

CONSULTATION PAPER ON PROPOSALS FOR SOLVENCY II 2020 REVIEW PACKAGE ON SUPERVISORY REPORTING AND PUBLIC DISCLOSURE

EIOPA's call for comments on the Consultation Package on Solvency II 2020 Review for the Supervisory Reporting and Public Disclosure can be found [here](#).

Accountancy Europe decided to respond to document [4. Solvency and Financial Condition Report](#).

We submitted our response via e-mail.

COMMENT ON PARAGRAPH 4.5.5. "AUDIT OF THE SFCR INFORMATION"

Accountancy Europe welcomes EIOPA's consultation in view of a final proposed policy to be included in the 2020 Solvency II Review Opinion. We have always perceived solvency reports as a source of transparency and market discipline, and that assurance requirements would enhance the quality of private and public reporting - stances that we have shared with EIOPA in our previous collaborations as well (<https://www.accountancyeurope.eu/wp-content/uploads/Briefing Paper 06 Enhancing the Quality of Solvency II Public Reporting 110718201159 1014.pdf>).

A great part of the rationale included in this paragraph is in line with our previous recommendations, therefore we would like to initially express our gratitude for the considerations of our comments.

We support EIOPA's suggestions, as provided in this paragraph, as a first step towards more transparency, and hereby provide additional comments to build on in the future.

COMMENT ON PARAGRAPH 4.5.5. "AUDIT OF THE SFCR INFORMATION", ITEM 36

Even though we support Option 2, are of the opinion that the limitation to the audit of the Solvency II balance sheet only should be temporary. In the future, EIOPA should consider extending the audit requirement to the other parts of SFCR too.

This suggestion aims to:

1. Increase transparency: From the feedback of our members, companies generally do not include non-audited SFCR in the financial statements/management report. As such companies are less transparent with the public while the solvency information has become a key point in the financial communication towards market. Would insurance companies include solvency information in the financial statements or in the management report this may result in an exception of scope in auditors reports in the case the audit of the related information is not performed.
2. Further increase quality of reporting: Experience in countries where at least the balance sheet is audited shows that processes and controls have significantly improved over time.
3. Establish more connections with the regulator: Our members confirmed that auditing of Solvency II information has helped improve connections with the regulators. Indeed, audit questions have been subject to local consultation and intensified dialogue between the parties, also on an undertaking specific basis.
4. Increase consistency in jurisdictions: In many Member States the SCR, MCR and Own Funds reports are audited. We also observe that in the countries where the audit is not mandatory only a few insurance companies requested an audit on a voluntary basis. Limiting the audit requirements to the balance sheet will continue to distort competition, create entry barriers to cross-border activities, and complicate matters for large multinational insurance groups. The end game of having consistency in all jurisdictions would be reports of higher quality, more reliable and more comparable.
5. Simplification by extending the scope of audit: By extending the scope of the audit to other elements of the SFCR going beyond Solvency II balance sheet questions of defining the scope of audit

appropriately will become needless (e.g. in case of auditing solely the Solvency II balance sheet there is a demarcation question in respect to the SCR (because of the risk margin and certain QRTs).

COMMENT ON PARAGRAPH 4.5.5. "AUDIT OF THE SFCR INFORMATION", ITEM 38

In addition to the positive impacts of audit mentioned by EIOPA we noticed that - at least by trend and over time - that auditing also results in an improvement as regards systems.

COMMENT ON PARAGRAPH 4.5.5. "AUDIT OF THE SFCR INFORMATION", ITEM 43

Despite audit costs, in our opinion the benefits (improved trust in the market; consistent approach that may also decrease costs, particularly for multi-national enterprises; enable supervisor-auditor dialogue; etc.) will eventually outweigh the costs.

The future introduction of IFRS 17 *Insurance Contracts*, resulting in fair value accounting in financial reporting, will also result in audit synergies.

COMMENT ON PARAGRAPH 4.5.5. "AUDIT OF THE SFCR INFORMATION", ITEM 45

In analyzing the 'supervisors' costs' of Option 1.2, the following is quoted: "[...] *the audit requirement only on Solvency II balance sheet might lead to incorrect information on the SCR [...]*".

The different schedules of the SFCR are linked to each other, e.g. risk margins are derived from SCR projections, and then included in the balance sheet.

Therefore, we support extending audit to other elements of the SFCR as well, beyond the Solvency II balance sheet.

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