

Solvency II Breakfast Briefing

EIOPA consultation paper on supervisory reporting and public disclosure

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History

July 2009	2010 - 2011	November 2011
■	■	■
CEIOPS released CP58	Two rounds of informal consultation with major stakeholders	Public consultation
Draft L2 Advice on Supervisory reporting and disclosure	April – August 2010 January – March 2011	Comments by 20 January 2012

November 2011 Public Consultation

- Draft proposal on Quantitative Reporting Templates (QRTs)
 - QRTs for solo companies
 - QRTs for groups
 - Reporting instructions (log and summary files) to accompany the QRTs
- Draft guidelines on Narrative Public Disclosure & Supervisory Reporting, Predefined Events and Processes for Reporting & Disclosure
- Impact assessment on the Solvency II reporting package
- Additional data not covered by this set of templates? Expected December 2011

Public Consultation – Issues to consider

- Criteria for quarterly reporting of Balance Sheet
- Own Funds
 - Reporting treatment versus SCR & limits
 - Possible analysis tool of Reconciliation Reserve
- Variation Analysis templates
 - sufficient detail for analysis without significant costs for undertakings
- Reporting of risk concentration
 - Narrative reporting only or QRT plus narrative reporting
- Design of QRT for non-life catastrophe risk
- Format of reporting on ring-fenced funds
- Content of guidelines on Narrative Public Disclosure & Supervisory Reporting

National Specificities





- National supervisors shall replace all national quantitative reporting templates with these
- Except when national templates stem from
 - Specific national legal requirements or
 - Specificities of local markets
- EIOPA expects the harmonised package of templates to meet most of the supervisory data needs of national supervisors
- Areas where there may be some national requirements include
 - Profit participation
 - Statutory accounts
 - Local taxation
 - Statistical data

Solo QRTs

Category of Template	Number of Templates
Balance Sheet (BS)	3
Activity by Country (Country)	1
Premiums, claims & expenses (Cover)	2
Own Funds (OF)	4
Variation analysis	4
Solvency Capital Requirement (SCR)	10
Minimum Capital Requirement (MCR)	2
Assets	9
Technical Provisions (TP)	15
Reinsurance (Re)	4

Group Specific QRTs

Category of Template	Number of Templates
Group (G)	5
Intra Group Transactions (IGT)	4
Risk Concentration (RC)	1

- Next slides list templates. Assume all annual, not public and applicable to Solo undertakings and Groups unless:
 - Quarterly  - Not applicable to Groups 
 - Public 
- Materiality Threshold 

Balance Sheet Template – BS C1

C1

Balance sheet

Assets

Goodwill

Deferred acquisition costs

Intangible assets

Deferred tax assets

Pension benefit surplus

Property, plant & equipment held for own use

Investments (other than assets held for index-linked and unit-linked funds)

Property (other than for own use)

Participations

Equities - listed

Equities - unlisted

Government Bonds

Corporate Bonds

Structured notes

Collateralised securities

Investment funds

including equities in invested funds

including government bonds in invested funds

including corporate bonds in invested funds

including property in invested funds

including derivatives in invested funds

including other financial assets in invested funds

Derivatives

Deposits other than cash equivalents

Loans & mortgages (except loans on policies)

Solvency II value	Statutory accounts value
	AS1
	AS24
A2	AS2
A26	AS26
A25B	AS25B
A3	AS3
A4=A5+A6+A7+A7A+A8+A8A+A8C+A8D+A9+A10A+A10B+A11+A14	AS4=AS5+AS6+AS7+AS7A+AS8+AS8A+AS8C+AS8D+AS9+AS10A+AS10B+AS11+AS14
A5	AS5
A6	AS6
A7	AS7
A7A	AS7A
A8	AS8
A8A	AS8A
A8C	AS8C
A8D	AS8D
A9=A9A+A9B+A9C+A9D+A9E+A9F	AS9
A9A	
A9B	
A9C	
A9D	
A9E	
A9F	
A10A	AS10A
A10B	AS10B
A14	AS14

Balance Sheet, Country & Cover Templates

- BS-C1 Balance sheet **Q*** **P**
 - Quarterly if reconciliation reserve cannot be explained by A&L information in other templates (feedback on threshold)
- BS-C1B Off-balance sheet items
- BS-C1D Assets and liabilities by currency **MT**

