

Response to EIOPA consultation on corrections and amendments to implementing technical standards on reporting and disclosure

General comments

Insurance Europe welcomes the opportunity to comment on the EIOPA consultation on corrections and amendments of the implementing technical standards on reporting and disclosure. However, Insurance Europe highlights that due to the timing of the consultation - several reporting deadlines have to be met in this period, eg annual reports are due 7 May 2018, Q1 reports are due 14 May - many undertakings will not have the resources to analyse the proposed amendments in detail.

Further, Insurance Europe notes that the introduction of more than 300 new validations is seen critical. Especially for complex groups it would not be feasible to implement these - mainly blocking - validations in time for Q4 reporting, as the final taxonomy will only be published around mid-July. To avoid problems stemming from the new validations, Insurance Europe proposes to implement these validations as 'non-blocking' for the first year of application, and transform them into blocking validations for the second annual submission. Insurance Europe suggests applying a similar approach for quarterly validations, eg new validations could be 'non-blocking' for the first two quarters of application and be transformed into blocking validations as from the third quarter. This would avoid that the submission of a full report is hindered because a single new validation is failing.

Insurance Europe welcomes the introduction of some of the Q&As into the ITS, however, the aim should be to cover all necessary information in the ITS. Therefore, Insurance Europe proposes to include all relevant Q&As in the ITS, and to indicate in the Q&A files the Q&As that have been included.

Detailed comments

1. Draft amendments of Implementing Technical Standards on reporting

- **Art 1, Para 2, 4a)** (exchange rate in claims triangles): Insurance Europe highlights that the suggested amendment is written in a way that when historical information on exchange rates is known then it needs to be used; That causes many different exchange rates in triangles. Insurance Europe proposes to have only one exchange rate per currency for these triangles.
- **Annex I, para 1 (b)** – in template S.12.01, Insurance Europe accepts that reinsurance (C0100) is now in scope for Best Estimate of products with a surrender option (R0220), but the sub-classes (C0110 to C0140) remain out of scope. Insurance Europe therefore presumes that R0220 is to be reported on a total level for Accepted Reinsurance and not split by sub-classes. Insurance Europe would ask for the instructions to be clarified on this basis.
- **Annex I, para 1 (c)** – in template S.12.01, Gross Best Estimate for Cash flow, Cash out-flow, Future guaranteed and discretionary benefits (R0230) is now to be reported for Total Life – other than health (C0150) and Health-SLT (C0210), but R0240 and R0250 (which are also components of R0230) remain out of scope for Health-SLT (C0210). Insurance Europe therefore presume that only R0230 is to be reported for Total Life other than Health, but that disclosure for R0240 and R0250 is not required for the line of business. Insurance Europe would ask EIOPA to clarify this in the instructions.
- **Annex I, para 1 (d)** – in template S.12.01, C0150 is now to be in scope for Gross Best Estimate for Cash flow, Cash out-flows, Future discretionary benefits (R0250). The instructions for the same reads "Total amount of Gross Best Estimate for Cash flow, Cash out-flows, Future discretionary benefits – Insurance with profit participation for Life other than health insurance, including Unit-Linked." Insurance Europe would ask EIOPA to clarify in the instructions that only C0020 and C0100 are in scope for R0250.

