



PRA Solvency II Regulatory Reporting Industry Working Group, 29 January 2016

Firm representative	Organisation and representing
Roni Ramdin	RSA, for ABI
Alan Hardings	Aviva, for ABI
Kim Harmer	E&Y, for ILAG
Miki Palocsai	One Family, for AFM
Ben Terrett	UIA, for AFM
Steven Findlay	ABI
Mike Schofield	Assurant Solutions, for ABI
Angus McLean	Baillie Gifford & Co, for ABI
Darren Sait	JP Morgan, for The Investment Association
Steve Dixon	Steve Dixon Associates, for AFM
Rebecca Wyatt	Prudential, for ABI
Andrew Smith	XL Catlin, for ABI
Willem Van Der Westhuysen	Thomas Miller, for P&I Clubs
Jane Tusar	Society of Lloyd's
Nick Lowe	IUA
Bank of England	Role
Lewis Webber - Chair	Head of Division, Insurance Data Analytics Division, and Solvency II Project Sponsor
Elzbieta Woynowska	Reporting Policy
Joanna Rose	Regulatory Data Group
Beju Shah	Information Service Technology Division
Peter Shirley	Solvency II Reporting Project Manager
Andrea French	Insurance Data Analytics Division Representative
Tahir Mahmood	Insurance Data Analytics Division Representative
David Jeacock	Insurance Data Analytics Division Representative
Apologies	
Paul Appleton	Society of Lloyd's
Russell Worsley	Lancashire Group, for IUA
Susan Wright	The Investment Association

These notes are intended as a record of the discussions held at the PRA on 29 January 2016. They are not verbatim minutes and for the benefit of those organisations that are not members of the industry working group (IWG), they indicate the themes of the discussion and questions that were raised. The views expressed are those of IWG members and do not represent guidance from the PRA.

Firms seeking clarification on aspects of these notes, or wishing to raise questions regarding regulatory reporting for discussion at the IWG, should contact the appropriate industry representative in the first instance. If firms are not represented at the IWG by a member organisation, they should submit their question to:

PRASIIregulatoryreporting@bankofengland.co.uk

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Key points

1. Welcome from new Chair, Lewis Webber

1.1 Use of Solvency II Regulatory Reporting Industry Working Group in 2016

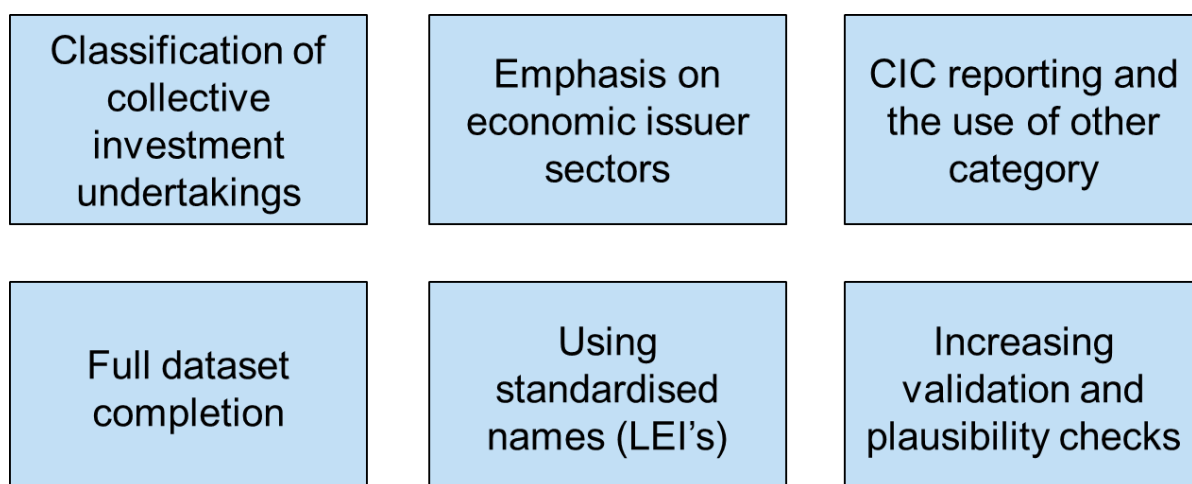
- Background
 - The IWG was originally set up 2013 Q4
 - Nominations for working group representation were sought from different trade associations to represent the UK insurance industry
 - Additional members joined in September 2015
- The IWG was intended to:
 - Provide opportunities for the PRA and industry representatives to discuss topics related to the implementation of Solvency II regulatory reporting
 - Act as a forum for two-way flow of information as firms made their preparations for regulatory reporting, including planning assumptions

1.2 Review of Terms of Reference

- IWG might wish to review and refresh its role now that Solvency II is in force
- Suggested questions for discussion at the next IWG meeting:
 - Which firms and organisations should be represented?
 - What is the most useful role of the IWG?
 - What are the key issues for 2016?

