PS3/24 – Review of Solvency II: Reporting and disclosure phase 2 near-final

Policy statement 3/24

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Content

1: Overview

1.1 This Prudential Regulation Authority (PRA) final policy statement (PS) provides feedback to responses to consultation paper (CP) 14/22 – **Review of Solvency II: Reporting phase 2** as well as Chapter 7: Reporting and disclosure in CP12/23 – **Review of Solvency II: Adapting to the UK insurance market**. This PS sets out the PRA's final reporting and disclosure policy, and should be read in conjunction with **PS2/24 – Review of Solvency II: Adapting to the UK insurance market**, which sets out the PRA's final policy on other elements of Solvency UK policy. The rule instruments and policy material under both these PS's however is near-final, as explained in paragraph 1.35. This PS contains the following near final rules and near-final policy material:

- amendments to the following parts of the PRA Rulebook (see Appendix 1):
  - External Audit Part of the PRA Rulebook;
  - Fees Part of the PRA Rulebook; and
  - Reporting Part of the PRA Rulebook;
- amendment and transfer to the Reporting Part of the PRA Rulebook of those reporting and disclosure templates and instruction files that are to be retained as part of Solvency UK and are currently contained in onshored Commission Implementing Regulation (EU) 2015/2450 (ITS 2015/2450), the onshored Commission Implementing Regulation (EU) 2015/2452 (ITS 2015/2452) and the European Insurance and Occupational Pensions Authority (EIOPA) Third Country Branch Guidelines (see Appendix 2);
- update to the third country branch guidelines (see Appendix 3);
- update to the following supervisory statements (see Appendix 4):
  - SS11/16 – Solvency II: External audit of, and responsibilities of, the governing body in relation to the public disclosure requirement;
  - SS25/15 – Solvency II: Regulatory reporting, internal model outputs;
  - SS40/15 – Solvency II: reporting and public disclosure options provided to supervisory authorities;
  - SS44/15 – Solvency II: third-country insurance and pure reinsurance branches;
  - SS7/17 – Solvency II: Data collection of market risk sensitivities; and
  - SS17/16 – Solvency II: internal models – assessment, model change and the role of non-executive directors;
- deletion of the following supervisory statements:
  - SS36/15 – Solvency II: life insurance product reporting codes;

- SS6/18 – National Specific Templates LOG files; and
- SS11/15 – Solvency II: Regulatory Reporting and exemptions;
- the introduction of a new statement of policy on reporting waivers (see Appendix 4).

1.2 This PS contains the PRA's final policy in the form of near final rules and updated near final policy materials. Please see Appendices 1 to 7 for the materials that have been amended, introduced, or deleted as part of the final policy in this PS. As explained later in paragraph 1.35, while this PS contains the PRA's final policy, the related rules and policy materials are considered near final due to the potential for further changes resulting from the PRA's phased plan for consulting on Solvency II reforms and the transfer of the remaining firm-facing Solvency II requirements from assimilated law into the PRA rulebook and other policy materials. The PRA expects such changes are likely to be limited.

1.3 This PS is relevant to UK Solvency II firms, the Society of Lloyd's and its members and managing agents, insurance and reinsurance undertakings that have a UK branch (third-country branch undertakings), and firms and UK holding companies required to publicly disclose or report group information to the PRA.

Background

1.4. On 31 December 2021, the PRA implemented a first phase of reforms to insurance supervisory reporting requirements by amending the onshored Solvency II technical standards on reporting – see PS29/21 – Review of Solvency II: Reporting (Phase 1). This previous phase streamlined insurance reporting requirements by removing certain reporting templates. This included deleting summary asset and own funds variation reporting for all firms, deleting financial stability reporting for larger firms, and expanding the quarterly reporting waiver to the PRA's 'Category 3' firms. These reforms are in effect.

1.5 On 7 November 2022, the PRA published a further consultation (CP14/22) with additional proposed reforms to Solvency II reporting and disclosure with a primary focus on solo firms of all sizes and business lines. The policy proposals in CP14/22 involved the following changes to the reporting and disclosure templates:

- permanent deletion of a number of Solvency II Quantitative Reporting Templates (QRTs), the directly associated disclosure templates and relevant PRA National Specific Templates (NSTs);
- reductions to the reporting frequency of certain templates from quarterly to either semi-annual or annual;
- consolidation of reporting templates covering the same topics (overseas activity and the solvency capital requirement) into new streamlined templates;
- introduction, and amendment, of activity-based reporting thresholds for certain reporting and disclosure templates;

- introduction of three new templates on excess capital generation, cyber risk underwriting, and non-life product obligations; and
- the general simplification of a number of other existing reporting and disclosure templates.

1.6 The PRA further proposed the following changes in CP14/22 to improve the clarity and consistency of the overarching reporting and disclosure rules and expectations:

- amendments to the expectations set out in certain PRA SSs to reflect the above proposed changes to the reporting templates; and
- transfer of the amended onshored Solvency II technical standards on reporting and disclosure to the Reporting Part of the PRA Rulebook.

1.7 On 29 June 2023, the PRA published CP12/23, which proposed a wide-ranging set of reforms to Solvency II requirements, including Transitional Measure on Technical Provisions (TMTP) calculation, internal model rules, group Solvency Capital Requirement (SCR) calculation, third-country branch requirements, a mobilisation regime and amendments to the Solvency II size thresholds. The PRA proposed to align reporting to future supervisory needs associated with the proposed policy in CP12/23, particularly in the areas of insurance group and UK branches of international insurers ('third country branches').

1.8 CP12/23 proposed the following changes to reporting:

- removal of the requirement for all Solvency II firms, including third country branches, to submit the RSR;
- removal of the expectations for third-country branches to report a range of templates relevant to branch capital requirements, the branch risk margin, and the localisation of assets to cover the branch SCR;
- introduction of new reporting requirements for third-country branches on the solvency and financial position of the legal entity, and certain existing NSTs;
- transfer of the existing expectation for third-country branches to submit information on their home state resolution arrangements from the RSR to a standalone narrative report;
- amendment of SCR reporting by insurance groups to consolidate the reporting of SCR by standard formula and full and partial internal model into one template, and require SCR reporting at the level of each internal model, where multiple models are permitted;
- introduction of new reporting requirements on the change in internally modelled SCR through the year (Analysis of change);
- simplification of reporting requirements on the TMTP;
- amendment of the Quarterly Model Change reporting requirements, including the transfer of the existing reporting expectation to the PRA Rulebook; and

- minor amendments to various other reporting requirements to reflect the proposals set out elsewhere in the CP.

