

**Comments Template on CEIOPS-CP 58
Consultation Paper on the Draft L2 Advice on Supervisory reporting and disclosure**

**Deadline
11.09.2009
4 p.m. CET**

Name of Company:	PricewaterhouseCoopers LLP	
Disclosure of comments:	CEIOPS will make all comments available on its website, except where respondents specifically request that their comments remain confidential. Please indicate if your comments should be treated as confidential:	No
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <u>Do not change the numbering</u> in the column "reference". ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. <ul style="list-style-type: none"> ○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies. ○ If your comment refers to sub bullets/subparagraphs, please indicate this in the comment itself. <p>Please send the completed template, <u>in Word Format</u>, to secretariat@ceiops.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper No. 58 (CEIOPS-CP-58/09).</p>		
Reference	Comment	
General Comment	We welcome opportunity to comment on this consultation paper, and take this opportunity to highlight the key points of our response: <ul style="list-style-type: none"> • CP58 requires both the SFCR and RTS to be stand alone documents, with no information included by cross-reference. This may result in significant duplication in the RTS of information contained in 	

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- the SFCR. In addition some of the prescribed information may be contained in other published sources (such as IFRS financial statements), and in the RTS there may be duplication of information contained in item B.4 (ORSA) with information in other sub-items, particularly around risk management. We therefore believe consideration should be given to allowing inclusion of information in the SFCR by cross reference to other publically available documents, and in the RTS by cross reference to other documents available to the supervisor, including the SFCR. Whilst we recognise that undertakings are likely to prepare information on a common basis inclusion by cross reference may avoid duplication of effort and avoid documents becoming unnecessarily voluminous.
- The principle of proportionality is considered to be included by nature in the proposals for qualitative reporting set out in the consultation paper, since more complex undertakings will naturally make more complex disclosures and undertakings will not be required to fulfil disclosure requirements not applicable to them. However, this principle may be very difficult to apply in practice. Qualitative disclosure requirements may be highly onerous for less complex undertakings, especially given that disclosures are made in a prescribed format (and it may be impossible to argue that any element of the format is genuinely not applicable). CEIOPS may wish to consider providing a framework to guide management in applying the principle of proportionality in practice, although this should not be prescriptive to ensure that management are able to exercise appropriate judgement in the application of this principle. However, a framework may help to ensure that smaller and simpler entities are not overburdened by disclosure requirements. For example, permitting the amalgamation of standard headings within the SFCR/RTS when it is appropriate to do so, and not reporting quantitative information in respect of immaterial items / lines of business, may be appropriate applications of proportionality. Proportionality is also an important consideration in defining the frequency of reporting of the RTS and in determining the level of controls required over reporting.
 - Requirements for quantitative reporting set out in the Consultation Paper are provisional and therefore subject to change. The industry will need the opportunity to comment on final proposals in these areas in order for fully consulted on guidance to be developed.
 - We understand that the provision of quarterly reporting may be of benefit to the supervisory process. However, reporting on a quarterly basis will represent an increase in frequency and workload for undertakings in some territories. The content and timing of quarterly reporting should therefore be assessed, considering experiences of Basel II, to ensure that it is proportionate and justified by the benefit it will provide to the supervisory process.
 - The Consultation Paper makes no provision for transitional arrangements for quantitative reporting

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	<p>templates where data stretching back over more than one year is required (for example claims development). This information may be very difficult to provide, and it may be proportionate to exempt undertakings from providing comparative information, or to allow it to be provided on a "best endeavours" basis (without requirement for audit).</p> <ul style="list-style-type: none"> • We welcome the proposal for a proportionate approach to the audit of the qualitative and quantitative information that will require certain information only to be subject to audit. We believe external assurance is a valuable tool to give supervisors and other uses confidence over the reported data. However, the level of assurance and form of report to be provided has yet to be determined and it is vital that stakeholders should be given an opportunity to comment on the final proposals. Careful consideration should be given to ensure that the information designated for audit is "auditable" and that the costs of audit requirements are proportionate to the benefits provided. • We note that the area of external assurance over the internal model is identified as an area for further consideration. Supervisors may require some assurance over the inputs to, application of, and results from the internal model as part of the annual reporting process although they may well have gained significant assurance over the model design as part of the model approval process. We recommend that CEIOPS consults with providers of assurance services to develop guidance for supervisors in this area. Audit requirements will also be determined by national audit regulations and we recommend that CEIOPS engages with relevant national authorities in this respect. • Further clarity will be required on reporting and audit requirements for groups. In particular, no detailed guidance has been provided on group quantitative reporting templates, requirements for a group RTS or audit scope. An opportunity must be provided for the industry to comment on the detailed proposals as these are developed. • The external experts from whom supervisors can directly request information should be clearly defined as those performing specific functions set out in law and regulation. As set out in the Directive the supervisor should be able to request information from those specified external experts. However, the supervisor should not be able to mandate that the external expert performs additional work or produces additional reports over and above the work agreed under the expert's engagement with the insurer. However, the external expert may agree to perform additional work as part of a separate engagement. 	
1.		
1.1.	In many areas, and in particular in the areas of audit requirements and quantitative reporting templates, the advice in CP 58 is provisional. In order to provide the fully consulted advice requested	

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	by the European Commission, CEIOPS will need to consult further on these aspects of its advice. We note that the group quantitative reporting templates will be subject to consultation (paragraph 3.503) so these areas could be combined into this later consultation.	
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3.1.	The scope of "Group" as defined does not align to the scope used for accounting purposes. We recommend that the scope is aligned with the accounting consolidation scope to ensure consistency and comparability between regulatory and accounting reported information, as is indicated is required by the level 1 directive.	

