

Consultation Paper No. 15

Draft Advice to the European Commission on Supervisory Reporting and Public Disclosure in the Framework of the Solvency II Project

CEIOPS welcomes comments from interested parties on the following 'Draft Advice to the European Commission on Supervisory Reporting and Public Disclosure in the Framework of the Solvency II Project'.

Due to the need to give further more detailed advice to the European Commission in time to be considered in the Framework Directive on Solvency II, CEIOPS considers it necessary to shorten the consultation period under its consultation policy to two and a half months.

Please send your comments to CEIOPS by email (Secretariat@ceiops.org) by 12 January 2007, indicating the reference 'CEIOPS-CP-08/06'.

CEIOPS will make all comments available on its website, except where respondents specifically request that their comments remain confidential.

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Overview

- 1.1 One of CEIOPS' primary responsibilities is to provide technical support to the European Commission in developing a new solvency regime for insurance undertakings in the EU – Solvency II.
- 1.2 During 2005 and 2006, CEIOPS submitted technical advice for Solvency II on 23 specific areas requested by the Commission. Answering to Call for Advice 21 (CfA 21), included in its answers to the "third wave of Calls for Advice", CEIOPS gave some preliminary advice regarding supervisory reporting and public disclosure.¹
- 1.3 Further to its three waves of Calls for Advice, the European Commission has asked CEIOPS to give further advice required to draft the Framework Directive on Solvency II. The present consultation paper is one of a set of further advices submitted to the European Commission for this purpose.
- 1.4 Following the progress reached in CEIOPS' work on Pillars I and II, CEIOPS is now in the position to give more detailed advice regarding supervisory reporting and public disclosure. The present paper intends to establish, both for supervisory reporting and public disclosure, the main information requirements that insurance undertakings shall fulfil to enable an assessment of their solvency and financial condition.
- 1.5 These requirements are governed by some general concepts and overarching principles that were built in line with CEIOPS' answer to CfA 21. CEIOPS believes that these principles and requirements are the elements that should be included at the level of the Framework Directive.
- 1.6 In order to allow a clear understanding of the meaning and purpose of each main information requirement, specific subsets of information were developed.
- 1.7 It is important to highlight that the information required is not exhaustive and will potentially have different levels of content and detail depending on its use for supervisory reporting or public disclosure.
- 1.8 CEIOPS notes that the information requirements developed for public disclosure are not aimed at preventing companies to publicly disclose further information.
- 1.9 CEIOPS also notes that the information requirements developed for supervisory reporting do not hamper the general power of supervisors to ask additional information where deemed necessary for supervisory purposes. Careful consideration will be given to the need to avoid undue burden on insurance undertakings.

¹ See CEIOPS-DOC-03/06: Answers to the European Commission on the third wave of Calls for Advice in the framework of the Solvency II project, May 2006, <http://www.ceiops.org/media/files/publications/submissionstotheec/CEIOPS-DOC-03-06Answersthirdwave.pdf>

- 1.10 The information requirements have to be seen in the context of the present development of the Solvency II regime, namely the progress achieved under Pillar I and Pillar II. Consequently, it may be expected that the present paper could be revised and upgraded in the course of the upcoming Solvency II work.
- 1.11 Careful consideration has also been given to the need to ensure an appropriate level of consistency and compatibility with the approach taken under the Capital Requirements Directive (CRD).
- 1.12 The ongoing work in the IAIS, namely related to public disclosure, was taken into account as a basis for the development of the present information requirements to be publicly disclosed.
- 1.13 CEIOPS envisages the need to continue its work on this issue and intends to develop further advice regarding potential Level 2 measures as well as to establish Level 3 measures that can contribute to the process of convergence in the field of supervisory reporting and public disclosure.

