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# Mind the Gap - Patching up your Solvency II reporting

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Deloitte

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## Requirements at a glance

Regular reporting			Event driven reporting
Quantitative reporting forms (QRTs, NSTs, FSTs, ECB add-ons)	Solvency and Financial Condition Report (SFCR)	Regular Supervisory Reporting (RSR)	As Required
Quantitative data submitted quarterly and annually consisting of key financial and solvency information.	Qualitative and quantitative information presented in an annual public report aiming to achieve market transparency and foster market discipline.	Qualitative and quantitative information presented in a private report to the supervisor; contains information not appropriate for public disclosure.	Updated information required upon occurrence of predefined events or during enquiries to assess a situation. The predefined events are those that can lead to material changes to an insurer's risk profile.
Reporting and disclosure policy			

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## Requirements at a glance

	QRTs	SFCR	RSR
<b>Frequency</b>	Annual/ Quarterly*	Annual	At least once in 3 years
<b>Deadlines for Annual Submission</b>	For Regular Reporting QRTs, 20 weeks for 2016, reducing by 2 weeks every year to 14 weeks.		
<b>Deadlines for Quarterly Submissions</b>	8 weeks for 2016, reducing by 1 week every year to 5 weeks.	N/A	N/A
<b>Format</b>	XBRL	Electronic copy via company website	Electronic copy
<b>Approval by Board</b>	For Annual templates only**	Yes	Yes
<b>Public Document</b>	Subset of templates are public	Yes	No
<b>External Audit</b>	Subset of public disclosure templates "recommended" for Audit	Recommended for Audit	No
* Some Quarterly templates are required for Q2/Q4 only.			
** Quarterly templates only require management approval.			

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## Quantitative Reporting Forms

### Types of QRTs

<b>Prudential Reporting 1: (Regular Reporting QRTs)</b>	<ul style="list-style-type: none"> <li>Also known as Regular Reporting Quantitative Reporting Templates.</li> <li>To be reported Annually and Quarterly.</li> <li>75 different Annual Forms. 30-35 forms would be applicable to most firms.</li> <li>20 different Quarterly Forms. 8-11 forms would be applicable to most firms.</li> <li>Minimum of 80% market coverage required for quarterly, and annual item-by-item reporting.</li> </ul>
<b>Prudential Reporting 2: (National Specific Templates or NSTs)</b>	<ul style="list-style-type: none"> <li>Additional information acquired by the CBI (and equivalent supervisors in other jurisdictions) for prudential reporting.</li> <li>Only applicable to firms that have "High" prism rating in Ireland.</li> </ul>

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## Quantitative Reporting Forms

### Types of QRTs

<b>Financial Stability Reporting (FSTs)</b>	<ul style="list-style-type: none"> <li>Also known as Financial Stability Templates.</li> <li>Only applicable to firms with total assets exceeding 12bn.</li> </ul>
<b>ECB Statistical Reporting Templates (“Unofficial QRTs” with ECB Add-ons)</b>	<ul style="list-style-type: none"> <li>Additional Information required by ECB for statistical and monetary policy operations.</li> <li>Most information acquired through SII reporting, and remainder through ECB add-ons to SII QRTs.</li> <li>Requires a minimum of 95% coverage for national markets.</li> </ul>

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## Quantitative Reporting Forms

### Lead up to Annual 2016 reporting

Category	Solo Returns					
	QRTs			FSTs		Public Disclosure
	Day 1	Quarterly	Annual	Quarterly	Annual	Annual
General Information	3	2	3	2	2	0
Balance Sheet	1	2	9	0	0	3
Assets	0	4	9	0	0	0
Technical Provisions	0	2	17	0	1	3
SCR	3	0	11	1	0	3
MCR	2	2	2	0	0	2
Own Funds	1	1	5	0	0	1
Reinsurance	0	0	5	0	0	0
Variation Analysis	0	0	4	0	0	0
<b>A) Sub - Total (1)</b>	<b>10</b>	<b>13</b>	<b>65</b>	<b>3</b>	<b>3</b>	<b>12</b>
<b>B) ECB Templates</b>	<b>0</b>	<b>4</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>C) Ring Fenced Funds</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>D) TPs (transitional measures)</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>E) Third Country Branch</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>F) Financial Stability Templates</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>0</b>
<b>G) Group Specific Templates</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>H) Total Templates (Sum A:G)</b>	<b>10</b>	<b>17</b>	<b>95</b>	<b>5</b>	<b>5</b>	<b>13</b>