- **Annex I, para 2 (d), (e)** (reporting of real estate held as collateral of the mortgages related to individuals in template S.11.01): Insurance Europe took note of this amendment however, it believes that real estate held as collateral should not be reported in S.11.01. and S.03.01. In line with Insurance Europe's proposal in last year's consultation of the XBRL Taxonomy Version 2.2.0 PWD, real estate that serves as security for a granted mortgage loan should not be reported neither in S.11.01 nor in S.03.01 and neither individually nor in sum. By analogy with mortgage bonds where the cover pool is not reported separately in S.03.01 or S.11.01 the real estate that serves as security for the mortgage should also not be reported neither individually nor in sum. The reason for this is, that in both cases the real estate as well as the cover pool form an inseparable part of the mortgage loan respectively the covered bond. The fact that a security was received is decisive for the CIC determination, however the real estate itself cannot be reported separately. Therefore, they cannot be seen as an independent position that could be shown in S.11.01 or in S.03.01. This aspect should be clarified in the general comments of S.06.02, S.03.01 and S.11.01.
- **Annex I, para 2 (h)** (added instructions in S.26.01 after the instructions for R0260-R0280/C0040): In Insurance Europe's view, the instructions should be added after the instructions for R0290/C0080. Further, in the ITEM-Column the wording "qualifying infrastructure equities" should be replaced by "qualifying infrastructure corporate equities".
- **Annex I, para 3 (w)** – in template S.29.04, the instructions for row C0030/R0080 are replaced with the following: "Corresponds to part of written premiums related to risks covered after the period, ie premiums to be earned after the period. In addition, allocation keys may be used to identify this part of the premiums affected to risks covered after the period". Insurance Europe would ask EIOPA to clarify what has been changed here, as it does not see any change here.
- **Annex I, para 3 (y)** – template S.29.04. "Calculation may be as follows: Identify the part of claims provisions at year-end (N-1) related to risks covered during the period". Insurance Europe assumes this refers to future premium cash inflows in the claims provision, but would like EIOPA to clarify this point in the instructions.
- **Annex I, para 3 (z)** – in template S.29.04, "Premiums earned/to be earned" has been brought in scope for "Prior to the period". Insurance Europe cannot envisage a situation where a value for this would ever arise. Insurance Europe would ask EIOPA to provide an example of a scenario in which this would be applicable.
- **Annex I, para 3 (aa)** – the instructions for row C0050/R0110 in S.29.04 have changed significantly. Insurance Europe assumes that C0050/R0110 in S.29.04 corresponds directly to R0220 in S.29.03 and would ask EIOPA to clarify the instructions on this basis.
- **Annex I, para 4 (b)** (introduction of "Multiple ECAIs" in S.06.02 for group reporting): While Insurance Europe welcomes the amendment, it would like to point out that a major issue with the closed list for reporting on the nominated ECAI has not been resolved as undertakings still have to report country units. Undertakings automatically receive information on ratings from data providers like Bloomberg. The information is often not provided on the level of country units and the burden for undertakings to figure out the issuing country unit manually for each rating is excessively high. Therefore, the closed list should be limited to parent companies.
Further, it is unclear why "Multiple ECAIs" have been introduced in S.06.02 but not in other templates which require the ECAI to be chosen from a closed list for group reporting. (these are S.08.01; S.31.01; S.31.02; S.37.01).
In addition, S.37.01 does not allow internal credit ratings to be reported, meaning undertakings have to report only external ratings. This runs counter to what is done in all other QRTs where ratings are reported. The facility to report internal credit ratings in S.37.01 should be allowed.
- **Annex II, para 3 (a)**: In template S.12.01, the scope of the instruction for R0010 should not be widened to C0150. The proper instruction for C0150, which does not belong to the sub-classes of life accepted reinsurance, already exists.
- **Instructions on S.29.03 C00090/R0300**
Insurance Europe would like to ask clarification regarding the formula.

Paragraph 1.41 of EIOPA's document "EIOPA-17-403-Explanatory notes on VA templates" prescribes: "In S.29.03. R0300 the net impact of the amount of the assets held by index-linked and unit-linked business and of technical provisions – index-linked and unit-linked (calculated as best estimate and risk margin or calculated as a whole), including the technical flows, should be reported for information."

Insurance Europe understands that: "C0090/R0300 Variation in Investments in unit-linked = Variation in Investments in unit-linked (R0300 from QRT S02.01) - Variation in unit-linked technical provisions (R0690 from QRT S02.01) – Total technical flows on gross unit-linked technical provisions (R0340/C0100 and R0340/C0110 from QRT S29.03)".

