

21 April 2020

Amendments to the Insurance Rules in light of the Recommendations on supervisory flexibility regarding the deadline of supervisory reporting and public disclosure – Coronavirus/COVID-19 issued by EIOPA

Scope

On the 20th March 2020 EIOPA issued Recommendations on supervisory flexibility regarding the deadline of supervisory reporting and public disclosure – Coronavirus/COVID-19 (the “Recommendations”). EIOPA issued the Recommendations to foster convergence and consistent supervisory approaches across Member States when providing flexibility for supervisory reporting and public disclosure of insurance and reinsurance undertakings. In this respect the MFSA is amending Chapter 8 of the Insurance Rules entitled Financial Statements and Supervisory Reporting Requirements and introducing a new Annex VI to the Chapter which will adopt the said Recommendations.

Amendments to Chapter 8 of the Insurance Rules - Financial Statements and Supervisory Reporting Requirements

Chapter 8 of the Insurance Rules focuses on the importance of supervisory reporting and disclosure, which play a key role in the Solvency II regime, in order to ensure greater transparency. Authorised undertakings are required to disclose information which is necessary for the purposes of supervision. Paragraph 8.6.8 of Chapter 8 of the Insurance Rules indicates the time frames within which the SFCR, the Regular Supervisory Reporting, the Own Risk and Solvency Assessment, the annual quantitative templates and the quarterly quantitative templates are to be submitted.

The SFCR is to be submitted no later than fourteen (14) weeks after the undertaking’s financial year end. The annual quantitative templates are to be submitted no later than fourteen weeks after the undertaking’s financial year end. Whilst the quarterly quantitative are to be submitted, no later than five weeks related to any quarter ending.

In view of the Coronavirus/COVID-19 outbreak and in line with the Recommendations, the MFSA is amending Chapter 8 and introducing a new Annex VI to offer operational relief and support business continuity of insurance and reinsurance undertakings. A new proviso to paragraph 8.6.8 of Chapter 8 of the Insurance Rules is being introduced. The detail as to how the SFCR, the annual and the quarterly templates are to be submitted will be laid down in a new Annex, Annex VI of the said Chapter.

The purpose of the new Annex VI is to extend the time frame for an undertaking which falls within the scope of the said Annex to submit:

- (a) the annual reporting referring to year-end occurring on 31 December 2019 or year-end after that date but before 1 April 2020;
- (b) the quarterly reporting referring to Q1 2020-end occurring on 31 March 2020 or after that date but before 30 June 2020;
- (c) solvency and financial condition report referring to year-end occurring on 31 December 2019 or year-end after that date but before 1 April 2020.

It is to be noted that undertakings may opt to submit the full reporting package at any time before the shortest delay indicated in the Annex. Furthermore, undertakings are to focus on the overall accuracy of the submissions and may also consider a proportionate approach to less material aspects of the calculations.

Section V of the new Annex VI provides the technical detail which undertakings are required to follow in relation to the submission of the annual quantitative reporting templates.

Paragraph 8.8.1 of Chapter 8 states that in the event of any “major development” that significantly affects the relevance of the information disclosed in accordance with article 18F(1) to (4) of the Act and section 8.7 of the chapter, the authorised undertaking is to publicly disclose appropriate information of the nature and effects of that major development.

Paragraphs 8.8.1 and 8.8.2 of Chapter 8 outline what is considered to be a “major development”. Paragraph 24 of recommendation 3 of the Recommendations states that insurance and reinsurance undertakings should consider the current situation as a “major development”. Such undertakings are required to publish the SFCR at the same time of publication of the information referring to the year-end occurring on 31 December 2019 or after, any appropriate information on the effect of the Coronavirus/COVID-19 in the published information. In light of the above, the MFS is adding a new paragraph 8.8.6 to Section 8.8 of Chapter 8.

The new paragraph 8.8.6 of Chapter 8 states that without prejudice to paragraphs 8.8.1 and 8.8.2 of this Chapter, and in line with the recommendations on supervisory flexibility regarding the deadline of supervisory reporting and public disclosure – Coronavirus/COVID -19, the COVID situation is considered as a “major development”.

Contacts

Any queries or requests for clarifications in respect of the above should be sent by email on ipsu@mfsa.com.mt.