



By email: insurance@centralbank.ie

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23 January 2015

Re: Consultation Paper CP89 – Consultation on National Specific Templates for Insurers and Reinsurers under Solvency II

Dear Sirs,

Introduction

We welcome the publication of the *Consultation Paper* on National Specific Templates for Insurers and Reinsurers under Solvency II (CP89) and are grateful to have the opportunity to comment on its content. This submission is made on behalf of Zurich Insurance plc.

Opening Comments

ZIP welcomes the opportunity to respond to the CBI's consultation paper on National Specific templates.

Our understanding of the scope for national specific templates is that any additional requirements can stem from specific national legal requirements or specificities of local markets which are not addressed in the set of Solvency II harmonised templates. In the consultation paper it is not clear what national specificity or legal requirement is driving each of the proposed requirements.

We are concerned that a number of these proposed requirements are onerous and will require IT system changes, and in some cases, will lead to changes to data collection with additional costs and lead time beyond what is currently planned for in our QRT implementation project.

In addition, all of these templates are requested quarterly i.e. from Q1 2016, even when the equivalent EIOPA template is requested annually. This significantly increases the overall reporting burden and leaves an extremely short time frame to get the required system and data collection changes in place for Q1 2016. We would ask the CBI to consider restricting the frequency of any additional reporting requirements to an annual basis.

General Comments on Non-Life Templates

	Issue	Response
1	Additional Lob split for Liability	CP89 requires a further split of General Liability into Employers Liability and Public Liability. Can you please clarify that the intention is for Employers Liability, as written in UK and Ireland, to be reported as part of Liability and Workers Compensation, as written in continental Europe, to be reported under the SII Lob 'Worker's Compensation Insurance'.
2	Additional Lob split for Motor – Technical Provisions	CP89 references CP73 as the basis for requiring the additional information on the technical provision QRTs. While the SAO, in compliance with the principles of CP73, is likely to contain granular data splits for Motor, this SAO is prepared on an Irish GAAP reporting basis. The request to now report this data on a Solvency II basis will require additional processes. The benefit of this NST reporting above what will be reported in the SAO on an Irish GAAP basis is not clear.
3	Requirement to split data by distribution channel	<p>The request to produce these templates with a split for direct and intermediated business is onerous and will require significant process changes. While we can see value in providing the distribution channel for particular lines of business for example Personal lines Motor and Property; we would question whether there is a benefit in providing a distribution split for all Lobs. We note that the PRA have requested a split by distribution channel within their NS.07 (Business Model Analysis) but have restricted the request to lines of business for which it would provide the most insight i.e. Income protection, Motor, Fire and Other property damage. It is not clear what benefit will arise from the split by distribution channel where direct business is a very small proportion of the total book – e.g. Liability lines.</p> <p>In addition the split by distribution channel is required for the Risk Margin within NST.04 which would need to be apportioned and therefore provide little value to the reader. In summary we would recommend a revision of this distribution channel requirement at least to restrict the scope of the request to certain Lobs and to exclude Risk Margin.</p>
4	Accounting basis	We note that for NST.01 there is a paragraph specifying that the accounting basis is IFRS or Irish GAAP, but that there is no corresponding paragraph for the remaining Non-Life templates. Can you confirm the basis for all templates?

