Entity Identifier (LEI) or Pre-LEI of the insurance and reinsurance undertakings, groups and insurance third country branches which will report in accordance with the EUR 12 bn threshold given in Guideline 2, paragraph 1.15, a) or b) within three weeks of the receipt of the end-of-year data submitted by insurance and reinsurance undertakings, insurance third country branches and groups under the regular reporting according with Directive 2009/138/EC.

1.35. National supervisory authorities should, on the basis of the list defined in point 1.34, annually report to EIOPA the legal name, the national identifier and, where available, the Legal Entity Identifier (LEI) or Pre-LEI of the insurance and reinsurance undertakings, groups, and insurance third country branches which will report in accordance with the market share requirement provided in Guideline 2, paragraph 1.15 c) no later than the end of June of each year.

Guideline 9 - Notification by national supervisory authorities to insurance and reinsurance undertakings

1.36. National supervisory authorities should notify insurance and reinsurance undertakings, groups and insurance third country branches which are required to report under the market share requirement given in Guideline 2, paragraph 1.15 c) within a reasonable time before the reporting reference date as defined in Guideline 7, paragraph 1.33.

Guideline 10 - Best effort: Preparation of data

1.37. Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies should report the information defined in Guideline 13, Guideline 14 and Guideline 15 on a best effort basis, balancing the effort required with the accuracy of the information provided, in line with paragraphs 1.39, 1.40 and 1.41 below.

1.38. Insurance and reinsurance undertakings and insurance third country branches should report the information defined in Guideline 16, Guideline 17 and Guideline 18 on a best effort basis, balancing the effort required with the accuracy of the information provided, in line with points 1.39, 1.40 and 1.41 below.

1.39. Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches should ensure that the data reported reflect a best assessment of the current financial and operational condition of the entity and is based on the most up-to date information available to them, taking into consideration that:

a) the information submitted may have undergone less internal quality controls and audit than what is required for regular supervisory reporting;
b) following the principle of materiality, reporting entities should ensure that all material operations are covered by the reporting;
c) simplifications employed in the preparation of data for reporting according to these Guidelines should be employed consistently over time;
d) simplifications which have a material effect on the reported information should be disclosed to the relevant National supervisory authority.

1.40. With the submission of reporting, insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches confirm that, to the best of their knowledge no errors or omissions which would lead to a materially different supervisory assessment of the institution are present in the data.

1.41. Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches should strive to improve business processes to reduce recurring discrepancies between reporting according to these guidelines and regular supervisory reporting according to Directive 2009/138/EC over time.

Guideline 11 - Best effort: Use of data by national supervisory authorities

1.42. National supervisory authorities should acknowledge that the information submitted for financial stability purposes may be subject to changes and may not be identical to regular supervisory reporting according to Directive 2009/138/EC. However, the relevant National supervisory authority may request information on how the reported data was calculated, and request updated data if deemed necessary.

Guideline 12 – Quarterly SCR information

1.43. Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches should ensure that quarterly SCR information provide a good approximation of the true SCR level. The quarterly SCR figures may be updated only with the more volatile elements, while extrapolation of yearly figures is acceptable for other SCR elements, in line with Guideline 10.

1.44. As the market risk elements are expected to be the most volatile insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches should in particular consider to re-calculate the market risk module components of the SCR in order to report the overall SCR on best effort basis.

1.45. Where approximations and simplifications are employed, insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches should ensure that the data reported reflect a best assessment of the current financial state of the reporting entity in line with Guideline 10.

1.46. In line with Directive 2009/138/EC, the National supervisory authority may require a full recalculation of the SCR ratios where there is evidence to suggest that the risk profile of the insurance or reinsurance undertaking has altered significantly since the date on which the Solvency Capital Requirement was last fully recalculated and reported for prudential purposes.

1.47. In cases where the reported information would indicate non-compliance with the Solvency Capital Requirement or non-compliance with the Minimum Capital Requirement as defined in Articles 138 and 139 of Directive 2009/138/EC, the National supervisory authority should acknowledge that, without prejudice to its responsibilities and related powers, the information submitted under this

Guidelines may be preliminary data subject to revision, in accordance with Guideline 11.

1.48. In cases described under the previous paragraph, the National supervisory authority, without prejudice to its responsibilities and related powers, may request updated and confirmed data.

Section II: Quantitative information

Guideline 13 – Groups' quantitative annual information

1.49. Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies falling within the scope of Guideline 1 and Guideline 2 should submit annually to the national supervisory authority the information listed in the following paragraphs:

a) Content of the submission detailing the information submitted at each submission date, as specified in template S.01.01.i of Technical Annex A, regardless of the method used for the calculation of the group solvency, according to the Instructions in S.01.01.i of Technical Annex B;
b) Basic information detailing information on the insurance and reinsurance undertaking and the content of the reporting in general, as specified in template S.01.02.i of Technical Annex A, regardless of the method used for the calculation of the group solvency, according to the Instructions in S.01.02.i of Technical Annex B;
c) Specific information on life obligations analysis, including life insurance contracts and annuities stemming from non-life contracts, by homogeneous risk group issued by the undertaking, as specified in template S.14.01.i of Technical Annex A, only when method 1 as defined in Article 230 of Solvency II Directive is used, either exclusively or in combination with method 2 as defined in Article 233 of the Solvency II Directive, according to the Instructions in S.14.01.i of Technical Annex B;
d) Specific information on Outgoing Reinsurance Program in the next reporting year basic data, as specified in template S.30.03.i of Technical Annex A, regardless of the method used for the calculation of the group solvency, according to the Instructions in S.30.03.i of Technical Annex B;
e) Specific information on Outgoing Reinsurance Program in the next reporting year shares data, as specified in template S.30.04.i of Technical Annex A, regardless of the method used for the calculation of the group solvency, according to the Instructions in S.30.04.i of Technical Annex B;
f) Information on the duration of the liabilities as specified in template S.38.01.i of Technical Annex A, only when method 1 as defined in Article 230 of Solvency II Directive is used, either exclusively or in combination with method 2 as defined in Article 233 of the Solvency II Directive, according to the Instructions in S.38.01.i of Technical Annex B;
g) Information on the profit or loss sharing as specified in template S.40.01.i of Technical Annex A, only when method 1 as defined in Article 230 of

Solvency II Directive is used, either exclusively or in combination with method 2 as defined in Article 233 of the Solvency II Directive, according to the Instructions in S.40.01.i of Technical Annex B.

Guideline 14 – Groups' quantitative semi-annual information

1.50. Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies falling within the scope of Guideline 1 and Guideline 2 should submit semi-annually to the national supervisory authority the information listed in the following paragraphs:

a) Information on the profit and loss as specified in template S.39.01.h of Technical Annex A, according to the Instructions in S.39.01.h of Technical Annex B.