2. Feedback

Figure 1: Preparatory phase assets and derivatives, July 2015 annual submissions



2.2 Preparatory phase, November 2015 quarterly submissions

- Data submissions
 - Any requests for extensions when submitting data should be made through BEEDS
 - Firms should ensure that their submissions will be accepted in BEEDS on schedule by checking EIOPA validations and reading the Filing Manual to check that all requirements are satisfied
 - Large files must be zipped before submission
 - Firms should use the option to add additional free text notes at the time of submission to explain changes in data
- Data quality
 - Plausibility response forms must be submitted after being uploaded
 - Changes to assumptions made by firms, consistent with the EIOPA guidelines but affecting reporting, should be discussed with Supervisors in advance
 - Firms should use the option to add supporting documents if the plausibility response is long and detailed

2.3 EIOPA Development - Added Value and Analytics work stream

This work stream is focusing on three areas:

- Data quality
 - Opportunity for national authorities and EIOPA to share experiences and approaches to data quality checking
 - Feed comments back to EIOPA on issues of inconsistency and arising from validation checks
- Data analytics
 - Opportunity for firms to comment on diagnostics and aggregate data reporting they would like to see from EIOPA
- Colleges
 - Aim of developing reports that will be useful for Supervisors, and which could facilitate the distribution of information within colleges

2.4 EIOPA update

a) Taxonomy Governance

- V2.1 of the Taxonomy will be published in July 2016
- EIOPA has published a [timeline and a governance document](#)

b) Taxonomy Update

- A number of issues have been found with the current taxonomy, mostly affecting annual reporting, which EIOPA has [published](#) and expects to correct in the next taxonomy release

c) Tool 4 Undertakings (T4U)

- The final T4U version of the software has been [published](#)
- T4U will not be supported by EIOPA going forward
- Firms should consider their plans for the future, especially when the next taxonomy is released
- The [source code](#) has been released by EIOPA. Some solution providers are planning to support T4U. It is unclear which providers may offer support, what the costs will be and the precise capabilities

d) Bank of England Filing Rule Manual

- The [Filing Manual](#) has been updated for Solvency II reporting
- Firms should remember that all files >10Mb must be compressed into .zip format before uploading to BEEDS. This saves time on upload for firms and ensures best use of storage capacity
- Not all firms followed the requirements set out in the Filing Manual, particularly the codes used for identification of entities or financial instruments. It is important that firms do so

2.5 Solvency II XBRL briefing

- A Solvency II XBRL briefing is to be held on 3 March 2016, and the event materials will be available on the [PRA website](#)
- Invites have been sent to the appropriate firms and industry contacts, though IWG members were welcome to suggest further attendees before the briefing
- The briefing is aimed at technical staff and those within the business with technical knowledge. The agenda will cover:
 - XBRL
 - Taxonomy and DPM
 - EIOPA artefacts, e.g. Validation Rules and Known Issues
 - Q&A

Questions raised by industry participants and answers given by PRA members of the IWG were as follows:

Q1: How do firms identify collective investment undertakings?

A1: Firms are encouraged to re-read EIOPA's guidance and refer to the [clarification](#) issued by the PRA in December 2015.

Q2: How should asset managers and insurers interpret the [communication on 18 December 2015](#), regarding the terms of how investment trusts are reported?

A2: Firms should be explicit in the treatment of investment trusts where included.

Q3: What should firms consider when trying to ensure consistency in relation to their data returns?

A3: Firms should understand the economic issuer sector of the security issuer – which is not necessarily the same as the activity of the holding company. It has been noted that there has been some mixed use of CIC codes by firms. Ensuring consistent use of CIC codes, and further improving consistency over time, is encouraged.

Q4: It is a burden to go through each asset and allocate it to the correct sector. For example, not all assets have NACE codes and firms may need to manually code instruments that are not listed, so there may be a limit to the improvements that are realistically achievable. How should firms respond?

A4: Submissions should be of a high quality and some improvements are needed over time. Where firms are concerned about the level of completeness of data sets and granularity they are able to provide, they should discuss this with their Supervisors.

Q5: What is the correct forum to discuss technical reporting and how should firms engage given that some will not have named Supervisors?

A5: The discussion reveals a continued important role for the IWG. Within the PRA, Insurance Data Analytics Division (IDAD) will assist supervisory activity as appropriate, including where data are reported by firms without named Supervisors. All firms should have an open dialogue with their supervisory contact(s) on regulatory reporting.

Q6: Is there anything firms need to do to prepare for additional validation rules?

A6: The PRA does not plan to publish plausibility rules and will not impose additional checks in 2016 Q1.

Q7: Will the 5-2-5 turnaround time be operationally possible within the PRA given the increased time pressures of also running plausibility rules in the future?

A7: The PRA is required to supply EIOPA all data received from firms within 20 days of receipt and envisages quality checking submissions prior to them being forwarded. Larger firms will be prioritised and the PRA will monitor its ability to turnaround these checks going forward.

Q8: Will the PRA publish feedback on quarterly submissions?

A8: The PRA currently has no plans to publish feedback on the quarterly submissions at this early stage in the new regime. Supervisors will contact their firms with specific feedback on a one-to-one basis.

