	Comments Template on Impact Assessment and Questions	**Deadline 20 January 2012 12:00 CET**
Name of Company:	The Directorate General Statistics (DG-S) of the European Central Bank (ECB)	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
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Reference	**Comment**	
General Comment	The Directorate General Statistics (DG-S) of the European Central Bank (ECB) welcomes the opportunity to provide its comments on the Consultation Paper EIOPA-CP-11/009g. For further information on ECB requirements and comments see also the letter dated 18 October 2011 sent by the Director General Statistics of the ECB, Mr Aurel Schubert, to the Chairperson of EIOPA, Mr. Gabriel Bernardino. The comments provided in this consultation are consistent with the information provided in the letter. Furthermore, a separate response will be provided on the second Consultation Paper EIOPA-CP-11/011 for quantitative reporting templates for Financial Stability Purposes. Given the close links between the two consultations, the two answers by the ECB should be taken in conjunction.	

The European System of Central Banks (ESCB) has recently launched the first publication of quarterly euro area statistics for balance sheets of insurance corporations (and pension funds) based on available national data. As the quality, coverage, breakdowns and type of data published are insufficient to fulfil the user needs, the ECB/ESCB has engaged into a "steady-state approach" for insurance corporations, whereby user needs would be met by harmonised statistics based on an ECB regulation. Such a regulation is planned to be submitted to the ECB Governing Council for adoption in early 2013; it will be based on Council Regulation (EC) 2533/98 as amended and will cover statistics required for monetary and macro-economic, as well as financial stability analyses. While ECB regulations in the field of statistics contain reporting requirements which are binding for reporting agents resident in the euro area, the statistical reporting requirements can be met, in part or in full, through a re-use of suitable existing or forthcoming other, e.g. supervisory, reporting requirements. In all cases, while the statistics compilers will need access to reports provided by reporting insurance corporations, the statistics derived are aggregated according to different criteria (type of business, size classes etc, and no individual information is disseminated. A strict confidentiality regime is in place, where applicable.

Hence, in order to minimise the reporting burden of insurance corporations, the ESCB intends to build its statistics on an appropriate sub-set of the Solvency II quantitative reporting templates (QRT), and also intends to re-use the new security-by-security reporting under Solvency II. Other ESCB statistical requirements will, following a detailed assessment of their merits and costs and subject to the approval of the Governing Council, be collected from the insurance sector based on an ECB regulation.

In order to assess the ESCB and ESRB requirements, the ESCB Statistics Committee (STC) consulted a number of ESCB committees (the Monetary Policy Committee (MPC), the Financial Stability Committee (FSC), the Market Operations Committee (MOC) and the International Relations Committee (IRC)), the European Systemic Risk Board (ESRB) Advisory Technical Committee (ATC) and the European Commission (via

	Eurostat). As the data would also serve as an input to the production of other ESCB statistics, the STC itself expressed its own needs, with the assistance of its Working Groups. The ESCB/ESRB user needs outlined in these comments are demanding for EIOPA, the national supervisory authorities and for the insurance industry. For this reason, this public consultation on Solvency II QRT by EIOPA offers a unique opportunity to express most of these needs in a manner that is already familiar and shows that they may not translate into separate reporting, provided that the draft templates are not deeply revisited, that the level of disaggregation, in particular for security-by-security portfolio assets on both solo and consolidated bases, is maintained, and that quarterly frequency and adequate timeliness (on a permanent basis) fulfil the ESCB requirements. **1. Balance sheet information** The ECB/Eurosystem currently collects timely and high quality monthly or quarterly statistics for large parts of the euro area financial sector (in particular for credit institutions, money market and other investment funds and securitisation vehicles), but avails only of very limited statistical information on the insurance corporations (IC) sector. Accordingly, improved quarterly balance sheet information, both on a solo/non-consolidated basis (for monetary analysis as well as requirements for the production of other ECB statistics) and on a group/consolidated basis (for financial stability analysis) has been highlighted by users as an essential requirement. The balance sheet information should be separately available for different subsectors of ICs (i.e. life insurance, non-life insurance, composites, and re-insurance). The information required includes an instrument breakdown both on the assets and liabilities side, information on original and remaining maturities of the relevant instruments and a breakdown of the geographical residency and institutional sector of the counterparts. Detailed information on the assets held and liabilities issued by ICs is essential, not only in terms of outstanding amounts at the end of a period, but also in terms of transactions which occur between two reporting periods.	

