



GIRO Conference and Exhibition 2012

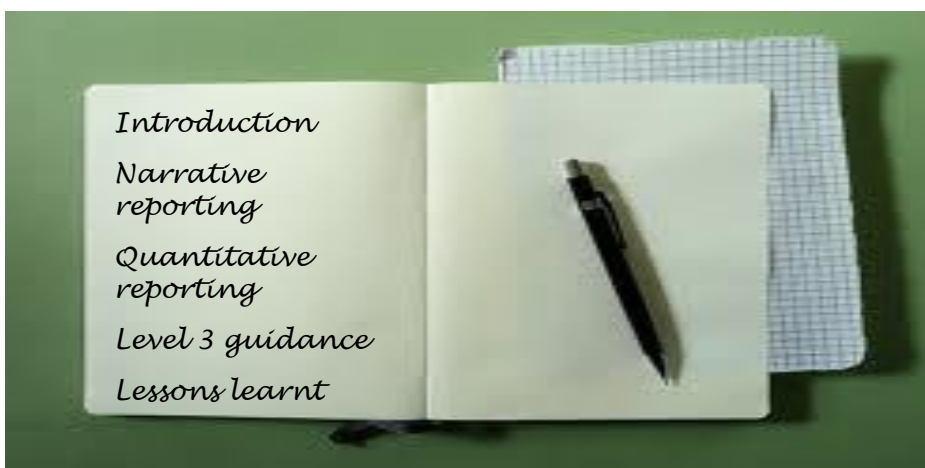
What has Pillar III ever done for me?

Reporting and disclosure under Solvency II

Simon Sheaf and Stephen Kelly

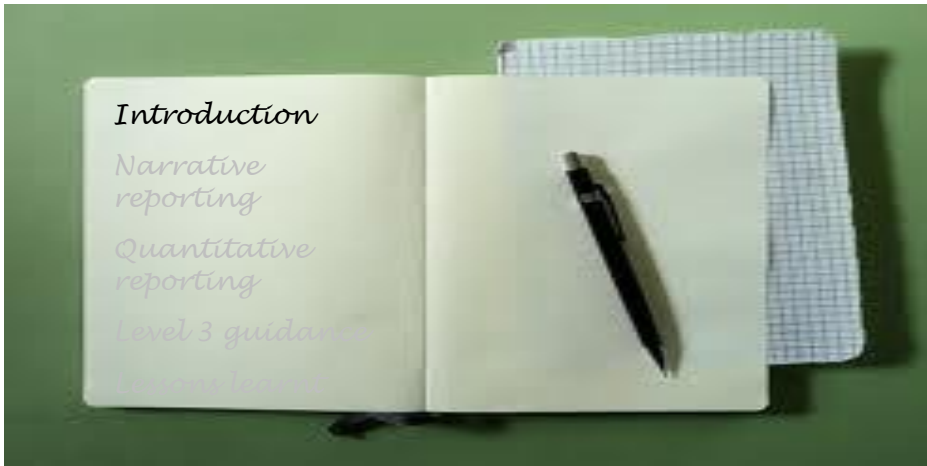
20 September 2012

Agenda



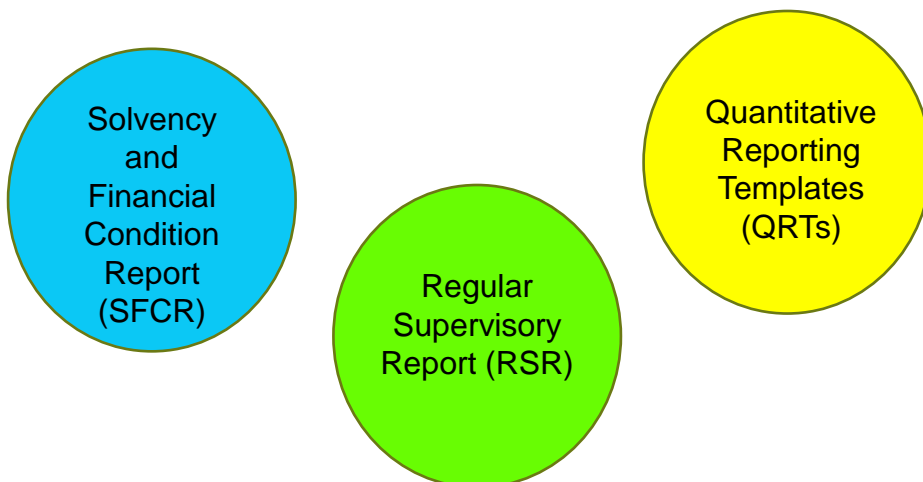
Introduction
Narrative
reporting
Quantitative
reporting
Level 3 guidance
Lessons learnt

