

**Consultation Paper**  
**on**  
**the proposal for draft**  
**Implementing Technical Standards**  
**on the procedures, formats and**  
**templates of the solvency and**  
**financial condition report**

## Table of Contents

<b>Responding to this paper .....</b>	<b>3</b>
<b>Consultation Paper Overview &amp; Next Steps.....</b>	<b>4</b>
<b>1. Draft Technical Standard .....</b>	<b>5</b>
<b>Annex I: Impact Assessment .....</b>	<b>14</b>

## Responding to this paper

EIOPA welcomes comments on the Consultation Paper on the proposal for draft Implementing Technical Standards on the procedures, formats and templates of the Solvency and Financial Condition Report.

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](mailto: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<sup>1</sup>.

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Please note that personal contact details (such as name of individuals, email addresses and phone numbers) will not be published.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'.

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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)

## **Consultation Paper Overview & Next Steps**

EIOPA carries out consultations in the case of drafting Technical Standards in accordance to Articles 10 and 15 of the EIOPA Regulation.

This Consultation Paper presents the draft Technical Standards.

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 expects to publish a Final Report on the consultation and to submit the Consultation Paper for adoption by the Board of Supervisors.

# Draft Technical Standard



EUROPEAN COMMISSION

Brussels, 29.6.2011  
C(20..) yyy final

**COMMISSION DELEGATED REGULATION (EU) No .../..**

**of [ ]**

**COMMISSION IMPLEMENTING REGULATION (EU) No .../... laying down  
implementing technical standards with regard to the procedures, formats and templates of the  
solvency and financial condition report according to Directive 2009/138/EC of the European  
Parliament and of the Council**

**of [ ]**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Directive 2009/138/EC of 25 November 2009 of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)<sup>2</sup> and in particular Articles 56 and 256(5) thereof,

Whereas:

- (1) Articles 51 and 53 to 56 of Directive 2009/138/EC provide that Member States shall require insurance and reinsurance undertakings to disclose publicly, on an annual basis, a report on their solvency and financial condition. These articles describe the content, the applicable principles and other provisions of such disclosure.

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<sup>2</sup> OJ L 335, 17.12.2009, p.1.

- (2) Article 256 of Directive 2009/138/EC prescribes that public disclosure applies for participating insurance and reinsurance undertakings, insurance holding companies and mixed financial holding companies at the level of the group.
- (3) The Implementing Measures provide that the report on the solvency and financial condition shall contain narrative information in quantitative and qualitative form, supplemented where appropriate, with quantitative templates.
- (4) The harmonised disclosure requirements regarding quantitative information are assured by the application of a prescribed set of disclosure templates, which will allow for an improved understanding of the information being disclosed to the public, especially for comparison across time and across different entities. It also assures the equal treatment of insurance and reinsurance undertakings and improves the understanding of disclosures performed by groups.
- (5) The provisions in this Regulation are closely linked to each other, since they deal with the templates for the solvency and financial condition report. To ensure coherence between those provisions, which should enter into force at the same time, and to facilitate a comprehensive view and compact access to them by persons subject to those obligations, including investors that are non-Union residents, it is desirable to include all the implementing technical standards required by Article 56 and 256(5) of Directive 2009/138/EC in a single Regulation.
- (6) This Regulation is based on the draft implementing technical standards submitted by the European Insurance and Occupational Pensions Authority to the Commission.
- (7) The European Insurance and Occupational Pensions Authority has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Insurance and Reinsurance Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1094/2010.

HAS ADOPTED THIS REGULATION:

*Article 1*  
***Definitions***

For the purposes of this Regulation the following definitions apply:

- (1) “Solvency II reporting currency” means the currency of the country of the supervisory authority receiving the information unless otherwise allowed by the supervisory authority;

*Article 2*  
***Public disclosure formats***

- (1) When disclosing the information referred to in this Regulation figures reflecting monetary amounts shall be reported in thousands of units.

*Article 3*  
**Currency**

- (1) Figures reflecting monetary amounts shall be reported in the Solvency II reporting currency, which requires converting of other currencies into the Solvency II reporting currency.
- (2) The value of any asset or the amount of any liability denominated in a currency other than the Solvency II reporting currency shall be disclosed 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.
- (3) The amount of any income or expense shall be disclosed in the Solvency II reporting currency using such basis of conversion as used in accounting basis.
- (4) The conversion into the Solvency II reporting currency as referred to in paragraphs 1 and 2 shall be calculated by applying the exchange rate reported by the European Central Bank or the relevant national central bank.