3. 2016 submissions

3.1 Timeline

- Day 1 submissions and first quarterly submissions
 - Submission windows will open around two weeks before firms' submission date for both solos and groups
 - First quarterly submissions are expected by 25 March for firms with January, April, July and October year-ends
 - Most solo firms will submit first quarterly data by 26 May
 - Day 1 submissions from firms with a year-end of 31 December are due by 20 May
 - Group submissions are due six weeks after solo firms
 - Almost all firms submitting financial stability templates will do so by 9 June – the window will be open alongside quarterly reporting
 - All data should be submitted through BEEDS in XBRL
- Collection of principal user details for smaller firms is in progress
 - If firms have not received a letter, they should contact [solvenyllqueries@bankofengland.co.uk](mailto:solvencyllqueries@bankofengland.co.uk)

3.2 Process

Test environment

- The User Acceptance Test (UAT) system opens on 29 February for two weeks. The PRA plans to open a second window prior to the May submission deadline
- Access to the UAT system is on request. Firms should have received an email containing details of how to apply. If not, firms should contact [solvenyllqueries@bankofengland.co.uk](mailto:solvencyllqueries@bankofengland.co.uk). The request deadline is 5 February

- Login details will be supplied as the UAT system becomes available. Login details for the live site will not work in the test environment
- The system will only allow testing of XBRL submissions, filing codes and EIOPA validations. Only the 2.0.1 taxonomy will be accepted
- The test environment is subject to the same stringent security as the live site but **firms should not load live data into the test environment**
- The UAT system is not guaranteed to be available at all times and may be withdrawn subject to the PRA's requirements
- Queries can be emailed to [solvenyallqueries@bankofengland.co.uk](mailto:solvencyllqueries@bankofengland.co.uk) and will be answered on a best endeavours basis

3.3 Validation and plausibility

Validation checks – update on how these will be used now Solvency II is in force:

- Passing EIOPA checks is mandatory to ensure legal submission
- All EIOPA validation checks are published on its [website](#)
- The PRA will check the Day 1 submissions alongside the quarterly data
- The PRA plans to conduct plausibility checks (not validation checks) in Q1
- The PRA will aim to follow the 5-2-5 process and will prioritise larger firms and monitor progress carefully. The majority of smaller firms have waivers in Q1

