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## Better supervision brings challenges

Insurance standards are not just about data. In the wake of the 2008 global crisis, financial services regulators worldwide stepped up efforts to create supervisory standards. The International Monetary Fund, the G20 and the Financial Stability Forum are now getting in on the act and working with the International Association of Insurance Supervisors (IAIS).

Post-crisis, the IAIS undertook a thorough overhaul of its insurance core principles (ICPs) including setting the standards for identification and assessment of global systemically important insurers.

National and international accounting oversight bodies stepped up their efforts to converge standards, although projects aimed at global alignment of accounting rules regarding certain insurance accounting valuations have foundered.

Europe's Solvency II project has hit rocky shoals and may be further delayed. But regulators are already working hard at setting the required reporting standards. And worldwide, a similar regulatory appetite for more data is apparent. It is a real problem for global players active in multiple jurisdictions.

And an IT challenge, too.

Underlying all insurance standards set and overseen by supervisors – actuarial, accounting, market conduct, policy oversight, and capital and financial solvency related – is the need for regular reporting to supervisors.

And that is where data standards ought to play a role. ■

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# Reporting requirements have a big impact on data

**While European firms are assessing the effects of solvency systems in other jurisdictions, the US is bringing part of its regulatory procedures to Europe in the form of detailed data reporting requirements**



Morag Fullilove  
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Recently, both the International Association of Insurance Supervisors (IAIS) and Eiopa issued proposals to improve supervisory reporting requirements and the National Association of Insurance Supervisors (NAIC) added additional data requests. Many of these new reporting requirements focus on information on insurance groups, raising some difficult issues for insurers writing in multiple jurisdictions.

## Europe moves closer to mandatory reporting

Even though it now appears Solvency II's implementation may be delayed again, perhaps to 2015, Eiopa has issued proposed data reporting and disclosure requirements for European insurers. Eiopa conducted a consultation on the draft late last year. Included in the Eiopa July report are reporting templates for annual and quarterly reporting. A final package of reports is expected later this year.

Industry respondents to the consultation suggested the proposed reporting templates would put a heavy burden on companies. Respondents said the costs will not only be the immediate costs of changing IT systems, but also a permanent increase in people costs across all company functions involved in reporting. Eiopa said it did try to clarify certain reports to decrease the burden, but overall thought the benefits of the reporting justified the costs.

## Eiopa guidelines

The guidelines in the Eiopa report give details as to what supervisory authorities should expect from undertakings with regard to:

- The content of the Solvency and



The IASB headquarters at 30, Canon St, London

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Financial Condition Report (SFCR);

- The content of the Regular Supervisory Report (RSR);
- Reporting in the case of pre-defined events (PDE); and
- Undertakings' own processes for public disclosure and supervisory reporting.

Reports will be required on both a solo entity and group basis.

Eiopa has indicated it will probably use XBRL as the basis for its reporting requirements, but did not issue further details regarding XBRL in the July guidelines. A final decision is expected with the final requirements. If XBRL is chosen as the new technical format for reporting templates, respondents stated the industry might require up to two years to implement and test the necessary systems.

## IAIS expands reporting requirements

The IAIS adopted a revised Insurance Core Principle on Supervisory Review and Reporting at its annual meeting in October.

The new standard, Insurance Core Principle (ICP) 9, will serve as the basis for peer reviews being

conducted by the IAIS and for the Financial Sector Analysis Programme (FSAP) carried out by the International Monetary Fund (IMF).

It goes into effect immediately.

ICP 9 specifies supervisors should establish documented requirements for the submission of regular qualitative and quantitative information on a timely basis from all insurers licensed in their jurisdiction.

The core principle requires insurers to use a consistent and clear set of instructions and definitions for any element in the financial statements or other required reports that is not self-evident, to maximise comparability.

## Group information

One of the major areas of expansion in the new standard relates to information on insurance groups. The new recommendations indicate a legal entity supervisor may request and obtain information on any member of an insurance group, "subject to applicable legal provisions and coordination with the supervisors of affected jurisdictions."

The reporting requirements may include the submission of information on group entities in other jurisdictions. To avoid duplication of requests, the ICP states the group-wide supervisor should establish supervisory reporting requirements on a group-wide basis in coordination with the host supervisors.

The information to be submitted to the group-wide supervisor should include information on the structure of the group, business operation and financial position of material entities within the group, relationship among entities within the group, including participation in other group entities and intra-group transactions with other entities within the group.

## Issues for insurers

Multiple and duplicative reporting requirements can result in additional costs for insurers. Industry representatives have raised concerns reporting information on a group-wide basis will require integration of systems and multiple accounting standards.

Concerns about the difficulty of unified reporting have increased over the summer since the US seems less likely to adopt international accounting standards or to converge with the International Accounting Standards Board on a single standard for insurance contracts accounting.

But insurers are not the only ones concerned about the quality of insurance data. Insurance and other financial regulators hope to obtain comparable information about insurance risks and company solvency, yet without a common language or methodology for reporting that goal remains elusive. ■

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