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3.2.		
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3.7.	Supervisors should have regard to the principle of proportionality in developing additional information requests from undertakings; in particular requirements for additional information from all insurers (for example in response to changes in market conditions) can be a significant burden. Where practicable it would be beneficial if supervisors consulted with stakeholders before making such requests.	
3.8.		
3.9.		
3.10.	Paragraph 3.10 refers (at the fourth bullet) to items to be included in the RTS of group members which, it is assumed, will be reported to their local supervisors. CEIOPS should clarify the nature and extent of reporting that will be required in respect of the group to the group supervisor, as this is not covered in either CP58 or CP60. Is a full group RTS required (as indicated in paragraph 3.32) in addition to entity level RTSs? It is clear from paragraph 3.503 that group quantitative reporting is proposed but it is unclear what qualitative reporting to the group supervisor in respect of the group is proposed (although Article 258 (2) notes that Article 35 shall apply mutatis mutandis).	
3.11.	This paragraph details certain items not covered by this paper or by CP60. These items will be important for some and should be covered in future CEIOPS consultations.	
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3.17.	It is stated that the reporting requirements are based on the "information that supervisors would need to receive". Whilst section 3.4.3 articulates the reasons the supervisors need to receive each of the items identified for inclusion in the RTS there is no equivalent analysis in respect of each of the quantitative reporting templates. A clear articulation of supervisory data needs in respect of each of the proposed quantitative reporting templates would help respondents to identify where there may be more efficient or effective ways of meeting those needs.	
3.18.	Paragraphs 3.18-3.19 refer to the impact assessments contained in Annex A and Annex B (which in turn refer to 2 further templates). We are concerned that these assessments do not form a sufficient basis for stakeholders to assess the impact of the proposals. The assessments focus on qualitative comparisons of differing options without providing any quantitative, absolute, assessment of their impact. Without an assessment of the absolute, as well as relative, costs and benefits of each of the options considered it is difficult for stakeholders to make an assessment as to whether the proposals represent proportionate regulatory responses.	
3.19.	See paragraph 3.18 above.	
3.20.	See paragraph 3.18 above.	
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3.28.	In the first bullet (and in paragraph 3.29 and 3.34) it is stated that "the RTS is a stand-alone document, which does not require reference to any other document in order to be understood". As set out in paragraph 3.27, supervisors will also receive the SFCR, there will therefore be some duplication in the RTS of matters included in the SFCR. As well as being repetitive, this may lead to an	

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	<p>unnecessarily large volume of information to be considered by supervisors.</p> <p>In addition, there may be other data sources that contain information relevant for supervisory purposes (e.g. published accounts, the own risk and solvency assessment performed in accordance with Article 44) which could be provided to supervisors. Where supervisory information needs can properly be met by such data we believe it would be proportionate for the RTS to clearly and specifically cross refer to where the reporting requirements are met (potentially subject to prior supervisory approval). While in practice we expect that many undertakings will prepare a single set of information from which the separate reports can be populated, some insurers may find it more efficient to avoid significant repetition between documents.</p>	
3.29.	<p>This paragraph notes that CEIOPS envisages the SFCR will be a stand alone report. Given the stated objective (see paragraph 3.21(c)) to promote “compatibility of ... reporting rules with the international accounting standards elaborated by the IASB” it is to be expected (and desired) that there will be a significant overlap between the requirements of the SFCR and the requirements of financial statements prepared under IFRS. As a result we question the desirability of requiring the SFCR to be a fully stand alone document when it may well duplicate significant elements of financial statements prepared under IFRS. We therefore believe the SFCR should be permitted to incorporate, by reference, and potentially with prior supervisory approval, items included in financial statements provided they are publicly available in the same way and to the same timetable as the SFCR. Items in respect of which Solvency II prescribes a different measurement basis from the financial statements may need to be reported on the Solvency II basis within the SFCR.</p> <p>See paragraph 3.28 in respect of RTS.</p>	
3.30.		
3.31.		
3.32.	See paragraph 3.10	
3.33.		
3.34.	See paragraph 3.28 in respect of RTS and paragraph 3.29 in respect of SFCR.	
3.35.		

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3.36.		
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3.39.	<p>We believe clarification is needed as to who would be considered as "external experts" for the purposes of these paragraphs. Arguably many external parties engaged by insurers are likely to have expertise in the area for which they are engaged. However, we believe the term should be precisely defined to encompass only those external parties performing specified functions (for example the external auditors and, where applicable, any external parties engaged to fulfil the actuarial function). It should additionally be ensured that any requirements introduced by Member States are consistent with other local laws and regulation applicable to the external expert.</p> <p>Where external parties are engaged by an insurer on an ad hoc basis (as opposed to performing functions specified by law and regulation) the supervisor will be able to request directly from the insurer any information/reports provided from the external party to the insurer. Therefore, we do not believe it is necessary or appropriate for such external parties to be considered to be external experts for this purpose, although we recognise that they may in some cases be covered by regulations in place over outsourcing.</p> <p>"Section 3.7.2" should read "Section 3.7.3"</p> <p>See further comments on paragraphs 3.540 and 3.541.</p>	
3.40.		
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3.43.	See further comments on paragraphs 3.45.	
3.44.		
3.45.	We note that the principle of proportionality is considered to be 'built in' to the supervisory reporting and public disclosure requirements, since undertakings with more complex risk profiles will have more complex disclosures, and disclosures do not need to be made where the requirement does not apply to	