1.9 CP12/23 also clarified that the deletion of the QRTs and associated disclosure templates contained in the onshored Solvency II technical standards – ie ITS 2015/2450 and ITS 2015/2452 – will be implemented through HM Treasury (HMT)'s revocation of these onshored Solvency II technical standards and the PRA's addition of new rules to the Reporting Part of the PRA Rulebook to reflect those Solvency II technical standards that are to be retained for Solvency UK, amended as appropriate.

Summary of responses

1.10 The PRA received 28 responses to Chapter 7: Reporting and disclosure in CP12/23 and 18 responses to CP14/22. The responses covered a variety of themes split between the general and high-level, as well as technical comments seeking clarification to or suggesting specific areas of change within the proposed templates and instructions.

1.11 Most respondents were supportive of the PRA's aims to review the stock of EU-derived and PRA insurance reporting. The general comments reflected two key themes of reducing the information reported to the PRA and avoiding change to existing templates to reduce up front implementation costs. These comments called for a more ambitious scale of reporting deletions, publication of PRA use-cases for each template, avoiding amendments to existing templates and aligning to EU reporting requirements to reduce regulatory divergence costs.

1.12 Technical responses highlighted discrepancies between templates and instructions, sought greater clarification on how to report new data items, and proposed specific areas of potential simplification.

1.13 The PRA has carefully considered the individual elements of reporting and disclosure responses received on CP14/22 and CP12/23 (ranging close to 900 points), and sets out its feedback in Chapters 3 to 5 of this PS.

Changes to draft policy

1.14 The PRA's general approach to insurance reporting reform has been to weigh, on the one hand, the PRA's need for data to meet its statutory objectives (including the primary objectives of insurer safety and soundness and contributing to policyholder protection); and on the other hand, the cost to firms in producing this information. This is consistent with the stated aims of both CPs which sought to improve reporting for the PRA as well as remove elements of historical Solvency II reporting to reduce reporting effort by firms. The PRA considers that addressing one of these aims in isolation to the others, would not meet the PRA's need to improve reporting in some areas. For example, by only deleting templates, any existing reporting issues would continue and known data gaps would be disregarded. This would likely lead to future inefficiencies in reporting that would need to be corrected eventually.

1.15 The PRA has amended the final policy where responses have provided sufficient new information to indicate that the costs/burden from firms may outweigh the supervisory benefit to the PRA of the proposed reporting or disclosure changes. Overall, the changes made in the near-final policy aim to reduce the reporting and disclosure burden and further add to earlier improvements in reporting delivered in PS29/21. Where the PRA has maintained its proposals in CP14/22 or CP12/23, it is because the PRA considers that its objectives cannot be achieved without the new or amended data, notwithstanding the costs to firms to implement changes to reporting. In weighing up the feedback, the PRA has considered whether the costs to implement reporting changes are proportionate to the longer-term improvement in the PRA's ability to supervise against its objectives.

1.16 Where the near-final rules differ from the CP in a way which is, in the opinion of the PRA, significant, the Financial Services and Markets Act 2000 (FSMA)[1] requires the PRA to publish:

- details of the differences together with a cost benefit analysis on the final rules; and
- a statement setting out in the PRA's opinion whether or not the impact of the final rule on mutuals is significantly different from the impact the draft rule in the CP would have had on them. Additionally, whether the impact of the final rule is significantly different on mutuals as compared to other PRA-authorised firms and, if so, details of the difference.

1.17 The PRA has made the following changes to the draft rules proposed in CP14/22. It will:

- not proceed with the introduction of the proposed new template S.05.04 on Activity by Country, and instead will introduce simplified versions (through IR.05.05, IR.05.06, IR.12.03, IR.17.03) of the existing solo level reporting on insurance activity and best-estimate liabilities as the basis for country level reporting. The PRA will still delete the existing country-level templates (S.04.01, S.04.02, S.12.02 and S.17.02);
- not proceed with the introduction of the proposed new S.14.02 template on non-life product obligations;
- delete the existing S.37 template on risk concentration;
- further amend the proposed NS.07 template on non-life business model analysis and S.05.03 on life revenue to align reporting between these two templates;
- simplify the proposed new template S.14.03 on cyber risk underwriting;
- further simplify proposed reporting on reinsurance; and
- revert back to quarterly reporting of S.12.01.02 and S.17.01.02 on life and non-life technical provisions rather than the proposed semi-annual frequency.

1.18 The PRA has made the following changes to the draft rules proposed in CP12/23. It will:

- maintain the existing eleven-week remittance deadline for QMC.01, rather than the proposed five-week deadline; and
- remove the proposed split of the group balance sheet and group SCR result by internal model and standard formula parts from templates SR.02.01 and SR.25.04 at group and RFF level.

1.19 In addition to the proposals set out in CP14/22 and CP12/23, the PRA has also made a number of presentational changes to the near-final rules to enhance the readability of the reporting and disclosure requirements, that do not impact the substance of the rules. These include merging the remaining NST requirements into the new Chapter 2A of the Reporting Part of the PRA Rulebook and changes to some of the rule headings and template descriptions, and other consistency driven changes to the near-final rules that are set out in paragraph 4.96. The PRA is also merging the NS.00 and S.01.01 templates that both set out the contents of reporting submissions to support the single taxonomy.

1.20 While the PRA considers the costs and benefits of the near-final rules and final policy in this PS do not significantly differ overall from those derived from the draft policy published in CP14/22 and CP12/23, it has nevertheless considered the impact on the cost benefit analyses, and updated this where the changes would lead to material change in the volume of data submitted to the PRA.

1.21 Overall the PRA considers that changes to draft policy set out above maintain the benefit of the consulted upon policy by improving the insights that the PRA gains from reporting, while preserving the collection of information that is important to the supervision of UK insurers. The PRA has additionally deleted one further template on S.37 risk concentration, which will further reduce the existing reporting burden for insurance groups.

1.22 Based on the cost data provided by insurers to a PRA survey supporting the cost-benefit analyses in CP14/22 and CP12/23, the PRA estimates that there will be a further net reduction in ongoing reporting costs to insurers to maintain the amended reporting package. The revised cost estimate is comprised of offsetting cost impacts. For example, not implementing the proposed new templates on S.05.04 and S14.02 is estimated to reduce implementation costs, and the removal of S.37 should reduce ongoing reporting costs. However, the introduction of the simplified versions of S.04.01, S.04.02, S.12.01 and S.17.01 in place of S.05.04 to report on activity by country will result in minor initial costs to implement.

