

Impact Assessment of draft amendment and correction of ITS on Reporting 2019

(1) Section 1: Procedural issues and consultation of interested parties

- 1.1. According to Article 15 of the EIOPA Regulation, EIOPA conducts analysis of costs and benefits in the policy development process. The analysis of costs and benefits are undertaken according to an impact assessment methodology.
- 1.2. The assessment of the potential related costs and benefits from the draft amendments and correction to the draft technical standard developed by EIOPA, builds upon experience from previous and current impact assessments undertaken by the European Commission.
- 1.3. The proposed amendments and corrections and their impact assessment will be consulted with stakeholders. Considering the low impact of the amendments/corrections the public consultation will be conducted during 6 weeks. In addition, an update will be presented in a meeting of EIOPA Insurance and Reinsurance Stakeholders Group (IRSG).
- 1.4. It should be noted that the draft amendments address the Commission Delegated Regulation (EU).../..., amending Delegated Regulation (EU) 2015/35 and the Commission Delegated Regulation 2018/1221 of 1 June 2018 amending Delegated Regulation (EU) 2015/35 as regards the calculation of regulatory capital requirements for securitisations and simple, transparent and standardised securitisations held by insurance and reinsurance undertakings. In addition, the closed list of the nominated ECAIs has been also amended to reflect the changes done through the last year in the ESMA list e.g. new registration and withdrawn of existing registrations.
- 1.5. There is only one correction included in the draft amendments and corrections, which addresses an error in the instructions of the template "S.25.02 - Solvency Capital Requirement" – for groups using the standard formula and partial internal model.
- 1.6. The amendments proposed were kept to the minimum and they do not reflect a detailed review of the requirements, which will be part of the Reporting and Disclosure Review 2020. The amendments aim to align the reporting and disclosure with the amendments to the Delegated Regulation (EU) 2015/35.

(2) Section 2: Problem Definition

- 1.7. In June 2018 the European Commission adopted Commission Delegated Regulation (EU) 2018/1221 amending Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for securitisations and simple, transparent and standardised securitisations held by insurance and reinsurance undertakings. Therefore, the supervisory reporting templates need to be adapted to reflect these changes.
- 1.8. Furthermore, in March 2019 the European Commission adopted Commission Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).
- 1.9. Most of the amendments will be applicable 20 days after publication in the Official Journal and undertakings will need to reflect the amendments in the calculation of the SCR in end-December 2019 (or before for non-December financial year end undertakings). Therefore, the supervisory reporting templates need to be adapted to reflect these changes.
- 1.10. In the area of reporting and disclosure, legal certainty and correctness are crucial. Reflecting the amendments and corrections in the legal text will facilitate reporting and align it with the regulatory framework.
- 1.11. Considering that some amendments identified in the ITS on reporting impact the XBRL taxonomy, the Governance of Taxonomy Releases should be taken into account. The Governance of Taxonomy Releases aims to provide to undertakings and other stakeholders certainty about the process and schedule of the XBRL taxonomy updates in order that can be foreseen and plan in advance when the IT reporting systems need to be updated. In 2019, the taxonomy is to be updated as soon as the amending Commission Delegated Regulation enters into force. Proposal from the Commission is approved.

(3) Baseline

- 1.12. When analysing the impact of the proposed policies, the impact assessment methodology foresees that a baseline scenario is applied as the basis for comparing policy options. This helps to identify the incremental impact of each policy option considered. The aim of the baseline scenario is to explain how the current situation would evolve without additional regulatory intervention.
- 1.13. The baseline scenario is based on the Solvency II supervisory reporting as defined in the ITS on Reporting and considering the clarifications publicly provided via the Q&A tool.
- 1.14. In particular the baseline scenario includes:
 - The content of Directive 2009/138/EC (the Solvency II Directive);
 - Commission Delegated Regulation (EU) 2015/35 (Delegated Regulation) and the amendments to it adopted by the European Commission since 2015;

- Commission Implementing Regulation (EU) 2015/2450 (ITS on Reporting) as amended by Commission Implementing Regulation (EU) 2016/1868, Commission Implementing Regulation (EU) 2017/2189 and Commission Implementing Regulation (EU) 2018/1844;
- Commission Implementing Regulation (EU) 2015/2452 (ITS on Disclosure) as amended by Commission Implementing Regulation (EU) 2017/2190 and Commission Implementing Regulation (EU) 2018/1843;
- Q&A published in EIOPA website (<https://eiopa.europa.eu/regulation-supervision/q-a-on-regulation>).