Agenda



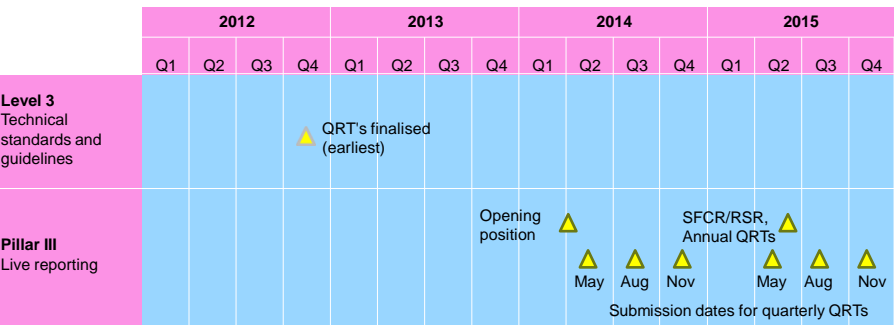
2

Let's begin with some acronyms ...



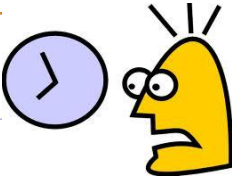
3

Reporting timeline



4

Pillar III reporting deadlines



Transitional reporting during first year

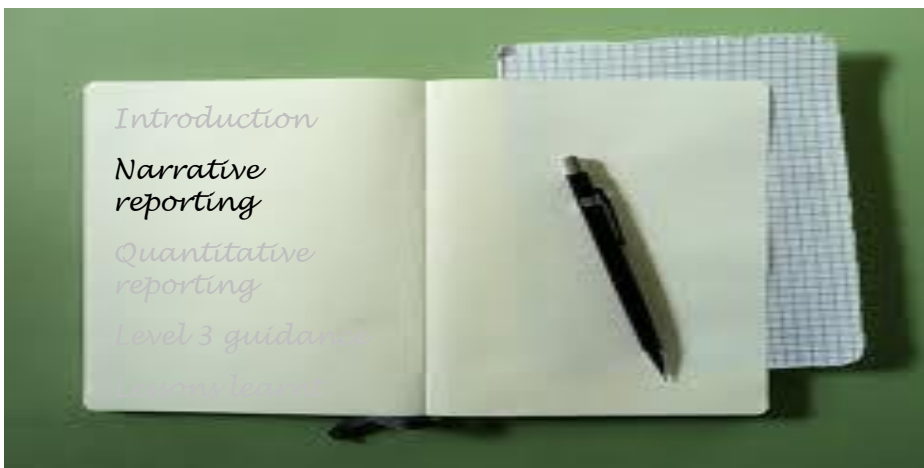
- 1 Jan 2014 - Opening Solvency II valuation of assets/liabilities, SCR and MCR
- Qualitative explanation of differences to Solvency I valuation at same date
- Submit 14 weeks after 1 Jan 2014; an additional 4 weeks is permitted for groups

Reporting deadlines

	2014	2015	2016	2017+
SFCR	20 Weeks	18 Weeks	16 Weeks	14 Weeks
RSR	20 Weeks	18 Weeks	16 Weeks	14 Weeks
Annual QRT	20 Weeks	18 Weeks	16 Weeks	14 Weeks
Quarterly QRT	8 Weeks	7 Weeks	6 Weeks	5 Weeks
ORSA Supervisory Report	In line with RSR and/or within 2 weeks of concluding the ORSA			

