EIOPA Call for Input on Reporting and Disclosure - AMICE Response

Supervisory Reporting
General:

1. In general, what are the templates/group of templates that represent the highest burden, for example where the information requested is not used internally?

After 2 years of the Solvency II regime having entered into force, there is a general consensus that Pillar III is more time and resource consuming than either Pillar I or Pillar II requirements. The industry is still unsure about the benefits that the extensive Solvency II reporting has brought to the sector.

The insurance sector would appreciate if an explanation as to how the provided information is actually used in the supervisory review process can be provided. Among the AMICE members there are still questions around why so many information is being requested and whether it is being actively used for supervisory purposes. We still do not share the position that such a huge amount of data is all necessary for supervisory purposes.

At this stage of the process, when everything has been implemented, we would favour the introduction of materiality thresholds and the removal of the information that it is regarded as not useful.

General messages

- Simplification of the amount of asset data that is needed for smaller insurers and rationalization of the reporting requirements.
- Extend the current and welcome temporary waiver for quarterly reporting to a permanent basis.
- Assessing whether certain waivers can be extended to the annual templates or that certain insurers can have a lower frequency of submission of annual templates.
- Merging documents that contain overlapping content.
- Use of financial reports that insurers publish almost simultaneously.
- Review quarterly and annual reporting deadlines. The reporting deadlines could be aligned with the reporting deadlines applicable for 2018.
- Clarification as to which QRTs are used for supervisory and statistical purposes and removal of those templates which are not used.

Association of Mutual Insurers and Insurance Cooperatives in Europe aisbl | www.amice-eu.org
Rue du Trône 98/14 | B-1050 Brussels | T : +32 2 503 38 78 | secretariat@amice-eu.org | @AMICE_Mut

Comments on the QRTs

- **Off Balance Sheet Items – S.03.03**

EIOPA is requiring the estimation of a maximum value of an unlimited guarantee. Any value included is per definition a very crude estimate and does not provide meaningful information.

- **Premiums and Claims – S.04, S.05**

The following QRTs cover the information related to premiums:

1) S.04.01.01 – This template reports insurer's business written (premiums written and claims incurred) in the home country and through FPS. This template is reported by line of business.
2) S.05.01.01 – This template reports total premiums written and claims incurred by line of business. This is also split out by gross, reinsurers share, and net.
3) S.05.02.01 – This template reports total premiums written and claims incurred by home country and top 5 countries.

EIOPA could provide a simplified version of this template by consolidating all premium and claim related templates to provide an overall picture of the premiums and claims and how these are broken down by line of business and country with a total column at the end.

- **Activity by Country – S.04.01**

An exemption threshold could be put forward for this template.

- **List of Assets – S.06.02**

This template requires a huge amount of very detailed information from the asset managers/custodians and rating agencies; As EIOPA is well aware, the electronic use of ratings for regulatory purposes is not free of charge and insurers are required to pay fees to have access to the requested information.

- **Derivative transactions – S 08.02**

We understand the need for an insight in positions held at the reference date as requested in S 08 01, however, we query about the added value of providing detailed information on transactions closed in the reporting period. The request to submit information about the derivative transactions which are settled before the closing date/reporting date and which are not included in the opening balance sheet is very burdensome and, in our view, it does not provide any additional information on the solvency position. Holding derivatives on the balance sheet should be governed by the risk management policy and the prudent person principle.

- **Premiums, claims and expenses by LoB and by country – S.05 & Income Gains and Losses – S.09**

Solvency II is a prudential regime and it does not have a "profit or loss account". The requested information duplicates information already provided in the financial statements.

- **Claims and Expenses – S.19.01, S.20.01, S.21.01, S.21.03**

S.19.01 and S.20.01 Claim triangles

EIOPA requires insurers to submit development triangles per line of businesses. The lines of business (LoBs) which are less material are those which are normally not integrated in the systems and to retrieve the information requested for those non-material lines of business is very time consuming. One could also question the need for the RBNS triangle to be disclosed separately. The split into more components is very burdensome.

S.21.01 Loss distribution (number of claims)

EIOPA is requiring in this template information on the number of claims per time bucket. It is unclear how this would contribute to a better understanding of the solvency position of insurers.

