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## **PRA Solvency II regulatory reporting**

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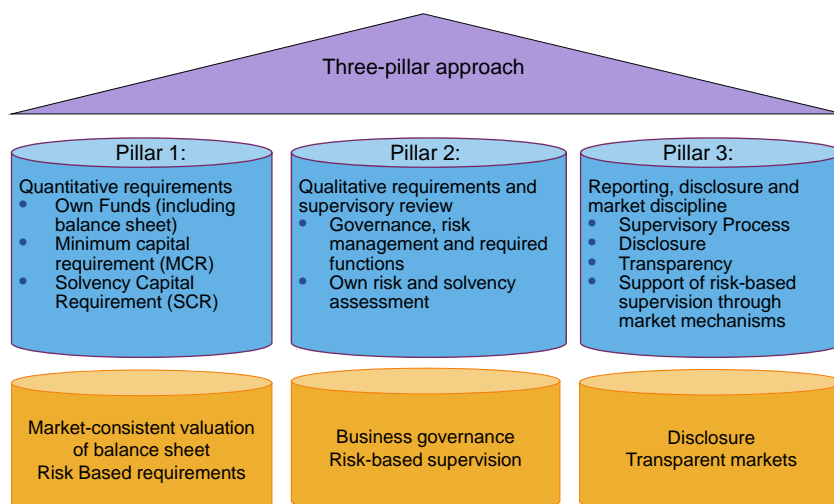
9 September 2014

Practical Solvency II for Life Actuaries, Institute and Faculty of Actuaries

## Agenda

1. The three pillars of Solvency II
2. Pillar 3 reports: SFCR v RSR
3. The Solvency II timeline in the preparatory phase
4. The PRA's approach to regulatory reporting in the preparatory phase
5. High-level delivery plan: key industry milestones
6. PRA collection processes - Testing
7. Update on National Specific Templates
8. The PRA Solvency II regulatory reporting industry working group
  - a. Summary of key topics emerging from the industry working group
7. Questions and next steps

## 1. The 3 pillars of Solvency II



## 2. Pillar 3 reports: SFCR v RSR

		SFCR	RSR
Audience		Public	Private
Narrative Reports	Type	Qualitative & Quantitative	Qualitative & Quantitative
	Frequency	Annual	<ul style="list-style-type: none"> <li>Annual summary</li> <li>In full every 3 years</li> </ul>
QRTs*	Type	Quantitative	Quantitative
	Frequency	Annual	Annual & Quarterly
NSTs*	Notes	Not applicable	Will form part
	Frequency	Annual	Annual
Other		Major developments affecting relevance of SFCR will require an updated SFCR	None