In addition to this companies have to submit NSTs from Q1 2016

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## Quantitative Reporting Forms

Lead up to Annual 2016 reporting

	Solo Returns					
	Preparatory Phase	Day 1	2 BS + 2 Asset	Quarterly	First Annual	Subsequent Annual
General Information	3	2	3	2	2	0
Balance Sheet	1	2	9	0	0	3
Assets	0	4	9	0	0	0
Technical Provisions	0	2	17	0	1	3
SCR	3	0	11	1	0	3
MCR	2	2	2	0	0	2
Own Funds	1	1	5	0	0	1
Reinsurance	0	0	5	0	0	0
Variation Analysis	0	0	4	0	0	0
A) Sub - Total (1)	10	13	65	3	3	12
B) ECB Templates	0	4	6	0	0	0
C) Ring Fenced Funds	0	0	16	0	0	0
D) TPs (transitional measures)	0	0	3	0	0	0
E) Third Country Branch	0	0	0	0	0	0
F) Financial Stability Templates	0	0	1	0	0	0
G) Group Specific Templates	0	0	4	0	0	0
H) Total Templates (Sum A:G)	10	17	95	5	5	13

In addition to this companies have to submit NSTs from Q1 2016

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## Qualitative Reporting

Day 1 reporting

- Quantitative and Qualitative information required by Article 314 of the Delegated Acts
  - an opening valuation of assets and liabilities;
  - separately for each material class of assets and liabilities, a qualitative explanation of the main differences between the figures reported in the opening valuation and those calculated according to the solvency regime previously in place;
  - opening MCR, SCR and eligible Own Funds;
  - The reference date of the opening financial statement shall be the first day of the company's financial year starting on or after 1 January 2016 but before 1 July 2016;
- This information should follow the structure of the main classes of assets and liabilities as defined for the Solvency II balance sheet in the QRTs. (*Guideline 39 of the "Guidelines on reporting and public disclosure"*)

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# Qualitative Reporting

**SFCR / RSR**

A. Business and Performance
A.1 Business
A.2 Underwriting Performance
A.3 Investment Performance
A.4 Performance of other activities
A.5 Any other information

B. System of Governance
B.1 General information on the system of
B.2 Fit and proper requirements
B.3 Risk management system including the own risk and solvency assessment
B.4 Internal control system
B.5 Internal audit function
B.6 Actuarial function
B.7 Outsourcing
B.8 Any other information

C. Risk Profile
All Sections
C.1 Underwriting risk
C.2 Market risk
C.3 Credit risk
C.4 Liquidity Risk
C.5 Operational risk
C.6 Other material risks
C.7 Any other information

D. Valuation for Solvency Purposes
All Sections
D.1 Assets
D.2 Technical provisions
D.3 Other liabilities
D.4 Alternative methods for valuation
D.5 Any other information

E. Capital Management
E.1 Own funds
E.2 Solvency Capital Requirement and
E.3 Use of the duration-based equity risk sub-module in the calculation of the
E.4 Differences between the standard
E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement
E.6 Any other information

Annex
Annex of QRTs in SFCR

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# Qualitative Reporting

**SFCR / RSR**

A. Business and Performance
A.1 Business
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B. System of Governance
B.1 General information on the system of
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B.4 Internal control system
B.5 Internal audit function
B.6 Actuarial function
B.7 Outsourcing
B.8 Any other information

How long do they take to produce?

C. Risk Profile
All Sections
C.1 Underwriting risk
C.2 Market risk
C.3 Credit risk
C.4 Liquidity Risk
C.5 Operational risk
C.6 Other material risks
C.7 Any other information

What information is already available?

D. Valuation for Solvency Purposes
All Sections
D.1 Assets
D.2 Technical provisions
D.3 Other liabilities
D.4 Alternative methods for valuation
D.5 Any other information

E. Capital Management
E.1 Own funds
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E.4 Differences between the standard
E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement
E.6 Any other information

How similar are the reports?

