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Consultation Paper on proposals for Solvency II 2020 Review.

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

Fields marked with * are mandatory.

Responding to this consultation

EIOPA welcomes comments on proposals for Solvency II 2020 Review - Review of technical implementation means for the package on Solvency 2 Supervisory Reporting and Public Disclosure

Comments are most helpful if they:

· respond to the question stated, where applicable;
· contain a clear rationale; and
· describe any alternatives EIOPA should consider

Please submit your comments to EIOPA **by 20 April 2020** responding to the questions in the survey below. Contributions not provided using the survey or submitted after the deadline will not be processed and therefore considered as if they were not submitted.

Publication of responses
Contributions received will be published on EIOPA's public website unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.
Please note that EIOPA is subject to Regulation (EC) No 1049/2001 regarding public access to documents and EIOPA's rules on public access to documents[1].

Contributions will be made available at the end of the public consultation period.

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[1] Public Access to Documents

Information about the Respondent

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Public Consultation Questions

Please enter your response into the field below each question. The reference document is available on the right side of this webpage.

Question A)
Are you in favour of the idea of running two subsequent taxonomy PWD processes: PWD1 attached to the business public consultation to facilitate the business review, and later the taxonomy PWD2 when the original business public consultation outcomes (final amendments) are approved? Otherwise could you explain your reasons and/or other improvements on this processes?

We support the idea of two subsequent taxonomy PWD processes. In the past it happened that business requirements turned out to be incorrect or inconsistent during the taxonomy PWD phase. Therefore, it is helpful to consult on the technical PWD2 when the outcome of the business consultation is finalised. This allows undertakings to focus on the business changes in PWD 1 and the technical amendments in PWD2 and gives them more time to prepare the changes in the taxonomy. However, the technical consultation should not be shortened in time and should not be published later than at present, so that there is enough time to implement changes. Hence, the timeframe should ensure that all parties involved will have enough time to implement/modify their standard processes. It would be welcome if this procedure leads to a harmonisation between functional requirements from the ITS and the technical requirements of the taxonomy /validations and if EIOPA business experts are available for questions and feedback throughout the process.

Question B)
Are you in favour of a step-by-step approach for the taxonomy final release, where the first final version of the taxonomy is published earlier than today but doesn’t include the validations, which are added at a later stage? Otherwise please explain your reasons.

We welcome the proposed step-by-step approach for the final release of the taxonomy. The publication of the legal basis of the taxonomy must be done in advance. In the past, there have been situations where changes in taxonomy were leading to changes in validations but that second step was missing. Publishing the taxonomy earlier allows undertakings more time for implementation of the taxonomy update in IT-systems and testing as analysis and consequent potential changes for data in (preliminary) processes and methodologies can be started earlier. The proposed approach also allows undertakings to focus on the taxonomy in the first step, thereby gives them more confidence in the stability of the taxonomy in the second step when the validations are implemented. Therefore, the later publication of the validations will probably result in fewer errors in the validations. As stated above, harmonisation between technical requirements from the ITS and the Q&A vs. technical validations (IT) would be important as well.

Question C)

Have you experienced any issues in the current process with November fixing of non-working validations and do you think that it should be formalised in the governance? If so please detail the reasons.

Some members reported issues in the current process. For example, in the past there were some false validations identified, which had to be fixed or deactivated in Hotfixes by the software provider. Further, some undertakings currently are waiting for the hotfix and start to implement the validations afterwards to avoid any unnecessary duplication of effort. This leaves very little time for implementation and undertakings would like to start earlier with the implementation of validation rules. Hence, it could be helpful to embed hotfix changes in the taxonomy to make sure all parties are aware of the exact timeframe of EIOPA releases. However, it also needs to be kept in mind that even if hotfix releases are only corrections of validations, they are indeed new releases which need to be implemented, tested and approved by IT committees of the undertakings. If a hotfix to correct validations does not arrive until November, this is very late to go through the aforementioned process as often the first year-end activities start in December so the "frozen zone" begins. Since the implementation of hotfixes is always expensive and burdensome for the insurance industry, they should only be allowed if they are absolutely necessary. In any case, a date should be set after which EIOPA will not publish any hotfixes, i.e. a "frozen zone" could be defined. A deactivation of incorrect validations rules on the other hand would be possible without more ado.