Guideline 15 – Groups' quantitative quarterly information[3]

1.51. Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies falling within the scope of Guideline 1 and Guideline 2 should submit quarterly to the national supervisory authority the information listed in the following paragraphs:

a) Content of the submission detailing the information submitted at each submission date, as specified in template S.01.01.h of Technical Annex A, regardless of the method used for the calculation of the group solvency, according to the Instructions in S.01.01.h of Technical Annex B;
b) Basic information detailing information on the insurance and reinsurance undertaking and the content of the reporting in general, as specified in template S.01.02.h of Technical Annex A, regardless of the method used for the calculation of the group solvency, according to the Instructions in S.01.02.h of Technical Annex B;
c) Balance sheet items information , as specified in template S.02.01.h of Technical Annex A, only when method 1 as defined in Article 230 of Solvency II Directive is used, either exclusively or in combination with method 2 as defined in Article 233 of the Solvency II Directive, according to the Instructions in S.02.01.h of Technical Annex B;
d) Information on premiums, claims and expenses as specified in template S.05.01.h of Technical Annex A, regardless of the method used for the calculation of the group solvency, applying the valuation and recognition principles used in undertaking's financial statements, according to the Instructions in S.05.01.h of Technical Annex B, regarding each line of business as defined in as defined in Annex I of the Implementing Measures.
e) Item-by-item list of assets as specified in template S.06.02.h of Technical Annex A, regardless of the method used for the calculation of the group

[3] Annex III, IV and V referred to in this guideline are technical annexes from the draft Technical Standard on the Templates for the Submission of Information to National Competent Authorities.

solvency, according to the Instructions in S.06.02.h of Technical Annex B and considering the following specifications:

i. Investments classifiable as asset categories 1 to 9 as defined in Annex III – Asset categories of the Technical Standard on the Templates for the Submission of Information to National Competent Authorities shall be reported line-by-line with the following exceptions:

    1. Cash shall be reported in one line per currency;

    2. Transferable deposits (cash equivalents) and other deposits with maturity of less than one year shall be reported in one line per pair of bank and currency;

    3. Mortgages and loans to individuals, including loans on policies, shall be reported in two lines, one line regarding loans to Administrative, management and supervisory body and another regarding loans to other natural persons;

    4. Deposit to cedants shall be reported in one single line;

    5. Plant and equipment for the own use of the undertaking shall be reported in one single line.

ii. Insurance and reinsurance undertakings shall use the Complementary Identification Code (CIC) as set out in Annex IV – CIC table and defined in Annex V – Definitions of the CIC table of the Technical Standard on the Templates for the Submission of Information to National Competent Authorities;

iii. Each asset shall be reported separately in as many lines as needed in order to properly fill in all variables requested. If for the same asset two values can be attributed to one variable, then this asset needs to be reported in more than one line.

f) Information on the look-through of all collective investments undertakings held as specified in template S.06.03.h of Technical Annex A, regardless of the method used for the calculation of the group solvency, according to the Instructions in S.06.03.h of Technical Annex B.

g) Item-by-item list of open positions of derivatives data as specified in template S.08.01.h of Technical Annex A, regardless of the method used for the calculation of the group solvency, according to the Instructions in S.08.01.h of Technical Annex B and considering the following specifications:

i. Derivatives classifiable as asset categories A to F as defined in Annex III – Asset categories of the Technical Standard on the Templates for the Submission of Information to National Competent Authorities shall be reported line-by-line;

ii. Insurance and reinsurance undertakings shall use the CIC codes as set out in Annex IV - CIC table and defined in Annex V – Definitions of the CIC table of the Technical Standard on the Templates for the Submission of Information to National Competent Authorities;

iii. Information shall include all derivatives contracts that existed during the reporting period and were not closed prior to the reporting reference date;

iv. Each derivative shall be reported separately in as many lines as needed in order to properly fill in all items requested. If for the same derivative two values can be attributed to one variable, then this derivative needs to be reported in more than one line.

h) Information on income/gains and losses in the period as specified in template S.09.01.h of Technical Annex A, regardless of the method used for the calculation of the group solvency, according to the Instructions in S.09.01.h of Technical Annex B, by asset category as defined in Annex III – Asset categories of the Technical Standard on the Templates for the Submission of Information to National Competent Authorities;

i) Item-by-item securities lending and repurchase agreements data on and off balance sheet, as specified in template S.10.01.h of Technical Annex A, regardless of the method used for the calculation of the group solvency, according to the Instructions in S.10.01.h of Technical Annex B and considering the following specifications:

i. Information shall be reported only when the value of the underlying securities on and off balance sheet involved in lending or repurchase agreements for contracts with maturity date falling after the reporting reference date represent more than 5% of the total investments as reported in C0010/R0070 and C0010/RC0220 of S.02.01;

ii. The information shall include all contracts in the reporting period regardless of whether they were open or closed at the reporting date. For contracts which are part of a roll-over strategy, where they substantially are the same transaction, only open positions shall be reported;

iii. Each contract shall be reported separately in as many lines as needed in order to properly fill in all items requested. If for one item one option fits one part of the instrument being reported and a different option fits the other part then the contract needs to be unbundled unless is stated otherwise in the instructions.

j) Basic information on own funds as specified in template S.23.01.h of Technical Annex A, regardless of the method used for the calculation of the group solvency, according to the Instructions in S.23.01.h of Technical Annex B including basic own funds and ancillary own funds;

k) Basic information on the Solvency Capital Requirement as specified in template S.25.04.h of Technical Annex A, only when method 1 as defined in Article 230 of Solvency II Directive is used, either exclusively or in combination with method 2 as defined in Article 233 of the Solvency II Directive, according to the Instructions in S.25.04.h of Technical Annex B;

l) Basic information on share of reinsurers data, as specified in template S.31.01.h of Technical Annex A, regardless of the method used for the calculation of the group solvency, according to the Instructions in S.31.01.h of Technical Annex B;

m) Information on lapses as specified in template S.41.01.h of Technical Annex A, only when method 1 as defined in Article 230 of Solvency II Directive is used, either exclusively or in combination with method 2 as defined in Article 233 of the Solvency II Directive, according to the Instructions in S.41.01.h of Technical Annex B.

