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

Three-pillar approach

Pillar 1: Quantitative requirements
- Own Funds (including balance sheet)
- Minimum capital requirement (MCR)
- Solvency Capital Requirement (SCR)

Pillar 2: Qualitative requirements and supervisory review
- Governance, risk management and required functions
- Own risk and solvency assessment

Pillar 3: Reporting, disclosure and market discipline
- Supervisory Process
- Disclosure
- Transparency
- Support of risk-based supervision through market mechanisms

Market-consistent valuation of balance sheet
Risk Based requirements

Business governance
Risk-based supervision

Disclosure
Transparent markets
## 2. Pillar 3 reports: SFCR v RSR

<table>
<thead>
<tr>
<th>Audience</th>
<th>Public</th>
<th>Private</th>
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<tbody>
<tr>
<td><strong>Narrative Reports</strong></td>
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</tr>
<tr>
<td>Type</td>
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<td>Qualitative &amp; Quantitative</td>
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<td>Frequency</td>
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<tr>
<td>Type</td>
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<td>Frequency</td>
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<td>Annual &amp; Quarterly</td>
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<td><strong>NSTs</strong></td>
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</tr>
<tr>
<td>Notes</td>
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<td>Will form part</td>
</tr>
<tr>
<td>Frequency</td>
<td>Annual</td>
<td>Annual</td>
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<tr>
<td><strong>Other</strong></td>
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<tr>
<td></td>
<td>Major developments affecting relevance of SFCR will require an updated SFCR</td>
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*QRT – Quantitative Reporting Template  
*NST – National Specific Template

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

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td><strong>Solvency II regime</strong></td>
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<tr>
<td>Transposition</td>
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<tr>
<td>Application</td>
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<td>1 January 2016 onwards</td>
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<td></td>
<td>December 2014 - March 2015: Public Consultation</td>
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<td></td>
<td>April – June 2014: Public Consultation</td>
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<td></td>
<td>December 2014 - March 2015: Public Consultation</td>
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<tr>
<td></td>
<td>June – September 2014: Public Consultation</td>
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<tr>
<td><strong>Guidelines Set 1</strong></td>
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<tr>
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<td>February 2015: Publication</td>
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<tr>
<td></td>
<td>June – September 2014: Public Consultation</td>
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<tr>
<td><strong>Guidelines Set 2</strong></td>
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<tr>
<td>Implementation</td>
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<tr>
<td></td>
<td>July 2015: Publication</td>
<td></td>
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<tr>
<td></td>
<td>December 2014 - March 2015: Public Consultation</td>
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Source: EIOPA

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Reporting expected by the PRA in the preparatory phase:

- Annual submission: Year ending 31 December by 31 December by 31 December by 1.7.15 for solo firms and 15.7.15 for Group firms (1.7.15 for solo firms)
- Quarterly submission: Q1 by 30.8.15 for solo firms and 30.8.15 for Group firms (1.7.15 for solo firms)
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.

- 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.

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

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

Focus of activity:
1. Define the PRA business requirements for the proposed solutions for collections and analytics.
2. Design the supporting business processes.

The PRA expects a limited number of milestones to impact firms during this period.

- Work underway since 2013 to specify the business requirements for solutions to manage collections.
- Process definition is continuing alongside this work.
- A vendor selection process was started for the collections solution.
- Two vendors have been shortlisted, one to provide the collections solution, one for the XBRL processor.
- The PRA expects to have selected vendors by end of Q3.
- NB: The PRA aims to have a collections solution for deployment into internal testing for Q4 2014.
- PRA and industry engagement via the PRA Solvency II regulatory reporting industry working group. Further working group meetings planned during 2014.
- The PRA will use targeted communications to raise awareness of regulatory reporting activity as necessary in 2014.
- Process definition is continuing alongside this work.

- Process design
- Requirements and design – Collections
- Vendor selection – Collections
- Industry engagement / awareness

2014 Q1 Q2 Q3
Requirements and design – Collections
Vendor selection – Collections
Industry engagement / awareness

5b. High level delivery plan: key industry milestones

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

Focus of activity:
1. Complete internal testing and engage in a period of ‘industry testing’ for the collections solution.
2. Implement supporting business processes.
3. On-boarding of firms and users for system testing and in preparation for submissions.

The PRA will implement new supporting business processes from Q4 2014. The PRA will familiarise firms with the process to be followed, and the types of interaction firms can expect with the PRA during the submission process, via firm communications and the on-boarding process.

- First deployment of the collections system is expected to begin in Q3 2014 for testing. Deployment is planned to proceed in two phases, one for the PRA’s core requirements, and further one in Q2 2015 for additional requirements.
- The PRA expects to ask some firms for involvement in a period of ‘industry testing’ for the collections solution during Q1 2015, to ensure firms will be able to use the solution effectively.
- From end Q4 2014 / start Q1 2015 the PRA will engage with firms for system and user set up for the IS solution.
- The PRA will start with firms involved in industry testing and those that will report in the preparatory phase to ensure firms are able to use the IS solution to transfer information to the PRA.
5c. High level delivery plan: key industry milestones

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

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>Firm on-boarding</td>
<td>Preparatory phase</td>
</tr>
</tbody>
</table>

Focus of activity:
1. Collect submissions and review preparedness during the preparatory phase.
2. On-boarding of firms that will not report in the preparatory phase.
3. Transition processes and systems to BAU.

- Opportunity to amend supporting business processes as required using lessons learnt from firm submissions during the preparatory phase.
- Engage with firms to raise awareness of any changes that impact them.
- Further industry testing opportunities to be explored with firms not part of the preparatory phase and to reflect enhancements made.
- The PRA will continue to develop its internal analytics solution with further releases.
- From Q3 2015 on-boarding activity will focus on firms that are not in-scope to report in the preparatory phase and will make first reporting submissions in 2016.

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.

7a. Update on National Specific Templates

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

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

• 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