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Solvency II Practical Review Working Party



Agenda

- Introduction
- Pillar 3 Reporting: Recap
- Survey Results
- Proposed Solutions
- Conclusion
- Next Steps





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Pillar 3 Recap

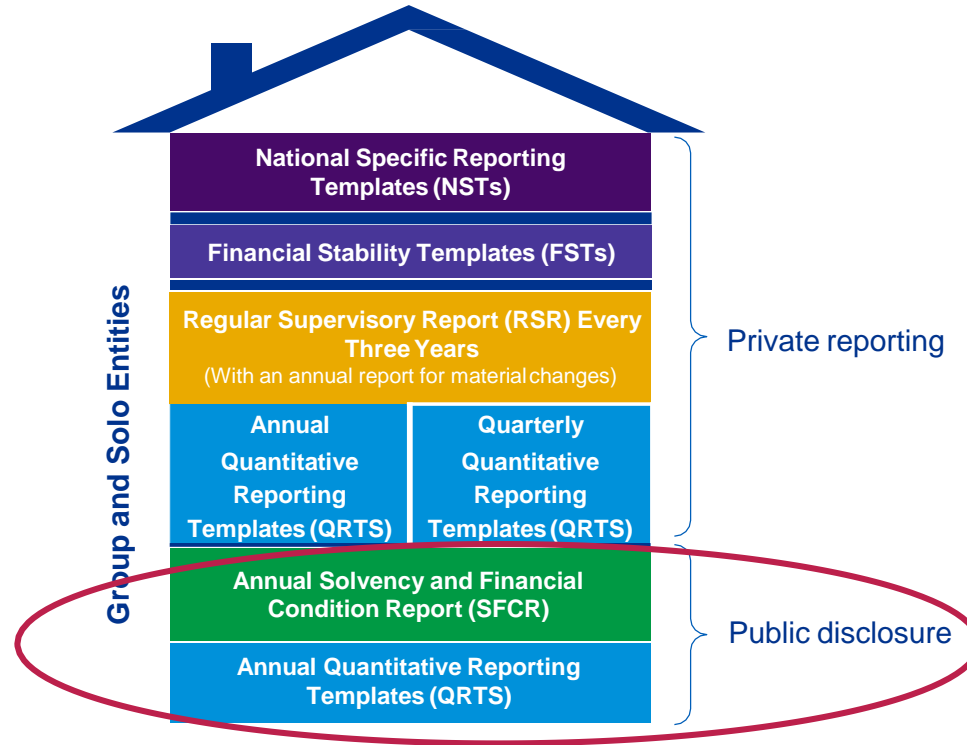
28 August 2024

Introduction

- Objective {
- Working Party set up to identify practical issues with Solvency II
- Year 1: {
- Focus on Pillar 1 – Capital & Pillar 2 – Technical Provisions
- Year 2: {
- Focus on Pillar 3 – Reporting

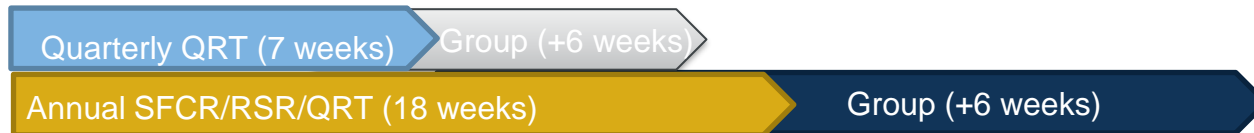


Pillar 3 Reporting: Recap



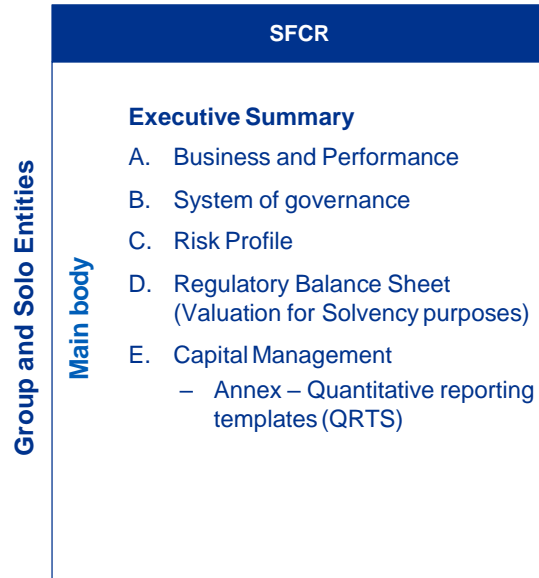
Pillar 3 Reporting: Recap

- Pillar 3 covers both quantitative and qualitative requirements including:
 - **Quantitative Reporting Templates (QRTs)** - submitted both annually and quarterly, with the annual requirements being more onerous.
 - **Solvency and Financial Condition Report (SFCR)** - highlights an insurer's business strategy, solvency and risk exposures. Submitted annually and disclosed publicly.
 - **Regular Supervisory Report (RSR)** – submitted privately to the regulator every three years, with annual updates in the intervening years.
- Pillar 3 has tight reporting deadlines as shown below:



Annual SII reporting

Solvency and Financial Condition Report – Public



Regular Supervisory Report – Private



Annual Reporting

Solvency and Financial Condition Report (SFCR) – Public disclosure

Published on company website

Certain elements are audited

Submitted in PDF, including QRTs
Not subject to validation checks on submission

Regular Supervisory Report (RSR) – Public reporting to PRA

Private submission to PRA

Unaudited

RSR submitted in PDF
QRTs submitted as XBRL and subject to validation



Pillar 3 reporting: SFCR components





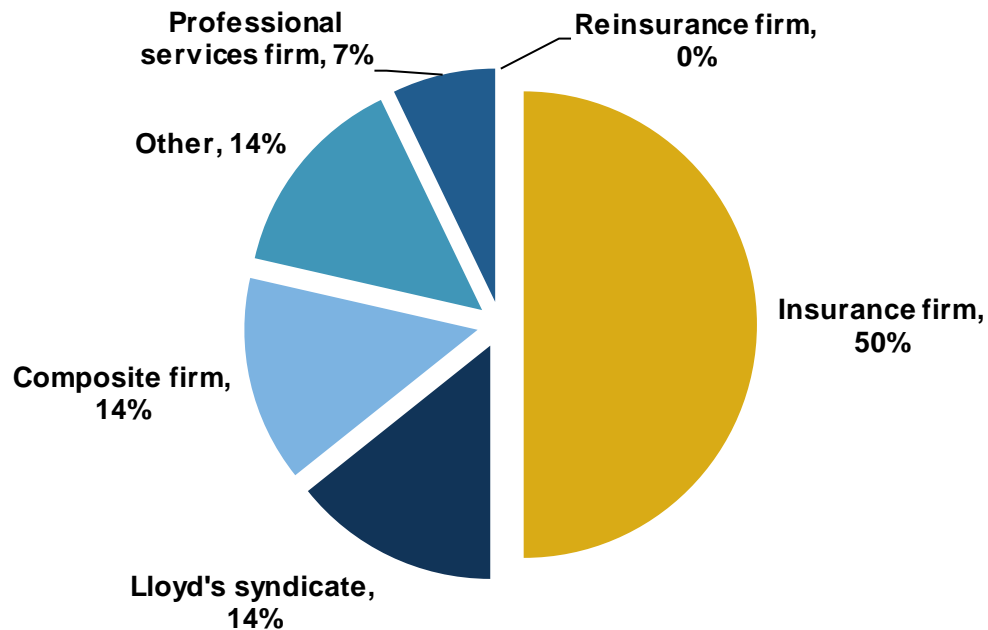
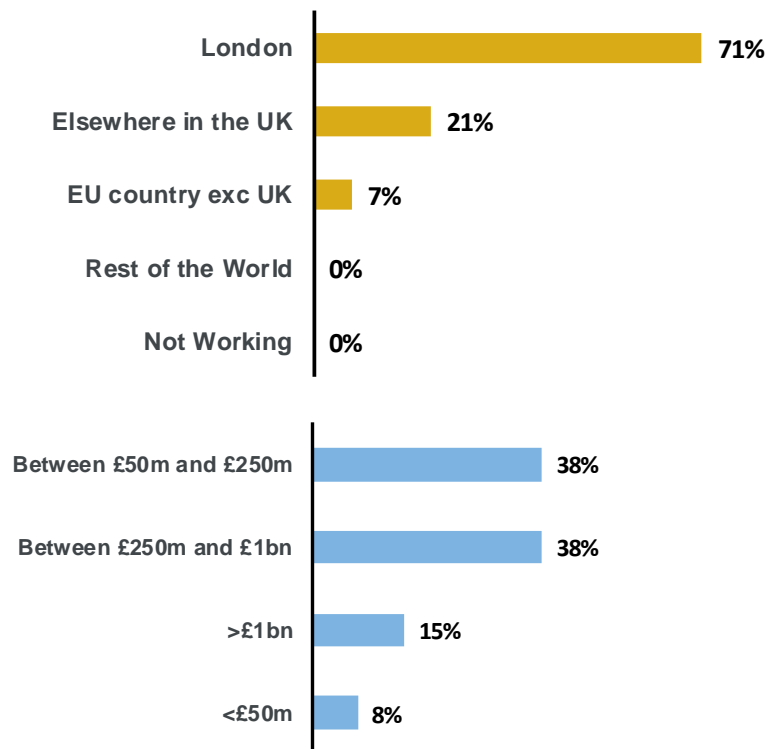
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Survey Results