5

Agenda



6

Contents of the SFCR and RSR

Executive Summary

Business and Performance

System of Governance

Risk Profile

Regulatory Balance Sheet

Capital Management

QRTs

7

Contents of the SFCR and RSR

Executive Summary

Business and Performance

System of Governance

Risk Profile

Regulatory Balance Sheet

Capital Management

QRTs

- A short, easily understandable summary
- Include any material changes to:
 - business
 - risk profile
 - solvency position
 - system of governance
 since last reporting period

8

Contents of the SFCR and RSR

Executive Summary

Business and Performance

System of Governance

Risk Profile

Regulatory Balance Sheet

Capital Management

QRTs

- Business and external environment
- Objectives, strategies and prospects-including projections (RSR only)
- Performance of underwriting activities by material line of business
- Performance from investment activities
- Operating / other expenses

9

Contents of the SFCR and RSR

Executive Summary
Business and Performance
System of Governance
Risk Profile
Regulatory Balance Sheet
Capital Management
QRTs

- General governance arrangements
- Fit and proper
- Risk management system
- ORSA
- Internal control
- Internal audit function
- Outsourcing
- Other material information
- Reporting at group level

Contents of the SFCR and RSR

Executive Summary
Business and Performance
System of Governance
Risk Profile
Regulatory Balance Sheet
Capital Management
QRTs

- Qualitative and quantitative information on:
 - underwriting risk
 - market risk
 - credit risk
 - liquidity risk
 - operational risk
 - other risks
- Material risk concentrations
- Risk mitigation techniques
- Stress and scenario testing

Contents of the SFCR and RSR

Executive Summary

Business and Performance

System of Governance

Risk Profile

Regulatory Balance Sheet

Capital Management

QRTs

- Description of the bases and methods used for the valuation of:
 - assets
 - technical provisions
 - other liabilities
- Explanation of any major differences for the valuation in financial statements

12

Contents of the SFCR and RSR

Executive Summary

Business and Performance

System of Governance

Risk Profile

Regulatory Balance Sheet

Capital Management

QRTs

- Own funds
- MCR and SCR
- Option set out in Article 304 used for the calculation of the SCR
- Differences between standard formula and internal model
- Internal model
- Non-compliance with MCR and SCR

13

SFCR and RSR - Challenges

- SFCR as a benchmarking tool
- Definition and scope of pre-defined events
- Role of Chief Actuary
- Internal communication
- Embedding the reporting process
- Accessing the required management information



14

Agenda



15

Overview



- Standardised reporting templates - lots of them
- Draft QRTs issued by EIOPA in November 2011 and revised in July 2012 following consultation
- At Q4 - All templates
- At Q1, Q2 and Q3 - Core financial and solvency information
- All templates will be included in the RSR
- EIOPA have proposed which to include in the SFCR
- No comparative information will be required in the first set of templates

16

Contents of Quantitative Reporting Templates

Balance Sheet

Variation Analysis

Capital Requirements

Reinsurance

Technical Provisions

Assets

Own Funds

17

Contents of Quantitative Reporting Templates

Balance Sheet
Variation Analysis
Capital Requirements
Reinsurance
Technical Provisions
Assets
Own Funds

- Balance sheet – on a Solvency II basis
- Off-balance sheet items – risks not captured by the balance sheet
- Assets and liabilities by currency – to assess potential currency mismatches

Contents of Quantitative Reporting Templates

Balance Sheet
Variation Analysis
Capital Requirements
Reinsurance
Technical Provisions
Assets
Own Funds

- Analyses changes in own funds from one reporting period to the next

Contents of Quantitative Reporting Templates

Balance Sheet
Variation Analysis
Capital Requirements
Reinsurance
Technical Provisions
Assets
Own Funds

