



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Policy Notice – Discretions and Options on Submission of Information to the Central Bank of Ireland – 2018

1. Background

- 1.1 This Notice specifies the Central Bank of Ireland (hereafter 'Central Bank') requirements in relation to the implementation of discretions and options arising under Regulation 34 of the European Union (Insurance and Reinsurance) Statutory Instrument 485 of 2015 (hereafter Regulation 34 of S.I. 485), the Commission Implementing Regulation (EU) 2015/2450 on templates for the submission of information to the supervisory authorities (hereafter 'ITS¹ on Reporting') and Commission Implementing Regulation (EU) 2015/2452 on procedures, formats and templates of the Solvency and Financial Condition Report (hereafter 'ITS on Disclosure').
- 1.2 This Notice does not offer an exhaustive account of all discretions or options under the above mentioned Regulations. Further Notices will be issued by the Central Bank in the future if considered necessary.
- 1.3 The Central Bank may periodically update elements of this Notice to reflect changes in Central Bank policy or other developments stemming from, inter alia, changes to EU Regulations.
- 1.4 This Notice is applicable to all insurance and reinsurance undertakings within the scope of S.I. 485, as well as insurance and reinsurance groups within the scope of S.I. 485 for which the Central Bank is the group supervisor.
- 1.5 This Notice replaces the following Policy Notices; December 2016 "Discretions and Options on Submission of Information to the Central Bank under Solvency II" and May 2017 "Discretions and Options on Submission of Information to the Central Bank under Solvency II".
- 1.6 This Notice is structured as follows:
- Section 2 outlines the Central Bank's policy in respect of the exercise of a discretion related to exemptions from Solvency II quarterly regulatory reporting;
 - Section 3 outlines the Central Bank's policy in respect of the exercise of a discretion related to the currency in which insurance and reinsurance undertakings and groups, subject to group supervision under Solvency II, must prepare and submit their Solvency II regulatory reports;

¹ Implementing Technical Standard

- Section 4 outlines the Central Bank's policy in respect of the exercise of a discretion related to the exchange rate that must be used when converting assets and liabilities into the reporting currency for the purposes of Solvency II regulatory reporting;
- Section 5 outlines the Central Bank's policy on exemptions from Solvency II annual regulatory item-by-item reporting;
- Section 6 outlines the Central Bank's policy on the lines of business undertakings are required to report in template S.21.03.01;
- Section 7 outlines the Central Bank's policy on the definition of number of claims reported in template S.20.01.01;
- Section 8 outlines the Central Bank's policy on the reporting by currency in templates S.16.01.01 and S.19.01.01;
- Section 9 outlines the Central Bank's policy on accident or underwriting year reporting in templates S.16.01.01, S.19.01.01, S.19.01.21, S.20.01.01, S.21.01.01 and S.29.03.01;
- Section 10 outlines the Central Bank's policy on the brackets that must be used when reporting loss distribution information by claims incurred in template S.21.01.01; and
- Section 11 outlines the Central Bank's policy on the brackets that must be used when reporting information on underwriting risks by sum insured in template S.21.03.01.

2. Exemptions from Solvency II Quarterly Regulatory Reporting

- 2.1 Regulation 34 of S.I. 485 gives the Central Bank discretion to limit quarterly regulatory reporting where the submission of that information would be overly burdensome in relation to the nature, scale and complexity of the risks inherent in the business of the undertaking and where the information is reported at least annually.
- 2.2 The Central Bank exercised this discretion in respect of quarters ending between 1 January 2016 and 31 December 2016 by exempting certain Low and Medium Low impact undertakings from the requirement to submit one or both of the following templates on a quarterly basis:
- S.06.03 – Collective investment undertakings – look-through approach;
 - S.08.02 – Derivatives transactions.
- 2.3 The Central Bank subsequently reviewed its position with respect to this discretion and, on the basis that only a limited number of undertakings benefited from this exemption and given that the reporting of these templates by all supervised undertakings better fits with the Central Bank's approach to the analysis of undertakings' submissions, it was decided that with effect from 1 January 2017, the Central Bank would no longer exercise this discretion.
- 2.4 Therefore all undertakings and groups, (for which the Central Bank is group supervisor), within the scope of S.I. 485 are required to submit all quarterly regulatory reporting due in accordance with the Regulations set out in paragraph 1.1 of this Notice.

3. Solvency II Reporting Currency

- 3.1 Regulation 34 of S.I. 485, Article 3 of the ITS on Reporting and Article 3 of the ITS on Disclosure give discretion to the Central Bank to require insurance and reinsurance undertakings and groups to prepare their Solvency II regulatory reports in a currency other than that used to prepare their financial statements.
- 3.2 The Central Bank has not exercised this discretion. Therefore, insurance and reinsurance undertakings must prepare and submit to the Central Bank their Solvency II regulatory reports, including the Regular Supervisory Report, SFCR and the annual and quarterly quantitative templates, in the currency used to prepare their statutory financial statements.
- 3.3 Participating insurance and reinsurance undertakings, insurance holding companies and mixed financial holding companies at the head of a group supervised by the Central Bank must prepare and submit their Solvency II group regulatory reports in the currency used to prepare the consolidated financial statements.