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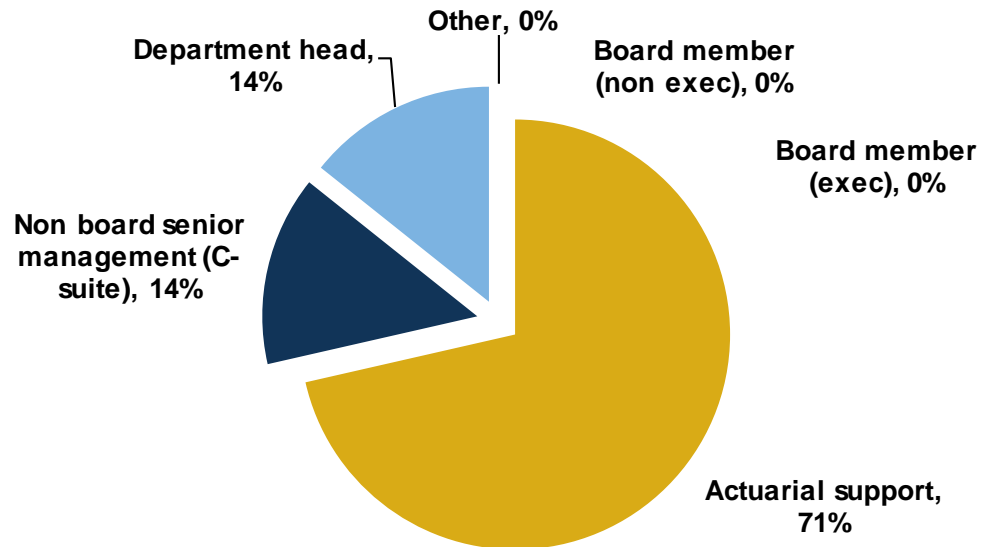
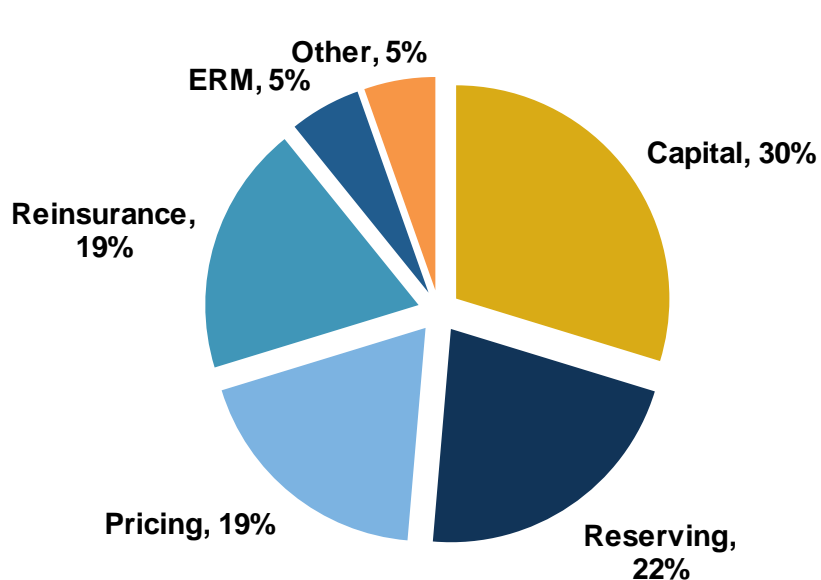
Survey Results

Participants - firm



Survey Results

Participants - role



Survey Results

Benefits and disadvantages of regulatory reporting

Disadvantages -

- Unnecessarily detailed
- Spurious accuracy
- Danger: Lack of understanding within the firm
- Onerous & time-consuming
- Minimal useful information
- Where is the data being used?!

Benefits +

- Consistency of information



Survey Results

Benefits and disadvantages of regulatory reporting

Disadvantages -

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Benefits +

- Consistency of information

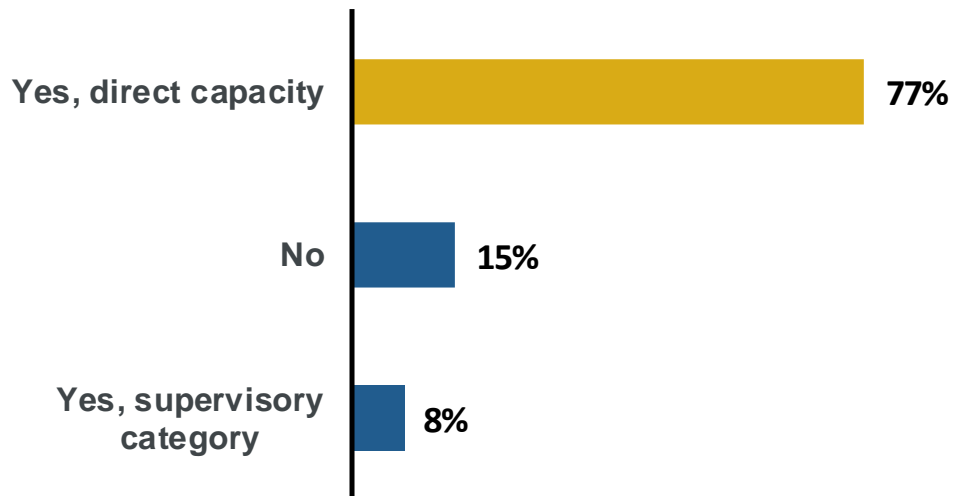
Main benefit is **consistency of information** supplied however, the **granularity of the disclosure requirements and the volume of reporting is far too great**. Requirements for reconciliations to the cent/pence are unreasonable.