However, we are convinced that the other new EIOPA proposals (cf. questions a and b) will help improve the quality of new XBRL taxonomies in the future and therefore reduce the need for hotfixes.

Question D)

Do you agree that the same taxonomy governance process shall apply to the Pension Funds reporting and the ECB add-ons requirements?

We agree that the same taxonomy governance process should apply. Further, we recommend publishing the Solvency II taxonomy and the Pension Fund taxonomy at the same time.

Question E)

Do you support the proposed timelines? If you have a strong view please explain it with the reasons.

The proposed timelines are acceptable. It would allow undertakings to start earlier with analysing and implementing the taxonomy. However, it might be hard to manage a consultation on business topics for the closing in the following year, when undertakings are still busy with preparations for the upcoming closing. This might further reduce the number of companies participating in the consultation.

A positive aspect might be an increase in the quality of the validations, allowing undertakings to start implementation earlier and reducing the need for hotfixes (cf. our answer on question c). However, a few questions remain. For example, it is unclear how business changes spotted during PWD2 will be treated, i.e. whether they will only be introduced in the final taxonomy or whether they will be discussed with stakeholders.

Question F)

Are you in favour of setting a schedule for publication of deactivations? What frequency do you think is most useful (e.g. once a month)?

A timetable for deactivation of validations would enable undertakings to consider those dates in their planning, e.g. if it was done once a month or quarter. This would be helpful, for example for planning of external resources. However EIOPA should also be able to deactivate incorrect validations whenever it is necessary and not only when the schedule allows it. In the past, many issues connected to changes in the list of validations were caused by lacking communication towards the undertakings, i.e. undertakings often were not aware of changes of the list of validations and they needed to regularly check whether an update was published or not. Timely information about deactivated validations is crucial for undertakings. Immediate information when a deactivation becomes known is useful so that possible technical plausibility checks are not made. It would also be helpful for EIOPA as repeating questions on the same problematic assertions as described in para. 32 would be minimised. Therefore, as a way forward, deactivations should be communicated clearly and by predefined means by EIOPA. For example, a newsflash could be installed to inform about any changes on the DPM and taxonomy page on EIOPA's website. This might render a fixed schedule unnecessary. As explained in our answer on question c it could be very helpful to define a "frozen zone" period for all changes which are not solely deactivations.

Question G)

Are you against of relaxing severity (from blocking to non-blocking) instead of deactivating validation rules (after publication of the revised list of validations in November)? If so, explain the reasons and/or alternatives

In general, it would be preferable if there was a period when no changes apart from deactivations were introduced (cf. our answer on question c and f). Regarding relaxation of severity instead of deactivation: We do not believe that relaxing severity of validations is better than deactivating incorrect rules. It just increases complexity of XBRL reporting, especially if - as proposed in question j - there is a new QRT where non-blocking validations have to be justified. Apart from this, there is a risk that too many warnings will appear if the severity of validations is reduced instead of deactivating them. Further, relaxing severity would result in errors that actually are not errors being displayed and those errors would have to be documented and explained.

In any case, as stated in question f, clear communication is very important to allow undertakings to adapt to the changes made. It remains unclear how the proposed change would be communicated.

Question H)

Are you against of the option of defining the severity of the error based in the reported data? If so, explain why and potential alternative solutions to this problem.

We acknowledge that the proposed dynamic definition of the severity of the error could reduce the total number of validations. This could be beneficial as the number of validations can have a significant impact on systems performance. Therefore, it would be important to know how many validations rules would be omitted. However, in general the current XBRL taxonomy is already quite complex and XBRL reporting therefore burdensome, especially for smaller undertakings. So far, no distinction has been made between basic and ad hoc reports. The proposed dynamic definition would further increase complexity and generate additional work as - since there is a general requirement to fulfil all checks - failed plausibility checks would have to be documented. Since we do not see why dynamic severity levels should be advantageous compared with the current approach, we reject the introduction of new features which increase complexity and do not consider them useful. As a way forward, validations could be either turned off for an ad-hoc reporting or stay the same as in other cases.