- **Reinsurance – S.30.01, S.30.02, S.30.03, S.30.04, S.31.01**

As confirmed by EIOPA, these templates are the ones which lead to more Q&A and where more data quality issues have been identified. We suspect that the cause is to be found in the granularity of the data requested. More clarity is also needed as to the purpose of this template for supervisory and/or statistical purposes and whether such level of detail is really needed.

- **Intra-Group Transactions – S.36.01**

The materiality threshold has been set up by type of intra-group transaction (IGT) which depends on the bilateral solos concerned by the IGT. The materiality thresholds are defined as a % of the SCR of the solo(s) involved in the bilateral transaction; The threshold depends on the companies of the group having the transaction: The transactions have to be aggregated by risk type and have to respect some thresholds. Firms normally keep track of the IGTs at closing date but they do not for all the IGTs taking place all over the year. As a result, firms submit all IGTs without any threshold.

- **Variation Analysis – S.29.01, S.29.02, S.29.03, S.29.04**

The set of variation analysis templates have proven to be very burdensome. Firms conduct analysis of change as it is needed for management purposes and steering but in a different manner than the information requested by EIOPA; There are differences between the granularity required in the EIOPA's templates and the one used for internal purposes. Additionally, we believe that there should be a consistency between the analysis of change in the balance sheet and SCR.

2. Are there national specific templates that in your view could be harmonized at EU level?

No, the national templates refer mainly to local information and they should be requested only when they are related to local specificities.

3. Please provide any concrete idea/proposal you might have from the perspective of different business models, e.g. reinsurance undertakings, captives or other.

N/A

4. Is there any area which you believe is not covered by the reporting package that should be introduced and how, e.g. EPIFP, cyber risk?

The Solvency reporting package is comprised of quantitative templates and the narrative reporting. Not all information should be embedded in quantitative templates.

Consistency between financial sectors

5. Where do you see room for improving regarding the consistency of SII reporting framework with other EU supervisory reporting frameworks?

Financial conglomerates

Financial conglomerates are being requested to provide group information based on different prudential regimes. Despite the fact that the Financial Conglomerates Directive aimed at avoiding overlaps and unnecessary costs arising from applying sectoral group requirements at different levels of a group, this has not always been achieved. It should be clarified that a financial conglomerate where the insurance business has a dominant position should report group information based on the Solvency II legislation, whereas a banking dominated financial conglomerate should prepare its group reporting based on the Capital Requirements Directive. Instead, in a financial conglomerate which is a mixed entity, the national competent authorities and the entity should agree on the reference framework to report group information. In any case, converging towards a harmonized reporting framework would be difficult as there are fundamental differences between both financial sectors and the essential elements of the prudential regimes also vary.

Inconsistencies between Solvency II and CRD frameworks have been spotted:

- Different definitions for the bonds and loans.
- Issue derivatives under EMIR and Solvency II Directive.

6. Do you think there are duplications to be reduced in the information reported within SII framework itself as well as with regards to other EU supervisory reporting frameworks?

Please see answer to question 5.

Proportionality principle

7. Do you have proposals how to improve the limitation and exemptions process?

The provisions that allow Member States to exempt smaller undertakings from quarterly reporting are particularly important for many AMICE members. Most national supervisors have not to date implemented the proposed application thresholds (in terms of the market share covered) and only a handful of Member States apply the exemption.

According to the latest report published by EIOPA, the market share of the undertakings, which are allowed a limited quarterly reporting, varies between 0% and 14.6% for non-life gross written premiums (GWP) per Member State and between 0% and 4.5% for life technical provisions (TP). By number of undertakings, 27% of the undertakings are allowed a limited quarterly reporting and 5% of groups have exemptions from quarterly reporting. The figures show that **the market share of undertakings benefiting from limitations stays below the maximum of 20% set in the Solvency II Directive.**

And despite the fact that compared to 2017, three more National Competent Authorities (NCAs) granted quarterly limitations - meaning that supervisors granted 88 more exemptions on quarterly submissions by March 2018 than they had a year earlier (703 compared to 791) and 12 more to groups (21 to 33) - still 18 NCAs have not authorized any undertaking to use exemptions or limitations. We request that these exemptions be applied in a uniform manner across all Member States.

