



EIOPA-Bos-15/118

7 August 2015

**Final report on public consultation No.
14/055 on the implementing
technical standards with regard to
procedures, formats and
templates of the solvency and
financial condition report**

Table Contents

1. Executive summary.....	3
2. Feedback statement.....	5
3. Annexes.....	10
Annex I: Implementing Technical Standard	11
Annex II: Impact Assessment.....	18
Annex III: Resolution of comments	27

1. Executive summary

Introduction

In accordance with Article 15 of Regulation (EU) No 1094/2010 (EIOPA Regulation), EIOPA may develop implementing technical standards (ITS) by means of implementing acts under Article 291 TFEU, in the areas specifically set out in the legislative acts referred to in Article 1(2) of the EIOPA Regulation.

Before submitting the draft ITS to the European Commission, EIOPA shall conduct open public consultations and analyse the potential costs and benefits. In addition, EIOPA shall request the opinion of the Insurance and Reinsurance Stakeholder Group (IRSG) referred to in Article 37 of the EIOPA Regulation.

In accordance with Article 56 and paragraph 5 of Article 256 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), EIOPA shall develop implementing technical standards with regard to the templates and structure of the disclosure of specific information by supervisory authorities.

As a result of the above, on 2 December 2014, EIOPA launched a public consultation on the draft implementing technical standards with regard to the templates and structure of the disclosure of specific information by supervisory authorities.

The Consultation Paper is also published on EIOPA's website¹.

Content

This Final Report includes the feedback statement to the consultation paper (EIOPA-CP-14/051) and the full package of the public consultation, including:

Annex I: Implementing Technical Standard

Annex II: Impact Assessment

Annex III: Resolution of comments

¹ [Consultation Paper](#)

Next steps

According to Article 15 of EIOPA Regulation, the draft ITS in Annex I will be submitted to the European Commission for endorsement by 30 June 2015.

According to Article 15 of the EIOPA Regulation, the European Commission shall forward it to the European Parliament and the Council.

Within 3 months of receipt of the draft ITS, the European Commission shall decide whether to endorse it in part or with amendments, where the Union's interests so require. The European Commission may extend that period by 1 month.

If the European Commission intends not to endorse a draft ITS or intends to endorse it in part or with amendments, it shall send it back to EIOPA explaining why it does not intend to endorse it, or, explaining the reasons for its amendments, as the case may be.

Within a period of 6 weeks, EIOPA may amend the ITS on the basis of the European Commission's proposed amendments and resubmit it in the form of a formal opinion to the European Commission. In this case EIOPA must send a copy of its formal opinion to the European Parliament and to the Council.

If on the expiry of the 6 weeks period, EIOPA has not submitted an amended draft ITS, or if it has submitted a draft ITS that is not amended in a way consistent with the European Commission's proposed amendments, the European Commission may adopt the implementing technical standard with the amendments it considers relevant or it may reject it.

Where the European Commission intends not to endorse a draft ITS or intends to endorse it in part or with amendments, it shall follow the process as set out in Article 15 of EIOPA Regulation.

2. Feedback statement

Introduction

EIOPA would like to thank the Insurance and Reinsurance Stakeholder Group (IRSG) and all the participants to the public consultation for their comments on the draft ITS. The responses received have provided important guidance to EIOPA in preparing a final version of the ITS for submission to the European Commission. All of the comments made were given careful consideration by EIOPA. A summary of the main comments received and EIOPA's response to them can be found below and a full list of all the comments provided and EIOPA's responses to them can be found in Annex III.

EIOPA acknowledges the importance of the disclosure package and additional contacts were made with stakeholders to guarantee that informed decisions were being taken or to clarify comments received. A workshop was conducted on 24 April 2015. The workshop was directed at discussing key stakeholders' main comments on reporting but addressed also issues on disclosure as both areas are closely linked, to better understand their issues.

Implementation efforts

EIOPA believes that a constructive dialogue between national supervisors and insurers will smooth the implementation of Solvency II for the benefit of the internal market, industry and consumers. This is true for reporting and as a consequence for disclosure.

EIOPA acknowledges that the level of disclosure to the market required by the Solvency II framework is demanding but believes that transparency is a cornerstone of the new regime.

General comments

This feedback statement covers only the issues raised on the articles of the ITS and specific issues on the public disclosure templates/instructions. Issues raised on templates/instructions, which are similar to the ones of ITS with regard to the templates for the submission of information to the supervisory authorities, are described under the feedback statement of the that ITS (unless different solutions were provided).

