

SUPERVISORY REGULATIONS AND POLICIES DIRECTORATE

<i>Ref. to note n.</i>		<i>of</i>		To the insurance and reinsurance undertakings whose head offices are located in Italy <b>TO THEIR PREMISES</b>
<i>Classification</i>	III	1	1	To the Italian branches of insurance and reinsurance undertakings pursuing business in Italy whose head offices are in a non EEA country <b>TO THEIR PREMISES</b>
<i>Encl. no.</i>	4			To the Ultimate Italian parent companies <b>TO THEIR PREMISES</b>
<i>Subject:</i>	Solvency II Reporting: clarification on the criteria to be followed when filling in the annual reporting and use of the LEI code in prudential reporting.			

The prudential reporting envisaged by Directive 2009/138/EC (*Solvency II*) submitted by undertakings is used by IVASS in the supervisory process and for statistical purposes; it is also sent to EIOPA and the ECB for the analyses carried out at European level.

The quality of the data that undertakings submit to IVASS is therefore fundamental for timely analyses and reliable statistics. The checks carried out on the prudential reporting sent every year in the last four years (2016, 2017, 2018 and 2019) have shown widespread anomalies and inconsistencies in the criteria used by undertakings.

The purpose of this note is to provide guidance on the criteria to be followed when filling in the annual supervisory reporting referred to in the Commission Implementing Regulation (EU) 2015/2450 as subsequently amended (hereinafter *ITS-reporting*). In particular, Annex 1 refers to data on claims in non-life business, Annex 2 to data on reinsurance, Annex 3 to data on surrenders in life business and Annex 4 to the identification codes for life products, separately managed accounts and other funds to which life products' benefits are linked.

Moreover, in accordance with EIOPA guidelines<sup>1</sup> and with the recent recommendations of international Authorities<sup>2</sup>, the systematic adoption of the LEI for the identification of the entities recorded is required in all the prudential reporting.

These specifications take account of the proposals for amendments to the reporting recently made by EIOPA (*Consultation Paper on proposals for Solvency II 2020 Review - Package on Supervisory Reporting and Public Disclosure*).

Undertakings shall guarantee full consistency between the information reported in the various templates for Solvency II reporting (hereinafter templates). The indications contained in this letter

<sup>1</sup> [https://www.eiopa.europa.eu/content/guidelines-use-legal-entity-identifier\\_en](https://www.eiopa.europa.eu/content/guidelines-use-legal-entity-identifier_en)

<sup>2</sup> In the consultation paper about the changes to the supervisory reporting EIOPA has anticipated that the new templates will give greater relevance to the use of LEI in the identification of the entities recorded. Also the ESRB stresses the importance of the LEI in the [Recommendation Of The European Systemic Risk Board On Identifying Legal Entities](#), of 24 September 2020.

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shall, where applicable, be adopted also to items and templates additional to those specified in the annexes.

Undertakings shall comply with these guidelines starting from the annual reporting relating to the year 2020. No adjustments to the data already sent are required.

IVASS shall carry out checks on the correct application of the guidelines contained in this letter.

Best regards.

by delegation of the Joint Directorate

signature 1

## **Claims in Non-life business**

The following instructions shall apply to all the Lines of Business (LoB), for the compilation of the template on claims in non-life business (S.19) and of some items of the templates on non-life technical provisions (S.17) and on the projection of future cash flows (best estimate — Non-Life) (S.18).

We also provide clarifications for filling in the templates on the development of the distribution of the claims incurred (S.20) and on the loss distribution risk profile (S.21).

When filling in the template S.05 referred to premiums, claims and expenses by line of business, the valuation and recognition principles are the same as those used in the undertaking's financial statement.

### **1. Template S.19**

#### **1.1. Criteria for classifying claims**

We make clear that, for all the LoBs, claims should be classified by accident year, in accordance with the drafting criteria for additional information in the financial statements, as per Annex 4 to ISVAP Regulation No. 22/2008.

#### **1.2. Arrangements for reporting payments**

In general, the complete compilation of the run-off triangle is required, as envisaged by the ITS-reporting<sup>3</sup>.

#### **Recoveries from policyholders and third parties**

Payments must be reported net of the recoveries from policyholders and third parties, as specified in the ITS-reporting.