*Article 4*  
**Templates of the solvency and financial condition report for individual undertakings**

- (1) Insurance and reinsurance undertakings shall publicly disclose in the solvency and financial condition report, at least the templates listed in the following, where applicable:
  - a. balance Sheet information, as specified in template S.02.01.e of Annex I, according to the instructions in S.02.01.e of Annex II;
  - b. information on premiums, claims and expenses using the valuation and recognition principles used in undertaking's financial statements, as specified in template S.05.01.e of Annex I, according to the Instructions in S.05.01.e of Annex II, regarding each line of business as defined in Annex I of the Implementing Measures;
  - c. information on premiums, claims and expenses by country using the valuation and recognition principles used in undertaking's financial statements, as specified in template S.05.02.e of Annex I, according to the Instructions in S.05.02.e of Annex II, considering the following specifications:
    - i. the countries with the highest amount of gross written premiums shall be disclosed;
    - ii. information disclosed by country shall be completed for the five most significant countries in addition to the home country or until reaching 90% of the gross written premiums;
    - iii. for the direct business for the lines of business “Medical expense”, “Income protection”, “Workers’ compensation”, “Fire and other damage to property” and “Credit and suretyship” information shall be disclosed by country where the risk is situated as defined in Article 13 (13) of Directive 2009/138/EC ;
    - iv. for direct business for all other lines of business not referred in sub-paragraph iii. information shall be disclosed by country where the contract was entered into;

- v. for proportional and non-proportional reinsurance information shall be disclosed by country of localisation of the ceding undertaking.
- d. information on Life and Health SLT Technical Provisions, as specified in template S.12.01.e of Annex I, according to the Instructions in S.12.01.e of Annex II, regarding each line of business as defined in Annex I of the Implementing Measures;
- e. information on Non-Life Technical Provisions, as specified in template S.17.01.e of Annex I, according to the Instructions in S.17.01.e of Annex II regarding each line of business as defined in Annex I of the Implementing Measures;
- f. information on non-life insurance claims in the format of development triangles, as specified in template S.19.01.e of Annex I, according to the Instructions in S.19.01.e of Annex II, regarding the total for non-life business, considering the following specifications:
  - i. information is split between triangles for gross claims paid and gross undiscounted best estimate claims provisions;
  - ii. the information shall be disclosed separately for the total on an accident year basis and/or the total on an underwriting year basis where applicable, depending on approach used by each undertaking, unless otherwise specified;
  - iii. information relating to the last 10 years shall be disclosed by default but with the number of years to be adapted according to the undertakings' claims development used;
    - iv. historical data, starting from the first time application of Directive 2009/138/EC, are required for the triangles for gross claims paid.
- g. information on the impact of the use of long term guarantee measures and transitional measures as specified in template S.22.01.e of Annex I, according to the Instructions in S.22.01.e of Annex II;
- h. information on own funds as specified in template S.23.01.e of Annex I, according to the Instructions in S.23.01.e of Annex II including basic own funds and ancillary own funds;
- i. information on the solvency capital requirement calculated using:
  - i. the standard formula, as specified in template S.25.01.e of Annex I, according to the Instructions in S.25.01.e of Annex II;
  - ii. the standard formula and partial internal model, as specified in template S.25.02.e of Annex I, according to the Instructions in S.25.02.e of Annex II;
  - iii. a full internal model, as specified in template S.25.03.e of Annex I, according to the Instructions in S.25.03.e of Annex II;
- j. information on the minimum capital requirement for all insurance and reinsurance undertakings that pursue:

- i. only life or non-life activity, as specified in template S.28.01.e of Annex I, according to the Instructions in S.28.01.e of Annex II;
- ii. both life and non-life insurance activity, as specified in template S.28.02.e of Annex I, according to the Instructions in S.28.02.e of Annex II;