(4) Section 3: Objectives Pursued

- 1.15. The proposed amendments to the technical standards aim to reflect in the supervisory reporting and public disclosure the amendments to the Delegated Regulation while promoting the consistent application of the technical standards and improve the quality of the information reported.
- 1.16. The proposed amendments in the ITS on Reporting aim to:
- a) reflect in the supervisory reporting the amendments to the Delegated Regulation;
 - b) increase the consistency of the reporting framework;
 - c) better reflect proportionality principle when adequate; and
 - d) facilitate processing, validation and analyses of the information by undertakings and NSAs.
- 1.17. These objectives are in line with the objective of the Solvency II Directive of harmonised supervisory methods, tools, power and reporting.

(5) Section 4: Policy options

- 1.18. The draft ITS include a number of amendments and one correction. This impact assessment covers the amendments in the draft ITS on Reporting that might have an impact in implementation.
- 1.19. The amendments proposed in the ITS on disclosure follow the same amendments in the ITS on reporting and is limited to one single amendment. Therefore, a separate impact assessment is deemed not necessary.
- 1.20. The impact assessment covers the following amendments in the ITS on reporting, by order of templates:
- a) Introduction of a new column in template S.06.02 "SCR calculation approach for CIU" to reflect the approach taken for the SCR calculation in the Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35;
 - b) Reporting of specific information on credit quality steps in S.06.02 following introduction of simplifications in the attribution of the credit quality steps;
 - c) Up-date of the list of ECAIs in several templates reflecting changes in the list and allowing to reflect the case when no ECAI has been nominated and a simplification is being used to calculate the SCR;

- d) Introduction of a new table on deferred taxes in templates S.25.01 and S.25.02 in reporting and disclosure following the provisions requiring more information for this item;
- e) In template S.26.01 alignment of the types of securitisation according to the Commission Delegated Regulation (EU) 2018/1221 and information on “Long-term equity investments” in line with the Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35.
- f) Introduction of simplifications in templates S.26.01, S.26.02, S.26.03, S.26.04, S.26.05, S.27.01 in line with the Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35;
- g) Introduction of a new column “Debt portfolio share” and new rows in template S.26.07 to reflect the amendments provided by in the Commission Delegated Regulation (EU) .../... for the basis for the SCR and for market share based on residential fire risk exposure;
- h) In template S.27.01 introduction of a new column “Number of vessels below the threshold of EUR 250k” and deletion of information regarding “Mass accident – Disability 10 years”.

1.21. The options considered for each amendment are always to include or not to include the amendment. In section 5 the reasons for the amendment and impact of making or not making the amendments are detailed.

(6) Section 5: Analysis of Impacts

1.22. In this section, EIOPA describes the policy alternatives considered with detailed reasons for the amendment and impact of making or not making the amendments.

1.23. The different analysed options could have an impact on insurance and reinsurance undertakings as well as insurance groups, which are subject to reporting requirements, and on the national supervisory authorities (hereinafter, “NSAs”), responsible for the collection, processing and analysis of the reported data, and EIOPA. None of the options is considered to have a material impact on policyholders, insurance and reinsurance undertakings as well as insurance groups and NSAs in addition to the impact assessed in the amendments to the Delegated Regulation.

a) Introduction of a new column in S.06.02 “SCR calculation approach for CIU” to reflect the approach taken for the SCR calculation in the Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35

1.24. The introduction aims to align the reporting with the Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35, which includes a new simplification to the look-through approach for the purpose of SCR calculation for collective investment undertakings. Where the look-through approach cannot be applied to a collective investment undertaking or investment packaged as funds, insurance or reinsurance undertakings should be allowed to use a simplified approach based on the last reported asset allocation of the collective investment undertaking or fund, provided that that simplified approach is proportionate to the nature, scale and complexity of the risks concerned.

