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| | **Comments Template on Impact Assessment and Questions** | **Deadline 20 January 2012 12:00 CET** |
| Name of Company: | **KPMG** | |
| Disclosure of comments: | Please indicate if your comments should be treated as confidential: | Public |
| | Please follow the following instructions for filling in the template:<br>⇨ <u>Do **not** change the numbering</u> in the column “reference”; if you change numbering, your comment cannot be processed by our IT tool<br>⇨ Leave the last column <u>empty</u>.<br>⇨ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>.<br>⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.<br>**Please send the completed template, <u>in Word Format</u>, to <u>cp009@eiopa.europa.eu</u>. Our IT tool does not allow processing of any other formats.**<br><br>The numbering of the paragraphs refers to this Consultation Paper. | |
| **Reference** | **Comment** | |
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| Q1. | There are some significant uncertainties around the methodology to be applied in preparing the Group Solvency II balance sheet, which we have commented on in more detail under Q2 below, which require clarification. Similarly the uncertainty regarding the asset data templates given the current European | |

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| | Parliament debate means we do not expect to see all organisations designing and implementing data and system solutions in respect of these without clarification. While the nature of the QRTs section of the consultation means the requirements in respect of variation analysis are clearly prescribed, we view this template as requiring some substantive change by EIOPA before the final requirements are set.<br><br>The proposals in respect of narrative reporting are at a higher level of detail than the proposals for QRTs. The latest draft of the delegated acts, which sets out detailed proposals, remains a private document and, as such, some stakeholders may find the level of detail provided in this consultation insufficient to allow detailed implementation of the requirements.<br><br>There are some inconsistencies between this consultation and the draft proposal on the add-on Quantitative Financial Stability Reporting templates which closes on 20 February 2012. We will provide our comments separately in accordance with the timings of that consultation but note that such inconsistencies create uncertainty as to EIOPA's intention. | |
| Q2. | Further to our answer to question 1 above, further Guidance is required on the consolidation methodology to be applied in preparing a group balance sheet and related disclosures. We expect the systems design and build effort to be greatest for groups and as such guidance is key to allow these activities to begin. Particular guidance is required on the following topics :<br><br>*Treatment of other financial sector subsidiaries in the Group Solvency II balance sheet*<br><br>Clarification on whether these should follow the QIS5 presentational treatment (where total assets and total liabilities relating to other financial sector | |

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| | subsidiaries were shown as separate lines in the group balance sheet) or whether they should be consolidated in the same way as (re)insurance subsidiaries i.e. presented on a line by line basis.<br><br>*Treatment of associates and joint ventures in the Group Solvency II balance sheet*<br><br>Confirmation that investments which are not controlled should be presented within the participations line within investments on the balance sheet.<br><br>*Treatment of non-EEA insurance subsidiaries in the Group Solvency II balance sheet*<br><br>Guidance should be provided on how equivalent non-EEA insurance subsidiaries, which will be valued using equivalent local rules for Pillar 1 purposes, should be included within the QRTs in terms of presentation and valuation.<br><br>*Treatment of OEICs and unit trusts in the Group Solvency II balance sheet*<br><br>Guidance on whether the consolidation methodology to be applied in preparing the Group Solvency II balance sheet should be consistent with IFRS, particularly in relation to whether controlled OEICs and units trusts should be consolidated (i.e. the underlying assets and liabilities of the funds shown on separate lines on the face of the balance sheet). We note that the conclusions of the current debate about the implications of IFRS 10 for the insurance industry will also need to be considered by EIOPA. | |
| Q3. | We would welcome guidance on: | |

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| | - Supervisory reporting requirements in 2013<br>- External audit requirements over publicly disclosed information and information reported to the supervisor | |
| Q4. | We note the following likely issues:<br><br>- Quarterly reporting will be a new activity for many firms and for some will represent very significant challenges which will require process redesign and increased resources<br>- Putting in place systems and process to populate the asset data template will be onerous for many life companies<br>- Depending on the methodology for inclusion of non-EEA insurance subsidiaries and other financial sector entities in group templates, data collection from these entities may prove difficult and costly. | |
| Q5. | - There will be increased consistency and comparability across Europe<br><br>- The granular information on risk information and localisation, provided they form part of an overall supervisory framework and approach, should facilitate effective supervision<br><br>- For many firms the reporting package will represent an increase in the amount of information provided to their supervisor compared to the existing regime. One benefit of increasing the amount of regular, prescribed reporting is that it will decrease the amount of ad hoc reporting.<br><br>- Transparent, public disclosure of economic valuations and risks will given increased visibility to high-risk products, investments and general | |

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| | operations. | |
| Q6. | While the consultation consider various specific points e.g. asset data forms, quarterly balance sheet and claims outstanding, it does not consider all the cost implications of the reporting requirements. In our view the reporting requirements will represent a significant increase in the volume of information that entities are required to publish and provide to their supervisors. This increase is a material factor in causing companies to strengthen their reporting capability more generally, for example investing in IT systems and data stores (which are primarily one off, up front costs) and increasing appropriately skilled human resources (which are primarily ongoing costs). | |
| Q7. | In our view there are other and less onerous ways to monitor effectively firms' exposure to market, credit and counterparty risk than using the current asset data templates. For example, by reporting individual material exposures and detailed analysis of sectoral exposures. | |
| Q8. | For the smallest insurers, the reporting requirements of Pillar 3 will still represent a very large increase in the amount of supervisory information currently produced. Particularly where these insurers are closed to new business, the costs of compliance will decrease their solvency position. | |
| Q9. | In our view an auditor's report on relevant parts of the annual reporting package would provide this from the perspective of efficient supervision..<br><br>Our recommendation is that EIOPA consult formally on the audit requirements over Pillar 3 and Solvency II more generally. | |

Template comments