

**Comments Template on  
CP9 – GR - Reporting**

**Deadline  
20 January 2012  
12:00 CET**

Name of Company:	Contribution of the German Insurance Association (GDV)	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ <b>Do not change the numbering</b> in the column “reference”; if you change numbering, your comment cannot be processed by our IT tool</li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, in Word Format, to <a href="mailto:cp009@eiopa.europa.eu">cp009@eiopa.europa.eu</a>. Our IT tool does not allow processing of any other formats.</b></p> <p>The numbering of the paragraphs refers to this Consultation Paper.</p>		
<b>Reference</b>	<b>Comment</b>	
General Comment	<p>GDV would like to thank EIOPA for the opportunity to consult on this draft Level 3 Guidance Paper. Level 3 guidelines are essential to ensure the correct interpretation in application of legislative texts and also to gauge the expectations of supervisors.</p> <p>However, we believe that Level 3 guidelines should no go beyond the requirements defined by the solvency II directive as well as the implementing measures . The proposed information requirements are much wider. We therefore ask EIOPA to ensure that these guidelines are reconsidered to ensure they provide guidance on Level 2 requirements, rather than extending</p>	

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	<p>their scope.</p> <p>Furthermore, the narrative reporting guidelines aren't structured in a clear manner. There is often no clear guidance which information has to be shown in the solo reporting and which has to be shown in the group reporting. For example, the guidelines have included a lot of issues, which are already shown in the QRTs. Therefore there should have been a more clear and precise version for public comments.</p> <p>Additionally, we like to draw attention on the issue of reporting deadlines. The guidelines include many information and calculations (e.g. guideline 7, 8, 10) which also have to be provided by undertakings in between 14 weeks after the financial year ending. This will be very ambitious. We therefore suggest revising the guidelines with respect to practicability of realisation or with respect to cost-benefit aspects.</p> <p>Our main positions are:</p> <ul style="list-style-type: none"> <li>• The content of the guidelines should be in line with the Level I and II-requirements, i.e., the EIOPA-guidelines should not introduce additional reporting requirements. Rather the content of the guidelines should be limited to issues where additional explanation is needed and where the implementing measures provide no clear or sufficient guidance for undertakings.</li> <li>• Double reporting should be avoided. If certain information needs can be fulfilled by the information provided by the QRTs similar information – at least corresponding quantitative explanation - should not be provided for in the qualitative parts of narrative reports.</li> <li>• Requirements to the same topic/ issue should not differ within the various guidelines</li> </ul>	
3.1.		
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3.3.		
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3.8.	<p>The public reporting of structural information on the group under Solvency II group supervision should be required only in the group SFCR. It is unclear if the (ultimate) participating insurance or reinsurance or even all group entities would have to provide such information to their (group) supervisor.</p> <p>b) Replace “ultimate parent entity” with “ultimate parent insurance or reinsurance undertaking or insurance holding company which has its head office in the Community” to align Level 3 with Level 1 (Art. 215 (1)) [the explanation in 4.2 is correct: information on insurance holding companies would have to be reported as well -&gt; see our redrafting proposal]</p> <p>c) That is meant by “associates”? That means “material participations”? Threshold?</p> <p>d) The chart should be only required for groups and in the group SFCR to avoid duplication of disclosing information. The chart should contain only a simplified legal structure of the group.</p>	
3.9.	<p>Disclosing general organizational and internal structure information is strongly rejected. We don't see the need of disclosing for example the detailed department structure within the group to understand the group's solvency and financial condition. The explanation in 4.5 aims at excessive public disclosing internal information – “task forces” and “committees” might be of interest in supervisory reporting if they relate to the risk management of a group, however other organizational information is far from being reasonably published.</p> <p>If required, the information should be only required to be part of the group SFCR once.</p>	

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	Delete guideline 2.	
3.10.	Intra-group transactions as defined in Art. 13 (19) (= “operations and transactions”?) will be reported to supervisors, additional public disclosure is not necessary. Especially details of terms and conditions of such intra-group transactions are confidential and should stay so because of competition issues. If required, the information should be only required to be part of the group SFCR once.  Delete guideline 3.	
3.11.	General comment about guideline to system of governance :  The reporting requirements regarding Governance-system are already described in detail by level 2. It is questioned why this guidelines include additional guidelines. All the important aspects regarding governance should be captured by the guidelines for governance. Thus, it should be avoided that (1) no additional aspects are required here and (2) that the requirements are not contradictory to each other.	
3.12.	This reporting requirement is unnesecary and does not add any value to the reader.	
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3.16.	The differenciation in subpara e) isn` covered by the implementing measures. There is defined a valuation hierarchy in Art. 7 IM and there is also defined, that this hierarchy is consistent to IFRS.	
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3.19.	a) huge effort since markets are likely to be active. We propose to change this requirement into « the criteria used to assess whether markets are <b>not</b> active »	