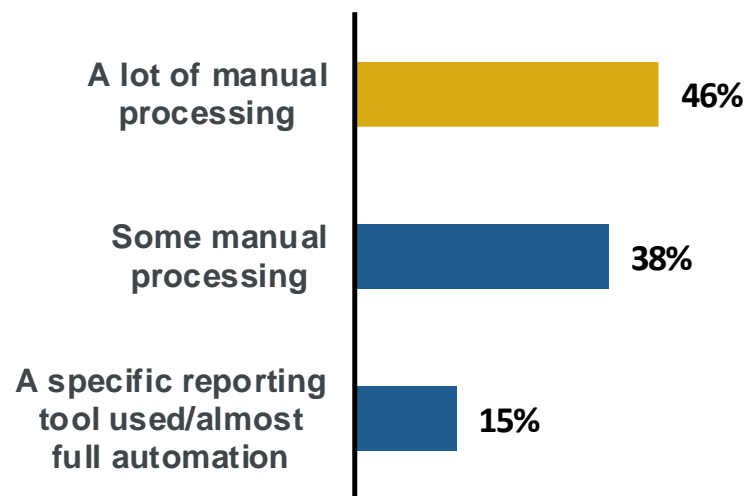
Survey Results

Quantitative reporting template

Have you prepared QRTs before?

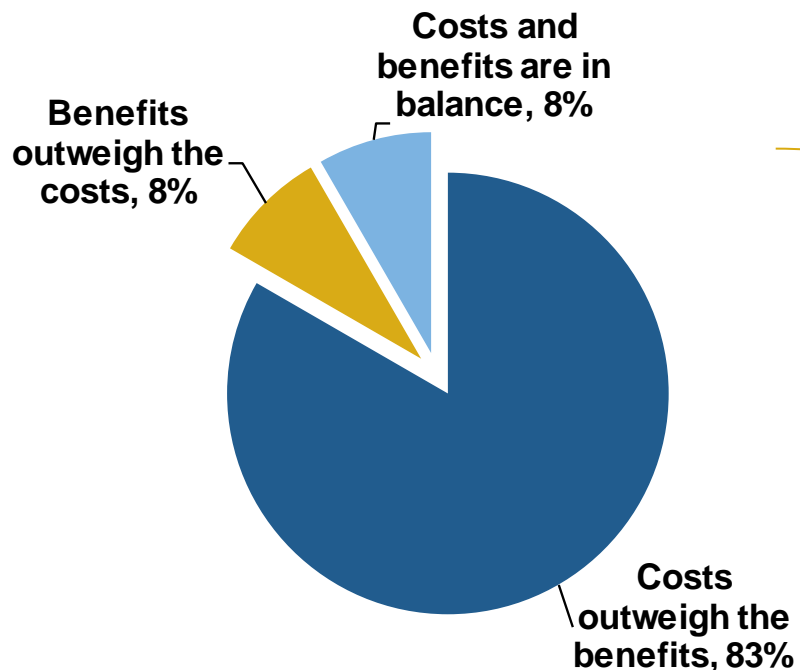


Level of automation in producing QRTs?