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	<p>an undertaking.</p> <p>Whilst not disagreeing with either of these principles, we would anticipate that they may be difficult to apply in practice. It is unlikely that many of the requirements will be 'not applicable' to any undertaking, even if they may not be material to them. CEIOPS may wish to consider providing a framework to guide management in applying the principle of proportionality in practice, although this should not be prescriptive to ensure that management are able to exercise appropriate judgement in the application of this principle. However, a framework may help to ensure that smaller and simpler entities are not overburdened by disclosure requirements. For example, permitting the amalgamation of standard headings within the SFCR/RTS when it is appropriate to do so, and not reporting immaterial items / lines of business, may be appropriate applications of proportionality.</p> <p>Additionally, where reporting is required under a standard structure, more simple undertakings may be obliged to disclose information on relatively simple or low-risk areas of their businesses to provide information under the elements of the structure. The structure could therefore potentially result in an unnecessarily high minimum volume of disclosure for the more straightforward undertakings.</p>	
3.46.	<p>The definition of materiality will be of great importance in setting the scope of disclosure. Supervisors will need to ensure consistency and an appropriate level of materiality across undertakings and, given the aim of harmonised reporting, across territories.</p> <p>Since materiality affects many areas of Solvency II, we would recommend that CEIOPS considers establishing a single principle of materiality to be applied across Solvency II, rather than discussing materiality separately in different consultation papers.</p> <p>We believe that the principle of proportionality should be applied to quantitative reporting templates so that, for example, there is no requirement to separately report immaterial classes of business.</p>	
3.47.	<p>We note that materiality is defined in terms of the risk-based decisions to be taken by supervisory authorities when performing the SRP. While this aligns materiality with the target audience of the RTS (i.e. the supervisor), there may be an expectation gap in practice, particularly in early years, between the information disclosed by undertakings and the expectations of the supervisors. It will therefore be important for supervisors to clearly indicate the nature and extent of disclosure they require to perform their SRP.</p>	
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3.58.	<p>The target audience for the SFCR is defined in very wide terms, which may not be appropriate for the form of disclosure. The needs of the different stakeholders included are very different, for example the needs of a policyholder are significantly different from those of a rating agency, and providing information suitable for all stakeholders may result in a very high volume and level of detail of disclosure.</p> <p>Undertakings may not consider it appropriate to be required to target their public disclosure to the needs of other insurance and reinsurance undertakings (except in their capacity as policyholders).</p> <p>CEIOPS may also wish to recognise that the needs of all external stakeholders do not need to be met by the SFCR, for example undertakings may provide tailored presentations or information to financial analysts or ratings agencies consistent with their own business objectives.</p> <p>However, notwithstanding the above, undertakings should be free to provide within the SFCR information targeted at particular user groups.</p>	
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3.62.	"3.2.6" should read "3.2.5".	
3.63.		
3.64.	<p>The requirement to replicate equivalent information in full in the SFCR goes beyond the Level 1 text which permits undertakings to 'refer to' equivalent information without any requirement that it must be reproduced in full. This requirement may remove the benefit to undertakings of being able to refer to information reported elsewhere and will result in a much greater volume of disclosure and repetition between documents. We believe consideration should be given to allowing the inclusion of material by cross reference, as permitted by the Level 1 Directive, potentially with prior agreement of the supervisor.</p> <p>If CEIOPS does not recommend the ability to include material by cross reference it should clarify whether it will be acceptable for undertakings to replicate information in its original form and format, for example, would it be acceptable to include copies of pages from statutory accounts where these contains equivalent information, or would the information have to be reworded (as may be implied by paragraph 3.283 where there is a change in target audience).</p> <p>This comment applies also to paragraph 3.288</p>	
3.65.	See comments on 3.64	
3.66.		
3.67.		
3.68.	<p>There may be disclosure obligations imposed on undertakings other than those that are listed or that have access to capital markets. In particular, accounting requirements may require certain disclosures (e.g. IAS 1 requires details of the consequences of non-compliance with externally imposed capital requirements and IAS 37 requires details of contingent liabilities (which may include potential liabilities arising from supervisory action)).</p> <p>In addition, there be other circumstances in which disclosure is required (e.g. to law enforcement agencies)</p> <p>As a result the considerations in this paragraph are relevant to all undertakings not just those that are</p>	

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	listed or have access to capital markets.	
3.69.	The disclosure policy may also usefully include which information will not be published by an undertaking based on the principle of proportionality and materiality.	
3.70.	This is relevant in the context of qualitative reporting as well as quantitative reporting templates.	
3.71.	We assume that 'governance procedures' includes internal controls, and would welcome clarification of this point.	
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3.76.	As set out in our comments to paragraph 3.68 there may be other legal or regulatory requirements that lead to disclosure of supervisory information being required. We do not believe insurers should be put in a position where they are unable to meet other legal or regulatory requirements by virtue of supervisory permission being withheld. As a result we believe that, in the absence of compelling reasons to the contrary, supervisors should grant permission for disclosure where, and to the extent, it is necessary for an insurer to meet a legal or regulatory requirement.	
3.77.		
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3.79.	Clarification should be given as to what would be considered as "relevant professional standards" as referred to in this paragraph (for example, standards for the actuarial function, standards for technical provisions).	
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3.84.		
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3.86.	<p>We note CEIOPS' aim to achieve consistency and comparability of published information in setting out a standard structure for the SFCR. While a prescribed form for public disclosure will encourage comparability between undertakings and may help undertakings structure their minimum content, it may also be seen to restrict the ability of undertakings to provide a tailored explanation of their results, risks, management, etc. to the public, and therefore restrict the overall usefulness of the information in achieving its intended purpose. In practice, the executive summary may become a longer document in which the undertaking can set out their tailored message, which may conflict with the intentions for the executive summary set out in paragraph 3.91.</p> <p>The SFCR has 39 prescribed sub-headings under 5 main headings together with an executive summary, details of internal model (where applicable) and quantitative templates. Some insurers, particularly those with comparatively simple operations, may consider such a structure to lead to a document that is unduly complex in structure. Consideration should be given to the extent to which undertakings should be permitted freedom to structure their own report in accordance with their disclosure policy, for example by allowing insurers to merge the reporting of items under sub-headings where it is proportionate to do so and where it is clearly indicated that this has been done (for example ORSA is part of the risk management system and so arguably items B3 and B4 could be discussed together where this aids clarity).</p> <p>The level of detail to be given under each of the SFCR headings may be capable of a wide range of interpretations. We would not support more prescription of the form and content of the SFCR and believe that the application of the principle of proportionality is a matter for judgement by undertakings. However, it may be helpful if an example SFCR were developed by CEIOPS to illustrate the level of detail that is envisaged, including, for example, examples of items to be included in "other risks" (paragraph 3.150), albeit this should be performed at Level 3 and no aspect of the example should become mandatory for undertakings.</p> <p>Where quantitative information is to be given as part of the SFCR it should be clarified (except where it is self evident) whether this should be on an accounting or a solvency basis.</p> <p>To the extent any elements of the SFCR are subject to external audit these will need to be clearly</p>	