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3.23.	<p>a) It should be sufficient to include only a statement that simplification rules are applied. A detailed explanation should not be asked for.</p> <p>b) The subpara b in the guideline 14 isn't useful. The Art. 12 and 13 of implementing measures give a clear guidance on the recognition and contract boundaries. Because of that, there exists no further explanation, we can't imagine which information we should give additionally. Please delete this subpara.</p>	
3.24.		
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3.30.	This information should only be relevant in the narrative reporting for ratios which aren't included in the QRTs for own funds. No double reporting should be the result.	
3.31.	<p>The information of guideline 22 a, b, c, e, g, j is shown in the QRTs of own funds. No double reporting should be the result. Please delete this requirement from the narrative reporting guidelines.</p> <p>The information of guideline 22 d should be deleted. For subordinated debt the requirements for financial liabilities are sufficient. Additional reporting of risk driver effects for subordinated debt should be deleted.</p>	

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	The information of guideline 22 f should be deleted. The reconciliation reserve is a residual amount. Because of that, there shouldn't be required a break down in forme where it's derived from. This is not covered by any requirement of level 1 or level 2 text.	
3.32.	The information of guideline 23 a, j is shown in the QRTS of own funds. No double reporting should be the result. Please delete this requirement from the narrative reporting guidelines.	
3.33.		
3.34.	We understand that this guideline is only optional. As with the design of an internal model and the standard formula a standardized comparison will not be possible in most cases, especially a comparison of quantitative information will not be meaningful in most cases. We understand that the certification process will address any questions related to internal models and provide the supervisor with ample opportunity to understand the internal model and its rational. Given the formal model change process and the ORSA the supervisor is already informed on the ongoing appropriateness of the internal model. Thus no further reporting needs to be imposed on undertakings.  c-d) These are sensitive information and should not be publicly disclosed.	
3.35.	Information about the structure of internal model or about the recovery plans will show insides into the business strategy of the insurer and thus should not be required for public disclosure.	
3.36.	Same as above	
3.37.	The information in b) und c) should be only required to be part of the group SFCR once.  The detailed structure chart should display only the legal structure (in particular no branch reporting).	
3.38.	The requirements defined here are also part of the ORSA-report so that double reporting might occur. We propose to delete this guideline to avoided double reporting.	
3.39.	Intra-group transactions have to be reported in accordance with Art. 245, i. e. in particular only if they are significant and only to the group supervisor (Art. 245 (2)). We do not agree with the term "significant related party transactions" because it does not fit to Art. 245 (3) (group supervisor identifies type of intra-group transactions to be reported). The definition of "related party	

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	<p>transaction” in explanation 4.76 is far too wide (includes for example change of personnel!).</p> <p>Delete guideline 3.39</p>	
3.40.	<p>We assume that the explanation is only relevant für material/significant transactioions/operations, which are reported in the QRT sheets. Additionally we assume, that no double reporting will be required, therefore the quantitative amounts will be shown in the QRTs.</p>	
3.41.	<p>The interplay of guideline 31 and 32 is not clear to us: What is the difference between “operations and transactions within the group” and “intra-group operations and transactions”? We do not see why the group is required to provide information on the “commercial rationale” – supervisors should not try to assess management decisions or even replace managers. The details requested on each transaction is enormous – this is for beyond regular reporting and regular supervision. We agree that additional information on material transaction affection the solvency and financial condition of the whole group might require the group supervisor to ask for more information, however this is captured by (optional) reporting on pre-defined events.</p> <p>We assume that the explanation is only relevant for material/significant transactions/operations, which are reported in the QRT sheets. Additionally we assume, that no double reporting will be required, therefore the quantitative amounts will be shown in the QRTs.</p>	
3.42.		
3.43.	<p>The information requirement regarding remuneration policy is too excessive and should be deleted.</p>	
3.44.	<p>This information requirement should rather be dealt with in the ORSA-report.</p>	
3.45.	<p>This information requirement should rather be dealt with in the ORSA-report.</p>	
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3.47.	<p>It seems more appropriate to report this information in the ORSA-report. Otherwise it might result in double and contradictory reporting.</p>	
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3.50.	<p>The subpara b isn't useful. The Art. 12 and 13 of implementing measures give a clear guidance on the recognition and contract boundaries. Because of that, there exists no further explanation, we can't imagine which information we should give additionally. Please delete this subpara.</p> <p>The subpara j is in our understanding totally useless, because there exists no definition in Solvency II for "unbundling".</p> <p>The subpara l is according to our understanding not necessary because the reinsurance recoverable have to be calculated consistent to the principles and methods relating to insurance liabilities. There exists no separate guidance for the asset side.</p>	
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4.24.	The last point doesn't make sense in our opinion. For the recognition of intangible assets, there has to be an active market. It isn't relevant which historical event has put these assets on the balance sheet.	
4.25.	We disagree with the requirement to report also intangible assets valued at nil. These assets aren't recognized in SII (except the goodwill which is recognized but valued at nil). Therefore no reporting is prepared and the valuation of these assets isn't possible. Please delete this requirement.	