\*QRT – Quantitative Reporting Template

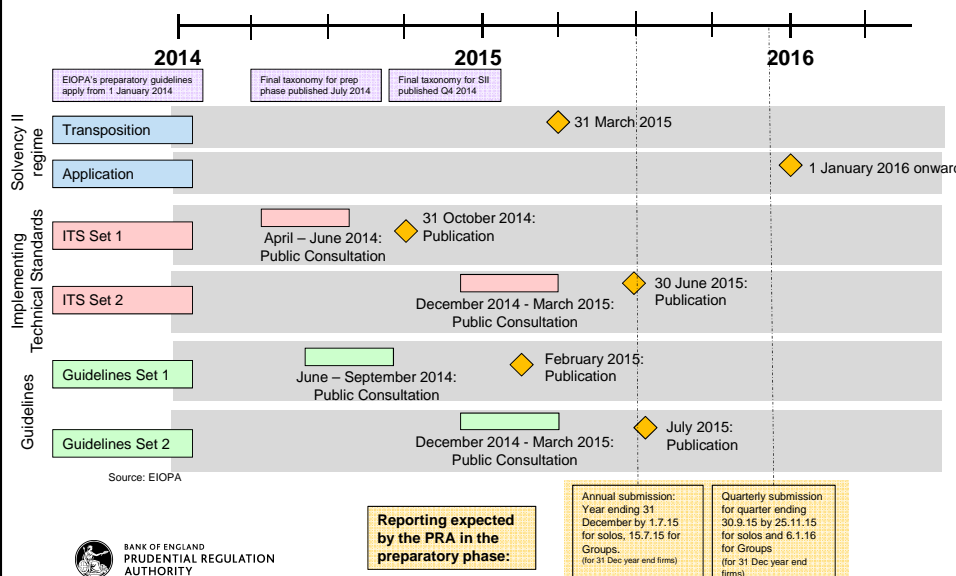
\*NST – National Specific Template



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## 3. The Solvency II timeline in the preparatory phase



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## 4. The PRA's approach to Solvency II regulatory reporting in the preparatory phase

A **major change** in the extent and depth of insurance data shared between firms and the PRA.

- In December 2013 the PRA published Supervisory Statement 4/13 'Solvency II: applying EIOPA's preparatory guidelines to PRA-authorised firms for all firms within the scope of the Solvency II Directive.
- The PRA is preparing for the Solvency II reporting requirements in the preparatory phase, and for Solvency II, by developing its reporting processes and IT tools. The focus of activity is on the six month period of the preparatory phase from mid-2015 as well as implementation.
- Reporting in the preparatory phase will involve:
  - Category 1 to 3 firms and groups
  - One annual quantitative and narrative submission, relating to the year ending 31 Dec 2014. To be received by 1 July 2015
  - One quarterly submission, relating to the third quarter 2015. To be received by 25 November 2015.
 NB: Solvency I reporting continues in 2016 for 2015 year-end
- Quantitative submissions are required in XBRL format for the preparatory phase as well as upon implementation of Solvency II, using the taxonomy developed by EIOPA.
- The PRA is implementing a data collection solution which firms will use to securely submit information and an analytics solution which it will use to process the data to support supervisory analysis.

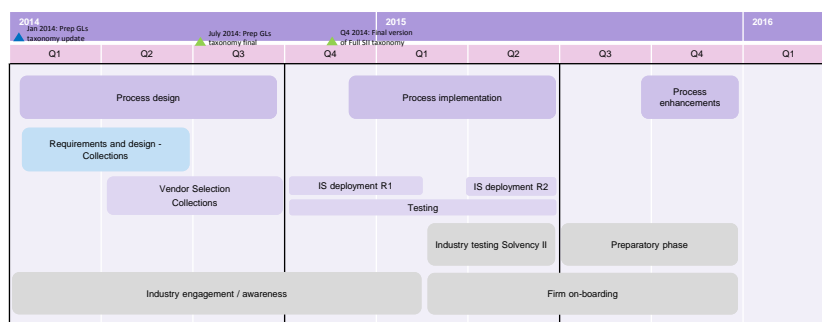


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## 5. High level delivery plan: key industry milestones

The project has three distinct phases of delivery from Q1 2014 to Q1 2016, each phase is approximately three calendar quarters in length, phase two and three will impact on industry. This is a high level end-to-end view of the project and three phases. The next three slides give more detail on each of the three project phases.