Annex
Annex of QRTs in SFCR

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## Qualitative Reporting

### SFCR / RSR

Sources of requirements	
<b>SFCR</b> (Solvency and Financial Condition Report)	<ul style="list-style-type: none"> <li>Articles 292 – 297 of the Delegated Act.</li> <li>Guidelines 1-13 of the “Guidelines on reporting and public disclosure”.</li> </ul>
<b>RSR</b> (Regular Supervisory Report)	<ul style="list-style-type: none"> <li>Articles 307 – 311 of the Delegated Act.</li> <li>Guidelines 16-25 of the “Guidelines on reporting and public disclosure”.</li> </ul>
<b>Structure of the SFCR/RSR</b>	<ul style="list-style-type: none"> <li>Annex XX of the Delegated Acts.</li> </ul>

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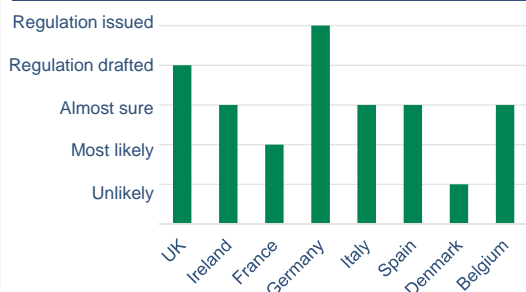
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## Qualitative Reporting

### External Audit

- In July 2015, EIOPA published a Note "Need for high quality public disclosure: Solvency II Report on solvency and financial condition and the potential role of external audit".
- EIOPA is of the view that main elements of the SFCR (balance sheet, own funds and capital requirements) of all insurance and reinsurance companies could fall within the scope of an external audit.

How likely is the possibility that all or part of Solvency II reporting will be subject to assurance on a mandatory basis?

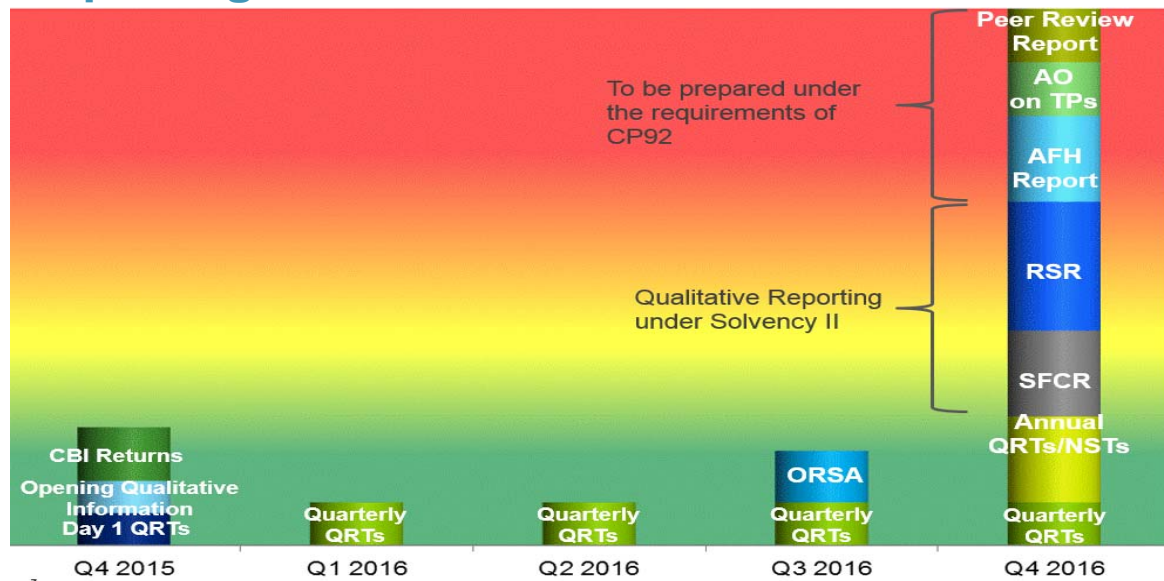


Country	SFCR	RSR	Balance Sheet (and related QRTs)	SCR and MCR	Level of Assurance
UK	Yes		Yes	Yes	Reasonable
Ireland			Yes		Reasonable
France	Yes		Yes	Yes	Reasonable
Germany			Yes		Reasonable
Italy	Yes				No indication
Spain			Yes	Yes	Limited
Denmark			Yes		No indication
Belgium	Yes	Yes	Yes	Yes	Reasonable

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## Reporting Calendar



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## Pillar 3 challenges

### 4 Key dimensions



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## Pillar 3 challenges

### 4 Key dimensions – Governance and Organisation

- Clear assignment of roles and responsibilities (4 key functions).
- Identification of dependencies.
- Documentation of Auditable Standard.
- Governance of outsourced functions.
- Approvals and sign-offs
- Transition from project to BAU.
- Review Process.
- Integration to current WDT.
- Role of INEDs.