However, page 9 of EIOPA's document "EIOPA-BoS-18-099-Draft Amendment of ITS on Reporting" mentions: "Amount shall represent the net variation, in Balance Sheet, of the Assets held for index-linked and unit-linked funds and of technical provisions – index-linked and unit-linked (calculated as best estimate and risk margin or calculate as a whole)." The term "**including technical flows**" has been removed.

The formula would be: "C0090/R0300 Variation in Investments in unit-linked = Variation in Investments in unit-linked (R0300 from QRT S02.01) - Variation in unit-linked technical provisions (R0690 from QRT S02.01)."

- Question 1: Which formula should be used to complete cell C0090/R0300.
- Question 2: Insurance Europe would appreciate more background on the economic rationale for this cell.

■ Instructions on S.29.03 C0120/R0360 and C0130/R0360

Insurance Europe would like to ask clarification regarding the formulas.

Paragraph 1.49 of EIOPA's document "EIOPA-17-403-Explanatory notes on VA templates" prescribes:

"The variation in EoAoL explained by technical provisions - is then calculated, considering the amounts of gross best estimate, risk margin, technical provisions calculated as a whole and transitional measure on technical provisions (R0360) and also the reinsurance recoverables (R0370). This should correspond to:

- the variation in best estimate (opening best estimate minus closing best estimate), variation of risk margin (between end of previous year and the reporting year), variation of technical provision calculated as a whole (between end of previous year and the reporting year) and variation of transitional measure on technical provisions;
- plus total amount of net technical flows, ie: inflows minus outflows (C0100/R0340 for Life and C0110/R0340 for Non-Life)."

The reference to cell C0090/R0300 has been removed.

Insurance Europe's understanding of the formula is **R0360 = Opening Technical Provision (BE + RM + TP calculated as a whole + transitional measure) – Closing Technical Provision (BE + RM + TP calculated as a whole + transitional measure) + R0340 (technical flows)**

- Question: Could EIOPA confirm this is the correct formula?

■ Instructions on S.29.04 R0130/C0030, R0130/C0040 and R0130/C0050

Insurance Europe would like to ask clarification regarding the formula.

Paragraph 1.58 of EIOPA's document "EIOPA-17-403-Explanatory notes on VA templates" prescribes: "In S.29.04.R0060 and R0130, as stated above, the net impact of the amount of the assets held by index-linked

and unit-linked business and of Technical provisions – index-linked and unit-linked (calculated as best estimate and risk margin or calculate as a whole), including the technical flows, should be reported split by periods for information. This amount should be the same as the amount reported in S.29.03.R0300/C0090.”

Insurance Europe understands that the amount in the cell should be equal to the amount in cell S29.03 R0300/C0090.

Insurance Europe believes that the formula may be the following:

“Adjustment of valuation of Assets held for unit-linked funds = Variation in UL investments (R0300 from QRT S02.01) - Variation in UL technical provisions (R0690 from QRT S02.01) – Total technical flows on gross UL technical provisions (R0340/C0100 and R0340/C0110 from QRT S29.03).”

- Question 1: Could you confirm whether the suggested formula correct?
- Question 2: Could you provide more background on the economic rationale for these three cells considering unit-linked contracts?
- Question 3: Could you provide more background on the economic rationale for QRT S.29.04?

