

# EIOPA Consultation Paper on proposals for Solvency II 2020 review

## Package on Supervisory Reporting and Public Disclosure – Quantitative Reporting Templates



This is one of five briefing notes that Milliman has produced summarising the consultation papers produced by EIOPA in June 2019 in relation to the Solvency II 2020 review. EIOPA has requested stakeholders to provide feedback on these papers by 18 October 2019.

### Overview

On 11 February 2019, the European Commission (**EC**) issued a formal Call for Advice<sup>1</sup> to the European Insurance and Occupational Pensions Authority (**EIOPA**) on the review of the Solvency II Directive. This relates to the full review of the Solvency II rules required by the end of 2020 (**2020 Review**) as required by the Solvency II Directive.

As part of the 2020 Review, EIOPA has been asked to assess the current supervisory reporting and public disclosure requirements. On 19 December 2018, EIOPA issued a Call for Input<sup>2</sup> to provide the opportunity for the industry and other stakeholders to give input on areas that could be further improved regarding Solvency II reporting and disclosure.

Taking into consideration the responses and feedback from stakeholders, on 25 June 2019 EIOPA published a Consultation Paper (the **CP**) on its proposals for the 2020 Review regarding supervisory reporting and public disclosure. EIOPA has included a summary of the feedback it received from various stakeholders in the CP.

The consultation comprises four separate papers<sup>3</sup> looking at:

- General issues on supervisory reporting and public disclosure
- Individual Quantitative Reporting Templates (**QRTs**) for the submission of information to the supervisory authorities and supporting annexes with additional details on proposed changes;
- Solvency and Financial Condition Report (**SFCR**) and Narrative Supervisory Reporting; and
- Financial Stability Reporting

This summary focuses on one of these documents in which EIOPA has presented its proposals regarding the QRTs for the submission of information to the supervisory authorities. It should be read in conjunction with our summaries of the other papers listed above. In particular, Milliman's separate summary of the paper on General Issues explains how EIOPA plans to identify core and non-core QRTs with the inclusion of

more risk-based thresholds for non-core to reduce the reporting burden for some insurers on the grounds of proportionality.

It should be noted that some of the proposed changes are to QRTs that have variations that are disclosed publicly in the SFCR. It remains to be seen if the proposed changes will apply equally to these variations although it would appear likely to ensure consistency across QRTs. In addition, it is worth noting that in the paper that focuses on the SFCR, EIOPA had noted that it does not intend to change the list of QRTs that must be disclosed in the SFCR.

EIOPA's proposals on the QRTs include the following:

- Introduction of new/revised reporting thresholds on some QRTs that will exempt some (re)insurers from having to complete the template in question
- Deletion of a number of QRTs
- Replacement or merger of a number of QRTs with new QRTs in a different format
- Introduction of new QRTs on internal model changes, the underwriting of cyber risk and on non-life product information
- Inclusion/removal of fields in some QRTs.

It is worth noting that the following areas will be reviewed separately later in the year:

- Group QRTs
- Regular Supervisory Report
- Technical aspects of the reporting and disclosure process
- Data quality aspects
- Issues linked to other areas of the Solvency II 2020 review, including long-term guarantees templates.

EIOPA has requested stakeholders to provide their feedback on the proposals set out in the CP by **18 October 2019**. The result of this consultation will be included in an EIOPA Opinion to be submitted to the EC by June 2020. After this date, some of the proposals will need to be considered by the EC and will eventually be reflected in the Level 1 Directive and/or Level 2 Delegated Regulation amendments, or in Implementing Technical Standards (**ITS**) without any legislative

<sup>1</sup> Formal request to EIOPA for technical advice on the review of the Solvency II Directive

<sup>2</sup> Call for input on the Solvency II reporting and disclosure review 2020

<sup>3</sup> EIOPA consultation on supervisory reporting and disclosure

amendment. The actual implementation date for changes to the Solvency II rules following the 2020 Review remains unclear.

In the remainder of this briefing note, we provide more detail on some of the most material changes that are proposed for individual QRTs.

## Basic Information

For QRT S.01.01 (Content of the submission) EIOPA is considering improving instructions for completion. Other changes may be needed depending on the outcome of the consultation e.g. inclusion or removal of certain QRTs will need to be reflected.

