

SE.02.01 – Balance sheet (Variant of Solvency II template S.02.01 with ECB add-ons)

General comments:

Analysing developments over time is one of the reasons why the ESCB collects statistical data. Therefore, the observations for each reporting period are not considered independently, but in relation to previous periods. An important element in insurance corporation statistics is the distinction between transactions and other factors affecting balance sheet outstanding amounts (i.e. Solvency II value) and their evolution over a reference period. These other factors comprise valuation effects arising from changes in prices, exchange rates or reclassifications (which [Regulation \(EU\) No 549/2013](#) (ESA 2010), inter alia, refers to as “other changes in the volume of assets”).

Factors affecting balance sheet outstanding amounts over a reference period

Outstanding amounts at time t			
+			
Transactions	Other factors		
	Reclassifications	Price changes (price evaluations)	Exchange rate changes
=			
Outstanding amounts at time t+1			

The “Reclassification adjustments” column (EC0021) shall include any change in value (compared with the previous period) reported in the “Solvency II value” column that arises from changes that are neither linked to changes in prices or exchange rates nor to a transaction defined as “an economic flow that is an interaction between institutional units by mutual agreement or an action within an institutional unit that it is useful to treat as transaction” (according to ESA 2010 (1.66).

The reporting of reclassification adjustments shall include all relevant balance sheet items and scenarios requiring reclassification adjustments. An overview of scenarios and the expected treatment of affected balance sheet line items is presented below.

Please note that additional information (such as the breakdown by sector or maturity) may be requested by the national central banks (NCBs) for a reported reclassification adjustment.

Example 1 – changes to or correction of reporting errors in the classification of financial instruments (leaving total assets/liabilities unchanged)

The “Reclassification adjustments” column shall include any change in value (compared with the previous period) reported in the “Solvency II value” column that arises from changes in the classification of financial instruments due to corrections of reporting errors or ordinary changes in the classification.

Please note in the context of correcting reporting errors that reclassifications correct only the transactions and not the respective Solvency II amounts from previous periods. Revisions of incorrect data are therefore preferred to reporting reclassifications.

In the first example below, a financial instrument has been wrongly allocated to a certain balance sheet item. Total assets/liabilities do not change, but reclassification adjustments are required either on the assets side or the liabilities side. A negative value corrects an amount that was incorrectly attributed to a certain balance sheet item, while a positive value corrects the value of the balance sheet item to which the amount should actually have been attributed.

For the 2019Q4 reporting period the insurance corporation detects that a listed share at a value of 100 for the 2019Q3 reference period has been wrongly classified as a financial corporate bond in previous periods. This error can be corrected by means of a reclassification. In this case, on the asset side, a negative entry for “Corporate bonds” (R0150/EC0021) and “Bonds” (R0130/EC0021)) and a positive entry for “Equities-listed” (R0110/EC0021) (also to be reported in “Equities” (R0100/EC0021)), with the same absolute amounts of 100 (value of the listed share in 2019Q3) but with opposite signs, should be reported for the 2019Q4 reference period.

The following tables show the entries reported for 2019Q3 before the misclassification was detected and for 2019Q4 in which a reclassification is reported:

2019Q3			
		Solvency II (SII) amount	Reclassification
Assets		C0010	EC0021
Equities	R0100	10.000	0
Equities – Listed	R0110	5.000	0
Bonds	R0130	20.000	0
Corporate bonds	R0150	4.000	0

2019Q4			
		SII amount	Reclassification
Assets		C0010	EC0021
Equities	R0100	10.100	+100
Equities – Listed	R0110	5.100	+100
Bonds	R0130	19.900	-100
Corporate bonds	R0150	3.900	-100

Example 2 – correction of reporting errors in values of balance sheet items (changing total assets/liabilities)

Some changes also lead to an increase/decrease in total assets/liabilities and therefore also need to be accounted for with reclassification adjustments. This type of reclassification may be submitted, for instance, when the value of a financial instrument has been erroneously reported as being lower than it actually is, as a result of, for example, miscalculation or misreporting (e.g. the correct value of 150 has erroneously been reported as 15 for the 2019Q3 reference period). As mentioned in Example 1, please note, however, that revising data submitted erroneously in previous periods is the preferred approach.

