To: Bjoern Seibert, Head of Cabinet, President von der Leyen

CC: Michael Hager, Head of Cabinet, Executive Vice-President Valdis Dombrovskis
Patricia Reilly, Head of Cabinet, Commissioner Mairead McGuinness
Valeria Miceli, Policy coordinator financial services, President von der Leyen cabinet
Tommy De Temmerman, Member of Cabinet, Commissioner Mairead McGuinness

Subject: Upcoming EC initiative on simplifying and reducing reporting requirements

Brussels, 11 September 2023

Dear Mr Seibert,

I am writing to you on behalf of Insurance Europe, the European insurance and reinsurance federation, in relation to the upcoming European Commission proposals on simplifying and reducing reporting requirements announced by President von der Leyen in March. We would like to express our support for this initiative and offer below some suggestions on behalf of our sector.

The European insurance industry provides protection against risks for people, businesses and economies, and it is also one of the largest institutional investors. The sector also contributes to Europe's global leadership and competitiveness, as it has a significant business presence internationally.

An appropriate regulatory environment is key for EU businesses' success at home and abroad. This means finding the right balance between prescriptiveness and leaving room for companies to innovate, contributing to the shared EU objectives of sustainable, innovative and inclusive growth. In this respect, we are concerned by the huge increase in regulatory requirements for European insurers in recent years, including reporting obligations. This has resulted in a heavy and costly compliance burden for insurance companies. New reporting requirements, or changes to a reporting requirement, generate the need for IT projects data sourcing, validation processes, and management interpretation and review. This negatively impacts customers, for example through higher costs. It redirects often scarce expertise away from conducting key activities such as risk management or innovation to reporting on them, and puts the European insurance industry at a competitive disadvantage internationally.

We therefore fully agree that there is a need to address what has become excessive reporting burden. However, we urge the European Commission to recognise that this burden is created not only by too many reporting requirements, but also by duplications and overlaps across different pieces of legislation, lack of sufficient time to implement the requirements, as well as lack of clarity and timely provisions of Q&As. Therefore, we strongly urge the European Commission to use this current initiative to not only seek ways to simplify and reduce the existing reporting burden, but to also embed the following principles into all current ongoing and future regulatory initiatives:

- **Avoid unnecessary new reporting requirements**. Impact assessments on all EC and ESA initiatives are vital and new reporting should only be taken forward when justified with a very high benefit to cost ratio.
- **Ensure changes initiated by European Supervisory Authorities are also carefully reviewed and assessed**. These are currently often not covered by an assessment of how and why the new data is necessary or an appropriate cost/benefit analysis. For example, in the area of Solvency II, recent changes to QRTs, entirely on the initiative of EIOPA and its members, have resulted in the addition of 6000 new data points.
- **Do not create reporting overlaps and duplications** with existing sectoral or horizontal regulations.
- **Always embed proportionality into the requirements**, including smaller companies of insurance groups.

- **Always ensure sufficient time is given for implementation**. This means setting the application timing of new reporting requirements relative to official publication of final reporting specifications – which may be defined via Level 2 or Level 3 measures – and not as fixed dates. The time allowed for implementation should be a default of 18 months and never less than 12 months. Periods of 24 months may be needed for reporting requirements involving complex reporting and/or hard to generate data.
- **Avoid over-prescriptiveness and allow flexibility** to the extent possible**.**
- **Where requested by the industry, provide the necessary clarity and Q&As quickly** – i.e. as soon as possible and at least six and ideally 12 months prior to the application date.
- **Conduct thorough consumer-testing** on both proposed and existing consumer disclosures to ensure that the proposals indeed benefit consumers and match their actual information needs.
- **Ensure a proper and swift correction process for errors identified in Implementing Technical Standards (ITS)** (e.g, under Solvency II).

Finally, reporting requirements should also be streamlined because of the increasing use of electronic tagging, machine-readability and artificial intelligence that support and promote a more consistent view on companies to the benefit of all stakeholders. This streamlining includes the number of metrics, methods, parameters, input factors, etc.