1.23 Table A sets out the PRA's estimation of the change in estimated one-off costs to implement the changes set out in the policy contained in this PS, as well as the potential impact on ongoing costs to firms to report the revised requirements. The reporting and disclosure cost estimates published in CP14/22 and CP12/23 were prepared against the baseline of current Solvency II rules and legislation. The change in cost estimates arising from post-consultation changes, and explained in this PS, have been prepared against the baseline of the CP14/22 and CP12/23 proposals.

Table A: Updated estimated operational cost (£ '000s)

Average firm level one-off implementation cost range (£'000s)				
Type of firm (a)	**As in CP14/22**	**As in CP12/23**	**Due to changes in this PS**	**Total**
Solo (large insurer)(b)	600 to 1,100	160 to 290	7	767 to 1,397
Solo (small insurer)(b)	10 to 20	3 to 10	1	14 to 31
Third-country branches	N/A(c)	17 to 690	(1)	16 to 689
Insurance groups	700 to 1,300	450 to 830	2	1,152 to 2,132
Total projected industry one-off implementation cost range (£'000s)(c)				
	59,000 to 109,000	34,000 to 64,000	222	93,222 to 173,222
Total industry projected ongoing costs/(savings) per year (£'000s)(d)				
	(23,000)	(36,000)	(3,684)	(62,684)

Source: PRA

(a) Table shows the incremental costs for the median firm in each type of firm category to which the reporting requirements vary in application and includes a small and large differentiation for solo insurers, given the expected cost variation between these populations of firms. Firms with an approved internal model are a sub-set of the firm types set out in the table, and proposed changes to internal model reporting have been incorporated into the small and large insurer as well as insurance group estimates.(b) Small entities fall within PRA designated Category 3 to 4 and mutuals. Large entities fall within PRA designated Category 1 to 2. This population covers solo firms that are not subsidiaries in an insurance group.(c) Individual firm estimates are projected on a linear basis to the estimated number of similar firms authorised in the UK over 2022 to 2023.(d) Annual, undiscounted estimates.

1.24 Overall, the final changes to the reporting proposals in CP14/22 and CP12/23 will result in a small increase in one-off implementation costs across the industry, ranging from £1,000 to £7,000 on average for an individual insurer, approximating to a £222,000 increase in average industry wide implementation cost. This small net positive implementation cost is due to the offsetting impact of the extension of the four existing activity templates to country level reporting, against the savings to firms of not implementing the new S05.04 and S14.02 templates. As certain third country branches will only report simplified versions of S.12.01 and S.17.01 (IR.12.03 and IR.17.03), there will be a small implementation cost saving. However, once implemented, these changes are estimated to reduce annual reporting costs by £3,684,000 across the insurance industry. The PRA does not consider other changes to the policy material made since the CP14/22 and CP12/23 consultation, including changes to the presentation and other content in the near-final rule instrument, the template renaming, and the transfer of unchanged templates to the single taxonomy to be significant.

1.25 The PRA will publish a new Bank of England authored taxonomy covering all insurance reporting submitted in the XBRL format, aligned to final policy. This will result in one-off implementation costs to the PRA to design, deploy and test the taxonomy, submission and validation requirements. This work to prepare for the implementation of the final policy is underway to ensure that the PRA can publish a final taxonomy shortly and facilitate timely implementation by firms. The expected total cost to the PRA to implement the Solvency II reporting reforms is around £4 million.

1.26 The PRA does not consider that the impact of the near-final policy and rules in this final PS would have a significantly different impact on mutuals relative to the impact of the draft policy and rules on mutuals, or relative to the impact of the near-final policy and rules on other PRA-authorised firms. The cost analysis set out in Table A reflects the potential cost impact on mutuals as part of the large and small solo insurer estimates.

Accountability framework

1.27 In carrying out its policymaking functions, the PRA is required to have regard to several matters. The PRA's assessment was set out in the PRA statutory obligations in Appendix 8 of **CP14/22** and Appendix 1 of **CP12/23**. The explanations provided in the CPs of how the PRA's proposals are compatible with its objectives and of how they are affected by matters to which the PRA is required to have regard, also apply to the near-final policy and rules.

1.28 The following factors, to which the PRA is required to have regard, were significant in the PRA's analysis of the changes to draft policy set out in this PS:

1. Proportionality: The PRA considered comments where respondents highlighted that the specification of the proposed reporting was unclear (group SCR, Cyber underwriting, revenue account, S.05.04), where the ongoing work required by firms to report certain templates and data points exceeded the PRA's original assessment (S.14.02, SCR, S.37), and where the proposals may lead to additional requests for data from other bodies (S12.01, S.17.01 collection by the ONS). The final policy changes seek to further reduce the burden of the proposed reporting for firms, thereby enhancing the overall proportionality of the reporting package.
2. The need to use the resources of the PRA in the most efficient and economical way: The policy changes seek to make efficient and economic use of PRA resources by enhancing the clarity and coherence of reported data, thereby reducing work by supervisors to process and analyse the reported data. The policy changes to reporting on group SCR,

premiums, claims and expenses, as well as cross-border activity made in response to CP feedback result in further streamlined and more comprehensible templates. While this incurs small implementation costs, the changes further enhance the PRA's ability to efficiently evaluate the reported data. The longer-term clarity of insurance reporting would support more efficient deployment of PRA resources, and the policy changes set out in this statement seek to support this goal.

1.29 The PRA has had regard to other factors as required. Where analysis has not been provided against a 'have regard' for this set of policy changes, it is because the PRA considers that 'have regard' to not be a significant factor for the changes to draft policy in this policy statement.

Implementation

1.30 This policy will come into effect on Friday 31st December 2024 for triennial, annual, semi-annual and quarterly requirements with a reporting or disclosure reference date as of 31 December 2024 and onwards. By exception, the requirement to submit the RSR ceased on 31 December 2023 following the publication by HMT of the **Insurance and Reinsurance Undertakings (Prudential Requirements) (Risk Margin) Regulations 2023** Statutory Instrument. The PRA's additional public statement on reporting also set out its appetite to stop receiving certain QRTs from 31 December 2023. These early reform measures are further explained in sections 2.20 and 2.21 of this PS respectively. The PRA will align any existing reporting waivers or modifications by consent that remain in effect from 31 December 2024 with the equivalent references set out in the final rule instrument.