Introduction

- 2.1 The new insurance solvency system introduced by Solvency II is based upon three complementary elements or “pillars”. Pillar III comprehends both supervisory reporting and public disclosure requirements.
- 2.2 Supervisory reporting requirements in the Solvency II framework should support the risk-oriented approach to insurance supervision while public disclosure requirements should reinforce market mechanisms and market discipline.
- 2.3 Supervisory reporting includes different types of information that a supervisor needs, on a harmonised basis, to perform his functions.
- 2.4 Public disclosure requirements under Solvency II shall work as a strong incentive to insurance undertakings to conduct their business in a sound and efficient manner, including an incentive to maintain an adequate capital position that can act as a cushion against potential losses arising from risk exposures.
- 2.5 The European Commission requested CEIOPS, through CfA 21, to advise on principles concerning the formulation of a general supervisory reporting for the Solvency II regime and a general concept for public disclosure.
- 2.6 In its answer to CfA 21, CEIOPS outlined the general principles which should govern the public disclosure and supervisory reporting requirements within the Solvency II regime.
- 2.7 In the process of developing the Level 1 Directive, the European Commission felt the need for additional details of the future disclosure requirements and requested further CEIOPS guidance.
- 2.8 This document builds upon the advice already given in CfA 21, and is structured into two main sections: Section 3 outlines a number of general concepts and principles in line with CfA 21 that should govern the requirements on supervisory reporting and public disclosure within the Solvency II regime; Section 4 deals with the main information requirements that insurance undertakings shall fulfil to enable a solvency and financial condition assessment.
- 2.9 For each of these overarching requirements CEIOPS developed an explanatory text and specific subsets of information in order to allow a clear understanding of their meaning and purpose under the scope of the solvency and financial condition assessment.

General concepts and principles for supervisory reporting and public disclosure in the framework of Solvency II

- 3.1 **Public disclosure** improves the ability of market participants, including policyholders or their representatives, to make informed decisions, by assessing management's ability to monitor and manage its risk exposures and allowing them to assess the solvency and financial condition of the entity.
- 3.2 **Supervisory reporting** consists of all information required to be submitted on a regular basis for supervisory purposes. In this context "regular" means not only periodical reporting, but also orderly reporting according to predefined events. Information that is part of public disclosure is generally also used for supervisory reporting, but most of the latter information shall be gathered by electronic form. Supervisory reporting may also include information prepared from external sources, such as auditors and actuaries.
- 3.3 Public disclosure and supervisory reporting are subject to the **materiality** principle, although the impacts of this principle could be different on supervisory reporting and public disclosure, respectively. Within public disclosure, a financial reporting perspective may be applied, meaning that omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. For supervisory reporting, the application of the materiality principle lies within the power of the supervisor, although CEIOPS envisages that as part of its future work it will consider the scope for further supervisory convergence also in this area.
- 3.4 Public disclosure and supervisory reporting are also subject to the **proportionality** principle, meaning that a flexible application of quantitative and qualitative requirements will be envisaged taking into account the nature, scale and complexity of the insurance undertaking's business.
- 3.5 Public disclosure shall also have regard to **proprietary** information and other **confidentiality** considerations. Information should be considered proprietary if sharing that information with the public would undermine the competitive position of the insurance undertaking. It may include information on products or systems that, if shared with competitors, would render an insurance undertaking's investments therein less valuable. Information should be considered confidential when there is an obligation to secrecy, and/or confidentiality between the insurance undertaking and the policyholder, or other counterparties, such as reinsurance undertakings or intermediaries.

3.6 The allowance for not disclosing some information under proprietary or confidentiality principles should be exceptional. In such cases undertakings should clearly state that some items are not disclosed, and explain the reasons. This notion shall be applied to the public disclosure requirements set forth in this document.