Below are examples of areas in which we see a need to reduce and streamline reporting obligations in regulation applicable to the insurance sector. More detailed proposed improvements that should be given further consideration can be found in the Annex.

- The insurance prudential regulation framework, Solvency II, currently leads to very high costs and operational burdens. Therefore, the current Solvency II review needs to result in improvements that make proportionality work in practice and streamline reporting requirements and the Insurance Recovery and Resolution Directive (IRRD) must minimise any new requirements. The same applies to the planned review of the IORP II Directive: additional requirements must be kept to a minimum and the principles of proportionality and subsidiarity must be applied.

- The insurance industry is very supportive of the Commission's sustainability-related policy initiatives. A core set of comparable and easily accessible sustainability data is vital. The existing Taxonomy Regulation, Sustainable Finance Disclosure Regulation (SFDR), European Sustainability Reporting Standards (ESRS) and planned Corporate Sustainability Due Diligence Directive (CSDDD) are already a huge step forward and a huge challenge to make work in practice. Therefore, it is important that the focus now is on allowing companies time to implement the existing reporting requirements and providing the necessary support in terms of Q&As. New reporting requirements should be delayed and minimised.

- In the conduct area, there is a clear need to simplify the level of bureaucracy and reduce the amount of information, which, as a result of existing EU regulations has overlaps and duplications, and significantly overloads consumers. Despite some laudable intentions, the current Retail Investment Strategy (RIS) proposals would increase the reporting obligations and administrative burden for insurance companies, as well as the quantity of information given to consumers.

We stand ready to provide further information and look forward to continuing this constructive dialogue.

I remain at your disposal for any questions or clarifications you may need.

Yours sincerely,

Michaela Koller, Director General

Area/Legislation	Current situation	Proposed improvements that should be given further consideration
Existing legislation		
Solvency II Directive (2009/138/EC) Solvency II Delegated Regulation ((EU) 2015/35)	• There is a low level of public interest in the Solvency & Financial Condition Report (SFCR) but a very substantial effort and cost put into preparing the information. Therefore, the intended objectives of the public reporting have not been achieved. • In the current Solvency II review, there are proposals to introduce external audit requirements for the SFCR, which is expected to only have a limited impact on the report quality, while the costs would exceed the benefits. • The waivers that are allowed for in Solvency II are key mechanisms to allow for proportionality. However, they are currently used in an inconsistent and limited way – EIOPA's most recent report on the use of limitations and exemptions from reporting shows that only 11 member states make use of them. • In the current review, the EC proposes to require EIOPA to submit to the EC a report on potential measures to develop an integrated system of data collection to reduce areas of duplication and inconsistencies between reporting frameworks and to improve data standardisation and efficient sharing and use of data already reported. EIOPA shall prioritise information on collective investment undertakings (CIU) and derivatives reporting (Art 35 new para 12/para 16 (g)).	• It should be reassessed which data required under Solvency II are actually used for supervision. • Diverging definitions of similar matters in different reports should be avoided, insurance types and business lines should be unified. • Solvency II reporting should not be amended to include other topics which are already dealt with under specific legislation, e.g. sustainability reporting. • Standard formula reporting by internal model users should not be introduced, especially in light of the significant increase in new reporting burden arising from EIOPAs changes to the QRTs. • The changes to the SFCR should reduce, not increase, the workload and lead to a report focused on relevant information for policyholders and a simple dataset for other market participants of selected QRT which could be supplemented by interpretation guidance provided by NSAs/EIOPA. The relevant information for policyholders should be limited to two pages and comprise summary information on significant business developments, strategic direction (innovations, significant changes, etc) and a confirmation of compliance.

