

Number	Date	Reference
1	28/09/2015	0
2	28/09/2015	Preparatory phase reporting template S.34.01.g

3	08/12/2015	S.34.01 Final Solvency II template
4	19/01/2016	DPM and Taxonomy 2.0.1, Annotated Templates 2.0.0, S.06.02.01 and S.06.02.04

5	23/02/2016	XBRL validations
6	18/03/2016	Delegated Act (Article 188 - Currency risk); QRT Reporting: LOG File of the SCR QRT for market risk (S.26.01)

7	27/05/2016	<p>Annex II (Log file)</p> <p>S.05.01 – Premiums, claims and expenses by line of business</p> <p>Life insurance and reinsurance obligations C0210 to C0280/R1710 and R1720</p> <p>Changes in other technical provisions – Gross and Reinsurers’ share</p>
8	03/06/2016	<p>Section II – Regular Supervisory Reporting</p> <p>Section D. Valuation for Solvency Purposes</p> <p>Guideline 22 – Technical provisions</p> <p>Paragraph 1.36</p>
9	06/07/2016	<p>Guideline 22 (1.36 - C)</p>

10	06/07/2016	Section D. Valuation for Solvency Purposes Guideline 22 – Technical Provisions Paragraph 1.36(d)
11	05/08/2016	Reporting on peak and Mass Risks

Question

Some of customers have some difficulties to understand the following requirement of the intermediary guidelines relative to the QRT S35.01.g

Net Contribution to Group of TP: The percentage share of TP (TP calculated as a whole or the sum of the best estimate and the risk margin) of the (re) insurance undertaking to the group TP under method 1 net of IGT but gross of reinsurance ceded outside of the group, split by respective main categories (Life excluding health and unit linked index-linked, Unit-linked and index linked, Health - SLT and non-SLT, Non-life excluding health).

The Main issue is should the contribution be calculated as :

Option 1) => (NET TP for a specific category and a specific undertaking) OVER (Net TP of the Group for this specific category)

Option 2) => (NET TP for a specific category and a specific undertaking) OVER (Net TP of the Group)

Option 3) => (NET TP for a specific category and a specific undertaking) OVER (Net TP of the Group (including only the TP for the scope of undertaking calculated under method 1)for this specific category)

""We have a question regarding report S.34.01, in participation to cell C0040 to the template, where we think there is insufficient information as to what is being asked for ""notional SCR"" in relation to an insurance holding company.

Please can you help clarity for the following hypothetical situation. Let's assume we have an EU insurance holding company fully owning two EU solo insurance companies, with all three companies forming a group with a corresponding group SCR calculated using the consolidation method. What should be reported as the notional SCR for the holding company in this case? Please answer both in the situation of applying the standard formula as well as when using an internal model implemented with look-through principles."

Many thanks for your clarifications to this question"

The question is on the calculation of notional SCR for insurance holding companies. There would appear to be a conflict between the Feedback statement that appeared in the Final Report on Public Consultation No. 14/036 on Guidelines on group solvency (page 7), with the 28 September 2015 guidance that EIOPA provided to question 2 in the section "Guidelines on reporting and public disclosure".

1 Final Report on Public Consultation No. 14/036 on Guidelines on group solvency

In response to the question below,

Notional solvency capital requirement for an insurance holding company and a mixed financial holding company included in the group solvency calculation 13.1.35 and 1.36. In order to be helpful this Guideline should also make reference to the draft Delegated Acts which provide more details than the Directive to calculate solvency capital requirements. However, since Article 226 of Solvency II and Article 322 SCG2 of the draft delegated Acts are already precise enough, we believe this Guideline is in fact not needed.

Besides, the calculation of a complete solo SCR for insurance holding companies should be restricted to cases where this is necessary for a proper representation of own funds and risks at a group level. At the solo level of holding companies, the Directive does not provide the necessary legal and regulatory framework for this task, both for the standard formula and internal models. Therefore insurance holding companies should attribute local capital requirements where they exist, and nil otherwise to their notional SCR, unless the group supervisor requires a more detailed approach.