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	identifiable and separable from the other parts of the SFCR. It may therefore be necessary to revisit the format of the SFCR to facilitate this once any external audit requirements have been finalised.	
3.87.		
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3.89.	We believe the issue of which quantitative templates will be for public disclosure to be an important one and CEIOPS should ensure there is adequate consultation on its proposals in this regard.	
3.90.		
3.91.	<p>The executive summary is stated to be aimed specifically at policyholders. While it may be useful for policyholders who will not necessarily read the SFCR in its entirety, there may be other users for whom an executive summary would also be useful and those users should also be considered in the drafting of the executive summary.</p> <p>We believe the executive summary can usefully be used to provide a synopsis of the key information contained within the other sections of the SFCR, in addition to the information required by paragraph 3.94. The executive summary is not bound by a prescribed structure and so this area gives the insurer the freedom to communicate the key issues in a manner it feels appropriate to the market.</p>	
3.92.		
3.93.	See paragraph 3.91	
3.94.		
3.95.	Many of the required elements of the SFCR already have to be disclosed for statutory accounts and/or national GAAP purposes. We suggest that clarification is made on whether the SFCR information should be consistent with the statutory accounts and/or national GAAP disclosures, or should be adjusted onto a Solvency II basis where different. We believe that the requirements of 3.95 to 3.109 may lead to a significant duplication of already publically disclosed information (SFCR and statutory accounts / national GAAP).	
3.96.	See paragraph 3.103.	
3.97.		

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3.98.	More clarity should be given as to whether comparative figures must be provided, and, if so, whether there are any transitional arrangements for the first year of reporting.	
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3.103.	We do not see why the name and address of the external auditors should be provided as a mandatory SFCR disclosure requirement. In particular, it should be ensured that the provision of such detail does not imply the SFCR has been subject to a greater scope of audit than is actually the case.	
3.104.	The reference to "all subsidiaries" would more appropriately be "all significant subsidiaries" to avoid requiring detail of potentially large numbers of immaterial subsidiaries.	
3.105.	<p>The distinction between underwriting activities and investment activities may be more familiar in certain territories for general insurers where the gains on investment activities are directly attributable to the shareholders. In long-term business this distinction may be less clear where investment gains may be attributable to both policyholders and shareholders and where shareholders' return from insurance activities may, for example, arise from management charges of funds under management which are in turn impacted by the performance from investment activities.</p> <p>Allowing more flexibility around the headings under which the performance of the undertaking may be presented will allow insurers to adopt a presentation that is most appropriate for their business.</p> <p>Where CEIOPS believes that the detailed reporting of performance by, for example, type of product, would be beneficial, this information could be included as part of the quantitative reporting templates.</p> <p>Undertakings may consider that some of the required information is commercially sensitive.</p>	
3.106.	See comments on paragraph 3.105 above.	
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3.112.	We recommend that the expression "other key functions" be defined (for example, actuarial function, internal audit function).	
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3.119.	The SFCR requires a high level of detail on processes. This may prove onerous for larger and more complex organisations with complex processes, particularly in those territories where similar requirements have not existed previously, and may result in organisations publically disclosing information at a level similar to Sarbanes-Oxley level documentation. This may be a significant burden for some organisations in some territories and may not be seen to provide sufficient benefit to the public.	
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3.126.		
3.127.		
3.128.	<p>The information on fitness and propriety should be required to include only senior management, and undertakings should be allowed to apply a level of proportionality.</p> <p>We recommend that the expression "other key functions" be defined (for example, actuarial function, internal audit function).</p>	
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3.142.	<p>We note that many of the requirements of the SFCR in this area are closely aligned with existing disclosures under IFRS – see comments on paragraph 3.30 in this regard.</p>	

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	<p>Paragraph 3.142 as drafted would appear to indicate that risk exposure, concentration, mitigation and sensitivity would be reported within categories C.1 – C.7 for each category of risk. However, in paragraph 3.86 it is indicated that risk exposure, concentration, mitigation and sensitivity would be reported in categories C.8 – C.11 respectively. Clarification of the intention in this regard should be given.</p> <p>It would seem appropriate to allow reporting of risk exposure, concentration, mitigation and sensitivity by type of risk (i.e. with C.1-C.7 as opposed to separately within C.8 – C.11).</p> <p>In addition, consideration should be given to allowing liquidity risk and ALM risk to be reported together as a single category, where proportionate.</p>	
3.143.	Strategic risks should be added to the list of examples, as for paragraph 3.145(j).	
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3.148.	<p>There may be wide interpretation across undertakings of the sensitivities to apply, resulting in a lack of comparability between the disclosures of different undertakings. It may be appropriate for supervisors to have the ability to define a minimum set of sensitivities that undertakings should apply, although we would not support specific sensitivities being defined at Level 2 to allow supervisors to easily adopt sensitivities appropriate to current market conditions.</p>	
3.149.		
3.150.		
3.151.	<p>The level and volume of detail required around risk management may make the SFCR less informative in practice for stakeholders. A clearer picture of the risks faced by an undertaking may be obtained if undertakings are able (potentially with prior supervisory approval) to tailor the structure of their SFCR in this area to best suit the circumstances of their business.</p>	