		• In general, overlaps between annual report, SFCR, RSR and ORSA should be removed; content of the SFCR which is already included in the annual report should be deleted, e.g. regarding Business (chapter a.1), system of governance (chapter B), description of balance sheet items according to local accounting rules (chapter D) or the list of supervisory board members and information on renumeration (chapter B.1). • ORSA and RSR have significant overlaps and both reports are addressed to the supervisory authority. Therefore, we propose to merge ORSA and RSR to one supervisory report. If necessary, specific information required under the RSR could be addressed in the ORSA. Merging RSR and ORSA would result in a streamlined reporting architecture under Solvency II, ie one report for supervisory authorities and one for public disclosure (SFCR). • There should be no external audit requirements for the SFCR. • To alleviate the reporting burden regarding quantitative reporting, we propose to delete reporting on the fourth quarter: the benefit of Q4 reporting is very limited as a few weeks later, valid and reliable annual results are published. Hence, Q4 reporting could be deleted without detrimental effects. If necessary, solely the list of assets should be submitted for Q4 as this is required for ECB reporting. • Besides this, QRTs generally should be reviewed and the amount of QRTs reduced. For example, the following QRT should be deleted:

		- S.06.03 for group reporting: this template is already reported on the basis of individual insurance undertakings, a consolidated group report does not create added value; S.14.01-S.14.02: The effort to produce this QRT is immense because the required data is not readily available and has to be created artificially for this QRT; as the individual products differ substantially, the QRTs would not allow conclusions regarding the risks for the undertaking or the usefulness for policyholders; - S.14.03: In view of the small share of cyber insurance in view of the whole business portfolio of undertakings, the reporting burden is disproportionate; - S.14.04-S.14.05: The reporting of liquidity risks is to be questioned because no SCRs are calculated; - S.29.01: The data provided do not have the desired informative value. • The limitations and exemptions should be applied up to the 20% threshold, and not at the discretion of the national supervisory authority (NSA). NSAs should look to promote these waivers, and support smaller firms in applying for these waivers. • Thresholds for individual QRTs should be easy to determine. Currently, it is often necessary to collect the data required in the QRT to prove the threshold has not been exceeded. However, the data collection is in some cases the most elaborate step.

		Hence, there is no significant release by using thresholds. • The industry supports the EC proposal made in the current review. It is also important to ensure that there is a proper and swift correction process for errors identified in Implementing Technical Standards (ITS). To illustrate, under Solvency II, the industry raised concerns about errors in the ITS on reporting and disclosure and the issue was recognised by the EC, but no corrigendum has been issued yet due to the complex processes currently in place.
Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464)	• In 2025 (following a phased approach), companies in scope will start reporting 1000+ datapoints, upon materiality assessment, according to 12 sector-specific standards (ESRS), with additional sector-specific datapoints expected in the coming years. This will require tremendous implementation efforts by 50,000 companies, given the need to develop IT systems and processes to gather and consolidate the data and to fulfil limited assurance requirements.	• Allow smaller insurance and pension entities to use the simplified reporting requirements (SME standards) by ensuring that the Low-Risk Profile Undertaking definition is included in the Solvency II review. • Ensure interoperability with the ISSB standards to avoid double reporting by EU companies. • Extend the phase-in for reporting on "non-employee workers" to all companies. • Require value-chain reporting only where data and established methodologies exist. • Provide for application guidance as soon as possible.

		• See joint Insurance Europe – CFO Forum key messages on the proposed ESRS delegated act for more details.
Sustainable Finance Disclosures Regulation (SFDR) ((EU) 2019/2088)	• The SFDR requires insurers to provide a large number of disclosures both at: ○ entity level and ○ product level (for which templates require delivery to consumers of least fivepages of pre-contractual documents for an ESG product and up to 60 pages for the annual, periodic information).	• The timeline for any new SFDR requirements must take into account the CSRD application timeline. Adding extra mandatory (and potentially also optional) indicators adds further pressure to the data-collection challenge, especially until data is available from the investee companies under the CSRD and ideally via a supporting and accessible data source like the European Single Access Point (ESAP) (even though the lack of data and information will persist for non-CSRD companies, leaving financial market participants with challenges collecting the information required). • Changes to improve the simplicity, readability and usability of the SFDR templates are necessary, since the current length and complexity create confusion for consumers. • No additional PAIs: in their draft report in the PAI-Review the ESA proposed additional PAI. The current PAI Statement comprises already 18 +2 mandatory PAI. We see no added value for a customer or an investor in further mandatory PAI. • Restrain the reporting obligation for PAI on assets, where the insurer makes own investment decisions: SFDR-Articles 3 and 4 obliges financial market participants to publish information about their policies on the integration of sustainability risks in their investment decisions and to disclose