1. I noticed that between the regulatory templates and the annotated templates, the line identification is added. Would it be possible to make the two consistent?
2. The line identification in the S.06.02.01 has a different number (C0010) than in the S.06.02.04 (C0400). I do not see that difference in f.e. the S.08.01.01 versus the S.08.01.04. Is there a reason for this difference? Would this be causing difficulties in the reporting process?
3. Do you have an overview with all the differences between the regulatory and annotated templates?

• Validation between S.17.01 and S.28.01

There are validations that requires the net best estimate (including technical provisions calculated as whole), for each line of business, reported in S.17.01 should agree to the net best estimate (including technical provisions calculated as a whole) reported in S.28.01 for the respective line of business. This is contrary to the S.28.01 LOGs which requires amount reported in this form to have a floor of zero. Hence you would expect that negative best estimate amount reported in S.17.01 should be reported as zero on form S.28.0.

An example of the validation is as below:

$$\{S.28.01, r0020, c0020\} \geq \{S.17.01, r0010, c0020\} - \{S.17.01, r0050, c0020\} + \{S.17.01, r0270, c0020\} + \{S.17.01, r0290, c0020\} + \{S.17.01, r0300, c0020\}$$

Could you please confirm which is correct, the LOG or the validation?

We have reviewed the the currency risk part of LOG File of the SCR QRT for market risk (S.26.01) together with the corresponding article of the Delegated Act (Article 188 - Currency risk). We believe there is room for interpretation, and therefore would greatly appreciate clarification on the following points:

1) R0600/C0020: This cell is not defined in the LOG file, although it is not crossed out in the QRT.

Question:

Shall it be crossed-out like R0600/C0030? If not, a) could you provide the relationship with cells R0610-R620/C0020? b) should R0600-C0030 be required fields as well?

2) R0610-R0620/C0020: Initial absolute values before shock. Assets: This is the total value of the assets sensitive to currency increase/decrease risk, before shock.

R0610-R0620/C0030: Initial absolute values before shock. Liabilities: This is the total value of the assets sensitive to currency increase/decrease risk, before shock.

R0610-R0620/C0040: Initial absolute values after shock. Assets: This is the total value of the assets sensitive to currency increase/decrease risk, after shock.

R0610-R0620/C0050: Initial absolute values after shock. Liabilities: This is the total value of the assets sensitive to currency increase/decrease risk, after shock.

The definition for "Changes in other technical provisions" is unclear in the log file for the QRT S.05.01. It refers to the directive 91/674/EEC but this directive does not provide a definition for "Changes in other technical provisions".

The article 26 provides a definition for "Other technical provisions" and the unrelated article 34 (II.6) refers to the "Change in other technical provisions not shown under other headings" but does not provide a definition as such.

As the QRT S.05.01 discloses P&L positions, our interpretation is that the intention would be to disclose the "Change in other technical provisions not shown under other headings" referred to in the article 34 (II.6) rather than the change in "Other technical provisions" defined in the article 26.

Could you please confirm that our interpretation of the "Changes in other technical provisions" in the QRT S.05.01 is correct?

Please can you confirm that paragraph 1.36 of the Level 3 text (section D, guideline 22) does not apply to group RSRs for groups where the parent is an insurance holding company or mixed financial holding company?

We are proposing to meet the requirements of paragraph 1.36 for individual solo entities in the individual solo RSRs and to meet the requirements of paragraph 1.43 (but not paragraph 1.36) for the group entity in the group RSR.

Guideline 22 says: "Details of the key options and guarantees within the calculation of the technical provisions and the significance of each and how they are evolving."

Can you provide some further clarification as to what "evolving" refers to in this guideline.

Can we restrict the scope of our narrative reporting on lapse rates to exclude Unit Linked and to only include Direct Business?

I.e. is the change in the lapse rates as set out in FST S.41.01.11, sufficient to meet the RSR requirement in Section D, Guideline 22, Paragraph 1.36(d)?