2.1. Definition of Solvency II disclosure currency - Article 1

- a) The definition proposed was not in line with the references to "local currency" for the purposes of calculation of the "currency risk" for the SCR calculation. It would also imply changes from the approach taken in the preparatory phase;
- b) The definition of "reporting currency" has been aligned with the definition of the "local currency" for the purposes of calculation of the "currency risk" for the SCR calculation and now refers to the currency used for the preparation of the financial statements. The possibility for the national supervisory authority to require disclosure in another currency if needed

was kept. The definition is aligned between supervisory reporting and public disclosure.

2.2. Supervisory reporting formats - Article 2:

- a) Stakeholders highlighted that the level of expression was different between supervisory reporting and public disclosure, while agreeing with the level of expression proposed for public disclosure.
- b) It was decided to keep the requirement on the expression of data in the ITS as proposed. In fact, EIOPA also agrees that for public disclosure it is not adequate to require a higher level of expression than “thousands of euros”. However, an alignment with reporting requirement was not considered possible. Please see specific answer for reporting in the respective feedback statement.

2.3. Currency - Article 3

- a) Stakeholders complained that the exchange rate to be used in the initial proposal of the ITS (NCB/ECB exchange rates) was changing the approaches currently foreseen by undertakings/groups, and in some cases could lead to non-availabilities of some exchange rates.
- b) The possibility was given to undertakings to use the exchange rates from the same source as used for the insurance or reinsurance undertaking’s financial statements in case of individual reporting or for the consolidated financial statements in case of group reporting unless otherwise required by the supervisory authority.

2.4. Approval by AMSB - Article 6

- a) Stakeholders complained that the Article went beyond the Directive and should be deleted. They stated that article 55 (1) of the Directive mentions that the insurance and reinsurance undertakings should have a written policy ensuring the ongoing appropriateness of any information disclosed. However, paragraph 2 of this Article clearly states that only the solvency and financial condition report should be approved by the AMSB, not the policy.
- b) EIOPA has deleted this article but only due to empowerment reasons as it is not a procedural aspect. In fact, EIOPA believes that Article 41(3) of Solvency II Directive requires all written policies to be approved by the AMSB.

2.5. Means of disclosure in the case of a single Solvency and Financial Condition Report (SFCR) – Article 11

- a) Stakeholders commented that the relevant article in the ITS contains the means of disclosure for the single SFCR for one group and is completely equivalent to the content of article 301 of Delegated Regulation ruling this for the SFCR of a single undertaking. They asked if a reference to the

article of the Delegated Regulation might be helpful to make the relationship more transparent.

- b) EIOPA has clarified the issue in Recital 3 of the ITS and the article has been simplified by referring to the article of the Delegated Regulation.

On the templates to be disclosed

2.6. Codification

- a) Stakeholders raised the issue of not having aligned codification between variants of similar templates which would create difficulties for the set-up of the data models.
- b) EIOPA is quite keen of the importance of this issue. This was one of the reasons for the simplification proposed in the taxonomy and as a consequence in the ITS. This is particularly relevant for reporting but also has an impact in disclosure. Please note that although the simplification in the codification has also been implemented in the disclosure templates, these templates are not included in the XBRL taxonomy.

2.7. Lay out of templates between ITS on reporting and ITS on public disclosure

- a) Some comments from stakeholders underlined that templates to be reported to the National Competent Authorities and to be disclosed to the public were not totally aligned.
- b) Templates to be reported to the National Competent Authorities and to be disclosed to the public have been aligned as much as possible. Please note that the lay out of the Balance sheet template was already aligned for the public consultation.
- c) However in specific circumstances information for public disclosure has been adapted as not all information is adequate for the public. This situation is now easier to identify through the new codification criteria. When templates for disclosure have codes other than 21 and 22, it means that templates are the same as the ones used for reporting purposes.

2.8. Format of the Solvency and Financial Condition Report (SFCR)

- a) Stakeholders raised the question on how the quantitative information described in the ITS on public disclosure should be disclosed.
- b) It was made clear, in the answer to stakeholders, that templates defined in the ITS on public disclosure should be provided as an annex to the SFCR, this latter being sent in an electronic readable format to the National Competent Authorities. It means, in practice, that no XBRL transmission of the disclosure templates to the National competent Authorities is expected.