Survey Results

Quantitative reporting template – benefits vs. cost implication



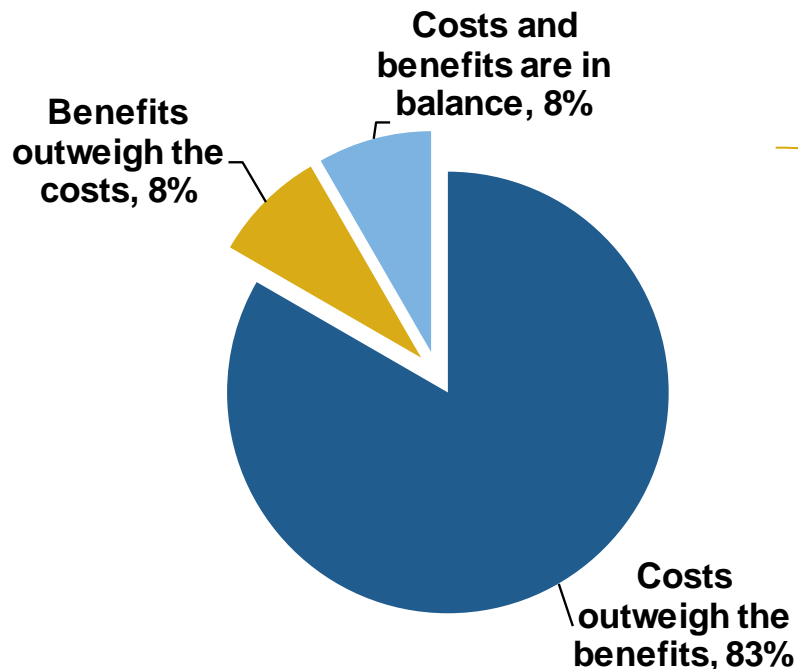
Areas that would benefit from reform:

- Aim of comparability has failed
- Benefit of several forms?
- Fewer forms
- Clearer guidance
- Aggregated disclosures



Survey Results

Quantitative reporting template – benefits vs. cost implication



Areas that would benefit from reform:

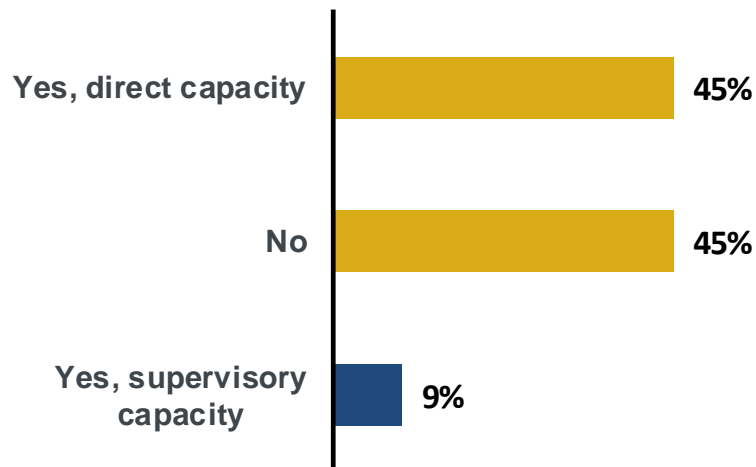
- Aim of comparability has failed
- Benefit of several forms?
- Fewer forms
- Clearer guidance
- Aggregated disclosures

Public QRTs show data at such a high level not sure this adds much. Historic triangle analysis particularly onerous to produce and reconcile / explain reconciliation to the IFRS views presented in annual reports.

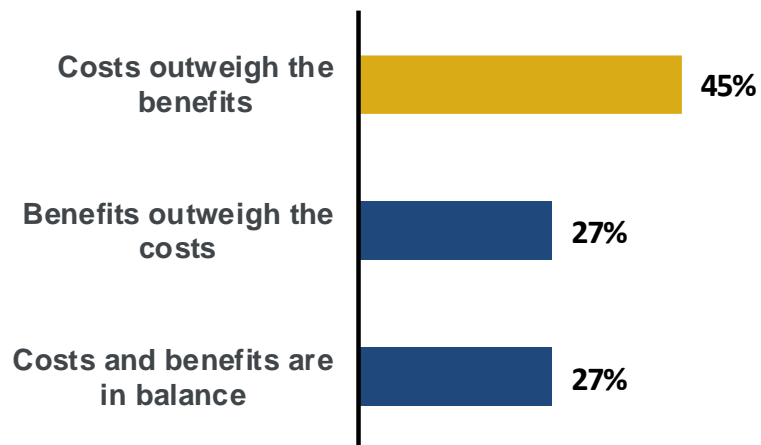
Survey Results

Solvency and Financial Condition Report

Have you prepared QRTs before?



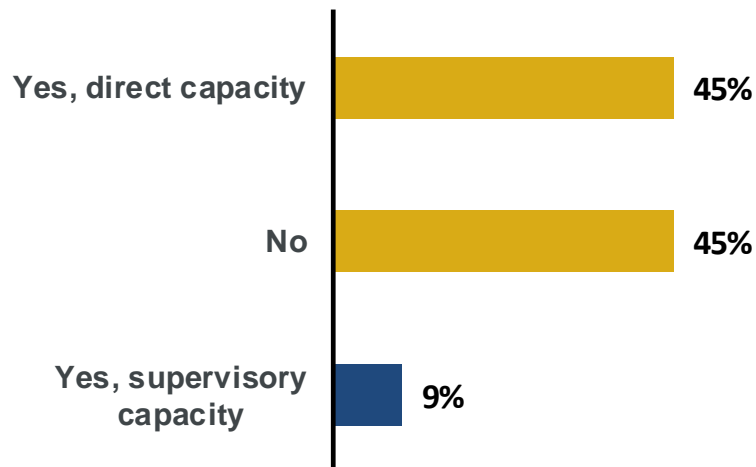
Level of automation in producing QRTs?