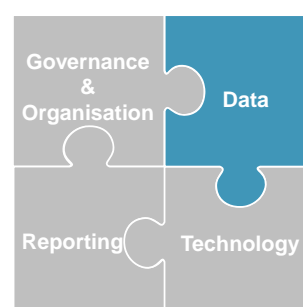
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## Pillar 3 challenges

### 4 Key dimensions – Data

- Granularity of data.
- Third party dependencies
- Asset Data
  - Sourcing and compilation of data
  - Granularity of information
  - Collective investment vehicles
  - Reporting gains and losses by asset class
  - Valuation of assets and liabilities.
  - Reconciliation between asset QRTs and balance sheet templates.
- Data processing and cleansing.
- Data Validations & consistency.
- Data Quality checks and reporting.
- Data Governance.



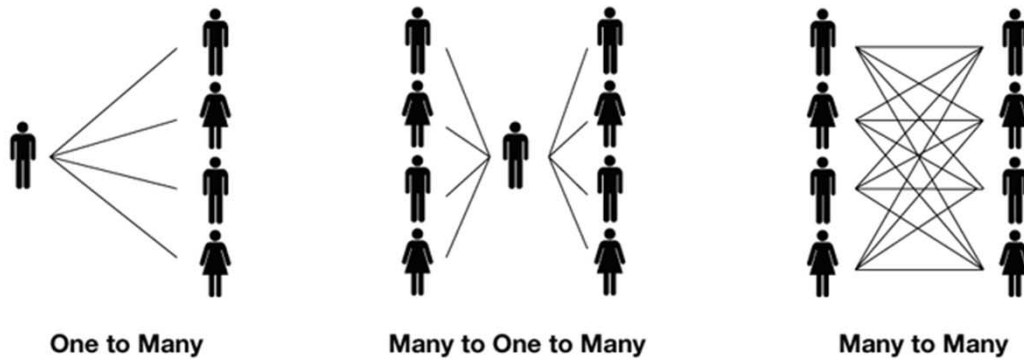
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## Pillar 3 challenges

*Different solutions for look through*



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## Pillar 3 challenges

*4 Key dimensions – Reporting*

- Public disclosure.
- Consideration of multiple audiences.
- Linkages between AFR, ORSA, SFCR, RSR and QRTs.
- Transfer from Project to BAU teams.
- Recognise dependencies of multiple systems.
- Defining materiality for reporting.
- Reporting under different bases and reconciling differences.



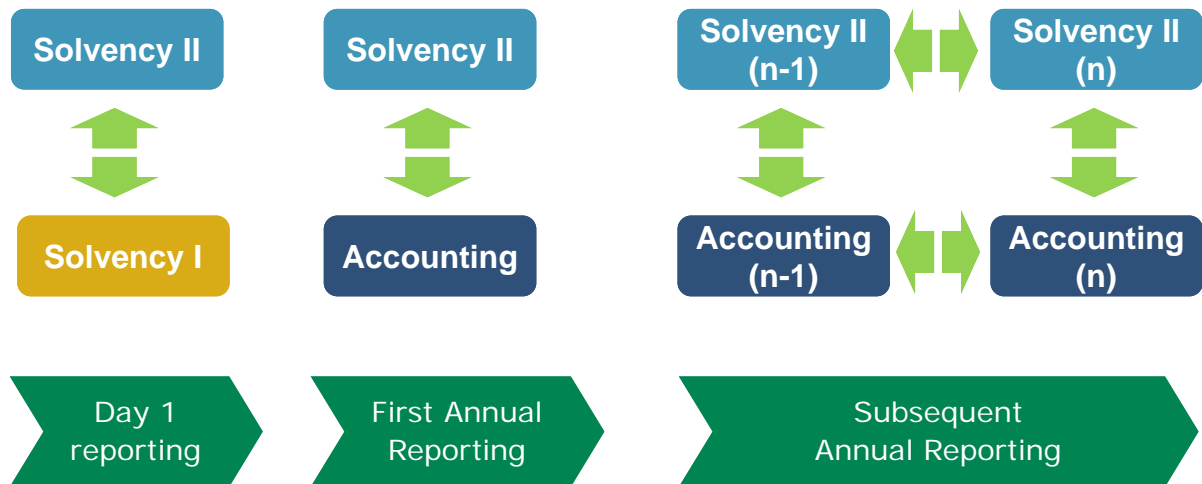
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## Pillar 3 challenges