Information on euro area IC balance sheet positions and transactions can provide important input to both the monetary and economic analyses underpinning the ECB's monetary policy. ICs are part of the money-holding sector and are thus integral part of the sectoral analysis of monetary developments. By providing investment opportunities and risk diversification, they have a prominent role for the private sector's composition of wealth. At the same time, they are among the most important providers of long-term funding to credit institutions, non-financial corporations and the public sector. These characteristics make ICs an integral part of the monetary transmission process and constitute its relevancy to monetary policy.

From a financial stability perspective, the fact that ICs are important institutional investors in European financial markets implies that changes in their holdings of financial assets or investment strategies may have significant effects on the markets, and these effects may also have systemic consequences. Therefore it is essential to have detailed information about the investment assets of insurers in order to be able to monitor their evolution and to assess risks. Detailed balance sheet information is also needed for understanding developments in the risk-taking behaviour of the insurance sector (see also next section).

2. Security-by-security information

The ECB is currently preparing the legal and technical measures for implementing a new statistics on securities holdings, which will be compiled from granular security-by-security information. The data planned to be reported under Solvency II on a security-by-security basis for the securities portfolio of insurance corporations is planned to be used for the new statistics and is thus essential in several respects. The new regular quarterly securities holdings statistics will cover the holdings of securities by all financial and non-financial sectors and will underpin macro-economic and macro prudential analyses of the ECB/ESCB and ESRB. This will enable to monitor and better interpret changes of the securities portfolio, the interlinkages with other financial intermediaries, and will also contribute to the assessment of risks (e.g. by counterpart sector and issuer country). In this context, data on individual securities holdings both on a solo (non-consolidated) basis and for the large insurance groups (including their affiliates abroad) on a consolidated basis are needed. Security-by-security information is also strongly supported given its relevance for monetary policy implementation. The regular and timely reporting of this information will also be essential in order to derive some of the regular requirements for balance sheet information (presented above) such as detailed information on the maturities, geographical location and sector of the issuers of securities held by ICs. The security-by-security information could also serve to derive estimates for transactions for the securities portfolio of ICs, which ideally requires monthly reporting of stock data.

In addition to the regular compilation of statistics, users also raised the need for having access, on an ad-hoc basis, to detailed information on the asset side of ICs, in particular concerning country, sector and counterpart breakdowns of securities that are not identifiable in the regular statistical aggregates. The ECB thus sees considerable merits in the collection of security-by-security data for ICs, which would allow ad-hoc analyses to be performed in a timely fashion.

The above considerations also underline that the collection of item-by-item information from reporting agents helps actually reducing the reporting burden for insurance corporations in the longer-term. When automated reporting systems have been implemented, the information provided by the reporting agents on an item-by-item basis (e.g. ISIN, amounts), combined with a reference securities database, allows users to analyse the available information in a multi-dimensional way to support the performance of central banks or supervisory functions. Such reporting is stable over time as, when new information requirements emerge, there is often no need to request additional information from the reporting agents.

3. Capital adequacy / capital ratios

Quarterly information on solvency capital requirements (SCR), minimum capital requirements (MCR), risk breakdowns and own funds further broken down by tier 1, 2 and 3 is an essential requirement for financial stability analysis. Emphasis has been put on the provision of quarterly information in order to allow for a continuous monitoring of the sector's situation. The information is essential on a group basis, but also important on a solo basis. Financial stability analysis, surveillance, and assessment are typically carried out on the basis of consolidated financial information of financial groups in order to capture all the risks that may arise from its business lines and affiliates. From a systemic risk perspective, large insurance groups should receive special attention in this regard and, as a minimum requirement, therefore consolidated quarterly reporting would be essential for this set of institutions.