For QRT S.01.02 (Basic information – general) EIOPA is proposing changes to address some perceived gaps. These changes include making the use of Legal Entity Identifier (**LEI**) mandatory, adding new rows to identify features such as whether a company is a mutual (or similar) insurer, whether it is a captive, whether it is in run-off or whether it has engaged in Merger and Acquisition activity in the reporting period. EIOPA also proposes the inclusion of a link to the location of the company's SFCR on its website.

We would not expect these changes to cause significant difficulty for most (re)insurers.

## Balance Sheet and Information on Premiums, Claims and Expenses

In terms of QRT S.02.01 (Balance sheet), EIOPA's proposals include a change in the definition for government bonds to include all government bonds regardless of their Solvency Capital Requirement (**SCR**) treatment<sup>4</sup>. They have also proposed to include the split of debts owed to credit institutions and to non-credit institutions by location of the institution in S.02.01. Currently, this geographic split is only required in the European Central Bank (**ECB**) add-on template<sup>5</sup>. Additionally, EIOPA is looking to clarify the definition of some fields.

For QRT S.02.02 (Assets and liabilities by currency), EIOPA proposes to delete the asset part of the template (to remove duplication as most information is available in the asset (S.06) QRTs already) and to add a currency field to QRT S.31.01 on reinsurance so that the relevant asset information captured by this template is still captured elsewhere. No changes are proposed to the liability side of the template.

EIOPA proposes to add new fields on whether the company has received or provided any unlimited guarantees to QRT S.03.01 (Off balance sheet items – general) and to add a risk-based threshold to this template. As a result of these

<sup>4</sup> At present, government bonds that have a non-zero capital charge (due to their currency of issue) are not included in this segment.

<sup>5</sup> ECB add-ons relate to additional information required by ECB for statistical and monetary policy operations.

inclusions, EIOPA is proposing to delete QRTs S.03.02 (Off-balance sheet items - List of unlimited guarantees received by the undertaking) and S.03.03 (Off-balance sheet items - List of unlimited guarantees provided by the undertaking).

A number of changes are proposed for the QRTs that split information by country with a view to improving the information available on cross-border business. EIOPA proposes to delete QRT S.04.01 (Activity by Country) along with QRTs S.05.02 (Premiums, claims and expenses by country)<sup>6</sup>, S.12.02 (Life and Health SLT technical provisions by country) and S.17.02 (Non-Life technical provisions by country). It proposes to replace these with new S.04.03 QRTs as follows:

- S.04.03.01 (List of all branches and countries)
- S.04.03.02 (Information from an underwriting perspective on):
  - Premiums
  - Claims
  - Acquisition expenses and commissions
  - Number of contracts and number of insured lives

This information would be split by branch and freedom to provide services on a country by country basis and also by Line of Business (**LoB**). No threshold is proposed for this QRT.

- S.04.03.03 (Information from a location of risk perspective on):
  - Premiums
  - Claims
  - Expenses
  - Technical Provisions

It is proposed that this information would be split by country of risk and by LoB

No changes are proposed for QRT S.04.02 (Information on class 10 in Part A of Annex I of Solvency II Directive, excluding carrier's liability).

For QRT S.05.01 (Premiums, claims and expenses by LoB), EIOPA proposes to delete the cells related to the change in other technical provisions but to add the following information:

- Number of contracts
- Number of insured lives
- Commission to intermediaries
- Balance - other technical expenses/income (replacing the current 'other expenses' field)
- Gross written premium by distribution channel
- Total amount of surrenders (for quarterly reporting)

<sup>6</sup> This QRT is currently disclosed publicly in the SFCR. Based on EIOPA's Solvency II 2020 consultation paper on the SFCR, it appears that the public version .

We expect that most (re)insurers may welcome the clarifications, simplifications and deletions proposed by EIOPA for these QRTs. EIOPA has noted that there is possible duplication of certain information (e.g. number of contracts and premiums) between QRTs S.04.03, S.05.01 and S.14.01. We recommend that stakeholders provide feedback on this potential duplication and we expect that EIOPA may propose some further changes to these QRTs following this feedback to remove the need to report the same information in multiple QRTs. Insurers may also wish to comment on the edits proposed for the S.04 templates and the additional fields included in the S.05 templates as these changes may be viewed as being quite burdensome.