#### *Article 5*

#### ***Templates of the solvency and financial condition report for groups***

- (1) Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies shall publicly disclose in the solvency and financial condition report, all the information listed in the following, where applicable:
  - a. information on the undertakings in the scope of the group, regardless of the method used for the calculation of the group solvency, as specified in template S.32.01.j of Annex I, according to the Instructions in S.32.01.j of Annex II;
  - b. balance-Sheet information, only when method 1 as defined in Article 230 of Directive 2009/138/EC is used, either exclusively or in combination with the 2 method as defined in Article 233 of Directive 2009/138/EC, using the valuation in accordance with Article 75 of Directive 2009/138/EC as specified in template S.02.01.j of Annex I, according to the Instructions in S.02.01.j of Annex II;
  - c. information on premiums, claims and expenses, regardless of the method used for the calculation of the group solvency, using the valuation and recognition principles used in group's financial statements, as specified in template S.05.01.j of Annex I, according to the Instructions in S.05.01.j of Annex II, regarding each line of business as defined in Annex 1 of the Implementing Measures;
  - d. information on premiums, claims and expenses by country, regardless of the method used for the calculation of the group solvency, using the valuation and recognition principles used in group's financial statements, as specified in template S.05.02.j of Annex I, according to the Instructions in S.05.02.j of Annex II, considering the following specifications:
    - i. the countries with the highest amount of gross written premiums shall be disclosed;
    - ii. information disclosed by country shall be completed for the five most significant countries in addition to the home country or until reaching 90% of the gross written premiums;
    - iii. for the direct business for the lines of business “Medical expense”, “Income protection”, “Workers’ compensation”, “Fire and other damage to property” and “Credit and suretyship” information shall be disclosed by country where the risk is situated as defined in Article 13 (13) of Directive 2009/138/EC ;
    - iv. for direct business for all other lines of business not referred in sub-paragraph ii. information shall be disclosed by country where the contract was entered into;
    - v. for proportional and non-proportional reinsurance information shall be reported by country of localisation of the ceding undertaking.

- e. information on the impact of the use of long term guarantee measures and transitional measures, regardless of the method used for the calculation of the group solvency, as specified in template S.22.01.j of Annex I, according to the Instructions in S.22.01.j of Annex II;
- f. information on own funds, regardless of the method used for the calculation of the group solvency, as specified in template S.23.01.j of Annex I, according to the Instructions in S.23.01.j of Annex II including basic own funds and ancillary own funds;
- g. information on the solvency capital requirement calculated, only when method 1 as defined in Article 230 of Directive 2009/138/EC is used, either exclusively or in combination with the 2 methods as defined in Article 233 of Directive 2009/138/EC, using:
  - i. the standard formula, as specified in template S.25.01.j of Annex I, according to the Instructions in S.25.01.j of Annex II;
  - ii. the standard formula and partial internal model, as specified in template S.25.02.j of Annex I, according to the Instructions in S.25.02.j of Annex II;
  - iii. a full internal model, as specified in template S.25.03.j of Annex I, according to the Instructions in S.25.03.j of Annex II.

#### *Article 6*

#### ***Approval of the public disclosure policy by the administrative, management or supervisory body***

- (1) The public disclosure policy shall be approved by the administrative, management or supervisory body of the insurance or reinsurance undertaking or the group.

#### *Article 7*

#### ***Disclosure of confidential information***

- (1) Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies shall not disclose in the solvency and financial condition report any confidential information provided by the supervisory authority to the undertaking without prior permission from the supervisory authority.

#### *Article 8*

#### ***References to other documents in the Solvency and Financial Condition Report***

- (1) When insurance and reinsurance undertakings or participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies include in the solvency and financial condition report, group solvency and financial condition report or single solvency and financial condition report references to other publicly available documents these shall be done through references that lead directly to the information itself and not to a general document.

*Article 9*  
***Consistency of information***

- (1) Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies shall ensure that the information disclosed are fully consistent with the information reported to the supervisory authorities.