#### **Expenses and FGVS (Guarantee Fund for Victims of Road Accidents)**

In order to better clarify and to integrate the provisions of the ITS-reporting, the amounts of the claims paid must be considered:

- net of all expenses (direct expenses, allocated loss adjustment expenses (ALAE) and unallocated loss adjustment expenses (ULAE);
- net of the contribution to the Guarantee Fund for Victims of Road Accidents (FGVS), in line with the instructions of template 29A - Development of claims in motor vehicle liability and liability for ships (classes 10 and 12), as per Annex 4 to ISVAP Regulation No. 22/2008. The same reporting criteria should be extended to the compilation of the development of the distribution of the claims incurred (S.20) and the loss distribution risk profile (S.21).

The above criteria, provided for the data on payments, should be extended to the other items of the template.

#### **1.3. Extraordinary operations**

In the case of extraordinary operations such as mergers, acquisitions or transfers of portfolios, the template on the development of claims in a triangular shape must be filled in on the basis of a retroactive reconstruction of the corporate perimeter at the close of the year when the operation took place.

<sup>3</sup> The default length of run-off triangle is 15 + 1 years for all lines of business but the reporting requirement is based on the undertakings' claims development (if length of the claims settlement cycle is shorter than 15 years, undertakings are required to report according to the internal shorter development).

The same criterion shall apply also to extraordinary operations occurred after the entry into force of the Solvency II regulations.

#### **1.4. Reporting currency**

For the purpose of clarifying the ITS reporting and ensuring uniformity in compilation, we make clear that, when the original currency is the Euro (cell OC - variable *Currency=EUR*), the undertaking shall report the data requested in template S.19 by selecting, for the cell AF - the variable "*Currency Conversion*" the option "*X<sub>0</sub>-Not applicable/Expressed in (Converted to) reporting currency*".

#### **2. Templates S.17 and S.18**

In accordance with criteria applied to expenses reported in template S.19, as referred in paragraph 1, in the annual template S.17 shall be reported:

- in row R0410, the estimate of compensations referred to claims only (gross of recoveries);
- in row R0420, the estimate of direct expenses, allocated loss adjustment expenses (ALAE) and unallocated loss adjustment expenses (ULAE);
- in row R0440 the estimate of recoveries.

The same reporting criteria must be followed respectively for the cells C0050, C0060 and C0080 of template S.18.

#### **3. Templates S.20 and S.21**

When filling in the development of the distribution of the claims incurred (template S.20) and the loss distribution risk profile (template S.21), undertakings shall apply criteria referred to recoveries and the FGVS, as defined under paragraph 1.1 and 1.2. As regards to expenses the amounts of claims shall be reported gross of direct expenses and allocated loss adjustment expenses (ALAE), but net of unallocated loss adjustment expenses (ULAE), as stated in the ITS-reporting.

## Reinsurance

Please find below instructions clarifying the criteria laid down in the ITS-reporting for reinsurer's identification details, treaties and facultative placements data, in the templates on reinsurance (templates S.30 and S.31.01).

In the identification of the reinsurer the undertakings shall consider company details of the reinsurer shown in the contractual documents, and, in any case, those of the reinsurer who actually takes on the risks (called *ultimate risk carrier*). When identifying the reinsurer the undertaking shall take account of any change in the corporate name. The undertaking shall pay particular attention to the correct compilation of:

- **Legal name reinsurer** (cells C0300 of the template S.30.02, C0200 of the template 30.04 and C0180 of the template S.31.01) the undertaking is required to report the correct corporate name of the reinsurer;
- **Code reinsurer** (cells C0050, C0180 and C0280 of the template S.30.02, C0050 and C0180 of the template 30.04, C0040 and C0160 of the template S.31.01). Undertakings are required to identify the entities using the Legal Entity Identifier (LEI).

This LEI code is available on EIOPA's website at the [link https://register.eiopa.europa.eu/Pages/Supervision/Register-of-Insurance-Undertakings.aspx](https://register.eiopa.europa.eu/Pages/Supervision/Register-of-Insurance-Undertakings.aspx) or also on the website of the *Global Legal Entity Identifier Foundation (the so-called GLEIF)* at the [link https://search.gleif.org/#/search/](https://search.gleif.org/#/search/).

In accordance with the ITS-reporting *ad hoc* codes can be used only when the LEI code is not available;

- **Country of residency** (cells C0320 of the template S.30.02, C0220 of the template 30.04 and C0200 of the template S.31.01). The undertaking is required to specify the country where the reinsurer is legally authorised;
- **External rating assessment by nominated ECAI** (*External Credit Assessment Institution*) (cells C0330 of the template S.30.02, C0230 of the template S.30.04, C0210 of the template S.31.01) and **Internal rating** (cells C0360 of the template S.30.02, C0260 of the template S.30.04, C0240 of the template S.31.01). In accordance with the instructions in the ITS-reporting, undertakings shall adopt the following criteria and shall provide information updated as at the date the *reporting* data refer to (year end).

