

# Bank of England

## Prudential Regulation Authority

# Minutes

### PRA/ABI industry engagement group on regulatory reporting reform – third meeting

28 January 2022

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Location: **Teams Call**

Attendees: **Members of the PRA**

**Representatives of the following insurance firms and trade bodies:**

**ABI**

**Aviva**

**AXA XL**

**BUPA**

**Direct Line**

**IUA**

**Just**

**Lloyd's**

**L&G**

**M&G**

**Phoenix**

**PIC**

**Rothesay**

**Royal London**

**RSA**

Apologies: **Representatives of the following insurance firms and trade bodies:**

**Foresters**

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**Minute**      **Minute**  
**No.**

1. **Further discussion on the approach and agree Terms of Reference** **Action owner and due date**

The PRA briefly discussed the agenda and noted that it hasn't yet been able to share the Terms of Reference (ToR), but that it is due to be approved very soon. It will be shared as soon as possible after this date.

**ABI**

The ABI noted that it would be useful to discuss templates in one meeting rather than across a number of meetings. The ABI would also prefer to have a master document, which would list all the templates and allow the participants to comment on any of those. The expectation is that the master template would swiftly diminish to around 30 core templates.

The PRA further stressed that engagement from ABI/industry during the meeting was very much welcome. It highlighted the various forms of feedback that can be used and suggested for the ABI to create the 'Master template', which could then be managed by the PRA. The ABI was happy with that and stated that they will target the creation of a document with all 140 templates, highlighting matters such as duplication. The ABI questioned the timelines associated with this new document and the PRA responded that it is happy to consider a longer timeline, possibly including an extra meeting.

One industry representative flagged his concerns about duplication of requirements from the Financial Conduct Authority (FCA) and PRA. The PRA responded that this will be reviewed. In addition, the master document needs to be simple. It also reiterated the point that this is not a formal consultation and that the firms should not be concerned if feedback is not in the standard post-consultation format. Indeed, the PRA believes it is more important to receive feedback that is timely rather than in any rigidly pre-defined, standardised format. The PRA highlighted that life/non-life firms could have different

opinions about deletions. The PRA reiterated that proportionality will be one of the underlying principles.

The PRA talked about the main principles in the draft ToR. The PRA is keen to learn the perspective of those who complete the templates. The industry's view will inform the PRA changes, after which the full consultation happens. In addition, the PRA stressed its wish that the industry is well-represented. The PRA also confirmed that narrative reporting such as the Own Risk and Solvency Assessment (ORSA) & Regular Supervisory Report (RSR) are within the scope of the group.

The ABI reiterated the view that the RSR is not used much and should be considered for deletion. The PRA also made a point about SFCR not being used much, although it contains some important disclosures. One industry representative confirmed that this view aligned with others' experience. Another stated that, with Financial Reporting Council (FRC) and Task Force on Climate-related Financial Disclosures (TCFD) disclosures, it is becoming huge and difficult to read. The PRA asked attendees if they felt that there was overlap with ORSA. The PRA suggested that a discussion regarding the RSR should be separated from other matters and have its own agenda point.

## 2. **SCR Calculation**

The PRA presented slides on other specific templates and noted that they concern both life and non-life. The main areas are to have better consistency across firms, to align the presentation of certain calculations and to remove seldom-used items.

The ABI asked the PRA to confirm whether any additions were proposed for certain specific subject templates. The PRA confirmed that no new items were suggested.

The ABI's second question regarded a template, which in its view was unnecessary for internal model firms. The PRA responded that having a simple template has been very useful, to understand certain risk measures. The PRA confirmed it was happy to look at this template but stressed that templates relating to this area are highly important. Therefore, it said that feedback is welcomed from the industry as to how onerous the templates are. The PRA added that the particular measure under discussion is currently not within the scope of the review. The ABI commented that this template required a lot of work and also reiterated their point that they did not believe it to be a useful regulatory tool.

One industry representative asked whether UK firms should be bound by current regulation. The PRA responded that the Matching Adjustment (MA) and other areas are currently under review and that the regulation will be aligned to these.

3. **Feedback from the industry members on topics discussed at the 18 November 2021 meeting**

The ABI said that it appreciated the opportunity to provide feedback and provided a brief summary. In terms of one group of templates they saw a lot of positives in terms of simplification. On one specific template, they questioned if it was needed as the data will be available elsewhere, and also this introduced uncertainty for firms reporting using certain metrics. It was noted that, in one specific area, firms did produce the data when it was requested on an ad hoc basis. In another area, the ABI thought the information could be collected in the ORSA.

The PRA mentioned that it tends to ask for less information where it is aware that firms do not have it. The PRA said that it appeared that the ABI seems to look at PRA requirements in terms of whether firms use the data or not. The ABI responded that sometimes the PRA asks for data that is being used by firms, but on a different basis and with different splits. ABI would like to see the information requests in a form that firms use themselves. The PRA responded that it asks for data in the specified PRA format because of the diversity within the industry.

One industry representative supported the ABI feedback on certain templates. He also asked whether it would not be better to engage directly with firm treasurers rather than discussing it within this group. The PRA sees this as the next stage and has also noted the comments on the form of the template. One industry representative asked why internal management information (MI) is not good enough, given that this format is sufficient to communicate to executives. The PRA suggested that it could do prototype testing with some firms.

The PRA presented a summary template on another specific area containing core groups only. This would enable the PRA to see sufficient data for supervision without requiring onerous, detailed reporting. However, it

did point out that it would require another level of data to understand certain other exposures.

The ABI stated that some items in this area are of low value and asked whether it was fair to assume that these items could go away? The PRA confirmed that it will be looking at these items, but some information is key. Where possible the PRA will look to remove little-used items.

One industry representative asked if the PRA could clarify if proposals on life concern non-life in a specific area. A representative of the PRA working in the life area confirmed he will liaise with his non-life colleagues.

The PRA responded to feedback in respect of a further specific template area:

- The PRA doesn't currently see a need for a new template for firms' financial reporting using different accounting bases. Furthermore, new information sought by the PRA on one aspect of firms' business models is unlikely to be met using information published for another purpose.

Views would be welcome on the extent to which certain specific information would be relevant for firms.

- More detail on balance sheet: The information being considered was outlined the engagement group meeting of the 18th of November 2021.

- Interim reporting: The PRA would appreciate feedback about how firms would complete existing templates after certain financial reporting changes come into force based on existing instructions. The PRA is aware that some firms will already be considering this issue for EU reporting.

- Impact on other templates: Current thinking is to not make many changes to other templates in respect of this area. It is important that we have visibility across firms using different financial reporting bases. This will be discussed in future meetings.

In response to specific feedback, the PRA explained that it would replace a particular template with a new template. It accepted that this could be presented within the ORSA. The form would largely capture the annuity writers.

4. **AOB**

a) The ABI wanted to make sure that feedback is of good quality. It confirmed feedback from the meeting of the 18 January 2022 would be provided in February.

The PRA asked about the ad hoc quantitative Covid-19 reporting done by some firms and asked whether any firms of this cohort were present. It wanted to discuss the possibility of making the ad hoc reporting regular. There were none present.

b) EIOPA are now proposing templates where materiality is one of the dimensions. The PRA was keen to get a view from the industry whether these thresholds are helpful and would result in savings. The PRA's view is that the thresholds are an issue, because it results in an incomplete industry view.

One industry representative asked for clarification on the table in a specific template. The PRA clarified that these comments are on certain breakdowns. The industry representative had initial feedback from his colleagues that having thresholds could be useful.