## Assets

In terms of asset information, EIOPA is proposing to delete QRT S.06.01 (Summary of assets). Elsewhere within the asset QRTs, EIOPA proposes the following additions to QRT S.06.02 (List of assets):

- Items relevant for ECB add-on such as write-offs / write-downs of loans, and the date the instrument was issued
- Information on Environmental, Social and Governance (**ESG**) compliant/sustainable investments
- Identifier on applicability of bail-in rules from the Bank Recovery and Resolution Directive<sup>7</sup>
- Listed/non-listed Regional Government and Local Authority Bonds identifier
- Identifier for cryptocurrency related assets
- Custodian LEI code
- Addition of a “No Custodian” option in the “Custodian field”
- A new Complementary Identification Code (**CIC**) for government bonds and corporate bonds with government guarantees that are denominated in a different currency
- Other changes to CIC definitions and reporting instructions

EIOPA has also suggested that national supervisors could complement the information in this QRT with external financial information rather than placing an onus on insurers to provide all the information that a supervisor may be looking for. In addition, EIOPA has requested stakeholders’ views on having an item “Fund number” that is mandatory for all internal funds to allow linking of information across templates where fund level information is shown.

EIOPA is proposing to revise templates on the look through approach for Collective Investment Undertakings (**CIUs**). For QRT S.06.03 (Collective investment undertakings - look-through approach) EIOPA proposes that the template will be retained but only for assets where an insurer does not have full look-through information or where it does not have an influence on investment strategy of the CIU. One proposed change is

that the country of issue would need to be reported for mortgages and loans. EIOPA also proposes changes to the risk-based thresholds for this QRT, as follows:

- Change in quarterly threshold (ratio of collective investments to total investments) from 30% to 50%
- Change in country level identification threshold from 90% to 80% i.e. a breakdown of assets by country is now only needed until countries that represent 80% of the fund have been identified

Where an insurer has full look-through or where it has an influence on investment strategy, EIOPA proposes that the information will be captured in a new QRT – QRT S.06.04 (Collective investment undertakings - look-through approach) instead. This will capture much more detailed information than S.06.03, such as issuer name, issuer sector, issuer group, issuer country and currency amongst others. As with S.06.03, companies will be allowed to use the last known investment position with a maximum of a one month delay. EIOPA also proposes a threshold whereby the QRT will only be reported quarterly when relevant investments represent more than 10% of the total investments. It remains to be seen how the use of different thresholds in S.06.03 and S.06.04 would interact given that both templates capture the same type of information (i.e. look through information on CIUs) albeit at different levels.

QRT S.08.01 contains information on “Open derivatives”. For this QRT, EIOPA is proposing the following:

- Delete items “Delta”, “Premium paid to date” and “Premium received to date”
- Replace “Swap delivered currency” and “Swap received currency” with “Swap delivered” and “Swap received”
- Add “Currency of price” field
- Add “Unique transaction identifier” to allow links with European Market Infrastructure Regulation (**EMIR**) data
- Require that the “Counterparty code” is also reported for derivatives cleared through a central counterparty
- Some other clarifications to reporting instructions

EIOPA has not proposed any changes to QRT S.07.01 (Structured products), QRT S.09.01 (Income/gains and losses in the period) or S.10.01 (Securities lending and repos) while it has proposed to delete QRT S.08.02 (Derivative transactions). For QRT S.11.01 (Assets held as collateral), the only proposed change is the introduction of a threshold whereby the QRT is only reported when the ratio of the value of assets held as collateral to total balance sheet assets exceeds 5%. This reflects the fact that this template is viewed as ‘non-core’.

Whilst the deletion of QRTs S.06.01 and S.08.02 is likely to be welcomed by the industry, (re)insurers are likely to have some concerns with regard to the proposed new QRT S.06.04, which contains much more detailed look-through information to that

<sup>7</sup> Directive establishing a framework for the recovery and resolution of credit institutions and investment firms

currently required. In particular, firms may have some concerns about the availability of this information and the time it may take to produce a more detailed QRT given the difficulty that they already face preparing QRT S.06.03. They may also have some concerns about the inclusion of new fields for which they will need to source data in QRT S.06.03. Whilst there are risk-based thresholds in these QRTs, these might not be of much benefit to companies with large exposures to CIUs. Therefore, we recommend firms with large volumes of collective investments to study these proposals in detail and consider providing their feedback to EIOPA.

