

Cover note

Public consultation on:

- **Draft proposal on Quantitative Reporting Templates**
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- **Draft proposal for Guidelines on Narrative Public Disclosure & Supervisory Reporting, Predefined Events and Processes for Reporting & Disclosure**

1. This note introduces EIOPA draft proposals with regards to Supervisory Reporting & Public Disclosure in the Solvency II framework that are submitted for public consultation.
2. EIOPA is currently working on additional data to be collected for financial stability purposes (that are not currently covered by this set of templates). EIOPA has scheduled to publicly consult on those additional reporting requirements from December 2011 to provide stakeholders with the complete set which will be as close as possible to the overall reporting needs under Solvency II.
3. Current proposals consist of two sets of documents :
 - a. **Draft proposal on Quantitative Reporting Templates**, that define the fully harmonized content of these templates;
 - b. **Draft Guidelines on Narrative Public Disclosure & Supervisory Reporting, Predefined Events and Reporting & Disclosure Processes**, that further specify elements from the Solvency II Directive ("Level 1") and draft delegated act ("Level 2") on these issues, in order to foster convergence at the European level.
4. This public consultation starts on 8 November 2011 and will end on **20 January 2012**.
5. **Stakeholders are requested to use the comments templates provided** to enable EIOPA' processing of the comments; otherwise, their comments will not be processed and taken into account.

Process

6. This public consultation has been preceded by Consultation Paper 58 (CEIOPS' Advice to the European Commission on Level 2), which included an Annex on Quantitative Reporting Templates. Building on the feedback on this Consultation Paper, CEIOPS and then EIOPA have been undertaking extensive work to further discuss and improve the proposals for Solvency II Reporting, in particular Quantitative Reporting Templates. Two rounds of **informal consultation** have been carried out on this topic with major European stakeholders (CEA, AMICE, CRO Forum, CFO Forum, FEE, Groupe Consultatif) from April to August 2010, and from January to March 2011.
7. Feedback from these informal consultations has been taken into account by EIOPA in order to provide for this public consultation a largely stabilized package on topics which have already been extensively discussed.
8. This public consultation is being organized before the agreement on the Omnibus II Directive and before the adoption of the proposal for delegated act by the European Commission, upon a specific request made by EIOPA in order to **facilitate the preparatory work** of insurance and reinsurance undertakings for Solvency II. The draft proposal on Quantitative Reporting Templates is being submitted for consultation, as it is realistically expected that the Omnibus II Directive text will provide for implementing technical standards in this area.

Scope and Layout – Quantitative Reporting Templates

9. This draft proposal on Quantitative Reporting Templates has a specific format in the form of Excel spreadsheets setting out the templates along with accompanying LOG and “summary documents” (see below).
10. This proposal covers templates for **solo undertakings** as well as templates for **groups** (both solo templates applicable to groups, and group-specific templates).
11. This proposal also includes a summary of the requirements related to templates, and specific attention should be given to the Technical Annex of the draft proposal on Quantitative Reporting Templates (Section 5) which provides the list of all templates and their applicability to solo undertakings / groups, their frequency and their possible public disclosure.
12. The **spreadsheets** contain a presentation of the data tables¹, with cell numbers that refer to the **LOG documents**, which include a definition, examples and the purpose of each cell item. There is one LOG for each template, and they are filed by categories of templates (BS – Balance Sheet, OF – Own Funds, SCR / MCR – Solvency Capital Requirement/Minimum Capital Requirement, VA – Variation Analysis, Assets, TP L – Technical Provisions Life, TP NL – Technical Provisions Non Life, Reinsurance, Group-specific templates).

13.A **“summary document”** is also provided for each template. This document aims at gathering in a clear and synthetic way information for each template on: purpose, potential benefits and costs, application to groups, materiality thresholds, public disclosure, and frequency (including details on possible exemptions for certain quarterly templates). It is consistent with the information presented in the Technical Annex of the draft proposal on Quantitative Reporting Templates.

14.Feedback should be provided in the **comment templates** in which :

- a. the paragraph numbers and the annexes of the “Draft proposal on Quantitative Reporting Templates” document are presented; the cell “technical annex” is only to point out inconsistencies between the summary table of the Technical Annex of the Draft proposal on Quantitative Reporting Templates and the summary documents, but specific comments on frequency, disclosure & application to groups of a given template should be provided within the comments on this template (see point b. below);
- b. for each template (BS-C1, BS-C1B,..., RC), rows are provided to comment on each item of the summary document² (purpose, benefits/costs, application to groups, frequency, disclosure, etc.) and on each cell numbered within the spreadsheet and the LOG³.