### 4 Key dimensions – Reporting

Solvency II reconciliations



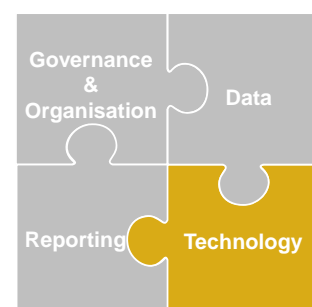
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## Pillar 3 challenges

### 4 Key dimensions – Technology

- Buy v build?
- Tactical vs Strategic?
- Speed, accuracy and control including Data Quality
- Level of Automation.
- Integration with core systems and upstream SII technology
- Flexibility & Future Proof



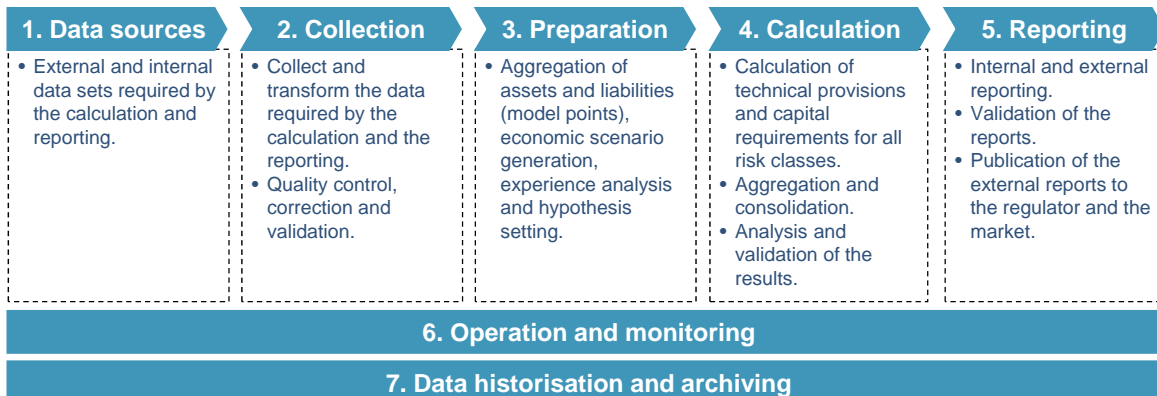
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## Solvency II

### The Data & IT Perspective

Solvency II calculations and reporting require processing of significant amounts of data from multiple internal and external sources. Across LoB, size and level of ambition, almost all insurers are looking to their IT architecture to improve the robustness, performance and flexibility of systems and data flows supporting actuarial, risk and finance processes.