2. Set of new validations to be included in XBRL taxonomy version 2.3.0

- **BV720:** In Insurance Europe’s view, {S.02.01, r0560, c0010} is included in {S.02.01, r0510, c0010}, therefore it currently counts in twice. Hence, it proposes to amend this validation as {S.02.01, r0560, c0010} should not enter the calculation twice.
- **BV731:** The formatting of column "J" is unfavourable as it seems to be empty at first glance.
- **BV748:** Validation should include proportional reinsurance accepted in S.05.01.
Insurance Europe believes the formula should be the following $\{S.04.01, r0020, c0010\} + \{S.04.01, r0020, c0020\} + \{S.04.01, r0020, c0040\} + \{S.04.01, r0020, c0050\} + \{S.04.01, r0020, c0070\} = \{S.05.01, r0110, c0080\} + \{S.05.01, r0120, c0080\}$
- **BV843:** Even if the sum is less than zero, it is still possible that one of the two values for guaranteed benefits and future discretionary benefits is positive and the other is negative. Therefore, in Insurance Europe’s view only one of the two cells {S.28.01, r0210, c0050} or {S.28.01, r0220, c0050} must be empty.
- **BV844:** In S.12.01.02, {S.12.01, r0090, c0030} is blocked. Instead {S.12.01, r0090, c0030} + {S.12.01, r0090, c0040} + {S.12.01, r0090, c0050} should be used.
- **BV845 – BV849:** Insurance Europe believes the proposed validation rule is not correct. It is not possible to create similar correct rules because the segmentation in S.12 is not consistent with the segmentation in S.28: Accepted reinsurance (S.12 C0100) belongs partly to S.28 R0210/R0220, partly to R0230 and partly to R0240. Health insurance (S.12 C0160) belongs partly to S.28 R0210/ R0220 and partly to R0240. (According to reporting requirement of the German supervisory authority BaFin, German health business has to be reported in S.12 as health (C0160), however in S.28 the respective liabilities have to be reported under business with profit participation (R0210/0220)).
- **BV846:** Beside the comments mentioned earlier, the brackets in this validation seem to be set incorrectly.
- **BV850 – BV854; BV856 – BV858:** The validation should reflect that the term in column J is NOT true.
- **BV864 – BV879:** It is not correct to take into account r0280 as liabilities are reported without risk margin.
- **BV880 – BV895:** An equation for these validations is not correct as QRT S.12.01. lacks the necessary granularity, ie split between life/non-life techniques.
- **BV897:** Insurance Europe notes this blocking validation does not work for undertakings that calculate Risk Margin based on net best estimate, not gross. Either references to R0260 need to be replaced by R0270, or this proposal needs to be removed.
- **BV904:** Insurance Europe does not agree with this blocking validation, since S.17.02 is for gross direct business only, unlike S.17.01.

- **BV929 – BV933; BV959; BV963 – BV964; BV966; BV970 – BV975:** The error message does not state any error.
- **BV953:** Insurance Europe believes this validation rule should apply to S.02.01 instead of S.23.03. Further, the error message does not state any error but describes a situation where the validation rule is met.
- **BV969:** In case spread risk from derivatives is not zero, then still either up-shock or down-shock can be zero. Therefore the validation should have an "OR" instead of "AND".
- **BV977:** The proposed validation rule is wrong. It is not possible to create a similar correct rule because the segmentation in S.12 is not consistent with the segmentation in S.28: Obligations with profit participation (S.28 R0210/R0220) belong partly to S.12 C0020, partly to C0100 and partly to C0160.

Other comments

- **Instructions on S.06.02 C0320** - Insurance Europe would like to ask clarification as to what is meant by "issue rating". Should the rating of the asset at the reporting reference date be reported or should it be the rating of the asset at its issuance (issue rating)?

The current instructions read as follows: *"This is the issue rating of the asset at the reporting reference date as provided by the nominated credit assessment institution (ECAI)."*

Prior to the amendments by Commission Implementing Regulation (EU) 2017/2189 of 24 November 2017 the instructions read as follows: *"Only applicable to CIC categories 1, 2, 5 and 6. Rating of the asset at the reporting reference date issued by the nominated credit assessment institution (ECAI). This item is not applicable to assets for which undertakings using internal model use internal ratings. If undertakings using internal model do not use internal rating, this item shall be reported."*

Insurance Europe's interpretation of the current wording is that the rating of the issue at the reporting reference date shall be reported. Therefore, Insurance Europe proposes to amend the instructions accordingly.