Question I)

Are you in favour of adding a column/s to the list of validations to document the type and/or the reason for being non-blocking?

Yes, it would be helpful if a column/s was added to the list of validations to document the type and/or the reason for being non-blocking. It would also be helpful to reduce the number of non-blocking validations.

Question J)

Are you in favour of adding a column/s to the list of validations to document the type and/or the reason for being non-blocking?

On the one hand, it could be beneficial if this explanation would result in fewer requests by NCAs/EIOPA after the submission and if it could be used for internal documentation requirements as well. On the other hand, introducing new tables would significantly increase complexity and therefore the costs of XBRL reporting. The reason for this is that it requires a pre-validation with all reporting-data to identify and analyse the non-blocking-errors. After this, undertakings need to restart the technical process starting with the import of the necessary explanation-data and new calculation and validation to get the new data into the reporting file. In view of this, commenting each non-blocking check appears disproportionate. Especially if this has to be done every quarter. As stated by EIOPA, there are reasons for not fulfilling every non-blocking check e.g. specific features in the business model (cf. question i). Therefore, it should not be required to justify why a non-blocking validation is not met.

The technical implementation is not yet clearly defined, but it would be very helpful if it would not result in a new technical development. If necessary, the information of the additional table integrated could be sent separately and in addition to the XBRL instances. In this case it seems preferable if non-compliance only has to be commented on at the request of the local authorities and only once when the check was not fulfilled for the first time. As mentioned above, the request itself and the answer of it should not be implemented into the current XBRL-process and should be done stand-alone via email etc.

In any case, it needs to be considered that this new requirement generates additional effort in the process of producing the report as described above. This would be especially burdensome if incorrect validations can become non-blocking validations right before submission date (as proposed in question g) as new justification would be needed and as it takes precious time in the already very short reporting deadlines. Therefore and as explained above, if justification is required it should be avoided that this requires a restart

of the reporting process and it should be reconsidered if every non-blocking check has to be reported every time. Further, it should be reviewed if this actually reduces the number of requests after the submission.

Question K)

Do you think that EIOPA should keep the interval arithmetic tolerance increasing the tolerance margin or do you think that EIOPA should apply relative error? Please explain why you prefer an approach and the tolerance that should be given to it.

The current validation tolerance level leads to errors which are not material in financial terms. Often data were rejected / validations have raised errors because of small differences in positions after the decimal point. For example, group QRTs for quarterly reporting could not be submitted because of a difference between two templates of less than one Euro. This leads to unjustified rejections, many manual adjustments in short time and it costs time, effort and money. Therefore, we welcome that EIOPA proposes to review the validation tolerance level. A relative error estimation, could be advisable and appropriate for monetary checks. It could for example depend on the number of assets. Another benefit would be that auditors often work with relative checks because they take the size of a company into account.

On the other hand, undertakings already have extensive experience with the current approach based on the interval arithmetic. Changing to a relative error estimation would result in significant implementation and testing costs. It depends on the individual situation of the undertaking which approach is most suitable. Taking this into account, it might be advisable to keep the current approach with increasing the tolerance margin.

Question L)

Do you agree that EIOPA should review/incorporate in the EIOPA common list of validations the NCAs national validations which are applied to the EIOPA taxonomy common package (i.e. the ones which does not involve specific national extension items)?

It would be helpful to incorporate NCAs national validations in the EIOPA common list of validations, especially for undertakings with subsidiaries in those countries. But it needs to be kept in mind that this proposal could also lead to a serious enlargement of the list of validations for all undertakings. Even if the additional validations were not applicable, undertakings would still have to deal with this amendment which would require new implementation and testing and thereby cause additional effort.

In principle, there should be a uniform list of validations without separate validations by national supervisors. NCAs should not be allowed to add / amend validations or filing rules outside the change process led by EIOPA and validations should be fully consistent. If specific national validations are accepted into the EIOPA common list of validations, they should be non-blocking and only be activated for the respective region. This classification has to be done in the taxonomy. Further, redundancies should be avoided.