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3.152.	<p>The title of this paragraph refers to "Material" risk exposures. It should be clarified that disclosures under each sub-paragraph are only required where the risk is material (e.g. in sub-paragraph d) "each type of risk" should be "each material type of risk").</p> <p>The time and cost of providing the required level of detail may be significant, and the information required to comply with this paragraph may be commercially sensitive.</p>	
3.153.	<p>The requirement to disclose "Information on concentration of insurance risk" may be subject to wide interpretation by undertakings. To improve comparability between undertakings, it may be useful for CEIOPS to develop a framework to aid management in their assessment of concentrations, and examples could helpfully be provided in an example SFCR (see our comments on paragraph 3.86).</p>	
3.154.	<p>It is should be clarified that disclosures are only required in respect of material items. We note that undertakings may consider this information to be commercially sensitive.</p>	
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3.159.	<p>Consideration should be given to requiring information on investments in undertakings belonging to the same group.</p>	
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3.166.		
3.167.		
3.168.	The disclosure specified here would more appropriately be included in the Group SFCR as opposed to the SFCR of the individual group members as the information on any asset valuation adjustments made for group reporting purposes will more naturally be available at the level of the group as opposed to the subsidiary.	
3.169.	An indication of the type of information CEIOPS intends to be disclosed under point c may usefully be provided as part of an example SFCR (see our comments on paragraph 3.86).	
3.170.	The disclosure specified here would more appropriately be included in the Group SFCR as opposed to the SFCR of the individual group members as the information on any technical provision valuation adjustments made for group reporting purposes will more naturally be available at the level of the group as opposed to the subsidiary.	
3.171.		
3.172.	The disclosure specified here would more appropriately be included in the Group SFCR as opposed to the SFCR of the individual group members as the information on any liability valuation adjustments made for group reporting purposes will more naturally be available at the level of the group as opposed to the subsidiary.	
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3.192.	This paragraph appears unnecessary.	
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3.198.		
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3.200.		
3.201.	See comment on paragraph 3.184 above.	

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3.241.		
3.242.		
3.243.	<p>We note that the level of public disclosure of the internal model required is extensive. The level of disclosure is defined in terms of a 'knowledgeable person', but it may be felt that a person knowledgeable in financial modelling may not reflect the main target audience of the SFCR. Our comments on paragraph 3.58 are relevant in this context.</p> <p>Examples of the kind and detail of information CEIOPS would like to see disclosed in this section of the SFCR may be usefully provided in an example SFCR at Level 3 (see our comments on paragraph 3.86), otherwise some undertakings may feel that the provision of sufficient information to meet the requirements of this paragraph may require the disclosure of commercially sensitive information leading to requests for non-disclosure under Article 52 of the Level 1 Directive.</p>	
3.244.		
3.245.		
3.246.		
3.247.		
3.248.	See our comments on paragraph 3.243.	
3.249.		
3.250.	See our comments on paragraph 3.243.	
3.251.		
3.252.	We note that there may be duplication between the disclosure required by this paragraph and that required by paragraph 3.154, unless cross referencing without reproduction is permitted (our comments on paragraph 3.64 apply in this context).	
3.253.		
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3.270.	This requirement may result in a level of duplication (see our comments on paragraph 3.273).	
3.271.		
3.272.		
3.273.	The CP proposes that where a group submits a single group wide SFCR, a solo SFCR for each member of the group must also be provided as an annex. This may be unduly burdensome, in particular for large groups with many individual undertakings that are managed on a group basis, and may lead to significant duplication. A proportionate approach may be for groups to provide common disclosures at a group level and only require disclosure at the entity level when needed for a proper understanding of	

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	that entity.	
3.274.		
3.275.		
3.276.		
3.277.	Details of which languages are understood by which supervisory authorities should be provided to facilitate compliance with point (b). See also paragraph 3.273.	
3.278.		
3.279.		
3.280.		
3.281.	<p>The RTS is referred to in this paragraph as a "document". In practice it may be more efficient for both supervisors and firms for the RTS or distinct elements thereof to be submitted by electronic means (and the most effective means of submissions may change over times as technologies develop). Article 35 of the Directive provides for supervisory authorities "to determine the ... format" of RTS and we believe that the most appropriate format may differ from territory to territory and over time and so should not be prescribed at Level 2.</p> <p>In addition, items to be reported under the RTS may include information contained in a number of pre-existing documents that management use for internal purposes (for example the output of the ORSA). We feel that CEIOPS should consider whether other documents used by management, particularly the ORSA, may be included in the RTS in their form used by management, potentially with prior approval from the supervisor (and with a clear indication of which of the RTS requirements they refer to).</p> <p>See also comments on paragraph 3.28.</p>	
3.282.	See comments on paragraph 3.28.	
3.283.	See comments on paragraph 3.28.	
3.284.		
3.285.		

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3.286.		
3.287.		
3.288.	See comments on paragraph 3.28.	
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3.290.		
3.291.		
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3.298.	<p>While it is for the supervisor to define the information that is required for the purposes of supervision, we note that the information required is extensive and may be seen as a significant burden for some undertakings, notwithstanding the concepts of proportionality and materiality outlined in sections 3.2.4 and 3.2.5.</p> <p>We believe it is important for the information to be provided to the supervisors to be clearly defined. However, there should be proportionate flexibility in the way that is reported to minimise the burden on insurers and to ensure that information can be reported in an effective way. See comments on paragraph 3.28.</p> <p>As for the SFCR (see comments on paragraph 3.86) we believe consideration should be given to allowing insurers to merge the reporting of items under sub-headings where it is proportionate to do so and where it is clearly indicated that this has been done. In particular we note that the results of the ORSA to be reported under item B.4 may encompass a number of other of the prescribed areas of the RTS. Where the ORSA results fulfil this purpose in a way that is appropriate for supervisory reporting</p>	

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	<p>we believe it may be appropriate for those other areas to be cross referenced to the ORSA output reported under heading B4 – see further comments on paragraph 3.325 below.</p> <p>Where quantitative information is to be given as part of the RTS it should be clarified (except where it is self evident) whether this should be on an accounting or a solvency basis.</p> <p>To the extent elements of the RTS are subject to external audit these will need to be clearly identifiable and separable from the other parts of the RTS. It may therefore be necessary to revisit the format of the RTS to facilitate this once any external audit requirements have been finalised.</p>	
3.299.		
3.300.	See comments on paragraph 3.28.	
3.301.		
3.302.		
3.303.		
3.304.		
3.305.	The comments on the distinction of underwriting and investment activities in respect of the SFCR (see paragraph 3.105) also apply to the RTS.	
3.306.	See paragraph 3.305 above.	
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3.325.	<p>We note that the ORSA covers conceptually similar ground to the RTS: “the ORSA can be defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks a (re)insurance undertaking faces or may face and to determine the own funds necessary to ensure that the undertaking’s overall solvency needs are met at all times.¹”. This appears, prima facie, to be a similar scope to the purpose of the RTS, to provide “all regularly reported information necessary for the purpose of supervision²”.</p> <p>There may therefore be overlap between information in the ORSA and information required to be disclosed under sub-headings of the RTS. This may result in duplication, and our comments on paragraph 3.281 apply.</p> <p>In order to produce efficiencies, some undertakings may be inclined to structure their ORSA around the</p>	