3.7 Considering the concepts and notions referred to above, CEIOPS is of the opinion that within the formulation of a general public disclosure and supervisory reporting approach for Solvency II, the following overarching **principles** are relevant:

- Information required under Pillar III shall include the elements that are necessary to perform an insurance undertaking's solvency and financial condition assessment, namely the quantitative and qualitative information needed to perform the Pillar I solvency assessment and the Pillar II supervisory review process. Regarding public disclosure, it must be assured that information needed to support market transparency and market discipline is provided.
- Information required under Pillar III shall be provided on a timely and adequate basis and be accessible, meaningful and readily understandable.
- Insurance undertakings shall adopt a formal policy to comply with the established Pillar III requirements and have policies for assessing the appropriateness of their reporting and disclosures, including their internal verification and frequency.
- Where relevant, information required under Pillar III shall be provided on a solo as well as on a group level.
- Disclosures made by insurance undertakings under financial reporting, listing or other legal or regulatory requirements may be relied upon to fulfil the equivalent Pillar III public disclosure requirements in order to avoid duplication.
- Public disclosure under Pillar III shall be made on an annual basis at a minimum. However, more frequent disclosures may be deemed necessary in the light of the relevant characteristics of the insurance undertaking's business. For supervisory reporting, a combination of frequencies is most likely to be appropriate, depending on the nature of the information.

Solvency and financial condition information requirements

- 4.1 As stated in the previous sections, and in the context of the overarching principles identified in 3.7, CEIOPS believes that insurance undertakings shall provide, both for public disclosure and supervisory reporting, material information on their solvency and financial condition.
- 4.2 With this aim, CEIOPS has identified the following main information requirements that were intended to be as far as possible consistent with financial reporting and other requirements in place.
- 4.3 These information requirements are to be applicable to public disclosure except when clearly stated otherwise.

A. Business overview and performance

- 4.4 The information shall include a description of the insurance undertaking's business, corporate structure, external environment, objectives and strategies, including specific group-level information that might have a relevant influence within the solo insurance undertaking.

A.1. Nature of the insurance undertaking's business and external environment

- 4.5 This information shall enable the assessment of the business of the insurance undertaking in its environment and the main issues affecting that business.
- Environment in which it operates and main trends and factors that have contributed positively or negatively to the development, performance and position of the undertaking and/or will contribute to them in the future
 - Competitive position and business models (e.g. business lines, approach for acquiring new business, dealing with and settling claims, etc.)

A.2. Objectives and strategies

- 4.6 This information shall enable the assessment of the objectives and strategies of the insurance undertaking and its ability to achieve and implement them.
- Objectives of the insurance undertaking, time frames and strategies in place to achieve them

- Changes in the strategies compared to last year
- Key external and internal factors, risks, resources and opportunities that may affect the ability of the business to achieve its objectives

A.3. Performance

4.7 This information shall consist of a description of an insurance undertaking's performance, including key performance indicators.

- Analysis of income, expenses, gains or losses (including impairment) segregated by asset and liability classes
- Segmental reporting (gross and net of reinsurance) by major business lines and geographical areas including information on the main sources and amounts of income and expenditure and cash flows relevant for the solvency and financial condition assessment
- Information useful to assess pricing adequacy including key indicators (e.g. loss ratio, expense ratio, combined ratio, operating ratio, etc.) and information on claims useful to assess provision adequacy (e.g. run-off results, claims triangles, etc.)

B. Governance

4.8 The information shall include a description of the governance structures relevant for the solvency and financial condition assessment, including specific group-level information that might have a relevant influence within the solo insurance undertaking.

- Structure of the board and the senior management and description of the main roles and responsibilities
- Description of specific key committees and key internal and external experts (for instance actuaries), including information on:
 - Main roles
 - Main Responsibilities
 - Reporting lines, which may assume the form of just a brief description for purposes of public disclosure
 - How the internal auditing and compliance functions are accomplished
- Information necessary to assess the compliance with applicable fit and proper requirements of the key staff and external reviewers involved in the solvency and financial condition assessment. For the purposes of public disclosure this requirement may assume the form of a statement of compliance

- Statement of the Board on the actual risk profile of the undertaking. For supervisory reporting purposes, if the statement does not indicate that the risk profile is adequate for the standard formula or the internal model or that the governance structure is in accordance with the risk profile and supervisory standards, the statement should mention the measures taken by the undertaking

C. Valuation basis used for solvency purposes

C.1. Technical provisions

4.9 This information shall enable the assessment of the technical provisions used for solvency purposes, as well as any major differences in relation to the financial statements figures.