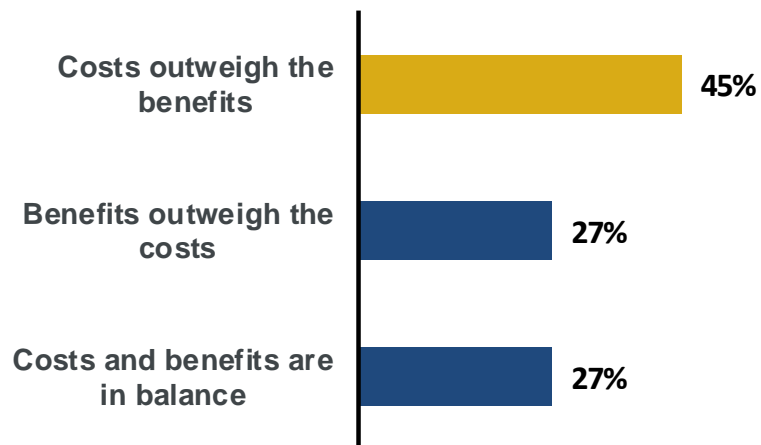
Survey Results

Solvency and Financial Condition Report

Have you prepared QRTs before?



Level of automation in producing QRTs?



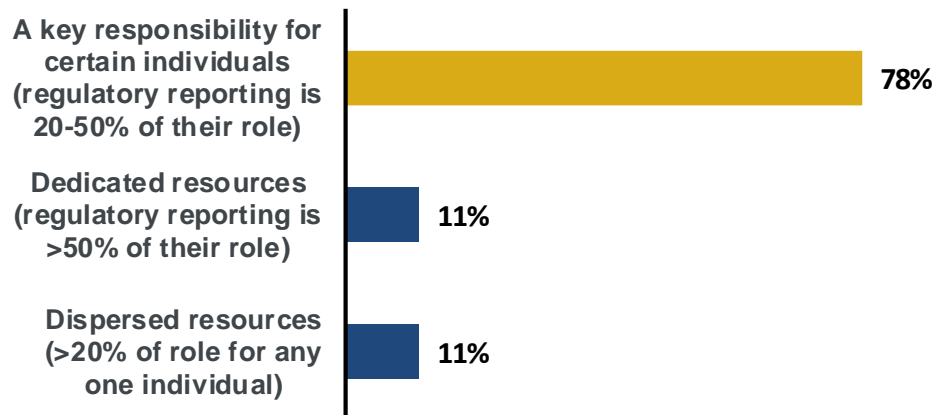
More useful detail for users of the report. Go back to PRA/FSA return format



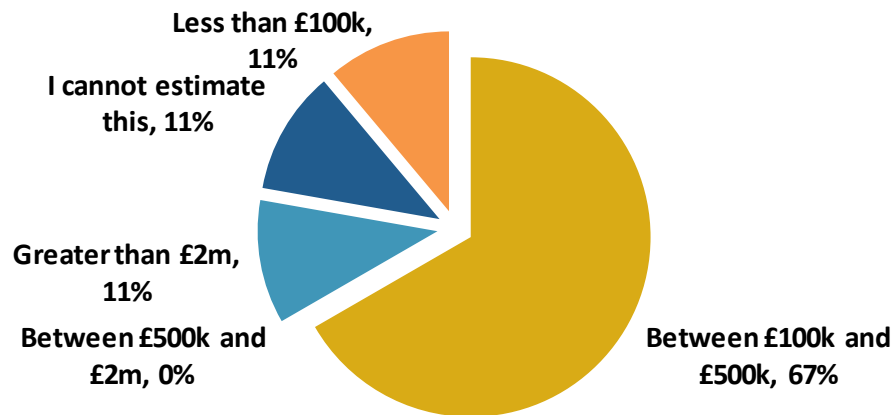
Survey Results

Regulatory Reporting (QRTs and SFCRs)

Resources employed



Cost of producing Regulatory Reporting





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Proposed solutions

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Proposed Solutions

Key points to address

- Costs outweigh the benefits
- Guidance isn't clear enough

Reporting forms

- Too simple and uninformative
- Should be aggregated to avoid repetition
- Create inhomogeneous forms

What regulators should do

- Engage more with firms and specify exactly what needs to be populated and how
- Ask firms what information they would find useful and target that information



Next Steps

- Paper 1 PRA feedback
- Submit Paper 2 on reporting based on feedback
- Liaise with relevant organisations:
 - IFOA
 - ABI
 - GIRO Board
 - EIOPA



Questions

Comments

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Formatting your presentation

Page setup

- This presentation is set to 16:9 screen size. Do not reset the size to any other screen size
- Do not alter anything in the master slides.