Scope and Layout – Narrative Reporting, Predefined Events & Processes

15.The draft proposal for Guidelines on Narrative Public Disclosure & Supervisory Reporting, Predefined Events and Reporting & Disclosure Processes cover :

- a. **Narrative Solvency and Financial Condition Report (SFCR) & Regular Supervisory Report (RSR)**, further detailing the requirements from the Directive and Delegated Act, with the Guidelines applying either to solo undertakings and groups, only to groups, only to undertakings belonging to a group, or only to undertakings using an internal model to calculate their SCR;
- b. Reporting upon occurrence of **pre-defined events**, further explaining article 35 (2) (a) (ii) and article 245 (2) of the Directive; specific attention should be given to the explanatory text in that area;
- c. **Processes** with regards to disclosure & reporting, further explaining articles 35, 53, 54, 55 & 256 of the Directive, as to disclosure & reporting policies, non-disclosure of information, references to other documents in the SFCR, additional voluntary disclosures, RSR as a stand-alone document, and approval of the RSR by the administrative, management or supervisory body.

² Some summary documents are common to several templates (e.g. F1/F1Q).

³ For some templates with many numbered cells covering similar information (e.g. E2, E3, F2), not all numbered cells have been included in the comments' template (e.g. only one cell by row, or by line, or by triangle).

16. Feedback should be provided in the **comment template**.

Impact of future changes in the Delegated Act

17. These draft proposals on Quantitative Reporting Templates and Guidelines are based on the latest status of the draft Delegated Act, in the form of working documents circulated to EIOPA by the European Commission. This Delegated Act is not yet finalized, nor public.

18. Furthermore, EIOPA is aware that there may still be **future adjustments to the Delegated Act** between the current working documents and its final proposal and adopted act. These adjustments will be taken into account in the final reporting requirements after the public consultation. While these adjustments should not have a material impact on the content of the quantitative reporting templates and the guidelines, it is expected that the impact from the following elements will have to be taken into account :

- a. Possible introduction of counter-cyclical & matching premiums;
- b. Treatment of Expected Profits Included in Future Premiums (EPIFP);
- c. Treatment of Participations;
- d. Treatment of Ring-Fenced Funds (RFF);
- e. Treatment of Branches of 3rd country (non-EEA) undertakings;
- f. Modification of certain SCR modules (e.g. property risk, structured products risk, CAT risk).
- g. Adaptations in regular financial stability-oriented analysis.

Specific question to stakeholders

19. Feedback from stakeholders is expected on the package as a whole but in particular on certain **issues that are not yet fully settled** and that have not been thoroughly discussed in the feedback to Consultation Paper 58 and during the informal consultations carried out in 2010 and 2011. **Concrete feedback** on these issues (i.e. specific analysis of the cells leading to issues & presentation of alternative proposals) is expected:

- Concerning **Variation Analysis templates**, EIOPA suggests establishing a compromise between the original CEIOPS position (expressed in the 2010 informal consultation) and the counter-proposal from certain stakeholders (expressed during the informal consultation in 2011). The objective is to enable sufficient detail for analysis and comparability, without entailing too significant costs for undertakings in terms of implementation. In particular, the following topics are raised for consideration:
 - a. Feasibility and complexity of calculations;
 - b. Application to groups (on a consolidated basis);
 - c. Analysis of changes due to underwriting: split by Line of Business, level of granularity, methodology proposed in LOG to independently assess the impact of the different sources of variation of the Best Estimate for risks accepted prior to period (changes due to unwinding of discount rates, changes in discount rates, changes in assumptions...), treatment of unit-linked;

- d. Impact due to changes in exchange rates: whether this should be captured in “other changes” or in specific templates (investments, underwriting).
- Concerning **Own Funds**, feedback would be welcome on the following issues :
 - a. Reporting treatment of Eligible Own Funds, in terms of how own funds are compared to the SCR with reference to the limits for eligible own funds;
 - b. Possible analysis tool of the Reconciliation Reserve, which would attempt to determine how much of the reconciliation reserve is represented by valuation differences between the Solvency II balance sheet and statutory accounts.
- Concerning possible **quarterly reporting of the Balance Sheet** in certain cases, further feedback would be welcome on the criteria set out for such reporting, for instance with regards to the threshold to be applied (as explained in the summary document of BS-C1).
- Other topics where specific feedback would be welcomed are :
 - a. Reporting of **Risk Concentration** through a group-specific template (RC): should this be mentioned only in a Narrative Reporting instead of having a specific quantitative template (supplemented by Narrative Reporting as necessary)? If yes, what should the corresponding guidelines contain?
 - b. Design of the Template for **non-life catastrophe risk** (SCR-B3F);
 - c. Format of Reporting for **Ring-fenced funds** (see technical standard 4);
 - d. Content of Guidelines on **Narrative Public Disclosure & Supervisory Reporting**.

Taxonomy

20. From an IT perspective, the quantitative reporting templates will be modelled by **XBRL taxonomy**. A public consultation was carried out by EIOPA on the technical specifications of this taxonomy (end in September 2011). Presently, the analyses of the received replies are being prepared. Basing on the outcomes, the final XBRL Taxonomy will be prepared in the **course of 2012**.
21. Business data templates, e.g. quantitative reporting templates will be first completed with conceptual and logical data models, which are business focused definitions of data that should then serve as the input to the production of taxonomies. Taxonomies will be constructed to avoid having redundant (and therefore inconsistent) definitions of data.