*Article 10*  
***Means of disclosure of the group solvency and financial condition report***

- (1) Where participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies:
  - a. own and maintain a website related to their business, the group solvency and financial condition report shall be disclosed on that website;
  - b. do not own and maintain a website but are a member of a trade association, which does own and maintain a website, the group solvency and financial condition report shall, where permitted by that trade association, be disclosed on the website of that association.
- (2) Where participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies:
  - a. disclose their group solvency and financial condition report on a website in accordance with sub-paragraph (1)(a) or (1)(b), that report shall remain available on that website for at least five years after the disclosure date.
  - b. do not disclose their group solvency and financial condition report on a website in accordance with paragraphs (1)(a) or (1)(b), they shall send an electronic copy of their report within 10 working days from that request to any person who, within five years of the disclosure date requests the report
- (3) Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies shall send a printed copy of their report within 20 working days from that request, to any person who so requests within two years of the disclosure date., irrespective of whether the group's solvency and financial condition report has been made available on a website in accordance with paragraph (1)(a) or (1)(b);
- (4) Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies shall submit to the supervisory authorities their group solvency and financial condition report, and any updated version of that report thereto, in electronic form.

*Article 11*  
***Means of disclosure of the single solvency and financial condition report***

- (1) Where participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies provide a single solvency and financial condition report:
  - a. and where they own and maintain a website related to their business, the single solvency and financial condition report shall be disclosed on that website and in the

website of any insurance and reinsurance undertaking authorised in the Union included in the single solvency and financial condition report, when they also own and maintain a website related to their business.

- b. and where they do not own and maintain a website but are a member of a trade association which does own and maintain a website, the single solvency and financial condition report shall, where permitted by that trade association, be disclosed on the website of that association.
- (2) Paragraph (1) also applies to each insurance and reinsurance undertaking authorised in the Union that are included in the single solvency and financial condition report.
  - (3) Where participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies:
    - a. disclose their single solvency and financial condition report on a website in accordance with paragraph (1)(a) or (1)(b), that report shall remain available on that website for at least five years after the disclosure date.
    - b. do not disclose their single solvency and financial condition report on a website in accordance with paragraphs (1)(a) or (1)(b), they shall send an electronic copy of their report within 10 working days from that request, to any person who, within five years of the disclosure date requests the report
  - (4) Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies shall send a printed copy of their report within 20 working days from that request, to any person who so requests within two years of the disclosure date , irrespective of whether the single solvency and financial condition report has been made available on a website in accordance with paragraph (1)(a) or (1)(b).
  - (5) Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies shall submit to the supervisory authorities their single solvency and financial condition report, and any updated version of that report thereto, in electronic form.

#### *Article 12*

#### ***Involvement of the subsidiaries in the single solvency and financial condition report***

- (1) When a participating insurance or reinsurance undertaking, insurance holding company or mixed financial holding company request an agreement from the group supervisor to provide a single solvency and financial condition report, the group supervisor shall promptly contact all relevant supervisory authorities and specifically discuss any language constraints.
- (2) The participating insurance and reinsurance undertaking, insurance holding company or mixed financial holding company shall provide an explanation on how the subsidiaries would be covered and how the subsidiaries' administrative, management or supervisory body are involved in the process and in the approval of the single solvency and financial condition report.

*Article 13*  
***Entry into force***

- (1) This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.
- (2) This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, [ ]

*[For the Commission*

The President]

[On behalf of the President]

[Position]

## **Annex I: Impact Assessment**

### **Procedural issues and consultation of interested parties**

- 1.1. According to Article 15 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. For the last 4 years EIOPA has been working on the disclosure requirements together with the reporting requirements with the aim to establish a comparable, effective and efficient disclosure system in the European Economic Area (EEA).
- 1.3. The draft technical standard requirements are based on the detailed analysis of all comments received during all consultations and pre-consultations.
- 1.4. The Impact Assessment incorporates feedback received from EIOPA previous consultations and pre-consultation exercises.
- 1.5. The assessment of the potential related costs and benefits from the draft technical standards developed by EIOPA, builds upon previous and current impact assessments undertaken by the European Commission.
- 1.6. The disclosure requirements under Solvency II have already been assessed for impact on stakeholders in the Impact Assessment: 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](http://ec.europa.eu/internal_market/insurance/docs/solvency/impactassess/annex-c06_en.pdf)

- 1.7. 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 their impact assessment and has recently published the analysis of impact for the Implementing Measures:

[http://ec.europa.eu/internal\\_market/consultations/2010/solvency-2\\_en.htm](http://ec.europa.eu/internal_market/consultations/2010/solvency-2_en.htm)

[http://ec.europa.eu/internal\\_market/insurance/solvency/solvency2/index\\_en.htm#implementing\\_measures](http://ec.europa.eu/internal_market/insurance/solvency/solvency2/index_en.htm#implementing_measures)

### **Problem Definition**

- 1.8. Public disclosure requirements vary widely across Member States. These differing requirements do not provide a level playing field, leading to different level of information being disclosed in relation to the financial position of the insurance and reinsurance undertakings. Therefore new requirements should harmonise the structure and content of the SFCR (through the Directive and Implementing Measures) and the templates to be used for key information (through this technical standard under public consultation).