1.31 The PRA will publish a final taxonomy shortly after the publication of this PS reflecting the near final policy set out in this PS. This Bank of England authored taxonomy ('Bank of England Insurance taxonomy v2.0.0') will cover all XBRL-based insurance reporting from 31 December 2024.The PRA has consulted on public working draft versions of this taxonomy, setting out the technical implementation of the proposals outlined in CP14/22 and CP12/23, and relevant responses will be reflected in the final taxonomy. The estimated costs to implement this taxonomy are incorporated into the cost estimates presented in paragraph 1.23. The PRA does not consider the incorporation of the unchanged templates being transferred from ITS 2015/2450 and ITS 2015/2452 to the new Bank of England Insurance taxonomy v2.0.0 to be significant.

1.32 In CP12/23, the PRA signalled an intention to revise certain template prefixes (eg S, SR, NST) to facilitate the introduction of the single insurance taxonomy, and differentiate the UK reporting framework going forward. The PRA is replacing 'S', 'SR' and 'NST' template prefixes with 'IR', and 'IRR' in the case of ring fenced fund reporting. The 'SF', 'IMO', 'SPV' and 'MRS' prefixes will remain unchanged. While the current prefixes are referenced in the body of this PS to describe CP responses and the PRA's feedback, all policy material reflects the new template prefixes. This includes all policy material listed in paragraph 1.1 of this PS, including the rules, templates and instructions. The PRA has included illustrative mapping guidance in Annex 6 setting out the current and future titles of the reporting and disclosure templates to assist firms in understanding the new template prefixes.

1.33 The PRA is not making any changes to the data collection system for Solvency II reporting, which is currently collected using the Bank of England Electronic Data Submissions (BEEDS) portal, or the format of reporting, which is currently submitted using XBRL templates.

1.34 The PRA will exercise its general rule-making power under section 137G FSMA to make the new PRA rules (set out as near final in Appendix 1) to be included in the PRA Rulebook, which will follow HMT's revocation of the onshored EU technical standards on reporting and disclosure (ITS 2450 and ITS 2452 respectively) and the relevant provisions of onshored Commission Delegated Regulation 2015/35. This implementation method, which was set out in CP12/23, supersedes the method signalled in CP14/22 that the PRA could exercise its own powers under 138P FSMA to revoke ITS 2450 and ITS 2452, subject to the outcome of the UK's future regulatory framework. Together, these actions by HMT and the PRA will result in a single source of PRA insurance reporting requirements within the PRA Rulebook on 31 December 2024.

1.35 The PRA also intends to consult, in Q2 2024, on transferring the remaining firm-facing Solvency II requirements from assimilated law into the PRA Rulebook and other policy materials, without significant policy reforms. The PRA currently expects the transfer of these remaining firm-facing requirements to take effect from 31 December 2024, in line with the implementation date of the final policy set out in this PS. In light of the PRA's overall phased plan for consulting on Solvency II reforms, there may be further changes to correct references within the near final rules, SSs and the SoP contained in this PS prior to the PRA making final rules and issuing final SSs and the SoP. Such changes may arise as a consequence of transferring the remaining firm-facing Solvency II requirements from EU retained law into the PRA Rulebook and policy materials, which would necessitate altering some of the cross references set out in the near final rules and policy material. In particular, the PRA notes the following dependencies that may necessitate further amendments:

- Cross references in the near final rules and policy materials to assimilated law that is revoked by the FSMA 2023 but for which the revocation has not been commenced. The PRA expects that the by the time the policy in this PS comes into effect on 31 December 2024, the majority of those provisions will have been revoked and are likely to have been replaced by equivalent requirements, including in the PRA's rules. The near final rules and other policy material included in this policy statement will therefore be updated prior to being made and issued to include new cross references where possible;
- Further amendments may be necessary to take into account any other secondary legislation made by HMT under FSMA 2023 where this is relevant to the PRA's rules and

policy included in this policy statement, for example in relation to equivalence, savings provisions and amendments to FSMA 2000; and

- The finalisation of the PRA's policy in relation to the matching adjustment and draft rules, statement of policy and supervisory statements contained in CP19/23.

1.36 The PRA does not intend to change the policy or make substantive alterations to the instruments before making them final. This includes the reporting and disclosure requirements including templates, instructions, and expectations. The PRA anticipates that firms should be able to commence implementation based on the near final policy set out in this PS. The final taxonomy once published will reflect the near final policy set out in this PS.

1.37 As explained in CP12/23, the new UK prudential regime for insurers will eventually be known as 'Solvency UK'. However, for clarity and internal consistency of the PRA's policy materials, the PRA will continue to refer to the regime as Solvency II until such time as all references to Solvency II can be changed across all relevant materials.

1.38 References related to the UK's membership of the EU in the policy materials covered by this PS have been updated as part of these proposals to reflect the UK's withdrawal from the EU. Unless otherwise stated, any remaining references to EU or EU-derived legislation refer to the version of that legislation which forms part of retained assimilated law.[3] Cross references related to the UK's membership of the EU and assimilated law remain in the reporting templates, instructions, and supervisory statements covered by the policy in this PS. As set out in paragraph 1.35, these remaining references to EU-derived legislation will need to be updated following the transfer of the remainder of the insurance aquis to the PRA Rulebook and policy material.

1.39 Recognising this future change, the near-final rule instrument is presented with square brackets around references to assimilated law which will be updated prior to the rules coming into effect. Additionally, two defined terms – railway rolling stock and suretyship – are currently italicised in the rule instrument pending definitions being added to the PRA Rulebook before the implementation date.

Structure of the PS

1.40 Before making any proposed rules, the PRA is required by FSMA to have regard to any representations made to it, and to publish an account, in general terms, of those representations and its feedback to them.[2]

1.41 The PRA has considered the responses received to CP14/22 and Chapter 7: Reporting and disclosure of CP12/23. The PS is structured into the following chapters which set out the PRA's feedback to the responses, and its final decisions.

- Chapter 2 – Feedback to responses covering both CP14/22 and CP12/23
- Chapter 3 – Feedback to responses to CP12/23

- Chapter 4 – Feedback to responses to CP14/22

2: Feedback to responses covering both CP14/22 and CP12/23

2.1 The following chapter contains feedback to responses that were similar across both CP14/22 and Chapter 7: Reporting and disclosure of CP12/23. The majority of this feedback was not proposal specific. The responses have been grouped as follows:

- General
- Impact
- Implementation feedback
- Cost benefit analysis
- Asset reporting
- Taxonomy and systems

General

2.2 General comments were provided to both CP12/23 (eighteen respondents) and CP14/22 (eight respondents). Most of these respondents were supportive of the PRA's aims, however there were comments that the proposals could have gone further in streamlining reporting for firms.