Please could you advise on how to define the sum insured, particularly for lines of business that are potentially unlimited e.g bodily injury claims. There is no defined sum insured so should this be reorted in one top banding on the mass risks and not relevant to the peak risks template?

Answer

The correct is Option 3) => (NET TP for a specific category and a specific undertaking)
OVER (Net TP of the Group (including only the TP for the scope of undertaking
calculated under method 1)for this specific category).

As indicated in the LOG file, this item is not reported for undertakings under method 2.

As regards the split into the category, the wording of LOG indicates that the denominator should also be split, not just the numerator.: “The percentage share of TP [...] of the (re) insurance undertaking to the group TP [...], split by respective main categories (Life excluding health and unit linked index-linked, Unit-linked and index linked, Health – SLT and non-SLT, Non-life excluding health).”

Information on notional SCR should be provided in cell C0060 (old C1). The Notional SCR should also be calculated for insurance holding company and mixed financial holding company, which should be treated as an insurance undertaking for the purposes mentioned in Article 336(b), Article 330(4)(a) and Article 372(2)(c)(ii) of Delegated Regulation 2015/35/EC. This should be consistent with information provided in regular supervisory report according to Article 372(2)(c)(ii) of the same Delegated Regulation.

The notional SCR of an insurance holding company and mixed financial holding company should cover relevant risks listed in Article 101(4) of Directive 2009/138/EC, depending on the risk profile of the insurance holding company or mixed financial holding company. Bearing in mind that a holding company does not carry out (re)insurance activities, potential exposures market, credit and operational risks should be covered.

The same treatment applies in case of the standard formula and an internal model. For further details on the calculation please refer to the national implementation of the directive and related guidelines.

At the time when EIOPA Guidelines on group solvency were adopted, it was decided not to address the issue of notional SCR of holding companies in the guidelines due to uncertainty of the final wording of relevant legal provisions.

The answer provided on 28 September 2015 under Q&A procedure, which clarifies that the notional SCR should be calculated for insurance holding companies (IHC) and mixed-financial holding companies (MFHC), should be treated as a valid one. It reflects the final wording of the Commission Delegated Regulation (EU) 2015/35 (Article 336(b), Article 330(4)(a) and Article 372(2)(c)(ii)) as well as the latest version of the reporting package, especially draft ITS on reporting.

Regarding S.34, insurance holding companies and mixed financial holding companies are within the scope. Regarding the different columns C0050 would need to indicate option “2” in this case, as in fact it has a notional SCR. All the other columns are to be filled in with the corresponding amounts.

EIOPA confirms that line of identification was added to the annotated templates exclusively for technical reasons and it will not be introduced into the business templates.

It is true that line identification in the S.06.02.01 has a different code (C0010) then in the S.06.02.04 (C0400) and reason for that was because in the variant S.06.02.04 we already use code C0010 for the “Legal name of the undertaking”. At this moment we believe that it is better to keep it as it than to change codes.

These differences you are referring to are explained in taxonomy documentation and mainly are about artificial ID, joined cells for type of code and code, etc.

BV458-BV489 are the validations referred to in the question.

The validation is correct as it states that the amounts reported in S.28.02/S.28.02 has to be \geq than the amounts reported in S.17.01.

The signal \geq (and not only '=') covers two possible situations:

- The floor applicable on S.28.01 (0 is higher than an eventual negative amount reported in S.17)
- Risk mitigation techniques allowed for the purposes of TP calculation but not allowed for the purposes of MCR calculation

Therefore the validation is correct and in line with the Instructions of the templates.

In fact R0600/C0020 should be crossed out in the template (this will be amended).

Amounts before and after shock shall be filled in with the amount of assets and liabilities sensitive to that shock. For the liabilities the assessment shall be done at the most granular level available between contract and homogeneous risk group. This means that if a contract/HRG is sensitive to a shock the amount of liabilities associated to that contract/HRG shall be reported as amount sensitive to that shock.

If assets or liabilities are not sensitive to the shock the cells should be reported with zero.

From the option described it is option a). If sensitive to risk, even if capital charge is zero the amount should be reported.