- Amount of technical provisions gross of reinsurance according to lines of business and by category (e.g. provisions for premiums, provisions for claims, for contracts where risk is borne by policyholders, etc.)
- Qualitative and quantitative information on the determination of the technical provisions, including the key assumptions, correlations and methodologies used in measuring technical provisions for solvency purposes
- Indication of the level of uncertainty and variability associated with the technical provisions amounts considered for solvency purposes
- Amount(s) of reinsurance cover with qualitative and quantitative information on its/their determination and an indication of the level of uncertainty and variability associated with these amount(s)
- Significant adjustments to previous estimates and assumptions and the main factors considered within the calculation of those adjustments
- Separation of the technical provisions between the best estimate and the risk margin, including a description of the key assumptions, correlations and methodologies used to calculate these best estimates and margins and the reasons for their adoption
- Explanation of major differences in relation to figures in financial statements

C.2. Assets covering technical provisions and capital requirements

4.10 This information shall enable the assessment of risks and potential rewards stemming from assets covering technical provisions and capital requirements that are relevant for the solvency assessment, as well as any major differences in relation to the financial statements figures.

- Investment policy in place

- Breakdown of the investment portfolio and value considered for solvency purposes according to key investment categories (e.g. separate indication of assets related to contracts where risk is borne by policyholders (unit and index linked))
- The extent of the insurance undertaking's reliance on assets of a particular class, market sector or counterparty
- Description of the methods and, when a valuation technique is used, the assumptions applied in determining the solvency valuation of each class of assets, as considered for solvency purposes
- When relevant for supervisory purposes the supervisory reporting shall include information regarding historical cost
- Covering of technical provisions, which for public disclosure purposes may assume the form of a statement of compliance
- Explanation of major differences in relation to figures in financial statements

C.3. Other assets and liabilities

4.11 This information shall enable the assessment of other assets and liabilities (e.g. investment contracts' liabilities, employee benefits, etc.) considered relevant for solvency purposes, as well as any major differences in relation to the financial statements figures.

- Breakdown of other relevant assets/liabilities by major class of asset/liability
- Qualitative information on the calculation of other relevant assets/liabilities, including the key assumptions and methodologies used in their measurement for solvency purposes
- Explanation of major differences in relation to figures in financial statements

D. Risk and capital management

D.1. Risk management

4.12 Insurance undertakings shall provide for each separate category of risk (underwriting risk, credit risk, market risk, concentration risk, liquidity risk, operational risk, group risk (if applicable), and other identified material risks), a description of the strategies and processes used to identify, measure, mitigate and control their risks, as well as information about the respective risk appetite, exposure, concentration, mitigation and sensitivity.

- Description of the structure and organisation of the relevant risk management function or other appropriate arrangements

- Description of how the undertaking identifies and measures the major risks faced and their respective correlations as well as the scope and nature of risk reporting and measurement systems, and a description of measurement tools (e.g. risk map)
- Description of the insurance undertaking's approach towards risk
- The exposure arising from both the insurance undertaking's assets and liabilities, including qualitative and quantitative information regarding the appropriateness of the asset-liability management (ALM) policy
- Information about risk concentrations which includes a qualitative and quantitative description of the types of risk concentrations to which the insurer is exposed and how high these are, including a description of the methods used and assumptions made in arriving at the quantitative data and a description of how management determines concentrations, as well as a description of the shared characteristics that identify each concentration
- Description of the structure and organisation of the relevant risk mitigation functions
- Description of the policies used to hedge and mitigate risks, and the strategies and processes for monitoring their continuing effectiveness
- General description of the relevant key internal controls in place (e.g. frequency of revision of the adherence to the defined policies and strategies, how weaknesses and deficiencies are identified by internal control systems, including how and how frequently it reports to the Board, outsourcing policies and its controls, etc.)
- Information on how the Internal Risk and Capital Assessment (IRCA) and/or the internal model is integrated into the day-to-day risk management process, namely if and how the results of the analysis performed are an integral part of the process of planning, monitoring and controlling the insurance undertaking's risk profile
- The analysis performed and an explanation of the results of the sensitivity analysis and any other aspects that may enhance the understanding of the results