2.3 Three respondents to CP14/22 stated that they supported the PRA's aims to lower the reporting burden while safeguarding policyholders. Five respondents to CP12/23 stated that leaving templates unchanged was their preferred choice, rather than making amendments to reduce upfront implementation costs.

2.4 Eight respondents highlighted that divergence from EU Solvency II reporting requirements would be burdensome for firms, in particular for groups with subsidiaries operating under both the UK and EU regimes. One respondent to CP14/22 noted that while they did not support significant divergence, they would welcome further tailoring to requirements, so they best suit the UK industry. These respondents called for either alignment with EU regulations, or substantial cuts to UK reporting to offset the cost of regulatory divergence.

2.5 Three respondents to CP14/22 supported the PRA’s decision to not collect additional information specific to IFRS17, noting that it would duplicate information reported in financial statements.

2.6 CP14/22 received responses seeking clarification of the impact of proposals for third-country branches (‘TCBs’), which the PRA later set out in CP12/23. One respondent to CP14/22 sought clarification on the PRA’s overarching aims and one respondent sought clarification on the template taxonomy.

2.7 Seven respondents commented on the PRA’s approach to developing the proposals. Three respondents suggested the PRA undertake and publish a template-by-template use case to demonstrate to firms that all reported data are used. Similarly, one respondent commented that the PRA should better justify the reasons for collecting the new reporting templates. Two of these respondents stated that reporting should reflect what is used internally by firms.

2.8 One respondent suggested that the PRA and FCA should co-ordinate their reporting requirements better to ensure that there is no duplication. However, no examples were provided in the feedback submission. One respondent requested that the PRA take into account data that feeds into national statistics when deleting requirements to preserve data and processes.

2.9 In evaluating the potential for reporting and disclosure changes, the PRA considered how it uses insurance reporting. This evaluation included the identification of situations where reporting is not being used because it is either not reflective of the risks and activities of UK insurers, or not consistent with the PRA's firm-level and macro supervisory approach. As part of the work undertaken on CP14/22 and CP12/23, the PRA also engaged with the insurance industry through a **joint PRA-industry engagement** from November 2021 to March 2022. This group was co-chaired by the PRA and the Association of British Insurers (ABI) and was designed to understand firms’ experiences of the existing reporting and disclosure requirements.

2.10 Throughout CP14/22 and CP12/23, the PRA set out its rationale for the proposed reporting changes. Further detail of the PRA’s feedback to responses and policy changes is set out in this PS.

2.11 The PRA’s use of insurance reporting is driven by its supervisory needs including routine and crisis-related assessment, horizontal supervisory work to assess the risks posed across the insurance sectors and horizon-scanning to identify areas of potential vulnerability. Solvency II reporting also feeds into the production of the national accounts by the Office of National Statistics. CP12/23 sets out examples of how insurance reporting is used, in addition to what firms may see in direct supervisory interactions. The PRA’s use of reporting continues to evolve with ongoing improvements in its data capabilities as part of the Bank of England’s **Transforming data collection (TDC)** work.

2.12 The proposals in CP14/22 were subject to a six-month consultation period in response to the volume of change proposed in that CP. The reporting proposals in CP12/23 were subject to a two-month consultation period reflecting the consequential nature of the reporting reforms to other Solvency UK policy changes, and other responses received as part of various industry engagements calling for earlier finalisation of the Solvency UK reforms.

2.13 The PRA has considered these responses alongside the proposal specific comments and the PRA's feedback is set out in Chapter 3 and Chapter 4 of this PS.

Impact

2.14 Twelve respondents provided responses to CP14/22 on the impact of the proposals, while ten respondents provided similar comments to CP12/23. Although respondents were supportive of the PRA's aim to reduce unnecessary reporting burdens and welcomed the proposed template deletions, several respondents were of the view that the overall impact on firm burden will be minimal. Respondents stated that the introduction of some new templates and reconfiguration of some existing templates would offset the potential burden reduction. Two respondents noted that the reallocation of data to different templates would be burdensome for firms to implement, despite utilising existing reported data, and a further respondent requested that the PRA sets out the extent to which new reporting contains existing data points. Two further respondents commented that the proposals represented a piecemeal approach that would not lead to large cost savings by firms. Three respondents cited specific impacts on their firms, with one highlighting that they are particularly affected by changes to reporting templates as they provide the PRA with information on behalf of multiple insurance syndicates.

2.15 One respondent commented that the implementation burden associated with the new templates would be limited, as most of the underlying data in the new templates is already generated by their firm internally. A different respondent commented that the proposals should reduce the reporting burden, particularly for smaller firms. One respondent noted that the proposals could undermine the quality of national statistics due to a reduction in available data and that this may lead to a higher burden in firms from a potential increase in ad hoc statistical queries.

2.16 While changes to the reporting requirements will lead to one-off system changes for both insurers and the PRA upon initial implementation, the PRA considers that the proposals remove a substantial volume of templates from the existing reporting package. The final changes to existing reporting requirements would result in a net removal (ie deletions minus additions) of 107 templates from the reporting package, which represents one third of the existing number of required templates. This measure counts reporting templates by firm type and frequency (eg annual solo, quarterly solo, annual group, quarterly group, triennial branch, annual branch, quarterly branch)[3] and includes final PS29/21 policy (Phase 1) changes.

2.17 Chart 1 illustrates the change in the volume of reporting on a solo, group and TCB basis from the two Phases of Solvency II reform. The chart compares the volume of insurance reporting required at the date of the UK's withdrawal from the EU with the final reporting requirements and expectations set out in this PS and PS29/21. Key changes driving this net reduction are the reductions in financial stability reporting for both group and solo firms, branch reporting, and various outright deletions impacting both solo and group firms.[4]

Chart 1: Change in volume of applicable templates

2.18 The PRA considers that the reporting changes lead to a substantial cut to the volume of insurance templates in comparison to the onshored reporting requirements. However, the PRA accepts that the level of reduction for individual firms may vary greatly because Solvency II reporting is by nature activity and business model specific. The templates that an individual insurer reports vary by the nature and complexity of a firm's operation. This includes factors such as variations in corporate structure (group, solo, branch), life and non-life operation, SCR calculation method, long-term guarantee measures and lines of business. While the PRA has sought to deliver changes relevant to all insurers (eg RSR, variation analysis, reinsurance, revenue account), certain business models such as branch and group insurers may, as set out in Chart 1, see relatively more template deletions.