8. Do you believe that the current reporting timelines and frequencies are adequate? Please specify

Acceleration of Deadlines

The significant acceleration of deadlines for both annual and quarterly reporting submissions is not realistic, and it is particularly expensive and difficult as not only the information has to be generated but the reports also need the approval from the insurers' administrative, management or supervisory body (AMSB) and in some jurisdictions need to be validated by external auditors before being submitted to the national competent authority. Moreover, the fact that the Implementing Technical Standards relating to supervisory reporting QRTs and public disclosure QRTs are being amended every year and that a new taxonomy laying out changes and corrections to the QRTs and log files has to be implemented in shortened timescales, endangers the possibility of improving the quality of the data submitted. Quarterly and annual reporting deadlines should be reviewed. The reporting deadlines should be aligned with the reporting deadlines applicable for 2018.

Association of Mutual Insurers and Insurance Cooperatives in Europe aisbl | www.amice-eu.org
Rue du Trône 98/14 | B-1050 Brussels | T : +32 2 503 38 78 | secretariat@amice-eu.org | @AMICE_Mut

Deadlines for Quarterly Submissions

As from 2019 onwards, firms will have to submit the solo quarterly information within 5 weeks and the solo annual information within 14 weeks. In 2019 and due to the shortening of deadlines, firms are preparing the reports on Q4 2018, year-end 2018 and Q1 2019 at the same point in time. Moreover, the fact that the reporting deadlines for quarterly submissions (5 weeks or 25 workings days to submit the quarterly information) have been translated into fixed submission dates for the whole European market, does not allow to take into account national holidays. For example, for the Q1 2019 submission there could be in some countries two national holidays or up to four national holidays in April 2019. This implies a reengineering of the whole reporting production process in order to cope with the reduced deadlines.

Financial Stability Reporting Deadlines

The reporting deadlines for financial reporting purposes are particularly challenging. The information is normally scrutinized by the first, second and third line of defense. The internal governance procedures also take time which is inappropriately considered in the currently timelines. The shortening of the deadlines is obliging insurers to resort more and more to proxies and simplifications in order to meet the required deadlines. We would have expected these templates to be reported 2 weeks after the solo annual reporting and not 2 weeks after the solo quarterly reporting.

Single SFCR

As from 2019 onwards, Annual QRTs and narrative reports (if they apply) are required to be submitted within 14 weeks and the Solvency and Financial Condition Reports (SFCRs) must be available on the company's website on this date. Firms producing a Single SFCR will have to make it available within 14 weeks after the transitional period, being published before the group information is submitted to the supervisory authority.

We urge EIOPA to propose a quick fix of the Solvency II Directive to address this problem.

9. Do you believe that the risk-based thresholds introduced in the ITS are efficient? Do you believe they might be improved/extended. Please provide concrete examples if possible.

Smaller entities could be exempted from providing templates which are solely asked for the purpose of statistical information for the whole of the European market. Risk based thresholds are appropriate and could be enhanced.

Risk-based thresholds

The annual reporting for companies exempted from quarterly reporting could be simplified or further risk-based thresholds could be developed; Those companies which are generally small companies with little staff and for which it is difficult to provide such a large amount of non-essential information.

- **List of Assets – S.06.02**

This template can be reported once a year if for example premium income < 50 million euros or total investment < 150 million.

- **Look-Through – S.06.03**

Additional proportionality considerations for the annual calculations should be introduced; Firms are exempted to submit the template S.06.03 from quarterly reporting when the ratio of collective investments undertakings held by the undertaking to total investments is lower than 30%. No exemption threshold is applied for annual reporting; However, Article 84 (3) of the Solvency II Delegated Acts allows firms to use data groupings up to 20% of the total value of the assets. The template S.06.03 could be aligned with the Delegated Acts so that the same level of granularity is required.

- **Derivatives – S.08.01 & S.08.02**

A threshold could be introduced for insurers with limited exposure to derivatives.

- **Claims and Expenses – S.19.01, S.20.01, S.21.01, S.21.03**

On the S.19.01, S.20.01, S.21.01, S.21.03 templates, different thresholds could be put forward to avoid reporting the non-material LoBs:

- Option 1: Submitting the 2 or 3 most important lines of business only in terms of best estimate
- Option 2: Submitting the most important lines of business whose cumulative best estimate represents e.g. at least 50% of the total best estimate.

