

Insurance Europe views on the review of reporting requirements

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Summary

The European insurance industry continues to have concerns over the Solvency II reporting requirements. Indeed, two years of Solvency II application have not only confirmed that the requirements are overly burdensome and costly, but have also revealed the minimal benefit and use that some of these requirements have in practice.

In particular in the area of public reporting, the low level of public interest in the information is significantly outweighed by the substantial effort put into preparing the information. The industry strongly believes that the intended objectives of the public reporting have not been achieved.

With regard to non-public supervisory reporting, the industry is today faced with significant requirements, however it remains unclear to what extent all the information provided is being used by supervisors and regulators and how.

While reporting is one of the few areas of Solvency II in which proportionality is to some extent applied across member states, its application remains very poor and is even worsening.

Some of these high-level concerns appear to indeed be acknowledged by the EC, which has launched an ambitious exercise to investigate the consistency, coherence, effectiveness, efficiency and EU added value of reporting requirements. In addition, the EC sought feedback on ways in which supervisory reporting could be simplified and streamlined.

Against this background, the planned 2020 Solvency II review is the right opportunity for a review of the reporting provisions with a view to achieving the potential of Solvency II reporting, in line with the objectives initially set.

Insurance Europe believes that streamlining the reporting requirements, thereby focusing on requesting information that is actually useful and needed, would be beneficial for the industry. At the same time, it is key to keep the cost of the proposed changes as low as possible.

The insurance industry believes that the following areas should become part of the 2020 review:

- Regular supervisory reporting (RSR) and quantitative reporting templates (QRTs)
- Solvency and financial condition report (SFCR)

Detailed proposals

General proposals/considerations

- **Reporting requirements** should be **part of the 2020 review**, with the following key objectives:
 - Easing the burden on companies and increasing the efficiency of reporting
 - Streamlining requirements by focusing on information that is actually useful and needed
 - Minimising the cost of the changes (eg IT costs)
 - Granting undertakings a minimum of nine months to implement changed/new requirements
- RSR/QRTs should be streamlined. **The content of the QRTs needs to be reviewed and reduced to material information necessary for supervisory purposes.** This streamlining should not lead to an increase in ad-hoc reporting. It is key that the supervisory reporting consists of predefined content and format, and unjustified national solutions should be avoided.
- The **SFCR needs to be analysed thoroughly, and both structure and content should be reviewed** by focusing on information that is essential for the appraisal of an undertaking's financial, solvency and risk situation.
- The application of the **proportionality principle** should be enhanced, and supervisors should allow for simplifications consistent across Europe. Indeed, the extent of each undertaking's reporting requirements should be risk-oriented and in proportion to the risk situation of the individual undertaking.
- **Quarterly and annual reporting deadlines should be reviewed. The reporting deadlines should be aligned with the reporting deadlines applicable for 2018.** The accelerated deadlines are difficult to meet, as reporting requires not only the set-up of an efficient dataflow and the generation of the required reports, but the reports also need approval from the administrative, management or supervisory body (AMSB) and audit validation before they can be submitted to the NSA. The 2018 reporting deadlines should thus become the standard. Furthermore, the review of the reporting deadlines should be carried out as soon as possible to avoid additional, unnecessary major costs for the shorter deadlines, eg adjusting the organisations.

RSR

- General proposal
 - **RSR should be streamlined.** The content of the QRTs needs to be reviewed and limited to material information necessary for supervisory purposes. This streamlining should not lead to an increase in ad-hoc reporting. It is key that the supervisory reporting consists of predefined content and format and unjustified national solutions should be avoided.
- Further suggestions
 - A **three-year RSR is sufficient** and should become the standard, as opposed to simply being an option at the NSA's discretion. A submission of the RSR should only be required in valid exceptional cases.
 - **Should the requirement for an annual RSR be maintained, a statement** — declaring that there have not been material changes — **should be sufficient in years where no material changes are identified.**
 - **The option to submit a single group report should also be available for the RSR.** Currently, the submission of a single group report is only possible for ORSA (SII Dir Art 246(4)) and SFCR (DA Art 365 to 371). Further, if undertakings receive approval for a single group SFCR, the approval for a single group RSR should be given automatically.
 - **Q4 MCR reporting delivery should not be compulsory**, as there is annual delivery.
 - RSR should not contain information that has already been:
 - ☐ shared with the NSAs
 - ☐ requested in the SFCR

QRTs

- General proposal
 - **QRTs should be streamlined.** The content of QRTs needs to be reviewed and limited to material information necessary for supervisory purposes. This streamlining should not lead to an increase in ad-hoc reporting. It is key that the supervisory reporting should always consist of predefined content and format and unjustified national solutions should be avoided.
- Q4 reporting
 - The **Q4 submission requirement should be removed**, but the reporting deadlines for the annual report should not be shortened.
- Waivers should be applied in an automatic way, to reflect an implementation of the proportionality principle.
 - The **waivers foreseen in Art 35(6), (7) should be made automatic instead of optional** and national goldplating must be avoided.
 - The **availability of waivers should be expanded; therefore the 20% market threshold should be increased.** (Dir Art 35(6)(b)/Art 35(7)(d)).
 - **If the waivers are not made automatic, NSAs should look to promote these waivers and support smaller undertakings in applying for them**, up to the threshold of each member state's market.
- Other suggestions
 - **National specific templates (NST) should be avoided** and should only be required when there are genuine local specificities to be taken into account. Where an NSA requires the preparation and reporting of an NST, there should be a requirement that the NSA demonstrates how it will be used and the benefit it will bring. This would encourage NSAs to only request information that is genuinely relevant to their objectives.

SFCR

- General proposal
 - The **SFCR needs to be analysed thoroughly, and both structure and content should be reviewed** by focusing on information that is essential for the appraisal of an undertaking's financial, solvency and risk situation.
 - ☐ Redundancies/overlaps with other "publicly available" reports should be identified.
 - ☐ It should be verified whether all requested information is necessary and relevant for the public.
 - ☐ Requirements should be reviewed with regard to clarity and scope of interpretation, in order to avoid misunderstandings.
 - ☐ The addressee of the report should be reviewed. Preparing a report addressing both policyholders and professionals is difficult. Possible solutions could be:
 - Targeting professionals only
 - Making a distinction according to the type of user. The executive summary could address policyholders/non-professionals, while the main chapters could target professionals. The executive summary could be offered in the national language(s), whereas the main chapters could be offered in one language decided by the company, either in the national language or in English.
- Further suggestions
 - **The use of references to other documents should be less rigid or differently defined by NSAs.** According to Dir Art 51(1), undertakings are allowed to refer to other public available documents. In order to benefit from this provision, in some member states the national implementing regulation requires undertakings to submit the specific instance of the authorisation. Specific European guidelines are therefore necessary to guarantee a European level playing field.

Other proposals

- **Introduce deadlines for NSA responses** – There should be deadlines by which NSAs provide feedback on submitted reports. When the deadline has passed, undertakings should have the certainty that no further NSA comments will follow.

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