- The main outputs from the SCR and MCR calculations
- For undertakings using the standard formula, outputs are further detailed by module (market risk, counterparty risk etc.)
- Freedom of format for SCR reporting by risk categories for undertakings using an internal model (to be determined with supervisor)

Contents of Quantitative Reporting Templates

Balance Sheet
Variation Analysis
Capital Requirements
Reinsurance
Technical Provisions
Assets
Own Funds

- Templates cover:
 - the reinsurance programme
 - exposure to reinsurers
- Specific template for SPVs

Contents of Quantitative Reporting Templates

Balance Sheet

Variation Analysis

Capital Requirements

Reinsurance

Technical Provisions

Assets

Own Funds

- Separate templates for life and non-life business
- Give an overview of TP by line of business, split between best estimate and risk margin
- Also include information, amongst other things, on:
 - claim triangles
 - claims run-off
 - projection of future cash flows
 - overview of largest risks

22

Contents of Quantitative Reporting Templates

Balance Sheet

Variation Analysis

Capital Requirements

Reinsurance

Technical Provisions

Assets

Own Funds

- Detailed list of investments
- Structured products
- Derivatives
- Investment funds
- Assets held as collateral
- Investment performance

23

Contents of Quantitative Reporting Templates

Balance Sheet

Variation Analysis

Capital Requirements

Reinsurance

Technical Provisions

Assets

Own Funds

- Detailed schedule of own funds by:
 - instrument
 - tier

24

Quantitative Reporting Templates - Challenges

- Volume of data required
- Granularity of required data
- Data quality
- eXtensible Business Reporting Language (XBRL)
- IT systems implications
- Establishing an efficient process that enables you to meet deadlines
- National specific templates