Guideline 16 – Individual quantitative annual information

1.52. Individual insurance and reinsurance undertakings and insurance third country branches falling within the scope of Guideline 1 and Guideline 2 should submit annually to the national supervisory authority the following items as defined information listed in the following paragraphs:

a) Content of the submission detailing the information submitted at each submission date, as specified in template S.01.01.d of Technical Annex A, according to the Instructions in S.01.01.d of Technical Annex B;

b) Basic information detailing information on the insurance and reinsurance undertaking and the content of the reporting in general, as specified in template S.01.02.d of Technical Annex A, according to the Instructions in S.01.02.d of Technical Annex B;

c) Specific information on life obligations analysis, including life insurance contracts and annuities stemming from non-life contracts, by homogeneous risk group issued by the undertaking, as specified in template S.14.01.d of Technical Annex A, according to the Instructions in S.14.01.d of Technical Annex B;

d) Specific information on Outgoing Reinsurance Program in the next reporting year basic data, as specified in template S.30.03.d of Technical Annex A, according to the Instructions in S.30.03.d of Technical Annex B;

e) Specific information on Outgoing Reinsurance Program in the next reporting year shares data, as specified in template S.30.04.d of Technical Annex A, according to the Instructions in S.30.04.d of Technical Annex B;

f) Information on the duration of the liabilities as specified in template S.38.01.d of Technical Annex A, according to the Instructions in S.38.01.d of Technical Annex B;

g) Information on the profit or loss sharing as specified in template S.40.01.d of Technical Annex A, according to the Instructions in S.40.01.d of Technical Annex B.

Guideline 17 – Individual quantitative semi-annual information

1.53. Individual insurance and reinsurance undertakings and insurance third country branches falling within the scope Guideline 1 and Guideline 2 should submit semi-annually to the national supervisory authority the information listed in the following paragraphs:

a) Information on the profit and loss as specified in template S.39.01.c of Technical Annex A, according to the Instructions in S.39.01.c of Technical Annex B.

Guideline 18 – Individual quantitative quarterly information[4]

1.54. Individual insurance and reinsurance undertakings and insurance third country branches falling within the scope of Guideline 1 and Guideline 2 should submit quarterly to the national supervisory authority the following defined in information listed in the following paragraphs:

a) Content of the submission detailing the information submitted at each submission date, as specified in template S.01.01.c of Technical Annex A, according to the Instructions in S.01.01.c of Technical Annex B;
b) Basic information detailing information on the insurance and reinsurance undertaking and the content of the reporting in general, as specified in template S.01.02.c of Technical Annex A, according to the Instructions in S.01.02.c of Technical Annex B;
c) Information on the look-through of all collective investments undertakings held as specified in template S.06.03.c of Technical Annex A, according to the Instructions in S.06.03.c of Technical Annex B;
d) Information on income/gains and losses in the period as specified in template S.09.01.c of Technical Annex A, according to the Instructions in S.09.01.c of Technical Annex B, by asset category as defined in Annex III – Asset categories of the Technical Standard on the Templates for the Submission of Information to National Competent Authorities;
e) Item-by-item securities lending and repurchase agreements data on and off balance sheet, as specified in template S.10.01.c of Technical Annex A, according to the Instructions in S.10.01.c of Technical Annex B and considering the following specifications:
   i. Information shall be reported only when the value of the underlying securities on and off balance sheet involved in lending or repurchase agreements for contracts with maturity date falling after the reporting reference date represent more than 5% of the total investments as reported in C0010/R0070 and C0010/RC0220 of S.02.01;

   ii. The information shall include all contracts in the reporting period regardless of whether they were open or closed at the reporting date. For contracts which are part of a roll-over strategy, where they substantially are the same transaction, only open positions shall be reported;

[4] Annex III referred to in this guideline is a technical annex from the draft Technical Standard on the Templates for the Submission of Information to National Competent Authorities.

iii. Each contract shall be reported separately in as many lines as needed in order to properly fill in all items requested. If for one item one option fits one part of the instrument being reported and a different option fits the other part then the contract needs to be unbundled unless is stated otherwise in the instructions.

f) Basic information on the Solvency Capital Requirement as specified in template S.25.04.c of Technical Annex A, according to the Instructions in S.25.04.c of Technical Annex B;
g) Basic information on share of reinsurers data, as specified in template S.31.01.c of Technical Annex A, according to the Instructions in S.31.01.c of Technical Annex B;
h) Information on lapses as specified in template S.41.01.c of Technical Annex A, according to the Instructions in S.41.01.c of Technical Annex B.

Section III: Submission deadlines and other provisions

Guideline 19 – Submission deadlines

1.55. After the transitional period of four years after implementation of Solvency II, insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches should submit the information defined in these Guidelines within 6 weeks after the end of the reference period.

1.56. During the transitional period of four years after implementation of Solvency II, national supervisory authorities should employ deadlines for financial stability reporting which follow the deadline for individual reporting under article 35 of Directive 2009/138/EC, plus 1 week (i.e. envisaged 8+1 week the first year decreasing to 5+1 week four years after implementation of Solvency II). This means that the following deadlines should apply for information submitted in the three first years after entry-into-force of Solvency II:

a) For information submitted in 2016: 9 weeks
b) For information submitted in 2017: 8 weeks
c) For information submitted in 2018: 7 weeks

Guideline 20 – Means for reporting

1.57. National supervisory authorities should ensure that the quantitative information referred in Section II is submitted electronically.

Guideline 21 – Data plausibility checks

1.58. National supervisory authorities should evaluate the data received using the data plausibility checks provided in Technical Annex C.

Guideline 22 – Size thresholds and market share for reporting in 2016

1.59. National supervisory authorities should use the total assets in the latest annual information available from the solvency regime previously in place to identify undertakings that should report in the first quarter of 2016 according to Guideline 2 paragraph 1.15 a) and b).

1.60. National supervisory authorities should notify insurance and reinsurance undertakings, groups and insurance third country branches which are required to report under the size threshold given in Guideline 2, point 1.15 paragraph a) or b) and the transitional provision in 1.59 within a reasonable time before the first instance of reporting.

1.61. National supervisory authorities should not require insurance and reinsurance undertakings and insurance third country branches, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies to report in 2016 to reach a national market share under paragraph 1.15 c) of Guideline 2.

Guideline 23 – First reporting instance

1.62. Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches which comply with paragraph 1.15, a) or b) of Guideline 2 should start reporting in accordance with these Guidelines with reference to the first quarter of 2016.

1.63. Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies and insurance third country branches which comply with paragraph 1.15, c) of Guideline 2 should start reporting in accordance with these Guidelines with reference to the first quarter of 2017. The initial national market share should be calculated using the Solvency II opening information.

Compliance and Reporting Rules

1.64. This document contains Guidelines issued under Article 16 of the EIOPA Regulation. In accordance with Article 16(3) of the EIOPA Regulation, Competent Authorities and financial institutions shall make every effort to comply with guidelines and recommendations.

1.65. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.

1.66. Competent authorities shall notify EIOPA whether they comply or intend to comply with these Guidelines, with reasons for non-compliance, within two months after the issuance of the translated versions.

1.67. In the absence of a response by this deadline, competent authorities will be considered as non-compliant to the reporting and reported as such.

Final Provision on Reviews

1.68. The present Guidelines shall be subject to a review by EIOPA.

Annex I: Impact Assessment

1: Procedural issues and consultation of interested parties

1.1. According to Article 16 of the EIOPA Regulation, EIOPA conducts analysis of costs and benefits in the policy development process. The analysis of costs and benefits is undertaken according to an Impact Assessment methodology.

