Overview of the 2020 changes in EIOPA reporting

EIOPA, 16 June 2020

Process disclaimer

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✓ Before going into detail…

✓ This is work in progress, no final decisions taken yet and as in all good compromises… "nothing is decided until everything is decided".

SII Reporting and disclosure review 2020 – COM CfA

COM CfA 3.15. Reporting and disclosure
EIOPA is asked to assess, taking into account stakeholders' feedback to the Commission public consultation on fitness check on supervisory reporting:

- the **ongoing appropriateness** of the requirements related to reporting and disclosure, in light of supervisors' and other stakeholders' experience;
- whether the volume, frequency and deadlines of supervisory reporting and public disclosure are appropriate and **proportionate**, and whether the existing exemption requirements are sufficient to ensure proportionate application to small undertakings.

Main principles of the review

- ✓ **Fit-for-purpose**: the information received should be fit for the purposes of the Supervisory Review Process.
- ✓ **Proportionality principle**: the supervisory reporting should, as all Solvency II requirements, be proportionate to the nature, scale and size of risk undertakings face or may face.
- ✓ **Data standardisation**: the data requested under Solvency II should as much as possible use standardised code such as LEI. The use of meaningful close lists should also facilitate reporting while ensuring use of data and comparability.
- ✓ **Consistency between reporting frameworks within the financial sector**: Solvency II should be as much as possible consistent with other reporting frameworks.

Reporting and Disclosure Consultation – Wave 1 and 2

Wave 1 July-October 2019

- General issues on supervisory reporting and public disclosure;
- Individual Quantitative Reporting Templates (QRTs);
- SFCR and Narrative Supervisory Reporting;
- Financial Stability Reporting.

Wave 2 October 2019 – January 2020

- Regular Supervisory Reporting;
- Group Quantitative Reporting Templates (QRTs);
- Individual QRTs linked to other areas of the Solvency II 2020 Review, in particular (but not necessarily only) the LTG templates.

Fit for Purpose - QRTs

New templates
- New template on cyber risk - S.21.04
- Look-through on AIF – S.06.04
- Product-by-product information Non-Life

Revised templates (enlarged/new approach)
- Cross border - S.04 (enlarged but replaces S.05.02, S.12.02 and S.17.02)
- Internal models – S.25 and S.26s
- Variation analysis: S.29.05 (Life) and .06 (Non-Life) (replacement for S.29.01, .02, .03 and .04)

Incorporation in the XBRL taxonomy, for ad-hoc request NSA reporting (examples):
- Deferred Taxes and Loss Absorbency Capacity of Deferred Taxes,
- Issuance of loans and mortgages,
- Information on pension plan and products offered by insurance companies regarding the information included in EIOPA Database of Pension Plan and Products in the EEA

Reporting and Disclosure Consultation – Wave 3

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**Wave 3
February-1
June 2020**

- Review of technical implementation means for the package on Solvency 2 Supervisory Reporting and Public Disclosure;

- EIOPA aims to improve the efficiency and effectiveness of the reporting and disclosure framework, thereby reducing the costs associated to the processes;

- In this context, EIOPA proposals in this technical area contribute further to the proportionality and cost efficiency the framework;

- The technical implementation and data quality of the Solvency II reporting and disclosure framework does not impact the legal framework of Solvency II and can be improved by EIOPA at any point in time;

- Public Disclosure package improvements on reachability and readability of the files and may impact the legal framework.

Consulted areas of 2020 technical means review

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- **Governance** process of XBRL Taxonomies
  - o Suggested yearly update released by 1 June (instead 15 July) with fixing of non-working validations by 1 November
- **Validations** processes
  - o Improvement in deactivations process after 1 November
  - o Improvement on the functionalities and explanations on the list of validations
  - o Development of a pan-European single list of validation rules including NCA rules
  - o Increase of the validation tolerance level
- **Taxonomy** improvements
- **Public Disclosure package** improvements on reachability and readability of the files

Governance - Suggested Calendar of Releases

- The taxonomy governance has proven to be very useful, in particular for resourcing planning;
- Single yearly unified release for all reporting frameworks including PF, PEPPs and the ECB add-ons;
- EIOPA believes that the public working draft process should include the delivery of **two PWDs**:
    - 1st PWD **attached to the Business Public Consultation;**
    - 2nd PWD **following the final business requirements** agreed after the Public Consultation;
    - Delivery of the final taxonomy by 1st of June.
- This should:
    - Allow to **benefit from better business feedback** as experience show that the taxonomy facilitates the business review;
    - Minimise the business changes applied directly in final versions (outcomes of Public Consultation changes not included in the current PWD).