## Technical Provisions - Life

For QRT S.12.01 (Life and Health SLT technical provisions) EIOPA is proposing to simplify the quarterly template by deleting the information on transitional measures.

In QRT S.13.01 (Projection of future gross cashflows) EIOPA proposes splitting reinsurance recoverables by LoB, and splitting cash flows for “Future benefits” between “Future guaranteed benefits” and “Future discretionary benefits”. It is not clear into which column claims on unit-linked business without guarantees would go under the new structure as such benefits are neither guaranteed nor discretionary with the value of the benefits determined by the investment markets. We expect that this may be clarified by EIOPA in due course. EIOPA also proposes to exempt all undertakings using simplifications for the calculation of technical provisions where an estimate of the expected future cashflows arising from the contracts are not calculated from having to complete this template.

EIOPA proposes the following changes to QRT S.14.01 (Life obligations analysis) as follows:

- S.14.01.01.01 (Portfolio of products): This will be similar to the current template but with more fields including “Number of contracts at the end of the year, of which have a surrender option”, “Number of contracts surrendered during the year”, “Number of insured at the end of the year”, “Number of insured at the end of the year of which related to new contracts during the year” and “Fiscal treatment of products”.
- S.14.01.01.0x (Portfolio of products at a fund level): This new template will be used to provide information for each product at a fund level (where there are several funds within a product) and avoid duplication of policy counts etc. that will be captured at a policy level in S.14.01.01.01. It will contain a split of premiums by total/new business, by single/regular premium and by distribution channel. It will also include new product level information on commissions, administrative expenses and expected future premiums.

- S.14.01.01.02 (Product characteristics): This QRT will be similar to the current version but it will require new information on a product in relation to pension entitlements, profit sharing and remaining contractual maturity.
- S.14.01.01.03 (Homogeneous Risk Groups (HRGs))<sup>8</sup>: This QRT now needs to include information on exit conditions in addition to the fields currently required.
- S.14.01.01.04 (Information on products and HRGs): this template links products and HRGs.

EIOPA is proposing to delete the two QRTs on variable annuity business - QRT S.15.01 (Description of the guarantees of variable annuities) and QRT S.15.02 (Hedging of guarantees of variable annuities).

## Technical Provisions – Non-Life

EIOPA is proposing to exempt the reporting of QRT S.16.01 (Information on annuities stemming from Non-Life Insurance obligations) for reinsurance business. It also plans to revise the risk-based threshold, which required reporting of detailed information on currencies (views are invited from stakeholders on the revision of the threshold).

For template S.17.01 (Non-Life Technical Provisions), EIOPA is proposing to simplify the quarterly template by deleting information on the transitional measures.

With respect to QRT S.18.01 (Projection of future cash flows (Best Estimate - Non Life)), EIOPA is proposing to ask for LoB information for material LoBs (representing a coverage of 90% of the technical provisions) and to ask for the value of the “Total recoverable from reinsurance” reported for each material LoB. In addition to this, EIOPA is proposing to increase the scope of undertakings exempted from this template by exempting all undertakings using simplifications for the calculation of technical provisions, for which an estimate of the expected future cashflows arising from the contracts are not calculated.

In QRT S.19.01 (Non-life insurance claims), EIOPA proposes to remove the requirement to report the total best estimate of claims provisions using reported currency, and plans to revise the risk-based threshold for material LoBs (to those representing a coverage of 90% of the technical provisions) and currencies. EIOPA invites stakeholders to provide their views on what the revised threshold should be as part of the CP.

For QRTs S.20.01 (Development of the distribution of the claims incurred), S.21.01 (Loss distribution risk profile) and S.21.03 (Non-life distribution of underwriting risks - by sum insured), EIOPA is proposing to introduce a risk-based threshold for material LoBs where materiality is defined as

<sup>8</sup> EIOPA has included two sets of S.14.01 QRTs in the Annex to the CP. In one set, QRT S.14.01.01.03 and S.14.01.01.04 are deleted, with the information contained in QRT S.14.01.01.0x instead (at a product

level rather than at a HRG level). EIOPA is seeking views from stakeholders on which set is most appropriate.

representing a coverage of 90% of the technical provisions. No changes are proposed for S.21.02 (Loss distribution risk profile).

