

## EIOPA: Q&A (maj 2020 r.)

### Question ID: 1704

**Question:** Is it possible to specify “original currency” as the currency of gross Best Estimate claims provisions valuation?

**EIOPA Answer:** EIOPA confirms that "original currency" cannot be specified as the currency of the gross Best Estimate claims provisions valuation as it is the original currency of the contracts.

### Question ID: 1973

**Question:** We have a question related to BV735 with respect to covered bonds. In Q&A 872 it's stated that covered bonds should be part of the S.03.01. In Q&A 1213 and 1233 it's stated covered bonds should not be part of the S.11.01. BV735 states the values of the S.03.01 and the S.11.01 should match. Currently we report bonds with CIC "26" and CIC "27" on the list of assets (S.06.02) in the template S.03.01 on cell R0100/C0030 and the collateral on R0100/C0020 but we don't report these bonds on the S.11.01. Is that approach correct given BV735 or should we adjust either the S.03.01 or S.11.01 for future reporting periods?

**EIOPA Answer:** EIOPA needs to further analyse the question raised. In the meantime EIOPA will deactivate BV735 validation and you can continue using the current method until more clarity is provided.

### Question ID: 2097

**Question:** We have a question relating to group reporting in S.06.02.04, cell C0100 “Asset pledged as collateral”, more specifically to do with how assets kept in the undertaking's balance-sheet that are pledged as collateral should be identified, when Method 1 is applied. In line with the instructions, assets kept in the undertaking's balance-sheet that are pledged as collateral should be identified. In the General Comments to S.06.02 it is stated that when method 1 is used exclusively, the reporting

shall reflect the consolidated position of the assets. The above means effectively that subsidiaries of a reporting parent undertaking in the solo reporting that are recorded/reported in one row, should instead be consolidated in line with the rules set out in Article 335, paragraph 1, (d), (e) and (f) of Delegated Regulation (EU) 2015/35. We have taken the above to mean that the assets in S.06.02.04 at group level should be reconcilable with the information provided about the assets in the consolidated group solvency balance sheet included in QRT S.02.01. As an example, suppose we have a parent undertaking that is obligated to provide both solo reporting and group reporting. It has a 100% wholly owned subsidiary entity, which due to a transaction initiated, is in S.06.02.01 an asset kept in the undertaking's balance-sheet that is 100% pledged as collateral pledged, while said transaction is ongoing. As an added complication, suppose that in turn, the subsidiary in turn has assets in its balance sheet against which it has pledged collateral, corresponding to 25% of the assets kept in the undertaking's balance-sheet. In the solo reporting of the parent undertaking, it seems straightforward to assume that option "1 — Assets in the balance sheet that are collateral pledged" would be selected, as the subsidiary is recorded in one line in S.06.02.01. However, we are uncertain what the treatment would be at consolidated level in the group reporting. The collateral pledged by the parent undertaking relates specifically to the shares of the subsidiary (which are pledged) and we do not think that the appropriate treatment would be to re-map that collateral against the assets and liabilities of that subsidiary entity consolidated, partially as that is not actually the assets pledged in this case and partially as there would already be collateral pledged against assets of the consolidated subsidiary, which already emanate from the subsidiary itself. As the subsidiary would no longer be recorded in one row in S.06.02.04 as in the solo reporting, but instead be consolidated, the recording of the assets in the balance sheet that are collateral pledged against the subsidiary's shares would no longer be reported at group level. The collateral pledged in the subsidiary relating to its assets, however, would be recognized in the group QRT. Is the above interpretation on how to record an "Asset pledged as collateral" in cell C0100 in S.06.02.04 correct?

**EIOPA Answer:** In the case described: Report in S.06.02 only the collateralization of the assets individually collateralized by the subsidiary. Inform in the RSR of the collateralization of the participations in the subsidiary. Inform the group supervisor when this situation exists

**Question ID: 2110**

**Question:** Holdings in related undertaking's (C0310) in S.06.02. I have got a question how to treat CIU X which has different share class A, B, C, and D in case of choosing the option 1 or 3 for the "Holdings in related undertakings, including participations". The total number of shares for the different shares classe are :

Share class A: 1000

Share class B: 500

Share class C: 1500

Share class D: 2000

Total number of shares CIU X = 5000 (1000+500+1500+2000)

We have 300 shares in Share class B. How should we calculated the interest of share class B?

Should we calculated the interest of the CIU based on method 1 or 2:

1: the total number of Share Class B (500); 60% interest ( $300/500*100$ )

2: the total number of shares CIU X (5000); 6% ( $300/5000*100$ )

Based on method 2, we will report option 1- not a participation otherwise based on method 1 we should report option 2 - is a participation. Which method is correct?

**EIOPA Answer:** One of the criteria to assess whether an undertaking is a related undertaking is the existence of a participation. A participation exists when the undertaking holds at least 20% of the capital or voting rights of another undertaking. Therefore, in the case described, the assessment should be made considering the whole capital (or voting rights) of the CIU, which however may not be exactly the second approach proposed depending on the characteristics of each share class.

## Question ID: 2112

**Question:** Different values for the "Unit Solvency II price" or "Unit percentage of par amount Solvency II price" are not necessarily a quality issue. For investments held in various legal entities, minor differences may arise among others due to the following reasons:

- Different time zones

- Different currencies and consequently currency translation
- Different trading platforms
- Different market data providers

Please note that we are not talking about major deviations, but small differences due to the reasons mentioned above. Additionally local entities are partly obliged by their local regulator/local laws to use specific market values that have different rules. Changing the data on group level is not an option. Therefore our entities would have to use two different market values (one local and one for the group). That would be a huge impact and effort for the whole Group. May you please confirm that minor differences in "Solvency II price" or "Unit percentage of par amount Solvency II price" are allowed due to the reasons mentioned above? Otherwise please advise how differences should be avoided.