- **Instructions on S.06.03 - look-through approach for collective investment undertakings**, where amendments were introduced by Commission Implementing Regulation (EU) 2017/2189 of 24 November 2017.

Insurance Europe supports the new approach to assess the threshold of 90 % considering the total amounts of investments in funds and not as previously, per fund. However, the latest amendments to the log file of S.06.03 should be further adjusted in order to appropriately reflect EIOPAs intention, ie to allow for smaller, non-material funds to be excluded entirely from look-through. The amended wording does not lead to the intended (and desired) reliefs. The effort for the whole look-through remains the same or is partially more complicated and burdensome.

Therefore, Insurance Europe suggests the following:

- EIOPA should make explicit its intention to exclude smaller, non-material funds entirely from look-through.
- It should be clarified, that the look-through shall be performed at least up to an amount of 90% of the combined value of all funds. This requires that the 90 % is not only applicable for the identification of countries but for all three categories (asset category, country of issue and currency).
- The 5 % threshold should be deleted as it does not seem to be necessary, since undertakings have to look-through the fund until the 90 % threshold is reached, starting with the largest fund. Otherwise this would require a look-through for funds, which – because of the 90 % threshold – are not covered by the look-through approach.
- When the risk regarding a fund investment is solely borne by the policyholder (eg unit linked products), the related assets should not have to be considered when applying the look-through and should thus be exempted from the look-through requirement.

- It should be made clear that any simplifications of the current rules are optional and that it remains at the liberty of the entities to report their information on the look-through of collective investment undertakings on the basis of the current look-through approach.

- **LOG for report S.16.01 column C0080** the first version of the ITS (31.12.2015) was *"Undiscounted development result calculated as the undiscounted annuity claims provisions at the start of year N, plus the undiscounted annuity claims provisions set up during year N, minus annuity payments paid during year N and minus undiscounted annuity claims provisions at the end of year N."* Which Insurance Europe believes is the correct one.
 When updating the ITS it was changed into *"Undiscounted development result calculated as the undiscounted annuity claims provisions at the start of year N, minus annuity payments paid during year N and minus undiscounted annuity claims provisions at the end of year N."* And the sentence *"the undiscounted annuity claims provisions set up during year N"* was deleted. This change leads to a situation where result of column C0080 has no meaningful interpretation, and it usually shows negative numbers.
 The title of column C0080 is *"Undiscounted development result"* and its purpose is to show if the previous undiscounted annuity claims provisions have been adequate or not. In the formula for C0080 both terms that are to be subtracted - *"payments paid during year N"* (C0040) and *"undiscounted annuity claims provisions at the end of year N"* (C0050) - are defined as the Total amount of annuity payments and annuity claims provisions. This means that they include also those payments and provisions that relate to *"annuity claims provisions set up during year N"* (C0030). If C0030 is excluded from the formula of C0080, then in case of perfectly correct annuity provisions, column C0080 would show a deficit the size of which equals C0030.
 Insurance Europe proposes to revert to the original formula in C0080, as the current formula is not useful for supervisors or undertakings. The instructions for S.16.01 column C0080 should be: *"Undiscounted development result calculated as the undiscounted annuity claims provisions at the start of year N, plus the undiscounted annuity claims provisions set up during year N, minus annuity payments paid during year N and minus undiscounted annuity claims provisions at the end of year N."*

- **In S.19.01 columns C0600-C0750** there is information on *"Reinsurance Recoveries received (non-cumulative) – Triangle"*. The instructions mention that *"The amounts shall be considered after the adjustment for the counterparty default"* although there is no counterparty risk in these reinsurance recoveries received, and as such it should not be considered.
 Therefore, Insurance Europe proposes to delete the following sentence *" The amounts shall be considered after the adjustment for the counterparty default"* from the S.19.01 instructions for columns C0600-C0750.