QRTs S.22.01 to S.22.06 cover long-term guarantee and transitional measures. These have not been included in this consultation and will instead be consulted on later in the year.

Life (re)insurers writing variable annuity business and life (re)insurers that make use of transitional measures will likely welcome the proposed simplifications and deletions to QRTs S.12.01, S.15.01 and S.15.02. However, other (re)insurers may be concerned about the proposed changes to technical provisions QRTs, especially the level of additional information being sought in the various S.14.01 QRTs where contract counts and premiums need to be split in a number of different ways. Therefore, this is an area that insurers may need to consider in detail. We expect EIOPA may receive a lot of feedback on these areas. Non-Life insurers will likely welcome the introduction of a number of simplifications and risk-based thresholds.

## Own Funds

EIOPA is not proposing any changes for QRT S.23.01 (Own funds) but, it notes that instructions could be revised or clarified. No changes are proposed for QRT S.24.01 (Participations held) either.

With respect to QRT S.23.02 (Detailed information by tiers on own funds) EIOPA is proposing to add sub-totals to the template. One sub-total corresponds to "Core own funds from the financial statements". This would contain items such as "capital from financial statements", "reserves from financial statements (excluding retained earnings, surplus fund and subordinated liabilities)", "retained earnings from financial statements (excluding retained earnings from the result of the year)" and "result for the year".

However, it is worth noting that it is unclear what the other proposed sub-total captures. In the CP, the sub-total in question is shown as "Own funds from the financial statements Subordinated liabilities" but the items listed as belonging to this sub-total are "surplus fund" and "deferred tax assets", neither of which would be considered as subordinated liabilities. This may be something that EIOPA will clarify in due course. It is also proposing to add cells on valuation differences in deferred tax assets and subordinated liabilities between Solvency II and financial statements bases.

EIOPA is proposing to introduce a threshold for QRT S.23.03 (Annual movements on own funds). The template would only be required when the movement in own funds is greater than 10% of own funds at the beginning of the year.

EIOPA is also proposing to introduce a threshold for QRT S.23.04 (List of items on own funds) whereby the same threshold as for S.23.03 would apply. Regardless, the template

would always need to be completed by a company that has ring-fenced funds.

Overall, none of the changes being proposed would appear to be too onerous for companies to comply with. In addition, the introduction of reporting thresholds in these QRTs are likely to be welcomed by the industry.

## Solvency Capital Requirement and Minimum Capital Requirement

For QRT S.25.01 (Solvency Capital Requirement - for undertakings on Standard Formula), EIOPA is proposing that companies with internal models would be required to complete this template on a standard formula basis. EIOPA is also proposing that a split of capital add-ons by type of add-on would also be included.

EIOPA proposes to replace QRT S.25.02 (Solvency Capital Requirement - for undertakings using the standard formula and partial internal model) and QRT S.25.03 (Solvency Capital Requirement - for undertakings on full internal models) with a single new template that contains information on capital requirements on a (partial) internal model basis in a more structured form including specific codes for capital held for each type of risk. In the new template, EIOPA also proposes to include a split of capital add-ons by type. Given the desire to try to capture internal models, which are, by definition, bespoke to each entity using them, in a standard template, it is not surprising that the new template is quite large and complicated. Even so, it is possible that the templates may not capture the specifics of each model, which may lead to confusion about how templates should be completed and / or missing information. We expect that internal model companies will study these templates in detail and that EIOPA may receive a lot of comments on these proposals as part of the CP.

EIOPA also proposes to introduce a new template for changes to internal models. This will enable supervisors to better monitor the evolution of each internal model and the impact it has on the capital requirements and own funds. The information required by the new template would include the following:

- Major changes broken down into subcomponents and risk areas impacted
- Aggregation of minor changes
- Impact on SCR and own funds
- Changes to the Model Change Policy

For the QRTs relating to the various standard formula SCR modules (S.26.01 (Market risk), S.26.02 (Counterparty default risk), S.26.03 (Life underwriting risk), S.26.04 (Health underwriting risk), S.26.05 (Non-life underwriting risk) and S.26.06 (Operational risk) and for S.27.01 (Non-life and Health catastrophe risk)), EIOPA is proposing that it would become mandatory for (partial) internal model companies to also

complete these templates. In many cases, (partial) internal model firms are already required to produce standard formula figures so this might not be a significant burden for these firms but it may result in additional work for some firms.