4. Exchange Rates

- 4.1 Regulation 34 of S.I. 485, Article 3(5) of the ITS on Reporting and Article 3(5) of the ITS on Disclosure give discretion to the Central Bank to require insurance and reinsurance undertakings, as well as participating insurance and reinsurance undertakings, insurance holding companies and mixed financial holding companies, to use a different exchange rate from that used to prepare their statutory financial statements or consolidated financial statements, for the purposes of Solvency II regulatory reporting.
- 4.2 The Central Bank has not exercised this discretion. Therefore, insurance and reinsurance undertakings must use the exchange rate used to prepare their statutory financial statements.
- 4.3 Participating insurance and reinsurance undertakings, insurance holding companies and mixed financial holding companies must use the exchange rate used to prepare the group's consolidated financial statements.
- 4.4 Where consolidated financial statements are not produced, participating insurance and reinsurance undertakings, insurance holding companies and mixed financial holding companies must discuss and agree with their supervisor the currency and the exchange rate to be used for Solvency II regulatory reporting.

5. Solvency II Annual Regulatory Item-by-item Reporting

- 5.1 In accordance with Regulation 34 of S.I. No. 485 and Article 304 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014² (the “Delegated Regulation”), insurance and reinsurance undertakings are required to submit quantitative templates on a regular basis to the Central Bank. These templates are set out in Annex I of the ITS on Reporting.
- 5.2 Regulation 34(10) of S.I. No. 485 gives the Central Bank discretion to exempt insurance or reinsurance undertakings from submitting the annual item-by-item templates, where:
- a. the submission of that information would be overly burdensome in relation to the nature, scale and complexity of the risks inherent in the business of the undertaking;
 - b. the submission of that information is not necessary for the effective supervision of the undertaking;
 - c. the exemption does not undermine the stability of the financial systems concerned in the European Union; and
 - d. the undertaking is able to provide the information on an ad-hoc basis.
- 5.3 The Central Bank has decided not to exercise the discretion. Therefore, all undertakings are expected to submit, where applicable, the following item-by-item templates in accordance with Article 10 of the ITS on Reporting:
- SE.06.02.16³ – List of assets
 - S.06.03.01 – Collective investment undertakings – look-through approach
 - S.07.01.01 – Structured products
 - S.08.01.01 – Open derivatives
 - S.08.02.01 – Derivatives transactions
 - S.10.01.01 – Securities lending and repos
 - S.11.01.01 – Assets held as collateral

² Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 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)

³ Variant of Solvency II template S.06.02.01 with ECB add-ons

6. Lines of Business

- 6.1 In accordance with Article 11(o) of the ITS on Reporting, undertakings are required to submit information in template S.21.03.01 on their non-life underwriting risks, by line of business.
- 6.2 The ITS requires undertakings to report template S.21.03.01 in relation to the following lines of business, as defined in Annex I of the Delegated Regulation:
- Other motor insurance;
 - Marine, aviation and transport insurance;
 - Fire and other property insurance;
 - Credit and suretyship insurance.
- 6.3 National Supervisory Authorities ('NSAs') have discretion to require undertakings to also report template S.21.03.01 in relation to the other lines of business set out in Annex I of the Delegated Regulation.
- 6.4 The Central Bank has decided to exercise the discretion. Therefore, undertakings must prepare and submit the information required under template S.21.03.01 in relation to all lines of business, where applicable.

7. Number of Claims Definition - Reported But Not Settled (RBNS) Claims

- 7.1 In accordance with Article 11(l) of the ITS on Reporting, undertakings are required to submit information on RBNS claims in template S.20.01.01.
- 7.2 The ITS gives NSAs discretion to define 'number of claims'.
- 7.3 The Central Bank has decided not to exercise this discretion. Therefore, undertakings must use their own definition of number of claims when completing template S.20.01.01.
- 7.4 Where an undertaking has unbundled the obligations relating to a (re)insurance contract into different lines of business for the purposes of reporting S.17.01.01 (Non-life Technical Provisions), the definition of number of claims used when reporting S.20.01.01 must be consistent with this unbundling.

8. Reporting Currency of Claims

- 8.1 In accordance with Article 11(g) and (k) of the ITS on Reporting, undertakings are required to submit information on annuities stemming from non-life insurance obligations in template S.16.01.01 and on the development of claims incurred in template S.19.01.01.
- 8.2 The ITS gives NSAs discretion to require undertakings to use a currency other than the original currency of the contracts for the purpose of reporting information by currency in templates S.16.01.01 and S.19.01.01.
- 8.3 The Central Bank has decided not to exercise this discretion. Therefore, where applicable, undertakings must report information by currency in templates S.16.01.01 and S.19.01.01 in the original currency of the contracts.