Undertaking using the standard formula for the calculation of the SCR shall:

- fill in the cell "External rating assessment by nominated ECAI" with the rating of the reinsurer issued by the nominated ECAI. If the reinsurer is unrated, the undertaking shall supplement the information in the reporting by filling in the cell with "NR" (no rating);
- leave the cell "Internal Rating" blank.

Undertakings authorized to use an internal model for the calculation of the SCR shall, for each reinsurer:

- fill in the cell "Internal Rating" if they are authorized to use internal ratings for the modelling of the SCR, and leave the cell "External rating assessment by nominated ECAI" blank;
- fill in the cell "External rating assessment by nominated ECAI" if they are not authorized to use internal ratings for the modelling of the SCR, and leave the cell "Internal Rating" blank. If the reinsurer is unrated, the undertaking shall supplement the information in the reporting by filling in the cell with "NR" (no rating).

In any case, the undertaking shall fill in only one of the two cells “Internal Rating” or “External rating assessment by nominated ECAI”.

By way of example:

Example 1)

The undertaking A calculates the SCR using the standard formula and uses the services of:

- the Reinsurer-R to which the ECAI nominated by the undertaking has attributed the rating “BBB”;
- the Reinsurer-S which does not have a rating assessment by an ECAI.

When filling in the reporting, the undertaking A shall:

- for the Reinsurer-R, fill in the cell “External rating assessment by nominated ECAI” with “BBB”;
- for the Reinsurer-S, fill in the cell “External rating assessment by nominated ECAI” with “NR”.

The undertaking A shall always leave the cell “Internal Rating” blank.

Example 2)

The undertaking B calculates the SCR using an internal model, is authorized to use internal ratings and uses the services of:

- the Reinsurer-R to which the ECAI nominated by the undertaking has attributed the rating “BBB”;
- the Reinsurer-S which does not have a rating assessment by an ECAI;
- the Reinsurer-T to which the ECAI nominated by the undertaking has attributed the rating “AA”.

In the internal model the undertaking B has used:

- for the Reinsurer-R the rating assessment by the ECAI nominated by the undertaking;
- for the Reinsurer-S the internal rating “BBB”;
- for the Reinsurer-T the internal rating “A”.

When filling in the reporting, the undertaking B shall:

- for the Reinsurer-R, fill in the cell “External rating assessment by nominated ECAI” with “BBB” and leave the cell “Internal Rating” blank;
- for the Reinsurer-S, fill in the cell “Internal Rating” with “BBB” and leave the cell “External rating assessment by nominated ECAI” blank;
- for the Reinsurer-T, fill in the cell “Internal Rating” with “A” and leave the cell “External rating assessment by nominated ECAI” blank.

Example 3)

The undertaking C calculates the SCR using an internal model, is not authorized to use internal ratings and uses the services of:

- the Reinsurer-R to which the ECAI nominated by the undertaking has attributed the rating “BBB”;
- the Reinsurer-S which does not have a rating assessment by an ECAI.

When filling in the reporting, the undertaking C shall:

- for the Reinsurer-R, fill in the cell “External rating assessment by nominated ECAI” with “BBB”;
- for the Reinsurer-S, fill in the cell “External rating assessment by nominated ECAI” with “NR”.

The undertaking C shall leave the cell “Internal Rating” blank for all the reinsurers.

- **Nominated ECAI** (cells C0340 of the template S.30.02, C0240 of the template S.30.04, C0220 of the template S.31.01). In accordance with the *ITS-reporting* the cell can be filled in using one of the options in the closed list reported in the Annexes to Implementing Regulation (EU) 2015/2450, as amended by Commission Implementing Regulation (EU) 2017/2189 of 24 November 2017.

The above criteria for identifying the LEI code and filling in the cells on external rating and internal rating shall, where applicable, be adopted also in the identification of the other entities recorded in the Solvency II reporting.