A change in listed equity may affect the liability side as well, for example “technical provisions – life (excluding health and index-linked and unit-linked)” (R0650), which is also part of “Technical provisions – life excluding index-linked and unit-linked)” (R0600). The category of the balance sheet item stays the same.

This type of reclassification, which changes total assets and liabilities, would involve a positive entry of 135 (the correct value of 150 for the 2019Q3 reference period minus 15 which was incorrectly reported in the 2019Q3 reference period) under “Equities – listed” (R0110/EC0021) (also to be reported in “Equities” (R0100/EC0021) and “Total assets” (R0500/EC0021)) and a positive entry of 135 on the liabilities side for “Technical provisions – life (excluding health and index-linked and unit-linked)” (R0650/EC0021) and “Technical provisions – life (excluding index-linked and unit-linked)” (R0600/ER0021) as well as for “Total liabilities” (R0900/EC0021) to be reported for the 2019Q4 reference period.

The following tables show the entries reported for 2019Q3 (before the miscalculation or misreporting was detected) and for 2019Q4 (in which a reclassification is reported):

2019Q3							
		SII amount	Reclassification			SII amount	Reclassification
		C0010	EC0021			C0010	EC0021
Equities	R0100	10.000	0	Technical provisions – life (excluding index-linked and unit-linked)	R0600	70.000	0
Equities – listed	R0110	1.000	0	Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	60.000	0

Total assets	R0500	100.000	0	Total liabilities	R0900	100.000	0
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2019Q4							
		SII amount	Reclassification			SII amount	Reclassification
		C0010	EC0021			C0010	EC0021
Equities	R0100	10.135	+135	Technical provisions – life (excluding index-linked and unit-linked)	R0600	70.135	+135
Equities – listed	R0110	1.135	+135	Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	60.135	+135
Total assets	R0500	100.135	+135	Total liabilities	R0900	100.135	+135

Example 3 – merger of two insurance corporations – reporting from absorbing insurance corporation

In this case, the entities involved usually hold stakes in each other –“cross-positions”. While all the flows between the corporations involved prior to the merger are entered as transactions, flows that occur as a result of the merger (i.e. the transmissions from the disappearing to the remaining insurance corporation at the moment of the merger) are entered as reclassifications.

Cross-positions that exist between the corporations involved in a merger (e.g. reinsurance contracts, holdings of equity or debt securities, loans granted to each other, etc.) need to be reclassified because they disappear in the process of the merger. Amounts of cross-positions existing prior to the merger shall therefore be reported as reclassifications with a negative sign in the reporting period in which the merger takes place.

The following simplified example provides a better picture of the reporting of reclassifications of cross-positions. Insurance company A (ICA) merges with insurance company B (ICB), after which ICA ceases to exist. Prior to the merger the cross-positions are as follows:

- ICA holds an amount of 100 in corporate bonds issued by ICB.

- ICB holds an amount of 300 in unlisted shares issued by ICA (Unlisted shares representing liability side equity are assumed to be contained in “Excess of assets over liabilities” (R1000) as no explicit reference of capital and reserves is available in SE.02.01).

Since those cross-positions disappear through the merger process, they need to be reclassified (otherwise they would trigger incorrect transactions). The bold cells represent the Solvency II values (C0010) of cross-positions which need to be reclassified in the reporting period in which the merger takes place, the dotted cells relate to the bonds issued by ICB and held by ICA, and the striped cells relate to the shares issued by ICA and held by ICB.