1.2. EIOPA is preparing guidelines for Financial Stability Reporting. The proposed reporting requirements were subject to a public consultation in 2011 (CP11). The feedback received from stakeholders and EIOPA's responses were described in the final report on this consultation.[5]

1.3. The currently proposed Guidelines for Financial Stability Reporting follow the results of that consultation and its final report.

2: Problem definition

1.4. The financial crisis in 2007 and 2008 exposed important shortcomings in financial supervision, in particular in relation to the financial system as a whole. Supervisory models lagged behind financial globalisation and the integrated and interconnected reality of European financial markets, in which many financial institutions operate across borders. Before and during the financial crisis, the European Parliament called for a move towards more integrated European supervision in order to ensure a true level playing field at the level of the Union and to reflect the increasing integration of financial markets in the Union.

1.5. The financial and economic crisis illustrated that there are real and serious risks to the stability of the financial system and the functioning of the internal market. Restoring and maintaining a stable and reliable financial system is an absolute prerequisite to preserving trust and coherence in the internal market, and thereby to preserve and improve the conditions for the establishment of a fully integrated and functioning internal market in the field of financial services.

1.6. In order to contribute to the efficiency and orderly functioning of financial markets and to the stability of the financial system, EIOPA is obliged to monitor and assess market developments and to inform the European Supervisory Authorities, the ESRB and the European Parliament, the Council and the Commission about the relevant trends, potential risks and vulnerabilities in its area of competence. EIOPA also supports the ESRB with regular and timely information necessary for the achievement of its tasks.

[5] See https://eiopa.europa.eu/en/consultations/consultation-papers/2011-closed-consultations/december-2012/draft-proposal-on-the-add-on-quantitative-financial-stability-reporting-templates/index.html

1.7. In order to discharge these duties effectively, EIOPA needs to have access to standardised, comparable, timely and recurring data from undertakings. The data currently available to EIOPA on a European level is fragmented, often not comparable over time or across countries and comes with large time lags.

1.8. The foreseen prudential reporting under Solvency II represents a substantial improvement on the current situation. However, the large time lags before group data is available to supervisors will remain (11 weeks after transition), and important data will only be reported annually both by groups and by individual undertakings. Moreover, key performance data such as profit and loss figures are missing from the prudential reporting.

1.9. Against this background, EIOPA considers that future prudential Solvency II reporting is not fully sufficient to enable EIOPA to fulfil all its tasks in relation to financial stability. EIOPA is therefore proposing to complement the prudential reporting with a limited reporting scheme which is tailored to financial stability needs. This is required to ensure that timely, frequent and consistent data is available from large undertakings in Europe and from undertakings that are important in national markets.

Baseline Scenario

1.10. When analysing the impact from proposed policies, the Impact Assessment methodology foresees that a baseline scenario is applied as the basis for comparing policy options. This helps to identify the incremental impact of each policy option considered. The aim of the baseline scenario is to explain how the current situation would evolve without additional regulatory intervention.

1.11. The baseline scenario is based on the current situation of EU insurance and reinsurance markets, taking account of the progress towards the implementation of the Solvency II framework achieved at this stage by insurance and reinsurance undertakings and supervisory authorities.

1.12. In particular the baseline includes:

- The relevant content of Directive 2009/138/EC as amended by Directive 2009/51/EC;
- The relevant Implementing Measures and Technical Standards.

1.13. Although the reporting for prudential purposes will enter into force at the same time as these Guidelines, the latter are fully dependent on the prudential reporting framework and templates and only exists as a complement to those.

3: Objective pursued

1.14. The main objective of these Guidelines is to enable EIOPA to contribute to the efficiency and orderly functioning of financial markets and to the stability of the financial system by ensuring that timely, frequent and consistent data is available to EIOPA from large undertakings in Europe and from undertakings that are important in national markets.

1.15. The data will allow EIOPA to efficiently monitor and assess market developments and to inform the European Supervisory Authorities, the ESRB and the European Parliament, the Council and the Commission about the relevant trends, potential risks and vulnerabilities in its area of competence. EIOPA will also use the data to support the ESRB with regular and timely information necessary for the achievement of its tasks.

1.16. A consistent framework for financial stability reporting will reduce the need for ad-hoc data collections. Ad hoc reporting is both costly and slow and would not foster convergence in reporting. This might impair any policy decisions taken when addressing financial stability issues.

1.17. Ad hoc reporting is both costly and slow and would not foster convergence in reporting. This might impair any policy decisions taken when addressing financial stability issues.

4: Policy Options

1.18. To reach the objective described in the previous section, EIOPA is proposing a limited complement to the proposed prudential reporting framework under Solvency II. This additional reporting should be tailored to financial stability needs and therefore limit the necessity for future ad-hoc data collection exercises. This data will feed into the regular financial stability monitoring work of EIOPA and should be available earlier than prudential reporting, and with higher frequency to feed into the quarterly products EIOPA prepares.

1.19. Under Article 35 of the EIOPA Regulation, EIOPA will therefore issue a decision requesting a set of data from national supervisory authorities on a regular interval and in a standardised format. The details of this data request is set out in these guidelines, which are intended to help national supervisory authorities to comply with the decision and prepare the necessary reporting requirements from undertakings to national authorities.

1.20. This impact assessment presents the different options considered by EIOPA during the development of these Guidelines and the reporting requirements set by EIOPA under Article 35 of the EIOPA regulation.

Proportionality and the approach to small and medium-sized undertakings – the use of thresholds

1.21. European Community action should not go beyond what is necessary to achieve satisfactorily the objectives which have been set. EIOPA therefore considers that all quantitative regulatory requirements imposed on insurers should be proportionate to the nature, scale and complexity of the insurer and its operations.

1.22. SMEs in particular, due to their size and scarce resources, can be affected by the costs of regulations more than their bigger competitors. SMEs may have limited scope for benefiting from economies of scale and may find it more difficult to access capital. The proposed policy requirements therefore introduce proportionate requirements by excluding small and medium sized insurers unless they are particularly important in national markets.

1.23. EIOPA is requiring financial stability information mainly from the largest European (re)insurers. In principle, only undertakings with total assets above 12 billion should report for financial stability purposes. However, in some markets, this threshold would result in reporting covering only a very limited - or even zero - share of the market. In such cases, financial stability reporting will be required from additional entities to ensure national market coverage of at least 50 per cent. Policy Option 2 deals with the threshold and the market share coverage specifically.

