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**EIOPA Final Report  
on Public Consultations No. 11/009 and  
11/011  
On the Proposal for  
the Reporting and Disclosure  
Requirements  
to EIOPA Insurance and Reinsurance  
Stakeholders' Group (IRSG)**

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## 1. Scope

- 1.1. This Final Report contains the outcome of two Public Consultations, No. 11/009 and No. 11/011, which were launched by EIOPA on November 8 2011 and on December 21 2011 on the proposal for reporting and disclosure requirements on insurance and reinsurance undertakings and insurance groups.
- 1.2. It includes a feedback statement with EIOPA's opinion on the comments received by the Insurance and Reinsurance Stakeholders' Group (IRSG) during the Public Consultation.
- 1.3. In the Annexes, IRSG can find the detailed resolution template with EIOPA's feedback on the comments received from IRSG (Annex I), together with updated reporting and disclosure documents, which have been revised as a result of all comments received (Annex II).
- 1.4. In relation to the draft Guidelines on Solvency and Financial Condition Report and the Regular Supervisory Report, Reporting under predefined events and undertaking's Processes for Reporting & Disclosure, EIOPA has included the explanatory text in this Final Report, as it did in the Consultation Papers, in order to assist readers in understanding the thinking behind specific points in the Guidelines.
- 1.5. The requirements on reporting and disclosure templates described in this Final Report will be reflected in a technical standard to be drafted by EIOPA and endorsed by the European Commission (EC) according to Article 10 and 15 of EIOPA Regulation.
- 1.6. The draft Guidelines in this Final Report may still be subject to amendments in order to reflect future developments of any underlying legally binding Union acts.
- 1.7. The Omnibus II Directive (OMDII) will set the date of entry into force of the Solvency II regime. EIOPA strongly supports, within the constraints of the final decisions of the Parliament and the Council on the timeline and the scope of the technical standards, the entry into force of Solvency II from 1 January 2014.

## 2. Purpose

- 2.1. EIOPA acknowledges that the effective transition to the Solvency II regime and in particular compliance with the reporting and disclosure requirements from day one requires that early preparations are made for implementation.
- 2.2. Consequently, EIOPA has performed informal consultations with stakeholders over the last few years and this was followed by a period of formal public consultation at the end of 2011 on , Consultation Paper 9 (CP No. 11/009 ) and Consultation Paper 11 (CP No. 11/011).
- 2.3. CP No. 11/009 included the draft proposal on Quantitative Reporting Templates and Draft proposal for Guidelines on Narrative Public Disclosure & Supervisory Reporting, Predefined Events and Processes for Reporting & Disclosure. This consultation, included:
  - a) Issues Paper;
  - b) Excel templates for reporting and disclosure;
  - c) Summary docs for each template;
  - d) LOGs for each template;
  - e) Proposal for a Guideline on Narrative Public Disclosure & Supervisory Reporting, Predefined Events and Processes for Reporting & Disclosure;
  - f) Impact Assessment.
- 2.4. CP No. 11/011 introduced information needs required from insurers for financial stability purposes. This consultation included:
  - a) Issues Paper;
  - b) Excel templates for reporting and disclosure;
  - c) LOGs for each template.
- 2.5. The package in this Final Report reflects EIOPA's position on the comments received on CP No. 11/009 and CP No. 11/011.
- 2.6. EIOPA considers that it is crucial for the effective and timely implementation of Solvency II reporting and disclosure requirements (including the reporting needed for EIOPA financial stability purposes) that an updated package is provided, which undertakings can use as the basis for their preparations. Furthermore, EIOPA believes that the package represents a stable view of the level of granularity of the information that supervisory authorities will need to receive.
- 2.7. Changes arising from the discussions of OMDII and the implementing measures are not expected to be major and may potentially include amendments in the following templates:

- a) Scope of the quarterly reporting;
- b) Own funds;
- c) Solvency Capital Requirements (SCR) specific risk modules;
- d) Life Technical Provisions;
- e) Activity by country;
- f) Templates applicable to Ring Fenced Funds (RFF) (as the matching premium may impact RFF treatment).

2.8. Additionally, further clarifications will need to be developed regarding the use of the templates by undertakings that use the simplifications on technical provisions and SCR calculations to be defined by implementing measures.

2.9. The application of reporting and disclosure requirements to third country branches located in the EU will also be considered following this publication.

2.10. The European Markets Infrastructure Regulation (EMIR) consultation package, expected in July of 2012 will lead to an assessment on the need to revise the templates on derivatives. A full convergence of requirements is not envisaged since EMIR serves a different purpose to Solvency II. However, EIOPA believes it is important to align the requirements as far as possible to limit the reporting burden on undertakings..

2.11. Finally, the package may be amended during the implementation phase, in particular due to the development of the data point modelling and eXtensible Business Reporting Language (XBRL) taxonomy, the templates may require design or structural changes, but these will not affect their content.

2.12. The package published in the Final Report includes:

- a) Feedback Statement for CP No. 11/009 and for CP No. 11/011;
- b) Updated Excel templates (covering solo, groups and financial stability);
- c) Updated Summary docs (covering solo, groups and financial stability);
- d) Updated LOGs (covering solo, groups and financial stability);
- e) Updated proposal for the SFCR and narrative RSR, reporting under Predefined Events and undertakings own Processes for Reporting & Disclosure;
- f) Comments template.

2.13. The updated Excel files are presented in a different way to the files in CP no. 11/009 and CP No. 11/011 since this provides for better understanding

The package now includes six Excel files, listed in the table below, that include information for supervisory purposes and for financial stability purposes. The content for these files is described at the end of the Feedback Statement.

<b>For solo undertakings</b>	<b>For Groups</b>
Annual reporting solo templates	Annual reporting groups templates
Quarterly reporting solo templates	Quarterly reporting groups templates
Annual disclosure solo templates	Annual disclosure groups templates

2.14. The Summary docs, LOG files and the proposal for the SFCR and narrative RSR, reporting under Predefined Events and undertakings own Processes for Reporting & Disclosure were updated according to the changes made to the templates and further clarifications requested from stakeholders.

### **Future full and final package on Reporting and Disclosure**

2.15. EIOPA expects that the final package on reporting and disclosure will be published during the course of 2013 and that it will incorporate the package now approved along with all foreseen changes described at paragraphs 2.1 to 2.10, and will include:

- a) Draft Technical Standard** (including solo, groups, financial stability requirements and requirements for third country branches):
  - i. Articles (will include content of Issues Paper as consulted and part of the content of summary docs and LOGs that are "requirements")
  - ii. Technical annexes (will include templates plus description of the items, based on LOG files)
  - iii. Validation rules (to be confirmed)
- b) Guidelines** (including solo, groups, financial stability requirements and requirements for third country branches), covering SFCR, RSR, pre-defines events and undertaking's policies:
  - i. Guidelines (where a more clear link between the SFCR and templates to be disclosed will be done)
  - ii. Excel templates (if needed – depends of the format to be used in the Technical annexes of the Technical Standard)
  - iii. Summary docs (if needed, with information not used in the Technical Standard but considered helpful for stakeholders)
  - iv. LOGs files (if needed, with information not used in the Technical Standard but considered helpful for stakeholders)
- c) Guideline on XBRL**

### **3. Feedback Statement**

#### **I. Introduction**

1. EIOPA would like to thank IRSG for having provided comments on the CP No. 11/009 and CP No. 11/011. These provided valuable suggestions for improving the reporting and disclosure requirements package and helped to identify areas needing further clarification.
2. The amendments made cover not only clarifications, including the acceptance of a number of rewording suggestions from respondents, but also some changes to the content of the Guidelines and the accompanying explanatory text..
3. The feedback statement outlines the comments received from IRSG to CP No. 11/009 and CPO No. 11/011 and the review and resulting changes made to the reporting and disclosure package.
4. For a complete overview of all comments, review and resulting changes made to the reporting and disclosure package please refer also to the [EIOPA Final Report on Public Consultations No. 11/009 and 11/011 On the Proposal for the Reporting and Disclosure Requirements](#).

#### **II. EIOPA review of the Guidelines based on the comments received**

##### **Implementation and maintenance costs**

5. EIOPA acknowledges the implementation and maintenance costs of the reporting package, but it should be considered within the context of the overall Solvency II implementation EIOPA has assessed the costs and benefits arising from the reporting package and believes that the revised package represents an appropriate balance between costs for the undertakings and the needs of supervisory authorities to ensure the protection of policyholders and the assessment of financial stability. Furthermore, part of the costs associated to this package should not be considered simply as supervisory reporting costs, since the detailed information reported is also needed for the calculation of financial requirements and the proper management of the undertaking.

##### **Timing of 18 months for implementation**

6. EIOPA is aware of and shares some of respondents concerns regarding the timing for implementation. This is the reason why CP No. 11/009 and CP no. 11/011 were consulted with respondents in advance of other Solvency II technical standards and guidelines and why an updated package is now being published. However, it should be noted that EIOPA is dependent on a number of external factors. The OMDII and the implementing measures, which are still under discussion, are expected to lead to changes in the

reporting package and the final draft of Technical Standard to be developed by EIOPA will have to incorporate those changes.

7. Despite these expected changes, EIOPA believes that this package represents a stable view of the level of granularity of the information that supervisory authorities will need to receive.

### **Proportionality in general**

8. The principle of proportionality is considered in the reporting package in three different ways. Firstly it is inherent, in that a company with less complexity in their business will consequently have less complexity to their reporting, for example fewer Lines of Business, currencies, and no derivatives to report. Secondly, for some templates such as the detailed list of assets, thresholds based on size are defined. Thirdly, materiality thresholds are considered in several templates.
9. In the revised package, the potential for exemptions and the application of materiality principles were revised and made clearer.

### **Threshold of 6bn for financial stability information**

10. In line with the proportionality principle and taking the concern of the industry into consideration, the threshold will be increased to 12 billion Euros in assets at Solvency II balance sheet.
11. A national market coverage survey indicated that for a few countries, national market coverage would be very limited. In order to ensure a minimum national market coverage, the 12 billion threshold will therefore be complemented with a criterion for obtaining at least 50 per cent coverage on a national level.
12. It is clarified that the threshold relates to the Solvency II balance sheet.
13. It is noted that these criteria may be subject to a review (3 years after the start of reporting) following market developments in order to ensure that reasonable sample coverage is obtained for financial stability purposes, and along the further developments in the definition of systemic importance.

### **Deadlines for financial stability information**

14. It is acknowledged that time is required for consolidation of the solo reports. Taking into consideration the concerns of industry, but also the tight deadlines EIOPA is bound by, 1 additional week will be allowed for group consolidation for the Financial Stability reporting, resulting in a FS deadline of 6 weeks after transition. For solo undertakings falling within the threshold and that do not report at a group level the reporting would need to be made within 5 weeks for the financial stability items which are in the micro solo package and 6 weeks for the ones that are not in the micro solo package.

15. This should enable reporting undertakings to take full advantage of the time allowed for solo reporting (5 weeks after transition), and then have 1 week for consolidating on a best effort basis for financial stability reporting.
16. During the transition period, the deadlines for financial stability will follow the solo deadlines, plus 1 week (i.e. envisaged 8+1 week the first year decreasing to 5+1 week four years after implementation of Solvency II).

### **Quarterly reporting and 4th quarter reporting**

17. Frequency and timeliness of reporting is crucial for the adequate supervision of insurance undertakings. In this regard, quarterly reporting is crucial for the supervisory process which is why it already exists under Solvency I. Under Solvency II, quarterly reporting is kept to a minimum of the information needed.
18. However, following the consultation on the financial stability reporting, EIOPA has identified several areas where it was able to reduce the reporting burden to insurers, and under the CP No. 11/009 package EIOPA has reviewed the thresholds and criteria related to quarterly reporting, notably as regards Assets D4.
19. Also, EIOPA agrees that insurers should not have to report the same information twice. Therefore some changes were introduced in the split between quarterly and annual information. In the current package the templates Assets D1, D2O and D2T are quarterly templates only, although they are to be reported on the fourth quarter by every undertaking, with no exemptions and within the quarterly deadline. They would only need to be re-submitted within the annual deadlines if material valuation changes occur after the due date for the fourth quarter reporting.

### **Standard codes to be used in the reporting**

20. EIOPA acknowledges the concerns in this area. However it considers that full harmonisation of the codes to be used is currently not possible. A first step will be done with a reinsurance undertakings codification that will be developed and maintained by EIOPA to guarantee a common identifier of the reinsurance undertakings. Regarding the other codes, codes available in the market will be used. Additionally, in relation to EIOPA's duties to set up a register of all EU insurance and reinsurance undertakings, harmonised codes will be implemented and will be made available.
21. In relation to the CIC codes, the aim of these codes is primarily to assess an undertaking's ability to identify the risks of the investments that it holds. This is the reason why a harmonisation of the code is not envisaged within the short term. The use of this code by supervisors to perform cross-sector and market analysis is a secondary aim. This secondary purpose is not undermined by the lack of the lack of harmonisation of the CIC, as it can be overcome by adequate supervision and use of financial information from service providers.

## **Technical provisions by line of business for financial stability information**

22. EIOPA acknowledges that this would be demanding for insurers and will not require technical provisions by line of business for groups.
23. Instead, and as the SII Balance-sheet will be required quarterly for both solo and groups, technical provisions items will be requested from the Balance Sheet template quarterly with the following splits: i) Non-life (excluding health), ii) health (similar to non-life), iii) health (similar to life), iv) life (excluding health and index-linked and unit-linked), and v) index-linked and unit-linked.

## **Quarterly SCR for financial stability information**

24. As quarterly information on the solvency capital position of undertakings is considered crucial for financial stability purposes, the overall SCR is requested quarterly for undertakings within the FS scope. However, as indicated in CP no. 11/011, the SCR should only be updated with volatile elements, and only on a best effort basis. See also sub-section f) on the best effort.
25. For (partial) internal model users this can be based on their use test.
26. Standard formula users should re-calculate the volatile components of the SCR (this would usually be the market risk module) in order to report the overall SCR on best effort basis.

## **Statutory accounts (i.e. P&L and Balance Sheet) for financial stability information**

27. Taking the concerns of the industry into consideration, profit and loss information will be requested on a semi-annual basis and not quarterly. The overall profit and loss (P&L) is seen as an important overall performance indicator that is not part of Solvency II reporting for micro prudential purposes.
28. Based on industry comments, semi-annual reporting should not be too burdensome.
29. The other statutory accounting balance sheet items (balance sheet total, and capital and reserves) proposed in CP no. 11/011 are no longer requested as this will be reported quarterly on a Solvency-II basis for supervisory purposes (see item Balance sheets under comments on specific templates).

## **Detailed list of assets**

30. The Solvency II framework gives undertakings extensive freedom to perform their activities as they see fit. A principle based regime, with a

reduction in the prescribed constraints on the way undertakings are managed should be balanced with a higher degree of information to supervisory authorities to allow the latter to discharge their duties. Furthermore, the information required for reporting purposes will also be needed by undertaking to properly manage their investments under Solvency II.

31. In terms of the look-through approach, EIOPA notes that the quarterly reporting is only required from undertakings that hold more than 30% of their portfolio in investment funds (the threshold was raised from 20% to 30%) and template Assets D4 only requires the look through approach regarding the asset category, geographical exposure and currency exposure (and therefore not a complete look-through).

### **Best effort for financial stability information**

32. EIOPA acknowledges the need for Guidelines on best effort for financial stability reporting.
33. As a principle, best effort is intended to provide a limited room for individual optimisation in data-provision for reporting undertakings, while requiring a certain level of internal governance (not necessary the same level as governance as for regular reporting) to ensure the necessary quality. While data provided need to be exact enough to serve as an indicator on aggregate, there needs to be a clear distinction from the exactness of data for supervisory use.
34. More Guidelines from EIOPA will be available from the start of the reporting. These Guidelines will include specific information on the use of estimations for particular items and the preliminary status of the figures.

### **Legal hook for financial stability information**

35. Following industry concern, EIOPA clarifies that the specific reporting requirements for financial stability are based on Article 35 of the EIOPA regulation which provides the Authority with the possibility to collect all the necessary information to carry out the duties assigned to it, i.e. to monitor and assess market development.

### **Lapse rates for financial stability information**

36. EIOPA requires an indicator for the potential liquidity drain due to policyholder behaviour for life business. Although lapse rates by volume and number of contracts are not perfect measures, EIOPA considers this information to be available on a best-effort basis to undertakings and that the benefits outweigh the costs of this request.

### **Duration of liabilities for financial stability information**

37. EIOPA requires an indicator for the interest rate sensitivity of the technical liabilities, the risk-mitigating effect of hedging via derivatives and potential asset-liability mismatches. EIOPA considers this information to be available

on a best-effort basis to undertakings and that the benefits outweigh the costs of this request.