4. Profit and loss information

Several users require quarterly information derived from the profit and loss accounts of insurance corporations. This includes performance indicators of ICs such as premiums written, claims paid, operating expenses, changes in technical provisions or investment income.

For the purpose of financial stability analysis and risk assessment, information from the profit and loss account is essential in order to derive basic ratios, such as loss ratios, combined ratios, reserve ratios and development, reinsurance ratios. This data would be of particular relevance in times of financial stress and provide important input for the compilation of performance indicators of insurance operations and value adjustments of the financial assets owned by the ICs.

Enhanced profit and loss data are also needed for statistical compilation purposes, in particular the euro area balance of payments and the euro area non-financial accounts, and statistics produced by the European Commission (Eurostat). While profit and loss accounts as such are not covered by the reporting templates of Solvency II, it may still be possible to meet part of the requirements from the Solvency II templates (i.e. from the so-called variation templates). This approach might also allow to overcome issues of comparability of the profit and loss data between countries which are due to the use of different accounting standards, IFRS or national GAAP.

5. Frequency, timeliness, and sectoral coverage

For all uses of the statistics by the ECB/ESCB/ESRB, the availability of timely quarterly data (for solo and group reporting) is an essential requirement. For the statistical requirements put forward in this consultation, annual information would not suffice.

For monetary and economic analyses, the timely provision of detailed quarterly balance sheet information on a solo account basis (for transactions as well as outstanding amounts) on ICs as very important. Both from an analytical and communication perspective, the information on insurance corporations needs to be discussed jointly with key economic and financial indicators for all other economic sectors in the briefing material submitted to the ECB's Governing Council. This implies that the balance sheet information on a solo basis would need to be available to the final ESCB users about 40 calendar days following the reference period. In order to meet this end-user delivery date, the reporting deadline by insurance corporations on a solo basis would need to be set at about four weeks (28 calendar days) after the reporting period.

Regarding financial stability analyses, the need for quarterly data (detailed balance sheet data on a group basis, information on capital adequacy/capital ratios, and information on profit and loss) is stressed given the ECB obligation towards the ESRB to deliver updates on the financial stability situation four times a year. Moreover, ideally the data would have to be available to the final users as early as 45 days after the reference date. As regards data on a group basis this contrasts with the current draft for Solvency II reporting after 9 weeks, and calls for a review of these plans, taking also into account that the original deadline envisaged for group reporting was set to 8 weeks.

Finally, regarding the coverage of the insurance sector, quarterly reports based on a representative (though not necessarily complete) coverage of the euro area insurance sector is an essential precondition for using Solvency II quantitative data for ECB statistics. In this context, existing ECB statistics (e.g. on credit

	institutions) contain measures that limit and reduce the reporting burden (especially of small institutions), whereby the data for a particular country must reach, depending on the variable concerned, a coverage of at least 85% to 95% (of total assets) at national level and the institutions exempted from the full reporting in a specific country do not exceed 1% (of total assets) at euro area level. The exempted institutions do however report simplified information, often at annual frequency only. In practice, these provisions allow to grant reporting simplifications and exemptions to a significant number of small and medium-sized institutions. Similar arrangements are envisaged by the ECB also for the development of new statistics for the insurance sector. Given strong user needs also for data from non euro area EU Member States, a representative coverage of insurance companies resident in these countries would also be essential.	
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1.9.	Several comments made by the ECB in the previous informal consultation have not been taken up in the revised templates. Apart from requests for better timeliness and more quarterly data, in particular better information on counterpart sector and geographic areas seems necessary in order to make Solvency II data useful for statistical purposes.	
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1.14.	It is noted that security by security reporting is required by the ECB from a sufficiently large share of the industry in order to obtain representative results. The ECB supports that smaller companies report at annual frequency, and that no complete exemptions will exist at annual level. Annual benchmark results will be needed from all undertakings, in order to be able to use grossing-up methods for incomplete quarterly reporting.	
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4.6.	See General Comments. The ECB fully suports these arguments. The detailed list of assets is crucial for ECB purposes. From the ISIN code, total outstandings and selected additional information, and in combination with high quality security-by-security database, a rich set of statistics can be compiled, without overburdening reporting agents. The ECB is currently implementing this system for other financial sectors.	
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4.14.	The ECB supports derogations or simplified reporting for small entities. Regarding the thresholds proposed a confirmation by EIOPA would be welcome that the minimum threshold is a mandatory lower threshold that is to be met by all	