D.2. Capital management

- 4.13 The information shall include the insurance undertaking's eligible capital, as well as any possible differences in relation to the financial statements figures and regulatory capital in order to allow an assessment of its solvency condition
- 4.14 For supervisory reporting purposes, information about capital management will usefully include the following elements:
- Policy on solvency capital (analysis of how the business plans affect the way in which the insurance undertaking ensures that regulatory

requirements are met and will continue to be met over the time horizon determined for the regulatory solvency capital (SCR))

- Where applicable, qualitative and quantitative information on the relevant regulatory capital requirements (amount of the minimum capital requirement (MCR) and of the solvency capital requirement (SCR) calculated by the use of the standard formula or by an internal model, calculation of run-off expenses for the MCR, capital add-ons temporary/permanent, etc.), including an analysis of significant movements from last year's regulatory capital
- Identification of the differences between the level and quality of capital available under Pillar I requirements and under the IRCA
- Structure and amount of eligible capital elements, including an analysis of significant movements from last year's eligible capital and an explanation of major differences in relation to figures in financial statements
- Quality of capital elements, including capital transferability/fungibility
- Any breaches in the SCR or MCR, and detailed descriptions on their occurrences including timeframe of measures to remedy the deficiencies

4.15 CEIOPS acknowledges that market transparency and public disclosure in the area of capital management are an important part of the Solvency II framework, and is looking to increase the level of transparency from the current situation.

4.16 Regarding the capital elements, CEIOPS believes that the level of annual public disclosure to be required from an insurance undertaking will usefully include:

- Structure and amount of eligible capital elements, including an analysis of significant movements from last year's eligible capital and an explanation of major differences in relation to figures in financial statements
- Quality of capital elements, including a brief description of the capital transferability/fungibility

4.17 Regarding the capital requirements, taking into consideration the present status of the on-going Solvency II work and the role of public disclosure therein as well as concerns regarding the possible sensitivity of the information, CEIOPS notes that there are a number of approaches that could be considered.

With a view to reaching a well-informed position, CEIOPS would in particular welcome views from stakeholders and other interested parties on the following non-exhaustive list of options before finalising CEIOPS' position:

- With regard to the disclosure of the capital requirement
 - a) Overall capital requirement without any specific breakdown regarding the respective components

b) Result of the SCR (calculated using the standard formula or an internal model) or

c) Full disclosure of the amounts with breakdown of all components.

- With regard to the public disclosure of any breaches of the solvency control levels (SCR, MCR), further consideration is also needed as to under what circumstances, and how, the new solvency framework should approach these issues (e.g. year's end reporting of any occurred breach in the SCR or MCR during the year, even if since resolved, with explanation of its consequences).

4.18 At this stage a large number of CEIOPS Members are of the view that disclosure of the overall capital requirement without any specific breakdown should be recommended. However, CEIOPS considers that more in-depth discussions would be beneficial in order to come to a final advice after considering the views of stakeholders and other interested parties following consultation.

4.19 Regarding the public disclosure of any breaches of the solvency control levels a large number of CEIOPS Members has reached the view that disclosure at year's end of the occurrence of any breach in the SCR or the MCR during the year, even if since resolved, with an explanation of its consequences, should be recommended. However, also regarding this issue CEIOPS considers that more in-depth discussions would be beneficial in order to come to a final advice after considering the views of stakeholders and other interested parties following consultation.

4.20 Further thought is also required on any need for transitional arrangements and the possibility to review the arrangements following implementation of the new framework. This would allow taking into account supervisory and market developments such as those related to an increased use of internal models.