No changes are proposed for QRT S.26.07 (Solvency Capital Requirement – Simplifications). Likewise, there are no proposed changes for the Minimum Capital Requirement QRTs S.28.01 (for companies that only pursue life or only pursue non-life (re)insurance activity) and S.28.02 (for composites).

Overall, the changes for firms using the standard formula to calculate the SCR are not particularly material. However, companies using (partial) internal models could be required to complete a lot more information (especially those not currently required to prepare figures on a standard formula basis regularly). Also, as noted above, the new internal model QRT is quite complicated and may not be suitable for all firms. We would therefore, recommend internal model firms to study these proposals in detail to see if they want to provide feedback to EIOPA.

## Variation Analysis

EIOPA is proposing to delete two variation analysis QRTs: S.29.01 (Excess of Assets over Liabilities) and S.29.02 (Excess of Assets over Liabilities - explained by investments and financial liabilities) as information could be sourced by comparing current and previous balance sheet and own fund QRTs.

EIOPA is also proposing to replace QRT S.29.03 (Excess of Assets over Liabilities - explained by technical provisions) and QRT S.29.04 (Detailed analysis per period - Technical flows versus Technical provisions) with new QRTs S.29.05 (Variation of the best estimate in life insurance) and S.29.06 (Analysis of changes of best estimate for non-life business) that are intended to better capture the different characteristics of life and non-life business. S.29.05 will look at differences between actual risk experience and what was expected, changes of non-economic and economic assumptions, reinsurance, lapse and new business. S.29.06 will look at changes of assumptions, key performance indicators for the premium provision calculation and an undiscounted actuarial analysis of movements in the claims provision including an actual versus expected analysis.

The deletion of QRTs S.29.01 and S.29.02 is likely to be welcomed by the industry. However, the technical provisions analysis QRT changes are quite significant. EIOPA has invited firms to test these revised templates during the consultation period and to comment on difficulties encountered when completing the templates and how they could be improved. Therefore, we recommend that companies study these proposals closely with a view to sharing their views with EIOPA. In particular, the need for such a granular analysis of the movement in technical provisions and the comparison of actual and expected experience may mean that the completion

of these QRTs is very time consuming and may make it difficult for companies to meet reporting timelines. Companies should also verify if it is clear where all elements of movements in technical provisions are captured. For example, it is not currently clear where model changes should be included in the new life QRT (S.29.05) as the only mention of model changes in the new instruction files, [provided in the Annex to the CP](#), is to say they should not be included within "Exceptional elements triggering restating of opening Best Estimate".

## Reinsurance

For QRTs S.30.01 (Facultative covers for non-life and life business basic data), S.30.02 (Facultative covers for non-life and life business shares data), S.30.03 (Outgoing Reinsurance Program basic data) and S.30.04 (Outgoing Reinsurance Program shares data), EIOPA is proposing to change the scope of templates with a reporting threshold so that these templates only need to include the twenty largest facultative reinsurance exposures, plus the largest two in each LoB, if not already included. This is an easing of the current requirement where firms are required to include the ten largest exposures for each LoB.

EIOPA is also proposing to delete certain fields such as commission and broker information, to add some new fields (e.g. fields on sliding scale commissions and the coverage of each layer of reinsurance), and to clarify some of the instructions on completing the template.

They also propose to introduce a risk-based threshold: all S.30 templates would only be required when the ratio of recoverables to best estimate, for any LoB, is higher than 1%, and the total non-life catastrophe risk after diversification and after risk mitigation is lower than 70% of the amount after risk mitigation. The second part of this threshold is quite confusing as it considers capital before and after the impact of diversification rather than considering it before and after the effect of risk mitigation, which would appear to be a more meaningful metric for deciding what to include in a reinsurance template. We expect this threshold to be clarified in due course.

EIOPA is proposing to add a currency field to QRT S.31.01 (Share of reinsurers (including Finite Reinsurance and SPV's)). This is in response to the removal of the asset information in QRT S.02.02 as mentioned above. No changes are proposed for QRT S.31.02 (Information on Special Purpose Vehicles).

Overall, reducing the scope of the template by changing reporting thresholds is something that the industry is likely to welcome. Other edits would appear to be relatively minor.