Internal models

10. How could information on internal models be further harmonized to ensure a minimum level of comparability between undertakings?

An internal model aims at capturing the distinct risk profile of an insurer and the modelling, inputs and outputs would reflect this objective. We wonder whether harmonization is really possible at a more granular level. In our opinion it will not be possible and will lead to a more administrative burden and less meaningful information. Comparing internal model with standard formula results has proven to be very difficult and demanding given the differences in the internal model design, model specificities and the aggregation and correlation matrices used.

11. Is the reporting of standard formula figures by undertakings using internal models in S.25.01, S.26s and S.27 feasible? What are the main concerns in this area?

Internal model users would normally optimize their solvency position based on their internal model which should reflect the entity´s risk profile. If internal model players were going to populate the standard formula QRTs, this would not reflect their actual solvency position and it would distort any comparison among different insurers in the market.

As the standard formula is to be disclosed to supervisors, the completion of these templates should be feasible. However, completing these templates are not normally embedded in the IT systems and other processes. Furthermore, the XBRL solution will in most cases not support this as these are not embedded in the current IT systems. This would require additional programming and additional interfaces.

Reporting processes

12. Do you see an opportunity to improve reporting processes in light of the new technologies available? Please explain how.

The reporting process can also introduce bureaucracy. By linking the internal systems to XBRL firms could create an efficient process. However, the taxonomy suggests a one size fits all.
Currently, there is a huge amount of validation rules accompanying the XBRL system. This makes the whole process very static and inflexible. If EIOPA were to assess the materiality of data fields and which data fields were actually necessary for supervisory purposes, the flexibility of the reporting package would improve.

13. Please provide your comments, if any, on the current EIOPA practice regarding the XBRL releases.

AMICE members agree with EIOPA's concerns regarding the current process and welcomes the proposed changes. However, the significant acceleration of deadlines for both annual and quarterly reporting submissions requires that the amendments to the current governance process be more ambitious. Members also favour the access to the final updated taxonomy as early as possible. We would like to propose that the EIOPA's Public Working Document (PWD) is published a bit earlier, i.e. in April already if possible. We would be in favour of keeping the length of the PWD public review (i.e. 1 month) if that allows the final taxonomy to be delivered earlier (i.e. in June at the latest and before the summer holiday period). Insurers appreciate having access to the content of the draft PWD as early as possible and before the public consultation starts. We welcome the removal of the corrective releases and the formalization process for hot fix releases. However, the hotfixes should be programmed for earlier so that they would not fall in the middle of fast close and / or production processes.

14. Please provide any concrete proposal you might have how the data quality can be improved.

The deadlines were defined in the Solvency II Directive when the reporting package was still in the discussion phase. The reporting package was launched without setting any priorities. Firms received the package without knowing which information was really key and which information was less important and could be reported later in the process. This had a direct impact on the quality of the data submitted, however we understand that the quality of data is improving.

We appreciate the different activities launched by EIOPA to improve the quality of the information submitted. In order to improve the quality of the data submitted, firms need clear examples of areas where national supervisory authorities have found data quality issues and the materiality of those findings. For example, the EIOPA´s assessment on the CIC codes allowed some firms in some countries to acknowledge that the CIC code was not fixed but that it could change overtime. Some pragmatic approaches are required, however, to increase the reporting of the LEI code information.

Adding more and more validations could not ensure that the data submitted is fully correct. Firms rely on different sources of information when populating the QRTs; If the information provided by those sources is not correct, firms do not have any means to identify the errors and mistakes. Moreover, the very challenging deadlines are having a direct impact on the quality of the data submitted as firms will be resorting more and more to proxies and simplifications.

Narrative reporting

15. What are the areas of the Regular Supervisory Reporting that could be improved?

The RSR should avoid trying to resemble or duplicating information which has already been included as part of the annual statements and financial statements prepared under IFRS as endorsed by the EU, or local GAAP.

Reference to other documents

The RSR could be more pragmatic if firms were allowed the option to replace section 3 on “Risk Profile” of the RSR by their ORSA qualitative and quantitative results. The RSR report could be referenced to the ORSA report. The Section 2 “Governance System” of the RSR could also be replaced by other national reports regarding the insurer´s governance system. Those reports normally provide more detailed information than the governance section of the RSR and they are also submitted to the NSA on an annual basis. The RSR report could be referenced to those governance reports.