		the PAI financed by their investments. However, when offering unit-linked products, the relevant investment decision is made by the client, not by the financial market participant. Therefore, it would be meaningful to restrain the PAI disclosure on such investments, where the financial market participant makes its own investment decision (and not the client). Furthermore, this would be a great relief in collecting the relevant data for the PAI-Statement.
EU Taxonomy Regulation ((EU) 2020/852)	• Environmental Delegated Act (DA): taxonomy-eligibility reporting is required to start at the same time as non-financial undertakings, even though data will only be available to financial companies one year after the first taxonomy-eligibility reporting by non-financial undertakings. In addition, companies will be required to comply with ESRS and the new requirements of the Environmental DA for the first time simultaneously. • Lack of guidance and clarity on the interpretation of taxonomy technical screening criteria (TSC) for financial institutions (this relates mainly to the underwriting KPI which is relevant in relation to the "adapting to climate change" objective); FAQs are only expected to be issued in late 2023 with first taxonomy reporting starting in 2024.	• Timing of Environmental DA: financial companies should benefit from a one-year delay not only for taxonomy-alignment reporting but also for taxonomy-eligibility reporting, i.e. starting from 2025, in particular given that the TSC for economic activities making a substantial contribution to the 4 non-climate environmental objectives were established earlier this year. • Bring further simplifications in taxonomy reporting (Art 8 DA) templates (see proposed simplifications in Insurance Europe - CFO Forum joint response to EC consultation) Provide legal clarity and guidance on the interpretation of taxonomy TSC and Article 8 disclosures for financial institutions.
Cumulative impact of the E-commerce Directive, GDPR, Solvency II Directive, PRIIPs, Insurance Distribution Directive, and Sustainable Finance Disclosure Regulations	• As a result of the large amount of disclosure requirements set out in the various pieces of EU legislation, consumers must be provided with 339 pieces of pre-contractual information when seeking to purchase a green insurance-based investment product (IBIP), making comparison of different offers on the	• Better streamline disclosure requirements to avoid duplications and remedy the information overload that consumers currently face.

	market, understanding of the information provided and financial decisions by consumers extremely hard.	
Financial Conglomerates Directive (FICOD) (2002/87/EC)	• Financial conglomerates are required to submit the results of their calculations concerning capital adequacy to their coordinator. They must prove that the own funds available at the level of the financial conglomerate are always at least equal to the respective capital adequacy requirements.	• For insurance-led conglomerates, this reporting is redundant since the required results are in essence already included in the group disclosures mandated by Solvency II and they should thus be exempt from this reporting.
Review of the IORP II Directive	• EIOPA has, as part of the stress testing, required IORPs to report based on EIOPA's "common balance sheet approach". • The current implementation of prudential regulation and supervision of IORPs through the IORP II Directive is in general useful and effective. The benefits vs cost for material change is not clear.	• The current reporting burden for IORPs can be maintained at a reasonable level by using national balance sheet information instead of using the common balance sheet approach when performing stress tests. • Any new proposals under the review of IORP II should be proportionate, respect national specificities, should build on the general risk-based and forward-looking approach, and avoid new reporting burden. For example, in relation to potential consideration of reporting on costs under the review, there are currently already national cost reporting system and these should not be disregarded.
New legislative initiatives/planned legislation		
Proposal for a Directive on Corporate Sustainability Due Diligence (CSDD)	• There is a need for consistency and better alignment of the CSDD Directive with other EU legislation to avoid a fragmented due diligence framework which could lead to real difficulties in the application of the Directive.	• It should be ensured that sustainability due diligence sectoral financial rules support the CSRD and SFDR disclosure requirements and do not duplicate or contradict the existing sectoral rules for the financial sector (e.g. Solvency II). The

