

Regulatory framework on public disclosure

Solvency II workshop on public disclosure
London, 12 May 2016

Regulatory framework on public disclosure – The principles

- ✓ All undertakings and groups have to disclose on an annual basis, a report on their solvency and financial condition (SFCR or Group SFCR)
- ✓ The SFCR shall be subject to approval by the AMSB and be published only after that approval



Regulatory framework on public disclosure – The principles

- ✓ Possibility not to disclose specific information in certain circumstances
- ✓ Allowance to make use of – or refer to – public disclosures made under other legal or regulatory requirements
- ✓ Possibility to disclose, on a voluntary basis, any information or explanation related to their solvency and financial condition
- ✓ Up-date of the information in the event of any major development affecting significantly the relevance of the information disclosed



Regulatory framework on public disclosure – The requirements



- ✓ No exemptions on disclosure

- ✓ All undertakings and groups have to disclose on an annual basis, a report on their solvency and financial condition
 - ✓ Individual SFCR
 - ✓ SFCR at the level of the group
 - or
 - ✓ Single SFCR

- ✓ Embedded proportionality

- **What will be disclosed?**

- ✓ Qualitative and Quantitative information on Business and performance, System of governance, Risk profile, Valuation for solvency purposes and Capital management
- ✓ Harmonised structure in the format of a report covering quantitative and qualitative information, and including the templates defined by ITS
- ✓ Templates defined in the ITS shall be part of the SFCR

- **What will be disclosed?**

Timing perspective:

- Situation at the end of the financial year
- Analysis of any significant changes as compared to the previous period

Valuation perspective:

- Based on Solvency II
- Some elements based on financial statements
- Explanation of any major differences in relation to the value of assets, technical provisions and other liabilities in financial statements

Regulatory framework on public disclosure – The requirements



• What will be disclosed?

- ✓ Besides the structure and minimum content – free format for the narrative
- ✓ Supplemented by harmonised templates:
 - Balance-sheet (S.02.01)
 - Premiums, claims and expenses by line of business and by top 5 countries (S.05.01, S.05.02)
 - Liabilities: Life, Health and Non-Life Technical Provisions (S.12.01 and S.17.01)
 - Liabilities: Non-life Insurance Claims Information (S.19.01)
 - Impact of long term guarantees and transitional measures on the amount of TP, OF, SCR and MCR (S.22.01)
 - Capital adequacy: OF, SCR and MCR (S.23, S.25 and S.28)
 - Scope of the group (where relevant) (S.32.01)

Regulatory framework on public disclosure – The requirements



- **What will be disclosed?**

- ✓ Summary

- Clear and concise
 - Understandable to policy holders and beneficiaries
 - Shall highlight any material changes over the period

• What will be disclosed?

✓ Business and performance

- Business in general
- Underwriting performance at an aggregate level and by material line of business and material geographical areas
- Performance of the investments
- Other material income and expenses

Templates that **could** be included to supplement:

- Balance-sheet (S.02.01)
- Premiums, claims and expenses by line of business and by top 5 countries (S.05.01, S.05.02)
- Scope of the group (where relevant) (S.32.01)

• What will be disclosed?

✓ System of governance

- Governance structure, description of risk management system and internal control systems and how the key functions are implemented
- Information on the remuneration policy and practices regarding AMSB
- Fit and proper policies
- ORSA: description of the process, information on the review and approval of the process by AMSB and a statement explaining how the undertaking has determined its own solvency needs given its risk profile and how its capital management activities and its risk management system interact with each other
- Outsourcing policies
- Proportionality

- **What will be disclosed?**

- ✓ Risk profile

- Risk exposure, including the exposure arising from off-balance sheet positions and the transfer of risk to special purpose vehicle
- Risk mitigation and the processes for monitoring the continued effectiveness of these risk-mitigation techniques
- Description of the methods used, the assumptions made and the outcome of stress testing and sensitivity analysis for material risks and events

Templates that **could** be included to supplement:

- Liabilities: Life, Health and Non-Life Technical Provisions (S.12.01 and S.17.01)
- Capital adequacy: SCR (S.25)

- **What will be disclosed?**

- ✓ Valuation for solvency purposes
 - Valuation of assets
 - Valuation of technical provisions
 - Valuation of the other liabilities

Templates that **could** be included to supplement:

- Balance-sheet (S.02.01)
- Liabilities: Life, Health and Non-Life Technical Provisions (S.12.01 and S.17.01)
- Liabilities: Non-life Insurance Claims Information (S.19.01)
- Impact of long term guarantees and transitional measures on the amount of TP, OF, SCR and MCR (S.22.01)

- **What will be disclosed?**

- ✓ Capital management

- OF, SCR and MCR
- Specific information on duration-based equity risk sub-module
- Specific information on internal model
- Information regarding any non-compliance with the MCR or significant non-compliance with the SCR

Templates that **could** be included to supplement:

- Impact of long term guarantees and transitional measures on the amount of OF and liabilities (S.22.01)
- Capital adequacy: OF, SCR and MCR (S.23, S.25 and S.28)

Regulatory framework on public disclosure – The requirements



- **The big question is: how much detail?**

- ✓ How to assess what is the correct level/detail of information?
- ✓ Will market discipline work?



- **When will information be disclosed?**

For 31 December financial year-end undertakings:

- ✓ 20 May 2017 for solo SFCR: first disclosure for year-end 2016
- ✓ 1 July 2017 for SFCR at group level or Single SFCR: first disclosure for year-end 2016
- ✓ Earlier voluntary disclosures might be expected during 2016

After transitional period:

- ✓ 14 weeks after financial year end for individual SFCR
- ✓ 20 weeks after financial year end for SFCR at group level or Single SFCR

- **When will information be disclosed?**

For e.g. 30 June financial year-end undertakings:

- ✓ Mid November 2016 for solo SFCR: first disclosure for year-end 30 June 2016
- ✓ End December 2016 for SFCR at group level or Single SFCR: first disclosure for year-end 30 June 2016
- ✓ Earlier voluntary disclosures might be expected during 2016

After transitional period:

- ✓ 14 weeks after financial year end for individual SFCR
- ✓ 20 weeks after financial year end for SFCR at group level or Single SFCR

- **When will information be disclosed?**

- **Single SFCR:**

- ✓ Same deadline as group SFCR for 4 years:
 - 26 weeks for 2016 Single SFCR
 - 24 weeks for 2017 Single SFCR
 - 22 weeks for 2018 Single SFCR
 - 20 weeks for 2019 Single SFCR
- ✓ Same deadline as solo SCFR from 2020
 - 14 weeks from 2020 Single SFCR

➤ Where to look for the disclosure?

- Website (of the undertaking or relevant trade association)
 - Report shall remain available on that website for at least five years after the disclosure date
- Electronic copy (if not published on a website)
 - to any person who requests, within five years of the disclosure date requests (10 working days for submission)
- Printed copy (irrespective of publication on website)
 - to any person who requests within two years of the disclosure date (20 working days for submission)

➤ **Where to look for the disclosure?**

- Solvency II does not require the templates disclosed to be submitted to NSAs in XBRL format or any other “quantitative format”
- Templates are part of the SFCR to be submitted in an electronic readable format



Thank you

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