Review of RSR

In the RSR there are sections which could be denominated as static information and sections which could be denominated as dynamic information. However, when assessing the content of the RSR as required by the Directive there is a mix of dynamic and static information. This could be improved as follows:

- **Accounting performance:** Section A within the RSR covers the accounting performance but it does not have any direct relationship with the movements in own funds and/ or economic balance sheet. If section E were to provide a proper analysis of change, this section would be redundant. Moreover, the insurer´ financial statements and annual accounts are publicly available information to which supervisory authorities can have access to.
- **Economic balance sheet and/or Solvency capital requirement:**
  Firms´ information about the loan portfolio, the collateral arrangement and borrowing transactions require information which would be better placed when disclosing the relevant information on the

economic balance sheet and/or the solvency capital requirement. To be relevant, additional quantitative information would have to be provided which would duplicate with information presented in the economic balance sheet and/or solvency capital requirement. The dynamic information in section C could be removed and transferred to section E. For example, the sensitivities could be part of either the related capital requirement or the disclosure of the solvency position. Normally one would expect sections B and C not to vary during the year unless policies have changed following changes in the risk profile.

- **Expected profits in future premiums (EPIFP):** As part of section C.4 "Liquidity risk". insurers have to provide information on the expected profits in future premiums (EPIFP). This information could be presented in section E as part of the disclosure of the own funds – Tier 1.
- **Guarantees and contingent liabilities:** Also, as part of section C.4 "Liquidity risk" information is being provided on guarantees and contingent liabilities. However, this information should also be presented as part of the economic balance sheet disclosure (example section D.3.2 "Contingent liabilities".).
- **Market risk and underwriting risk:** Information about the use of reinsurance and financial mitigation techniques and "the use of future actions" could be integrated into the sections on market risk and underwriting risk rather than being presented as a separate section. Currently, the information is duplicated with the information presented in section C.
- **Valuation for solvency purposes / Capital Management:** Section D on "Valuation for solvency purposes" presents the economic balance sheet while section E on "Capital management" presents the own funds and the solvency capital requirement and the solvency position. Section E should be replaced by a new Section E on the solvency capital requirement, section F on own funds and section G presenting the solvency position and additional relevant information.

Specific templates

16. Solvency II reporting includes some templates that follow an accounting valuation. How do you see a change in templates S.04 and S.05 currently reported from an accounting perspective (i.e.: Local GAAP or IFRS if accepted as local GAAP) to be reported from a Solvency II valuation perspective?

We question the need for the information on accounting valuation for prudential supervision. One of the major principles within Solvency II is the economic view. The reporting of this data does not provide additional information to the supervisory authorities as insurers are already required to produce financial statements based on local GAAP or IFRS as adopted by the EU. The S.05 template is one of the most contested QRTs given that it is difficult to reconcile with the information from the insurer´s financial statements and it does not provide relevant information for the insurer´s solvency position. This template could be removed from the reporting package.

17. In some exceptional templates (S.16, S.19, and S.30 and S.36) information is requested regarding the currency of the contracts, instead of the reporting currency. How do you see adoption of the reporting currency for these templates?

Also for these QRTs, one has to query about the consequences of not providing the requested information. In the market risk template and also in the RSR, information is already submitted regarding the currency exposure of assets and liabilities, the major currency concentrations and any additional information regarding risk mitigation.

18. Variation analysis templates (S.29s): please provide any specific input on how these templates could be improved.

The real question is about the purpose of EIOPA´s variation analysis templates. Depending on the objective these QRTs would result in a different granularity, technical details, administrative burden and a different understanding and use by the firm´s management. Currently, there are different interpretations and practices to fill in these templates. Members find them very burdensome and concur that the information required is very complicated to obtain. We have welcomed EIOPA´s explanatory notes on these templates but more detailed and clearer explanations may have to be provided to achieve more consistency and a harmonized practice while these QRTs are being discussed as part of the EIOPA´s 2020 review of the reporting package. More guidance would also help companies filling in these templates.