2.9. S.19.01 - Triangles - Non-life Insurance Claims Information

- a) Some stakeholders highlight the limited interest in having disclosure development triangles for the sake of public disclosure, be it because the information was assumed to be too detailed to be part of the public report, or because the information was too synthetic to inform in an accurate way the public (leading to contradictory arguments). Some stakeholders highlighted that only the disclosure of triangles by line of business would be useful.
- b) Having in mind all these elements, EIOPA kept the requirements as they were for the public consultation (i.e.: disclosure of two aggregated development triangles for LoBs treated under underwriting year and accident year respectively). It is however true, from a business perspective, that having a detail by LoB would have been of an even more specific interest. However, requirements need to be balanced and proportionate, thus it is considered that the proposal as publicly consulted is a proportionate approach.

2.10. S.23.01: Disclosure of solvency ratio at group level

- a) Stakeholders raised the comment that when groups use a combination of methods to calculate the group solvency capital requirement the disclosure of the ratio considering only the consolidated part could lead to a very distorted image of the own funds structure and financial condition of the group. Most importantly they argued that the disclosure of such a ratio could be misleading.
- b) Based on the comments received EIOPA has removed the ratio of eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A) for the purpose of public disclosure. This ratio was however kept for the purposes of reporting to the group supervisor given that it is functional to the review of the compliance with article 230 of Solvency II (even when a combination of methods is used).
- c) Please note that therefore both the public disclosure and reporting templates have been slightly adjusted and are now different for the different purposes.

2.11. S.32.01 - Undertakings in the scope of the group – disclosure of ranking criteria

- a) Stakeholders raised the issue that the disclosure of information on balance sheet and business performance of each entity of the group, on accounting basis could be misleading as they may be based on different financial standards. In addition, it is sensitive information in relation to some countries. Furthermore an alignment of definitions is not possible.
- b) EIOPA has considered these comments and agrees that it would not be proportionate to require such information. The relevant cells are

therefore deleted for the purposes of disclosure, but kept as a reporting requirement for the group supervisor.

General nature of participants to the public consultation

EIOPA received comments from the IRSG and twelve responses from other stakeholders to the public consultation. All the comments received have been published on EIOPA's website.

Respondents can be classified into four main categories: European trade, insurance, or actuarial associations; national insurance or actuarial associations; (re)insurance groups or undertakings; and other parties such as consultants and lawyers.

IRSG opinion

The particular comments from the IRSG on the ITS at hand can be consulted on EIOPA's website².

Comments on the Impact Assessment

EIOPA has not received a limited number of comments on the Impact Assessment. The major one addressed the disclosure of non-life insurance claims information in the form of triangles. EIOPA kept the requirements as they were for the public consultation (i.e.: disclosure of two aggregated development triangles for LoBs treated under underwriting year and accident year respectively). It is however true, from a business perspective, that having a detail by LoB would have been of an even more specific interest. However, requirements need to be balanced and proportionate, thus it is considered that the proposal as publicly consulted is a proportionate approach.

² [IRSG opinion](#)

3. Annexes

Annex I: Implementing Technical Standard



Brussels, **XXX**
[...](2015) **XXX** draft

COMMISSION IMPLEMENTING REGULATION (EU) No .../..

of **XXX**

laying down implementing technical standards with regard to the procedures, formats and templates for the disclosure of the solvency and financial condition report according to Directive 2009/138/EC of the European Parliament and of the Council

COMMISSION IMPLEMENTING REGULATION (EU) .../... laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with 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)³ and in particular the fourth subparagraph of Article 56 and the fifth paragraph of Article 256 thereof,

Whereas:

- (1) The harmonised disclosure requirements on quantitative information included in the solvency and financial condition report should be assured by the application of a prescribed set of disclosure templates, which allow for an improved understanding of the information being disclosed to the public, especially for comparison across time and across different undertakings. The application of templates should also assure the equal treatment of insurance and reinsurance undertakings and should improve the understanding of disclosures performed by groups.
- (2) When insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies are authorised to publish a single solvency and financial condition report they should disclose separately, as part of their report, the information specified in this Regulation for individual undertakings for each insurance and reinsurance subsidiary covered by that report and the information prescribed for groups.
- (3) To ensure the consistent use of the means of disclosure, the relevant provisions on means of disclosure of Commission Delegated Regulation (EU) 2015/35⁴ should apply for the disclosure of group and single solvency and financial condition reports.
- (4) The provisions in this Regulation are closely linked to each other, since they deal with the procedures and templates for the disclosure of 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.