	countries (see comments 4.33). The ECB also asks for clarficiation regarding the compatibility of the stated EIOPA objective to guarantee a minimum coverage of 90% at European level, and, at the same time, accept that additional national derogations may imply a coverage of country data of only 75%. The ECB also suggests to provide more information on the impact that a possible derogation for 25% of the market may have on aggregated results at national or EU level. Existing ECB statistics (e.g. on credit institutions) contain measures that limit and reduce the reporting burden (especially of small institutions), whereby the data for a particular country must, depending on the variable concerned, reach a coverage of at least 85% to 95% (of total assets) at national level and the institutions exempted from the full reporting in a specific country do not exceed 1% (of total assets) at euro area level. The exempted institutions do however report simplified information, often at annual frequency only. In practice, these provisions allow to grant reporting simplifications and exemptions to a significant number of small and medium-sized institutions. Similar arrangements are envisaged by the ECB also for the development of new statistics for the insurance sector. Furthermore, the specific rules currently envisaged for ESCB security-by-security statistics are: for countries with holdings of resident institutions of below or equal EUR 40 bn a minimum of 60% of resident holdings of securities having an ISIN should be reported on a s-b-s basis, and 95% of resident holdings of securities having an ISIN for countries exceeding holdings of EUR 40 bn.	
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4.28.	The ECB supports the application of proportionality principles in order to limit the burden for SMEs. (see also 4.14)	
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4.30.	Option A1 is not appropriate for statistical purposes as it does not ensure statistical results at national level (of small and medium-sized EU countries)	
4.31.	Option A2 is not appropriate for statistical purposes as it does not ensure comparable and good quality statistical results across countries	
4.32.	Option A3 seems to be similar or identical to A1 (see comment there)	
4.33.	Option A4 (combination of European and national thresholds) appears acceptable provided that the additional minimum thresholds set at the national level is a binding lower threshold in all countries. Otherwise, the availability of results for small and medium sized EU countries would be left to the discretion of national authorites of these countries.	
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4.49.	The ECB agrees with the 90/75 percent proposal assuming the minimum floor at the national level is to be respected by all countries. A lower minimum floor (60% as tentatively planned for the ECB's security holdings statistics) could be considered for smallest countries.	
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4.70.	According to paragraph 4.115 in European System of Accounts 95, non-life insurance claims are recorded at the time the accident or other event insured against occurs. Therefore, in order to facilitate the use of Solvency II quantitative data for ECB statistics, DG-S favours the adoption of a specific standard for claims development, namely accident year, and therefore supports option 2.	
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4.80.	According to paragraphs 5.114 and 5.117 in European System of Accounts 95, the sub-category prepayments of insurance premiums and reserves for outstanding claims (F.62) that the ECB collects from NCBs and disseminates both at a national level and aggregated at euro area level includes, under reserves for outstanding claims, amounts held by insurance corporations in order to cover the volume they expect to pay out in respect of claims that are not yet settled, for example, because they are disputed. Moreover, data on actual transactions (e.g. changes in positions due to purchases or sales of assets, in contrast with “other changes” linked to changes in prices or exchange rates, revaluations, write-offs, write-downs or adjustments) are crucial for the analysis of the investment behaviour of insurers. Therefore, in order to facilitate the use of Solvency II quantitative data for ECB statistics and for the purpose of deriving data on transactions, DG-S agrees with EIOPA’s suggested approach and	

