Solvency II
Are you ready for challenges?

The first round of mandatory reporting under Solvency II will soon begin. For some insurers that might be the last wake-up call to advance their compliance projects in order to meet the requirements of this complex regulatory regime. For others it could be the right time to reevaluate their long-term technological strategy based on current and foreseeable decisions of EIOPA.

Undoubtedly, Solvency II is a game changer in the insurance industry in Europe and beyond. It introduces a mandate for undertakings to take 360° view on enterprise risk management. No longer can insurance products be designed without prior assessment of impact on capital requirements and effectiveness of associated risk mitigation techniques.

Solvency II also redefined the regulatory reporting landscape by expanding disclosure processes both in breadth and depth. The already staggering number of reports required by the national supervisory authorities and EIOPA is likely to be extended once insurers get used to it.

Also, the insurance industry is not an island. It is widely interconnected with other financial sectors and often across different jurisdictions, and insurers may find their reporting burden growing due to 'non-native' regulations, for example on pension schemes or their direct lending activities. The Basel III framework is likely to impose extra risk charges on long-term holdings thus promoting high-quality liquid and short-term assets. Since insurance undertakings are subject to essentially different type of risk exposures, they may find access to large infra projects debt and commercial mortgages as very attractive capital allocation opportunities.

The technological side of Solvency II reporting is mostly represented by XBRL. This XML dialect, adopted also by the European Banking Authority (EBA), European Central Bank (ECB) and other major supervisors in the world, adds another layer of complexity into the reporting process. The experiences of banks with COREP/FINREP taxonomies show that it could be quite a daunting task. The Solvency II taxonomy poses even greater challenge for insurers.

Solvency II reporting will require the submission of a voluminous amount of data from insurers. From an XBRL perspective, it is apparent that some processing and performance issues will certainly surface e.g. open tables (lists of assets) possibly containing several thousands of records. This year's preparatory reporting cycle includes only part of quantitative reporting templates related to capital requirements calculations and the scope will substantially widen from 1 January 2016 by, among other things, the Solvency Financial Condition Report.

On top of that, ECB regulation 1374/2014 came into force on 9 January 2015 creating an additional reporting burden for a selected group of insurance undertakings. Another factor that cannot be easily discounted is reporting timeliness. EIOPA decided to gradually tighten the deadlines: in 2015, insurers are obligated to submit reports within 8 weeks for quarterly reports and 20 weeks for annual after period end. The time frame will be reduced by 1 week and 2 weeks, respectively, in each following year.

Bearing in mind the ongoing normalisation of the Solvency II taxonomy (e.g. plans to drop the HD layer and harmonise SII dimensional break-downs with its COREP/FINREP counterparts) and widening reporting scope, it becomes clear that current issues with validation and rendering of XBRL reports can be only magnified.

At Fujitsu, we understand what challenges our clients face and the resilience of XBRL solutions that is needed to meet all regulatory requirements. We are continuously analysing and actively approaching market demands regarding expected performance of the XBRL engine. The deep experience and knowledge we gathered through the last 13 years from implementation of FUJITSU Software Interstage XWand by 300 + customers in over 50 countries help us to grow and make our products second to none.

Our recent optimisation activities, conjoint efforts of Fujitsu's development team and European supervisors, resulted in unparalleled improvements in loading and processing times of large instances, table linkbase processor's rendering time (including the problematic Z-axis and open nature of many tables in SII) and validation of complex formulas.

Interstage XWand is 100% compliant with the XBRL standard and taxonomy agnostic which means that once you implement our software package you can work with any XBRL taxonomy.

Interstage XWand provides a framework for incorporating XBRL into applications that can analyse, collect, and disclose financial information in the shortest period of time. With modular architecture, ease-of-use and a comprehensive API, Interstage XWand enables rapid development of feature-rich, industrial strength XBRL applications.

We stay abreast of the implementation of all modular extensions to XBRL specification and growing performance needs in XBRL data processing. Our software is one of very few on the market that allows efficient XBRL processing purely in-memory, i.e. without intermediary formats, and enables both 'bolt-on' implementation and deep integration with any technologies and platforms depending on the organisation readiness.

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More information

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