Implementation feedback

2.19 Respondents provided comments regarding how the PRA should go about implementing the policy proposals set out in both CP12/23 (nine respondents) and CP14/22 (ten respondents). Much of this related to the proposed effective date for specific reforms. Seven respondents to CP12/23 suggested that the PRA should implement template deletions and reporting deadline changes with immediate effect. Six respondents to CP12/23 made a similar point with respect to the RSR deletion and suggested options for how the PRA could accelerate the RSR deletion.

2.20 In addition, the PRA received responses to both CPs on the length of the implementation period for firms. While four respondents to CP12/23 welcomed the move to a single taxonomy, they suggested a longer implementation time would be needed for software providers and firms to make the required changes, and one respondent described the current timeline as highly ambitious. Similarly, in CP14/22, five respondents commented on the implementation timeline, two of which suggested that the PRA introduce all the changes at the same time. Three respondents to CP14/22 suggested that there should be an implementation period of at least six months and one of the respondents further suggested that a period of one year was preferable. Two respondents to CP12/23 sought clarification on whether the implementation date applied to both quarterly and annual reporting produced as of 31 December 2024.

2.21 The PRA has considered the responses to CP14/22 and CP12/23 calling for the earlier implementation of some reporting proposals by year-end 2023. Following consideration of those responses, the PRA published a statement in December 2023: **Solvency II Review – considerations for year-end 2023** (the Statement) bringing forward some of the proposals set out in CP14/22 and CP12/23. The following report and templates are no longer collected by the PRA from year-end 2023:

- the full triennial RSR and the material change report (further explanation is included in the 'RSR' section of this chapter);
- S.07.01 Structured products;
- S.08.02 Derivatives transactions;
- S.21.01 Loss distribution risk profile;
- S.21.03 Non-life distribution of underwriting risks – by sum-insured;
- S.31.02 Information on special purpose vehicles; and
- NS.06 Business Model Analysis (Life).

2.22 As set out in the Statement, the PRA accepts the non-submission of these six templates up until 30 December 2024. This approach, alongside the omission of these templates from the final rule instrument implementing changes to the Reporting Part of the PRA Rulebook, has the effect of ceasing the submission of these six templates for reporting reference dates on and after 31 December 2023.

2.23 The PRA has additionally considered the responses calling for the immediate implementation of the one-week extension to quarterly remittance deadlines for reporting with a reference date between 1 January and 31 March, and the restatement of remittance deadlines in business days. The PRA considers that this policy presents operational challenges to deliver before 31 December 2024. The PRA considers adapting to varying submission deadlines and frequencies immediately to be very challenging. Accurate tracking of compliance with submission requirements is a priority for the PRA. The PRA is not implementing the changes to remittance deadlines before 31 December 2024.

2.24 As set out in paragraph 1.31 of this PS, the PRA intends to publish the final taxonomy shortly after the publication of this PS. A Q2 2024 publication of the taxonomy could result in a nine-month period to test and implement the final taxonomy in both firms' and PRA systems before the first reporting reference date of 31 December 2024. The first submission deadline for reporting would fall on 12 February 2025 for the 31 December 2024 quarterly templates. An effective date of 31 December 2024 for reporting is aligned to the effective date of other Solvency UK policy and ensures that the reporting reflects the regulatory requirements in force.

Cost benefit analysis (CBA)

2.25 Seven respondents commented on the PRA's CBA in CP14/22 and a further ten respondents commented on the CBA in CP12/23. While the stated aim of reducing reporting burden and costs was welcomed, most respondents commented that they believed the PRA had underestimated the implementation and on-going costs associated with the proposed changes. One of these respondents attributed this underestimation to limitations in the survey that informed the PRA's assessment. Three respondents noted that the costs of completing new reporting would outweigh the total benefits from the deletion of other templates. Four respondents stated that regulatory divergence for firms who meet both EEA and UK reporting requirements would result in separate costs for UK firms also operating in the EEA.

2.26 Paragraph 1.14 of this PS sets out the PRA's consideration of the necessity of making changes to existing reporting and introducing new reporting where this is essential to remove important data gaps. The PRA explained the uncertainty of the cost estimates due to the data received in the PRA's April 2022 survey of historical implementation and current ongoing Solvency II reporting costs.

2.27 The estimated costs and benefits published in CP14/22 and CP12/23 represent a range of potential costs and savings available, which the PRA considers to be proportionate to the benefits of reforming insurance reporting. The cost estimates reflect a potential range of impact based on what respondents to the PRA's April 2022 survey reported for past reporting changes. The feedback to CP14/22 and CP12/23 on the CBA was mostly qualitative in nature and did not provide additional quantitative evidence that would lead to a change to the cost estimates published in these CPs. The eventual cost impact will be dependent on firms' decisions regarding in/outsourcing of taxonomy implementations, the nature of firms' existing processes and reporting infrastructure, and how current reporting resources are deployed following the implementation of the proposed policy (eg changes in labour, processes or systems). The PRA considers that the costs required to implement the reporting and disclosure changes to both firms and the PRA are justified by the ongoing benefit of the provision of more insightful and targeted information on UK insurers.

Asset reporting

2.28 In CP14/22, the PRA proposed to vary frequency away from quarterly for the group S.06.02 list of assets template, and group and solo S.06.03 collective investment undertaking look-through templates. In CP12/23 the PRA also proposed to introduce new asset classification codes to separately report equity release mortgages, as well as improving the reporting of credit rating and sectors.

2.29 Seven respondents commented on the proposed frequency changes to quarterly asset reporting in CP14/22. Three respondents suggested the frequency of solo and branch S.06.02 reporting should be reduced from quarterly. Three suggested that the PRA goes further and streamlines the template, while one respondent suggested implementing thresholds to limit reporting of this template. The same respondent also suggested the template should be deleted for third-country branches. Three respondents suggested deleting or streamlining S.09.01 on investment income/gains and losses to reduce firm burden. Likewise, two respondents suggested deleting or reducing the frequency of S.08.01 on derivatives.

2.30 Six respondents commented on the proposed changes to classification codes used in asset reporting proposed in CP12/23. Most respondents supported the proposed new classification codes for equity release mortgages, and the proposed improvements to the reporting of credit rating and sectors. However, three respondents felt the PRA could have simplified the asset template, reiterating their comments on CP14/22. Two respondents sought additional clarity on the proposals, and two respondents suggested decreasing the frequency of S.06.02.

2.31 Having considered all of these responses, the PRA has decided not to change the draft policy, including the frequency of asset reporting, other than minor amendments to the reporting instructions to provide further clarity. Asset reporting is an important source of information which supports the PRA’s judgement-based and forward-looking approach to insurance supervision. The enhancements will increase the utility and consistency of the asset reporting. The PRA considered reducing the frequency of reporting but given the wide usage of this data source decided not to make any further changes.