9. Reporting of Claims (Accident Year and Underwriting Year)

9.1 Articles 11 and 16 of the ITS on Reporting require undertakings to submit, among others, the following templates:

- S.16.01.01 - Information on annuities stemming from Non-Life Insurance obligations
- S.19.01.01 - Non-life insurance claims
- S.20.01.01 - Development of the distribution of the claims incurred
- S.21.01.01 - Loss distribution risk profile
- S.29.03.01 - Excess of Assets over Liabilities – explained by technical provisions

9.2 Similarly, in accordance with Article 4(f) of the ITS on Disclosures, undertakings are required to publicly disclose in the SFCR, among others, template S.19.01.21.

9.3 The ITS on Reporting and the ITS on Disclosures give NSAs discretion to require undertakings to report data either on an accident year (“AY”) or on an underwriting year (“UW”) basis.

9.4 The Central Bank has decided not to exercise this discretion. Therefore, undertakings may choose whether to report the information in templates S.16.01.01, S.19.01.01, S.19.01.21, S.20.01.01, S.21.01.01 and S.29.03.01 by AY or UW in accordance with the undertakings’ business requirements.

9.5 Undertakings must apply the chosen approach consistently over each reporting year and must notify their supervisor in advance of any change in approach.

10. Reporting of Claim Size Brackets for Loss Distribution Risk Profile

- 10.1 In accordance with Article 11(m) of the ITS on Reporting, undertakings are required to submit information on the distribution of their claims incurred, by line of business, in template S.21.01.01. Where the undertaking's reporting currency is Euro, one of the following 5 base options based on the normal loss distribution can be used:
- 20 brackets of 5,000 plus 1 extra open bracket for incurred losses > 100,000
 - 20 brackets of 50,000 plus 1 extra open bracket for incurred losses > 1 million
 - 20 brackets of 250,000 plus 1 extra open bracket for incurred losses > 5 million
 - 20 brackets of 1 million plus 1 extra open bracket for incurred losses > 20 million
 - 20 brackets of 5 million plus 1 extra open bracket for incurred losses > 100 million
- 10.2 The ITS gives NSAs discretion to specify the size of the brackets to be used, particularly where an undertaking's incurred losses are lower than €100,000.
- 10.3 The Central Bank has decided not to exercise this discretion.
- 10.4 Therefore, where an undertaking's incurred losses are lower than €100,000, or the equivalent in another currency, it may use undertaking-specific brackets, provided that the brackets chosen give the best insight into the distribution of the undertaking's claims.
- 10.5 Undertakings are required by the ITS on Reporting to use the chosen brackets consistently over the reporting years, unless the distribution of their claims changes significantly. Any changes must be notified to the Central Bank prior to making the change.
- 10.6 Additionally, the ITS requires NSAs to specify the brackets that must be used by undertakings whose reporting currency is other than Euro.
- 10.7 Where an undertaking's reporting currency is other than Euro, undertakings must also use one of the five base options referred to in paragraph 10.1 above. However, where an undertaking believes that using the base options would not provide the best insight into the distribution of its claims incurred, it must contact their supervisor to discuss and agree suitable brackets.

11. Sum Insured Size Brackets

11.1 In accordance with Article 11(o) of the ITS on Reporting, undertakings are required to submit information on the distribution of their sums insured, by line of business, in template S.21.03.01. Where the undertaking's reporting currency is Euro, one of the following 5 base options based on the normal loss distribution can be used:

- 20 brackets of 25,000 plus 1 extra bracket for Sum Insured > 500,000
- 20 brackets of 50,000 plus 1 extra bracket for Sum Insured > 1 million
- 20 brackets of 250,000 plus 1 extra bracket for Sum Insured > 5 million
- 20 brackets of 1 million plus 1 extra bracket for Sum Insured > 20 million
- 20 brackets of 5 million plus 1 extra bracket for Sum Insured > 100 million

11.2 The ITS gives NSAs discretion to specify the size of the brackets to be used, particularly where an undertaking's sums insured are lower than €100,000.

11.3 The Central Bank has decided not to exercise this discretion.

11.4 Therefore, where an undertaking's sums insured are lower than €100,000, or the equivalent in another currency, it may use undertaking-specific brackets, provided that the brackets chosen give the best insight into the distribution of the undertaking's sums insured.

11.5 Undertakings are required by the ITS to use the chosen brackets consistently over the reporting years, unless the distribution of their sums insured changes significantly. Any changes must be notified to the Central Bank prior to making the change.

11.6 Additionally, the ITS requires NSAs to specify the brackets that must be used by undertakings whose reporting currency is other than Euro.

11.7 Where an undertaking's reporting currency is other than Euro, undertakings must use one of the five base options referred to in paragraph 11.1 above. However, where an undertaking believes that using the base options would not provide the best insight into the distribution of its sums insured, it must contact their supervisor to discuss and agree suitable brackets.

T: +353 (0)1 224 6000

www.centralbank.ie



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