¹ CEIOPS Issues Paper “Own Risk and Solvency Assessment (ORSA)” paragraph 9

² CP58 paragraph 3.281

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	format of the RTS when this may not be the most appropriate structure for their business.	
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3.343.		
3.344.	See comments on paragraph 3.142 regarding the reporting of risk exposure, concentration, mitigation and sensitivity which apply equally to the RTS.	
3.345.		

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3.388.		
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3.392.		
3.393.	We note that this requirement may be subject to wide interpretation by undertakings leading to a lack of comparability. CEIOPS may be able to provide an indication of the type of information required as part of an example SFCR (see our comments on paragraph 3.86).	
3.394.		
3.395.		
3.396.		
3.397.	<p>Further guidance could be provided on where comparatives are required, and any transitional arrangements in year one. This comment applies to all requirements for reporting of financial performance.</p> <p>Further guidance could be provided on the basis on which financial information is to be provided. 'Management body's discussion and analysis' implies that management accounting information is appropriate, which would align the reporting information with the way that management manage the business. This comment applies to all requirements for reporting of financial performance.</p> <p>Examples of the level of information required beyond what is provided in the SFCR (paragraph 3.105) could be usefully provided in an example SFCR at Level 3 (see our comments on paragraph 3.86).</p>	
3.398.	Examples of the level of information required beyond what is provided in the SFCR (paragraph 3.106) could be usefully provided in an example SFCR at Level 3 (see our comments on paragraph 3.86)	
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3.400.		

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3.401.		
3.402.		
3.403.		
3.404.	See our comments on paragraph 3.325.	
3.405.		
3.406.		
3.407.		
3.408.	Undertakings are required to inform the supervisor in advance of outsourcing of any critical or important functions under article 48(3) of the level 1 directive. We therefore question the incremental benefit of disclosing this information a second time in the RTS.	
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3.420.	We note that undertakings' interpretations of the business planning period and stresses to apply to	

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	comply with point b may be wide, resulting in a lack of comparability between undertakings and potentially a lack of adequate stressing. While we would not consider it appropriate to define the stresses and business planning period to be used at Level 2 (which would then be unable to be adjusted to respond to economic and market conditions), it would be beneficial for supervisors to be able to specify variables to be applied by undertakings.	
3.421.		
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3.428.		
3.429.	<p>It is proposed that CEIOPS intends to specify at level 3 the detail of the quantitative reporting templates. The quantitative reporting requirements may require systems developments to facilitate their production and we believe it is important that preparers (and where applicable auditors) have sufficient opportunity to comment on CEIOPS specific proposals in this regard. As such we would encourage CEIOPS to develop its proposals in this regard at the earliest opportunity.</p> <p>Undertakings should be able to apply the principle of proportionality so that reporting is not required for immaterial lines of business. While judgements of proportionality should primarily be the judgements of management and not prescribed, CEIOPS may wish to consider providing a framework to guide management in applying the principle of proportionality in practice.</p> <p>Where reporting includes historic data (e.g. claims triangles) transitional arrangements may be needed to recognise the fact that data may not have historically been collected in a way that facilitates reporting in the prescribed quantitative reporting templates.</p>	
3.430.	We concur with the proposed harmonisation of quantitative reporting templates.	

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3.431.		
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3.434.		
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3.436.		
3.437.	This paragraph refers to "the limited accounting information required in Annex D". For each of the proposed templates it should be clarified (except where it is self evident) where accounting as opposed to solvency figures should be used.	
3.438.	Please clarify whether a reconciliation between the accounting balance sheet and the regulatory balance sheet will be required as part of quantitative reporting.	
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3.449.	As noted by CEIOPS, proportionality will be an important consideration around quantitative reporting templates, and we await further guidance at Level 3. CEIOPS envisages that some templates may only	

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	be required to be completed for material lines of business, and we would recommend the development of appropriate guidance to facilitate application of this principle.	
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3.467.	Submission of the SFCR within 3 or 4 months of the financial year end may be broadly aligned with current external reporting requirements in certain territories (e.g. the UK) whereas in other territories this may represent a significant change. In any event the depth and breadth of information required by CP58 (even for those territories that currently require external regulatory reporting) may be a	

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	<p>significant increase on current reporting requirements.</p> <p>In particular the consolidated (group) data may necessarily need to be prepared subsequent to the preparation of entity (solo) data and so it may be appropriate to allow groups to prepare their solo data to one deadline then consolidate into their group data at a subsequent later deadline (allowing the later deadline to be used when only a group SFCR is prepared).</p> <p>It is likely that the first year of reporting under the Directive may involve a greater resource input by preparers and auditors and so increase the time pressure of the reporting process. Consideration should be given to a transitional arrangement permitting the extension of the reporting deadlines in the first year of adoption.</p> <p>There may be exceptional circumstances where it is proportionate to allow undertakings additional time to meet their reporting requirements. We believe supervisors should have the ability to grant an extension to the reporting deadlines to individual insurers where they believe it is proportionate to do so.</p> <p>This comment also applies to paragraph 3.476, and to paragraphs 3.489, 3.494, 3.506 and 3.511 with respect to the RTS and quantitative reporting templates.</p>	
3.468.		
3.469.		
3.470.		
3.471.	<p>This paragraph refers to Recital 21 which states "To publicly disclose information means to make it available to the public either in printed or electronic form free of charge"</p> <p>The use of the word "either" (as opposed to "both") in the Recital implies that an insurer could fulfil its obligations by making the document available in one or the other of electronic or printed form.</p> <p>The proposals in paragraph 3.471 do not represent a consistent interpretation of this Recital. Insurers with no website facility are permitted to make the document available solely in printed form. This implicitly acknowledges that the Recital does not mandate disclosure in both printed and electronic form.</p>	