Step-by-step approach on validations

- Increase the taxonomy preparation time and applying a step-by-step approach on validations:
  - o Delivery of **final version of Taxonomy by 1 June** including all reporting templates/instructions (but without the validations)
  - o Delivery of the **validations package by 15 July**

- This Step-by-step approach will facilitate the preparation of the list of validations. Currently the development of tables is done in parallel to the validations and is more prone to errors.

Taxonomy improvements – Cross sector harmonisation

EBA and EIOPA decided to join efforts in a common initiative to review in order to enable complete convergence in the way of defining and communicating regulatory reporting requirements

- In the DPM area:
  - To enhance the DPM meta model to respond to all current and future challenges;
  - To create a fully consistent approach between EBA and EIOPA for modelling reporting requirements;
  - To address the shortcomings of the current approach and add the missing features, from methodological and technological sides, in order to cover most use cases of EBA and EIOPA.
- In the XBRL format:
  - Reviewing of the existing approaches where the harmonisation can be improved (Filing Rules, Validations syntax, error validation handling, etc.);
  - The harmonised implementation of new specifications like the Open Information Model (OIM).

Public Disclosure package Readability issue

Possible options:

1. Keep the current situation;
2. Request to publish the structured quantitative templates in XBRL. This is on top of the current public disclosure in "free electronic format" (pdf or similar);
3. Request to publish the public disclosure structured quantitative templates in XBRL including in it also some small parts/key elements relevant narrative information on top of the structured disclosure templates. For example adding a Basic Information template with key elements, like company name, LEI, information if the document is audited, the name of the auditor and maybe a brief resume of the narrative report. To publish those reports in XBRL format on top of the current public disclosure in "free electronic format";
4. Request to publish the structured quantitative templates in XBRL and the SFCR in a structured pdf format;
5. To require a single, electronic and machine readable report. Applying for example a similar approach to the one implemented by ESMA for ESEF (iXBRL).

Public Disclosure package Reachability issue

o **Reachability issue:**
- As there is not a single repository of reports is complex to reach the information, both quantitative and narrative report.
- EIOPA is publishing statistics but not at individual level (exploring options at the moment)

o **Suggested solution:**
- To inform in the supervisory reporting (QRTs) about the two direct URLs links (for the XBRL and the PDF) where the public disclosure report can be automatically downloaded
- EIOPA or NCAs may publish the list of direct links to their websites in order that interested users can access it directly. Basic requirements in terms of availability of files should be set. Additionally, the NCA or EIOPA may also publish the reports itself creating a single repository.

Thank you

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Suggested Timelines for development and publication

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| internal EIOPA delivery of business amendments for consultation | publication of the business consultation on amendments and the taxonomy PWD1 | BoS decision on approval of the final amendments including the planned updates on list of validations | publication of the business consultation outcome and the taxonomy PWD2 with validations | PWD2 feedback closes | in case that business changes are spotted in the PWD2 (typos, etc.) run a new BoS processes for the final changes | publication of final taxonomy version without validations and submission of draft ITS to the COM | publication of taxonomy validations | fixing of non-working validations, no updates on templates are made |

| By mid of september | By end of september | By mid of february | By beginning of March | By beginning of April | By mid of April | By 1st June | By mid of July | By November |

| | publication of business consultation on amendments | internal EIOPA delivery of relevant business material: DPM Annotated Templates, DPM Dictionary and list | publication of the taxonomy PWD with validations | PWD feedback closes | BoS processes approval of final amendments | publication of final taxonomy version without validations and submission of draft ITS to the COM | publication of taxonomy validations | fixing of non-working validations, no updates on templates are made |