- Country-K1 Activity by country **MT** 
- Cover-A1A Premiums, claims & expenses – Annual **MT**
- Cover-A1Q Premiums, claims & expenses – Quarterly **Q** **P**

Assets Template – Assets D1






D1

Investments Data - Portfolio list (detailed list of investments) - annual

Identification section													Cate
	Portfolio	Fund number	Asset held in unit linked and index linked funds (Y/N)	ID Code	ID Code type	Asset pledged as collateral	Security Title	Issuer Name	Issuer Sector	Issuer Group (Code)	Issuer Country	Country of custody	Curr (ISO)
Cell Number	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11	A12	A13

Categorisation section			Risk section			Data section						
Currency (ISO code)	CIC	Participation	External rating	Rating agency	Duration	Quantity	Unit SII price	Valuation method SII	Acquisition cost	Total SII amount	Maturity date	Accrued interest
A13	A15	A16	A17	A18	A20	A22	A23	A24	A25	A26=A22*A23 + accrued interest	A28	A30

Assets Templates

- Assets - D1 Investments Data - Portfolio list – Annual
 - Detailed list of all assets including Unit Linked (except derivatives)
 - EIOPA conference – chairman comment re assets
- Assets - D1Q Investments Data – Quarterly 
- Assets - D1S Structured products Data - Portfolio list 
- Assets - D2O Derivatives data – open positions 
- Assets - D2T Derivatives data - historical derivatives trades 
- Assets - D3 Return on investment assets (by asset category)
- Assets - D4 Investment funds (look-through approach) 
- Assets - D5 Securities lending and repos
- Assets - D6 Assets held as collateral

Technical Provisions Template – Life TP F1

F1 Life and Health SLT Technical Provisions (Annual)

	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance		A
		Contracts without options and guarantees	Contracts with options and guarantees	Contracts without options and guarantees	Contracts with options and guarantees	
Technical provisions calculated as a whole (Replicable portfolio)	A1	A3		A5		
Technical provisions calculated as a sum of BE and RM (Non-Replicable portfolio)						
Best Estimate Gross		B1	B2	B3	B4	B5
Cash out-flows	Future guaranteed benefits	BA1	BA2		BA4	
	Future discretionary benefits	BB1				
	Future expenses and other cash out-flows	BC1	BC2		BC4	
	Future premiums	BD1	BD2		BD4	
Cash in-flows	Other cash in-flows	BF1	BF2		BF4	
Total recoverables from reinsurance and SPV <u>before</u> the adjustment for expected losses due to counterparty default		CA1=CB1+CC1+CD1	CA2=CB2+CC2+CD2	CA3=CB3+CC3+CD3	CA4=CB4+CC4+CD4	CA5=CB5+CC5+CD5
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses		CB1	CB2	CB3	CB4	CB5
Recoverables from SPV before adjustment for expected losses		CC1	CC2	CC3	CC4	CC5
Recoverables from Finite Reinsurance before adjustment for expected losses		CD1	CD2	CD3	CD4	CD5
Total Recoverables from reinsurance and SPV <u>after</u> the adjustment for expected losses due to counterparty default		C1	C2	C3	C4	C5
Best estimate minus recoverables from reinsurance and SPV - total		D1=B1-C1	D2=B2-C2	D3=B3-C3	D4=B4-C4	D5=B5-C5
Risk Margin		E1	E2		E4	
Technical provisions - total		F1=A1+B1+E1	F2=A3+B2+B3+E2		F4=A5+B4+B5+E4	

Technical Provisions Templates - Life



- TP - F1 Life and Health SLT TPs - Annual **MT**
- TP - F1Q Life and Health SLT TPs – Quarterly **Q** **P**
- TP - F2 Projection of future cash flows (Best Estimate - Life)
- TP - F3 Life obligations analysis
- TP - F3A Variable Annuities - Description of guarantees by product
- TP - F3B Variable Annuities - Hedging of guarantees
- TP - F4 Information on annuities stemming from Non-Life insurance obligations **MT**

Technical Provisions Templates Non Life



- TP - E1 Non-Life Technical Provisions - Annual **MT**
- TP - E1Q Non-Life Technical Provisions - Quarterly **Q** **P**
- TP - E2 Projection of future cash flows (Best Estimate - Non-life)
- TP - E3 Non-life Insurance Claims Information **MT**
- TP - E4 Movements of RBNS claims **MT**
- TP - E6 Loss distribution profile non-life
- TP - E7A Underwriting risks (peak risks)
- TP - E7B Underwriting risks (mass risks)