Type and typography

- Only use the font Arial and never use type smaller than 10pt
- Headings and sub-headings should always be in gold and body copy and chart text should always be dark grey
- Page titles are pre-set to gold. Page text, text blocks and chart text are pre-set in the correct dark grey
- Top level bullets should be round and second level bullets should be dashes. Further levels should alternate accordingly
- Always write in sentence case unless a proper noun is used and do not use ampersands (&)
- Only use a full stop at the end of a bullet list.

Content styling

- A selection of different title slides is offered, all accessible via the layout tab
- Do not use clip art. If you need guidance regarding imagery please consult the brand guidelines.

Colour palette

The full colour palette is to the left hand side of every slide. Do not use non-palette colours.

Please delete this slide after use.



Tables

Column title	Column title	Column title
Cell data	Cell data	Cell data
Cell data	Cell data	Cell data
Cell data	Cell data	Cell data
Cell data	Cell data	Cell data

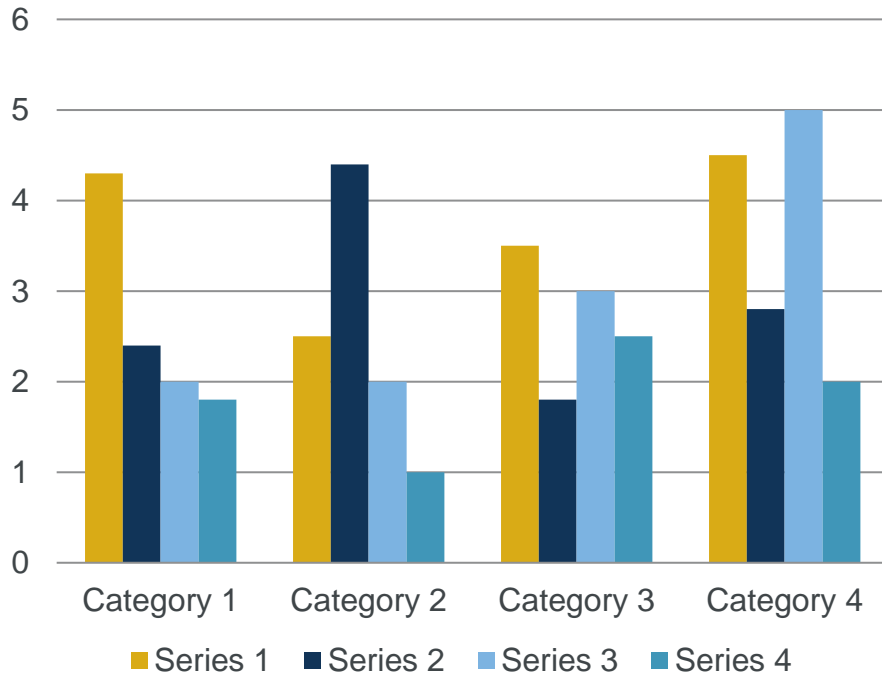
Column title	Column title	Column title
Cell data	Cell data	Cell data
Cell data	Cell data	Cell data
Cell data	Cell data	Cell data
Cell data	Cell data	Cell data

When making tables:

- The eye follows the pale blue cells so the direction of the pale blue cells should match the direction in which the data will be read



Sample bar chart

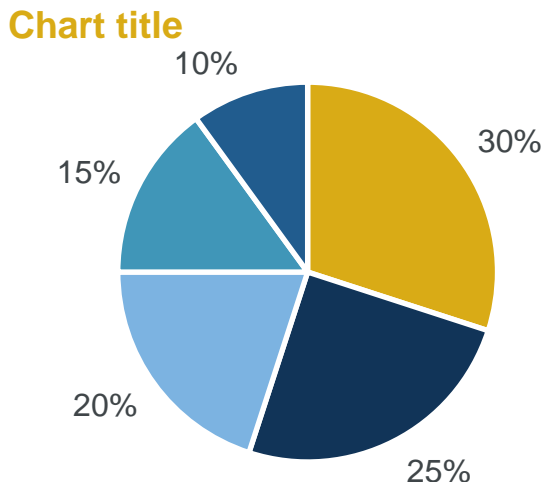


When making charts:

- Remove vertical lines
- Remove tick marks
- Move the legend down below the chart
- Do not use 3D charts.