4. How the PRA will use the data submitted by firms

Figure 2: The Solvency II data flow

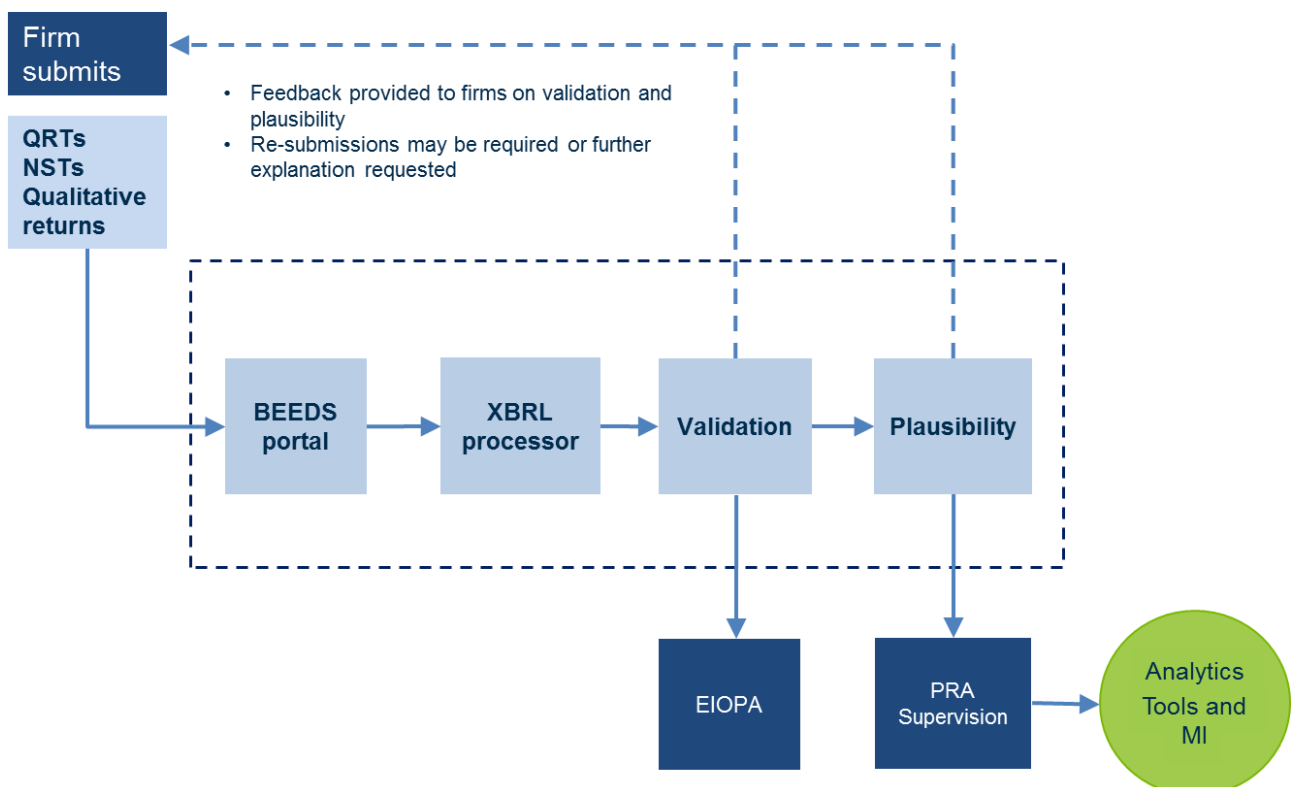
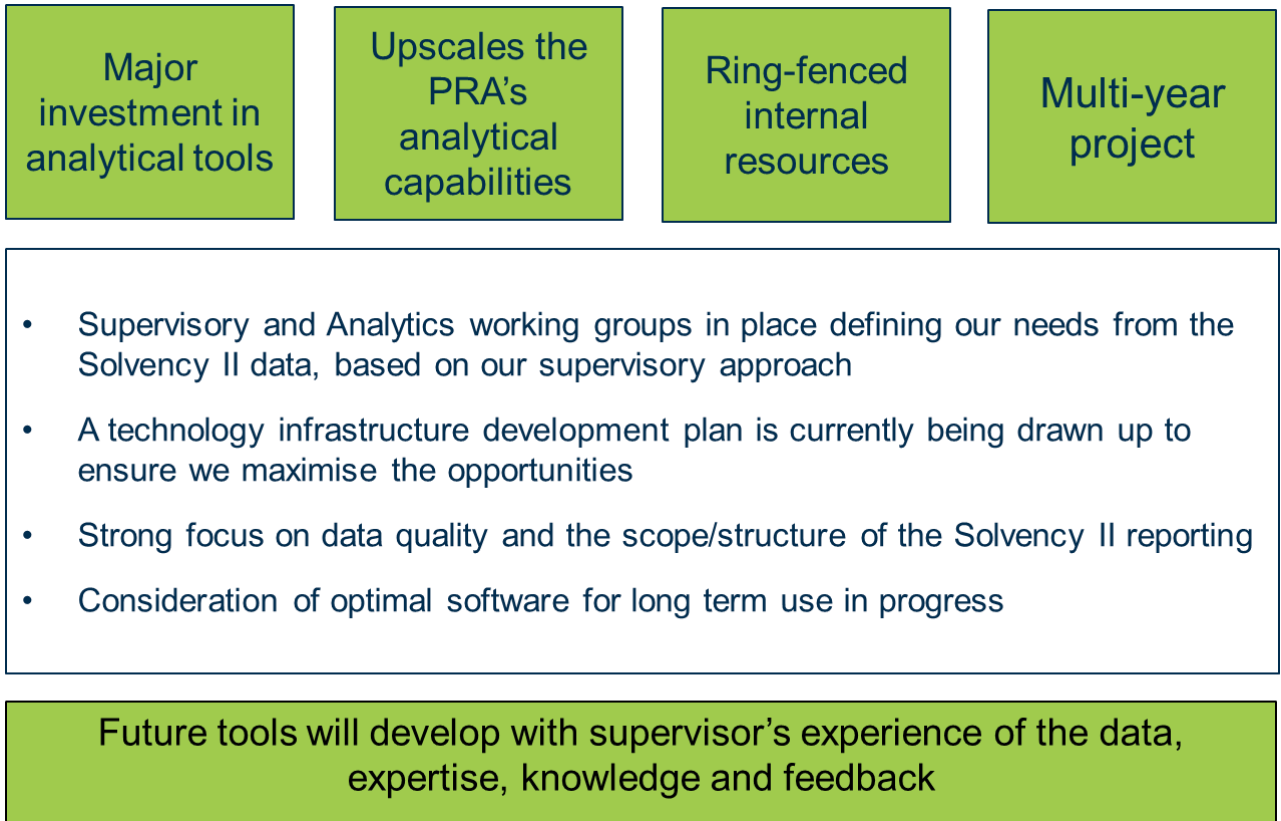
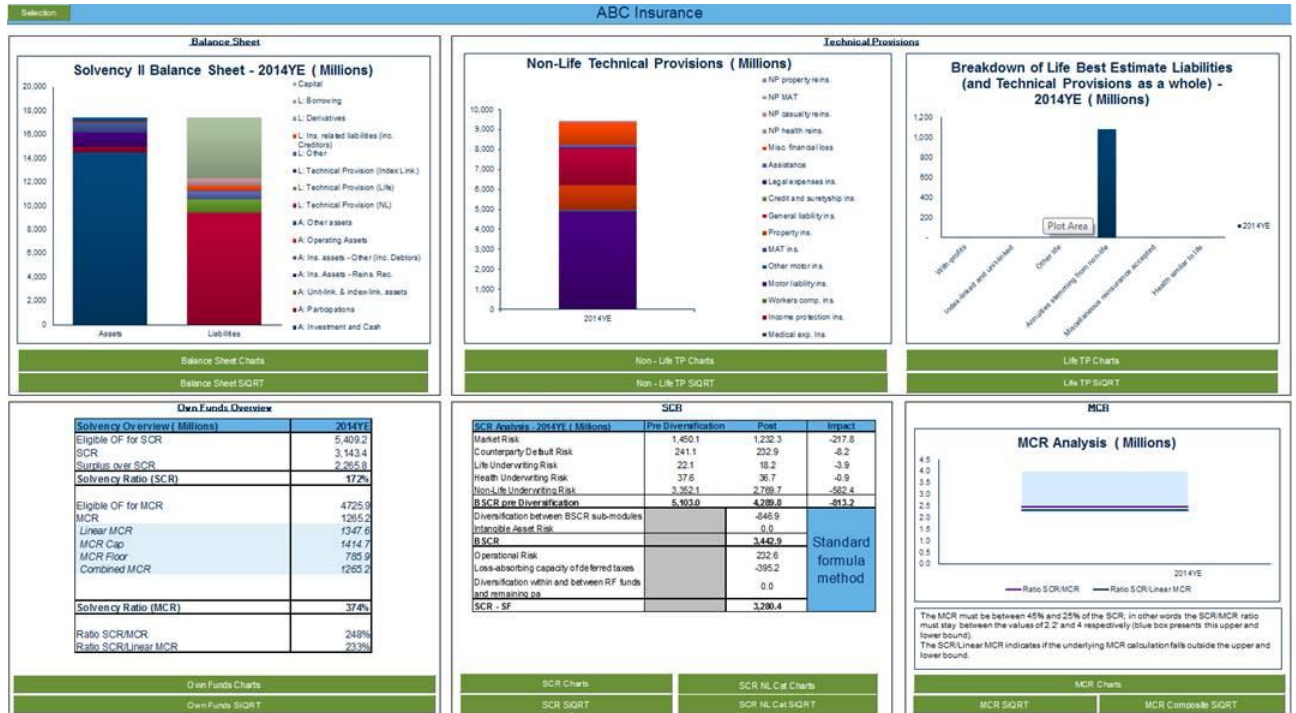