ICA (ceasing insurance corporation) – prior to merger			
Corporate bonds	400	Other financial liabilities (debt securities issued – EC0815)	50
<i>o/w bonds issued by B</i>	100	Insurance technical reserves	1,350
		Unlisted shares - contained in Excess of assets over liabilities (R1000)	400
Investment funds	1,400	<i>o/w shares held by B</i>	300
Total assets	1,800	Total liabilities	1,800

ICB (absorbing insurance corporation) – prior to merger			
		Other financial liabilities (debt securities issued – EC0815)	150
Equities – listed	1,100	<i>o/w bonds held by A</i>	100
<i>o/w shares issued by A</i>	300	Insurance technical reserves	2,150
Investment funds	1,500	Unlisted shares - contained in Excess of assets over liabilities (R1000)	300
Total assets	2,600	Total liabilities	2,600

In the reporting period in which the merger takes place, the absorbing insurance corporation reports the following Solvency II values (C0010) with the respective reclassifications in EC0021:

ICB (absorbing insurance corporation) – after the merger					
	C0010	EC0021		C0010	EC0021
Corporate bonds	300	-100	Other financial liabilities (debt securities issued – EC0815)	100	-100
Equities – listed	800	-300	Insurance technical reserves	3,500	
Investment funds	2,900		Unlisted shares - contained in Excess of assets over liabilities (R1000)	400	-300
Total assets	4,000	-400	Total liabilities	4,000	-400

Example 4 – changes in euro area composition (ER802, ER803, ER0813, ER0814)

Another country joining or leaving the euro area may affect the values in rows ER802, ER803, ER0813 and ER0814. The example below illustrates the situation of an insurance corporation in the euro area which owed a Lithuanian credit institution a debt before the last extension of the euro area on 1 January 2015, when Lithuania joined the euro area. Until 2014Q4, debt owed to a Lithuanian credit or non-credit institution would have been included in C0010/ER0803 or C0010/ER0814 (resident in rest of the world), respectively. In 2015Q1 the debt owed to Lithuanian credit or non-credit institutions would have been added to C0010/ER0802 and C0010/ER0813 (resident in the euro area other than domestic), respectively. Additionally, a request would have been made to report a reclassification adjustment for the amount of debt owed to institutions in Lithuania. For instance, if the debt to credit institutions resident in Lithuania was 5 in 2014Q4, in 2015Q1 the reclassification adjustments in EC0021/ER0802 should be +5, and in EC0021/ER0803 should be -5, as highlighted in the tables below.

2014Q4			
		SII amount	Reclassification
Liabilities		C0010	EC0021
Debts owed to credit institutions	R0800	60	0
Debts owed to credit institutions resident domestically	ER0801	20	0
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	20	0
Debts owed to credit institutions resident in rest of the world	ER0803	20	0

2015Q1			
		SII amount	Reclassification
Liabilities		C0010	EC0021
Debts owed to credit institutions	R0800	60	0
Debts owed to credit institutions resident domestically	ER0801	20	0
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	25	+5
Debts owed to credit institutions resident in rest of the world	ER0803	15	-5

Example 5 – changes in accounting practices – netting of positions

A reclassification adjustment is also needed if accounting conventions change in terms of netting positions on the assets side and the liabilities side. For example, a position in technical provisions (liabilities) has been netted against a position in deposits to cedants (assets) so far. If the accounting convention changes and the positions for technical provisions and deposits to cedants must be reported separately, reclassification adjustments must also be reported for the affected items. The reported reclassification adjustments should reflect the amount that was previously netted out (thus not existent in both positions so far). In the example below, the netted volume is 5 and SII amounts reported in C0010 are increased accordingly in 2019Q4. In this case also, reclassification adjustments of +5 in EC0021 shall be reported for both items in 2019Q4.

2019Q3			
		SII amount	Reclassification
Assets		C0010	EC0021
Deposits to cedants	R0350	0	0
Liabilities			
Technical provisions – life (excluding index-linked and unit-linked)	R0600	100	0

2019Q4			
		SII amount	Reclassification
Assets		C0010	EC0021
Deposits to cedants	R0350	5	+5
Liabilities			
Technical provisions – life (excluding index-linked and unit-linked)	R0600	105	+5

Similarly, if a change in guidance now allows two positions that had to be reported separately before to be netted, negative reclassification adjustments should be reported for the affected balance sheet items following the same logic as described above.