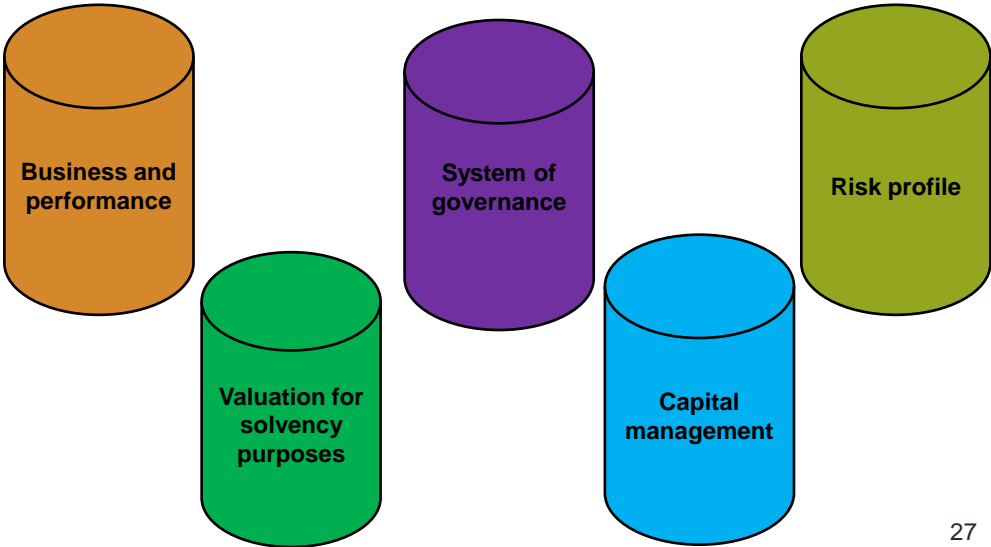
25

Agenda



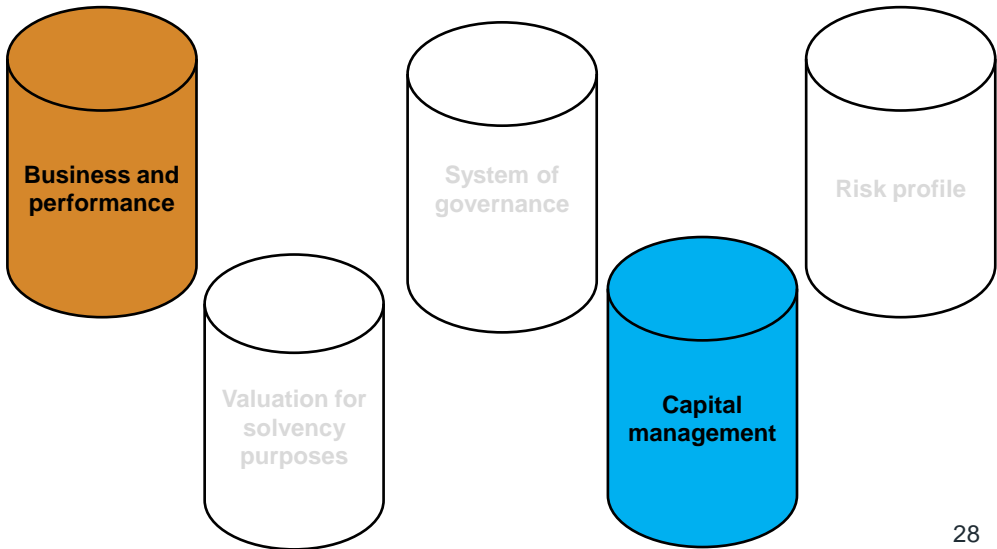
26

Guidelines - SFCR - Solo undertakings



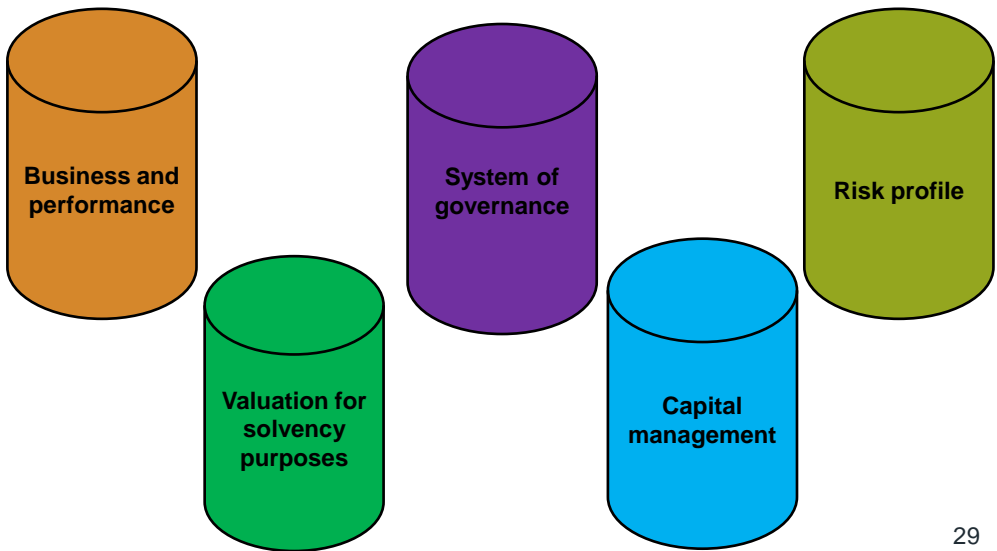
27

Guidelines - SFCR - Group undertakings



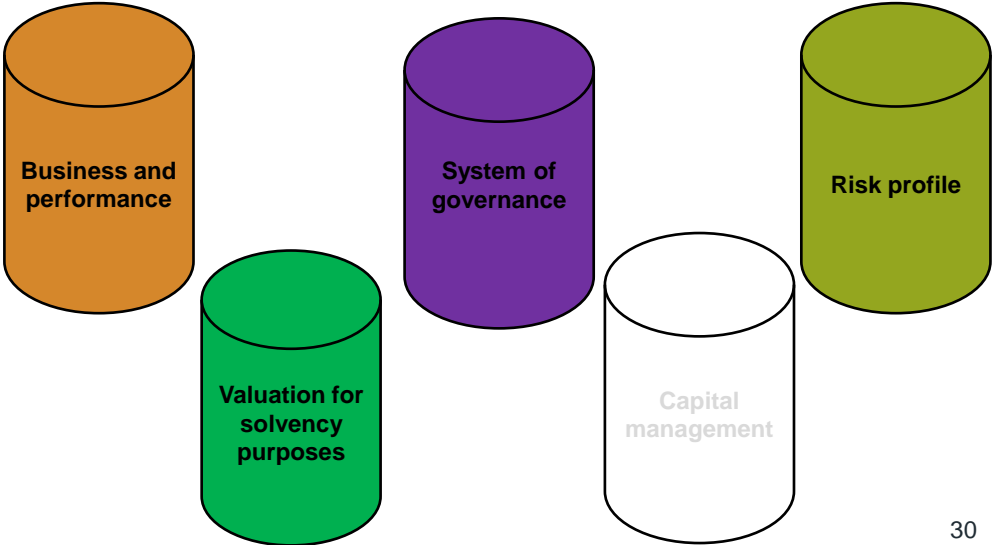
28

Guidelines - RSR - Solo undertakings



29

Guidelines - RSR - Group undertakings



30