Related consultations and impact assessments

1.24. For the purpose of the Solvency II project, policy-makers have already considered, analysed and compared a number of policy options. In particular, the Guidelines on Financial Stability Reporting have been subject to one public consultation (CP11) on the scope and contents and the final report of this consultation is available on

https://eiopa.europa.eu/en/consultations/consultation-papers/2011-closed-consultations/december-2012/draft-proposal-on-the-add-on-quantitative-financial-stability-reporting-templates/index.htm/

The impact assessment which was part of CP11 has been used as input for this report.

1.25. Moreover, the reporting requirements under Solvency II have already been assessed in terms of impact on the stakeholders in the Impact Assessment process on possible macroeconomic and financial effects of Solvency II (DG ECFIN/C-4(2007) REP 53199) from March 2007:

http://ec.europa.eu/internal_market/insurance/docs/solvency/impactassess/annex-c06_en.pdf

Following the level 1 impact assessment, level 2 reporting requirements have been assessed for impact on stakeholders in an External Study by

Deloitte for the Impact Assessment of Solvency II (Level 2) from 2 March 2010.

With regard to the analysis of the impact for Level 2 implementing measures, the European Commission has collected at the beginning of 2011 additional evidence for its impact assessment:

http://ec.europa.eu/internal_market/consultations/2010/solvency-2_en.htm.

Policy options considered

1.26. EIOPA has considered several policy options referring to the concrete content of the Financial Stability Reporting as set out in these Guidelines.

1.27. In particular, three policy issues which were extensively considered in preparation of these Guidelines are presented and discussed below. These three policy issues are:

Policy issue 1: Should EIOPA require additional reporting for financial stability purposes and issue Guidelines to this effect?
Option 1: To rely on prudential reporting and additional ad-hoc reporting;
Option 2: To issue Guidelines for recurring financial stability reporting.

Policy issue 2: How should representativeness and a reasonable national market share be ensured?
Option 1: By requiring reporting from groups and individual undertakings to achieve a certain national market share;
Option 2: By relying on prudential reporting to supplement the dataset in countries with a low national market share for financial stability reporting.

Policy issue 3: How should undertakings perform the quarterly SCR calculation?
Option 1: Full calculation;
Option 2: Update of volatile parts based on general principles.

5: Analysis of impacts

1.28. This section covers the three main policy issues which were considered during the preparation of the guidelines and the relevant impact on stakeholders, including the industry, policy holders and the supervisory community.

Policy issue 1: Should EIOPA require additional reporting for financial stability purposes and issue Guidelines to this effect?

1.29. Two policy options were considered as a solution to the problem defined in Section 2 of the Impact Assessment and would provide EIOPA with data to carry out its tasks. The first option would be to rely only on prudential reporting, and additional ad-hoc reporting. The other policy option considered was to issue specific Financial Stability Reporting guidelines.

Policy option 1: To rely on prudential reporting and additional ad-hoc reporting

1.30. The foreseen prudential reporting according to Article 35 of the Solvency II (Directive 2009/138/EC) would provide EIOPA and national supervisory authorities with access to an extensive dataset with which a thorough assessment of market conditions would be possible. The problem of non-standardized reporting mentioned in Section 2 of this impact assessment would be partly mitigated.

1.31. However, in addition to the prudential reporting, EIOPA would need to launch additional ad-hoc surveys for certain data items which are not included in the prudential reporting. EIOPA would also need to launch ad-hoc surveys to access information which would only be reported annually whenever updated information is required during the year. Moreover, the prudential deadlines are set too late to enable EIOPA to include certain data in its quarterly assessments, in particular for groups.

1.32. For groups, data included in additional ad-hoc surveys would comprise:

- Key balance sheet data
- Key information on premiums and claims
- Key information on own funds
- Detailed lists of assets on a group-level
- Share of reinsurance
- Annual guarantee rates
- Lapses
- Duration of liabilities
- Profit and loss, and
- Profit and loss sharing
- Detailed lists of assets
- SCR ratios

1.33. For individual undertakings, data included in additional ad-hoc surveys would comprise:

- Share of reinsurance
- Annual guarantee rates
- Lapses
- Duration of liabilities
- Profit and loss, and
- Profit and loss sharing
- Detailed lists of assets
- SCR ratios

1.34. EIOPA would either need to establish a quarterly reporting scheme (i.e. to keep and extend the current quarterly fast track reporting[6]) for such data to feed into the quarterly products produced by the authority, or launch recurring ad-hoc surveys.

Impact on reporting entities

1.35. The impact on reporting entities of this policy option would stem from the fact that there would be no immediate requirement to prepare and to set up systems supporting the reporting. This would imply less short-term costs for the insurance and reinsurance undertakings that have not yet developed systems to comply with financial stability reporting. For insurance and reinsurance undertakings that already started preparation and have already invested in it, there can be a small reduction of the cost as they do not have to submit reports to national supervisory authorities even if they have the required data and systems.

1.36. At the same time, undertakings would not have full clarity on future reporting requirements as ad-hoc reporting would be expected. This would involve a risk of not being able to comply with such ad-hoc requests and following need to invest in new data extraction tools. Therefore, there would also be less clarity on investment costs.

Impact on EIOPA and National Supervisory Authorities (NSAs)

1.37. One impact on National Supervisory Authorities (NSAs) of this policy option would stem from the fact that there would be no immediate requirement to prepare and to set up systems supporting the reporting. However, with less clarity on future reporting requirements, NSAs would find it difficult to determine the scope of necessary infrastructure to support ad-hoc requests.

1.38. The impact on EIOPA of this policy option would stem from the lack of standardized templates, less predictable information sets, less consistent time series and cross sectional data and the lack of a predictable time frame for data required ad-hoc. For group data, EIOPA would only receive data with a very large time lag, unless ad-hoc surveys were employed. In those cases, data would not be available immediately and such ad-hoc surveys are resource intensive. Moreover, recurring ad-hoc surveys run the risk of employing slightly modified templates, definitions or methodology, reducing the time-series properties of the data.

1.39. Moreover, EIOPA would need to prepare separate reporting templates instead of relying on Solvency II templates.

1.40. A benefit to EIOPA of ad-hoc surveys would be the greater flexibility such surveys provide, since templates can be adjusted to target a specific

[6] The current quarterly fast track reporting by large European insurers will be phased out with the introduction of Solvency II reporting and reporting for financial stability purposes.

purpose (while the drawback would be less consistent time series information).

Policy option 2: To issue Guidelines for recurring financial stability reporting

Impact on reporting entities

1.41. By issuing these Guidelines, the reporting requirements would be known to the industry in advance of Solvency II implementation and future reliance on ad-hoc surveys would be reduced.

1.42. Reporting entities would therefore be faced with templates which are known and understood, instead of having to deal with ad-hoc templates with which they may not be equally familiar.

1.43. Insurance and reinsurance undertakings may also benefit from better support from the national supervisory authorities since the templates are known and based on the common Solvency II templates.

