Financial Services Commission

Solvency 2
Reporting and Public Disclosure

Options Provided to Supervisory Authorities

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Gibraltar Financial Services Commission

Contents

1. Introduction

The reporting obligations for insurance undertakings are set out in the Commission Implementing Regulation (EU) 2015/2450 of 2 December 2015 laying down implementing technical standards with regard to the templates for the submission of information to the supervisory authorities ("Reporting ITS"). Per Article 11 of this ITS and within the instructions for the completion of quantitative reporting templates ("QRTs") there are several options provided to supervisory authorities which can be used to specify the methodology of preparing these returns.

This document details the options exercised by the GFSC with regards to the preparation of annual QRT submissions and will be applicable to the majority of insurance firms in May 2017 when the deadline for those firms with December year ends falls due.

Please note that the options chosen below do not add any additional reporting requirements for firms over and above the instructions set out for each template, as stipulated by EIOPA. Where an option of supervisory authority discretion has not been commented upon, the wording of the Reporting ITS should be followed.

Queries we have had on clarification of the reporting implementing technical standards and of the instructions to the QRTs will be answered on a separate Solvency II QRT FAQ on the Solvency II – Reporting section of the GFSC website.

Should firms have any queries relating to these options or any other options available to supervisory authorities, then please do not hesitate to contact the Solvency II team at s2@fsc.gi .

2. Reporting by Accident Year/ Underwriting Year

Options are provided to supervisors as to whether firms are to report on an accident or underwriting year basis for the following templates:

- S.16.01
- S.19.01
- S.20.01
- S.21.01
- S.29.03

In this matter, the GFSC is not prescribing at this point in time whether to report on an accident or underwriting year basis.

The GFSC will, however, be sending out communications to firms to clarify the nature of their intensions in this matter and to understand the appropriateness of a firm's choice.

Firms should, however, consider the method by which they have previously reported data under Solvency I returns and are required to notify and explain their rationale should they wish to change from their historical approach.

Once a method has been chosen, firms are then expected to continue to report on the same basis for future reporting periods.

3. Annuities Stemming From Non-Life Obligations by Currency

With regards to the information required in S.16.01, firms are required to report annuities stemming from non-life obligations in the original currency of the contracts.

4. Non-Life Distribution of Underwriting Risks by Sum Insured

In the instructions for the completion of S.21.03, EIOPA has specified mandatory reporting on the following lines of business:

- Other motor insurance;
- Marine, aviation and transport insurance;
- Fire & other damage to property insurance;
- Credit & Suretyship insurance.

At this stage, the GFSC is not requiring reporting of this information for additional Lines of Business. The GFSC will, however, review this decision following the first round of annual reporting. Considering, for example, whether this level of information can be utilised consistently with the data required to be received for a greater number of Lines of Business in S.21.02.

5. Claim size and Sum Insured brackets

The instructions for the completion of S.21.01 and S.21.03 require supervisory authorities to specify the start and end point of each claim size bracket when providing claims incurred and sum insured information in a currency other than Euro (EUR).

Currently firms are reporting in four currencies. While the majority of firms report in pounds sterling (GBP), there is a minority that report in Euro (EUR), US Dollar (USD) and Swiss Franc (CHF).

In order to simplify the approach for the completion of these templates, firms are required to report using the same brackets as stated within the EIOPA instructions regardless of the reporting currency, without conversion. A firm reporting in USD will therefore report using the same bracket structure and limits as a firm reporting in EUR or GBP (e.g. bracket banding 1 will be in increments of £5,000 or €5,000).

The incurred loss brackets for completion of **S.21.01**, and therefore those to be used by firms for all aforementioned currencies are as follows:

<u>Incurred Losses – Bracket Bandings 1-5</u>

1 - 20 brackets of 5,000 plus 1 extra open bracket for incurred losses => 100,000.

2 - 20 brackets of 50,000 plus 1 extra open bracket for incurred losses => 1 million.

3 - 20 brackets of 250,000 plus 1 extra open bracket for incurred losses => 5 million.

4 - 20 brackets of 1 million plus 1 extra open bracket for incurred losses > 20 million.

5 - 20 brackets of 5 million plus 1 extra open bracket for incurred losses > 100 million.

The sum insured brackets applicable for reporting sum insured data in **S.21.03** are as follows:

Sum Insured – Bracket Bandings 1-5

1 - 20 brackets of 25,000 plus 1 extra bracket for Sum Insured > 500,000.

2 - 20 brackets of 50,000 plus 1 extra bracket for Sum Insured > 1 million.

3 - 20 brackets of 250,000 plus 1 extra bracket for Sum Insured > 5 million.

4 - 20 brackets of 1 million plus 1 extra bracket for Sum Insured > 20 million.

5 - 20 brackets of 5 million plus 1 extra bracket for Sum Insured > 100 million.

Firms should choose their reporting brackets on the basis that their choice provides the greatest understanding of the data provided.

In the case of claims incurred, the brackets should reflect the best fit for the firm's claims experience for each line of business reported. With regards to the sum insured, where a line of business contains risks of unlimited sum insured, these should be allocated to bracket 21 (the highest possible bracket) of the firm's chosen bracket banding.

Firms should not change their selected brackets without prior approval from their respective supervisor and should provide an explanation as to why they believe the original bracket is no longer applicable.

Where a firm is intending to report in a currency not mentioned above they are required to discuss with the GFSC the appropriate choice of claim size bracket.