## **On the specific templates**

### **Balance-sheet**

38. EIOPA agreed on respondent's comments regarding the disclosure requirements and has provided that for disclosure purposes only the SII Balance Sheet should be disclosed, both at solo and at group level.
39. As for the quarterly reporting requirement, CP No. 11/009 proposed that undertakings were exempted from the quarterly reporting of the Balance sheet according to a threshold and this was welcomed by respondents. However, respondents complained that the threshold was difficult to apply, creating uncertainty on the quarterly requirements for each undertaking. No solution was presented by respondents to overcome this problem and any risk-based threshold that could be developed would always be subject to criticism.
40. Moreover, respondents highlighted that undertakings would have to establish a balance sheet in any case to report own funds information quarterly and EIOPA considers quarterly own funds information as crucial to supervise the MCR, as defined in the Directive.
41. Finally, respondents correctly highlighted that the threshold proposed under CP No. 11/009 was not possible to be applied to groups.
42. Taking all this into consideration, EIOPA believes that, both from a supervisory point of view and from an operational point of view for undertakings, the request of the balance-sheet quarterly without exemptions is the best approach.

### **Country K1**

43. EIOPA did not include, as requested, a threshold since information from all EEA branches needs to be reported (and exchanged between supervisory authorities), according to the SII Directive.
44. Regarding the non-EEA branches the threshold was removed as the impact will be minor, and for the undertakings where the impact is not minor the information on all non-EEA branches is crucial for supervision.

### **Own funds**

45. Amendments to this template were introduced to better reflect the requirements and a specific template on participations, with materiality thresholds, was added.

### **Variation analysis**

46. EIOPA engaged in a discussion with some respondents and the current proposal represents a balanced approach between supervisory needs and respondents comments:
- a) The templates were revised in general to provide a better link to the other templates and a reduced burden in some areas (one of the four template was removed);
  - b) It was clarified that both accident and underwriting basis are allowed – in line with the approach for TP templates reporting;
  - c) The detailed breakdown on reinsurance recoverables was removed;
  - d) The order of calculation in the roll-forward of Best estimate was modified;
  - e) The split per period was kept with information by LoB on Non-Life;
  - f) The information on technical flows are now required on an accrual basis instead of a cash-flow basis.
47. With respect to the information in the split per period in Life, it was considered that a breakdown between Life and Health could be sufficient. For Non-Life, considering the very different types of LoB, a breakdown by LoB was considered crucial. The introduction of thresholds was considered as likely to introduce gaps in the information from one reporting year to the next that would render the information reported unusable for supervisory purposes. For the analysis of this information the maintenance of historical data with no gaps was considered as fundamental.

#### **MCR / SCR**

48. A tool for the calculation of the SCR may be considered in future but such a tool will not be used for reporting purposes.
49. It was clarified that when supervisory authorities require an estimate of the SCR in accordance with article 112(7), as default, only SCR-B2A should be used for the reporting of the estimate.
50. The counterparty default risk SCR template was adapted to better reflect the SCR calculation rationale.
51. Regarding the Catastrophe template EIOPA believes that the information contained within the template is required in order for the supervisor to understand the material risk exposures which drive the catastrophe capital charge and to challenge the undertaking as appropriate.
52. Usually undertakings do not have all types of risks, so the templates are only partially applicable to most of the undertakings. For undertakings that are exposed to all types of risks all information needs to be reported due to the complexity of the portfolio.
53. The applicability of these templates to RFF was kept.
54. Finally, reporting requirements for undertakings that use simplifications in different risk modules needs to be addressed after the OMDII and the implementing measures are known.

#### **Assets**

55. The granularity of Assets D1 was kept as the template is a crucial tool for the supervision of the prudent person principle.
56. Applicability to unit linked, including the look-through template, was kept as it is understood that the prudent person principle applies also to the investments underlying these products and this should be supervised as risks, such as the reputational risk, could be faced.
57. The frequency of Assets D4 was kept, however the threshold was increased from 20% to 30%. EIOPA highlights that the template Assets D4 only requires look-through of asset category, three geographical zone and currency identification (as local or foreign), not a full look-through of investment funds as required for SCR calculation.

### **Technical provisions Non-Life**

58. EIOPA proposes that the simplifications to be used in the quarterly calculation of technical provisions are the ones foreseen in the legislation and will be further developed in the Guidelines on the Valuation of Technical Provisions.
59. The thresholds applicable to the templates were clarified.
60. The reinsurance triangles were kept however the "salvages and subrogation" triangles were deleted.
61. The scope of the reporting of the cash-flow projection by undertakings that use simplifications was reduced but will still be requested in defined situations. The obligation to report future expected cash-flows was kept for reporting purposes only where a material part of TP (more than 10%) has a long settlement period, while undertakings will be allowed to exclude from template E2 and F2 the cash-flows related to Technical Provisions with a short settlement period (less than 24 months).

### **Technical provisions Life**

62. EIOPA proposes that the simplifications to be used in the quarterly calculation of technical provisions are the ones foreseen in the legislation and will be further developed in Actuarial Guidelines.

### **Reinsurance**

63. No materiality threshold was introduced in these templates, but templates J1 and J2 were simplified (divided) to avoid the duplication of information as much as possible. Also, the frequency of template J2 was revised.

### **Specific comments on groups templates**

#### **Balance-sheet**

64. The doubts raised on the applicability of the template were clarified.

65. EIOPA agreed with respondent's comments regarding the disclosure requirement and has provided that for disclosure purposes only the SII Balance Sheet should be disclosed, both at solo and at a group level.

### **Own funds**

66. Quarterly own-funds requirements were kept as they are deemed relevant at group level as well. However, the quarterly template is less detailed compared to the annual template.

67. Amendments to the annual template were introduced to better clarify the meaning and the calculation of some cells (for example treatment on non-EEA entities, reconciliation reserve, calculation of non-available own funds).

68. At both solo and group level, the part for the public disclosure has been clearly indicated.

### **SCR**

69. The doubts raised were clarified.

### **Assets**

70. EIOPA agreed with the comments received and the scope of the template was amended. The template will be applicable for all methods (Accounting consolidation-based method and Deduction and Aggregation method and a combination of both methods).

### **Intra Group Transactions**

71. Article 216 of SII Directive requires that if a national subgroup is established, it is subject to group supervision. As reporting is part of group supervision all reporting templates must be reported at this level.

72. Definitions of what constitutes the 'significant' and 'very significant' will be addressed by separately as part of the overall Solvency II package. The college will be able to amend these definitions to account for group specificities.

73. All IGTs that occur or terminate over the period are to be reported. This is aligned with the SII Directive (art. 245(2)).

74. Transactions are to be reported in the currency of the group, the LOGS have been updated to reflect this.

### **Risk Concentration**

75. Reporting of risk concentrations will be done in a quantitative form through a RC template and will be binding for all insurance groups. Additionally, qualitative information may be reported. Due to strong concerns from the industry, public disclosure is no longer requested.

### **Specific comments on Narrative reporting/disclosure**

76. EIOPA considers that the narrative reporting Guidelines complement what will be prescribed under the Directive and the implementing measures and gives important guidance on the expected level of reporting and disclosure. However, the content of the SFCR was revised and where appropriate some information was moved to the narrative part of the RSR.

### **III. Comments from Insurance and Reinsurance Stakeholders' Group (IRSG)**

77. EIOPA received two documents with comments from the IRSG. One addressing general and main concerns and a second one addressing more specific concerns.

78. Regarding the general concerns, the IRSG highlighted the application of the proportionality principle, the external audit requirements and the local reporting requirements.

79. EIOPA welcomed the thoughts and arguments put forward as they have contributed to an effective dialogue with stakeholders and have helped to achieve a balanced approach taking into account the costs and benefits of such requirements.

80. The principle of proportionality is considered in the reporting package in three different ways. Firstly it is inherent, in that a company with less complexity in their business will consequently have less complexity to their reporting, for example fewer Lines of Business, currencies, and no derivatives to report. Secondly, for some templates such as the detailed list of assets, thresholds based on size are defined. Thirdly, materiality thresholds are considered in several templates.

81. In the revised package, the potential for exemptions and the application of materiality principles were revised and made clearer.

82. Where they were considered adequate following respondents comments in general, the exemptions and application of thresholds and materiality principles were revised and made clearer in the current package.

83. The current package does not address the issue of external audit.

84. As for local requirements, EIOPA stresses that they will exist only where specificities of the local market justify their existence and where it is considered that a harmonisation of the information to be reported has not been adequate.

85. In its general comments, IRSG selected as principal concerns from the market the following:

- Detailed list of assets;
- Deadlines under financial stability information;

- Quarterly reporting;
- Disclosure.

86. On these please refer to section IV. of this document. EIOPA believes that the package now published represents, both for reporting and disclosure requirements, a balanced approach between the regulatory burden being imposed of undertakings and the needs of supervisory authorities in order to discharge their duties to protect policy holders and make financial stability assessments.

87. As for the quarterly reporting requirement, frequency and timeliness of reporting is crucial for the adequate supervision of insurance undertakings. In this regard, quarterly reporting is crucial for the supervisory process which is why it already exists under Solvency I. Under Solvency II, quarterly reporting is kept to a minimum of the information needed.

88. However, following the consultation on the financial stability reporting, EIOPA has identified several areas where it was able to reduce the reporting burden to insurers, and under the CP No. 11/009 package EIOPA has reviewed the thresholds and criteria related to quarterly reporting, notably as regards Assets D4.

89. Also, EIOPA agrees that insurers should not have to report the same information twice. Therefore some changes were introduced in the split between quarterly and annual information. In the current package the templates Assets D1, D2O and D2T are quarterly templates only, although they are to be reported on the fourth quarter by every undertaking, with no exemptions and within the quarterly deadline. They would only need to be re-submitted within the annual deadlines if material valuation changes occur after the due date for the fourth quarter reporting.

90. On the quarterly Balance-Sheet EIOPA agreed on respondent's comments regarding the disclosure requirements and has provided that for disclosure purposes only the SII Balance Sheet should be disclosed, both at solo and at group level.

91. As for the quarterly reporting requirement, CP No. 11/009 proposed that undertakings were exempted from the quarterly reporting of the Balance sheet according to a threshold and this was welcomed by respondents. However, respondents complained that the threshold was difficult to apply, creating uncertainty on the quarterly requirements for each undertaking. No solution was presented by respondents to overcome this problem and any risk-based threshold that could be developed would always be subject to criticism.

92. Moreover, respondents highlighted that undertakings would have to establish a balance sheet in any case to report own funds information quarterly and EIOPA considers quarterly own funds information as crucial to supervise the MCR, as defined in the Directive.

93. Finally, respondents correctly highlighted that the threshold proposed under CP No. 11/009 was not possible to be applied to groups.

94. Taking all this into consideration, EIOPA believes that, both from a supervisory point of view and from an operational point of view for undertakings, the request of the balance-sheet quarterly without exemptions is the best approach.
95. The second note from the IRSG addressed more specific issues, from which we highlight the following:
- Underwriting vs accident year triangles and triangles size;
  - Variation analysis;
  - Reinsurance;
  - Technical provisions;
  - SCR and MCR templates;
  - RFF (ring-fenced funds);
  - Group Risk concentration templates;
  - Narrative Guidelines.
96. It was clarified that reporting on technical provisions should be done using either accident year or underwriting year. EIOPA does not require the use of one approach over the other.
97. Regarding the variation analysis templates EIOPA engaged in a discussion with stakeholders and the current proposal represents a balanced approach between supervisory needs and stakeholders comments. On this, please refer to section IV of this document.
98. The templates regarding Reinsurance were made simpler (divided) to avoid duplication of information. EIOPA believes that information on reinsurance treaties is crucial.
99. The templates regarding technical provisions were revised and when adequate amended. Some information was deleted (e.g. the "salvage and subrogation" triangles) and in others some clarifications were added.
100. Regarding the use of SCR templates by undertakings that use an internal model and for which the supervisory authority has required an estimation of the SCR in accordance with article 112(7), it was clarified that only general template should be filled in and that the use of the templates specific to the risk modules should not, by default, be filled in.
101. On RFF the requirements were kept. However it is expected that templates applicable to RFF will be revised later on as the matching premium may impact RFF treatment.
102. Generally the templates for groups were revised and made clearer. Specifically, the template G20 has been deleted since no SCR adjustments for Intra group transactions (IGT) are required anymore if Deduction & Aggregation Method (D&A) is applied, and the information on the segmentation of the SCR in main risk modules has been moved from template G20 to the template G03, whose scope has been clarified. Specifically on the disclosure of the Risk Concentration template, this is no longer required. However, narrative information should be included in the SFCR.

103. Concerns on the narrative reporting were addressed. A new structure was introduced to better identify the requirements for solo and groups and the information to be disclosed was revised.

## 4. Annexes

### 4.1. Annex I

Summary of Comments on Consultation Paper 09 - EIOPA-CP-009/2011				
CP No. 009-SII Reporting - Quantitative Reporting				04 July 2012
No.	Name	Reference	Comment	Resolution
	Insurance and Reinsurance Stakeholders Group	General Comment <b>(Part I)</b>	<p><b><u>General observations regarding EIOPA consultation on Reporting Package:</u></b></p> <p>IRSG considers that consistent ongoing reporting to the regulator is a key aspect of a risk based supervisory regime and is an important element of Solvency II. IRSG would also agree that such requirements should be proportionate to the nature, scale and complexity of the insurer and its operations and needs to be balanced with policyholder protection. However, IRSG notes that some proposed reporting requirements are overly detailed for the purposes of microprudential and macroprudential supervision.</p> <p>Regarding quarterly reporting, IRSG supports the proposed requirements to provide quarterly reporting information to the regulators albeit in a significantly reduced extent to that required on an annual basis. IRSG also supports the option 3 (no full balance sheet) within the EIOPA consultation paper, since the information already required will explain the largest elements of the reconciliation reserves. Furthermore, the cost impact of quarterly reporting on smaller undertakings with simple risks has to be taken into consideration.</p> <p>The additional consultation for financial stability purposes requires the submission on a quarterly basis of a detailed list of assets for companies with a total balance sheet higher than EUR 6 bn. The</p>	<p>Noted</p> <p>Quarterly reporting was discussed and the package now published represents a balanced approach.</p> <p>On the BS EIOPA acknowledges that the criteria defined under CP9 to exempt quarterly reporting of BS-C1</p>

			<p>benefits to supervisors of the availability of detailed lists of assets do not outweigh the cost to insurers of providing them and IRSG questions the relevance to micro-prudential and macro-prudential supervision. Moreover, given the dynamic nature of investment portfolios, in the event of specific holdings facing rapid reductions in value or exhibiting extreme volatility IRSG would expect microprudential and macroprudential supervisors to request ad hoc reports if annual or even quarterly reports were provided. IRSG believes that delivering a more suitable aggregation of assets will give more relevant information, sufficient to eliminate the need for the proposed detailed lists. We recognise that EIOPA believe a detailed list of assets would meet their supervisory requirements, and some stakeholders would prefer this approach since, notwithstanding the initial cost, it would be more straightforward to provide once operationalized. If such a detailed list of assets is requested for financial stability purposes this reinforces that it is not necessary for either micro-prudential or financial stability purposes for a company to provide a full balance sheet on a quarterly basis as the information already required is sufficient.</p> <p>Financial stability and statistical needs should be satisfied through the QRTs package at the same date with a single basis for reporting at EioPa level.</p> <p>In cases where proxies are used to produce quarterly reporting (particularly important for information which derives from technical provisions), it should be assessed if those proxies could give rise to a material error, the materiality remaining a key judgment. IRSG agrees with the definition of materiality in the level 2 implementing measures (the information is material if its omission or misstatement could influence the decision-making or the judgement of the users of that document, including the supervisory authorities) and believe that threshold should be limited to specific requirements. IRSG also notes that the size or the nature of the insurer and risk to the policyholder are not well correlated and that thus threshold based on the size of the entity may not be appropriate in all cases. (for example, captive insurers</p>	<p>was difficult to apply (and impossible for reporting by groups), creating uncertainty on the quarterly requirements. Also, any other criteria to define thresholds would not overcome this difficulty. On the other hand, to calculate Own funds quarterly, undertakings will have to calculate the entire balance sheet with the same frequency. Taking all this into account, EIOPA believes that, both from a supervisory point of view and from an operational point of view for undertakings, the request of the balance-sheet quarterly without exemptions is the best approach.</p> <p>Taking the concern of the industry into</p>
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		<p>of non insurance undertakings).</p> <p>Consistently with the Framework Directive (Article 51 para 1), IRSG agrees that an appropriate level of public information, in an understandable format, should be made available on an annual basis. Public disclosure of Solvency II information should be set at the right level so as not to mislead and confuse the various audience. As at present certain companies may choose to publicly disclose some information on a more frequent basis but this should be permitted and not required.</p> <p>IRSG notes that some stakeholders have concerns that since information will be disclosed to the public, the Solvency II balance sheet should be audited by an external firm. IRSG does not see benefits from adding an external audit to the existing requirements regarding the quality of the data, the process and the comparison where required between Solvency II figures and reported figures which are in themselves sufficient. Also, under Solvency II, undertakings would implement effective governance and risk management and control systems which will provide numerous lines of defence when substantiating Solvency II calculations. Market discipline will also have an important role to play with much improved disclosure. This should provide the management and supervisors with adequate assurance on Solvency II data.</p> <p>Regarding the local requirements, they should be limited to specificity of the local market if the information is not covered by any Solvency II reporting. IRSG would welcome a harmonization among the supervisors for similar types of local specificities. IRSG believes that an approval by EIOPA of these requirement could help achieving a real harmonization of reporting.</p> <p>Finally, it is crucial that the industry and supervisors have sufficient time to implement the necessary processes and systems to support Solvency II reporting.</p>	<p>consideration, the threshold for financial stability reporting is increased to 12 billion Euro in balance sheet total. The threshold is augmented by a requirement for national market coverage of 50%.</p> <p>Noted.</p> <p>Materiality thresholds were defined when appropriate.</p> <p>The use of simplification will be defined under Level 2.</p> <p>For financial stability reporting, reporting will be on a 'best efforts' basis. Guidelines on best effort will be available from the start of the reporting. These guidelines will include specific information on the</p>
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				<p>use of estimations for particular items and the preliminary status of the figures.</p> <p>Noted.</p> <p>Audit requirements are not addressed by this package.</p> <p>EIOPA stresses the fact that they will exist only when specificities of the local market justify it and where it was considered that an harmonisation of the information to be reported was not adequate.</p>
	Insurance and Reinsurance Stakeholders Group	General Comment <b>(Part I)</b>	<p><b><u>Annex 1 - Detailed list of assets</u></b></p> <p>The benefits to supervisors of the availability of detailed lists of assets do not outweigh the cost to insurers of providing them in IRSG's opinion. IRSG believes this applies to annual reporting as</p>	<p>The issue was discussed and EIOPA believes that</p>