▲ On track  
▲ Complete

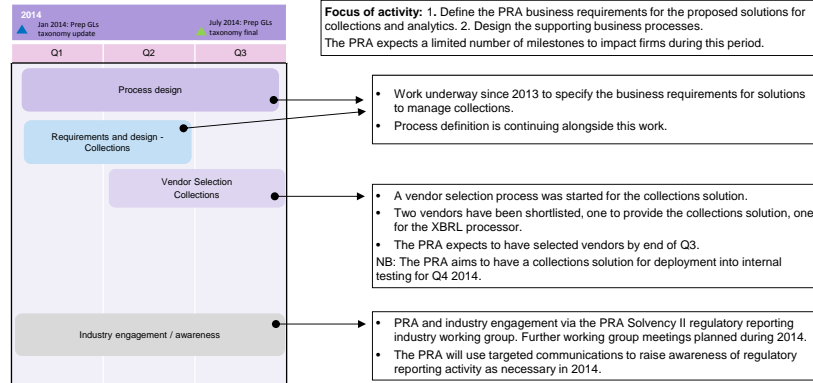


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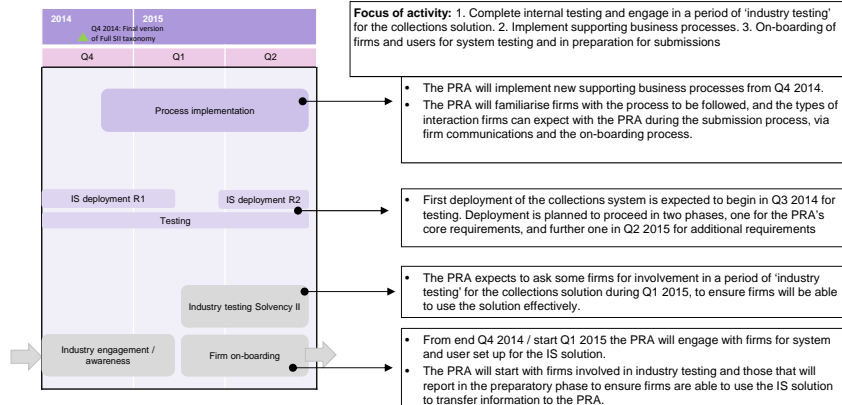
## 5a. High level delivery plan: key industry milestones

### Highlights from project phase 1: Q1 2014 to end Q3 2014 (i.e. 7 months)



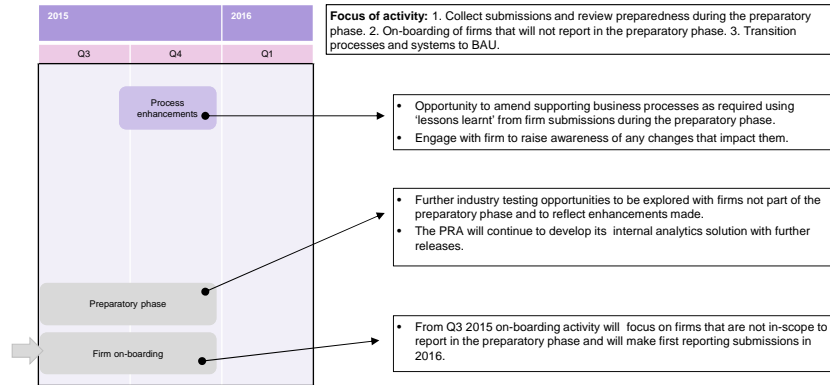
## 5b. High level delivery plan: key industry milestones

### Highlights from project phase 2: start Q4 2014 to end Q2 2015 (i.e. 9 months)



## 5c. High level delivery plan: key industry milestones

Highlights from project phase 3: start Q3 2015 to end Q1 2016 (i.e. 9 months)



## 6. PRA collection processes: Testing

- Engagement with industry initiated in July to:
  - Understand their own project timelines and readiness for industry testing
  - Gauge their willingness to participate in PRA industry testing cycle 1 in Q1.
  - Invite them to join our industry working sub-group for testing – first meeting 30 September
  - Separate visits to Aviva, Prudential, XL, Lloyds and RSA
- Preparation for testing:
  - Test cases derived from business requirements
  - Training needs analysis undertaken for all those involved in testing – including supervisors and firms
  - Some business users have participated in the product evaluation