- 1.9. Traditionally the disclosure regime follows the accounting disclosure requirements. With Solvency I, this was possible due to the link between Solvency I and accounting. This led to non-comparable information being disclosed and mainly very different levels of disclosure from Member State to Member State. The resulting lack of harmonisation undermines the proper functioning of the Single Market and does not ensure a level playing field for all EEA undertakings.
- 1.10. Regulatory measures have addressed this problem in the Solvency II directive and the Implementing Measures, with the definition of a new report to be disclosed – the Solvency and Financial Condition Report (SFCR). Further details on disclosure requirements are required by the Solvency II Directive through the development of a technical standard to ensure harmonisation and streamline public disclosure requirements among Member States, namely harmonised templates regarding key information of the SFCR.
- 1.11. The main objectives for the Solvency II disclosure requirements are to disclose information that is accurate and useful for all stakeholders. In addition, it is important that the information is comparable between undertakings and across the EEA.

### **Proportionality**

- 1.12. One of the objectives is to create a system that will not be too burdensome for small and less complex insurance undertakings. This goal is stated clearly in the Solvency II Directive with the amendment introduced by the Omnibus II Directive.
- 1.13. The principle of proportionality has always been taken into account by the European Community. This means that regulations should not go beyond what is necessary to achieve satisfactorily the objectives which have been set.
- 1.14. With regard to SMEs, due to their size and limited resources, they can be affected by the costs of regulations more than their bigger competitors.
- 1.15. At the same time, the benefits of regulations tend to be more unevenly distributed over companies of different sizes. SMEs may have limited scope for benefiting from economies of scale. SMEs in general find it more difficult to access capital and as a result the cost of capital for them is often higher than for larger businesses. Therefore the principle of proportionality was always taken into account while considering different policy options.
- 1.16. The proposed policy should ensure that all quantitative and qualitative regulatory requirements imposed on insurance and reinsurance undertakings are proportionate to the nature, scale and complexity of the risk of the insurer and its operations. Small insurance undertakings play an important role in the economic environment and should be subject to a balanced approach. Therefore the proposed policy requirements introduce proportionate requirements for small undertakings.
- 1.17. However, it needs to be guaranteed that policy holders and other stakeholders receive the same level of information regarding all undertakings. In reality, the principle of proportionality is embedded by nature as a simple business,

operating in less countries or covering less lines of business will automatically lead to less burdensome disclosures.

## **Baseline**

- 1.18. 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.
- 1.19. 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.
- 1.20. In particular the baseline scenario includes:
  - The content of Directive 2009/138/EC (Solvency II) as amendment by Directive 2014/51/EU (Omnibus II);
  - The relevant Implementing Measures.

## **Objective Pursued**

- 1.21. The proposed technical standards aim at ensuring the application of harmonised disclosure requirements regarding quantitative information through the use of a prescribed set of disclosure templates, which will allow for an improved understanding of the information being disclosed to the public, especially for comparison across time and across different entities.
- 1.22. The technical standards are also aiming at ensuring equal treatment of undertakings authorised in the Union and improved understanding of disclosure performed by groups.
- 1.23. When assessing the merits of the various policy options and approaches the aim is to deliver a system that removes obstacles to the proper functioning of the single market, whilst achieving an appropriate balance between the objectives of enhancing the protection of policyholders and beneficiaries and improving the International competitiveness of EU insurers and reinsurers.
- 1.24. The proposed new regime also aims at improving transparency of the insurance market and provides sufficient incentives to advance supervisory convergence and co-operation.

## **Policy options**

- 1.25. In the Solvency II project policy-makers have already considered, analysed and compared a number of policy options. Based on the impact assessment already conducted for the requirements set in the Directive and in the Implementing Measures, EIOPA has considered a wide range of policy issues referring to the concrete solutions set out in the technical standard.

