Allianz Re

Allianz

Allianz Re Dublin Limited - Allianz House,
Elmpark, Merrion Road, Dublin 4, Ireland

FAO: Consultation Paper 89
Solvency II Data & Reporting Project Manager
Insurance Supervision
Central Bank of Ireland
PO Box 11517
Spencer Dock
North Wall Quay
Dublin 1
E-mail: insurance@centralbank.ie

From: Colm Costello
Department: CEO
Phone: + 353 1 512 5402
E-mail: colm.costello@allianzre.com
Fax: + 353 1 512 5401
Date: 23rd January, 2015
Our Ref.: National Specific Templates (NST) Consultation paper feedback

Dear Sir/Madam,

In response to the Central Bank of Ireland (CBI) "Consultation paper 89" reissued 19th December 2014, please see below the Allianz Re Dublin Limited (the Company) feedback.

General application and implementation

1. The proposal for the NSTs are subject to changes in the draft harmonised templates which are due to be submitted by EIOPA to European Commission for endorsement on 30 June 2015. At the same time, the CBI intends to issue final requirements on NST during Q1 2015.
   Given potential for change of the EIOPA templates, the Company recommends that the CBI would wait and see any potential amendments before introducing the final requirements for the NSTs.

2. The Quantitative Reporting Templates (QRTs) software packages available on the market do not address the NSTs- meaning these will have to be populated manually or potentially an in-house solution developed.
   The Company believes this creates additional pressure on (human) resources, especially for those companies smaller in size, and therefore recommends that the principle of proportionality be applied so that:
   a) Additional quantity of reporting is reduced and indeed kept to a minimum
   b) In case of no change to reporting requirements proposed, an extension of reporting deadline is applicable

3. The CBI proposed NSTs will generally apply to all insurance and reinsurance undertakings which are rated as High or Medium High under PRISM supervisory regime.
   While the Company understands the CBI's point of view on addressing some additional requirements specific to the local market, it believes that the data reporting exercise to be quite

different between insurance and reinsurance undertakings. For example, reinsurance undertakings are highly dependent on data delivered by local and international cedents (insurance companies) and therefore additional reporting granularity (e.g. by ultimate country of risk insured) is neither readily available to them, nor as meaningful as it would be for an insurance company.

4. The submission format (xBRL or MS Excel or other format) will only be communicated after the consultation process.
   The Company highlights the importance of an early communication so that sufficient time to prepare is available. Depending on choice of format, additional changes to IT systems may have to be implemented which require both time and additional costs. The Company's preferred submission format is MS Excel.

5. NST .01 and NST .02 (Income statement for Non –Life and Life) are required quarterly and annually. Currently, income statements as required by the CBI returns are submitted annually only. At the same time EIOPA quarterly reporting solo templates (Cover A1Q) require only technical result entries (premiums, claims, expenses).
   The Company believes the CBI income statement requirement for Non-Life and Life (with higher frequency – quarterly; and with higher granularity e.g. investment income split between bonds, equities etc; realized and unrealized gains and losses allocation to lines of business) not to bring material additional value in terms of analysis and insight into business activities, and in excess of reasonable quarterly requirements.

Non-Life

6. NST .03 to NST .07 which require Non-Life Technical Provisions, Cash flows, claims, premium, claims and expenses to be further split by specified Lines of Business (LoBs), Distribution Channel and/or Country of risk (NST .04).
   The Company believes the information required in these five templates does not add significant additional value in terms of analysis and provides no further insight into business activities i.e. (NST .04) requires Technical Provision split by all: lines of business, distribution channel (same as NST .03) and additionally, country of risk insured. In line with point 3 under General application and implementation section:
   a) *The Company would appreciate clarification on the CBI choice of additional sub-LoBs for: General Liability classes of business (e.g. Employers Liability, Public Liability) and Motor Vehicle (e.g. Bodily Injury, Property damage and by customer segments: personal and commercial).*
   b) *The Company deems distribution channel information not as relevant for reinsurance undertakings as for insurance companies. Given that most medium and large reinsurance undertakings write direct business and don't use intermediaries, the Company recommends the differentiation be made between insurance and reinsurance undertakings and the elimination of the distribution channel reporting requirement from NST .03, NST .06 and NST .07 for reinsurance undertakings.*
   c) *Reinsurance undertakings will be further differentiated from insurance undertakings by the fact that LoB information will be particular difficult to report for Proportional treaty contracts and Worldwide covers (global insurance players).*
   d) *Reinsurance undertakings do not have readily available information on ultimate country of risk insured, and data availability and quality highly dependent on cedant's deliveries.*