Specific Comments on Non-Life Templates

No	Template	Response
1	NST 01 – Non Life Income Statement	While we appreciate that an income statement is currently provided quarterly i.e. Form 11, this is currently not required by Lob. Only the technical income statement, i.e. Forms 1 and 2, are currently required to be split by Lob. We do not currently allocate the investment portfolio and non-technical income/expense by Lob. In order to produce this, it is anticipated that this income and expense would need to be apportioned on a notional basis, e.g. pro-rata by premium, with additional effort but with no added value. Therefore, we suggest that this template is not provided by Lob (the technical account requirement is captured in NST 07/QRT S.05.01).
2	NST 01 – Non Life Income Statement	There is an additional request to split commissions and management expenses by acquisition and renewal. While commissions are analysed by acquisition and renewal in other business systems, this will require effort to get into the financial reporting systems. Management expenses are not currently recorded or analysed in this way, notional splits will be required with little apparent added value. Please could you clarify the benefit in providing this level of granularity? In addition, the definition of renewal and acquisition for management expenses is not clear in the NST log file.
3	NST 01 – Non Life Income Statement	Please clarify if the income statement should also include movement in DAC. Movement in DAC is a separate line item in Form1/2 under Solvency I Irish GAAP reporting.
4	NST 04 – Non Life Technical Provisions	There is a requirement to provide the location of risk for all lines of business. This issue of location of risk was previously addressed in feedback to EIOPA and EIOPA subsequently amended the requirements to location of risk required only for five lines of business: Medical Expense, Income Protection, Workers Compensation, Fire and other damage to property, Credit and Suretyship. For all other lines of business, information is to be reported by country where the contract was entered. We believe it is unduly onerous for the CBI to now request location of risk for all lines of business and question what additional insight will be obtained from this. In addition, location of risk is an annual requirement in the proposed EIOPA templates and is only required for the gross best estimate; this is being requested quarterly by the CBI and also for the full template which will be extremely burdensome in the tight timelines.
5	NST 04 – Non Life Technical Provisions	This template is currently requiring a breakdown by location of risk, by Lob and by distribution channel. In line with earlier comments, to break down the template by location of risk and by distribution channel would be burdensome and the rationale is not clear. This is also

No	Template	Response
		inconsistent with the CBI paper itself which does not suggest a split by distribution channel is required.
6	NST 04 – Non Life Technical Provisions	The headings for distribution channels are different to NST 03 i.e. NST 03 row 4 states 'Direct business and accepted proportional reinsurance' whereas NST 04 row 4 states 'Direct business and accepted proportional reinsurance' and 'Broker business and accepted proportional business'. This is confusing, can you please clarify the requirement or align with NST 03.
7	NST 05 – Cash Flows	This template is requested annually by EIOPA; to prepare this template on a quarterly basis will increase the reporting burden given the tight quarterly deadlines. We note that the format of the template suggests that it is in fact annual.
8	NST 05 – Cash Flows	This is a requirement to produce this template for General liability and Motor Lobs. EIOPA has stated that the purpose of this template is to provide an overview of asset/liability management issues and possible liquidity risk arising from the whole non-life portfolio. Non-Life companies write multiple lines of business and manage ALM and liquidity risks on a total portfolio basis, thus realising benefits of diversification. It is therefore difficult to see the rationale for providing a Lob split which will be onerous.
9	NST 05 – Cash Flows	This template requests a split for liability and motor latent claims. Please clarify what you mean by 'latent' in this instance? While we do reserve for what may be deemed latent claims (i.e. APH) within the liability Lob, there is not currently any such issue in motor. Can you please clarify what is envisaged under motor? Additionally, the requirement to split latent claims by Lob will require process changes and we would question what additional value will be obtained from this analysis.
10	NST 06 – Non Life Insurance Claims Information	This template is requested annually by EIOPA; to prepare this template on a quarterly basis will increase the reporting burden in the already tight quarterly deadlines. We note that the template appears to be on an annual basis.
11	NST 07 – Non-Life premiums, claims and expenses	In Ireland, the UK and Portugal motor policies are priced and sold as one Motor premium. It is not therefore possible to split the premium by the granular motor lobs requested in this template. Due to the nature of how the business is written in these countries, we recommend that all motor business is recorded as Motor Liability and that there is no requirement to split further within this template. Any split would be a notional split, apportioned by claims incurred and therefore would add no extra value to the reader.
12	NST 07 – Non-Life premiums, claims and expenses	If required, we propose that the requirement to report distribution channel is restricted to premiums, claims and commission/acquisition expenses, and as stated previously, restricted to Lobs where it will provide the

No	Template	Response
		most insight.
13	NST 07 – Non-Life premiums, claims and expenses	EIOPA has requested this template annually and quarterly. The annual template is more granular than the quarterly template splitting out the expenses incurred across four separate headings. NST 07 is the EIOPA annual template now requested quarterly by the CBI and with additional Lob and distribution splits. Can you clarify the justification for requesting the annual template on a quarterly basis?

Concluding Remarks

We hope that you will take our specific feedback and the principles of proportionality into consideration when drafting the eventual requirements.

In the event that you have any questions or require further information arising from our submission, please do not hesitate to contact me.

Yours sincerely,



Aidan Smyth
Financial Controller, ZIP HO