			<p>well as quarterly reporting. IRSG believes that the combination of suitably detailed levels of aggregation plus the identification of concentrations should meet both microprudential and macroprudential objectives. The second policy option being considered by EIOPA (paragraph 4.10 of "Impact assessment on the reporting package for Solvency II") seems appropriate for quarterly reporting, but could apply to annual reporting as well.</p> <p>IRSG would question the relevance of detailed reporting for microprudential and macroprudential objectives. Given the dynamic nature of investment portfolios, in the event of specific holdings facing rapid reductions in value or exhibiting extreme volatility IRSG would expect microprudential and macroprudential supervisors to request ad hoc reports if annual or even quarterly reports were provided.</p> <p>This restriction does not mean that each undertaking should not follow carefully the precise composition of its assets which should be in line with the prudent person principle as adopted by each insurer. However, the provision by the undertaking to the supervisor could be more efficient and effective if the undertaking delivers a more suitable aggregation of assets will give more relevant information, sufficient to eliminate the need for detailed lists of assets.</p> <p>In paragraph 4.14 of the impact assessment IRSG sees no reason why national supervisory authorities should be able to raise the stated thresholds.</p> <p>In IRSG's view, the list of investments held in Investment Funds in "Assets - D1 LOG" should be aggregated to reflect the underlying risk shown in "Assets - D4 LOG". Such funds include diverse categories of investments with diverse risks so, for example, direct</p>	<p>the detailed list of assets is crucial information for the supervisor, both from a micro and macro perspective. An aggregation of the information is possible for the undertakings exempted from the detailed list of assets but it is not enough as default for the purposes of supervision.</p>
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			<p>equity investments should be aggregated with indirect equity investments held in these funds.</p> <p>In IRSG's opinion, assets backing unit-linked contracts should be removed from all asset templates where the assets are closely matched to liabilities and where insurers bear no financial risk on such contracts. In many ways unit linked funds are analogous with mutual funds and other collective investment schemes which are not subject to the same disclosure requirements.</p>	<p>Excluding unit linked assets undermines a comprehensive view of the undertaking risk profile, in particular contagious risk. The security-by-security reporting will also concern unit-linked products, since we consider that these also present specific risks (for instance, undertakings selling bonds issued by entities of their own group, leading to conflicts of interests; or undertakings exposed to reputational risk if they have a major problem on one of their unit-linked; etc.).</p>
	Insurance and Reinsurance Stakeholders Group	General Comment <b>(Part I)</b>	<p><b><u>Annex 2 - Quarterly reporting</u></b></p> <p>IRSG believes that consistent ongoing reporting to the regulator is a key aspect of a risk based supervisory regime and is an</p>	

		<p>important element of Solvency II. IRSG would also agree that such requirements should be proportionate to the nature, scale and complexity of the insurer and its operations. IRSG therefore supports the proposed requirements to provide quarterly reporting information to the regulators albeit in a significantly reduced extent to that required on an annual basis. IRSG also supports the proposed balance between Group and Solo quarterly reporting.</p> <p>IRSG understands that a proposal has been made in the Parliament to limit the requirement for quarterly reporting based on size of the insurer. While IRSG understands that this is worthy of consideration from the point of view of proportionality, in IRSG's view, the size of the insurer and risk to the policyholder are not well correlated. If quarterly reporting forms part of the regime under Solvency II, then it should apply to all insurers proportionally to the scale, nature and complexity of their risks, in IRSG opinion.</p> <p>IRSG support any efforts to provide legal certainty on how the principle of proportionality could be applied to supervisory reporting. Further work is needed in this area, as full quarterly reporting may be problematic for many small/medium sized undertakings. We would support an approach whereby quarterly reporting would be limited to information that has changed significantly during the course of the reporting period as a basis for articulating how the principle of proportionality can be applied in practice.</p> <p>IRSG acknowledges that EIOPA has responded to stakeholder feedback from the pre-consultation exercises in this regard and in particular removed the requirement for a full balance sheet on a quarterly basis. IRSG fully supports this which would otherwise have imposed a significant burden for limited regulatory benefit. IRSG would agree that for ongoing monitoring purposes the</p>	<p>Noted.</p> <p>Noted. When adequate the exemptions processes were made clearer.</p> <p>EIOPA acknowledges that the criteria defined under CP9 to exempt quarterly reporting of BS-C1 was difficult to</p>
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		<p>quarterly provision of simplified information on own funds, technical provisions and assets is sufficient. This information will explain the largest element of the reconciliation reserve. IRSG would expect that regulators should be able to rely on the ongoing company monitoring and governance in this regard. To the extent that further information is requested this should not lead the requirement for a full quarterly balance sheet. Therefore IRSG supports option 3, (no full balance sheet) within the EIOPA consultation paper.</p> <p>EIOPA have issued a separate consultation document on disclosures in its "financial stability" capacity. As IRSG stated elsewhere in this response, the benefits to supervisors of the availability of detailed lists of assets do not outweigh the cost to insurers of providing them and IRSG question the relevance to micro-prudential and macro-prudential supervision. If such a list of assets is requested for financial stability purposes (which IRSG would question) then this reinforces that it is not necessary for either micro-prudential or financial stability purposes for a company to provide a full balance sheet on a quarterly basis. This would be very onerous, beyond the Transparency Directive requirements and unnecessary for financial stability purposes. The information proposed in the extant QRTs on own funds, assets and technical provisions is sufficient and hence IRSG disagrees with the additional proposal for a full quarterly balance sheet. The deadline for financial stability QRT should be in line with the deadline applicable all other quarterly QRTs.</p> <p>One aspect to which further consideration should be given is the fourth quarter QRT reporting requirements. The annual reporting requirements will be supplied at this time and on expanded levels of detail. Consideration should be given to what, if any fourth quarter information should be provided, acknowledging that</p>	<p>apply (and impossible for reporting by groups), creating uncertainty on the quarterly requirements. Also, any other criteria to define thresholds would not overcome this difficulty. On the other hand, to calculate Own funds quarterly, undertakings will have to calculate the entire balance sheet with the same frequency. Taking all this into account, EIOPA believes that, both from a supervisory point of view and from an operational point of view for undertakings, the request of the balance-sheet quarterly without exemptions is the best approach.</p> <p>For financial stability reporting, both quarterly reporting and the</p>
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			<p>quarterly reporting would normally have a higher level of estimation and roll forward. It would be overly burdensome to report two sets of Solvency II reports and would lead to onerous governance and reconciliation procedures to explain any differences between the fourth quarter and annual reporting.</p>	<p>timeliness of data are essential. Proportionality is ensured with the threshold of 12bn and the concern of the burden to undertakings should be alleviated by the best effort principle. Moreover, it is acknowledged that time is required for consolidation of the solo reports. Taking into consideration the concerns of industry, but also the tight deadlines EIOPA is bound by, 1 additional week will be allowed for group consolidation for the financial stability reporting, resulting in a FS deadline of 6 weeks after transition. Frequency and timeliness of reporting is crucial for an adequate supervision of insurance undertakings. In this regard, quarterly is crucial</p>
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				<p>for the supervisory process which is why it is already a reality under Solvency I. Under Solvency II, quarterly reporting is kept to a minimum of information needed. The reporting of 4th quarter information is as much, and in some circumstances, even more important than the other quarters.</p> <p>However EIOPA agrees that undertakings should not have to report the same information twice. Therefore some changes were introduced in the split between quarterly and annual information</p>
	Insurance and Reinsurance Stakeholders Group	General Comment <b>(Part I)</b>	<p><b><u>Annex 3 - Disclosure</u></b></p> <p>The disclosure requirements are primarily focused on ensuring sufficient information is available to regulators to allow them to undertake their supervisory role which includes policyholder protection. IRSG agrees this is a critical aspect and should be the primary focus. IRSG also agrees that an appropriate level of public</p>	Noted.

			<p>information, in an understandable format, should be made available on an annual basis. This is consistent with the Solvency II (Level 1) Framework Directive (Article 51 para 1) which requires public disclosure on an annual basis. IRSG therefore supports the proposed scope of public disclosure of the quantitative reporting templates. Commercial sensitivity of data is also an important factor when considering public disclosure</p> <p>IRSG fully supports the objective to provide consistent basis for public reporting across Europe. IRSG recognises that this is a significant change for a number of jurisdictions and hence needs to be communicated and managed appropriately so as not to be misunderstood, particularly on initial application. In this context IRSG supports EIOPA's view that such public disclosure should only be required on an annual basis. As at present certain companies may choose to publicly disclose some information on a more frequent basis but this should be permitted and not required.</p> <p>IRSG notes that some stakeholders have concerns that the guidelines for the Solvency and Financial Condition Report report are overly detailed and not appropriate for disclosure to the public to this level of detail. IRSG is also conscious that it is important that companies have sufficient flexibility to explain how they manage the risks and in a manner they consider understandable to the public. Such flexibility is also necessary given that other Financial Reporting information is also released on an annual basis and it is important that public disclosures are coherent and comprehensive as a package, having regard to the wider user community beyond policyholders (including intermediaries, investors and analysts).</p> <p>On the other hand and concerning public disclosure of the solvency balance sheet figures, EIOPA should be aware of the different level of technical knowledge among the potential users of this information in order to avoid misleading or confusion</p>	<p>Noted. Some amendments were introduced regarding the information to be disclosed.</p> <p>Agreed. Column of BS based on accounting figure is no longer disclosed. However, information on main</p>
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			between Solvency II figures and accounting figures.	differences still has to be disclosed in the SFCR.
	Insurance and Reinsurance Stakeholders Group	General Comment <b>(Part I)</b>	<p><b><u>Annex 4 - Local requirements</u></b></p> <p>One objective of building Solvency II is to reach an harmonization in Europe of the prudential framework. Allowing regional variations, without sufficient justification, conflicts with this objective.</p> <p>Nevertheless, the basic conditions of the national-specific templates are quite general: specificity of local requirements or local market; information not covered by any Solvency II quantitative reporting templates ; and proof by national supervisory authorities that the objectives stated are met.</p> <p>IRSG is concerned that this may leave open the possibility that some elements of existing reporting may be required at local level with the Solvency II reporting package.</p> <p>In order to limit local reporting to real local specificities we believe that each local supervisor could be required to obtain an agreement from EIOPA before demanding local reporting of their undertakings. Alternatively, another possibility could be that, before demanding a new requirement, each supervisor would consult with EIOPA whether the proposed local requirement could be combined with the needs of other supervisors. Harmonisation among the supervisors who share the same kind of local requirements (for instance, the participation feature) would be useful.</p> <p>Furthermore, information requested locally should not be available by any other means. For example much information is already</p>	<p>Noted.</p> <p>EIOPA stresses the fact that they will exist only when specificities of the local market justify it and where it was considered that an harmonisation of the information to be reported was not adequate.</p>

			disclosed in annual financial statements.	
			There is also the issue of local requirements based on local accounting rules or the consolidated accounting rules. As the solvency framework is supposed to be self sufficient through a full prudential balance sheet approach, the local accounting data or the consolidated accounting data should only be addressed through reconciliation templates.	
	Insurance and Reinsurance Stakeholders Group	General Comment <b>(Part I)</b>	<p><b><u>Annex 5 - Proportionality and materiality</u></b></p> <p>Proportionality</p> <p>“Going further to operational objectives, the new requirements should ensure that all quantitative and qualitative regulatory requirements imposed on insurers are proportionate to the nature, scale and complexity of the insurer and its operations.” (§3.5 p.6 Impact assessment).</p> <p>IRSG believes that, regarding the balance sheet, the principle to provide a balance sheet if the reconciliation reserve cannot be explained sufficiently by the information reported in other templates is in itself sufficient. No threshold should be defined in IRSG’s opinion.</p> <p>IRSG believes that proxies for technical provisions and SCR components should be allowed for quarterly reporting where the use of annual processes are not justified based on a cost benefit analysis for quarterly reporting in IRSG’s view.</p> <p>Defining options with a possible threshold for application would be complicated to justify. Any threshold, especially from local supervisors, should be avoided in IRSG’s view.</p> <p>For annual templates, exemptions are less needed than for quarterly templates since small undertakings will have less to</p>	<p>See previous comments.</p> <p>The principle of proportionality is considered in the reporting requirements in three different dimensions. Firstly it is naturally embedded, meaning that a company with less complexity in their business will consequently have a minor reporting, e.g. less Lines of Business, less currencies, no derivatives, etc. Secondly, to some templates such as the detailed list of assets thresholds based primarily on</p>

			<p>report due to their size. IRSG thus agrees with the principle that there will be no exemption of annual templates for certain undertakings.</p> <p>Materiality</p> <p>As proxies may be used to produce quarterly information (especially regarding the best estimates), it should be assessed if those proxies could give rise to a material error in IRSG's view.</p> <p>IRSG believes that the definition in the level 2 implementing measures is sufficient: "The information to be disclosed in the solvency and financial condition report should be considered as material if its omission or misstatement could influence the decision-making or the judgement of the users of that document, including the supervisory authorities."</p> <p>Materiality shall remain a key judgment.</p> <p>For specific requirements (for instance, for ring-fenced funds or detailed list of assets), a level of threshold could be admitted in IRSG's view.</p>	<p>size were defined. Thirdly, to take all measures of the risk-based approach other thresholds and materiality principles were considered in several templates, both annual and quarterly.</p> <p>When considered adequate the exemptions and application of thresholds and materiality principles were revised and made clearer in the current package.</p>
	Insurance and Reinsurance Stakeholders Group	General Comment <b>(Part I)</b>	<p><b><u>Annex 6 - Audit – quality assurance</u></b></p> <p>Under Solvency II the emphasis is given to management responsibility and governance and the regulator responsibility to ensure that management have complied with the regulatory requirements. There is a requirement to reconcile the Solvency II calculations to statutory accounts reported figures at a high level. There is no external audit requirement for Solvency II in the Directive or any obvious role for an audit.</p> <p>In a number of jurisdictions across Europe the existing regulatory basis is not subject to audit. IRSG emphasises the need of a harmonised EIOPA approach across Europe on this issue to ensure</p>	<p>The current package does not address the issue of external audit.</p>

			<p>consistency (similar to the reporting requirements themselves).</p> <p>IRSG does not support any requirement for a mandatory audit of regulatory reports. The potential differences with statutory accounts reporting of both assets and technical provisions combined with the related use of internal models for capital requirements (in some circumstances) means an audit and associated expense would be burdensome and of limited benefit. It is also unclear at this stage to whom an auditor would be reporting to and in what form would any audit opinion take.</p> <p>This is therefore an important issue of cost/benefit since audit would be onerous and expensive. It is also unnecessary since the regulatory returns are already subject to close regulatory supervision and monitoring in contrast to the financial statements.</p>	
	Insurance and Reinsurance Stakeholders Group	General Comment (Part II)	<p><b><u>General observations regarding EIOPA consultation on Reporting Package:</u></b></p> <p>IRSG considers that consistent ongoing reporting to the regulator is a key aspect of a risk based supervisory regime and is an important element of Solvency II. IRSG would also agree that such requirements should be proportionate to the nature, scale and complexity of the insurer and its operations and needs to be balanced with policyholder protection. However, IRSG notes that some proposed reporting requirements are overly detailed for the purposes of microprudential and macroprudential supervision. The objective of reporting should be to enable regulators, who are now utilising a risk based supervisory approach under Solvency II, to identify whether there are specific issues which need discussion with individual companies they are supervising. It needs to be closely aligned with Pillar 2 and how companies are internally managing the risks. The objective is not to provide data so as to</p>	<p>Noted.</p> <p>See previous comments.</p>