D.3. Calculation of the SCR using the standard formula

4.21 To allow a comparison between the capital amount necessary for the insurance undertaking's business needs resulting from the IRCA and the capital amount which the standard formula generates, relevant information will usefully include the following elements:

- Stress tests, business continuity analysis or dynamic financial analysis used under the IRCA framework developed in Pillar II
- Assumptions and results of these additional methods
- Management actions taken

4.22 This information should only be required within supervisory reporting.

D.4. Calculation of the SCR using an internal model

- 4.23 To allow a proper understanding of the internal model used, insurance undertakings shall provide information to the supervisor according to the advice given in CEIOPS' answer to CfA 11² and any further advice on internal models.
- 4.24 Public disclosure requirements should mainly consist in qualitative information about the internal model and might include the following elements (on which further discussions might be needed):
- Risks analysed including a breakdown of the model used within each of the risks identified
 - Modelling methodologies and key assumptions
 - Stability analyses performed on the model, including a description of the stress and scenario tests applied
 - Diversification assumptions
 - Management actions taken
 - Description of the internal processes of model validation

² See CEIOPS-DOC-07/05 Answers to the European Commission on the second wave of Calls for Advice in the framework of the Solvency II project, October 2005, http://www.ceiops.org/media/files/publications/submissionstotheec/Doc07_05-AnswersEC2ndwaveSII.pdf

CEIOPS' Advice

- 5.1 The new insurance solvency system introduced by Solvency II is based upon three complementary elements or "pillars". Pillar III comprehends both supervisory reporting and public disclosure requirements.
- 5.2 Supervisory reporting requirements in the framework of Solvency II should support the risk-oriented approach to insurance supervision while public disclosure requirements should reinforce market mechanisms and market discipline.
- 5.3 Supervisory reporting includes different types of information that a supervisor needs, on a harmonised basis, to perform his functions.
- 5.4 Public disclosure requirements under Solvency II shall work as a strong incentive to insurance undertakings to conduct their business in a sound and efficient manner, including an incentive to maintain an adequate capital position that can act as a cushion against potential losses arising from risk exposures.
- 5.5 The allowance for not disclosing some information under proprietary or confidentiality principles should be exceptional. In such cases undertakings should clearly state that some items are not disclosed, and explain the reasons. This notion shall be applied to the public disclosure requirements set forth in this document.
- 5.6 CEIOPS is of the opinion that within the formulation of a general public disclosure and supervisory reporting approach for Solvency II the following overarching principles are relevant:
- Information required under Pillar III shall include the elements that are necessary to perform an insurance undertaking's solvency and financial condition assessment, namely the quantitative and qualitative information needed to perform the Pillar I solvency assessment and the Pillar II supervisory review process. Regarding public disclosure, it must be assured that information needed to support market transparency and market discipline is provided.
 - Information required under Pillar III shall be provided on a timely and adequate basis and be accessible, meaningful and readily understandable.
 - Insurance undertakings shall adopt a formal policy to comply with the established Pillar III requirements and have policies for assessing the appropriateness of their reporting and disclosures, including their internal verification and frequency.
 - Where relevant, information required under Pillar III shall be provided on a solo as well as on a group level.
 - Disclosures made by an insurance undertaking under financial reporting, listing or other legal or regulatory requirements may be relied upon to fulfil the equivalent Pillar III public disclosure

requirements in order to avoid duplication.

- Public disclosure under Pillar III shall be made on an annual basis at a minimum. However, more frequent disclosures may be deemed necessary in the light of the relevant characteristics of the insurance undertaking's business. For supervisory reporting, a combination of frequencies is most likely to be appropriate, depending on the nature of the information.

5.7 CEIOPS believes that an insurance undertaking shall provide, both for public disclosure and supervisory reporting, material information on its solvency and financial condition, which shall include as a minimum the following main subjects.