Question M)

Do you make use of the DPM database? If yes for what purposes?

Yes, the DPM database and DPM dictionary are used, for example to detect the cause of errors, for XBRL mapping purposes, to extract DPM-definitions from the DPM-database as extracting the necessary data from the XBRL-Taxonomy is very complicated. For some users, a machine-readable listing (e.g.: QRT designation with RC code) or database, which would establish a reference from DPM Dictionary to Annotated Templates, would be better than the current DPM dictionary and could be better utilized.

Question N)

Do you think an improvement of the DPM database, in particular to manage/map better the datapoint ID and the datapoint versioning across taxonomy releases and to be able to have/publish more than one taxonomy version within the same DPM database (including the form of delta) would be beneficial?

Yes, we think this would be beneficial. In a sensibly structured data listing it is possible to manage and map the data points over years and thus simplify further processing. A better linking of Annotated Templates and DPM would be desirable (RC code in DPM), cf. our comment above.

Question O)

How important/beneficial you consider that would be to have the taxonomy translated? In particular consider to measure aspects related with implementation costs and the data quality.

In principle, translations are welcome. However, the processes should not be extended or complicated any further and translations could lead to misinterpretations in the technical documents of the taxonomy. Hence, considering the implementation costs and the increased risk for data quality issues we think the translation of the taxonomy is of subordinate importance and not necessary. But it would be useful if the log files were integrated in the Annotated Templates to allow faster assessment and integration of new data requirements.

Question P)

Which of the options do you consider more adequate for the review of the technical means of the Public Disclosure package? Please explain your reasons and provide information on expected costs when possible.

Generally, from the information given in the consultation package it is hardly possible to come to a conclusion as to which option is most adequate or to give information on expected costs. In principle it would be feasible to publish the quantitative templates in xbrl. For example, option 3 could be feasible If the included narrative information is kept to a strict minimum such as country or company code. However, we think that a publication of SFCR-QRTs in XBRL does not help to improve market transparency for the following reasons:

- a special XBRL software is needed for reading and processing XBRL files;
- private households and market researchers generally do not have access to this software;
- they also usually do not have the necessary know-how of the special reporting language XBRL;

Besides this, creating new, additional XBRL files means additional expenditures for the insurance industry without any significant positive effects.

As an alternative to allow processing of the disclosed data, publication of SFCR-QRTs in Excel could be considered as every undertaking can publish the QRTs in Excel without any additional expenses and everybody can easily read and process the SFCR-QRTs in Excel for market research purposes without any additional software or know-how needed. However, it would be necessary to assess whether Excel complies with the technical requirements for a format to publish data, e.g. regarding security.

For the above mentioned reasons, we would dismiss options 2-4.

Option 5 which requires a machine-readable format would be very burdensome and complex to implement. Hence, it would be very costly. For a valid estimation on expected costs, further information is necessary. Due to the expected big effort of implementing option 5, this would also require a long transition period. Besides this, it is questionable if a machine-readable format creates substantial added value for

policyholders. Therefore, we oppose option 5 as the immense effort is disproportionate to the expected benefit as currently, there is very little interest in SFCRs. We do not expect public interest to increase significantly following a change of the format.

Following from the above, we recommend option 1. To increase user-friendliness and avoid SFCRs in the form of printed images as mentioned in para. 57, it could be clarified that the reports need to be searchable and should not be copy-protected, cf. our answer on question z regarding para. 57.

Question Q)

In regards the two complementary options to ensure the availability and accessibility of the information of the public disclosure package. Do you foresee particular technical difficulties with them? Please provide your views of the problems and/or other options to be considered.

In the last years there was only very little public interest in SFCRs. In our view, this is mainly due to the lack of awareness of SFCRs.

We agree that a publication of an URL to the SFCR in the websites of EIOPA or NCAs would be helpful for finding the reports and thereby could also promote awareness of SFCRs. But as explained in our answer regarding question p, we think the publication in XBRL is not helpful for the public.