			<p>re-perform but to gain comfort that appropriate risk management is being undertaken by management to protect policyholders. Therefore it is important that data requests are relevant to this and not produced solely for regulatory data collection but leverages wherever possible how companies manage the business. This should ensure that the right balance is drawn in terms of granularity, materiality and proportionality. At present IRSG think the EIOPA requirements remain overly prescriptive and burdensome in this regard.</p> <p>Similarly to our concern for the detailed list of assets, the level of details required for the reinsurance and technical provisions reporting templates (detailed list of the reinsurance treaties, information at product level in TP-F3) is particularly burdensome and costly beyond the benefit of such analysis.</p> <p>Regarding claims triangles, IRSG believes that insurers should report claims triangles to the supervisor using the same basis (accident or underwriting year) applied by management to determine the technical provisions. It would be inappropriate to impose a basis at a European or a National supervisory level that is not used by management itself.</p> <p>IRSG recognises the importance of providing an explanation of year on year movement but believes that the variation analysis reporting templates proposed do not correspond to how Solvency II results are analysed. In particular, IRSG notes that the proposal is far from the current practice for MCEV purposes and analytical tools and systems used by the majority of undertakings will not enable the completion of the templates to the high level of granularity proposed. The proposed templates combine accrual basis, cash flow basis and best estimates and therefore are more similar to profit and loss information which as such would introduce new requirements under Solvency II at this very late</p>	<p>Noted. Please see specific comments.</p> <p>Agreed. This was clarified</p> <p>On Variation analysis templates EIOPA engaged in a discussion with stakeholders and the current proposal represents a balanced approach between supervisory needs and stakeholders comments.</p>
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			<p>stage in the process. Moreover, the Variation Analysis templates should only be completed by solo entities and should remain private, and IRSG propose to develop with EIOPA a template that works for Industry and EIOPA. For internal model users, IRSG would suggest an option could be open which permits companies to use their own way of producing variation analysis, for example P&amp;L attribution analysis.</p> <p>IRSG supports EIOPA's current proposal to require SCR templates on an annual basis only. In IRSG's view, it would be preferable to have standard templates that follow the layout of the standard formula but allow firms to indicate whether each risk has been internally modelled or not.</p> <p>IRSG believes that the Article 69 of the Level 2 delegated acts defining the ring-fenced fund should be clarified especially to confirm that conventional unit linked and reinsurance business do not fall within the scope of ring-fenced funds and that ring fencing of insurance obligations without a designation of own funds doesn't constitute ring fenced funds. IRSG also believes that the level of information that shall be required should depend on a level of materiality consistent with the level that will be proposed to avoid calculating a notional SCR. In that sense, IRSG supports a high threshold that would assure consistency between the Pillar 1 and Pillar 3 requirements.</p> <p>IRSG welcomes the removal of some of the Group reporting templates and believe that the information requested at Group level should be limited. IRSG has concerns around the granularity of the requirements to report at group level at the level of the legal entity for non EEA entities.</p>	<p>Noted. However internal models do not have to follow the layout of the standard formula.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p>
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			<p>In IRSG's view, any requirement regarding narrative guidelines should be limited to the Solvency II framework.</p> <p>In relation to the implementation costs, any effort from EIOPA to make easy the development of software applications will be welcomed; especially for small undertakings cost could be very high and with no added value.</p> <p>Finally, the IRSG is of the view that there must be at least an 18 months period between achieving sufficient certainty on the content of the reporting requirements and full implementation of Solvency II. This would ensure that supervisors and the (re)insurers have sufficient time to implement the necessary systems and process in time before a full entry into force of Solvency II.</p>	<p>EIOPA is aware and shares this timing concern. This is the reason why CP9 was consulted with stakeholders early on and why an updated package is now being released. However, it should be noted that this process is not fully dependent from EIOPA. Undergoing discussions of OMBII Directive and the future implementing measures are expected to lead to changes in the reporting package and the final draft of Technical Standard to be developed by EIOPA will include those changes.</p> <p>Besides the changes that will arise from the on-going discussions of OMBII Directive and</p>
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				the future implementing measures, EIOPA believes that this package represents a stable view of the level of granularity of the information that supervisory authorities will need to receive
IRSG	General comments <b>(Part II)</b>	<p><b><u>Annex 1 - Underwriting vs accident year for reporting of claims development</u></b></p> <p>The IRSG believes that insurers should report claims triangles to the supervisor using the same basis applied by management to determine the insurer's technical provisions. Taking into account the stated objectives of proportionality, harmonisation and the efficiency of supervision of groups, the IRSG's preferred option in the "Impact assessment on the reporting package for Solvency II" is a variation of Option 1 (para 4.64 - undertakings to choose). IRSG believes that the choice should not be at the insurer's option but should reflect management's own basis (i.e. through the eyes of management). Option 2 (para 4.65 - specified standard by line of business) is the least favoured option. However, if option 1 is chosen, groups should be free to adopt a European consistent approach for their European subsidiaries enabling them to limit costs and facilitate an EU level of supervision of their activities.</p> <p>Although accident year reporting is generally preferred to underwriting year reporting where the date of loss is consistently available, insurance companies should have the option to use either underwriting year or accident year reporting in accordance</p>	It was clarified that reporting on technical provisions should be done using either accident year or underwriting year. EIOPA does not require the use of one approach over the other. However, NSA may decide otherwise.	

			<p>with the basis used by management to determine technical provisions.</p> <p>Claims are recorded by most insurers (particularly those involved in primary insurance) on the basis of the year in which an accident occurs. However, claims are recorded by many insurers (particularly those involved in writing retrocession, proportional reinsurance, marine, aviation and transport insurance, credit and bond insurance and insurance written under delegated authorities), on an underwriting year basis since the policies are written on a 'risks attaching' rather than a 'losses occurring' basis. Although the latter insurers are likely to be aware of (and record) the date of loss for all of its large claims (so that it can make recoveries from its ceded reinsurance treaties), for small claims, typically the insurer is unaware of the date of loss involved. Where this is the case insurers typically project their technical provisions using underwriting year claim triangles. Several insurers write business that falls into both categories and would therefore use both approaches for the relevant lines of business. IRSG believes it would be inappropriate to impose a basis that is not used by management itself and that would involve duplicate IT systems</p>	
	IRSG	<p>General comments <b>(Part II)</b></p>	<p><b><u>Annex 2 - Variation analysis template</u></b></p> <p>Whilst IRSG recognises the rationale for seeking an explanation in the movements in own funds year on year IRSG still have some significant concerns with the specific templates currently proposed. IRSG acknowledges the challenge in developing such an analysis and the efforts to engage with stakeholders on this but would strongly encourage the dialogue to continue to develop a practicable cost effective basis that reflects how companies manage and consider the business. IRSG would support a flexible 'through the eyes of management' approach as currently the proposed analysis does not reflect how companies themselves look to analyse such movements. In particular, for non-life business, the current templates are compulsory and ask for an underwriting year approach, distinguishing "old" and "new" business according</p>	<p>Noted and effective dialogue engaged with stakeholders</p> <p>The template has been modified in an important number of areas to address stakeholders major issues:</p> <p>Accident year approach has been allowed, the</p>

			<p>the underwriting year. To be consistent with the template TP-E3 and with current industry best practices, it is vital that an option be set to allow undertaking to fill in those templates using an accident year approach.</p> <p>The templates do not mirror how results are currently analysed and will be considered in a prospective Solvency II environment. Communication with the regulators should be based on how the business is managed and the underlying data is held, processed and reported. As examples -i) the split between new business and existing business represents a significant burden, ii) similarly the reporting of best estimate cash-flows on a gross rather than a net of reinsurance basis iii) movements in investments as currently analysed by insurance undertakings do not differentiate between assets held at the start of the year and acquired during the period. and iv) consistent with IFRS revenues are analysed on an accrual rather than a cash basis.</p> <p>Forward-looking comparators for Own Funds are potentially more insightful than the historical analysis presented in the VA templates. For Life undertakings using an internal model, the requirements for the P&amp;L Attribution is more relevant than the current VA QRTs to explain the movements in BOF related to the risks accepted by the undertaking.</p>	<p>detailed analysis on reinsurance recoverable has been removed, analysis of revenues has been moved from cash flow basis to accrual basis, detailed analysis on movements in investments has been removed, order of calculation in VA C2C (for the roll forward of BE) has been amended...</p> <p>On some points but and after important discussions, EIOPA made the choice to keep its requirements, whilst but making the template simpler (with enhanced possible reconciliations with other templates, further clarifications...):</p> <p>Split per period has been considered as a meaningful</p>
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			<p>The split by line of business which was removed in the previous consultation and is now reinstated will be costly and burdensome with limited added value. While line of business analysis is relevant for non-life insurance IRSG does not think it adds value in life insurance, and it is rarely used by management.</p> <p>IRSG also wonders if the proposal to split the reinsurance recoverables into risks accepted during and prior to period adds any value. Unwinding effects and effects of changes in the discount rate might be shown separately, all other effects should be shown only as one figure.</p> <p>Since the current proposals are not in line with how companies analyse such movements the value of such analysis is questionable and would lead to significant implementation costs since the extant systems do not produce the information in the breakdowns proposed. Overall IRSG considers further collaboration is necessary for to the development of appropriate and relevant movement analysis templates.</p> <p>IRSG supports the current proposal that the Variation Analysis templates should only be completed by solo entities and should remain private.</p>	<p>analysis, and V.A has been kept for all undertakings, considering that there is no overlap with P&amp;L attribution and that it is important to have a harmonized reporting.</p> <p>As regards split per LoB, it has finally been decided to request the following breakdown on the analysis per period:</p> <ul style="list-style-type: none"> <li>- For Life: only Life and Health SLT (no additional breakdown per LoB)</li> <li>- For Non Life: per LoB, without threshold (Note that the lines of business (LoB) will refer to both direct business and accepted proportional reinsurance)</li> </ul> <p>Split of reinsurance recoverables has</p>
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				been removed
				Noted
				Agree
	IRSG	General comments <b><u>(Part II)</u></b>	<p><b><u>Annex 3 - Reinsurance</u></b></p> <p>1) Regarding reinsurance templates (especially J2 and J3), the level of detail is particularly burdensome and costly beyond the benefit of such analysis. Consideration should be given to reducing the amount of treaty level detail and perhaps replacing it with graphical representations of the reinsurance programme at the balance sheet date.</p> <p>2) Template J2 requires disclosure of individual reinsurance treaties, which is overly granular and burdensome for those territories that have not previously reported to this level of granularity. IRSG would recommend a threshold instead, consistent with the approach taken for template J1 facultative insurance.</p> <p>3) IRSG also believes that similarly to the J1 template that only includes the 10 most important risks; a threshold at business level would be welcome. IRSG notes however that a significant amount of work would be required to identify the ten policies with biggest net share of risk capital across each line of business.</p> <p>4) Template J3 requires broker details for outward reinsurance</p>	<p>1) Without the requested additional information collected data might not be properly processed and therefore would not be useful. A correct management of the underwriting risks depends on this information.</p> <p>2) Decision has been taken not to base reporting on a material threshold or proportionality, to allow data to be significant</p>

			<p>exposure. This is burdensome and would need the disaggregation of reinsurer counterparty exposures when business introduced through more than one channel / broker and IRSG wonder if this information is very useful. Consideration could instead be given to narrative disclosure on the insurers' dependence on individual brokers</p>	<p>and properly usable as a whole.</p> <p>3) Facultative risks are exceptional risks which must be administered very well. A correct management of risk depends on this information. Unfortunately initial operational costs cannot be prevented. Without the requested additional information collected data might not be properly processed and therefore would not be useful.</p> <p>4) We need the specification of the name of the Broker, to assess the counterparty risk related to the specific reinsurer, and</p>
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				the name of the reinsurer, to know to which intermediary the transfer of risk has been outsourced.
	IRSG	General comments <b>(Part II)</b>	<p><b><u>Annex 4 - Technical Provisions</u></b></p> <p>IRSG believes that the level of required detail is particularly burdensome and costly beyond the benefit of such analysis (templates E2, E3 &amp; F2). A lot of effort would be required in the development and ongoing maintenance of such reporting requirements. For instance, it should be sufficient to report the gross best estimate total instead of per "cash in-flow" and "cash out-flow" for businesses modelled using simplifications and IRSG suggests removing the new requirement for the total amount of surrenders. Moreover, best estimate liabilities are evaluated using stochastic projections. It is unclear whether cash flows should be reported as deterministic cash flows based on one average scenario (certainty equivalent) or as the average of the stochastic projection. Giving an average deterministic scenario could be preferred as it enables one to understand the effect of the assumptions of the management in this average scenario.</p> <p>The historical loss development triangles are key inputs for actuarial reserving methods but do not provide meaningful information just by themselves. A 15 year history is disproportionate for all but long-tail lines of business. The exact term of development year will be dependent on the specific line of business (e.g. a 5 year development term might be appropriate for short-tail business such as motor damage, as loss development beyond this point will be immaterial).</p>	<p>EIOPA welcomed the thoughts and arguments put forward as they allowed for an appropriate discussion.</p> <p>Templates were amended when considered appropriate. See also specific comments below.</p> <p>EIOPA believes that it achieved a balanced approach taking into account the costs and benefits of such requirements</p> <p>It is not requested</p>

			<p>IRSG is particularly concerned about transitional requirements, as to restate historical data in Solvency II format will be costly, not necessarily accurate, and may well not be available especially for the full 15 years proposed. Many insurers did not collect the data in the discussed format neither in general nor over a 15-years horizon. IRSG therefore suggests that Best Estimate, Reinsurance, Salvage and Subrogation and RBNS triangles be filled in on a best effort basis for the years before the entry into force of Solvency II, and on a compulsory basis for the years after. The application of proportionality and materiality is particularly important in this regard when requesting retrospective information on first time adoption of Solvency II.</p> <p>Regarding the split between the gross claim and the salvage or the subrogation, it will be very difficult for undertakings to reconstruct the information from the past if the information was not collected. It will also be expensive to organise processes and IT systems to be ready to present it in future.</p> <p>IRSG recognises that the TP templates are now solo only, not Group. However, IRSG notes that much of the data from the TP templates are required by EIOPA for Groups for Financial stability purposes, and thus will still be required for non-EEA entities. For territories which might be granted transitional equivalence it is unclear how they would reported when the technical provisions are calculated on a completely different basis.</p> <p>The reporting of gross best estimate by country for the Life template (F1 template) should be limited to direct business only in line with non-Life template (E1 template) in order to be consistent.</p>	<p>to report mandatory the full the triangle filled in with 15y but to report according the claims development of undertakings. The LOG was amended in order to clarify better the requirement</p> <hr/> <p>Following industry comments, technical provisions by line of business is no longer required for groups for financial stability reporting. EIOPA acknowledges that this would be demanding for insurers and will not require technical provisions by line of business for groups.</p>
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		<p>In the F3 template, as a general comment, the required data is currently not held nor matched at the product denomination level to this level of granularity. More importantly, calculations of the best estimate at HRG level would be very onerous and costly for the industry both in terms of man-hours and IT requirements. It should be noted that the same product could be part of several HRGs e.g. products with different guaranteed rates during the life of a single contract. Consideration should be given to consolidating products into higher level categories or materiality limits.</p> <p>In the E1 template, the line of business split according EEA member states as well as non EEA member states regarding technical provisions seems inappropriate due to the following reasons:</p> <p>(1) Their calculation is usually performed on a higher aggregated level than on a single country basis, i.e. homogeneous risk groups cover more than one country (e.g. Germany and Austria might be seen as homogeneous risk groups),</p> <p>(2) The split by country is not feasible for some segments. Especially for marine,, aircraft and goods in transit, a country cannot be specified and only worldwide exposure could be shown. Similarly for health insurance, the insured person might also be insured while travelling – with no country assigned. Regarding accepted non-life business from reinsures, the split by country where the risk is located, is much more difficult to determine than for direct business.</p> <p>(3) The classification of risks as required is in most cases concerning non-life business more detailed than the minimum segmentation requirement for the calculation of technical provisions. The classes regarding sickness and accident as set out in the Annex 1 of the Framework Directive do not match with the required minimum segmentation for calculating the technical provisions.</p>	<p>Instead, an overall balance sheet item will be requested from the BS-template quarterly with the following splits: i) Non-life (excluding health), ii) health (similar to non-life), iii) health (similar to life), iv) life (excluding health and index-linked and unit-linked), and v) index-linked and unit-linked.</p> <p>The triangle with salvage and subrogation have been deleted</p>
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				<p>Agreed. Changed to be same as in TP-E1.</p> <p>Disagree, however, if products have similar characteristics they can be put together and not needed to be on different lines.</p> <p>Disagree. However, please note that concerning the item "Additional information: gross BE for different countries" a materiality threshold applies. Only specify countries representing up to 90% of the BE (referred to direct business) for a certain Line of business should be</p>
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				reported, with rest in "other-EEA" or "other-non EEA"
IRSG	General comment <b>(Part II)</b>	<p><b><u>Annex 5 - SCR and MCR templates</u></b></p> <p>IRSG supports EIOPA's proposal to require SCR templates on an annual basis only.</p> <p>IRSG acknowledges that these templates are for standard formula users only. However, undertakings and Groups with an approved internal model will be required to complete these templates, if under Article 112(7) they provide an estimate of the SCR to their Supervisor using the standard formula. In IRSG's view, in this case, it should not be required to complete a full set of standard formula SCR templates as this would be unnecessarily costly and burdensome. Instead, it would be preferable to have standard templates that follow the layout of the standard formula but allow firms to indicate whether each risk has been internally modelled or not.</p>	<p>Regarding the use of SCR templates by undertakings that use an internal model and for which the supervisory authority has required an estimation of the SCR in accordance with article 112(7) it was clarified that only general template should be filled in and that the use of the templates specific to the risk modules should not, by default, be filled in.</p> <p>For financial stability purposes, quarterly information on the</p>	