³ OJ L 335, 17.12.2009, p.1.

⁴ Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 12, 17.1.2015, p. 1).

- (5) This Regulation is based on the draft implementing technical standards submitted by the European Insurance and Occupational Pensions Authority to the Commission.
- (6) 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 of the European Parliament and of the Council⁵.

HAS ADOPTED THIS REGULATION:

Article 1

Definition

For the purposes of this Regulation, “reporting currency” means:

- a. for individual disclosure, the currency used for the preparation of the insurance or reinsurance undertakings’ financial statements unless otherwise required by the supervisory authorities;
- b. for group disclosure, the currency used for the preparation of the consolidated financial statements, unless otherwise required by the group supervisor.

Article 2

Public disclosure formats

When disclosing the information referred to in this Regulation figures reflecting monetary amounts shall be disclosed in thousands of units.

Article 3

Currency

1. Figures reflecting monetary amounts shall be disclosed in the reporting currency, which requires the conversion of any other currency into the reporting currency.
2. When expressing the value of any asset or any liability denominated in a currency other than the reporting currency, the value shall be converted in the reporting currency as if the 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. When expressing the amount of any income or expense, the value shall be converted in the reporting currency using such basis of conversion as used for accounting purposes.
4. The conversion into the reporting currency shall be calculated by applying the exchange rate from the same source as used for the insurance or reinsurance undertaking’s financial

⁵ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

statements in case of individual reporting or for the consolidated financial statements in case of group reporting unless otherwise required by the supervisory authority.

Article 4

Templates for the solvency and financial condition report of individual undertakings

1. Insurance and reinsurance undertakings shall publicly disclose as part of their solvency and financial condition report at least the following templates, where applicable for them:
 - a. template S.02.01.02 of Annex I specifying balance sheet information using the valuation in accordance with Article 75 of Directive 2009/138/EC, following the instructions set out in S.02.01 of Annex II;
 - b. template S.05.01.02 of Annex I, specifying information on premiums, claims and expenses using the valuation and recognition principles used in the undertaking's financial statements, following the instructions set out in S.05.01 of Annex II, for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35;
 - c. template S.05.02.01 of Annex I, specifying information on premiums, claims and expenses by country using the valuation and recognition principles used in the undertaking's financial statements, following the instructions set out in S.05.02 of Annex II;
 - d. template S.12.01.02 of Annex I, specifying information on life and health SLT technical provisions, following the instructions set out in S.12.01 of Annex II for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35;
 - e. template S.17.01.02 of Annex I, specifying information on non-life technical provisions, following the instructions set out in S.17.01 of Annex II for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35;
 - f. template S.19.01.21 of Annex I, specifying information on non-life insurance claims in the format of development triangles, following the instructions set out in S.19.01 of Annex II for the total non-life business ;
 - g. template S.22.01.21 of Annex I, specifying information on the impact of the long term guarantee and transitional measures, following the instructions set out in S.22.01 of Annex II;
 - h. template S.23.01.01 of Annex I, specifying information on own funds, including basic own funds and ancillary own funds, following the instructions set out in S.23.01 of Annex II;
 - i. template S.25.01.21 of Annex I, specifying information on the Solvency Capital Requirement calculated using the standard formula, following the instructions set out in S.25.01 of Annex II;
 - j. template S.25.02.21 of Annex I, specifying information on the Solvency Capital Requirement calculated using the standard formula and a partial internal model, following the instructions set out in S.25.02 of Annex II;

- k. template S.25.03.21 of Annex I, specifying information on the Solvency Capital Requirement calculated using a full internal model, following the instructions set out in S.25.03 of Annex II;
- l. template S.28.01.01 of Annex I, specifying the Minimum Capital Requirement for insurance and reinsurance undertakings engaged in only life or only non-life insurance or reinsurance activity, following the instructions set out in S.28.01 of Annex II;
- m. template S.28.02.01 of Annex I, specifying the Minimum Capital Requirement for insurance undertakings engaged in both life and non-life insurance activity, following the instructions set out in S.28.02 of Annex II.