1.26. EIOPA proposes to approach the analysis of the impact by addressing the following specific policy issues:

- **Policy issue 1: Premiums, claims and expenses by Line of Business (LoB)**
- **Policy issue 2: Harmonised template for the impact of Long Term Guarantee and transitional measures (LTG)**
- **Policy issue 3: Harmonised template for non-life insurance claims in the format of development triangles**

1.27. For each of these areas the respective proposed policy options are outlined including the developments following the pre-consultations and the Omnibus II text, where applicable.

#### **Policy issue 1: Premiums, claims and expenses by Line of Business (LoB)**

- **Option 1:** Information with accounting LoB;
- **Option 2:** Information with Solvency II LoB.

#### **Policy issue 2: Harmonised template for the impact of Long Term Guarantee and transitional measures (LTG)**

- **Option 1:** To develop a template for disclosure of the impact;
- **Option 2:** To require information on the impact only in Narrative SFCR.

#### **Policy issue 3: Harmonised template for non-life insurance claims in the format of development triangles**

- **Option 1:** To develop a template to require the disclosure of the triangles;
- **Option 2:** To require the same information but in free format.

### **Analysis of Impacts**

1.28. In this section EIOPA would like to describe the policy alternatives which were considered, the preferred policy options that have been analysed, as well as the discarded options.

1.29. The conclusions from the analysis of impacts and the preferred policy options are outlined in the next chapter: Comparison of Options.

#### **Policy Issue 1: Premiums, claims and expenses by Line of Business (LoB)**

1.30. Insurance and reinsurance undertakings already disclose information on premiums, claims and expenses based on accounting information. This is considered basic information to be disclosed to the public.

1.31. In a Solvency II regime the question would be if these premiums, claims and expenses should be disclosed in the SFCR using accounting or Solvency II valuation rules. Previous discussions with the industry led to the conclusion that to use the accounting valuation would be the best solution and would not undermine the access to information from stakeholders.

1.32. The question then to consider was which Lines of Business to use since the accounting LoB differs from the LoB defined under Solvency II.

### **Option 1: Information with accounting LoB**

1.33. This option will facilitate the industry as the same information could be used as for financial statements. On the other hand the users of the information, being policyholders, supervisors or other stakeholders would not have comparable information with the rest of the RSR.

Pros (+):

1.34. Information from financial statements could be used by insurance and reinsurance undertakings.

Cons (-):

1.35. Information could not be used in comparison with all the other information to be disclosed using Solvency II LoB.

1.36. For reporting purposes information also has to be reported using Solvency II LoB, if a different approach would be taken for disclosure purposes it would lead to additional costs.

1.37. An allocation key between accounting and LoB will have to be applied by each stakeholder to have a full picture of a LoB.

### **Option 2: Information with Solvency II LoB**

1.38. This option implies that industry needs to allocate lines of business, however the users of the information, being policyholders, supervisors or other stakeholders would have comparable information with the rest of the RSR and between companies making the information more meaningful.

Pros (+):

1.39. Information could be used in comparison with all the other information to be disclosed under the SFCR.

1.40. For reporting purposes information also has to be reported using Solvency II LoB, so the same information could be used for both purposes without additional costs for disclosure.

Cons (-):

1.41. Information from financial statements cannot be used by insurance and reinsurance undertakings. There might be differences between data disclosed under the SFCR and under the financial statements.