				<p>solvency capital position of insurers is considered crucial. The overall SCR is therefore requested quarterly for undertakings within the FS scope, but only on a best-effort basis. As indicated in CP11, the SCR should therefore only be updated with volatile elements. For (partial) internal model users this can be based on their use test. Standard formula users should re-calculate the volatile components of the SCR (this would usually be the market risk module) in order to report the overall SCR on best effort basis.</p>
Insurance and Reinsurance Stakeholders Group	General Comment <b>(Part II)</b>	<b><u>Annex 6 - RFF (ring-fenced funds)</u></b> With respect to ring fenced funds, IRSG would stress that there is a difference between "ring fenced funds" and "ring fencing of insurance obligations". The latter should not be within the scope of	Noted. Reporting requirements follow Pillar I	

		<p>these templates as there is only an impact on the technical provisions and not on the "own funds of an insurer". There is also no designation of the own funds towards these insurance liabilities.</p> <p>A ring-fenced fund arises as a result of the restriction on a going concern basis of own funds items so that they can only be used to cover losses: (i) on a defined portion of the undertaking's insurance contracts, (ii) in respect of certain policyholders or beneficiaries, or (iii) arising from particular risks (Article 69 of the Level 2 delegated acts). IRSG believes that a clear definition of ring-fenced fund is necessary (i.e. a clarification that unit linked and reinsurance business do not fall within the scope of ring-fenced funds would be welcome).</p> <p>The proposal extends the reporting for RFF. The application of the templates to RFF would not generate extra cost as long as the information is already required for Pillar 1 requirements. The information required (that is SCR, Technical provisions, Own funds) is costly but since those information are used for the pillar 1, IRSG does not see any reason why those information should not be provided. However, the submission of a full balance sheet for all the material RFF is burdensome.</p> <p>The ring-fenced fund framework provides the option for undertakings to avoid calculating a notional SCR if the ring-fenced fund is not material. The level of materiality has not been defined yet. IRSG believes that the level of information that shall be required depends on the level of proportionality:</p> <p><input type="checkbox"/> If a low threshold is defined (i.e. small ring-fenced fund captured): a unique reporting for the all the material or complex ring fenced fund shall be required. Criteria would specify the type of RFF considered as material and for which the reporting</p>	<p>requirements.</p> <p>The requirements were kept. However it is expected that templates applicable to RFF will be revised later on as the matching premium may impact RFF treatment.</p>
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			<p>requirements would apply on an individual basis. For instance,</p> <ul style="list-style-type: none"> <li>o RFF which represent more than 5% of the total balance sheet (based on 31/12/N-1) would be considered as material and would thus be subject in itself to the requirements ; or</li> <li><input type="checkbox"/> If a high threshold is defined (i.e. large ring-fenced fund captured) and if this level of proportionality is consistent with the one described above, IRSG agrees that the reporting shall be provided for each material ring-fenced fund.</li> </ul> <p>IRSG supports a high threshold that would assure consistency between the pillar 1 and pillar 3 requirements.</p>	
	IRSG	<p>General comment <b>(Part II)</b></p>	<p><b><u>Annex 7 - Comments on the group specific templates / Risk concentration templates</u></b></p> <p>IRSG acknowledges that the group supervisor is responsible for assessing the level of influence exercised by the parent undertaking as either "dominant" or "significant". However, it would be helpful to have some guidelines, such as the thresholds outlined in QIS 5.</p> <p>Concerning the entities belonging to the group (template G01) IRSG believes that the split of performance (cells J1 &amp; K1) should be classified in accordance with the final Variation Analysis template. Furthermore, there may be cases where this split (as well as other detailed information) is only available at the level of segments and not at the level of entities. IRSG believes that it would be commercially sensitive, and therefore not appropriate, to publicly disclose information on underwriting/investment/total performance on a single entity level. The disclosure requirements in J1-L1 regarding "performance figures" should therefore be deleted.</p>	<p>Noted.</p> <p>G01: No it should not be filled in with VA figures. Performance under GAAP should be reported</p> <p>Noted. On the disclosure of the Risk Concentration template, this is no longer required. However, narrative information should be included in the SFCR.</p> <p>G03: The detailed list of capital requirements for EEA re-insurance</p>

			<p>Regarding G03, it is mentioned that data for non EEA entities should be gathered in any case (and even if Solvency II figures are used via D&amp;A) as they will provide the group supervisor with assessment of difference between local and Solvency II figures. The requirement to complete local solvency information where equivalence has not been recognised may prove onerous. IRSG believe that the cost/benefits of such a requirement should be assessed.</p> <p>Concerning the Solvency assessment for all regulated non-(re)insurers (template G04) IRSG has the following comments: this template corresponds formally to the template G03 that refers to special legal requirements. In contrast to template G03 template G04 does not seem to be linked with specific legal requirements, and IRSG wonders if a threshold could be introduced to allow that smaller immaterial non-(re)insurance undertakings be reported as a whole.</p> <p>Regarding the intra-group transactions (template IGT1 till IGT4), in IRSG's opinion, those templates are burdensome. The reporting of IGT at entity level is onerous requiring a large amount of data to be captured, so IRSG would support that some form of aggregate reporting be allowed. Indeed, a concentration on a bigger cluster of transactions with the most relevant transactions seems to deliver a better understanding of the transactions. It is important that the thresholds "significant" and "very significant" are defined in proportion to the scale and the complexity of the group and are balanced against additional reporting costs. Furthermore, we would like to note that the formats of the IGT templates are difficult to understand and are not user friendly.</p>	<p>undertakings and non EEA re-insurance undertakings (if Solvency II rules have been used) is required in case of D&amp;A (G03-columns B1-M1). Information on local capital requirements for non EEA re-insurance undertakings (G03-columns N1-P1) are required in case of application of all three methods of calculation (AC, D&amp;A or a combination of them). G04: A case of an aggregation that is accepted has been introduced: when the entities of other financial sectors form a group with a specific capital requirement this consolidated capital requirement can be accepted instead of the list of each solo requirement</p>
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			<p>On risk concentration (template RC), a full understanding of the complexity will not be achieved with a list of counterparties and exposures. Therefore IRSG doesn't believe the Risk Concentration templates meet the purpose, despite the onerous effort that will be required to complete the information. IRSG would rather see qualitative disclosures and consideration of insurer's Pillar 2 processes as the main means of considering insurers management of risk concentration. IRSG would note that other aspects of Solvency II such as the stress scenario testing of SCR ensure there is adequate monitoring of risk concentration. It should not be the case that disclosure of detailed information on risk concentrations should be limited as this information is commercially sensitive and could have a significant impact on the financial situation of a (re)insurer</p>	<p>IGT: The Level 1 Directive outlines that all significant IGT are to be reported. The Level 3 Guidelines on Supervision of Risk Concentration and Intra-Group Transactions (L3G-IGT) elaborate further on this and specify the types of transactions to report. Intra-group equity transactions are identified as a type of IGT to be reported.</p> <p>RC: It is important to know which entities are involved in the exposure to be aware of the impact a potential risk concentration could have on each entity involved.</p> <p>On the disclosure of the Risk Concentration template, this is no longer required. However, narrative information should</p>
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				be included in the SFCR
	IRSG	General comments <b>(Part II)</b>	<p><b><u>Annex 8 Narrative guidelines</u></b></p> <p>In IRSG's view, any requirement should be limited to the Solvency II framework. Especially the guidelines for the SFCR seem overly detailed and not appropriate for disclosure to the public in full. Moreover, the information should be submitted in a single reporting (double reporting should be avoided when practicable).</p> <p>It seems that the narrative reporting guidelines are not structured in a clear manner i.e. it should be clearly stated if information is required at solo or group level.</p>	<p>A careful consistency check between the level 2 text and these guidelines has been carried out after the public consultation. When a guideline was not in line with the delegated acts, that guideline has been changed</p> <p>Noted but the RSR should be a stand-alone document</p> <p>Structure of the guidelines was revised.</p>

## 4.2. Annex 2

### Guidance to read Annex 4.2 and the updated reporting package

1. Undertakings and groups shall submit the information contained in the quantitative reporting templates according to their frequency and deadlines, to be established in implementing measures.
2. The groups where the parent undertaking is a mixed-activity or insurance holding company need to report the four IGT templates.
3. Undertakings and groups shall publicly disclose in their Solvency and Financial Condition Report the templates as set out in the disclosure files.
4. Undertakings shall submit to supervisors, for each of their material RFF, the quantitative reporting templates as set out in the tables below.
5. Regarding the information for financial stability purposes, the following entities shall submit the information:
  - a) Groups with assets with more than EUR 12 bn in total assets in the SII balance sheet;
  - b) Undertakings with more than EUR 12 bn in total assets in the SII balance sheet and that do not belong to a group reporting under previous criterion;
  - c) Undertakings designated for reporting by the National Supervisory Authorities (NSAs) in order to reach a national market coverage of at least 50% in terms of total assets (in selecting the reporting sample, the largest undertakings shall be designated first). EIOPA will establish Guidelines to enable NSA to assess how to reach the 50 % threshold in a harmonised way.
6. The information identified as for Financial Stability purposes should be reported by:
  - a) Groups that fall into the threshold within 6 weeks for both quarterly and annual information;
  - b) Solo undertakings that fall into the threshold (and that do not belong to a group) within 5 weeks for the quarterly information;
  - c) Solo undertakings that fall into the threshold (and that do not belong to a group) within 6 weeks for the quarterly information that is not part of the micro-package and annually information;
7. In order to keep the sample composition more stable over time, admission to and deletion from the sample shall be phased in and phased out. This would

mean that groups/undertakings whose total assets balance sheet is close to the threshold (EUR 12 bn) shall not switch in and out every other year.

8. For admission to the sample, EIOPA will analyse, on an annual basis, by means of the information received by NSAs, whether groups/undertakings which are currently not part of the sample have total balance sheet of more than EUR 13 bn EUR (current threshold plus EUR 1 bn) – these groups/undertakings shall be included immediately (with an advance notice so that groups/undertakings have six months to prepare the reporting).
9. Groups/undertakings with total balance sheet of more than EUR 12 bn, but below EUR 13 bn, shall be included as soon as the threshold has been exceeded for two consecutive years (with the same six months notice period).
10. Following the same approach, groups/undertakings shall immediately drop out of the sample if the total balance sheet amounts to less than EUR 11 bn (current threshold minus EUR 1 bn), according to EIOPA's analysis. Further, groups/undertakings shall be deleted from the sample if their total balance sheet is less than EUR 12 bn for two consecutive years.
11. EIOPA shall inform NSAs on an annual basis about the results of its analysis. If sub-group supervision is applicable, by default, the same reporting requirements as for groups are applicable (decision to be taken by NCA).
12. For undertakings which are designated for reporting by their national supervisors under the third criterion, the six months notice period will also apply.

## Content of "Annual reporting solo templates"

Template	Description	Financial Stability*	RFF	Deadline (end of transitional period)
BS - C1	Balance sheet		Yes	14 weeks
BS - C1B	Off-balance sheet items			14 weeks
BS - C1D	Assets and liabilities by currency			14 weeks
Country - K1	Activity by country			14 weeks
Cover - A1A	Premiums, claims & expenses			14 weeks
OF - B1A	Own funds		Yes	14 weeks
Participations	Participations			14 weeks
VA - C2A	Summary analysis of changes in BOF			14 weeks
VA - C2B	Analysis of changes in BOF due to investments			14 weeks
VA - C2C	Analysis of changes in BOF due to technical provisions			14 weeks
SCR - B2A	SCR (for undertaking on standard formula or partial internal model)		Yes	14 weeks
SCR - B2B	SCR (for undertakings on partial internal models)		Yes	14 weeks
SCR - B2C	SCR (for undertaking on full internal models)		Yes	14 weeks
SCR - B3A	SCR - market risk		Yes	14 weeks
SCR - B3B	SCR - counterparty default risk		Yes	14 weeks
SCR - B3C	SCR - life underwriting risk		Yes	14 weeks
SCR - B3D	SCR - health underwriting risk		Yes	14 weeks
SCR - B3E	SCR - non-life underwriting risk		Yes	14 weeks
SCR - B3F	SCR - non-life catastrophe risk		Yes	14 weeks
SCR - B3G	SCR - operational risk		Yes	14 weeks
MCR - B4A	MCR (except for composite undertakings)			14 weeks
MCR - B4B	MCR (for composite undertakings)			14 weeks
Assets - D1S	Structured products Data - Portfolio list			14 weeks
Assets - D3	Return on investment assets (by asset			14 weeks

	category)			
Assets - D4	Investment funds (look-through approach)			14 weeks
Assets - D5	Securities lending and repos			14 weeks
Assets - D6	Assets held as collateral			14 weeks
TP (L) - F1	Life and Health SLT Technical Provisions		Yes	14 weeks
TP (L) - F2	Projection of future cash flows (Best Estimate - Life)			14 weeks
TP (L) - F3	Life obligations analysis	Yes, only specific information		14 weeks (6 weeks for FS)
TP (L) - F3A	Only for Variable Annuities - Description of guarantees by product			14 weeks
TP (L) - F3B	Only for Variable Annuities - Hedging of guarantees			14 weeks
TP (L) - F4	Information on annuities stemming from Non-Life insurance obligations			14 weeks
TP (NL) - E1	Non-Life Technical Provisions		Yes	14 weeks
TP (NL) - E2	Projection of future cash flows (Best Estimate - Non-life)			14 weeks
TP (NL) - E3	Non-life Insurance Claims Information			14 weeks
TP (NL) - E4	Movements of RBNS claims			14 weeks
TP (NL) - E6	Loss distribution profile non-life			14 weeks
TP (NL) - E7A	Underwriting risks (peak risks)			14 weeks
TP (NL) - E7B	Underwriting risks (mass risks)			14 weeks
Re - J1 Basic	Facultative covers non-life & life			14 weeks
RE - J1 Shares	Facultative covers non-life & life			14 weeks
Re - J2 Basic	Outgoing Reinsurance Program in the next reporting year	Yes, only specific information		14 weeks (6 weeks for FS)
Re - J2 Shares	Outgoing Reinsurance Program in the next reporting year	Yes, only specific information		14 weeks (6 weeks for FS)
Re - J3	Share of reinsurers			14 weeks
Re - SPV	Special Purpose			14 weeks

		Insurance Vehicles			
Profit or sharing	Loss	Average profit (or loss) sharing	Yes (only for FS)		6 weeks
Duration of liabilities	of	Duration of liabilities	Yes (only for FS)		6 weeks

\* When the templates include information to be reported for Financial Stability purposes the cells are identified in the excel files with the text colour blue. This would mean that the insurers need to report this information within the deadlines for Financial Stability information

## Content of “Quarterly reporting solo templates”

Template	Description	Financial Stability*	Deadline (end of transitional period)
BS - C1	Balance sheet	Yes, only specific information	5 weeks
Cover – A1Q	Premiums, claims & expenses	Yes, only specific information	5 weeks
OF - B1Q	Own funds	Yes, only specific information	5 weeks
SCR - B2A_B2C	SCR	Yes (only for FS)	6 weeks
MCR - B4A	MCR (except for composite undertakings)	Yes, only specific information	5 weeks
MCR - B4B	MCR (for composite undertakings)	Yes, only specific information	5 weeks
Assets - D1	Investments Data - Portfolio list	Yes	5 weeks
Assets - D1Q	Investments Data – Summary		5 weeks
Assets - D2O	Derivatives data – open positions	Yes	5 weeks
Assets - D2T	Derivatives data - historical derivatives trades		5 weeks
Assets - D3	Return on investment assets (by asset category)	Yes	5 weeks
Assets - D4	Investment funds (look-through approach)	Yes	5 weeks
Assets - D5	Securities lending and repos	Yes	5 weeks
TP (L) - F1Q	Life and Health SLT Technical Provisions	Yes, specific information	5 weeks
TP (NL) - E1Q	Non-Life Technical Provisions	Yes, specific information	5 weeks
Re - J2 Basic	Outgoing Reinsurance Program in the next reporting year		5 weeks
Re - J2 Shares	Outgoing Reinsurance Program in the next reporting year		5 weeks
Re - J3	Share of reinsurers	Yes	5 weeks
Lapses	Lapses/Surrender rate (contracts/volume)	Yes (only for FS)	6 weeks
Profit and loss	Profit and loss	Yes, but only Q2 and Q4 (only for FS)	6 weeks