Example 6 – changes in accounting practices – on/off-balance sheet

A reclassification adjustment may also be required if the accounting practices change. An example would be changes in IFRS guidelines or changes due to clarifications or revised guidance by the national competent authority or the European Insurance and Occupational Pensions Authority (EIOPA).

If guidance changes regarding which items should be reported on-balance-sheet or off-balance-sheet, this should be reflected by a reclassification adjustment. For instance, with IFRS 16, the majority of leasing contracts became on-balance-sheet items. If there are leasing contracts which became on-balance-sheet items, reclassification adjustments should accompany the increased SII amounts. In the example below, an insurance corporation leased a building with a domestic leasing corporation and the leasing contract has been set up in an off-balance-sheet structure. In 2019Q1 this leasing contract became on-balance-sheet and is reflected in the increase of 5 in the SII amount for “Property, plant & equipment held for own use” (C0010/R0060) as well as in the increase of 5 in the “Debt owed to non-credit institutions resident domestically” item (C0010/ER0812). For both items, corresponding reclassification adjustments should be reported with a value of +5, as shown below.

2018Q4			
		SII amount	Reclassification
Assets		C0010	EC0021
Property, plant & equipment held for own use	R0060	120	0
Liabilities			
Debt owed to non-credit institutions resident domestically	ER0812	100	0

2019Q1			
		SII amount	Reclassification
Assets		C0010	EC0021
Property, plant & equipment held for own use	R0060	125	+5
Liabilities			
Debt owed to non-credit institutions resident domestically	ER0812	105	+5

Other ECB add-ons:

COLUMN/ ROW	ITEM	INSTRUCTIONS
	LIABILITIES	
C0010/ER0801	Debts owed to credit institutions resident domestically	Debts owed by the reporting undertaking to credit institutions resident in the same country. This item is a

		<p>subset of “debts owed to credit institutions” (C0010/R0800) and hence excludes bonds.</p> <p>Debts owed should include repos or securities lending with cash collateral but should exclude net positions arising from securities lending without cash collateral. These should be reported under remaining assets or liabilities depending on the sign of the net position.</p>
C0010/ER0802	Debts owed to credit institutions resident in the euro area other than domestic	<p>Debts owed by the reporting undertaking to credit institutions resident in the euro area but not in the same country. This item is a subset of “debts owed to credit institutions” (C0010/R0800) and hence excludes bonds.</p> <p>Debts owed should include repos or securities lending with cash collateral but should exclude net positions arising from securities lending without cash collateral. These should be reported under remaining assets or liabilities depending on the sign of the net position.</p>
C0010/ER0803	Debts owed to credit institutions resident in rest of the world	<p>Debts owed by the reporting undertaking to credit institutions resident outside the euro area. This item is a subset of “debts owed to credit institutions” (C0010/R0800) and hence excludes bonds.</p> <p>Debts owed should include repos or securities lending with cash collateral but should exclude net positions arising from securities lending without cash collateral. These should be reported under remaining assets or liabilities depending on the sign of the net position.</p>
C0010/ER0811	Debts owed to non-credit institutions	<p>Debts owed by the reporting undertaking to counterparts other than credit institutions, excluding bonds.</p> <p>Debts owed should include repos or securities lending with cash collateral but should exclude net positions arising from securities lending without cash collateral. These should be reported under remaining assets or liabilities depending on the sign of the net position.</p>
C0010/ER0812	Debts owed to non-credit institutions resident domestically	<p>Debts owed by the reporting undertaking to counterparts other than credit institutions, resident in the same country. This item is a subset of “debts owed to non-credit institutions” (C0010/ER0811) and hence excludes bonds.</p>