Allianz Re Dublin Limited
Allianz House
Elmpark, Merrion Road
Dublin 4, Ireland
Phone +353 1 512 5400
Fax +353 1 512 5401
www.allianzre.com

Allianz Re Dublin Limited
Registered Office:
Allianz House
Elmpark, Merrion Road
Dublin 4, Ireland
Registered in Ireland No. 307500

7. NST .07 Non-Life premiums, claims and expenses are required quarterly and annually and include expenses split between all: administrative, claims management, investment, overhead etc., whereas EIOPA requires this full granularity on an annual basis only (cover A1A), with total expenses (incurred and other) required on a quarterly basis.
The Company believes the combination of higher frequency - quarterly and higher granularity (by nature of costs, LoB and distribution channel) reporting of expenses to be burdensome and in excess of reasonable quarterly requirements.

Life

8. NST .02, the Life Income statement currently distinguishes between insurance and investment contracts. This distinction nevertheless is also made in the Operating profit formula i.e. the operating profit seems to be only reflecting the income and expenses out of the insurance contracts, and therefore neglecting the investment part.
The Company would appreciate clarification on the CBI rationale applied or otherwise change.

9. VA Issue 1 – Basis for P&L attribution
The Company welcomes the flexibility that the CBI has provided for in the options set out for the hedge P&L attribution. Further on, the Company considers the "own basis attribution" as the most appropriate reporting basis for this analysis. This approach will provide consistency with the Company accounts, as well as it avoids the otherwise significant effort that would be required to transpose the P&L results to a Solvency II basis.

10. VA Issue 3 – Split between VA and non-VA business
The Company welcomes the application of the various stresses to the VA specific assets and liabilities and considers it a positive change from the original proposal requiring that the entire portfolio be in scope. The Company believes this is particularly relevant for composite undertakings such as itself, where portfolio is split between VA and non – VA.
The Company would also like to clarify that if in case of an extreme stress scenario to the VA assets and liabilities, this portfolio of business would appear insolvent, it does not mean the total Company is insolvent, nor that recapitalization is required.

11. VA Issue 4 – Interaction between NST and ORSA
The Company intends to use the results of the stress and scenario tests when considering its ORSA/FLAOR and risk appetite. While the stresses set out in the NSTs may not be addressed specifically in the ORSA/FLAOR framework, where reasonable stresses highlight areas of risk this will be considered fully.

The Company recommends that the timelines associated with the NSTs and these reports, as well as standard model results etc, be harmonised as much as possible.

As an alternative to the proposed approach the Company would suggest that the VA shocks are not required by means of an NST, but rather they should form the guidance for the types of shocks that should be considered in the ORSA/FLAOR report. In this way there would be a level playing field between VA and other companies in terms of the required activities as well as providing for

Allianz Re Dublin Limited
Allianz House
Elmpark, Merrion Road
Dublin 4, Ireland
Phone +353 1 512 5400
Fax +353 1 512 5401
www.allianzre.com

Allianz Re Dublin Limited
Registered Office:
Allianz House
Elmpark, Merrion Road
Dublin 4, Ireland
Registered in Ireland No. 307500

reasonable proportionality within companies where VA is a less significant line of business (or as in the case of the Company where the VA business is in run-off).

12. VA Issue 5 – Nature of scenario tests
While the Company sees merit in the calculation of the smaller magnitude stresses analogous to the calculation of the Greeks, the Company notes that there are a significant number of Standard Formula style shocks set out.

VA companies have invested significant amounts of time and resources in developing internal models precisely because the Standard Formula stresses are not appropriate measures of risk. If the Standard Formula type stresses set out in the NST are to be applied, the Company would recommend that some of those stresses be replaced by the actual Standard Formula equivalent stresses. This will provide similar insight and reduce the amount of workload that the Company faces. The Company would also recommend that the results of the scenario and stress tests be viewed alongside the internal model results with representatives of the Company so that differences can be discussed.

13. VA Issue 5.2-5.5 – Templates
Please refer to the Company's submission on the VA Risk Monitor for commentary on these templates.

To conclude, the Company would welcome the opportunity to engage with the CBI bilaterally and hope that any deal/derogation would carry forward to the NSTs.

Yours faithfully,

23rd January 2015

Colm Costello, CEO

Date

Allianz Re Dublin Limited
Allianz House
Elmpark, Merrion Road
Dublin 4, Ireland
Phone +353 1 512 5400
Fax +353 1 512 5401
www.allianzre.com

Allianz Re Dublin Limited
Registered Office:
Allianz House
Elmpark, Merrion Road
Dublin 4, Ireland
Registered in Ireland No. 307500