		CSDDD should not introduce additional disclosure obligations beyond CSRD reporting requirements.
Proposal for an Insurance Recovery and Resolution Directive (IRRD)	• The main reporting burden that will be incurred by (re)insurance undertakings will be the development and submission of a pre-emptive recovery plan. • The scope of undertakings that will be required to develop these plans remains under discussion. The EC proposed that undertakings representing at least 80% of both life and non-life markets in all EU jurisdictions develop these plans. • The EC proposed that all pre-emptive recovery plans be updated annually. • In addition to the planning requirements, the IRRD is expected to increase ad-hoc reporting for (re)insurers due to the development of resolution plans. These will be developed by the national resolution authorities but will be likely to require significant data inputs from the undertakings in scope.	• Remove the minimum market requirements for pre-emptive recovery and resolution planning. The scope should instead be set using risk-based criteria both for group and solo undertakings. • Restrict the required content of pre-emptive recovery plans to information that is only strictly necessary. Reduce the frequency of updating the plans, particularly for those companies that have healthy solvency ratios. • Remove the requirements on subsidiary-level for pre-emptive recovery and resolution planning if a group plan exists.
Digital Operational Resilience Act (DORA)	• Financial entities must record and classify major ICT-related incidents and significant cyber threats according to criteria listed under Article 18 of the DORA. The ESAs are currently working on common RTS, to be submitted to the EC by 17 January 2024. • While financial entities must record and classify significant cyber threats, reporting them will be on a voluntary basis only, although entities will be required to "where applicable, inform their clients that are potentially affected of any protection measures which the latter may consider taking" (Article 19(3)). The content of the voluntary notification for significant	• For (re)insurers, it is key to ensure that the incident reporting requirements under DORA are risk-based and that the principle of proportionality is enshrined throughout the RTS. Any thresholds established in the RTS should not result in overreporting without this having any benefits in terms of resilience. • The requirements relating to incident reporting in DORA (timelines, report formats etc.) should be aligned with the incident reporting requirements in the NIS2 Directive as a large share of the third-party providers to financial entities such as

	cyber threats will be established by the ESAs in RTS by 17 July 2024 (Article 20). • The scope of mandatory reporting to competent authorities under DORA is limited to major ICT-related incidents. By 17 July 2024, an RTS will be drafted by the ESAs under Article 20 to establish the contents of the template for reporting major ICT-related incidents, on the basis of the criteria listed under Article 18. The standard forms, templates and procedures for reporting a major ICT-related incident and notifying a significant cyber threat will be established by the ESAs in common RTS drafted by 17 July 2024. • The text allows EU member states to designate a single competent authority in cases where a financial entity is subject to supervision by more than one authority under Article 46. For (re)insurance undertakings, the competent authority is designated in accordance with Solvency II Directive (Article 46(k)).	(re)insurers are also subject to the requirements of the NIS2 directive. • Furthermore, the benefit to cost ratio between strengthening the digital operational resilience within the financial sector and the administrative burden put on the financial entities should be carefully observed in the 'RTS to establish the templates composing the register of information in relation to all contractual requirements on the use of ICT services'. The requirements in the draft RTS are extensive and it seems the principle of proportionality has not been followed. Thus, all financial entities will be subject to the same requirements even though the financial entities covered by DORA constitutes a very heterogenous group with varying size, risk profile as well as scale and complexity of their services, activities and operations.
Proposal for a Retail Investment Strategy (RIS)	• Additional reporting requirements will not make financial services more cost-efficient. Instead, these will have significant repercussions for consumers, e.g. detailed information on costs and charges, distribution costs and third-party payments, as well as data on the characteristics of the insurance-based investment product, in particular its performance and level of risk other product features would need to be transmitted by product manufacturers to EIOPA as a basis to develop and publish common benchmarks on the costs and performance of products. Distributors would	• Make use as much as possible of data that is already available to NSAs and to EIOPA and avoid increasing the reporting burdens for companies. • Ensure leaner and more streamlined sales processes, while preserving the interests of retail investors and making the information provided simpler to understand. • Consumer testing that covers both proposed and existing disclosures should be performed to ensure that any new requirement benefits consumers and matches their actual information needs.