It is important that the amounts reported under columns before and after shock are consistent.

Please see also question 39 from file "Answers to questions on the Final report on the ITS on the templates for the submission of information to the supervisory authorities (CP-14-052)"

<https://eiopa.europa.eu/regulation-supervision/q-a-on-regulation>

EIOPA clarifies that the purpose of the template is not to replicate the accounting P&L but to use the definitions from accounting Directive.

Template S.05.01 shall be reported from an accounting perspective, i.e.: Local GAAP or IFRS if accepted as local GAAP but using SII lines of business. Therefore, by default follows (does not replicate) the structure of the Directive 91/674/EEC.

Under this Directive the structure of the profit and loss account as defined in article 34 includes the following (only relevant items identified):

- o Earned premiums (which includes the variation of provision for unearned premiums)

- o Claims incurred (which included the variation of provision for claims)

- o Changes in other technical provisions (which includes the variation of the other technical provisions not shown elsewhere). For example, in the Life technical account this item explicitly includes the life assurance provision (mathematical reserve) and it should also include the technical provisions for Index Linked and Unit Linked technical.

As the template does not aim to give a full picture of the technical nor non-technical account, the items that according to the Directive are not included in “Changes in other technical provisions” should not be reported, in particular changes in the equalization provisions or Changes in bonus and rebates technical provisions. It should also be noted that the bonus and rebates incurred during the year should also not be reported as expenses.

As stated in Guideline 22 of EIOPA Guidelines on reporting and public disclosure, “insurance and reinsurance undertakings, excluding participating insurance and reinsurance undertakings, insurance holdings companies and mixed financial holding companies, should provide information on technical provisions”. Therefore we confirm that Guideline 22 (paragraph 1.36) does not apply to group RSR in any case, also when an insurance or reinsurance undertaking is a participating undertaking. This means that we do not envisage that details of the calculations of technical provisions at group level should be reported. However, considering that GL22 refers in letter l) to the assessment performed under Article 44 of the Solvency II Directive, we would like to highlight that the requirements under Article 44 (2a) of Solvency II Directive and Article 308 (3)(f) of the Commission Delegated Regulation 2015/35 are applicable at a group level. In fact the ITS on Reporting and Disclosure also includes a template (S.22.01) that is expected to be reported and disclosed at group level. The information should in our view be limited to the impact of long term guarantees and transitional as requested in Directive and not focus on details of the calculation. GL 29, para. 1.43 b), describes the additional information EIOPA expects to be reported in addition to the template S.22.01.

In Guideline 22 “evolving” means that undertaking should provide information regarding the past and expected evolution of the options and guarantees, e.g. if options are in/out of the money, what are the expectations that options are used by policyholders, if it is expected when; if undertaking management of assets allows the payment of the guarantees embedded in the obligations, etc.

Where the changes in lapse rates are material, the RSR should include information on such changes in accordance with Guideline 22 of the Guidelines on Reporting and Public Disclosure; Guideline 22 does not exclude particular products or lines of business.

Please refer to Q&A 75 of “Answers to questions on the Final report on the ITS on the templates for the submission of information to the supervisory authorities (CP-14-052)”.

In the case of unlimited sum insured, the contracts should be reported in S.21.02 (if considering the below instructions they are the biggest) and in template S.21.03, considering the following:

- For the reporting of the ‘Sum insured’ undertakings should use an estimation of the expected possible loss (calculated using the same methods as used for the calculation of the premium, which should reflect the actual risk exposure).

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Specifically for S.21.03:

- In case of unlimited exposures, these contracts need to be reported in the last bracket. We expect that these contracts are reported in the last bracket but that the “Total sum insured” is calculated using the same methods as used for the calculation of the premium, which should reflect the actual risk exposure;

- We clarify that even if this amount is lower than the bracket reference this should be reported in the last bracket. Narrative reporting should supplement the quantitative information;

- Please note that where possible (where undertaking use undertaking specific brackets) only those risks with unlimited sum insured should be allocated to last