With regard to the data on the treaties and facultative placements undertakings should pay particular attention to the correct compilation of the cells:

- **Validity period.** In accordance with the instructions of the *ITS-reporting* the undertaking is required to specify the period of validity of each treaty, indicating both the starting date (cells C0100 and C0260 of the template S.30.01, C110 of the template S.30.03) and the expiry date of the validity (cells C0110 and C0270 of the template S.30.01, C0120 of the template S.30.03). In line with the instructions set out in the *ITS-reporting* if, when filling in the template, the treaty conditions remain unchanged and the undertaking is not making use of termination clauses, the expiry date of the treaty is the next possible expiry date.  
Only for the contracts with no expiry date, the expiry date can be filled in with: 9999-12-31;
- **Lines of Business** (cells Z0010 and Z0020 of the templates S.30.01 and S.30.02, C0070 of the template S.30.03). Inconsistencies were found in the identification of the risks ceded and retroceded. In this regard we remind that, according to the *ITS-reporting*:
  - a) the lines of business from 1 to 12 and from 29 to 34 refer to reinsurance cessions, since they relate to risks arising from insurance business carried out by undertakings in life and non-life areas;
  - b) the lines of business from 13 to 28 and from 35 to 36 refer to reinsurance retrocessions, since they relate to risks arising from (inward) reinsurance carried out by undertakings in life and non-life areas;
- **Reporting currency**, given that the *ITS-reporting* envisages that the National Supervisory Authority can determine the reporting currency, we require that in the templates S.30.01, S.30.02, S.30.03, S.30.04 and S.31.01 undertakings report the amounts for all the reinsurance covers in euro.

For the covers placed in currencies other than the euro, when converting the currency, undertakings shall adopt the criteria set by article 3 of the *ITS-reporting* and shall fill in the cell “Currency” (C0120 and C0280 of the template S.30.01, C0110 and C0240 of the template S.30.02, C0130 of the template S.30.03) retaining the indication of the ISO 4217 alphabetic code of the currency used in the treaties and in the facultative placements.

With regard to the data on the treaty shares, undertakings should pay particular attention to the correct compilation of the cell:

- **Share reinsurer** (cell C0100 of the template S.30.04). In order to clarify the instructions for filling in the *reporting*, we make clear that the reinsurer’s share must be indicated as a percentage of 100% of the original risk. The undertaking shall fill in the template S.30.04 reporting only the shares of the treaty actually ceded.  
Any unplaced shares of the treaty shall be regarded as additional retained shares.

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By way of example:

The undertaking with a treaty T reinsures 60% of a risk X; in particular it transfers 70% of the reinsured risk to the Reinsurer-R, and 30% of the reinsured risk to the Reinsurer-S which however accepts only 25%. The remaining 5% continues to be borne by the undertaking and shall be regarded as additional retained share.

For the risk X the undertaking shall fill in the cell "Share reinsurer" of the template S.30.04 with the values:

- 0.42 for the Reinsurer-R (since 70% of the reinsured risk corresponds to 42% of the original overall risk);
- 0.15 for the Reinsurer-S (since 25% of the reinsured risk corresponds to 15% of the original overall risk);

The remaining 3% of the original risk (5% of the risk reinsured under the treaty) shall not be indicated in the template S.30.04 and shall be regarded as additional retained share.



**Surrender values of life insurance obligations**

In general, we underline the importance of a correct and complete compilation of the data on surrenders in the **templates S.05 and S.12**, both as regards the “Total” and the breakdown of the single LoB, consistently with the other data contained in the templates, and with the values reported in the previous years.

With regard to the LoB 30 and 31, we point out that the surrender payments and/or the values with a surrender option at the end of the year may neither be set equal to zero nor take the same value from one year to the next, if the undertaking’s portfolio includes insurance-based investment products, or if the amount of premiums for the LoB 30 and/or LoB 31, is different from zero.

More in detail, for these LoB, the comment on data consistency shall refer to the items listed below:

- **Template S.05.01.01.02** (for the year N):
  - The amounts of surrender payments, reported in row R2700 corresponding to cells C0220 and C0230 (respectively for the LoB 30 and 31);
  - The amounts of gross premiums, reported in row R1410, corresponding to cells C0220 and C0230 (respectively for the LoB 30 and 31).
- **Template S.12.01.01.01** (for the year N -1):
  - The value of the amounts with a surrender option reported in row R0300 corresponding to cells C0020 and C0030 (respectively for the LoB 30 and 31).

## Annex 4

### Identification codes for life products, separately managed accounts and other funds to which benefits are linked

In order to supplement, partially amend and further clarify the instructions given in the letter to the market of 18 December 2018, we make clear that, in accordance with the criteria laid down in the ITS Reporting:

- **Product identification code** (cells C0010, C0090 and C0220 of the template S.14.01) shall be defined as follows:

**{ACTEcode}\_{codiceProdotto}\_{codTariffa}/+/{number of the version}{letter}**

where:

- a) ACTEcode<sup>4</sup> = is the alphabetic code attributed according to the following criteria:
  - A = product marketed by the undertaking before 21 December 2012;
  - C = product marketed by the undertaking after 21 December 2012 and subject to reporting pursuant to IVASS Order No. 3 of 21 May 2013;
  - T = product resulting from extraordinary operations (e.g. portfolio acquisitions, mergers, ...);
  - E = any other case;
- b) codiceProdotto = unique code assigned by the undertaking to the product (sequential numerical code from 1) used for the systematic notification of the technical bases of life insurance products<sup>5</sup>, already sent to IVASS;
- c) codTariffa = unique code assigned by the undertaking to the tariff (sequential numerical code from 3000) used for the systematic notification of the technical bases of life insurance products, already sent to IVASS;
- d) number of the version = number of the product version (sequential numerical code from 1). This number is normally set equal to 1 but it may vary when the same product is marketed in different versions and the differences do not concern the product technical characteristics (i.e. products' trade name, distribution channel, marketing period, ...).
- e) letter = unique code identifying the different funds to which the product is linked (sequential alphanumeric code where the progressive number is preceded by letter "a" in case of separately managed accounts (gestioni separate), "b" in case of internal funds and "c" for UCITS). The code shall be indicated also in case of products linked to a single fund.

The syntax of the product identification code must also include the separating elements indicated.

If the undertaking does not have the unique codes referred to under points b) and c), used for the communications already sent to IVASS pursuant to IVASS Order No. 3/2013, these codes shall be defined as follows:

- a.1) codiceProdotto = unique code assigned by the undertaking to the product;
- b.1) codTariffa = 9999

By way of example:

Example 1)

For a product, marketed by the undertaking after 21 December 2012, linked to a with-profit premium rate of class I linked to a separately managed account, identified in the systematic

<sup>4</sup> "ANTE" is the acronym for: Ante - Company - Transferred - Eventual

<sup>5</sup> [Istruzioni per la trasmissione dei dati - Comunicazioni sistematiche vita](#)

notification of the technical bases of life insurance products with {codiceProdotto}:123 and {codTariffa}: 3001, the product identification code in the template S.14 is:

C\_123\_3001/+1a1

Example 2)

In the case of a hybrid product, marketed by the undertaking after 21 December 2012, having {codiceProdotto}:124 and {codTariffa}: 3002 (class I with profit product linked to a separately managed account) and 3003 (unit linked product that enables investing in 1 internal fund and 2 UCITS), the identification codes of the various product components, in the template S.14 are:

C\_124\_3002/+1a1 (for class I premium rate)

C\_124\_3003/+1b1 (for class III premium rate linked to an internal fund)

C\_124\_3003/+1c1 (for class III premium rate linked to the first UCITS)

C\_124\_3003/+1c2 (for class III premium rate linked to the second UCITS)

Example 3)

For a product linked to a with-profit premium rate of class I linked to a separately managed account, acquired following a portfolio transfer, to which the undertaking attributed the internal code "6789" and the ceding undertaking, in the systematic notification of the technical bases of life insurance products sent to IVASS, assigned the {codiceProdotto}: 123 and {codTariffa}: 3001.

- If the undertaking holds the information provided to IVASS with the systematic notification of the technical bases of the life insurance products sent by the ceding undertaking, the product identification code in the template S.14 is:

T\_123\_3001/+1a1

- If the undertaking does not hold the information provided to IVASS with the systematic notification of the technical bases of the life insurance products sent by the ceding undertaking, the product identification code in the template S.14 is:

T\_6789\_9999/+1a1

- **Fund number** (cell C0020 of the template S.14.01) for the products linked to separately managed accounts it is the unique code assigned by the undertaking ("Gesecode" of the GSFUA survey sent to IVASS in accordance with the instructions issued in the letter to the market of 23 September 2020<sup>6</sup>), and, for the products linked to internal funds or UCITS, to the unique identification code assigned by the undertaking (serial number of the fund as per Annex 3 of Regulation 36/2011<sup>7</sup> already sent to IVASS). In accordance with the provisions of the Commission Implementing Regulation (EU) 2015/2450, the same criteria for identifying the "Fund number" must be used to fill in the other reporting templates where the data is reported (for example in cell C0070 of the templates S.06.02 and S.08.02).

<sup>6</sup> IVASS [Letter to the market dated 23 September 2020](#)

<sup>7</sup> As laid down in Annex to IVASS letter to the market of 25 September 2020 containing [Operating instructions on how to send the information on assets representing technical provisions through the Infostat platform](#), in the Clarifications of 18 August 2017 IVASS extended the validity of the quarterly statements envisaged in ISVAP Regulation No. 36 of 31 January 2011 regarding the life classes (Annex 3, templates 1, 2 and 3) and the on-life classes (Annex 3, template 4).