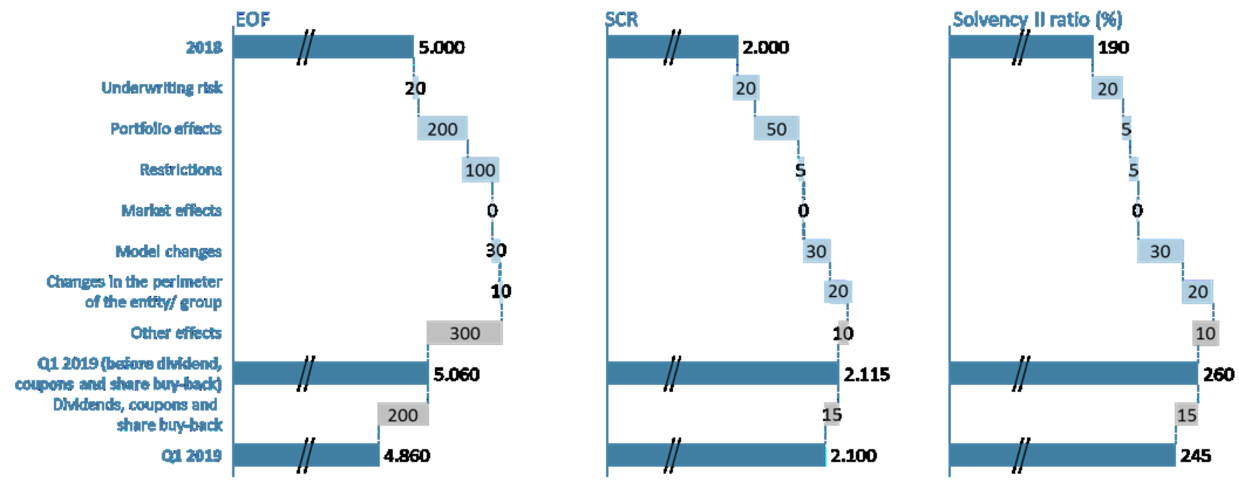
We believe that EIOPA should start from scratch and re-design these templates. The current templates follow a very technical approach and they are not used by (senior) management. We would urge EIOPA to reach out insurers and ask them which analysis of change they are using for their internal reporting and other management purposes.

In our view, the analysis of change should also be extended to an analysis of change of the insurer´s solvency position. The analysis of change of the own funds and SCR should be consistent in nature where possible.

Normally, from a business perspective/planning and control, firms assess (1) how policy decisions taken by the management have an impact into the solvency positions and whether this impact was intended; (2) how risk mitigation in having an effect in the solvency II ratio; (3) how any (artificial) developments have an impact in the solvency II position; (4) how external events such extreme weather events have an impact in the solvency II position.

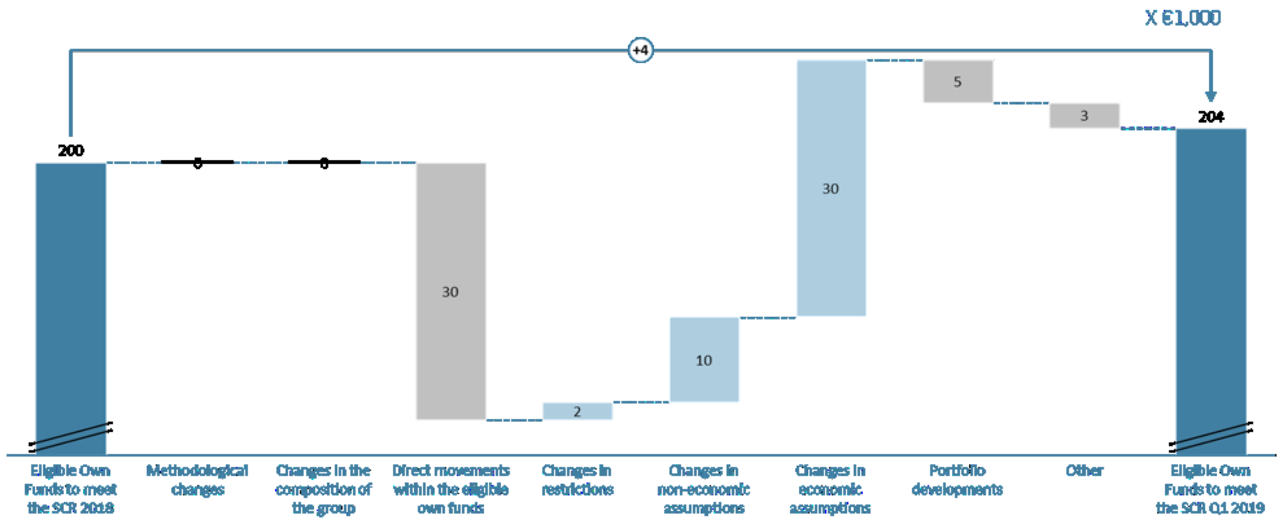
Please find below an alternative proposal to the variation analysis templates:

1A. Changes to Solvency II ratio (in %)



Eligible Own Funds (EOF):
- Xxx
- Xxx
- xxx

Solvency Capital Requirement (SCR):
- Xxx
- Xxx
- xxx



19. Any other areas/proposals.

Public disclosure: Aim and structure

20. Do you agree that SFCR should reflect the different information needs of policyholders and other stakeholders?

It has been acknowledged that few people read the SFCR: many of our members tracked the number of users, and in most cases the number of readers were in single figures, and made up, we assumed of competitors, auditors and trade bodies. Part of the challenge is that the SFCR has no clear target audience and we wonder whether it is really feasible to have one report which could serve all the intended objectives and which addresses the needs of different stakeholders. EIOPA has suggested the executive summary to be drafted for the policyholders, while the remainder is drafted for professional users of the information. We wonder whether that would result in a readable, accessible an easy to understand information.

We believe that the distribution of information towards the different stakeholders should be proportionate to their real needs.

21. How in your view the SFCR can be improved to address all stakeholders?

A SME mutual insurer which has no “rating” and no “listed debt instrument” has different stakeholders than a large financial conglomerate with listed equities and multiple ratings. The former would have as major stakeholder its policyholders only while the latter would have multiple stakeholders. Moreover, it would be very difficult to have a report addressing both policyholder and professionals needs. Policyholders would be interested in learning whether the insurer is able to pay out his/her claims when due or is able to pay out the benefits when agreed in the future. We wonder whether policyholders are really interested in all the information the Solvency II regulation is requiring the insurers to provide; For professionals it may lack the essential information they are looking for whereas for the general policyholder it may contain information that it is too detailed.

The solution could be to make a distinction based on the type of user and the type of company:

For listed / firms with multiple stakeholders

A first step could therefore be to identify the different stakeholders who use the information. The report could target professionals only. The executive summary could address policyholders/non-professionals, while the main chapters could target professionals.

For non-listed / small and medium size firms

The SFCR would have to be tailor-made to the needs of the insurer’s policyholders. We would like to propose a “two-page document”, in which the insurer demonstrates its solvency position and its expected development going forward. The insurer would have to provide information about the level of protection of policyholders, which risks the insurer is exposed to and the insurer performance over the year and compared to the statement provided last year. The language and terms used in this report should be as simple as possible.

22. Do you believe the structure of the SFCR could be improved? Please provide specific proposals if possible.

We believe that both the content and structure of the SFCR will have to be reviewed.

- Free format for the non-executive summary part – Minimum information to be included.
- To indicate which elements of the SFCR are mandatory / which elements can be removed.
- To remove the mandatory “Table of Contents”.
- The core theme of the SFCR should be the SCR; the solvency II ratio should be the core point.
- To allow a simplified version of SFCR for SMEs.
- To analyze over time which information is really needed.

The SFCR could make reference to other available public information but it should be made less rigid.

23. Is there any information in the SFCR that you consider not useful or repetitive? Please explain why.

The Capital and Risk Section overlap in the SFCR.

Audit

24. What are in your view the advantages/disadvantages of the external audit requirements of the SFCR, namely what is the impact on the quality of the Report?

The external auditor’s role overlaps with the duties of the supervisory authorities when conducting the Supervisory Review Process (SRP) according to Article 36 in the Level 1 text. The requirement to audit the undertaking´s balance sheet and the solvency capital requirements necessitate a discussion with auditors about actuarial methods, actuarial assumptions, etc. which in reality should only concern the supervisory authority. The external audit reduces preparation time for the annual submission of data and reporting within deadlines from two to three weeks; Article 308b of the Solvency II Directive did not take into account the time needed to conduct an external audit. In addition, a mandatory audit is extremely costly for the undertakings, particularly for small and medium-size undertakings. We contend that any sort of external scrutiny and audit should be a choice for the undertakings and not an obligation and that they should therefore be exempted from the external audit requirement.

