

Regulatory Reporting Updates in light of COVID-19

Latest from EIOPA and the PRA, April 2020

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EIOPA

On 20 March 2020, the European Insurance and Occupational Pensions Authority (EIOPA) published its [recommendations on supervisory flexibility regarding the deadlines of supervisory reporting and public disclosure – coronavirus/COVID-19](#). The general objective is to foster convergence and consistent supervisory approaches across Member States. This came as a response to the growing COVID-19 pandemic, which is triggering market uncertainty and fluctuation. EIOPA therefore considers that undertakings need to concentrate their efforts on monitoring and assessing the impact of COVID-19 as well as ensuring business continuity.

The paper centred on three main recommendations of delays regulators should offer to provide operational relief to undertakings if so needed.

Recommendation 1 Annual reporting - 31 December 2019 year-end or after that date but before 1 April 2020:

Solo level annual quantitative reporting templates (QRTs)	up to 8 weeks
Exceptions: Contents of submission (S.01.01), Basic Information (S.01.02), Balance sheet (S.02.01), Cash-flow projections for life business (S.13.01), LTG (S.22.01), Own Funds (S.23.01), SCR calculation (S.25.01 to S.25.03)	up to 2 weeks
Group level annual QRTs	up to 8 weeks
Exceptions same as solo level with the addition of: Undertakings in the scope of the group (S.32.01)	up to 2 weeks

Regulators that have allowed exemptions from quarterly reporting may consider requesting additional templates in the annual submission (in particular S.06.02, S.06.03, S.12.01 and S.17.01).

Similar flexible approaches should be applied to deadlines for any additional requirements such as the Own Risk & Solvency Assessment (ORSA) and audit requirements.

Recommendation 2 Quarterly reporting - Q1 2020-end occurring 31 March 2020 or after that date but before 30 June 2020:

Solo and group level Q1 2020 QRTs and Quarterly Financial Stability reporting	up to 1 week
Exception: Derivatives Transactions (S.08.02)	up to 4 weeks

Undertakings are expected to report in the Own Funds template (S.23.01) an estimation of the SCR as at Q1, rather than (as now) the last calculated SCR, which might have been the year end 2019 figure.

Recommendation 3 Solvency and Financial Condition Report (SFCR) - 31 December 2019 year-end or after that date but before 1 April 2020:

Publication of SFCR	up to 8 weeks ¹
The Covid-19 situation is to be considered a "major development" as per Article 54(1) of the Solvency II Directive . The information relating to the effect of COVID-19 should be published at the same time as the SFCR.	

Authorities that intend to comply with these recommendations should confirm to EIOPA within two months and incorporate them appropriately into their regulatory or supervisory framework. Reasons for non-compliance should be provided.

¹ Exception of the following information that can only be delayed by up to 2 weeks, and must be published using the means of disclosure usually used for the publication of the SCR: Balance-sheet (S.02.01), LTG (S.22.01), Own funds (S.23.01) and SCR calculation (S.25.01) using the templates as identified in Commission Implementing Regulation (EU) 2015/24523 both at solo and group level.

PRA

The Prudential Regulation Authority (PRA) considered EIOPA's proposal and on 23 March accepted its recommended delays², with the adjustment of extending the delay for quarterly reporting of QRTs and Quarterly Financial Stability reporting for Q1 2020 to 4 weeks. Additionally, the PRA has offered a flexibility of 8 weeks for the ORSA, with the Regular Supervisory Report (RSR) not required for year-end 2019.

In terms of PRA-owned regulatory reporting, it will accept delays of:

National Specific Templates, Internal model outputs, Standard formula reporting for firms with an approved internal model	up to 8 weeks
Market Risk Sensitivities	up to 4 weeks

With that being said, where reporting submissions are well-progressed, the PRA encourages firms to submit them earlier where possible.

Milliman insights

Is the extension for insurers' sensible as well as useful?

It is likely that insurers will face progressively difficult conditions in the immediate future, both in terms of navigating challenging markets and operational continuity. It is important that they are able to maintain services to their clients and protect their employees. Therefore, EIOPA's steps to offer operative relief seem appropriate in the current climate.

With that being said, it may not be the case that taking advantage of the optional delays suits all firms. As suggested by the PRA, where reporting is already well-progressed, it may be more in the company's interest to submit earlier in the permitted windows to then free up employees to work on more pressing issues surrounding COVID-19. Hence responses may depend on how far through year-end processes firms are and, with the original deadline of 7 April shortly approaching for annual reporting for solo undertakings, one would assume significant progress has already taken place.

Board dates to sign off key documents may also already be scheduled for the coming weeks and firms may be keen to proceed on the scheduled dates when Board members are available rather than pushing these back. This will need to be taken into account as delaying deadlines will incur rearrangements.

For European insurers, the power to set their own deadlines will in any case allow them to focus on any company specific measures necessary to ensure business continuity. We expect regulators across Europe to issue their COVID-19 regulatory reporting amendments in the coming weeks and, given the uncertain circumstances, we do not envisage any negative light to be shone on those accepting the delay periods.

Will data at 31-December 2019 still be of value to supervisors?

Information in the year-end 2019 SFCRs/QRTs will still provide useful insight as much of the data is only disclosed to the market on an annual basis. It will give an indication to the strength of the firm before the effects of the pandemic started to materialise. It will also allow a broadly fair comparison between firms beforehand, which may not be the case with updated numbers due to companies having different methods and capabilities to report within such short and pressured timeframes.

EIOPA, and the PRA, have requested that firms comment in their annual reporting disclosures (SFCR) on the impact that COV-19 will have on their business. What business activities should insurers address in light of COVID-19, and what comments and analysis could we expect to see?

Insurers are responding to the outbreak from several perspectives; as employers, claim payers and capital managers. It would therefore be most useful for key stakeholders to see the quantitative impact on the insurer from movements in financial markets, such as effect on solvency and liquidity. This will likely include the estimated impact on the firm's SCR coverage ratio and key risks. As well as this, outlining any operational considerations would be beneficial, for example, details of any mitigating actions firms have taken or plan to take in the future. Potential risks to future business plans, such as lower projected new business volumes, could also be noted. Publishing this information will aid company to client transparency.

Reporting might consider not only what has happened to date but the potential impact of a range of plausible future scenarios with regards to the pandemic and market recovery or otherwise.

In terms of the SFCR chapters, an obvious place to see updates will be 'Capital Management' Section E. It is less clear and perhaps more determined by the firm whether additions will be made to governance and/or risk management sections.

² <https://www.bankofengland.co.uk/prudential-regulation/publication/2020/covid19-regulatory-reporting-amendments>

It is important to note that firms now have to publically disclose an estimation of the SCR at Q1 2020 taking into account the market developments arising year-to-date, rather than using the last reported figures. Some firms' business-as-usual processes may be to report the SCR as at year-end 2019 for Q1 2020 (the last reported figures) and so the required SCR estimation will entail additional consideration. EIOPA asking for a more up-to-date position reflects the significance of ensuring all quantifiable risks are being considered in this ambiguous time. EIOPA does specify an 'estimation', however, so it is assumed the method for determining this SCR will be proportionate.

Generally, given the ever-changing environment and wide impact of COVID-19, it would be more effective to keep any business updates succinct, relevant and focused on key points. Any limitations and approximations of updated figures should also be clearly conveyed.



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