1.44. Moreover, the issuance of these Guidelines before data will actually be collected will allow a formal process to be set up within the undertaking and between the undertaking and the national supervisory authority allowing the undertaking to start implementation and prepare its own systems regarding generation, validation and transmission of data.

1.45. However, the recurring reporting requirements will involve some costs, especially for groups which would need to consolidate on a best effort basis data within relatively strict deadlines. Also individual undertakings will have to allocate some resources to produce quarterly figures where such are requested. Costs should however be somewhat limit as systems for extraction of the relevant data items should anyway be in place and in use for Solvency II prudential reporting.

1.46. In particular, group reporting for financial stability purposes would have the following impact on reporting entities:

- Early deadline: Deadline for groups for the items defined to be relevant for financial stability is shorter than the prudential group deadline. It is set to be prudential individual-deadline, plus 1 week for consolidation (i.e. a deadline of 6 weeks after transition period).
- Increased frequency: Some items are to be reported quarterly instead of annually.
- Additional items: FS reporting introduces additional reporting on a limited set of items.

1.47. For individual undertakings (solos), reporting for financial stability purposes would have the following impact:

- Shorter deadlines: For annual items, the individual deadline is 14 weeks, while for the limited number of financial stability items, the deadline is 6 weeks (after transition).
- Increased frequency: Some items will be reported with increased frequency (quarterly instead of annually or semi-annually)
- Additional items: FS reporting introduces additional reporting on a limited set of items

Impact on EIOPA and National Supervisory Authorities (NSAs)

1.48. The impact on National Supervisory Authorities and on EIOPA of this policy option would originate from the fact that NSAs may concentrate efforts in the defined sub-set of information which is closely linked to the Solvency II prudential reporting templates. This means that systems which would anyway need to be developed can be extended to cover financial stability reporting, instead of EIOPA and NSAs needing to prepare separate systems. Moreover, ad-hoc surveys are resource intensive and a formal, recurring reporting process is likely to require fewer resources over time.

1.49. This policy option would allow NSAs and EIOPA to access information from a standardized set of templates, providing EIOPA with a predictable information set which would be consistent over time and across countries and institutions. The information collected would be available from groups in time for EIOPA's quarterly assessments of market developments, and with a sufficient frequency.

Impact on policy holders and financial stability

1.50. Policyholders will in general benefit from better informed insurance and reinsurance undertakings and national supervisory authorities. A financial crisis may involve extraordinary large costs on society, and a sound monitoring framework on a European scale will enable authorities to assess risks and implement countermeasures earlier. In times of crisis, information needs to be available fast. With a financial stability reporting regime in place, data will already be available within the supervisory community and knowledge and experience with the data both in supervisors and at the level of group or individual undertaking allows a more efficient use of the data in a crisis situation. As processes are prepared within undertakings to produce this data, the time needed for any updates in a crisis situation is also dramatically reduced.

1.51. The financial crisis starting in 2007/2008 clearly illustrated how the public may suffer from financial instability. Customers of involved institutions suffered direct losses, but the vast effects of crisis partly due to the high degree of interlinkages between institutions and between institutions and governments also led to enormous indirect effects such as mass unemployment and fiscal contraction. Ensuring financial stability will benefit policyholders as claim-holders on individual institutions, and the public at large as stakeholders in the economic development.

1.52. The EIOPA Regulation determines financial stability being one of EIOPA's key objectives. This add-on reporting requirement is considered to be an essential source of information for achieving this objective.

1.53. Most of the data required for EIOPA's financial stability purposes would need to be reported by insurers on a quarterly basis. Reducing the proposed reporting both with regard to scope, content and frequency could potentially reduce EIOPA's ability to monitor market developments and spotting risks and vulnerabilities to the insurance sector, thereby reducing EIOPA's ability to contribute to financial stability.

Policy issue 2: How should representativeness and a reasonable national market share be ensured?

1.54. In order to assess and monitor market developments, EIOPA needs data covering at least a majority of the market share in the EU.

1.55. In addition, EIOPA would need to ensure that all countries are represented in the data set, and therefore that a reasonable market share is covered in each country.

1.56. The focal point in this discussion was how to address the burden on smaller insurance and reinsurance undertakings.

1.57. On an EU wide level, the threshold chosen (12 bn) allows EIOPA to assess developments based on market coverage of around 80% measured by total assets (see Table 1).

1.58. The threshold was set at 6 bn before the public consultation (CP11 on reporting for financial stability purposes launched in 2011[7]), but was increased to 12 bn following the consultation. Table 1 shows that the effect of this increase was to dramatically reduce the number of reporting entities (to reduce reporting burden), while the overall European market share remained sufficiently high. However, there are only 18 out of 26 countries[8], in which reporting from undertakings would cover a market share above 50 per cent (in terms of assets).

[7] See https://eiopa.europa.eu/en/consultations/consultation-papers/2011-closed-consultations/december-2012/draft-proposal-on-the-add-on-quantitative-financial-stability-reporting-templates/index.html

[8] Countries covered were Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Liechtenstein, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom.

Table 1: Number of reporting entities and expected market share based on replies from 26 countries

Threshold (bn. €)	Approx. expected number of reporting groups	Approx. expected number of reporting solos	weighted market coverage	countries with at least 50% market coverage
6	**96**	**51**	**83.3%**	**20**
8	91	37	81.8%	18
10	83	31	80.4%	18
12	**76**	**26**	**79.1%**	**18**

1.59. This implies that some companies which may be important in national markets may not be included in the financial stability data set because the market they operate in is relatively small, and 12 bn in assets may not be reached by any domestic company.

1.60. In these cases, EIOPA would require some information about the national markets for financial stability purposes. Policy option 1 would imply that EIOPA requests this data directly from insurers, requiring that NSAs designate groups/undertakings to report to ensure at least a market coverage of 50%. This way, smaller countries where no or few groups or solos would have total assets above EUR 12 bn and where the presence of subsidiaries of foreign groups is limited, would also be represented in the sample for financial stability purposes. Policy option 2 would imply that EIOPA only relies on prudential reporting to supplement FS reporting in these countries.

Policy option 1: By requiring reporting from groups and individual undertakings to achieve a certain national market share

1.61. If data for financial stability purposes would be required at the level of groups and individual undertakings, the main principle would be that, in those countries where the groups/undertakings identified through the EUR 12 bn total assets threshold do not account for at least 50% of the total assets in that country, additional institutions would be included in the sample in order to reach 50% (starting with the largest institution not yet in the sample).

1.62. When calculating the 50% market share, the share of domestic entities of foreign groups which report to a different group/home supervisor should be taken into account. This means that in cases where 50% of the market is covered either by solos or sub-groups belonging to non-domestic groups which reports for FS purposes, no additional reporting would be required to reach 50%.