## Other proposals – new templates

In the CP, EIOPA proposes to introduce two new templates for Non-Life:

## 1. Cyber Risk Underwriting template

With a rise cyber insurance activity, EIOPA proposes to cover the following information in the template:

- Types of risk covered (e.g. Data restoration, Cyber extortion etc.)
- Type of policyholder (e.g. Individual, Corporates)
- Type of coverage (e.g. Non-affirmative exposures, Affirmative exposures<sup>9</sup>)
- First and third party property damage
- Physical injury to third parties
- Items like number of policies, premiums, claims, expenses, technical provisions and deductibles

The above information is required to be split by direct and accepted business and as well as information on ceded reinsurance.

EIOPA has also invited comments on the proposal, in particular on the level of granularity that stakeholders see as feasible to report good quality data on cyber underwriting and on defining a specific LoB.

## 2. S.14 template for Non-life

EIOPA has proposed a new template for reporting product-by-product information for non-life business. This would include the following information:

- Country
- Number of contracts (both new and renewed) during the year
- Number of insured at the end of the year
- Total amount of written premiums (via direct, credit institutions, insurance distributors)
- Total amount of commissions paid during the year (including a separate field for commission paid on new contracts)

EIOPA has also invited comments on what the main difficulty when filling the template could be and on how to improve instructions to ensure a high level of data quality and accuracy.

## Other proposals – question on use of harmonised templates

EIOPA is interested on views on the introduction of harmonised templates to be requested by national supervisors, where necessary, for information not required as standard. This approach was identified as necessary for the following areas:

- Deferred Taxes and Loss Absorbency Capacity of Deferred Taxes
- Issuance of loans and mortgages

- Information on pension plan and products offered by insurance companies regarding the information included in EIOPA Database of Pension Plan and Products in the European Economic Area (EEA)
- Shareholders of the insurance companies to be able to populate OECD information needs.

Whilst the proposal to use a standard template for some forms of ad-hoc reporting seems sensible, one question that may need to be considered is whether using XBRL taxonomy is optimal. Firms would either need to invest time and resources into developing XBRL functionality that they may never use or else they would need to be reactive in developing XBRL functionality in response to regulatory requests, which would take time.

## Summary

In summary, this CP covers a wide range of proposed changes to the current Solvency II QRT requirements including:

- Basic Information: addition of some new fields
- Balance Sheet and Information on Premiums, Claims and Expenses: Deletion of QRTs S.04.01, S.05.02, S.12.02 and S.17.02 and replacement with new S.04.03 QRT
- Assets: Deletion of QRT S.06.01, addition of new fields to QRT S.06.02 and introduction of a new QRT S.06.04 with more detailed look-through information on collective investments where full look-through information is available or where companies have an influence on investment strategy
- Technical Provisions: Split of some fields (reinsurance recoverable and benefits) into more granular data and revision of QRT S.14.01 including a requirement for more granular data on the number of contracts and premiums.
- Own funds: Some minor changes to the format and the introduction of a threshold for QRTs S.29.03 and S.29.04
- SCR and MCR: New standardised (partial) internal model QRT and requirement for (partial) internal model firms to also complete standard formula QRTs
- Variation Analysis: Deletion of QRTs S.29.01 and S.29.02. Replacement of QRTs S.29.03 and S.29.04 with new (more detailed) QRTs
- Reinsurance: Easing of thresholds for S.30 QRTs and some other minor edits
- Other proposals: addition of a cyber risk underwriting template, introduction of a product-by-product information (QRT S.14) template for non-life business and the potential use of XBRL for the provision of some non-standard information.

Many changes, such as the deletion of certain QRTs and the revision of reporting thresholds should help to ease the burden

<sup>9</sup> Definitions of affirmative and non-affirmative exposures will need to be developed. Affirmative exposures would include items such as business interruption and data restoration.

for (re)insurers. However, some changes to templates and some new templates (such as QRT S.06.04 and S.29.05) require large volumes of new data that may be difficult or costly for (re)insurers to source or prepare within the existing reporting timelines.

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## CONTACT

### DUBLIN

Divey Hiranandani  
[divey.hiranandani@milliman.com](mailto:divey.hiranandani@milliman.com)

### Ellen Matthews

[ellen.matthews@milliman.com](mailto:ellen.matthews@milliman.com)

### Eoin King

[eoin.king@milliman.com](mailto:eoin.king@milliman.com)



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