**EIOPA Answer:**

Our reporting requirements require that "Unit Solvency II price" and "Unit percentage of par amount Solvency II price" must be unique per investment. We acknowledge that small deviations are possible for the same assets for reasons as you mentioned in your question. However, when the report prices deviate significant (for example more than 5 percent) from the reference market prices, this is considered a data quality issue.

If no unique price is available, the reported "Unit Solvency II price" and "Unit percentage of par amount Solvency II price" could be calculated as the weighted average of the reported prices by the solo entities provided that both the prices of solo entities as well as the calculated price do not deviate significantly from the reference market prices. In addition, the prices reported should ensure compliance with the validation rules specifying that the "Total Solvency II amount" should be equal to the product of "Quantity" and "Unit Solvency II price" plus "Accrued interest" or the product of "Par amount" and "Unit percentage of par amount Solvency II price" plus "Accrued interest".

## **Question ID: 2121**

**Question:** In previous Q&A for question 1225 EIOPA has answered the following" The provision set out in Article 109a(2) Solvency II cannot be applied to entities which are not included in the list set out in Commission Implementing Regulation (EU) 2015/2011. Neither French metropolises nor intercities are currently included in the Regulation and exposures to them can therefore not be treated as exposures

to the French central government." However, we are unsure how to treat Belgian Cities, they are municipalities, but get the name City, for example City of Ghent. For example the following Bond ISIN:BE624963421 (Issuer: BE0207451227 LEI 549300HJ1DDDKEOO9B33). These are not Metropoles. Can we thus consider them CIC 14?

**EIOPA Answer:** Based on the definitions in the CIC Table in Annex V of the SII reporting instructions "Bonds issued by local authorities, including cities, provinces, districts and other municipal authorities" qualify as "Local Authorities bonds with CIC 14".

## Question ID: 2122

**Question:** We received an error while submitting the annual QRT's 2019. "The amount/estimate of the overall adjustment for loss-absorbing capacity of technical provisions reported in S.25.02 - Solvency Capital Requirement - for undertakings using the standard formula and partial internal model should be negative. -->Template 1: S.25.02; Expression: {r0300,c0100}<0". In S.25.02 we entered a value of 0 for loss-absorbing capacity of technical provisions. Could you explain why a value of 0 is not correct?

**EIOPA Answer:** This validation corresponds to the logs specifying that "This amount shall be reported as a negative amount." If there is no adjustment for loss absorbing capacity the cell can be left empty.

## Question ID: 2123

**Question:** Ich hätte eine Detailfrage hinsichtlich der CIC Code Klassifizierung in der List of Assets. Diverse Geldmarktfondsanbieter investieren in Asset Backed Commercial Papers (ABCPs), jedoch ist uns hier eine unterschiedliche CIC Code Klassifizierung aufgefallen – entweder 6 (Collateralised securities) oder 23 (Commercial Paper). Im VAG Kontext gibt es dann auch Abweichungen hinsichtlich der Einordnung als ABS bzw. Schuldverschreibung. Haben Sie Erfahrungen mit der Einordnung dieser Papiere gemacht?

**EIOPA Answer:** Financial instruments qualifying as "Asset backed securities" or "Mortgage backed securities" shall be classified as CIC 6 ("Collateralised securities"). Therefore, the "asset backed commercial papers" are to be classified as CIC 6 and not as CIC 23. For PF.06.02 only direct exposure in asset backed commercial papers is relevant, not indirect exposure via mutual funds (including

money market funds). Exposure to asset backed commercial papers held indirectly (= via mutual funds / collective investment undertakings) is to be reported in PF.06.03 (look-through). In this case, "6 - Collateralised securities" should be reported as "under lying asset category" (C0030).

## Question ID: 2126

**Question:** Regarding validation BV902 in case of zero loss-absorbing capacity of technical provisions, which value should be reported in the template if the validation admits only negative value?

**EIOPA Answer:** This validation corresponds to the logs specifying that "This amount shall be reported as a negative amount." If there is no adjustment for loss absorbing capacity the cell can be left empty.

## Question ID: 2130

**Question:** Is there any reason why there is no threshold at all? The validation BV870 requires an exact match (on Euro cent level) whereas the two amounts compared could be double digit billion Euro numbers. From our perspective a validation tolerance need to be implemented for all blocking validation rules.

**EIOPA Answer:** The validation will be deactivated. We will analyse by the next 2.5.0 taxonomy release for which validations an exact match will be required and for which a tolerance will be set.

## Question ID: 2133

**Question:** As at 31.03.2020 the entity had a foreseeable dividend that would usually be disclosed in S.23.01 at R0720, C0060. EIOPA issued its statement urging insurers to temporary suspend dividend payments due to the COVID-19 outbreak, the entity subsequently suspended its dividend payment. Should the entity now report its Q1 foreseeable dividend as Nil even though the decision to suspend the payment was ultimately taken after 31 March?

**EIOPA Answer:** EIOPA confirms that in case the company has decided not to pay dividends then it shall report its Q1 foreseeable dividend as Nil.

## Question ID: 2139

**Question:** Regarding validations BV773 and BV775 (the total of expenses reported on template S.05.01 must be positive), in a specific case where reinsurers' share would amount to a higher number than gross expenses, the net expenses would be negative (and likely be considered as income). Is this a possible case figure on template? Are there reporting requirements to consider?

**EIOPA Answer:** EIOPA confirms. While in general we expect the net expenses to be positive, we are aware that there exists examples where this will not be the case. Therefore the validation was put as non-blocking.