Taxonomy and systems

2.32 In CP12/23 the PRA proposed to publish a single taxonomy package which encompasses proposals listed in CP14/22, CP12/23 and the deletions published in PS29/21.

2.33 Twelve respondents to CP14/22 commented on the taxonomies. Five respondents called for the PRA to differentiate the presentation of the future Solvency UK templates from the existing European Solvency II templates. However, one respondent commented that the PRA should refrain from a fundamental change in template naming as it could create issues for insurers that have non-UK entities within the Group. While out of scope of CP14/22 and CP12/23, five respondents commented on the **Public Working Draft (PWD)**), with respondents calling for more prominent communication of PWD publication, and more collaboration between the PRA and commercial software providers.

2.34 Two respondents supported continued use of the BEEDS submission portal. One respondent welcomed the deletions but commented that this could be associated with additional cost if data models are impacted and the data is still collected from other forms. One respondent considered the timeline for taxonomy implementation to be ambitions and suggested that the PRA prioritises implementing the new templates in the taxonomy first.

2.35 One respondent called for the PRA to publish the details of the plausibility checks that it performs to assist insurers in the validation of reporting, while two respondents suggested that the PRA provide firms with an ability to review the outcome of validation data checks prior to submission; citing draft validation checks used in the EU.

2.36 The PRA has published two Bank of England Insurance Taxonomy PWDs setting out the technical implementations of the reporting proposals in CP14/22 and CP12/23, and deletions in PS29/21. This included information on validations as well as annotated templates. A mapping document has also been provided with this publication to help navigate the change in template naming conventions, and is also set out in Appendix 6 to this PS. These publications were intended to give firms the technical detail to understand system impacts and start planning implementation approaches.

2.37 The PRA confirms that validation checks will remain part of the submission process in order to ensure that the primary focus of reporting is providing the PRA with accurate data. The validations will be set out in the taxonomy package to enable firms to check the validity of their data before loading to BEEDS.

3: Feedback to responses: CP12/23

3.1 The following chapter summarises responses the PRA received to Chapter 7: Reporting and disclosure of CP12/23, and the PRA's feedback to the responses. The sections below have been structured broadly along the same lines as the chapters of the CPs, with some areas rearranged to better respond to related issues. The responses have been grouped as follows:

- Analysis of change
- Balance sheet
- Reporting deadlines
- Reporting on the SCR
- Quarterly model change
- Regular supervisory report
- General comments on TCB reporting
- Reporting by TCBs on legal entity financial position
- Reporting of National Specific Templates (‘NSTs’) by TCBs
- Narrative reporting on home state resolution arrangements
- Reporting the TMTP
- Other responses

Analysis of change

3.2 The PRA proposed a new requirement for firms using a full or partial internal model (IM) to perform analysis of change (AoC) exercise on the movement in the SCR during the year, and report the results of the AoC to the PRA annually, replacing previous ad hoc data requests.

3.3 Seven respondents commented on the proposed new AoC template. Two respondents supported the replacement of the current Profit & Loss (P&L) attribution exercise with the AoC template, and one additional respondent supported the PRA’s proposal not to collect the AoC in an XBRL format. Four respondents commented on costs and resources associated with implementation. One of these respondents also suggested reducing the scope of the accompanying narrative explanations which it considered would save considerable time and costs in completing the AoC.

3.4 One respondent sought additional clarity on how the PRA planned to use the new template. Another respondent noted that firms may voluntarily continue to perform P&L attribution as a validation tool, thus lowering the benefits of its removal for these firms. Another respondent responsible for aggregated reporting across insurance syndicates called for flexibility in template presentation of its business-wide AoC. A further respondent asked for additional materiality guidance on the changes reported. The same respondent stated that the PRA should delete the SF.01 Standard Formula SCR template in response to the proposed implementation of AoC reporting.

3.5 Having considered the responses the PRA has decided not to change the draft policy. The PRA proposed measures to reduce the burden to firms of implementing the new AoC template including allowing firms to report in an excel format, thereby avoiding the need for

XBRL implementation. The proposed free format of the AoC template also allows firms to leverage their own internal SCR change analysis, and report in a format that reflects their business and risk profile, thereby reducing reporting burden.

3.6 Consistent with the PRA's general approach to reporting materiality, it is for firms to ensure that they reflect the changes they consider are relevant to their own monitoring of SCR change. The proposed amendments to SS17/16 set out illustrative examples of materiality considerations relevant to the AoC exercise.

3.7 Lloyd's syndicates are not directly regulated by the PRA, therefore the AoC requirement does not apply to them. However, the PRA considers that the proposed free-form format nature of AoC.01 enables sufficient flexibility to suit the unique features of the Lloyd's market.

3.8 The PRA did not consult on any change to the SF.01 template in either CP14/22 or CP12/23 and it is therefore out of the scope of this final PS. The PRA notes the responses received on this template and will consider it as part of future policy work.

Balance sheet

3.9 In CP12/23 the PRA proposed to redesign the Solvency II balance sheet reporting templates S.02.01 and SR.02.01 to remove inconsistencies in how equivalent products for life and non-life firms are reported between these templates.

3.10 Six respondents provided comments on the proposed balance sheet reporting changes. Two respondents were supportive of the proposals, while two respondents highlighted the burden of implementing the changes. One of these respondents suggested that the PRA limit the scope of SR.02.01 to material matching adjustment portfolios. Two respondents stated that the proposed split of the balance sheet into standard formula and internal modelled results was overly complex. One respondent suggested the earlier removal of the statutory accounts column and one respondent thought the template should be redesigned.

3.11 After considering the responses, the PRA has decided to not implement the internal model / standard formula split of the group balance sheet at group and RFF level. It has also made further clarifications to the S.02.01 instructions. The PRA considers that further redesign of the balance sheet template would cause unnecessary burden for firms.

Reporting deadlines

3.12 The PRA proposed to extend submission deadlines for quarterly and annual reporting by solo and TCBs. It proposed to extend the quarterly deadlines from five weeks to 30 business days, and the annual deadlines from 14 weeks to 70 business days.

3.13 Eight respondents commented on the proposed changes to reporting deadlines. Six respondents supported the proposed changes. These respondents noted that measuring deadlines in business days rather than weeks will remove fluctuations in production timings between quarters. One respondent noted that the benefit may be limited due to sequencing constraints present in reporting processes. One respondent did not support the proposed changes, noting a potential negative effect on the timeliness of the preparation of national statistics.