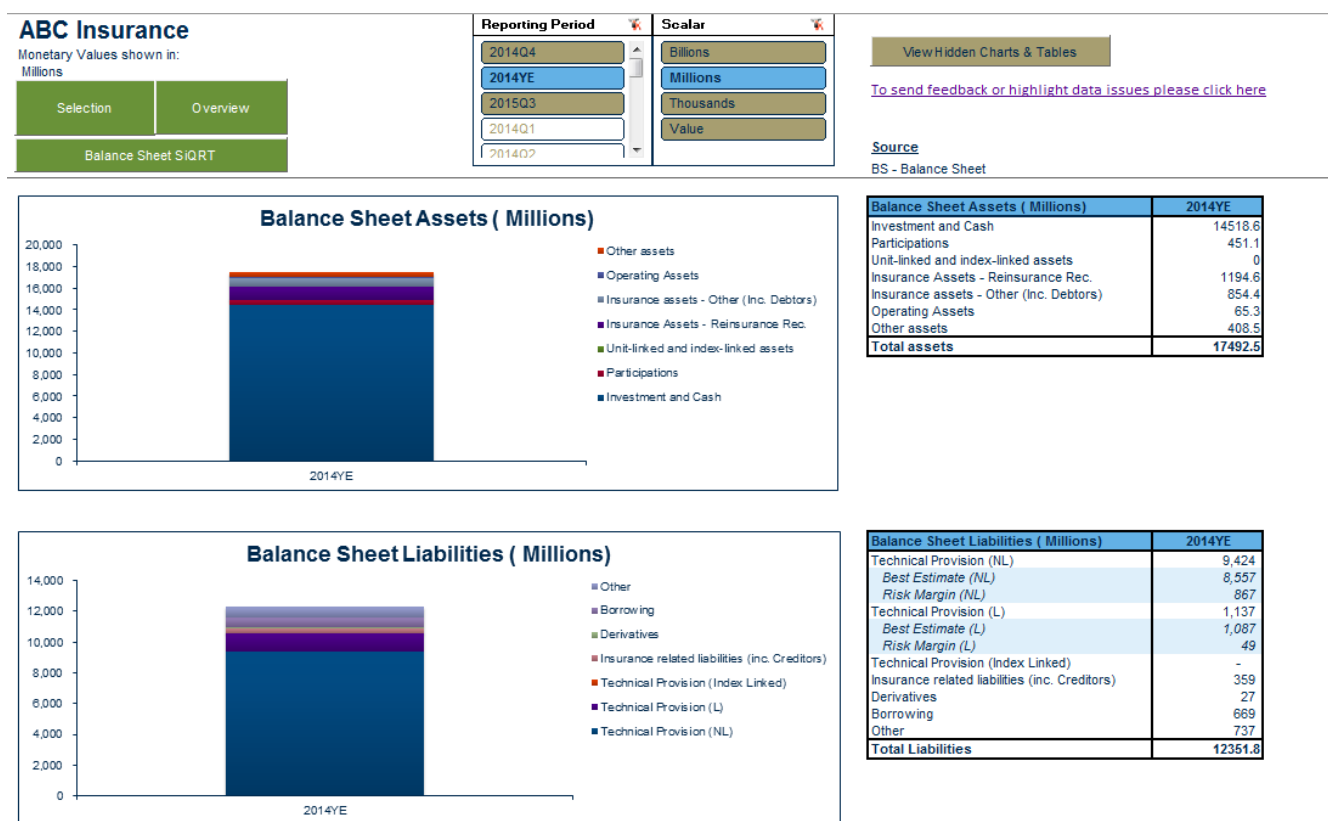
Figure 3: The PRA's approach to data analytics