SCR Templates

- SCR - B2A SCR (standard formula or partial internal models) P
- SCR - B2B SCR (partial internal models) P
- SCR - B2C SCR (full internal models) P
- SCR - B3A SCR - market risk
- SCR - B3B SCR - counterparty default risk
- SCR - B3C SCR - life underwriting risk
- SCR - B3D SCR - health underwriting risk
- SCR - B3E SCR - non-life underwriting risk
- SCR - B3F SCR - non-life catastrophe risk
- SCR - B3G SCR - operational risk

SCR Template - B3ASCR - market risk

SCR-B3A

Solvency Capital Requirement - Market risk

Market risk - basic information

Initial absolute values before shock		Absolute values after shock				
Assets	Liabilities	Assets	Liabilities (including the loss absorbing capacity of technical provisions)	Net solvency capital requirement (including the loss-absorbing capacity of technical provisions)	Liabilities	Gross solvency capital requirement

Interest rate risk

interest rate down shock

interest rate up shock

				C0		D0
A1	A1A	B1	B1A	C1	B1B	D1
A2	A2A	B2	B2A	C2	B2B	D2

Equity risk

type 1 equities

type 1 equity

strategic participations (type 1 equities)

duration-based (type 1 equities)

type 2 equities

type 2 equity

strategic participations (type 2 equities)

duration-based (type 2 equities)

				C3		D3
A4	A4A	B4	B4A	C4	B4B	D4
A5		B5				
A6		B6				
A7		B7				
A8	A8A	B8	B8A	C8	B8B	D8
A9		B9				
A10		B10				
A11		B11				






Property risk

A12	A12A	B12	B12A	C12	B12B	D12
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Spread risk

				C13		D13
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MCR & Own Funds Templates

- MCR – B4A and MCR - B4B   
 - MCR-B4A for non-composites & MCR-B4B for composites
- OF - B1A (annual template) and OF - B1Q (quarterly)  
 - Separate templates for solo and groups so 4 in total
 - Publicly disclosed (annually) sub section of annual template
 - Basic Own Funds & Ancillary Own Funds by type split into Tier 1, 2 and 3
 - Reconciliation reserve components
 - EPIFP

Variation Analysis Templates

- VA - C2A Summary analysis of changes in Basic Own Funds
 - Overview of sources of changes in Basic Own Funds
 - Automatically sourced from other templates
- VA - C2B Analysis of changes in BOF due to investments
 - Excluding assets held for UL & IL funds or property held for own use
- VA - C2C Analysis of changes in BOF due to TPs **MT**
 - Costs anticipated (runs required similar to EV AOM)
- VA - C2D Analysis of changes in BOF due to financial liabilities and other items

Reinsurance Templates

- Re - J1 Facultative covers non-life & life  
- Re - J2 Outgoing Reinsurance Program in the next reporting year  
- Re - J3 Share of reinsurers
- Re - SPV Special Purpose Insurance Vehicles

Group Templates

Not applicable to solo undertakings

- G01 Entities in the scope of the group **P**
- G03 (Re)insurance Solo requirements
- G04 Non-(re)insurance Solo requirements
- G14 Contribution to group TP
- G20 Contribution to Group SCR with D&A
- IGT1 IGT - Equity type transactions, debt & asset transfer
- IGT2 IGT - Derivatives
- IGT3 IGT - Internal Reinsurance
- IGT4 IGT - Cost sharing, contingent liabilities, off BS items and other IGT
- RC Risk Concentration **P** **MT**

Reporting Guidelines

- Draft guidelines on Narrative Public Disclosure & Supervisory Reporting, Predefined Events and Processes for Reporting & Disclosure
- 55 guidelines (38 in pre consultation)
 - SFCR (1-27)
 - RSR (28-43)
 - PDE (44-45)
 - Processes (46-55)

Impact Assessment

Section 4 - Policy options & analysis of impacts

– options considered under:

- A. Detailed list of assets
- B. Underwriting vs. accident year for reporting of claims development
- C. Triangles in TP-E3
- D. Quarterly BS-C1
- E. Scope of public disclosure
- F. Ring-fenced funds
- G. Variation Analysis
- H. Narrative reporting
- I. Risk Concentration