When introducing any audit requirement, the time for completion of the information to be reported is always shortened. Auditors need time for conducting a review, communicating, provide feedback on the comments, preparing their opinion and asking firms to resubmit data if the materiality of findings oblige companies to do so. The requirement of an external audit shortens the submission deadlines for the preparers of the information. Currently, this is already witnessed across the insurers being subject to external audit.

In those jurisdictions where the audit of the SFCR is compulsory, supervisors contend that the SFCR needs to be audited because it is viewed by the market, but of course this would not apply to SMEs mutual insurers.

Equally for SMEs mutual insurers, the report and accounts are published for members only and where the SFCR may cause confusion and inconsistency, there is no rationale for encouraging policyholders/ members to read it; The cost of the audit can be significant, typically £50,000 for a small company but often a lot more when actuarial work has to be taken into account; The audit has extended the amount of reporting work significantly; this is often because of questions that regularly fly between actuary and auditor and this puts excessive pressure on the finance function when they are also preparing statutory accounts to the same period.

From a content point of view, one can also assess the ability of the auditors to provide a meaningful contribution with respect to the quality of the report. The solvency II position and related information depends on (future) assumptions, (actuarial) calculations regarding pre-agreed models and the use of already approved data (IFRS/GAAP information). In most public financial information (annual accounts), risk information is already included (see for example IFRS 7 and IAS 1). This information is already signed off by auditors. We wonder which is the added value for any additional external audit requirement.

Language and means of disclosure

25. Do you consider that current language requirements are adequate? Please provide concrete proposals for improvement.

The language requirement should also refer to the various stakeholders to whom the SFCR is addressed to. If for example a national language is used, the investors/analyst/rating agencies will normally not be able to understand the information. Therefore, a version in English is always prepared doubling the work load. However, we wonder whether policyholders from a firm preparing the report in English would be able to understand the information. If the SFCR were to be split into different parts to provide meaningful information to the different users of information, different languages could be allowed without increasing the burden for insurers.

26. Do you see an opportunity to improve disclosure processes in light of the new technologies available, namely artificial intelligence and machine reading formats? Please explain how.

N/A

Specific improvements:

27. Please provide any concrete idea/proposal you might have from the perspective of different business models, e.g. reinsurance undertakings, captives or other.

28. On the areas identified by different stakeholders where more structured information is needed, such as SCR sensitivity, movements on SCR or movements on Own Fuds, please provide any proposals if possible.

The SCR sensitivity should be in line with the risk profile of an insurer and their internal limits were relevant. This should not be a fixed format. For AOC (i.e. analysis of change) there are many possible models available. For example, a 1-page information only in which the insurer's solvency position, own funds and SCR is presented, would be very useful for the senior management. At glance, they could understand the relationship between the developments having an impact on the Solvency position. Additionally, for assessing the Profit and Loss Attribution tests more detailed and granular information is needed. This would require a different analysis of change

29. Any other areas/proposals.

Q4 Reporting

We see some merits in the Q4 reporting as we understand the supervisory authorities are aiming at obtaining preliminary information about the insurer´s year-end figures. However, Q4 submissions fall in the middle of the year-end production figures and the Q4 reporting data are normally based on estimates which may have to be amended later in the process following some business/management decisions, findings from the external auditors or any other reason. Some insurers have to re-submit the Q4 figures to their supervisory authorities once the year-end reporting information has been finalized. In normal circumstances Q3 data could be extrapolated to approximate what would be the Q4 submission. The removal of Q4 reporting requirements should not lead to an increase in ad-hoc reporting. Q4 were to be removed, insurers would have more time and resources to dedicate to the annual submission.

Validations

As indicated to EIOPA in previous discussions, the new validation rules should be handled as non-blocking, at least the majority of them. In 2018, more than 300 new validations mainly blocking were introduced in the taxonomy. A single error in a blocking validation could prevent an insurer from submitting the reporting package.