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	<p>However, paragraph 3.471 refers to “the Directive’s requirement (Recital 21) that paper copies be made available” and paragraph 3.472 goes on to mandate paper copy disclosure even when electronic disclosure has been made. This appears to be an incorrect reading of the Recital that allows optionality on the form of disclosure. As a result, given printed disclosure would not appear to be mandated by the Directive consideration should be given as to whether it is proportionate for CEIOPS to mandate it.</p> <p>In sub-paragraph b) we note that whilst the use of a trade association’s website may be an option we do not believe it should be a requirement (and so “should” should be replaced with “may”) as it will be outside the insurer’s control whether a trade association allows publication of SFCRs on its website. Also there may be many members of a trade association and so we do not believe it should be mandated that the trade association’s website homepage should contain a link to each individual SFCR contained on its website as this may lead to the homepage becoming unduly cluttered.</p> <p>In sub paragraph c) we query whether a 5 business days requirement for despatch of the SFCR should be mandated. Such a requirement may lead to insurers having to stockpile large quantities of SFCRs in order to meet any short term unexpected level of demand. A longer mandated deadline (say 4 weeks) with clear guidance that despatch should be made as soon as practical may be more proportionate.</p>	
3.472.	See comments on paragraph 3.471.	
3.473.		
3.474.		
3.475.		
3.476.	See comments on paragraph 3.467.	
3.477.	See comments on paragraph 3.471.	
3.478.		
3.479.	See comments on paragraph 3.471.	
3.480.		

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3.481.		
3.482.	<p>It would be helpful to understand the basis for CEIOPS' query to the European Commission set out in footnote 51 (i.e. why is there considered to be uncertainty as to whether undertakings have to comply with these requirements on the first year end following the Directive's implementation?). CEIOPS should clarify at the earliest opportunity the date from which the reporting requirements will first apply.</p> <p>We concur with the proposals that qualitative RTS information be limited to material changes on an ongoing basis.</p>	
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3.488.		
3.489.	See comments on paragraph 3.467.	
3.490.		
3.491.	Our comments on materiality on paragraph 3.46 and 3.47 are relevant in this context.	
3.492.		
3.493.		
3.494.	See comments on paragraph 3.467.	
3.495.		
3.496.		
3.497.		
3.498.	See our comments on paragraph 3.510 below.	

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3.499.		
3.500.	See comments on paragraph 3.498	
3.501.		
3.502.		
3.503.	Where a separate set of quantitative reporting templates is required for group reporting, our comments on paragraph 3.467 with respect to group deadlines will apply. See also paragraph 3.10.	
3.504.		
3.505.		
3.506.	See comments on paragraph 3.467.	
3.507.		
3.508.		
3.509.		
3.510.	<p>We understand that the provision of quarterly reporting may be of benefit to the supervisory process, and we concur that the Directive's requirement to report the MCR quarterly should be met (see paragraph 4.498).</p> <p>However, we would note that reporting on a quarterly basis will represent an increase in frequency and workload for undertakings in some territories. The content and timing of quarterly reporting should therefore be assessed to ensure that it is proportionate and justified by the benefit it will provide to the supervisory process.</p> <p>Submission of these templates 3 – 4 weeks after quarter end may be a very demanding deadline for some undertakings in some territories, especially those for whom quarterly reporting is a new requirement, and may require automation of the reporting process.</p>	

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	<p>We consider that the following questions would benefit from clarification:</p> <ul style="list-style-type: none"> • Will quarterly reporting templates be required for Q4? If so, the templates will be required to be prepared several months in advance of the annual quantitative reporting templates, and will require undertakings to devote resources during the busy period of closing ledgers and preparing statutory accounting information. • Where an annual deadline of 4 months after year end is used, undertakings will be preparing their Q1 and annual templates simultaneously – would it be appropriate to avoid the coincidence of reporting deadlines? • Will any data analysis from the quarterly reported data be made available to the industry and national supervisors? <p>See also comments on paragraph 3.498.</p>	
3.511.	See comments on paragraph 3.467.	
3.512.		
3.513.		
3.514.		
3.515.	<p>We agree, in principle, with CEIOPS' assessment that some but not all reporting should be subject to external audit. External assurance is a valuable tool to give supervisors and other users confidence over the reported data. However, external audit requirements do impose a time and cost on undertakings. Focusing the external audit on those areas where assurance will be of most benefit to the industry is therefore a proportionate response. In case the information that it not subject to public disclosure, CEIOPS should consider the level of assurance that the supervisor can obtain itself or from other sources in determining the benefit of audit.</p> <p>We note that some data reported in the SFCR and RTS may also be contained in the statutory financial statements and so will already be subject to external audit. The incremental cost of auditing this information for the purpose of regulatory disclosures will therefore be lower than the audit of information not already subject to audit in some form, and CEIOPS should take this into consideration in assessing the cost/benefit of external assurance over the regulatory disclosures.</p> <p>We note that CEIOPS views on what may be subject to external audit are currently tentative. We</p>	