\* When the templates include information to be reported for Financial Stability purposes the cells are identified in the excel files with the text colour blue. This would mean that the insurers need to report this information within the deadlines for Financial Stability information

## Content of "Annual disclosure reporting solo templates"

BS - C1	Balance sheet
Cover – A1Q	Premiums, claims & expenses
OF - B1Q	Own funds
SCR - B2A	SCR (for undertaking on standard formula or partial internal model)
SCR - B2B	SCR (for undertakings on partial internal models)
SCR - B2C	SCR (for undertaking on full internal models)
MCR - B4A	MCR (except for composite undertakings)
MCR - B4B	MCR (for composite undertakings)
TP (L) - F1Q	Life and Health SLT Technical Provisions
TP (NL) - E1Q	Non-Life Technical Provisions
TP (NL) - E3	Non-life Insurance Claims Information

## Content of "Annual reporting group templates"

Template	Description	Financial Stability*	Deadline (end of transitional period)
BS - C1	Balance sheet		20 weeks
BS - C1B	Off-balance sheet items		20 weeks
BS - C1D	Assets and liabilities by currency		20 weeks
Cover - A1A	Premiums, claims & expenses		20 weeks
OF - B1A	Own funds		20 weeks
SCR - B2A	SCR (for undertaking on standard formula or partial internal model)		20 weeks
SCR - B2B	SCR (for undertakings on partial internal models)		20 weeks
SCR - B2C	SCR (for undertaking on full internal models)		20 weeks
SCR - B3A	SCR - market risk		20 weeks
SCR - B3B	SCR - counterparty default risk		20 weeks
SCR - B3C	SCR - life underwriting risk		20 weeks
SCR - B3D	SCR - health underwriting risk		20 weeks
SCR - B3E	SCR - non-life underwriting risk		20 weeks
SCR - B3F	SCR - non-life catastrophe risk		20 weeks
SCR - B3G	SCR - operational risk		20 weeks
Assets - D1S	Structured products Data - Portfolio list		20 weeks
Assets - D3	Return on investment assets (by asset category)		20 weeks
Assets - D4	Investment funds (look-through approach)		20 weeks
Assets - D5	Securities lending and repos		20 weeks
Assets - D6	Assets held as collateral		20 weeks
TP (L) - F3	Life obligations analysis	Yes (only for FS)	6 weeks
Duration of liabilities	Duration of liabilities	Yes (only for FS)	6 weeks
Re - J2 Basic_Shares	Outgoing Reinsurance Program in the next reporting year	Yes, only specific information	20 weeks (6 weeks for FS)
Re - J3	Share of reinsurers		20 weeks
Re - SPV	Special Purpose Insurance Vehicles		20 weeks

Profit or Loss sharing	Average profit (or loss) sharing	Yes (only for FS)	6 weeks
G01	Entities in the scope of the group		20 weeks
G03	(Re)insurance Solo requirements		20 weeks
G04	Non-(re)insurance Solo requirements		20 weeks
G14	Contribution to group TP		20 weeks
IGT1	IGT - Equity-type transactions, debt and asset transfer		20 weeks
IGT2	IGT - Derivatives		20 weeks
IGT3	IGT - Internal reinsurance		20 weeks
IGT4	IGT - Cost sharing, contingent liabilities, off BS items and other IGT		20 weeks
RC	Risk concentration - general		20 weeks

\* When the templates include information to be reported for Financial Stability purposes the cells are identified in the excel files with the text colour blue. This would mean that the insurers need to report this information within the deadlines for Financial Stability information

## Content of “Quarterly reporting group templates”

Template	Description	Financial Stability	Deadline (end of transitional period)
BS - C1	Balance sheet	Yes, only specific information	11 weeks 6 weeks for FS
Cover - A1Q	Premiums, claims & expenses	Yes, only specific information	11 weeks 6 weeks for FS
OF - B1Q	Own funds	Yes, only specific information	11 weeks 6 weeks for FS
SCR - B2A_B2C	SCR	Yes (only for FS)	6 weeks
Assets - D1	Investments Data - Portfolio list	Yes	11 weeks 6 weeks for FS
Assets - D2O	Derivatives data – Open positions	Yes	11 weeks 6 weeks for FS
Assets - D2T	Derivatives data - Historical derivatives trades		11 weeks
Assets – D3	Return on investment assets (by asset category)	Yes (only for FS)	6 weeks
Assets - D4	Investment funds (look-through approach)	Yes	11 weeks 6 weeks for FS
Assets - D5	Securities lending and repos	Yes (only for FS)	6 weeks
Re - J3	Share of reinsurers	Yes (only for FS)	6 weeks
Lapses	Lapses/Surrender rate (contracts/volume)	Yes (only for FS)	6 weeks
Profit and Loss	Profit and loss	Yes, but only Q2 and Q4 (only for FS)	6 weeks

\* When the templates include information to be reported for Financial Stability purposes the cells are identified in the excel files with the text colour blue. This would mean that the insurers need to report this information within the deadlines for Financial Stability information

## Content of "Annual disclosure group templates"

BS - C1	Balance sheet
Cover - A1Q	Premiums, claims & expenses
OF - B1Q	Own funds
SCR - B2A	SCR (for undertaking on standard formula or partial internal model)
SCR - B2B	SCR (for undertakings on partial internal models)
SCR - B2C	SCR (for undertaking on full internal models)
G01	Entities in the scope of the group

## **Solo Excel Templates**

[Quarterly Reporting Solo Templates](#)

[Annual Reporting Solo Templates](#)

[Annual Disclosure Solo](#)

## **Groups Excel Templates**

[Quarterly Reporting Group Templates](#)

[Annual Reporting Group Templates](#)

[Annual Disclosure Group](#)

## **Summary docs**

[Summary docs\\_final](#)

## **LOG files**

[LOG files\\_final](#)

# Draft Guidelines On Solvency and Financial Condition Report and the Regular Supervisory Report, reporting under predefined events and undertaking's Processes for Reporting & Disclosure

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# Guidelines

## Introduction

- 1.1. According to Articles 35, 51, 53, 54, 55, 254 (2) and 256 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II, hereafter “the Directive”)<sup>1</sup>, the present Guidelines seek to provide additional details on how the public disclosure and supervisory reporting requirements within the Directive are to be interpreted.
- 1.2. The following Guidelines aim at giving further details as to what supervisory authorities should expect from undertakings with regards to:
  - the content of the Solvency and Financial Condition Report (SFCR);
  - the content of the Regular Supervisory Report (RSR);
  - reporting in the case of predefined events (PDE);
  - undertakings own processes for public disclosure and supervisory reporting.
- 1.3. The Guidelines on the content of the SFCR and the RSR are aimed at harmonising public disclosure and supervisory reporting, to the extent that further clarification and detail in addition to the implementing measures will be needed, by specifying the minimum content of selected sections of the reports.
- 1.4. These Guidelines follow the structure of the SFCR and the RSR as set out in the Solvency II Directive. There is a specific section for solo undertakings and a specific section for groups<sup>2</sup>.
- 1.5. Guidelines under the solo section by default apply to all undertakings, i.e. these Guidelines should be applied by all solo undertakings when producing their solo SFCR/RSR and also by groups when they are producing their group SFCR/RSR<sup>3</sup>. However, some guidelines under the solo section apply only to solo undertakings which belong to a group, irrespective of whether the group is an insurance group. Where this is the case, it clearly stated in the Guidelines.
- 1.6. When guidelines in the group section are only to be applied in the group SFCR or group RSR, they apply only to the participating insurance and reinsurance undertakings or insurance holdings companies . In such cases

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<sup>1</sup> OJ L 335, 17.12.2009

<sup>2</sup> The responsible entities for group reporting are referred to as « participating insurance and reinsurance undertakings » or « insurance holding companies » in the following text to be in line with the level 1 text on groups.

<sup>3</sup> In line with Article 256 of the Directive which states that “Articles 51 and 53 to 55 shall apply mutatis mutandis” and Article 254 which states that “Article 35 shall apply mutatis mutandis”

a group is defined within the meaning of Article 212 and 213 of the Directive.

- 1.7. Some Guidelines apply only to undertakings and group undertakings using an internal model or a partial internal model to calculate the SCR. Unless otherwise stated, Guidelines apply to all undertakings regardless of the use the standard formula, an internal model or a partial internal model to calculate the SCR.
- 1.8. The Guidelines on predefined events, which apply to both solo undertakings and also to groups, are aimed at further specifying the requirements set out in Article 35 (2) (a) (ii) and 245 (2) of the Directive,.
- 1.9. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in paragraph 1.1.
- 1.10. The Guidelines reflect the principle of proportionality. This allows undertakings to appropriately reflect the specific risk profile of their business.

# **Title I: Solvency and Financial Condition Report**

## **Chapter 1. Solo undertakings**

### **Section 1: Business & Performance**

#### **Guideline 1 - Business**

Undertakings should disclose at least the following information regarding their business:

- a) Identification of the corporate entities or the natural persons that are direct holders of qualifying holdings, the proportion of ownership interest held and, if different, the proportion of voting power held;
- b) The name and location of the parent and of the ultimate parent entity;
- c) A list of material subsidiaries including the name, country, proportion of ownership interest and, if different, proportion of voting power held; and
- d) A simplified structure chart.

### **Section 2: System of governance**

#### **Guideline 2 - Governance Structure**

Undertakings should disclose at least information explaining how risk management, internal audit, compliance and actuarial functions are integrated into the organisational structure and the decision making processes of the undertaking.

The information referred to in the previous paragraph includes an explanation of how the functions have the necessary authority, resources, professional qualifications, knowledge, experience and operational independence or, in the case of the internal audit function, full independence, to carry out their tasks and how they report to and advise the administrative, management or supervisory body..

#### **Guideline 3 - Risk management system**

When explaining how the risk management function is integrated in their organisational structure and in the decision-making process, undertakings using an internal model to calculate the Solvency Capital Requirement should disclose at least information addressing the governance of the internal model, including:

- a) Responsible persons and specific committees if any, their main roles and scope of responsibilities;
- b) The way existing committees interact with the Administrative Management and Supervisory Board (AMSB) in order for the latter to meet Article 116 of the Directive;

- c) Processes for accepting changes to the internal model;
- d) Material changes to the internal model governance during the reporting period; and
- e) A description of the validation tools and processes used within the validation policy for the internal model.

## **Section 3: Risk Profile**

### **Guideline 4 - Underwriting risk**

In relation to the use of Special Purpose Vehicles (SPV), undertakings should disclose at least information on whether the SPV is authorized under Article 211 of the Directive, what risks are transferred to the SPV and how the fully funded principle is implemented.

## **Section 4: Valuation for Solvency Purposes**

### **Guideline 5 - Assets**

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

### **Guideline 6 – Assets**

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

- a) Recognition and valuation basis applied;
- b) Assumptions and judgements including those about the future and other major sources of estimation uncertainty;
- c) Changes made to the recognition and valuation basis and on estimations during the period;
- d) Methods and inputs used to determine the economic value;
- e) Information on the specific classes of assets on the Solvency II balance sheet as described in Guidelines 7 to 11.

In addition undertakings should disclose information on the material differences between information disclosed under a) to c) of the previous paragraph including an explanation of the driver of the difference between Solvency II balance sheet and the undertaking's financial statements.

### **Guideline 7 - Intangible assets**

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

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

### **Guideline 8 - Financial assets**

Undertakings should disclose at least the following information regarding financial assets:

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

### **Guideline 9 - Lease assets**

Undertakings should disclose at least, separately for financial leases and operating leases, at least a general description of their material leasing arrangements, separately disclosing information for financial leases and operating leases.

### **Guideline 10 - Holdings in related undertakings**

Undertakings should disclose at least the following information regarding valuation of holdings in related undertakings:

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

### **Guideline 11 - Deferred tax assets**

Undertakings should disclose at least the following information regarding deferred taxes assets:

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

### **Guideline 12 - Technical provisions**

Undertakings should disclose at least any significant simplifications used for the valuation of the technical provision (including deriving the risk margin).

#### **Guideline 13 - Other liabilities**

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

#### **Guideline 14 - Lease liabilities**

Undertakings should disclose at least a general description of material leasing arrangements, separately disclosing information on financial and operating leases.

#### **Guideline 15 - Provisions other than technical provisions and contingent liabilities**

Undertakings should disclose at least the following information regarding provisions other than technical provisions and contingent liabilities:

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

#### **Guideline 16 - Employee benefits**

Undertakings should disclose at least the following information regarding employee benefits:

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

#### **Guideline 17 - Deferred tax liabilities**

Undertakings should disclose at least the amount of deferred tax liabilities.

## **Section 5: Capital Management**

#### **Guideline 18 - Own funds**

Undertakings should disclose at least their solvency ratio, calculated as eligible own funds as a percentage of the SCR.

Where undertakings disclose additional ratios, because they believe that the ratios are relevant to providing an understanding of their solvency position and are compatible with the solvency ratio, undertakings should:

- a) Clearly explain in the SFCR the additional ratio; and
- b) Ensure that the additional ratios do not divert attention from the disclosure of the solvency ratio.

### **Guideline 19 - Own funds**

Undertakings should disclose at least the following information regarding their own funds:

- a) The information about the objectives, policies and processes employed by the undertaking for managing its own funds, including information on the time horizon used for business planning, and on any material changes over the reporting period;
- b) Information on the structure, amount and quality of own funds at the end of the reporting period and at the end of the previous reporting period, including an analysis of the significant changes in each tier over the reporting period, separately providing information for each type of basic own funds item as well as for ancillary own funds;
- c) For each capital instrument in issue at year end, the extent to which they are subordinated, their duration and issue size, and any other features that are relevant for assessing the quality of the capital;
- d) The value of capital instruments issued as debt and the value of debt instruments redeemed during the year and the extent to which the issuance has been used to fund redemptions;
- e) The value of subordinated debt, including an explanation of the changes arising from movements in the risk free rate and, if relevant, from fluctuations between the currency in which the subordinated debt is issued and the reporting currency;
- f) With regard to the disclosure of eligible amounts to cover the SCR and MCR, an explanation of any restrictions to available own funds and the impact of limits on eligible Tier 2 and Tier 3 capital, and on restricted Tier 1 capital;
- g) Details of the principal loss absorbency mechanism used to qualify as high quality own funds instruments, including the trigger point, and its effects so that all providers of own funds items are aware of the potential impact;
- h) An explanation addressing the key elements of the reconciliation reserve;

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

#### **Guideline 20 - Solvency Capital Requirement and Minimum Capital Requirement**

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

#### **Guideline 21 - Differences between the standard formula and any internal models used**

Undertakings should consider, when disclosing the main differences in methodologies and underlying assumptions used in the standard formula and in the internal model, at least the following:

- a) Structure of the model,
- b) Risk categories concerned and not concerned by internal models,
- c) Aggregation methodologies and diversification effects,
- d) Risk not covered in the standard formula but covered by the internal model.

**Guideline 22 - Any other disclosures on the internal model**

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

**Guideline 23 - Any other disclosures**

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

## Chapter 2. Groups

### Section 1: Business & Performance

**Guideline 24 - Business**

Participating insurance and reinsurance undertakings or insurance holding companies should disclose at least a list of subsidiaries and material participations including the name, country, proportion of ownership interest and, if different, proportion of voting power held.

### Section 2: Capital Management

**Guideline 25 - Own funds**

Participating insurance and reinsurance undertakings or insurance holding companies should disclose at least the following information regarding their own funds:

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

method, the local tiering of those own funds, including information on the tiering structure, criteria and their limits;

d) information on the levels of their own funds in each tier;

e) Where the own funds are issued by an undertaking that is not a insurance undertaking and is subject to tiering requirements other than Solvency II requirements, the source and nature of those tiering requirements, as well as the level of the own funds in each tier;

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

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

## **Title II: Regular Supervisory Report**

### **Chapter 1. Solo undertakings**

#### **Section 1: Business & Performance**

##### **Guideline 26 - Business**

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

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

##### **Guideline 27 - Underwriting Performance**

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

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

##### **Guideline 28 - Any other disclosures**

Undertakings should provide information about any significant transactions with related entities.

##### **Guideline 29 - Any other disclosures**

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

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

## **Section 2: System of governance**

### **Guideline 30 - Governance structure**

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

### **Guideline 31 - Governance structure**

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

### **Guideline 32 - Risk management system**

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

## **Section 3: Risk Profile**

### **Guideline 33 - Risk Profile**

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

### **Guideline 34 - Any other information**

Undertakings should provide at least a description of the risk factors when investing in structured products. These should include the elements that may

negatively affect the evolution of value or return of the structured products, namely and where applicable:

- a) Existence of principal protection;
- b) Credit risk arising from the structured product, if not mitigated by other instruments;
- c) Lack of liquidity;
- d) Description of the index formula of the option-like component of a structured product.