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4.26.	The fair value hierarchy of IFRS 7 deviates from the described requirements in this guideline. Therefore we would prefer to be consistent to IFRS, therefore there will be no difference between « quoted prices in active markets for similar assets” and “inputs other than quoted prices in active markets for identical or similar assets, that are observable for the asset directly (i.e. as prices) or indirectly (i.e. derived from prices)”.	
4.27.	This requirement isn't possible. Non-observable input parameters are only used, if market input parameters don't exist. There, it isn't possible to calculate the interdependencies between these parameters.	
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4.36.	The calculation of deferred taxes is defined by using the requirements according to IAS 12. The reference/comparison to the accounting financial statements should be deleted. This is not covered by the implementing measures.	Confidential
4.37.		
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4.39.		
4.40.	Please delete this requirement because of the following issues : <ul style="list-style-type: none"> <li>- The changes in claims pattern are shown in a discounted view in the variation analyses QRT.</li> <li>- The new material claims over the year and those claims settled during the year aren't an important information for the supervisor. The interesting information in this case is the experience variance, which is also shown in the variation analyses QRT.</li> </ul>	Confidential

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	<p>- The increase of new business is also shown in the variation analyses QRT by comparing the previous and the current Variation Analyses QRT. No double reporting should be the result.</p>	
4.41.		
4.42.	<p>We assume that this requirement is only relevant if there exists different methods between the solvency II values (generally excl. own credit spread) and the financial statement values. If the financial statement values don't consider the own credit spread effects too, we don't have to calculate the own credit spread effect on an artificial basis.</p>	Confidential
4.43.		
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4.50.	<p>Please delete this requirements. A separation of plan assets and pension obligation isn't usual and isn't covered by the implementing measures. The employee benefits should have been disclosed only on a net basis. These requirements also exceed the disclosure requirements in IAS.</p>	Confidential
4.51.		
4.52.	<p>Please delete this requirements. A separation of plan assets and pension obligation isn't usual and isn't covered by the implementing measures. The employee benefits should have been disclosed only on a net basis. These requirements also exceed the disclosure requirements in IAS.</p>	Confidential
4.53.	<p>Please delete this requirements. A separation of plan assets and pension obligation isn't usual and isn't covered by the implementing measures. The employee benefits should have been disclosed only on a net basis. These requirements also exceed the disclosure requirements in IAS.</p>	Confidential
4.54.	<p>The calculation of deferred taxes is defined by using the requirements according to IAS 12. The reference/comparison to the accounting financial statements should be deleted. This is not covered by the implementing measures.</p>	Confidential

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4.55.		
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4.59.	The requirement to disclose an eligible own funds / solvency ratio is new. Such a quote is neither defined in the Directive nor in the implementing measures. We see the danger that - because of a missing definition of « eligible own funds » - a solvency ratio is published which will inadequately show the insurers solvency situation.	
4.60.		
4.61.		
4.62.	The information is shown in the QRTS of own funds. No double reporting should be the result. Please delete this requirement from the narrative reporting guidelines.	Confidential
4.63.	We understand that this guideline is only optional. As with the design of an internal model and the standard formula a standardized comparison will not be possible in most cases, especially a comparison of quantitative information will not be meaningful in most cases. We understand that the certification process will address any questions related to internal models and provide the supervisor with ample opportunity to understand the internal model and its rationale. Given the formal model change process and the ORSA the supervisor is already informed on the ongoing appropriateness of the internal model. Thus no further reporting needs to be imposed on undertakings.	
4.64.	See 4.62	
4.65.	See 4.62	
4.66.	See 4.62	
4.67.	See 4.62	
4.68.	See 4.62	
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4.92.	Guidance regarding which event qualifies as a pre-defined event would be highly appreciated. While this paragraph gives examples on events that could qualify as predefined events, the examples are still very vague. It would be helpful if at least for	

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	<p>some of the events mentioned (e.g. mergers) a quantitative criterion could be given that determines whether such an event qualifies as a pre-defined event.</p> <p>This comment also applies to 3.53. (the respective guideline).</p>	
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