## 7. Update on National Specific Templates

- The PRA has released a set of 11 templates as part of CP16/14 – Transposition of Solvency II on 11 August 2014. This consultation will be open until Friday 7 November.
- The coverage of the templates being consulted on includes:
  - Life and general insurance specific templates applicable to all firms operating in these sectors;
  - Some life and general insurance templates only applicable to writers of specific products in these sectors; and
  - Some templates applicable to firms with non-standard capital structures or business models, where those firms are specific to, or significantly concentrated in the UK.
- The PRA actively sought technical input from a small number of impacted firms to gain views on aspects of template design. This activity was focussed on a small sub-set of the templates where an industry perspective was considered to be beneficial ahead of the PRA's consultation.
- The PRA may still consult further on NSTs.
  - Discussions continue on the Lloyd's templates, which were not included as part of CP16/14.
  - Firms will not be expected to submit any NSTs as part of the preparatory phase.



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## 7a. Update on National Specific Templates

Number	Template Name
NS.01	With-profits value of bonus
NS.02	With-profits assets and liabilities
NS.03	Pools
NS.04	Assessable mutuals
NS.05	Revenue account (Life)
NS.06	Business model analysis (Life)
NS.07	Business model analysis (Non-Life)
NS.08	Business model analysis – financial guarantee insurers
NS.09	Best-estimate assumptions for life insurance risks
NS.10	Projection of future cash flows (best-estimate – non-life: sub-classes)
NS.11	Non-life insurance claims information (general liability sub-classes)



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## 8. The PRA Solvency II regulatory reporting industry working group

- Forum for the PRA and industry representatives to discuss technical, and practical, implementation challenges connected to SII regulatory reporting.
- Nominations for working group attendance were sought in Q4 2013 from different trade associations to represent the UK insurance industry.
- Members are drawn from:
  - Association of British Insurers (ABI), Association of Financial Mutuals (AFM), International Underwriting Association (IUA), Society of Lloyd's of London (Lloyd's), Lloyd's Market Association (LMA), P&I Clubs, Investment Management Association (IMA) and Investment & Life Assurance Group (ILAG).
- Terms of reference and notes from the meetings that have been held since November 2013 are available on the SII pages of the PRA section of the Bank of England's website.
  - [www.bankofengland.co.uk/solvency2](http://www.bankofengland.co.uk/solvency2)
  - Navigate to the Implementation section and the page called 'Preparing for Solvency II'
- A new email inbox has been set up to receive firm queries on reporting.
  - [PRASIIregulatoryreporting@bankofengland.co.uk](mailto:PRASIIregulatoryreporting@bankofengland.co.uk)

## 8a. Summary of key topics emerging from the industry working group

- Gathering and reporting of data
  - Challenges regarding the gathering of assets data, including the readiness of insurers, asset managers, third party administrators and data vendors to provide a complete and consistent set of data.
  - Ability to gather data on a look-through basis for funds.
  - Firms currently making planning assumptions where further clarity on data definitions and materiality is awaited from EIOPA.
- Implementation considerations
  - Concerns about readiness of EIOPA taxonomy, and consequently a reluctance of suppliers to contract, in the context of further taxonomy releases being planned.
  - Recognition that the preparatory period is likely to result in some inconsistent approaches between firms and that quality and completeness of data may not be up to final standards.
- Changes between final preparatory phase templates and final Solvency II templates
  - Recodification, preparatory phase will remain as current codes but will change for Solvency II.



## 9. Questions and next steps

- The PRA will continue with its Solvency II regulatory reporting industry working group and the next meeting will take place in September 2014.
- The PRA will continue to make available its response to frequently asked questions on regulatory reporting. The most recent iteration of the Q&A from the industry working group was published online on 4 September.
  - Email further questions to firm supervisors or [S2comms@bankofengland.co.uk](mailto:S2comms@bankofengland.co.uk)
- The PRA will continue to speak at events and conferences and will be holding its own conference on 17 October 2014.
  - Further details, including details on how firms can register their interest, will be made available online in the coming months [www.bankofengland.co.uk/solvency2](http://www.bankofengland.co.uk/solvency2)