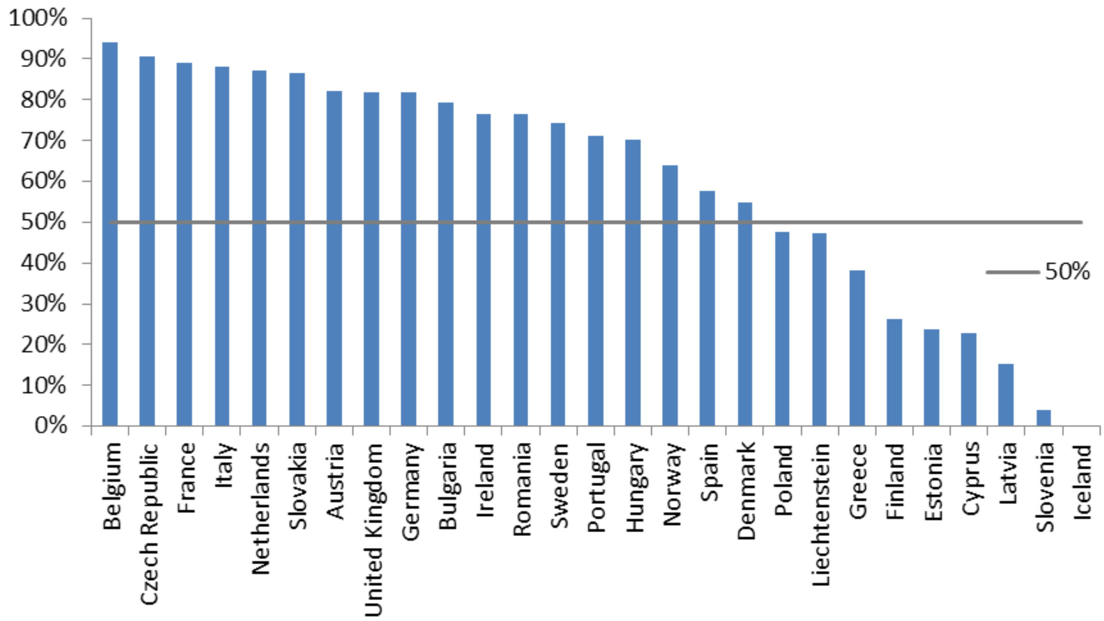
Impact on reporting entities

1.63. The 50% market share requirement only concerns the set of groups/undertakings that will have to report additionally for financial stability purposes. It does not affect the set of groups/undertakings which will report for prudential purposes.

1.64. The requirement is that the share of assets by groups and undertakings reporting for financial stability purposes must reach a minimum of 50% in all national markets. This would allow a proper representation of the European market. However, it means that the market share requirement will only have effect on groups/undertakings with assets lower than the EUR 12 bn threshold (since groups/undertakings with assets above 12 bn would be required to report for financial stability purposes).

1.65. Data collected by EIOPA indicates that these groups and individual undertakings are likely to reside in Poland, Liechtenstein, Greece, Finland, Estonia, Cyprus, Latvia, Slovenia and Iceland (see Figure 1).[9]

Figure 1: National market share reached with 12 bn asset threshold. Data based on end-2010 reporting.



1.66. As the market share requirement will only apply to institutions with assets below EUR 12 bn, it per definition adds smaller institutions. A survey carried out by EIOPA indicated that in 5 countries, the institutions which will be added will all have less than 6bn in assets (with end 2010-data). Although the market share requirement will imply additional burden for smaller institutions, it should be noted that reporting for financial stability purposes is on a best effort basis allowing the necessary flexibility in reporting.

[9] Data was not available for Lithuania, Luxembourg and Malta.

1.67. However, these groups and individual undertakings will face higher reporting burden, and therefore costs.

1.68. In particular, group reporting for financial stability purposes implies the following:

- Early deadline: Deadline for groups for the items defined to be relevant for financial stability is shorter than the prudential group deadline. It is set to be prudential individual-deadline, plus 1 week for consolidation (i.e. a deadline of 6 weeks after transition period).
- Increased frequency: Some items are to be reported quarterly instead of annually.
- Additional items: FS reporting introduces additional reporting on a limited set of items.

1.69. For individual undertakings (solos), being identified as a reporting institution for financial stability purposes implies the following additional reporting requirements:

- Shorter deadlines: For annual items, the individual deadline is 14 weeks, while for the limited number of financial stability items, the deadline remains at 6.
- Increased frequency: Some items will be reported with increased frequency (quarterly instead of annually or semi-annually)
- Additional items: FS reporting introduces additional reporting on a limited set of items

Impact on EIOPA and National Supervisory Authorities (NSAs)

1.70. The impact on National Supervisory Authorities (NSAs) of this policy option would mainly be that they would be able to access more data with higher frequency and with shorter deadlines for the largest institutions in their jurisdiction. There will however, be some administrative work required to assign companies for reporting and handling the data received.

1.71. The main benefit to EIOPA of a 50 per cent national market requirement is that this data would be comparable in terms of deadline, frequency and content both for large share of the EU-wide insurance sector, but also for individual markets. EIOPA is required by regulation to monitor and assess market developments in the area of its competences, and the introductory text of the EIOPA regulation states that it is necessary to "identify, at an early stage, trends, potential risks and vulnerabilities stemming from the micro-prudential level, across borders and across sectors" in order to safeguard financial stability. Consistent, frequent and timely data across countries is a prerequisite for this.

Policy option 2: By relying on prudential reporting to supplement the dataset in countries with a low national market share for financial stability reporting

1.72. Any alternative to the 50% market share criterion would have to ensure that EIOPA has at its disposal at least a minimum of key data for all countries of the EU/EEA. If EIOPA would only rely on prudential reporting to supplement financial stability reporting for those countries where a market share of 50 per cent was not reached with the 12 bn threshold, prudential data covering the same data items (as far as possible) would have to be sent to EIOPA shortly after the prudential deadlines.

1.73. Provided that the smaller institutions which would have fallen under the national market share requirement would in any case be required to report for prudential purposes (but with longer deadlines, reduced frequency and not all items), such information for smaller markets would vastly improve on EIOPA's ability to carry out its tasks.

Impact on reporting entities

1.74. Relying on prudential reporting to supplement financial stability reporting would mean that there would be no additional reporting requirements imposed on smaller groups and individual undertakings. The overall reporting burden would therefore be reduced when compared to policy option 1.

Impact on EIOPA and National Supervisory Authorities (NSAs)

1.75. For EIOPA and NSAs, some data would not be available before the prudential deadlines (11 weeks for groups), some data would not be available quarterly and some data would not be available at all. In particular, the following data would not cover 50% in all national markets in the sample used for financial stability analysis (i.e. with quarterly frequency and within the 6 week deadline).