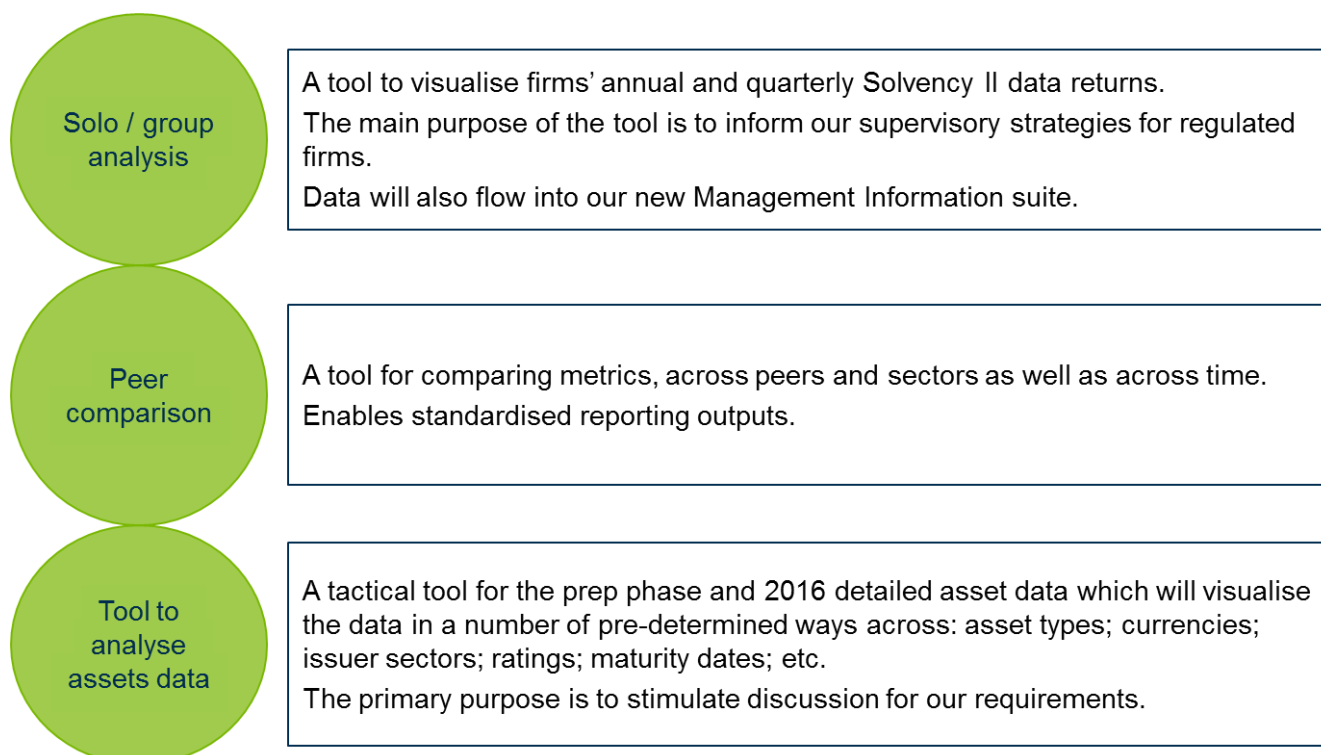
Example 1 – actual tool displayed using dummy data



Example 2 – actual tool displayed using dummy data



Other tools that are in development include:



Questions raised by industry participants and answers given by PRA members of the IWG were as follows:

Q9: How will the PRA use the data submitted by firms?

A9: Solvency II represents a step change in the opportunities for data analytics to support forward-looking, judgement-based supervision. IDAD was formed within the PRA in 2015 Q4, to lead on quantitative analysis and sectoral intelligence, to support insurance supervision and wider stakeholders across the Bank. The tools described in this session are an example of the direction in which the PRA's work is heading.

Q10: Will the PRA coordinate an exchange of best practice in relation to analytics for the industry?

A10: Depending on what the IWG decides regarding its Terms of Reference, the IWG could partly perform this role, while retaining its function as a forum to discuss practical issues around integrity of data reporting. In the future, this information could be used to provide feedback to EIOPA as to the metrics and items that industry participants find most useful.