## **Section 4: Valuation for Solvency Purposes**

### **Guideline 35 - Assets**

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

### **Guideline 36 - Assets**

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

### **Guideline 37 - Technical Provisions**

Undertakings should provide information on technical provisions which should include:

- a) details of the relevant actuarial methodologies and assumptions used in the calculation of the technical provisions including details of any simplification used in the calculation of the technical provision (including deriving the risk margin and its allocation to the single lines of business) and including a justification that the method chosen is proportionate to the nature, scale and complexity of risks;
- b) an explanation of the contract boundaries applied to each different business in the valuation of technical provisions, and details of any contracts that include significant renewals within existing business;
- c) details of the key options and guarantees within the calculation of the technical provisions and the significance of each and how they are evolving;
- d) an overview of any material changes in the level of technical provisions since the last reporting period, including reasons for material changes, especially the rationale of material changes in assumptions.
- e) material changes in lapse rates;

- f) details of the homogeneous risk groups used to calculate the technical provisions;
- g) any recommendations on the implementation of improvements in the internal procedures in relation to data that are considered relevant;
- h) information about any significant data deficiencies and adjustments ;
- i) a description of the technical provision that have been calculated as a whole;
- j) a description of where unbundling has been used;
- k) details of the Economic Scenario Generator, including an explanation of how consistency to the risk free rate has been achieved and which volatility assumptions have been chosen; and
- l) details of the approach taken to calculate reinsurance recoverables.

#### **Guideline 38 - Any other material information**

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

## **Section 5: Capital Management**

#### **Guideline 39 - Solvency Capital Requirement and Minimum Capital Requirement**

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

## **Chapter 2. Groups**

### **Section 1: Business & Performance**

#### **Guideline 40 - Any other disclosures**

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

- a) Commercial rationale for the operation or transaction;
- b) Risks borne by, and rewards available to, each party to the operation or transaction;
- c) Any particular aspects of the operation or transaction that are (or may become) disadvantageous to either party;

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

## Section 2: System of governance

### Guideline 41 - Governance structure (Groups)

Participating insurance and reinsurance undertakings or insurance holding companies should if they have obtained approval for Centralized Risk Management explain how they comply with the Centralized Risk Management requirements<sup>4</sup>.

## Section 3: Risk Profile

### Guideline 42 - Risk Profile

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

- a) Identification of the risk(s);
- b) Probability of risks materialising into losses;
- c) Mitigation actions;
- d) Analysis and quantification of the risk concentrations along legal entity lines;
- e) Consistency with the group's business model, risk appetite and strategy, including compliance with the limits set by the internal control systems and risk management processes of the group;
- f) Whether losses arising from the risk concentrations affect not just the overall profitability of the group but also its short-term liquidity;
- b) Probability of risks materialising into losses;
- c) Mitigation actions;
- d) Analysis and quantification of the risk concentrations along legal entity lines;

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<sup>4</sup> See Upcoming EIOPA L3 guidelines on Group Governance

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

## **Section 4: Valuation for Solvency Purposes**

### **Guideline 43 - Any other material information**

Participating insurance and reinsurance undertakings or insurance holding companies should provide at least information on how the group consolidated, aggregated or combined data (depending on the method used) that is compliant with Solvency II rules has been prepared as well as the processes in place to prepare it.

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

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

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

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

Undertakings should consider as a pre-defined event the performance of an additional ORSA in accordance with Article 45(5) of the Directive on account of a

significant change in -their risk profile, and report the results of this ORSA accordingly.

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

### **Chapter 1: Solo undertakings**

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

The undertaking should ensure that the disclosure policy complies with the Guidelines established under System of Governance [general governance/Guidelines [number xxx] especially in what regards written policies, and that it includes the following:

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

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

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

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

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

#### **Guideline 49 - SFCR - Additional voluntary disclosure**

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

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

When undertakings make references to other documents in the SFCR these should be done through references that lead directly to the information itself and not to a general document.

**Guideline 51 - RSR - Stand-alone document**

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

**Guideline - 52 Undertakings' reporting policy**

The undertaking should ensure that the reporting policy complies with the Guidelines established under System of Governance [general governance] on written policies, and additionally

- a) detail which business unit is responsible for drafting any reporting to the supervisor along with those business units which are responsible for reviewing any reporting to the supervisor;
- b) set out processes and timeline for completion of the various reporting requirements and review and approval and
- c) explain the processes and controls for guaranteeing the reliability, completeness and consistency of the data provided and facilitate the analysis and comparison throughout the years.

**Guideline 53 - RSR and quantitative templates – Approval**

Undertakings should have the RSR and annual quantitative reporting templates approved by the administrative, management or supervisory body of the undertaking.

Undertakings should have the quarterly quantitative templates reported to the supervisor, approved either by the administrative, management or supervisory body or by persons who effectively run the undertaking.

**Chapter 2: Groups****Guideline 54 - SFCR – Single Group SFCR**

When requesting for approval to provide a single SFCR, the group should provide an explanation on how the subsidiaries are covered and how the subsidiaries' administrative, management or supervisory body is involved in the process and approval of the outcome.

**Guideline 55 - SFCR – Communication from group supervisor**

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

## Explanatory text

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

#### Chapter 1 Solo undertakings

##### Section I: Business & Performance

###### Guideline 1 - Business

Undertakings should disclose at least the following information regarding their business:

- a) Identification of the corporate entities or the natural persons that are direct holders of qualifying holdings, the proportion of ownership interest held and, if different, the proportion of voting power held;
- b) The name and location of the parent and of the ultimate parent entity;
- c) A list of material subsidiaries including the name, country, proportion of ownership interest and, if different, proportion of voting power held; and
- d) A simplified structure chart.

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

combinations, portfolio transfers, changes in ownership interest, loss of control over subsidiaries, significant restrictions over subsidiaries (e.g. ability to transfer funds) and other events which may have a material impact on the undertaking in terms of risks or management.

- 4.5. The information on internal structures allows understanding of departments or divisions, management hierarchy, task forces or committees at least.
- 4.6. Information on operations and transactions within the group, which are relevant within the undertaking's financial performance are essential in allowing the public to understand whether the performance stems from intra-group transactions or from business external to the group. This also provides relevant information about the level of support provided by entities in the group.
- 4.7. This information includes disclosure to be made for all intra-group transactions even with entities that are not within the scope of group supervision. This scope is consistent with IFRS disclosure requirements for related party transactions (IAS 24).
- 4.8. The assessment of the relevance of the intra-group transactions (that need to be disclosed) can be based on the thresholds confirmed by the group supervisor and used for the quantitative reported templates.
- 4.9. Terms and conditions to be disclosed include information about for example guarantees pledged or received and whether the transaction is linked to other transactions in terms of timing, function and planning.

## **Section II: System of governance**

### **Guideline 2 - Governance Structure**

**Undertakings should disclose at least information explaining how risk management, internal audit, compliance and actuarial functions are integrated into the organisational structure and the decision making processes of the undertaking.**

**The information referred to in the previous paragraph includes an explanation of how the functions have the necessary authority, resources, professional qualifications, knowledge, experience and operational independence or, in the case of the internal audit function, full independence, to carry out their tasks and how they report to and advise the administrative, management or supervisory body.**

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

### **Guideline 3 - Risk management system**

**When explaining how the risk management function is integrated in their organisational structure and in the decision-making process, undertakings using an internal model to calculate the Solvency Capital Requirement should disclose at least information addressing the governance of the internal model, including:**

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

- 4.11. Specific committees and personnel, their main roles and responsibilities: Without a high level description of the internal model governance a knowledgeable person will not achieve a reasonably good understanding of the design, the use and the reliability of the internal model. Whereas there is no specific requirement for undertakings to have committees in the governance of their internal model, EIOPA expects that this may be the case for many undertakings intending to use an internal model to calculate the SCR.
- 4.12. Processes for accepting changes to the internal model: This a key feature of the internal model governance which ensures that internal models continuously reflect the risk profile of undertakings, incorporate better risk management practices and comply with the internal model requirements.
- 4.13. Validation policy for the Internal Model: Validation is by definition a set of tools that increase the confidence in internal models and the primary source to test their robustness, stability and to identify potential weaknesses or circumstances where internal models may not perform effectively. A rigorous, independent set of validation tools will increase stakeholders confidence in the reliability of the internal model; public

disclosure of all validation tools will increase validation standards across the market.

### **Section III: Risk Profile**

#### **Guideline 4 - Underwriting risk**

**In relation to the use of Special Purpose Vehicles (SPV), undertakings should disclose at least information on whether the SPV is authorized under Article 211 of the Directive, what risks are transferred to the SPV and how the fully funded principle is implemented.**

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

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

#### **Guideline 5 – Assets**

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

4.15. Using the classes contained on the Solvency II balance sheet template has the advantage of ensuring consistency between the narrative and quantitative information disclosed, aiding transparency and comparability between the methods used and the amounts.

4.16. If undertakings use a different assets aggregation they explain the rationale and ensure that the information is understandable and reconcilable.

#### **Guideline 6 - Assets**

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

**a) Recognition and valuation basis applied;**

- b) Assumptions and judgements including those about the future and other major sources of estimation uncertainty;**
- c) Changes made to the recognition and valuation basis and on estimations during the period;**
- d) Methods and inputs used to determine the economic value;**
- e) Information on the specific classes of assets on the Solvency II balance sheet as described in Guidelines 7 to 11.**

**In addition undertakings should disclose information on the material differences between information disclosed under a) to c) of the previous paragraph including an explanation of the driver of the difference between Solvency II balance sheet and the undertaking's financial statements.**

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

### **Property**

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

### **Inventories**

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

#### **Guideline 7 - Intangible assets**

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

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

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

#### **Guideline 8 - Financial assets**

**Undertakings should disclose at least the following information regarding financial assets:**

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

- 4.26. Undertakings disclose information about methods and assumptions applied in determining the economic value, as required under guideline 7, including a clear identification of which assets were valued according to the following approaches:
- quoted prices in active markets for identical assets;
  - quoted prices in active markets for similar assets;
  - inputs other than quoted prices in active markets for identical or similar assets, that are observable for the asset directly (i.e. as prices) or indirectly (i.e. derived from prices);
  - inputs not based on observable market data.

- 4.27. Where inputs used are not based on observable market data, undertakings need to provide a narrative description of the sensitivity of the value to changes in unobservable inputs if a change might result in a significantly higher or lower value, and a narrative description of the possible interrelationships between those inputs and other unobservable inputs and of how they might magnify or mitigate the effect of changes in unobservable inputs using a fair value measurement approach.
- 4.28. Disclosure of the impact of significant changes in valuation inputs includes a sensitivity analysis showing how those changes affect the asset valuation and basic own funds.

#### **Guideline 9 - Lease assets**

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

- 4.29. The information on lease assets is separately disclosed under the subheadings of lessors and lessees.
- 4.30. Undertakings may disclose the information on lease assets and liabilities (guideline 16) together if they wish.

#### **Guideline 10 - Holdings in related undertakings**

**Undertakings should disclose at least the following information regarding valuation of holdings in related undertakings:**

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

- 4.31. Summarised financial information on holdings in related undertakings includes the aggregated amount of assets, liabilities, revenues and profit or loss.
- 4.32. Information about methodologies applied in determining the participation value as required under guideline 7 includes a clear identification of which holdings in related undertakings were valued according to the following approaches:
- quoted prices in active markets for identical assets;
  - adjusted equity method;
  - IFRS equity method;

- an alternative valuation method using inputs based on direct or indirect market data (i.e. prices or inputs derived from prices);
- an alternative valuation method using inputs not based on observable market data.

4.33. When non-insurance entities are valued using the IFRS equity method rather than the adjusted equity method, or alternative valuations models are used for valuing associates, undertakings have to explain what prevents these participations from being valued using the adjusted equity method.

4.34. Where undertakings have used alternative valuations methods they disclose information about the methods and assumptions applied.

#### **Guideline 11 - Deferred tax assets**

**Undertakings should disclose at least the following information regarding deferred taxes assets:**

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

4.35. This information on t

- The nature of the evidence supporting the recognition of deferred tax assets;
- Whether utilisation of deferred tax assets depends on projected future taxable profits in excess of those profits arising from the reversal of existing taxable temporary differences;
- Actual tax losses suffered by the undertaking in either the current or preceding period in the tax jurisdiction to which the deferred taxes assets relate;

4.36. Where applicable tax rates have changed since the previous period undertakings explain the changes and their effect on the deferred taxes.

4.37. Undertakings may disclose the narrative information on deferred tax assets and deferred tax liabilities together if they wish.

#### **Guideline 12 - Technical provisions**

**Undertakings should disclose at least any significant simplifications used for the valuation of the technical provision (including deriving the risk margin).**

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

#### **Guideline 13 - Other liabilities**

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

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

#### **Financial liabilities**

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

#### **Guideline 14 - Lease liabilities**

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

- 4.43. The information on lease liabilities is separately disclosed under the subheadings of lessors and lessees.

- 4.44. Undertakings explain how the valuation in accordance with IFRS has been adjusted to reflect market consistent rates of interest and the need to take into account changes in its own credit standing.
- 4.45. Undertakings may disclose the information on lease assets and liabilities together if they wish.

**Guideline 15 - Provisions other than technical provisions and contingent liabilities**

**Undertakings should disclose at least the following information regarding provisions other than technical provisions and contingent liabilities:**

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

- 4.46. Undertakings disclose cases where no amount is recognised either in the general purpose financial statements or Solvency II balance sheet because no reliable estimate is possible.
- 4.47. Undertakings disclose cases where market value of liabilities have not been adjusted for changes in an entity's own credit risk and explain the reason for this.
- 4.48. Undertakings also disclose information about interest rate used, risk adjustment (including risk premium) and other major assumptions made concerning future events.

**Guideline 16 - Employee benefits**

**Undertakings should disclose at least the following information regarding employee benefits:**

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

- 4.49. Undertakings clearly identify which obligations have the nature of short-term obligations, post-employment benefits (distinguishing defined contribution plans and defined benefit plans), other long-term employee benefits and termination benefits following either IAS 19 definitions or local GAAP definitions.

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

#### **Guideline 17 - Deferred tax liabilities**

**Undertakings should disclose at least the amount of deferred tax liabilities**

- 4.53. Where applicable tax rates have changed since the previous period undertakings explain the changes and their effect on the deferred taxes.
- 4.54. Undertakings may disclose the information on deferred tax assets and deferred tax liabilities together if they wish.
- 4.55. The information provided covers in particular closing procedures for providing Solvency II figures.

## **Section V: Capital Management**

#### **Guideline 18 - Own funds**

**Undertakings should disclose at least their solvency ratio, calculated as eligible own funds as a percentage of the SCR.**

**Where undertakings disclose additional ratios, because they believe that the ratios are relevant to providing an understanding of their solvency position and are compatible with the solvency ratio, undertakings**

**should:**

- a) Clearly explain in the SFCR the additional ratio; and**
- b) Ensure that the additional ratios do not divert attention from the disclosure of the solvency ratio.**

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

#### **Guideline 19 - Own funds**

**Undertakings should disclose at least the following information regarding their own funds:**

- a) The information about the objectives, policies and processes employed by the undertaking for managing its own funds, including information on the time horizon used for business planning, and on any material changes over the reporting period;**
- b) Information on the structure, amount and quality of own funds at the end of the reporting period and at the end of the previous reporting period, including an analysis of the significant changes in each tier over the reporting period, separately providing information for each type of basic own funds item as well as for ancillary own funds;**
- c) For each capital instrument in issue at year end, the extent to which they are subordinated, their duration and issue size, and any other features that are relevant for assessing the quality of the capital;**
- d) The value of capital instruments issued as debt and the value of debt instruments redeemed during the year and the extent to which the issuance has been used to fund redemptions;**
- e) The value of subordinated debt, including an explanation of the changes arising from movements in the risk free rate and, if relevant, from fluctuations between the currency in which the**

- subordinated debt is issued and the reporting currency;
- f) With regard to the disclosure of eligible amounts to cover the SCR and MCR, an explanation of any restrictions to available own funds and the impact of limits on eligible Tier 2 and Tier 3 capital, and on restricted Tier 1 capital;
  - g) Details of the principal loss absorbency mechanism used to qualify as high quality own funds instruments, including the trigger point, and its effects so that all providers of own funds items are aware of the potential impact;
  - h) An explanation addressing the key elements of the reconciliation reserve;
  - i) Information in relation to the transitional arrangements on the disclosure for each separate own-fund item which should include:
  - j) the tier into which each has been classified and why; and
  - k) the date of the next call and the regularity of any subsequent call dates (or the fact that no call dates fall until after the end of the transition date).
  - l) In case a method has been used to determine the amount of an ancillary own fund item a disclosure of:
  - m) how the valuation provided by the method has varied over time;
  - n) which inputs to the methodology have been the principal drivers for this movement; and
  - o) the extent to which the method takes account of past experience, for example the outcome of past calls, and how the amount calculated is affected.
  - p) The total excess of assets over liabilities within ring-fenced funds, the split between those which are deducted and those which are not and the extent of and reasons for significant restrictions, deductions or encumbrances, including any relating to participations.
  - q) The description of each material ancillary own fund item should include information on the form of arrangement and the nature of the basic own funds items it would become on being called up or satisfied (including the tier), as well as when the item was agreed by the supervisory authority and for how long.