1.42. An allocation key between accounting and LoB will have to be applied by insurance and reinsurance undertakings.

## **Policy Issue 2: Harmonised template for the impact of Long Term Guarantee and transitional measures (LTG)**

- 1.43. Directive OMDII amended the Solvency II Directive, among other things, introduced the possibility to use the matching adjustment, the volatility adjustment and a transitional on the risk free rate in the calculation of the technical provisions. The same directive introduced also a transitional on technical provisions resulting from the difference between the value of technical provisions as calculated using the Solvency II requirements and the technical provisions calculated in accordance with the laws, regulations and administrative provisions which exist prior to application of the Solvency II regime.
- 1.44. The OMDII Directive introduced disclosure requirements for the insurance and reinsurance undertakings using those measures, with the purpose of allowing policyholders and other stakeholders to understand the impact of the application of such measures.
- 1.45. The content of the information to be disclosed by undertakings is clearly defined in the Implementing Measures, where it is stated that undertakings using such measures have to disclose separately:
- a quantification of the impact of a change to zero of the matching adjustment and volatility adjustment, as well as disclose
  - the impact of not applying the two transitional measures on the undertaking's financial position, including on the amount of technical provisions, the Solvency Capital Requirement, the Minimum Capital Requirement, the basic own funds and the amounts of own funds eligible to cover the Minimum Capital Requirement and the Solvency Capital Requirement.
- 1.46. The policy question that EIOPA addressed then was whether a harmonised template was the most adequate means for the disclosure of such information.

### **Option 1: To develop a template for disclosure of the impact**

#### Pros (+):

- 1.47. Would allow comparing the impact of the application of such measures between undertakings.
- 1.48. As the templates are complemented by instructions, the development of a template guarantees that the method of calculation of the impact is the same for all undertakings, guaranteeing that stakeholders have access to the same information.
- 1.49. The same calculation method is required for the template to be submitted to supervisors, and consequently the cost of disclosing will be limited.

#### Cons (-):

- 1.50. We cannot envisage any cons of this option.

## **Option 2: To require information on the impact only in Narrative SFCR**

### Pros (+):

1.51. Undertakings would be able to adapt the information to the measures and transitional measures used, along with the other descriptive information required for this purpose in the Implementing Measures.

### Cons (-):

1.52. Would not allow comparing the impact of the application of those measures between undertakings.

1.53. It would be difficult to guarantee that the information disclosed under a heading of "impact" corresponded always to the same information between undertakings.

## **Policy Issue 3: Harmonised template for non-life insurance claims in the format of development triangles**

1.54. 'Claims provisions' is one of the most important items of the non-life balance sheet and as such granular data is needed in order to assess if the provisioning is sufficient.

1.55. This information is usually used by undertakings for reserving estimates and gives users insights into the uncertainty surrounding estimates about future claims and also indicates whether a particular insurer tends to overestimate or underestimate ultimate payments.

1.56. The information on claims provisions is part of present disclosure requirements in many jurisdictions, using a triangle approach.

## **Option 1: To develop a template to require the disclosure of the triangles**

### Pros (+):

1.57. The information on non-life insurance claims development is better understood in triangles format.

1.58. This information is currently disclosed in this format.

1.59. The proposed template for supervisory reporting S.19.01 uses the same format, although requiring more historical and detailed data.

1.60. Additional and complementary information may be added in the SFCR if undertakings deem needed.

### Cons (-):

1.61. We could not identify any cons of having the triangles disclosed. Only information for the total non-life business is requested, no split by LoB is required which could make the disclosure more challenging.

## **Option 2: To require the same information but in free format**

Pros (+):

1.62. Undertakings would be able to decide in which format they would disclose the relevant information.

Cons (-):

1.63. The information on non-life insurance claims development is better understood in triangles format, if companies would choose a different format it could undermine the understanding of the information on claims.

1.64. Information between undertakings would not be comparable and EIOPA believes that it is important that information on claims is in fact comparable.

## **Comparison of Options**

### **Policy Issue 1: Premiums, claims and expenses by Line of Business (LoB)**

1.65. The preferred option is option 2 (Information with Solvency II LoB) as it achieves the objective of the technical standards in an effective and efficient way. It would allow stakeholders to have information on premiums, claims and expenses compatible with the LoB used for the rest of information to be disclosed, even if in a different valuation basis.

### **Policy Issue 2: Harmonised template for the impact of Long Term Guarantee and transitional measures (LTG)**

1.66. The preferred option is option 1 (To develop a template for disclosure of the impact) as it achieves the objective of the technical standards in an effective and efficient way. It would allow stakeholders to have complete and comparable information on the impact of the long term guarantees measures and transitional measures.

### **Policy Issue 3: Harmonised template for non-life insurance claims in the format of development triangles**

1.67. The preferred option is option 1 (To develop a template to require the disclosure of the triangles) as it achieves the objective of the technical standards in an effective and efficient way. It would allow stakeholders to have comparable information on claims and is using the format most commonly used currently.