Pie charts



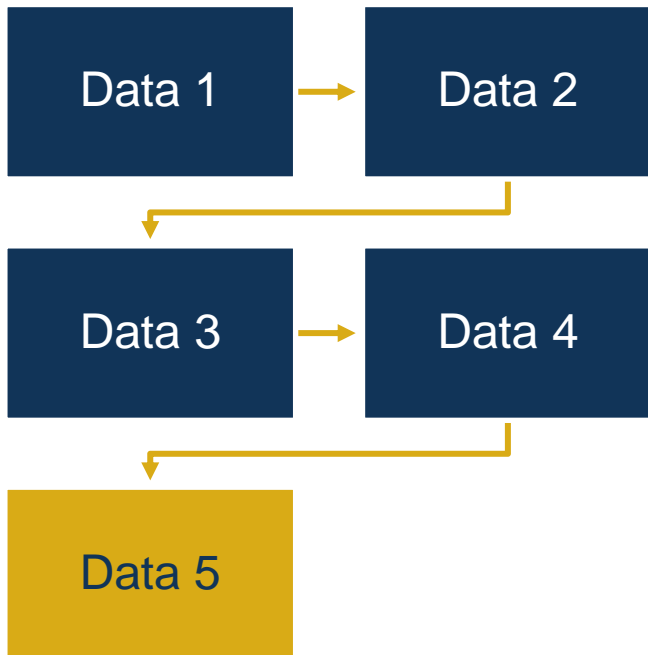
- 1st Data title
- 2nd Data title

When making pie charts:

- Segments should have a 2pt white border
- Data tags should always be outside the chart
- Data legends should go below the chart
- Do not use 3D pie charts.



Flow charts

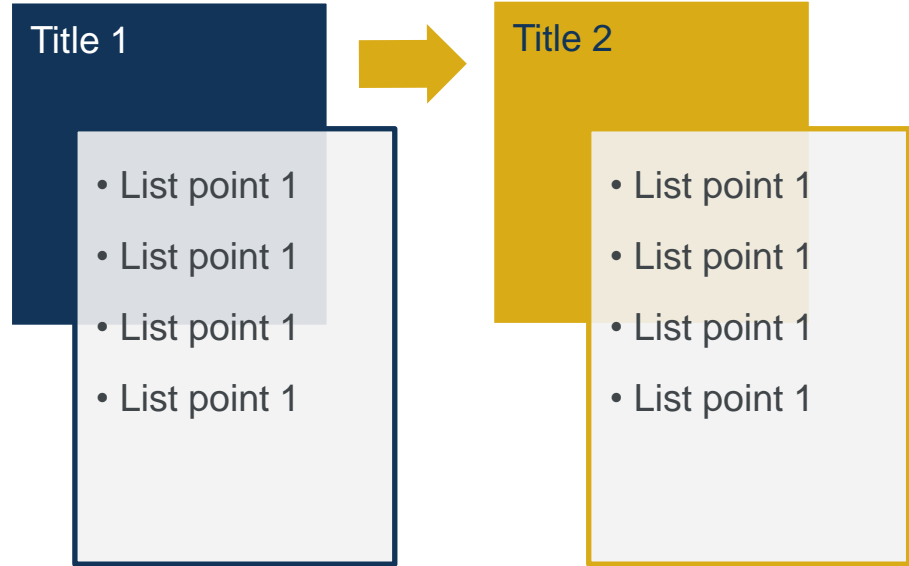
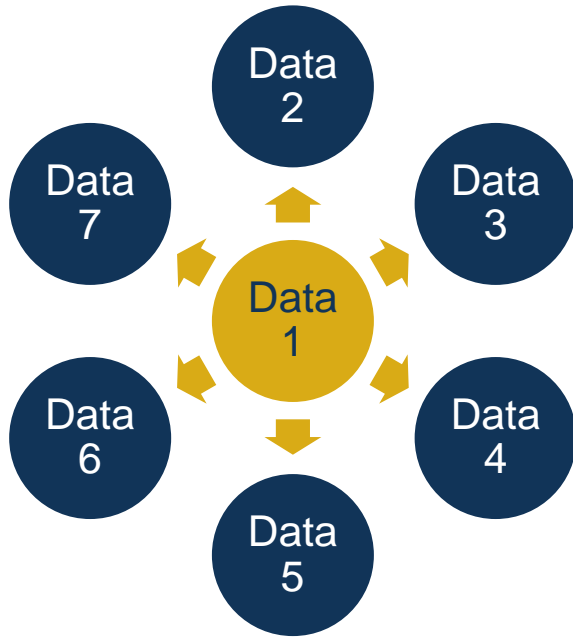


PowerPoint offers a huge range of pre-set chart diagrams. You should exercise moderation when choosing a style.

- Boxes should have square corners, not rounded corners
- Circles may be used but not ovals
- Gold should be used as the highlight colour
- Do not use the 3D options.



Flow charts – *more samples*



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Partner logos should be approximately the same size as the Institute and Faculty of Actuaries logo and appear in the positions indicated:

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- A title slide showing the position of partner logos is included in the title page templates
- Partner logos can appear on the other styles of title slides as long as they are in the positions indicated.

On content slides

- The position for partner logos on content slides is indicated below
- The partner logos should appear on every content slide.



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