5. Policy update

- Implementing regulation on the [Solvency II reporting and disclosure templates and instructions](#) was formally adopted by the European Commission on 31 December 2015
- [EIOPA Guidelines on reporting and disclosure](#) were published in September 2015
- EIOPA plans for 2016:
 - Consultation on update to supervisory reporting ITS is expected for year-end 2016. Minor updates may be required to some templates following the European Commission's changes to the Delegated Regulations

6. Update on PRA's approach to the external audit of Solvency II public disclosures

- EIOPA issued a statement supporting the external audit of Solvency II reporting June 2015. The PRA published [Consultation Paper 43/15](#) on 20 November 2015, and the consultation closes on 19 February 2016
- It proposes that auditors should provide a reasonable assurance opinion that the 'Valuation for solvency purposes' and 'Capital management' sections of the Solvency and Financial Condition Report (SFCR) have been properly prepared, in all material respects, in accordance with Solvency II
- Its scope is consistent with previous communications, in line with the draft EIOPA guidelines. Internal model and partial internal model SCR are out of scope.

The scope includes:

- Valuation and Capital Management sections of the SFCR
- Balance sheet and Own Funds Templates
- Solvency capital requirement templates for insurers using the standard formula
- Approvals granted to undertakings by the PRA will be out of scope
- SCR for firms using approved models will be out of scope
- Private reporting will be out of scope

7. Outlook for 2016 – opportunities and hurdles

Opportunities

- Enhanced data reporting provides an opportunity for firms to develop metrics useful for their own risk management purposes, alongside important regulatory uses
 - The PRA is actively engaging with other regulators across Europe via the EIOPA Added Value and Analytics workstream and other fora to develop consistent metrics and tools. We are also interested in firms own risk management metrics
- Wider Bank work
 - IDAD is developing firm-focused and sector-level analytical tools for use across the Bank, in addition to supporting the PRA's forward-looking, judgement-based supervisory decisions. It is working with other divisions as appropriate, including Advanced Analytics
- Working with industry on data completeness and quality
 - We are feeding back to industry issues around data via the IWG and other fora to assist firms ahead of Day 1 reporting and the first quarterly returns in 2016 Q2

Hurdles

- Bringing all firms on board
 - The volume and complexity of data reporting by firms will increase between 2016 Q2 and 2017. In addition, Group and third party reporting will increase
- Reviewing the data submitted and providing detailed feedback to firms
 - Data and plausibility checks are led by the Regulatory Data Group within the Bank of England. Supervision will also provide feedback on data quality and other issues via the IWG
- Consideration of NSTs, subject to the usual consultation process
 - Development of additional NSTs may be appropriate, in principle, where data gaps are identified and material

8. EIOPA financial stability reporting

8.1 Overview, 2016 Q1

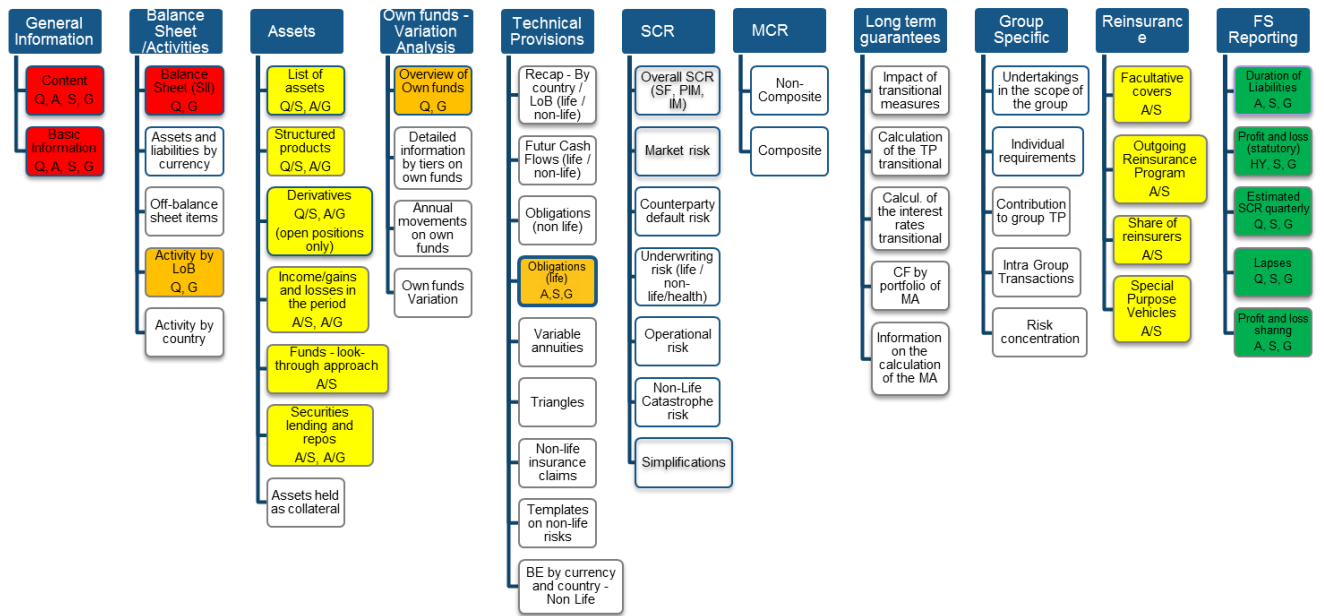
- EIOPA approved the introduction of financial stability reporting across Europe in 2015
- In 2015, the PRA published [Supervisory Statement 41/15](#) 'Solvency II: applying EIOPA's Set 2, System of Governance and ORSA Guidelines', which is applicable to all firms and groups within the scope of the Solvency II Directive for financial stability reporting purposes
- The PRA consulted on the proposals in [Consultation Paper 30/15](#)
- These guidelines have applied since 1 January 2016