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	<p>believe it is important that both preparers and potential auditors of information have an opportunity to be fully consulted on CEIOPS final proposals. Consideration will need to be given to the "auditability" of the proposed information (including any qualitative information within the scope of the auditors' work) in absolute terms as well as the relative costs and benefits of requiring an audit (or other form of external assurance). There will need to be clarity on precise scope of external assurance work to be performed and the form and addressee of the assurance report to be issued.</p> <p>Any required external assurance from auditors should be clearly defined by reference to relevant professional standards (e.g. International Auditing Standards (IAS) or International Standards on Review Engagements (ISRE) issued by the International Auditing and Assurance Standards Board). In addition, consideration should be given to whether any reporting by external auditors should be private reporting to supervisors or public reporting on elements of the SFCR (including quantitative templates forming part of the SFCR).</p> <p>We concur that the issue of the extent and nature of external assurance over internal models that it is possible, appropriate and proportionate to provide requires further discussion. The information identified for audit in paragraph 3.517 does not include any external assurance requirement on the SCR where it has been derived from an internal model (contrasting with the planned audit of the SCR derived from the standard formula). We note that supervisors will have been through a process to approve internal models prior to their use and the approval process (and subsequent supervisory monitoring) may mean that supervisors already have comfort over many aspects of the internal model which it would not therefore be proportionate to duplicate via external audit reporting purposes. However, supervisors may require some form of external assurance over the application of the model at the period end, including the accurate reflection of the results of the model in the quantitative reporting templates.</p> <p>This comment applies also to B2B.</p>	
3.516.	We concur that it would not be proportionate to require quarterly quantitative reporting templates to be subject to audit as a matter of course.	
3.517.	It would be useful if there was a clear mapping between the proposed reporting requirements that may be subject to audit set out in this table and the elements of the SFCR/RTS and quantitative templates set out elsewhere in the consultation paper. This is particularly relevant with respect to the qualitative reporting requirements and for the quantitative reporting in respect of "summary of investments by	

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	<p>class".</p> <p>We note that templates detailing technical provisions are identified for audit. In accordance with Article 76 "the risk margin shall be calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement". As set out in CP 42 paragraph 3.130, where an internal model is used in the calculation of the SCR that same model may be used in the calculation of the risk margin. As a result the comments in respect of paragraph 3.515 in respect of external assurance over internal models will apply equally to the audit of technical provisions where the risk margin is calculated by reference to an internal model.</p>	
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3.540.	<p>Article 35 2.(c) notes that the supervisors shall have the power to require information from external experts. It should be clarified that the information that may be required should only be that that the expert already possesses as a result of the performance of the expert role for which it was engaged. The supervisor should not be able to require that the expert performs additional work or produces additional reports over and above those already performed by the expert in fulfilling its role, as part of that engagement. However, the expert may agree to perform additional work as part of a separate engagement.</p> <p>See also comments on paragraph 3.39.</p>	
3.541.	<p>We concur that requests for information should first be made to the undertaking and not the expert. Such requests should not extend to information which is confidential to the expert and to which the undertaking itself does not have access (for example contents of audit working papers).</p> <p>See also comments on paragraph 3.39.</p>	
3.542.	See comments on paragraphs 3.39 and 3.541.	
3.543.		
Annex A		
3.544.		
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3.561.	See comments on paragraph 3.564.	
3.562.	See comments on paragraph 3.564.	
3.563.	See comments on paragraph 3.564.	
3.564.	We concur that a standardised reporting format should be required for quantitative reporting for the reasons set out. We concur that a standardised format for qualitative information may place a considerable constraint on undertakings. For these reasons we concur that Options 1 and 2 should not be preferred options. See comments on paragraph 3.298 in respect of the proposed Option 3.	
3.565.		

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3.566.	We note that Option 1 was rejected on the grounds that "it is believed that undertakings would expect more detail on the level of information to be disclosed and that this should be set at Level 2". This statement to some extent prejudices the results of this consultation process. We believe it is possible that some undertakings may consider the proposed level of prescription regarding the format of the SFCR to be overly constraining. CEIOPS should consider the responses to this consultation in forming a view as to whether the stated ground for rejecting Option 1 is valid.	
3.567.	We concur with the rejection of Option 2 for the reasons set out in the paragraph.	
3.568.	See comments on paragraph 3.566.	
3.569.	See comments on paragraph 3.566.	
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Annex B		
3.572.		
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3.583.		
3.584.		
3.585.		
Annex C		
3.586.		
3.587.		
3.588.		
Annex D		
A1		
B1		
B2A		
B2B		
B3A		
B3B		
B3C		
B3D		
B3E		
B3F		
B4A		
B4Q		
C1		

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C2		
D1	Paragraph 3.517 indicates that the quantitative reporting template detailing "summary investments by class" may be subject to audit. It is unclear which, if any, of the investment templates (D1-D5) is anticipated will be used to fulfil this requirement as there is no single investment summary template. The data in D1-D5 is at a level of granularity that may be disproportionate to require to be audited (or potentially even to be required to be reported as a matter of course).	
D2	See comment on D1.	
D3	See comment on D1.	
D4	See comment on D1.	
D5	See comment on D1.	
E1	The separate identification of technical provisions for new business is a departure from existing practice in certain territories (e.g. the UK). Clarification of the contribution this information makes to supervision could be provided.	
E2		
E3	This template reconciling the change in own funds should not be required in the first year of application of the Directive as opening own funds will not have been calculated in accordance with the Directive's requirements	
E4		
E5	An undertaking may have multiple bases for each assumption, and this template may therefore have to be completed many times. It may be appropriate to define major classes for which this template must be completed.	
F1		
F2		
F3		
F4		

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F5	<p>Completion of historic data may present problems in early years when undertakings have not historically compiled data on this basis. Transitional provisions should be developed to address this issue. Two potential approaches are to exempt undertakings from providing historic data prior to adoption of the templates, or to have historic data prepared on a best-efforts basis and not subject to audit.</p> <p>This comment also applies to F6, H1, H2, H3 and H5.</p>	
F6		
G1	This template includes at Column B "Product ID" which is "to be developed". It is important that preparers are properly consulted on the proposed Product IDs to be used.	
G2	See comments on G1 regarding Product IDs and E1 regarding the identification of technical provisions for new business.	
G3		
G4	We anticipate that this template may be difficult to prepare for some undertakings, although it may be a useful contribution to quantitative data available to supervisors.	
H1		
H2		
H3		
H4	The footnote states "In column A: Relevant types set by the home state ...". This appears contrary to the principle of harmonisation set out at paragraph 3.434	
H5		
J1		
J2		
J3		
J4		

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J5		
Annex E		