A. Business overview and performance

The information shall include a description of the insurance undertaking's business, corporate structure, external environment, objectives and strategies, including specific group-level information that might have a relevant influence within the solo insurance undertaking.

A.1. Nature of the insurance undertaking's business and external environment

This information shall enable the assessment of the business of the insurance undertaking in its environment and the main issues affecting that business.

A.2. Objectives and strategies

This information shall enable the assessment of the objectives and strategies of the insurance undertaking and its ability to achieve and implement them.

A.3. Performance

This information shall consist of a description of an insurance undertaking's performance, including key performance indicators.

B. Governance

The information shall include a description of the governance structures relevant for the solvency and financial condition assessment, including specific group-level information that might have a relevant influence within the solo insurance undertaking.

C. Valuation basis used for solvency purposes

C.1. Technical provisions

This information shall enable the assessment of the technical provisions used for solvency purposes, as well as any major differences in relation to the financial statements figures.

C.2. Assets covering technical provisions and capital requirements

This information shall enable the assessment of risks and potential rewards stemming from assets covering technical provisions and capital requirements that are relevant for the solvency assessment, as well as any major differences in relation to the financial statements figures.

C.3. Other assets and liabilities

This information shall enable the assessment of other assets and liabilities (e.g. investment contracts' liabilities, employee benefits, etc.) considered relevant for solvency purposes, as well as any major differences in relation to the financial statements figures.

D. Risk and capital management

D.1. Risk management

Insurance undertakings shall provide for each separate category of risk (underwriting risk, credit risk, market risk, concentration risk, liquidity risk, operational risk, group risk (if applicable), and other identified material risks), a description of the strategies and processes used to identify, measure, mitigate and control their risks, as well as information about the respective risk appetite, exposure, concentration, mitigation and sensitivity.

D.2. Capital management

CEIOPS acknowledges that market transparency and public disclosure in the area of capital management are an important part of the Solvency II framework, and is looking to increase the level of transparency from the current situation.

The information provided shall include the insurance undertaking's eligible capital, as well as any possible differences in relation to the financial statements figures and regulatory capital in order to allow an assessment of its solvency condition.

Regarding the capital requirements, taking into consideration the present status of the on-going Solvency II work and the role of public disclosure therein as well as concerns regarding the possible sensitivity of the information, CEIOPS notes that there are a number of approaches that could be considered.

With a view to reaching a well-informed position, CEIOPS would in particular welcome views from stakeholders and other interested parties on the following non-exhaustive list of options before finalising CEIOPS' position:

- With regard to the disclosure of the capital requirement
 - a) Overall capital requirement without any specific breakdown regarding the respective components;
 - b) Result of the SCR (calculated using the standard formula or an

internal model) or

c) Full disclosure of the amounts with breakdown of all components.

- With regard to the public disclosure of any breaches of the solvency control levels (SCR, MCR), further consideration is also needed as to under what circumstances, and how, the new solvency framework should approach these issues (e.g. year's end reporting of any occurred breach in the SCR or MCR during the year, even if since resolved, with an explanation of its consequences).

At this stage a large number of CEIOPS Members are of the view that disclosure of the overall capital requirement without any specific breakdown should be recommended. However, CEIOPS considers that more in-depth discussions would be beneficial in order to come to a final advice after considering the views of stakeholders and other interested parties following consultation.

Regarding the public disclosure of any breaches of the solvency control levels a large number of CEIOPS Members has reached the view that disclosure at year's end of the occurrence of any breach in the SCR or the MCR during the year, even if since resolved, with an explanation of its consequences, should be recommended. However, also regarding this issue CEIOPS considers that more in-depth discussions would be beneficial in order to come to a final advice after considering the views of stakeholders and other interested parties following consultation.

Further thought is also required on any need for transitional arrangements and the possibility to review the arrangements following implementation of the new framework. This would allow taking into account supervisory and market developments such as those related to an increased use of internal models.

Information on IRCA regarding capital management should only be required within supervisory reporting. Insurance undertakings should publicly disclose qualitative information about the internal model used.