- 1.25. Impact of amendment: this is not assessed to have a material impact as it aligns the reporting with the regulation. No additional calculation is requested; undertakings should only report the approach followed by choosing one of the options in the closed list provided. The information requested is considered relevant for supervisors to assess the impact of the use of the simplification.
- 1.26. Impact of not amending: Simplifications are an important part of the Solvency II application of the proportionality principle. EIOPA strongly supports a proportionate approach both in the calculation of the requirements, reporting requirements and supervisory process. However, a proper risk-based supervision needs information and to assess the impact of the use of simplifications, e.g. by identifying the scope of the use of simplifications, is a crucial piece of information for supervisors. .

b) Reporting of specific information on credit quality steps in S.06.02

- 1.27. In line with the Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35 the credit quality steps list in S.06.02 is amended. The amended Regulation allows for the assignment of bonds and loans for which a credit assessment by a nominated ECAI is not available credit quality steps 2 or 3, under certain conditions.
- 1.28. Impact of amendment: It includes the possibility to select "Credit quality step 2 due to article 176a for unrated bonds and loans", "Credit quality step 3 due to simplified calculation under article 105a" or "Credit quality step 3 due to article 176a for unrated bonds and loans". The impact is expected to be non-material as it is an update of an existing closed list.
- 1.29. Impact of not amending: Simplifications are an important part of the Solvency II application of the proportionality principle. EIOPA strongly supports a proportionate approach both in the calculation of the requirements, reporting requirements and supervisory process. However, a proper risk-based supervision needs information and to assess the impact of the use of simplifications, e.g. by identifying the scope of the use of simplifications, is a crucial piece of information for supervisors. In this particular case it is important to distinguish between the assets with CQS 2 or 3 based on the rating attributed by an ECAI from the ones attributed by the use of a simplification (not based on real information).

c) Up-date of the list of ECAIs in several templates reflecting changes in the list and allowing to reflect the case when no ECAI has been nominated and a simplification is being used to calculate the SCR

- 1.30. The list is updated reflecting latest list at ESMA website. In addition, an option is added to reflect the case when no ECAI has been nominated and a simplification is being used to calculate the SCR.
- 1.31. Impact of amendment: The impact is expected to be non-material as it is an update of an existing closed list. The amendment will facilitate processing, validation and analyses of the information by undertakings and NSAs.

1.32. Impact of not amending: The list will not contain the latest ECAIs and in case of no ECAI and when a simplification is being used to calculate the SCR it will not be possible to report it.

d) Introduction of a new table on deferred taxes in S.25.01 and S.25.02 in reporting and disclosure

1.33. The Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35 introduces further principles on deferred taxes aiming to ensure a level playing field in the Union. The amended Regulation specifies the minimum information regarding deferred taxes that shall be disclosed by undertakings in their solvency and financial condition report as well as the minimum information to be included in the regular supervisory report.

1.34. In line with the amendments, in particular article 297 (disclosure) and article 311 (reporting) of Delegated Regulation, new information on deferred taxes is introduced in the reporting and disclosure package in templates S.25.01 and S.25.02.

1.35. Impact of amendment: this is not considered having a material impact even if by introducing a new table in S.25.01 and S.25.02. It will allow a better understanding of the Deferred Tax Assets and Liabilities before shock and after shock and will provide information on the notional LAC DT.