		<p>Debts owed should include repos or securities lending with cash collateral but should exclude net positions arising from securities lending without cash collateral. These should be reported under remaining assets or liabilities depending on the sign of the net position.</p>
C0010/ER0813	<p>Debts owed to non-credit institutions resident in the euro area other than domestic</p>	<p>Debts owed by the reporting undertaking to counterparts other than credit institutions, resident in the euro area but not in the same country. This item is a subset of “debts owed to non-credit institutions” (C0010/ER0811) and hence excludes bonds.</p> <p>Debts owed should include repos or securities lending with cash collateral but should exclude net positions arising from securities lending without cash collateral. These should be reported under remaining assets or liabilities depending on the sign of the net position.</p>
C0010/ER0814	<p>Debts owed to non-credit institutions resident in rest of the world</p>	<p>Debts owed by the reporting undertaking to counterparts other than credit institutions, resident outside the euro area. This item is a subset of “debts owed to non-credit institutions” (C0010/ER0811) and hence excludes bonds.</p> <p>Debts owed should include repos or securities lending with cash collateral but should exclude net positions arising from securities lending without cash collateral. These should be reported under remaining assets or liabilities depending on the sign of the net position.</p>
C0010/ER0815	<p>Other financial liabilities (debt securities issued)</p>	<p>Debt securities issued by the reporting undertaking.</p>
C0010/ER0851	<p>non-negotiable instruments held by credit institutions resident domestically</p>	<p>Non-negotiable subordinated debt instruments (incl. loans) which are held by domestic credit institutions.</p>
C0010/ER0852	<p>non-negotiable instruments held by credit institutions resident in the euro area other than domestic</p>	<p>Non-negotiable subordinated debt instruments (incl. loans) which are held by euro area other than domestic credit institutions.</p>

C0010/ER08 53	non-negotiable instruments held by credit institutions resident in rest of the world	Non-negotiable subordinated debt instruments (incl. loans) which are held by credit institutions resident in the rest of the world.
C0010/ER08 54	non-negotiable instruments held by non-credit institutions resident domestically	Non-negotiable subordinated debt instruments (incl. loans) which are held by domestic non-credit institutions.
C0010/ER08 55	non-negotiable instruments held by non-credit institutions resident in the euro area other than domestic	Non-negotiable subordinated debt instruments (incl. loans) which are held by euro area other than domestic non-credit institutions.
C0010/ER08 56	non-negotiable instruments held by non-credit institutions resident in rest of the world	Non-negotiable subordinated debt instruments (incl. loans) which are held by non-credit institutions resident in the rest of the world.
Reclassification adjustment	ASSETS	
EC0021/ R0070	Investments (other than assets held for index-linked and unit-linked contracts)	The reclassification adjustments for these instruments shall include the corresponding amounts in "Assets held for index-linked and unit-linked contracts".
EC0021/ R0080	Property (other than for own use)	
EC0021/ R0090	Holdings in related undertakings, including participations	
EC0021/ R0100	Equities	
EC0021/ R0110	Equities – listed	
EC0021/ R0120	Equities – unlisted	
EC0021/ R0130	Bonds	

EC0021/ R0140	Government bonds	
EC0021/ R0150	Corporate bonds	
EC0021/ R0160	Structured notes	
EC0021/ R0170	Collateralised securities	
EC0021/ R0180	Collective investments undertakings	
EC0021/ R0190	Derivatives	
EC0021/ R0200	Deposits other than cash equivalents	
EC0021/ R0210	Other investments	
EC0021/ R0220	Assets held for index-linked and unit-linked contracts	The reclassification adjustments for this position shall be 0 as the respective amounts shall be allocated to the items R0070 to R0210.
Reclassification adjustment	LIABILITIES	
EC0021/ R1000	Excess of assets over liabilities	<p>The reclassification adjustments for this position shall refer to changes (according to the examples above) in:</p> <ul style="list-style-type: none"> - reconciliation reserves; - ordinary share capital (gross of own shares); - share premium account related to ordinary share capital; - initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings; - subordinated mutual member accounts; - surplus funds; - preference shares; - share premium account related to preference shares.