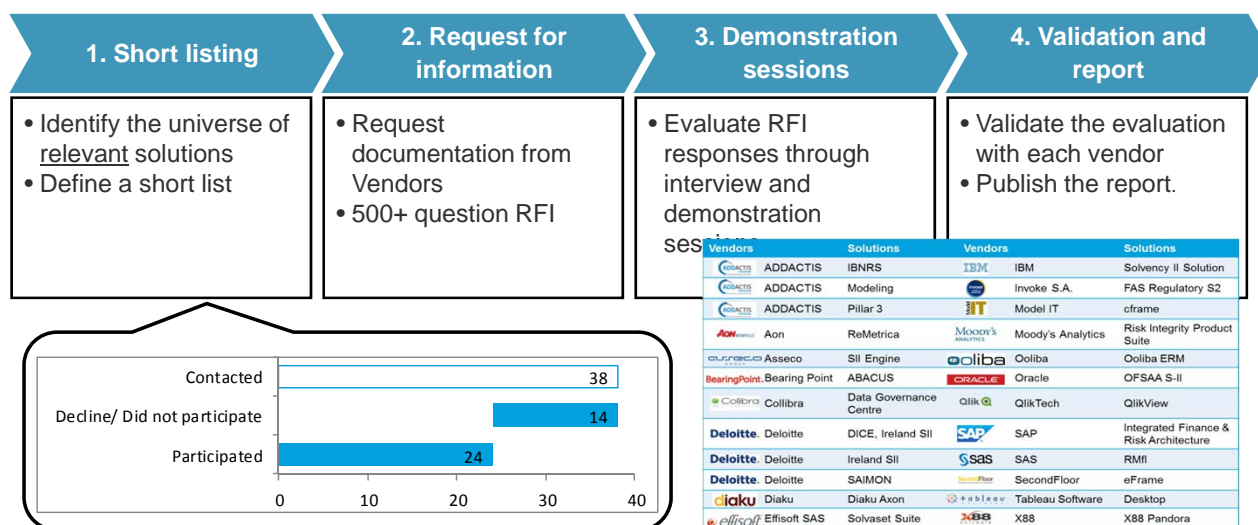
Note: These stages will consume and produce data, information and assumptions.

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## Survey of IT Solutions for Solvency II

### Evaluation process



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# Survey of IT Solutions for Solvency II

## Evaluation process

### 1. Short listing

- Identify the universe of relevant solutions
- Define a short list

### 2. Request for information

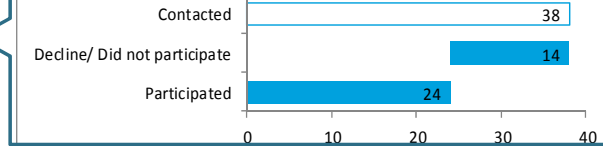
- Request documentation from Vendors
- 500+ question RFI

### 3. Demonstration sessions

- Evaluate RFI responses through interview and demonstration sessions

### 4. Validation and Report

- Validate the evaluation with each vendor
- Publish the report.



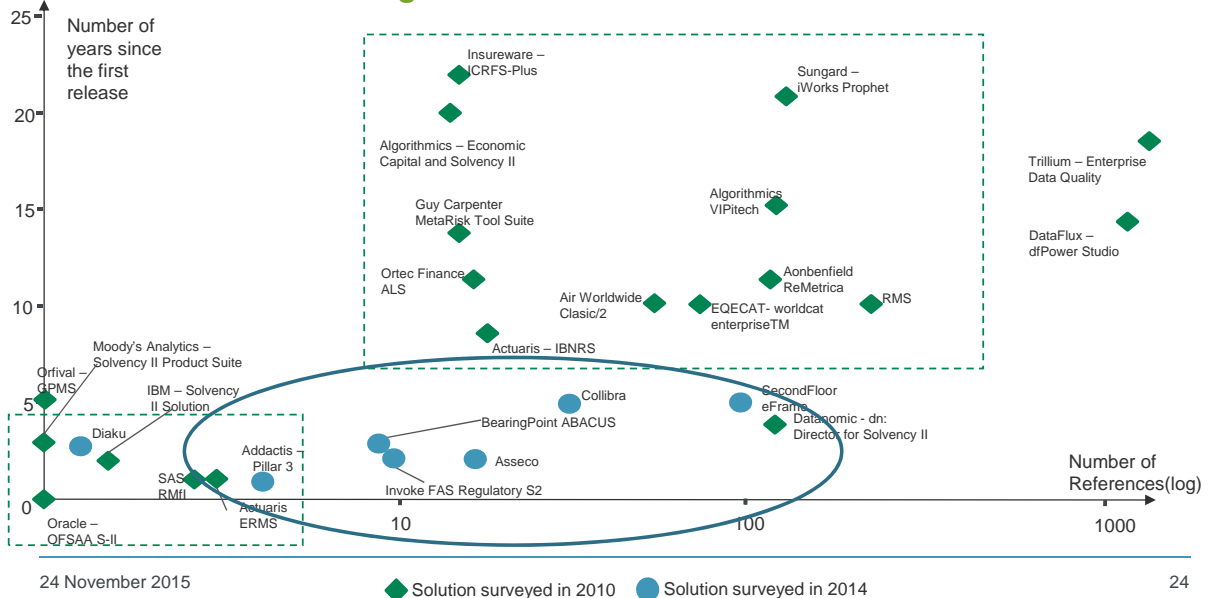
Vendors	Solutions	Vendors	Solutions
ADDACTIS	IBNRS	IBM	IBM Solvency II Solution
ADDACTIS	Modeling	Invoke S.A.	FAS Regulatory S2
ADDACTIS	Pillar 3	Model IT	cframe
Aon	ReMetrica	Moody's Analytics	Risk Integrity Product Suite
Asseco	SII Engine	Ooliba	Ooliba ERM
BearingPoint	ABACUS	Oracle	OFSA S-II
Colibra	Data Governance Centre	Qlik	QlikView
Deloitte	DICE, Ireland SII	SAP	Integrated Finance & Risk Architecture
Deloitte	Ireland SII	SAS	RMII
Deloitte	SAIMON	SecondFloor	eFrame
Diaku	Diaku Axon	Tableau Software	Desktop
Effissoft	Effissoft SAS	X88	X88 Pandora