1.36. Impact of not amending: if this item is not introduced, the reporting and disclosure will miss an important part of the information needed for properly supervise undertakings and this would not be aligned with purpose of the amendments for Article 297 and Article 311 of Delegated Regulation.

e) In S.26.01 alignment of the types of securitisation according to the Commission Delegated Regulation (EU) 2018/1221 and information on "Long-term equity investments" in line with the Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35

1.37. In line with the amendment of both Delegated Regulations in S.26.01 the types of securitisations has been amended e.g. additional rows are introduced for the new types of securitisation and the types that do not exist anymore are deleted and new rows to identify the "long-term equity investments" are added.

1.38. Impact of amendment: It implies more granular reporting for those undertakings that hold these types of instruments, which benefit from a lower capital requirement after the modifications of the Delegated Regulation. However, the impact is expected to be limited since undertakings that hold this type of instruments would need to adapt their systems in any case for the proper calculation of the capital requirement.

1.39. Impact of not amending: if it is not implemented, the template will not be aligned with the Delegated Regulation and the use of proxies would be needed.

f) Introduction of simplifications in S.26.01, S.26.02, S.26.03, S.26.04, S.26.05, S.27.01 in line with the Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35;

- 1.40. The Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35 introduces a number of simplifications to reduce the burden and cost of certain elements of the capital requirement standard formula.
- 1.41. Amendments are proposed that would allow the identification of the use of these new simplifications.
- 1.42. Impact of amendment: The impact is expected to be limited as extra information is requested. However, aligning reporting with the regulation is intended to facilitate undertakings' reporting in a consistent manner and to enhance data quality, therefore allowing a better analysis of the data by the NSAs and EIOPA.
- 1.43. Impact of not amending: Simplifications are an important part of the Solvency II application of the proportionality principle. EIOPA strongly supports a proportionate approach both in the calculation of the requirements, reporting requirements and supervisory process. However, a proper risk-based supervision needs information and to assess the impact of the use of simplifications, e.g. by identifying the scope of the use of simplifications, is a crucial piece of information for supervisors. In this particular case it is important to know which simplifications are being used for the calculation as this may impact the data analysis of the information being provided.
- g) Introduction of a new column "Debt portfolio share" and new rows in S.26.07 to reflect the amendments provided by in the Commission Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35 for the basis for the SCR and for market share based on residential fire risk exposure;**
- 1.44. The Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35 introduces a simplified calculation for parts of the debt portfolio for which external ratings are not available.
- 1.45. The Delegated Regulation (EU) .../... introduces a simplified calculation of the capital requirement for fire risk. In line with that amendment in S.26.07 additional rows are introduced for the basis for the SCR and for market share based on residential fire risk exposure.
- 1.46. To align the reporting with the regulatory requirement a new column requesting share of the debt portfolio that is calculated with the simplified calculation is requested in S.26.07.
- 1.47. Impact of amendment: The impact is expected to be non-material and will align the reporting with regulation.
- 1.48. Impact of not amending: Simplifications are an important part of the Solvency II application of the proportionality principle. EIOPA strongly supports a proportionate approach both in the calculation of the requirements, reporting requirements and supervisory process. However, a proper risk-based supervision needs information and to assess the impact of the use of simplifications, e.g. by identifying the scope of the use of simplifications, is a crucial piece of information for supervisors. In this particular case it is important to know details on simplifications used for the calculation.

h) In S.27.01 introduction of a new column "Number of vessels below the threshold of EUR 250k" and deletion of information regarding "Mass accident – Disability 10 years";

1.49. The Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35 introduces that as tanker collision scenario of the marine risk submodule should only be applicable to vessels with a minimum sum insured above EUR 250 000.

1.50. To align the reporting with the Delegated Regulation a new column "Number of vessels below the threshold of EUR 250k" is introduced.

1.51. The Delegated Regulation also introduces changes in the calculation of the SCR for Mass accident – Disability 10 years and to align the reporting with the Delegated Regulation columns regarding this risk are deleted.

Impact of amendment: The impact is expected to be limited since undertakings exposed to this risk would need to adapt their systems in any case for the proper calculation of the capital requirement. Minimum additional information is requested and fully aligned the calculation needs.

1.52. Impact of not amending: not enough information to supervise the risk of vessels.