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

4.60. The mechanism to be used, including the trigger point, is clearly defined in the terms of the contractual arrangement governing the own-fund item and legally certain. Details of the mechanism and its effects are

included in public disclosure so that all providers of own funds items are aware of the potential impact.

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

**Guideline 20 - Solvency Capital Requirement and Minimum Capital Requirement**

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

**Guideline 21 - Differences between the standard formula and any internal models used**

Undertakings should consider, when disclosing the main differences in methodologies and underlying assumptions used in the standard formula and in the internal model, at least the following:

- a) Structure of the model,
- b) Risk categories concerned and not concerned by internal models,
- c) Aggregation methodologies and diversification effects,
- d) Risk not covered in the standard formula but covered by the internal model.

- 4.62. Undertakings accompany quantitative information by a description of the main feature of the internal model in order not to mislead readers of the quantitative reporting templates and to ensure a better understanding.

- 4.63. It is impossible *a priori* to assess whether the methodologies used in an internal model will be close or similar to the one used in the standard formula. Nevertheless, undertakings may have chosen in their internal model to use terminologies that are close to the one used in the standard formula.

- 4.64. In particular, it is avoided to base comparisons between the quantitative outputs of two different undertakings that would have used the same name for some modules although:

- They may cover different risks;
- They may use totally different approaches.

- 4.65. This is why undertakings provide a high-level description of the model.

- 4.66. This description should include a comparison (of the effects) of the main differences in methodologies and underlying assumptions used in the standard formula and in the internal model.
- 4.67. Because some risks that are material to an undertaking may not be explicitly included in the standard formula. Nevertheless, in order to meet article 121(4) of the Directive 2009/138/EC, they would have included these risks in their internal model. This information seems to be of the utmost importance in order to analyse properly the reported quantitative information.

**Guideline 22 - Any other disclosures on the internal model**

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

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

**Guideline 23 - Any other disclosures**

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

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

## **Chapter. 2 Groups**

### **Section 1: Business & Performance**

**Guideline 24 – Business**

**Participating insurance and reinsurance undertakings or insurance holding companies should disclose at least a list of subsidiaries and material participations including the name, country, proportion of ownership interest and, if different, proportion of voting power held.**

## **Section 2: Capital Management**

### **Guideline 25 - Own funds**

Participating insurance and reinsurance undertakings or insurance holding companies should disclose at least the following information regarding their own funds:

- a) Which own funds items have been issued by an undertaking of the group other than the participating insurance and reinsurance undertakings or insurance holding company;
- b) The currency used to disclose own fund items should be the same currency used in the 'group returns' (the local currency). Where own fund items are denominated at the solo level in a currency other than the local currency, details should be provided identifying those own funds, their issuing undertaking, the currency that they are denominated in, and a reconciliation between the value of the own funds in the two currencies, even if the currency used to disclose own funds items should be the reporting currency;
- c) Where the own funds are issued by an equivalent third country insurance undertaking and when applying the Deduction and Aggregation method, the local tiering of those own funds, including information on the tiering structure, criteria and their limits;
- d) information on the levels of their own funds in each tier;
- e) Where the own funds are issued by an undertaking that is not a insurance undertaking and is subject to tiering requirements other than Solvency II requirements, the source and nature of those tiering requirements, as well as the level of the own funds in each tier;
- f) How group own funds have been calculated net of any intra-group transactions, including intra-group transactions with entities of other financial sectors; and
- g) The nature of the restrictions to the transferability and fungibility of own funds in the related undertakings, if any.

## **Title II: Regular Supervisory Report**

### **Chapter 1. Solo undertaking**

#### **Section 1: Business & Performance**

##### **Guideline 26 - Business**

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

- a) number of full time equivalent employees;

- b) a list of all subsidiaries and branches;**
- c) a detailed structure chart;**
- d) information on internal structures and**
- e) distributions to shareholders.**

- 4.70. Information on the number of employees, subsidiaries, and insurance as well as non-insurance, and distribution to shareholders enable the supervisor to better understand how the undertaking positions itself with regards to its external environment.
- 4.71. Information on the distribution to shareholders includes the amount of dividends distributed during the period, the amounts of dividends proposed or declared but not yet recognised as a distribution and the amount of any cumulative preference dividends not yet recognised.
- 4.72. The detailed structure chart explains the ownership and legal links between the undertaking and, on the one hand, its parent and ultimate parent entity and, on the other hand, all its subsidiaries, branches and significant investments in joint controlled entities and associates.
- 4.73. The information includes forward-looking information, explaining the assumptions that were applied, and any material factors that could cause results to differ.

#### **Guideline 27 - Underwriting Performance**

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

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

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

#### **Guideline 28 - Any other disclosures**

**Undertakings should provide information about any significant transactions with related entities.**

- 4.75. A transaction with a related entity is a transfer of resources, services or obligations between a reporting entity and a related party that is not in the scope of the group, regardless of whether a price is charged.

- 4.76. To the extent that the undertaking has had significant transactions with related entities during the reporting period, these are clearly identified and explained.

#### **Guideline 29 - Any other disclosures**

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

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

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

## **Section II: System of governance**

#### **Guideline 30 - Governance structure**

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

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

#### **Guideline 31 - Governance structure**

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

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

#### **Guideline 32 - Risk management system**

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

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

### **Section 3: Risk profile**

#### **Guideline 33 - Risk Profile**

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

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

#### **Guideline 34 - Any other information**

**Undertakings should provide at least a description of the risk factors when investing in structured products. These should include the elements that may negatively affect the evolution of value or return of the structured products, namely and where applicable:**

- a) Existence of principal protection;**
- b) Credit risk arising from the structured product, if not mitigated by other instruments;**
- c) Lack of liquidity;**
- d) Description of the index formula of the option-like component of a structured product.**

### **Section 4: Valuation for Solvency Purposes**

### **Guideline 35 – Assets**

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

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

### **Guideline 36 – Assets**

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

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

### **Guideline 37 - Technical Provisions**

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

- a) details of the relevant actuarial methodologies and assumptions used in the calculation of the technical provisions including details of any simplification used in the calculation of the technical provision (including deriving the risk margin and its allocation to the single lines of business) and including a justification that the method chosen is proportionate to the nature, scale and complexity of risks;**
- b) an explanation of the contract boundaries applied to each different business in the valuation of technical provisions, and details of any contracts that include significant renewals within existing business;**
- c) details of the key options and guarantees within the calculation of the technical provisions and the significance of each and how they are evolving;**
- d) an overview of any material changes in the level of technical provisions since the last reporting period, including reasons for**

material changes, especially the rationale of material changes in assumptions.

e) material changes in lapse rates;

f) details of the homogeneous risk groups used to calculate the technical provisions;

g) any recommendations on the implementation of improvements in the internal procedures in relation to data that are considered relevant;

h) information about any significant data deficiencies and adjustments ;

i) a description of the technical provision that have been calculated as a whole;

j) a description of where unbundling has been used;

k) details of the Economic Scenario Generator, including an explanation of how consistency to the risk free rate has been achieved and which volatility assumptions have been chosen; and

l) details of the approach taken to calculate reinsurance recoverables.

- 4.86. When providing details of the approach taken to calculate reinsurance recoverable, undertakings should explain how the material changes of the reinsurance programs have been reflected in the calculation of reinsurance recoverables.

#### **Guideline 38 - Any other material information**

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

## **Section 5: Capital Management**

#### **Guideline 39 - Solvency Capital Requirement and Minimum Capital Requirement**

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

- 4.87. The description is sufficiently detailed to allow supervisory authorities to assess if the undertaking has met the criteria for recognition.

## **Chapter. 2 Groups**

## Section 1: Business & Performance

### Guideline 40 - Any other disclosures

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

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

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

## Section 2: System of governance

### Guideline 41 - Governance structure

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

## Section 3: Risk Profile

### Guideline 42 - Risk Profile

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

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

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

**j) Whether the item concerned is on the asset side or liability side or if it is an off-balance sheet item.**

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

## **Section 4: Valuation for Solvency Purposes**

### **Guideline 43 - Any other material information**

**Participating insurance and reinsurance undertakings or insurance holding companies should provide at least information on how the group consolidated, aggregated or combined data (depending on the method used) that is compliant with Solvency II rules has been prepared as well as the processes in place to prepare it.**

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

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

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

4.92. Pre-defined events and the associated information that supervisory authorities would expect to be submitted along with any notification by an undertaking, could include, for example:

- a) *changes in an undertaking's business strategy, including delays to implementing strategies of which supervisory authorities are already aware* – information could be provided on the reasons for the change or delay in implementing strategy and any material effects that it has had or is likely to have on other aspects of an undertaking's business (e.g. business performance, risk profile, etc);
- b) *Relevant mergers, takeovers and acquisitions* – information could be provided on the implications on the undertaking's business, system of

governance, risk profile and solvency and financial position. This would be provided irrespective of whether the event involves an insurer, or whether it is conducted with parties based in the EEA;

- c) *internal organisational restructure* - information could be provided on the details of any significant reorganisation and the reasons for such a change, including any material effects in other areas of an undertaking's business;
- d) *significant lawsuits or claims that have a reasonable chance of success being brought against the undertaking* - information could be provided on the nature of the lawsuit and any legal opinion received by the undertaking, as well as the potential impact of the lawsuit on the undertaking and any potential mitigation or management actions that could be enacted in the event that the lawsuit ruling were to decide against the undertaking;
- e) *material changes in own funds levels, MCR, SCR, technical provisions and/or other balance sheet items* - information submitted by the undertaking could include the amount and reason for change and a consideration of any potential or actual consequence of changes. In relation to technical provisions, information submitted by an undertaking could include details on the emergence of any future material claims that had not been present in the previously reported technical provisions;
- f) *new, emerging or crystallised internal or external risks of a material nature* – information could include details of emerging or crystallised risks and information on their actual or potential impact, as well as identifying mitigation plans (whether planned or already in place). Such pre-defined event could also include ratings' downgrade for rating sensitive companies;
- g) *significant governance failures* – information could include details of the governance failure, the impact of failure on the undertaking and the action taken in response to it;
- h) *significant operational failures* – information could include details of the operational failures such as business interruptions, IT-breakdowns, internal frauds, etc., the impact of the failure on the undertaking and the action taken in response to it;
- i) *when an undertaking has reason to call into question the fitness and/or propriety of a person who effectively runs the undertaking or undertakes other key functions*. Information could include details on the circumstances leading to a reassessment of that person's fitness and/or propriety, any internal and/or external investigations procedures resulting from this and the eventual decision on that person's fitness and/or propriety. Such reporting to supervisory authorities is not limited to situations such as that mandated in Article 42(3) of the Directive Guidelines on Governance , but also includes all

situations where reasonable doubt over a person's fitness and propriety exists;

- j) *when an undertaking has provided in its SFCR or RSR information from financial statements which were finally not approved by the general assembly meeting or not signed-off by external auditors, undertakings report again to the supervisor their SFCR or RSR if material differences in financial statements appear; this is without prejudice to the possible need of publicly disclosing a modified SFCR according to other requirements;*
- k) *Very significant intra-group transactions* - Intra-group transactions that will or possibly will weaken the solvency and financial condition of the group or any solo undertakings in the group or if they negatively affect the group.

- 4.93. Undertakings notify supervisory authorities as soon as they become aware of circumstances that would give rise to the occurrence of a pre-defined event. This notification is made at the earliest opportunity. However, the notification of the occurrence of a pre-defined event is different from the reporting of information related to that pre-defined event: after notification of the pre-defined event, the delay to submit the information related to that pre-defined event can be discussed with supervisory authorities on a case-by-case basis.
- 4.94. This does not preclude earlier dialogue between supervisory authorities and undertakings on potential events. For example, in the instance of a merger, it would be sensible to engage with the supervisor when an undertaking is scoping the work.
- 4.95. Pre-defined events also include any specific reporting specifically provided for by the Directive and not stated above. For instance, article 102 (1) of the Directive explicitly states that if the risk profile of an insurance or reinsurance undertaking deviates significantly from the assumptions underlying the last reported SCR, the undertaking concerned shall recalculate the SCR without delay and report it to the supervisory authorities.
- 4.96. The information provided under pre-defined events includes relevant information as illustrated above, including updates of sections of the narrative SFCR (but solely for the use of the supervisor because pre-defined event information is not public) and RSR, and/or updates of the annual or quarterly templates.
- 4.97. To avoid unnecessary duplication of information and to respect the principle of proportionality, undertakings are not be required to report information that has already been provided to the same supervisory authority as part of the approvals, permissions or authorisations process it is subject to with regards to these pre-defined events.

- 4.98. Depending on the nature of the event, supervisory authorities may also ask for undertakings to report information related to that pre-defined event on a regular basis over a period of time in order to monitor the situation of the undertaking. This is determined on a case-by-case basis. It has to be distinguished from internal information that may be reported regularly to supervisory authorities for any undertaking (and not just for pre-defined events).
- 4.99. Pre-defined events reported to the supervisor differ from major developments to be publicly disclosed under Article 54 (1). Article 54(1) states that after a major development affecting significantly the relevance of the information publicly disclosed in the SFCR, undertakings shall publicly disclose appropriate information on its nature and effects. Article 54(1) explicitly states that such events shall include at least an undertaking's non-compliance with its MCR (including allowance for requirements around a short-term realistic finance scheme) or significant non-compliance with its SCR (including allowance for requirements around a realistic recovery plan).

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

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

- 4.100. As stated in the Guidelines on ORSA, the performance of an additional ORSA in accordance with Article 45(5) on account of a significant change in its risk profile is considered as a pre-defined event.
- 4.101. As a consequence, the undertaking reports without delay to the supervisor the same information on the results of the ORSA as for the ORSA report, along with the following additional information : reasons and description of the change in risk profile that triggered the performance of the additional ORSA, qualitative and quantitative comparison with the methods and outcome of the previous ORSA, including the specific effect of the change in risk profile, and , any proposed management actions considered necessary and any planned capital measures.
- 4.102. Very significant intra-group transactions follows article 245 and Guidelines on supervision of intra-group transaction, guideline 3, but with an appropriate threshold or when the transaction exceeds the thresholds agreed within the college. Other very significant intra-group transactions to be reported are (non-exhaustive list):

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

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

### **Chapter 1. Solo undertakings**

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

**The undertaking should ensure that the disclosure policy complies with the guidelines established under System of Governance [general governance/guidelines [number xxx] especially in what regards written policies, and that it includes the following:**

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

4.103. The undertakings' disclosure policy to be developed under Article 55 (1) of the Directive follows the Guidelines for written policies established under the Guidelines on Governance, but some specific elements need to be developed for the disclosure policy, especially with regards to given possibilities or requirements existing for the SFCR in order to know if and

how they are applied by the undertaking, such as: non-disclosure of information, reference to other documents or additional voluntary disclosures.

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

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

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

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

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

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

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

**Guideline 49 - SFCR - Additional voluntary disclosure**

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

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

by undertakings out of its context, for instance presented as a confirmation of the decisions of management.

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

**When undertakings make references to other documents in the SFCR these should be done through references that lead directly to the information itself and not to a general document.**

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

**Guideline 51 - RSR - Stand-alone document**

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

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

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

**Guideline 52 - Undertakings' reporting policy**

**The undertaking should ensure that the reporting policy complies with the guidelines established under System of Governance [general governance] on written policies, and additionally:**

- a) detail which business unit is responsible for drafting any reporting to the supervisor along with those business units which are responsible for reviewing any reporting to the supervisor;**
- b) set out processes and timeline for completion of the various reporting requirements and review and approval and**
- a) c) explain the processes and controls for guaranteeing the reliability, completeness and consistency of the data provided and facilitate the analysis and comparison throughout the years**

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

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

#### **Guideline 53 - RSR and quantitative templates – Approval**

Undertakings should have the RSR and annual quantitative reporting templates approved by the administrative, management or supervisory body of the undertaking.

Undertakings should have the quarterly quantitative templates reported to the supervisor, approved either by the administrative, management or supervisory body or by persons who effectively run the undertaking.

## **Chapter 2: Groups**

#### **Guideline 54 - SFCR – Single Group SFCR**

When requesting for approval to provide a single SFCR, the group should provide an explanation on how the subsidiaries are covered and how the subsidiaries' administrative, management or supervisory body is involved in the process and approval of the outcome.

#### **Guideline 55 - SFCR – Communication from group supervisor**

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

4.112. Notwithstanding the ultimate responsibility of the AMSB over the whole reporting to supervisor, the formal approval of quantitative templates reported to supervisor can be performed either by the administrative, management and supervisory body or by persons who effectively run the undertaking. This decision is to be taken by Member States.