We agree that an additional repository of SFCR reports in the NCA website could be beneficial for accessibility. However, as undertakings are responsible for the content of the SFCRs, we are of the view that SFCRs should only be available on the company's website. A link on NCA’s / EIOPA’s website would be sufficient to ensure availability and accessibility. If a link is provided, the linkage to the individual reports shall be set up to directly open the document as there could be difficulties if an intermediate page is installed. It further should be kept in mind that a directory of links needs to be maintained regularly.

Regarding a possible evaluation of data from different companies, this should be limited to quantitative data as the information disclosed on qualitative data partly are highly individual and risk-oriented and thereby cannot be compared by machine without more ado.

Question Z)

If you have further comments please include them here, indicating the number of paragraph that are referring to.

Para. 17: Q&A Process
Often, findings from the Q&A process are taken into account in amending the business requirements. To fulfil reporting requirements correctly and to prepare for possible business changes, undertakings are using the Q&A documents provided via EIOPA's website. Unfortunately, the new section "Q&A on regulation" on EIOPA's website is not easy to use as it is very difficult to find specific Q&As. Therefore, we welcome that EIOPA has introduced the possibility to download the EIOPA Q&A Archive which can be used internally. However, this file seems to be a basic version of the former Q&A documents and could be improved. To further increase user friendliness of this archive, it would also be very helpful if an additional column was introduced stating whether the answer is still to be applied into the SII reporting process or for instance has been changed in comparison to the previous taxonomy version.

Para. 20: Amendments
Changes to previous versions (e.g. list of validation; log files etc.) should be highlighted, as undertakings spend a lot of time comparing for example PWD and final taxonomy to identify the differences.

Para. 26 / 31: Communication of changes
It would be helpful if a newsflash / newsletter or similar was introduced to communicate PWDs, final taxonomies, changes on validations and other important information about the taxonomy.

Para 28: Corrective Release
We welcome the proposal to eliminate the corrective release.

Para. 30: Validations
1. Validations are often drafted rather complicated, i.e. it is not sufficiently clear what is actually checked. This applies to numerous templates, an example is given below. It would be very helpful if validations were drafted more clearly to avoid misinterpretations and to reduce the effort for undertakings.

Example: TV44: If{S.30.04,c0100}<>empty then {S.30.04,c0220}<>empty
If you compare this with the column heading, the test is: If Reinsurer's share (%) <> empty, then the country of domicile <> should be empty.
Only after checking the error message in the Excel file for the validation rules does it become clear what is actually to be checked: There is at least one reinsurer for program reported in Table 1 of S.30.04 that is not reported in Table 2 of S.30.04. In addition, the two columns contain different data types: C0100 > percentage, C0220 > selection field (text).

To enhance clarity, the validation rule could be drafted as follows:
If{S.30.04,c0010}<>empty then {S.30.04,c0180}<>empty. Here, the code of the reinsurance program would now be compared in the two parts of the table of S.30.04.

2. An overview of the removed/added/changed selection options using QRT designation AND RC code would be desirable. Further, there are selection fields that occur in several QRTs and contain the same topic, but with different specifications. To enhance clarity, this should at least be standardised.
A revision of the sources (Business Validation, DPM Dictionary and Annotated Templates) with the aim of processing them annually by means of mass data processing (SQL, SSIS, ...) according to the same logic and to be able to continue using them would be even better. In any case, disintegration of the ITS and the taxonomy needs to be avoided.

Para 57: Form of SFCR
As described in para. 57 some SFCRs are published as pdf in the form of scanned image. In order to promote accessibility of the public disclosure data, it could be clarified that the text of the SFCR can be searched and is not copy-protected.

Upload any supporting document(s) here (Please note, it should not include new comments but only supporting documents for the previous comments made).

The maximum file size is 1 MB

* Do you allow us to publish your comments on EIOPA's website?

- (●) Yes
- ( ) No

Useful links

DPM and XBRL Eiopa (https://www.eiopa.europa.eu/tools-and-data/supervisory-reporting-dpm-and-xbrl_en#XBRLTaxonomyReleases)

Contact

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