1.76. For groups, such data would comprise:

- Key balance sheet data
- Key information on premiums and claims
- Key information on own funds
- Detailed lists of assets on a group-level
- Share of reinsurance
- Annual guarantee rates
- Lapses
- Duration of liabilities
- Profit and loss, and
- Profit and loss sharing
- Detailed lists of assets
- SCR ratios

1.77. For individual undertakings, such data would comprise:

- Share of reinsurance
- Annual guarantee rates
- Lapses
- Duration of liabilities
- Profit and loss, and
- Profit and loss sharing
- Detailed lists of assets
- SCR ratios

Policy issue 3: How should undertakings perform the quarterly SCR calculation?

1.78. Prudential reporting foresees a full calculation of the SCR and all the sub modules annually for reporting purposes.

1.79. The Solvency II directive foresees that SII insurance and reinsurance undertakings monitor the amount of eligible own funds and the Solvency Capital Requirement on an ongoing basis.

1.80. It is necessary to inform financial stability assessments with information on regulatory capital requirements faced by the industry and the development of the risk bearing capacity of the sector in the form of asset base and own funds endowment. Information on the SCR levels would be required quarterly to assess trends in the total solvency surplus of insurers in the European market. However, due to the complexity of SCR calculations, two policy options were considered. The first foresaw a full calculation of SCRs, while the second would require only an update of the volatile parts (if any) of the SCR.

Policy option 1: Full calculation

Impact on reporting entities

1.81. A full SCR calculation would be highly resource intensive and would require a full calculation of all sub-modules, cash flows and liability structure. Although feasible, the costs in terms of manpower would be extensive, especially on a group level.

1.82. Required resources could be expected to be slightly lower among internal model users since insurance and reinsurance undertakings in any case have to demonstrate that the internal model is widely used and plays an important role in their system of governance.

Impact on EIOPA and National Supervisory Authorities (NSAs)

1.83. A full SCR calculation would provide EIOPA and NSAs with a high-quality measure of capitalization and capital adequacy in the insurance sector.

Policy option 2: Update of volatile parts based on general principles

Impact on reporting entities

1.84. A simplified SCR calculation would indicate the approximate value of SCR by only updating the most volatile parts of SCR on a quarterly basis (e.g. market risk module). In a simplified calculation of the Solvency Capital Requirement, insurers may carry out only a part of the calculations which are usually necessary to determine the Solvency Capital Requirement. For the remaining part of the calculations, a reasonable extrapolation of the previous calculations of the Solvency Capital Requirement can be used.

1.85. In particular, it is expected that the market risk module will require most frequent recalculation due to its relatively volatile input parameters, namely investment exposures. Other SCR modules would be considered stable enough to accept an extrapolation of yearly figures, unless exceptional circumstances clearly necessitate a recalculation (which would be warranted in such a situation anyway according to the Solvency II directive).

1.86. For internal model users a simplified calculation should be related to their "use-test", meaning that SCR approximations which are employed internally would also suffice for a best effort SCR reporting.

1.87. Such a simplified SCR calculation would still require resources, but less than a full calculation.

Impact on EIOPA and National Supervisory Authorities (NSAs)

1.88. A simplified SCR calculation would provide EIOPA and NSAs with a best-effort measure of capitalization and capital adequacy in the insurance sector and would allow EIOPA to monitor important market developments in the solvency situation of major European insurers on a quarterly basis.

6. Comparison of options.

Policy issue 1: Should EIOPA require additional reporting for financial stability purposes and issue Guidelines to this effect?

1.89. The preferred policy option is to issue financial stability reporting guidelines because this reduces the need for extensive ad-hoc surveys, will be known to all stakeholders and enables reporting entities, national supervisory authorities and EIOPA to relate to a consistent and extensive set of data items. The other option considered was disregarded because of the drawbacks related to launching ad-hoc surveys and the difficulty of building proper time series data with such surveys.

1.90. In particular, while prudential reporting according to Article 35 of Solvency II (Directive 2009/138/EC) contains an extensive set of data and could inform also the financial stability discussion, the data is reported with large lags (11 weeks for groups, plus additional time for quality control at the level of national supervisory authorities) which means that the delay in receiving this information at EIOPA would be almost three months. For some tasks, this delay could be acceptable. However, for a set of key tasks, data is required earlier. Such tasks include the production of financial stability report, quarterly risk dashboards and internal risk reports.

1.91. Prudential reporting also requires certain items only at an annual frequency, and some information described in section 5 would not be covered. For some tasks, this could be acceptable. However, for certain tasks, data is required with higher frequency, together with the limited additional data items (such as profit and loss figures). Such tasks include the production of financial stability report, quarterly risk dashboards and internal risk reports.

1.92. EIOPA recognises that the quantitative information referred to in the Guidelines will represent an additional burden to insurance and reinsurance undertakings. This burden would include the additional resources needed to meet the requirements of earlier reporting of key data. In order to reduce the burden on smaller insurance and reinsurance undertakings, EIOPA will apply size thresholds, and only request information on a best effort basis for financial stability purposes.

Policy issue 2: How should representativeness and a reasonable national market share be ensured?

1.93. The main criteria for defining the set of undertakings which should report for financial stability purposes is the 12 bn size threshold. However, this threshold might lead to some markets being underrepresented or not represented at all in the European sample. Therefore, the size threshold is complemented by a 50 per cent market coverage requirement. To achieve a 50 per cent market coverage, the preferred policy option is to rely on reporting by groups/undertakings. This option ensures that all markets are represented in financial stability analysis carried out by EIOPA, also before the prudential deadline. It also makes an extensive dataset available to national supervisory authorities covering the largest institutions in their jurisdictions. Since this dataset is coherent and consistent on an EU-wide scale, this enables NSAs to benchmark key variables in their national markets with those of EU as a whole. The drawback to this option is that some undertakings with assets below 12bn will have to report in some countries.

Policy issue 3: How should undertakings perform the quarterly SCR calculation?

1.94. The preferred policy option for this policy issue is to request updates of the most volatile parts of the SCR because the costs to undertakings of a full calculation are seen as prohibitive. It can be expected that the level of capital requirements and, consequently, of SCR coverage ratios, will be subject to a certain degree of volatility. However, EIOPA considers that a partial calculation provides a fair balance between financial stability needs on one hand, and the required resources by reporting entities on the other hand.

1.95. As described in the Guideline, it is to be understood that the indications received through financial stability reporting would not be a direct trigger for supervisory action, but shall be taken for what they are: an indicator for developments which may warrant further macro- and micro-supervisory investigations.

Technical Annexes

Technical Annex A – List of Reporting Items for Financial Stability purposes.

1.1. The reporting templates are provided in the accompanying Excel file ("Technical Annex A – Reporting templates")

Technical Annex B – Technical Annex B: LOG Files.

1.2. The reporting templates are provided in the accompanying ZIP-file ("Technical Annex B – Reporting LOG files")

Technical Annex C – List of data plausibility tests

1.3. The reporting templates are provided in the accompanying Excel file ("Technical Annex C – Data plausibility checks")