Guidelines - Supervisory reporting following pre-defined events



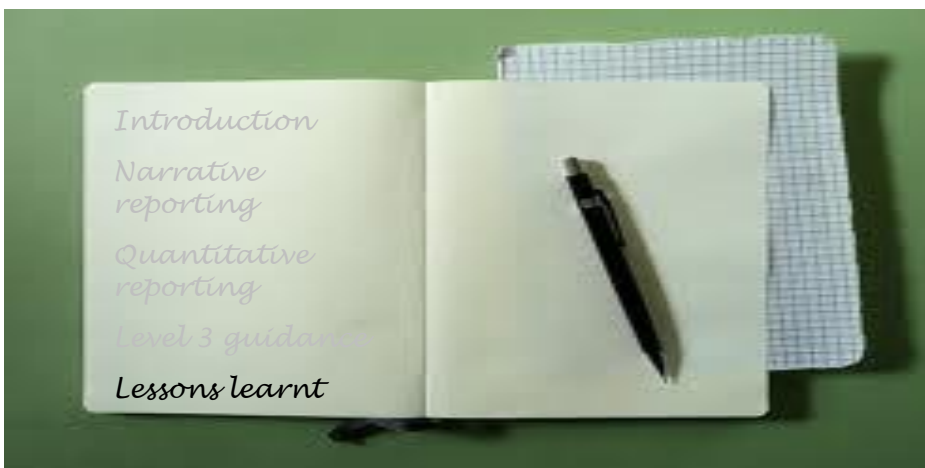
31

Guidelines - Public disclosure and supervisory reporting - Processes



32

Agenda



33

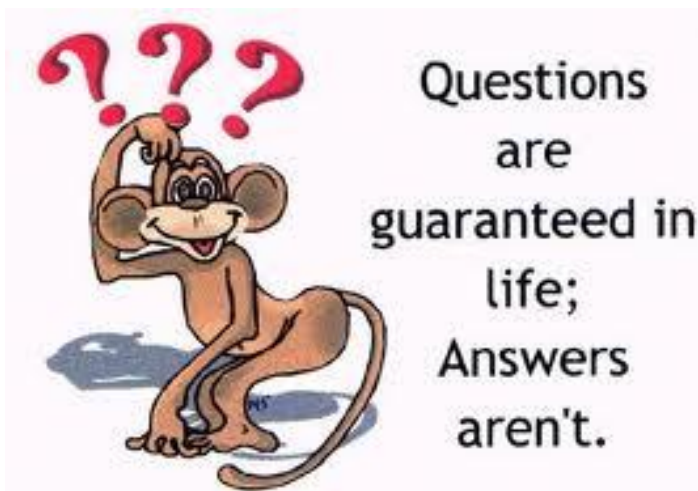
Lessons learnt

Significant change
Substantial challenge
Early engagement essential
Discuss with data suppliers
IT system changes
IFRS 4 Phase 2



34

Questions and discussion



35