Article 5

Templates for the solvency and financial condition report of groups

- 1. Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies shall publicly disclose as part of their group solvency and financial condition report at least the following templates, where applicable for them:
 - a. template S.32.01.22 of Annex I, specifying information on the undertakings in the scope of the group, regardless of the method used for the calculation of the group solvency, following the instructions set out in S.32.01 of Annex III;
 - b. template S.02.01.02 of Annex I, specifying balance sheet information, only when method 1 as laid down in Article 230 of Directive 2009/138/EC is used, either exclusively or in combination with method 2 as laid down in Article 233 of Directive 2009/138/EC, using the valuation in accordance with Article 75 of Directive 2009/138/EC, following the instructions set out in S.02.01 of Annex III;
 - c. template S.05.01.02 of Annex I, specifying 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 the consolidated financial statements, following the instructions set out in S.05.01 of Annex III for each line of business as defined in Annex I of Delegated Regulation (EU) 2015/35;
 - d. template S.05.02.01 of Annex I, specifying 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 the consolidated financial statements, following the instructions set out in S.05.02 of Annex III;
 - e. template S.22.01.22 of Annex I, specifying information on the impact of the long term guarantee and transitional measures, regardless of the method used for the calculation of the group solvency, following the instructions set out in S.22.01 of Annex III;
 - f. template S.23.01.22 of Annex I, specifying information on own funds, including basic own funds and ancillary own funds, regardless of the method used for the calculation of the group solvency, following the instructions set out in S.23.01 of Annex III;
 - g. template S.25.01.22 of Annex I, specifying information on the Solvency Capital Requirement calculated, only when method 1 as laid down in Article 230 of

Directive 2009/138/EC is used, either exclusively or in combination with method 2 as laid down in Article 233 of Directive 2009/138/EC, calculated using the standard formula, following the instructions set out in S.25.01 of Annex III;

- h. template S.25.02.22 of Annex I, specifying information on the Solvency Capital Requirement calculated, only when method 1 as laid down in Article 230 of Directive 2009/138/EC is used, either exclusively or in combination with method 2 as laid down in Article 233 of Directive 2009/138/EC, calculated using the standard formula and a partial internal model, following the instructions in S.25.02 of Annex III;
- i. template S.25.03.22 of Annex I, specifying information on the Solvency Capital Requirement calculated, only when method 1 as laid down in Article 230 of Directive 2009/138/EC is used, either exclusively or in combination with method 2 as laid down in Article 233 of Directive 2009/138/EC, calculated using a full internal model, following the instructions set out in S.25.03 of Annex III.

Article 6

References to other documents in the solvency and financial condition report

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

Article 7

Consistency of information

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

Article 8

Means of disclosure of the group and single solvency and financial condition report

With regard to the means of disclosure Article 301 of Delegated Regulation (EU) 2015/35 shall apply to the disclosure of the group and single solvency and financial condition report.

Article 9

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 requests an agreement from the group supervisor to provide a single solvency and financial condition report, the group supervisor shall promptly contact all supervisory authorities concerned to discuss in particular the language of the single solvency and financial condition report.

2. The participating insurance and reinsurance undertaking, insurance holding company or mixed financial holding company shall provide an explanation on how the subsidiaries shall be covered and how the subsidiaries' administrative, management or supervisory body shall be involved in the process and in the approval of the single solvency and financial condition report.

Article 10

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

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 II: Impact Assessment

Section 1: 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/impactassessment/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/insurance/solvency/solvency2/index_en.htm#implementing_measures

Section 2: 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 fewer 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.

Section 3: 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.

Section 4: 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.

Section 5: 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

using 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 would facilitate the work of the industry as the same information as for financial statements could be used. 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 would 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 could not 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 would 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. It 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, and thus it would guarantee 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 would 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. It 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 triangles disclosed. However, only information for the total non-life business is requested, no split by LoB is required.

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.

Section 6: 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 currently most commonly used format.

Section 7: Monitoring and evaluation

The following indicators may be relevant in assessing whether the ITS has been effective and efficient in respect of the objectives specified above:

<p>Objective 1: disclose information that is accurate and useful for all stakeholders.</p> <p>Objective 2: disclose of information that is comparable between undertakings and across the EEA.</p>	<p>Possible indicators of progress towards meeting the objectives may be:</p> <ul style="list-style-type: none">• Assess the consistency and quality of information disclosed to the market across Member States;• Compare the formats used across different markets.
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Annex III: Resolution of comments

See separate excel file.