8.2 Data collection

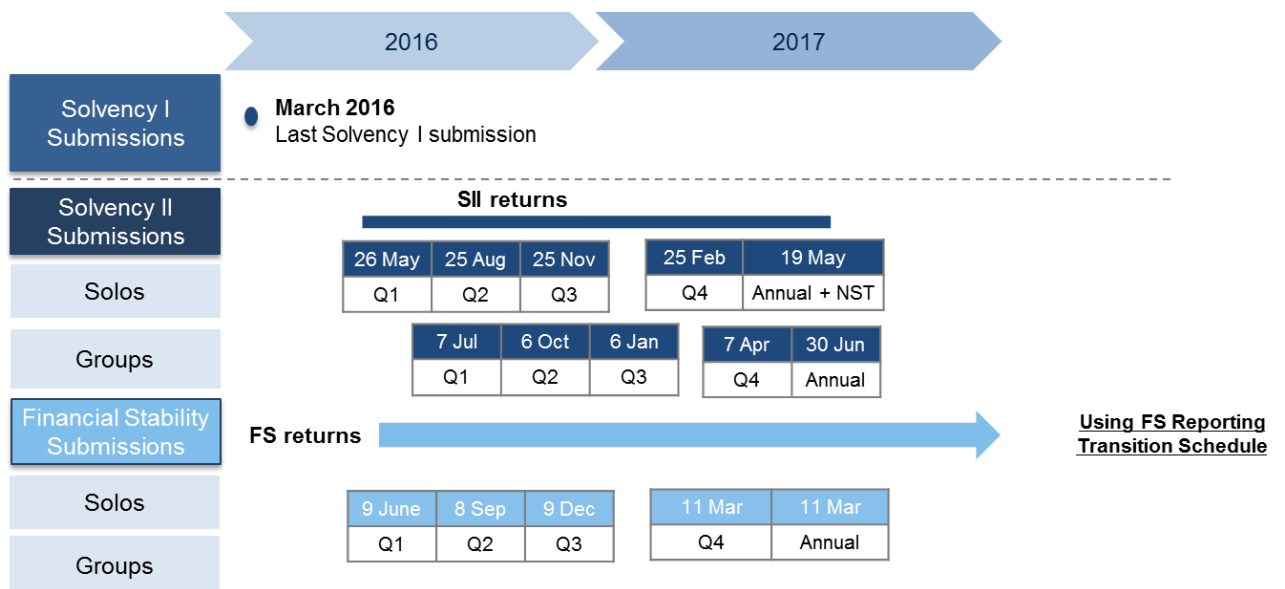
Financial stability data collection will cover the following additional data items:

- S.05.01 Premiums, claims and expenses by line of business
- S.14.01 Life obligations analysis
- S.23.01 Own funds
- S.25.04 Solvency capital requirement
- S.38.01 Duration of liabilities
- S.39.01 Profit & loss
- S.40.01 Profit or loss sharing data
- S.41.01 Lapses for life business
- S.02.01 Full balance sheet data (via standard prudential SII template but as an additional submission)
- S.06.02 List of assets (via the standard prudential SII template but as an additional submission)

8.3 Financial stability Reporting Templates



8.4 Timeline for December year-end firms



8.5 Reporting transitions

- During the transitional period of three years after the implementation of the Solvency II Directive, the deadline for submitting quarterly, semi-annual or annual information, is extended:
 - a) 3 weeks (to 10 weeks) for data related to the year 2016;
 - b) 2 weeks (to 9 weeks) for data related to the year 2017; and
 - c) 1 week (to 8 weeks) for data related to the year 2018.
- Reporting will normalise to 7 weeks for data related to the year 2019

Questions raised by industry participants and answers given by PRA members of the IWG were as follows:

Q11: Can the PRA clarify what is required from firms regarding financial stability reporting timelines and resubmissions?

A11: The PRA contacted firms that were in scope for financial stability reporting to confirm timeframes in 2015 Q4 and answered various queries from firms in 2015 Q1, including solo versus group reporting requirements. Firms were advised to email their Supervisor or PRASIIregulatoryreporting@bankofengland.co.uk if they had any further queries.

Q12: Can the PRA clarify how 'sum assured' is defined? It is not possible to quantify when, for example, there is an unlimited liability.

A12: The PRA will respond and provide clarification on this subject in due course.

10. Close and next meeting

The next meeting is proposed for March or April. IWG members will be contacted nearer the time.