	need to deliver to NSAs new reporting for cross-border activities. • Additional tests to be performed by insurance companies include a "pricing process" based on EIOPA benchmarks with additional testing, assessment and justification in case of deviation from such benchmarks, as well as longer suitability and appropriateness tests. • New record-keeping on marketing communications in relation to IBIPs, including marketing communications made by any third party remunerated or incentivised through non-monetary compensation. • On top of that, additional disclosure requirements and new warnings, with some of them to be detailed further at Level 2, will add to the existing information overload beyond the 339 pieces of pre-contractual information already received by the consumer for a green IBIP (*see above*).	• Ensure coherence and consistency across EU legislation by assessing the cumulative impact that the proposed rules and existing rules would have on consumers. • For additional information, please see here.
EC proposal for a VAT in the digital age (ViDA) package • Focus on the Proposal for a Council Directive amending the VAT Directive (2006/112/EC)	• The proposal to set a two-day timeline for the issuance of electronic invoices (Art. 222) and for fulfilling digital reporting requirements (Art. 263) would be problematic for companies for a number of reasons (e.g two days are not enough for the issuance of electronic invoices after the chargeable event took place, especially in large corporations, nor for checking possible mismatches and, if needed, notifying tax authorities). • The proposal to eliminate the possibility to issue summary invoices (Art. 223) would be practically impossible to adhere to, as summary invoices are	• The 1 January 2024 introduction of the new digital invoicing requirements should be postponed with respect to the envisaged date. • The proposed two-day timeline for fulfilling digital reporting requirements and for issuing electronic invoices is too short and should be extended. • The possibility to issue summary invoices should be maintained. • The rationale behind the new data requirements to be included in invoices should be explained. • The ViDA Directive should explicitly confirm that those products and services that are exempted from VAT under the current VAT Directive are also

	commonly used and their proposed removal would cause major business disruptions. • The proposed new data requirements for invoices (Art. 226), such as the IBAN of the supplier, the agreed dates and the amounts of payments received are excessive.	exempted from the scope of the new reporting requirements.
EC proposal for an Anti-money laundering and countering the financing of terrorism legislative (AML/CFT) package • Focus on the proposal for a Regulation of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (AMLR)	• The proposal includes an insurance undertaking insofar as it carries out life or other investment-related assurance activities (Art. 2). • The European Parliament is in favour of lowering the threshold for beneficial ownership from 25% (as included in the EC proposal) to 15% plus one share, or voting rights, or other direct or indirect ownership interest. This risks overburdening companies and public registers including legal persons that are not in a position to use the entity for ML and TF objectives (Art. 42). • The proposed provisions establishing AML compliance roles (AML compliance manager and AML compliance officer) risk overburdening companies if they do not guarantee enough flexibility and are not consistent with the corporate governance legislation in place in the member state where the entity is operating (Art. 9). • Provisions concerning the assessment of the integrity of employees tasked with AML/CFT compliance roles risk overburdening companies (Art. 11).	• ML and TF risks are low for the life insurance sector, and close to non-existing for non-life insurance and "pure risk" life insurance products. The proposal should include only life insurance undertakings and exclude those undertakings that are in the business of occupational retirement provision (similar to IORPs which are not in the scope of the current EU AML/CFT rules) and insurance-based investment products. The reference to "other investment-related assurance activities" is unclear and should be deleted. • The threshold for the determination of beneficial ownership should be maintained at 25%. • The proposed provisions establishing AML compliance roles should be flexible and consistent with the corporate governance rules in place in the member state. Members of the management body should, in any case, not be obliged to perform day-to-day AML tasks. • Only employees effectively in charge of checking compliance with the AML/CFT requirements should be subject to the assessment by the AML compliance officer. Moreover, the frequency of the

		scrutiny should not overburden the operating entity.
EC proposal for a Green Claims Directive	• The proposal explicitly excludes environmental claims regulated by or substantiated by rules established in: o Regulation 2020/852 (Taxonomy Regulation) o Regulation 2013/34 (including the amendments by CSRD/ESRS) • But the proposal does not explicitly exclude SFDR disclosures. Although they may fall under Article 1 (2) (p) of the proposal, but this is not clear.	• The Directive should explicitly exclude SFDR disclosures from its scope. We see this more as a clarification than a correction and therefore, this clarification would not reduce the reporting burden. Nevertheless, this clarification would provide legal certainty.