	favours option 4, whereby outstanding claims should be reported in both templates TP-E3 and TP-E4.	
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4.92.	The ECB/Eurosystem currently collects timely and high quality monthly or quarterly statistics for large parts of the euro area financial sector but avails only of very limited statistical information on the insurance corporations (IC) sector. Accordingly, improved and detailed quarterly balance sheet information, both on a solo/non-consolidated basis and on a group/consolidated basis has been highlighted by users as an essential requirement. Therefore, template BS-C1 is key for ECB purposes, for information that cannot be derived from quarterly reporting of detailed assets, technical provisions and own funds, or for institutions that are not obliged to report a detailed list of assets at quarterly frequency. Reporting of a full balance sheet (with derogations for items that are covered by item by item reporting) also helps to monitor and verify the quality of the quarterly results. Furthermore, the ECB raises the question whether the criteria proposed by EIOPA (eplanation of the reconciliation reserve) is sufficiently operational, and whether it would lead to a stable quarterly reporting population. Overall, the ECB's DG-S is in favour of the reporting of a full balance sheet at	

	quarterly frequency, with the options for derogations for items covered in other quarterly templates, or small insurers (for which annual balance sheet reporting would apply).	
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4.101.	Variation analysis templates are crucial for ESCB statitics, and need to derive estimates of financial transactions for balance sheets, as well as information on profit and loss (though they do not provide a proper P&L). For this reason the ECB welcomes the inclusion of variation analysis templates for understanding the evolution of Solvency II balance sheet and own funds over time. This approach might also allow overcoming issues of comparability of the profit and loss data between countries which are due to the use of different accounting standards, IFRS or national GAAP.	
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4.110.	Regarding data needed to compile quarterly financial transactions explaining the	

	changes between two subsequent balance sheets, as well as for financial stability analyses, the ECB stresses the need for quarterly data.	
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4.115.	The ECB welcomes the split of changes on OF which corresponds to 'investments' separately from those as regards assets held for unit linked and index linked funds.	
4.116.	Data on transactions are essential for ECB statistics and analysis. On the liabilities side, transactions for life insurance may be computed in the following way (according to ESA95): *"5.108. Transactions in net equity of households in life insurance reserves consist of additions less reductions, which are to be distinguished from nominal holding gains or losses on the funds invested by insurance corporations.* *Additions consist of:* *(a) actual premiums earned during the current accounting period;* *(b) plus premium supplements corresponding to the income from the investment of the provisions, which is attributed to policy holding* *households;* *(c) less service charges for life insurance.* *Reductions consist of:* *(a) amounts due to holders of endowment and similar insurance policies when they mature and amounts due to beneficiaries from deaths of insured persons;* *(b) plus payments due on policies that are surrendered before maturity."* In this template technical provisions are included as a whole. The availability of technical provisions breakdown at least by life and non-life is, therefore, important to enable the computations of transactions.	
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4.131.	A quantitative risk concentration template is strongly required for ESRB/financial stability use. Financial stability analysis, surveillance and assessment are typically carried out on the basis of consolidated financial information of financial groups in order to capture all the risks that may arise from its business lines and affiliates. From a systemic risk perspective, large insurance groups should receive special attention in this regard and, as a minimum requirement, therefore consolidated reporting at a frequency as high as possible without overburdening the reporting undertakings would be essential. Therefore the ECB supports prefers option 1 (quantitative risk concentration template plus qualitative narrative explaining the different exposures). As the ECB understands that this template is very difficult to set up, owing to the wide diversity of situations faced depending on business lines and classes of risks to assess, an annual reporting frequency is considered to be sufficient.	
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