- **S.25.01 – Separate reporting for duration-based equity risk.** There is a separate reporting required for duration-based equity risk in S.25.01 cell R0400/C0100. However, the same information - with a different level of granularity - is also reported in S.26.01. In order to reduce reporting complexity, Insurance Europe recommends deleting this cell.

- **S.26.01 - The reporting of the initial value of liabilities for the risks of equity type 1, type 2, infrastructure equities, bonds and loans (infrastructure investments and non-infrastructure investments) and securitisations is not consistent.**
 To address this inconsistency Insurance Europe proposes to apply the same reporting logic for all risk types, namely the reporting logic that is currently used for equity risk type 1 and type 2. In this approach, the initial value of liabilities sensitive to the respective risk should only be reported for the sum of the different sub-modules.

For **equity risk** this means that the liabilities sensitive to type 1 equity risk, liabilities sensitive to type 2 equity risk and liabilities sensitive to infrastructure risk should be reported in total. No further reporting of liabilities of for example strategic participations (type 2 equities) or qualifying infrastructure corporate

equities would be needed. This approach would require the introduction of a new row in which qualifying infrastructure investments in total (qualifying infrastructure corporate equities and qualifying infrastructure equities) are reported.

When applying this approach for **spread risk** the liabilities underlying the spread risk charge for bonds and loans and the liabilities underlying the spread risk charge for securitisations should be reported in total. No further reporting of liabilities related to type 1 securitisations or qualifying infrastructure corporate investments would be required.

All other reporting cells for liabilities should be removed.

The same logic as described for the initial value of liabilities should apply for:

- the value of liabilities after shock (after the loss absorbing capacity of technical provisions);
- the value of liabilities after shock (before the loss absorbing capacity of technical provisions);
- the net solvency capital requirement;
- the gross solvency capital requirement.

■ **Error in S.29.03 instruction C0050-C0060/R0260:**

Currently these instructions mention: “Corresponds to other variations in Best Estimate, not captured in cells C0010/R0010 to R0100 (for Life) or C0020/R0010 to R0100 (Non-Life).”

Insurance Europe believes the instructions should be: “Corresponds to other variations in Best Estimate, not captured in cells **C0050/R0150 to R0250 (for Life) or C0060/R0150 to R0250 (Non-Life)**”

- **Changes to S.30.04** – A change to annotated template S.30.04 (C0320) was made during 2017, but not reflected in the ITS. Insurance Europe believes there must be consistency between the ITS and the annotated templates, to avoid issues for undertakings when attempting to submit data. Insurance Europe believes the ITS should be amended to reflect this and other similar changes.

■ **Validations BV565_1, BV566_1, BV567_1, BV578_1 are incorrect**

On the one hand, the market value of a subordinated loan itself is sensitive to interest rates. This would imply that according to QRT log files, subordinated loans should be considered in QRT 26.01 R0110-R0120 / C0030-C0050-C0070. On the other hand, DA Article 166 states that the capital requirement for interest rate risk is equal to the loss in basic own funds that would result from a respective interest rate shock. Due to the special nature of subordinated loans for basic own funds, a subordinated loan does not change the basic own funds under changed interest rate curves. Therefore, no SCR should arise from subordinated loans.

However, business validations BV565_1, BV566_1, BV567_1 and BV568_1 clearly indicate that the capital requirement for interest rate risk should be calculated directly from sensitive assets and liabilities,

eg BV567_1: $\{S.26.01, r0110, c0080\} = \text{MAX}(0, (\{S.26.01, r0110, c0020\} - \{S.26.01, r0110, c0030\}) - (\{S.26.01, r0110, c0040\} - \{S.26.01, r0110, c0070\}))$

Against this background Insurance Europe believes that these validations should either be removed, or respective additional lines should be included in QRT 26.01. to report the effect of subordinated loans correctly.