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# Overview of the Solvency II IT Market

## New solutions focussing on Pillar 3 since 2011



## Pillar 3 Solutions

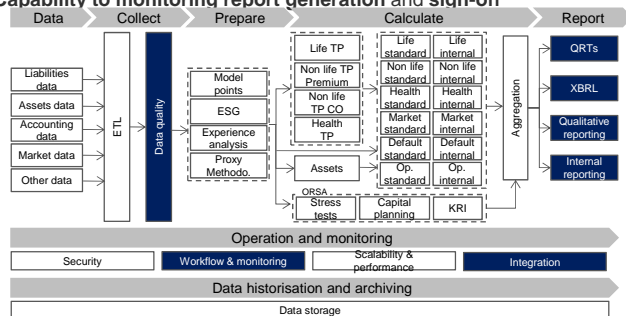
### Sample candidate solutions

#### Description of the issue

- Industrialise the process to produce, sign off and distribute quantitative (XBRL) & qualitative reports
- Leverage content to drive Business Intelligence to enable faster more effective decision making

#### Characteristics required to address the issue

- Templates** for regulatory reports (e.g. QRTs) but also guaranty that those templates will be **maintained** over time in.
- XBRL capabilities** for generating automatically files in this required format.
- Capability to monitoring report generation and sign-off**



#### Sample candidate solutions

Solutions **specifically developed** for pillar 3 requirements:



Some solutions with **broader coverage...**



And others...

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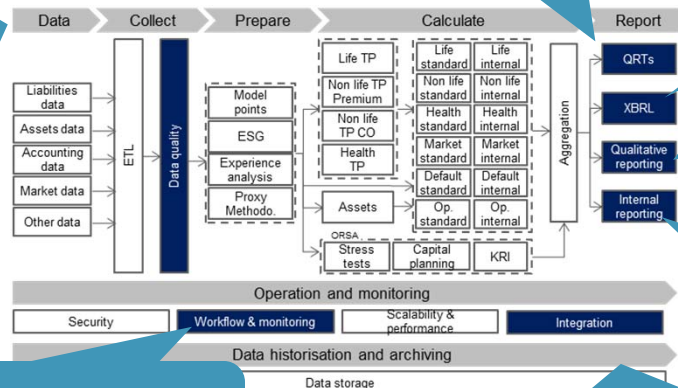
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## Solvency II

### The Data & IT Perspective

#### Data Quality:

- Ability to run data quality checks both on **input data** (i.e. calculation results) and also **reports**.



#### QRTs:

- Predefined **templates** for QRTs.
- Vendor **updates software** shortly after template changes.

#### XBRL:

- Engine to **automatically convert** a report to XBRL format.

#### Qualitative reporting:

- Predefined **templates**.

#### Internal reporting:

- Execute **ad-hoc queries**.
- Modify regulatory reports for internal **Business Intelligence**

#### Monitoring and Control:

- Monitoring** of report generation & automate the testing of completed reports.
- Audit trail** for any modification on data.
- Sign-off** of the final report

#### Integration:

- Ability to **automate the population** of calculation results to generic reporting templates.

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## Closing remarks

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## Questions



## Comments

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