3.14 After considering the responses, the PRA has decided not to change the draft policy. The PRA welcomes the supportive comments and would like to clarify that both quarterly and annual reporting deadlines are in scope of the proposed deadlines for solo firms and TCBs. The PRA has considered the impact on data quality validation processes and the timeliness of reported data and does not consider there to be material adverse impacts on data availability from the extended deadlines.

Reporting on the SCR

3.15 In CP12/23 the PRA proposed to remove the requirement for insurance groups to report templates S.26.01 to S.26.07 and S.27.01 on the group SCR result by risk module (and related SR.26 and SR.27 at the ring-fence fund level). The PRA also proposed to delete the existing SCR templates S.25.01 to S.25.03, as well as the Ring Fenced Fund (RFF) level equivalents SR.25.01 to SR.25.03, and replace these with new templates S/SR.25.04, and S/SR.25.05 to be reported at the solo, group and RFF level. In addition, the PRA proposed that groups report the split of SCR between each internal model and standard formula segments, and then further split these segments between the remaining part and unsupported ring-fenced funds. The PRA also proposed that groups with a partial internal model, or multiple internal models, split out reporting for each internal model and the standard formula, in respect of any part of the group which does not have any unsupported ring-fenced funds allocated to it.

3.16 Ten respondents commented on the group SCR reporting proposals. Respondents welcomed the deletions, while four respondents considered that the proposed internal model and standard formula split would be burdensome, in particular when the standard formula component of total SCR is immaterial. One respondent suggested the introduction of a materiality threshold to counter this potential burden. Two respondents considered the transfer of data points from the deleted S.25 templates to the proposed new S.25.04 and S.25.05 templates would be burdensome to implement. One respondent considered elements of the proposed new S.25.04 and S.25.05 templates to be duplicative. One respondent sought clarification on how the external audit requirement would apply to the disclosure version of the group SCR templates.

3.17 Having considered the responses, the PRA has decided to remove the split of the group SCR by each internal model and standard formula parts from ring-fence fund level and group level reporting. The PRA considers that the need to report this split would be rare in practice and burdensome for some partial internal model groups. The group RFF reporting will only require reporting of the split of the group SCR between remaining part and all unsupported RFFs. This split aligns to the way some groups manage their risk appetite based on shareholder exposure. This split of group SCR between the remaining part and all unsupported ring-fenced funds is useful for the PRA to monitor.

3.18 The new S.25.04 template harmonises the reporting format of the different SCR calculation methods, thereby simplifying supervisory analysis by enabling the PRA to compare component SCR results readily across the industry and compare internal model and standard formula firms. The new S.25.05 template supplements S.25.04 by providing important detail on internal model components. Both templates are essential to the PRA's supervision of group SCR and are retained in the near-final policy.

3.19 The PRA has made additional consistency changes to certain S.26 templates. The PRA has also removed rows relating to mortgage losses in S.26.02 that are not present in the corresponding SR.26.02 template. This changes would reduce the volume of data reported in these templates and improve consistency across the reporting package.

3.20 SS11/16 on the external audit of the Solvency and Financial Condition Report excludes templates and data calculated using an internal model from the scope of the reasonable assurance audit required under Rule 2.2 of the External Audit part of the PRA Rulebook. The elements of the SCR that are calculated using a full or partial internal model, and disclosed in S.25.04.04 continue to be exempt from external audit as set out in 2.2(3) and 2.2(4). This exemption also applies to the equivalent solo firm disclosure template. SS11/16 has been updated to reflect this clarification, which has the impact of preserving the existing scope of the SFCR reasonable assurance audit opinion.

Quarterly model change

3.21 In CP 12/23 the PRA proposed to streamline the content required in the QMC.01 template. The PRA also proposed that firms submit supporting narrative documentation explaining the minor and major model changes reported over each quarter.

3.22 Three respondents provided comments on the proposed changes to QMC.01 and the accompanying narrative report. Two respondents welcomed the simplification to the QMC.01, but called for the removal of the accompanying narrative explanation of the model changes. One respondent further commented that the solo and group level requirement to report QMC.01 and the narrative report would result in excessive burden. The respondents considered that the shortening of the reporting deadline from eleven to five weeks would also result in increased resourcing burden.

3.23 One other respondent considered that the transfer of QMC.01 from SS17/16 to the PRA Rulebook, would create additional burden from firms due to the change in legal basis from a PRA expectation to a requirement, thereby making it mandatory for QMC.01 to be reported.

3.24 Having considered the responses, the PRA has decided to revert to the existing QMC.01 reporting deadline of eleven weeks. The PRA also clarifies that QMC.01 and the accompanying narrative report is only applicable to solos and not groups.

3.25 Many firms currently report to the PRA using the existing illustrative QMC.01 template set out in SS17/16. The existing optionality in using this template has resulted in variable QMC data being reported. The requirement for firms to use the QMC.01 template to report on model changes would improve consistency across the industry, improving ease of the PRA's review. The PRA will therefore proceed with requiring QMC.01 to be reported in a fixed format, and on a rule's basis.

3.26 Many firms already provide the PRA with supportive narrative documentation providing commentary on the reported model changes. The QMC.01 template in isolation does not allow sufficient space to provide the explanation of complex model changes, which often require charts, diagrams and at times additional tables. The PRA will therefore proceed with implementing the requirement to report a narrative report alongside QMC.01.

Regular supervisory report

3.27 In CP12/23 the PRA proposed to delete the requirement to produce a RSR for all Solvency II firms (both the triennial report and annual summary of material changes) by not restating the RSR requirements into the PRA Rulebook once HMT revokes the relevant articles in onshored Commission Delegated Regulation (EU) 2015/35.

3.28 Nineteen respondents supported the removal of the RSR. In addition to feedback on implementation timing set out in this PS, one respondent commented that removal of RSR will leave a gap in reporting, and a further respondent sought clarifications on the requirement to submit an RSR.

3.29 The PRA considers that triennial reporting frequency of the RSR would not provide timely information. CP12/23 set out that the changes proposed to Solvency II reporting render the RSR less relevant to the supervision of firms, and the PRA considers that the policy material in this PS would preserve the collection of information that is important to the supervision of UK insurers, while reducing the burden of producing this lengthy report.

3.30 In advance of the PRA's final decisions on the proposals in CP14/22 and CP12/23, the PRA worked with HMT to facilitate the accelerated removal of the requirement for insurers to submit both the triennial report and annual summary of material changes. The removal of Articles 312(1a) and 312(3) of the onshored Commission Delegated Regulation (EU) 2015/35 has been implemented through HMT's 2023 SI.[5] The PRA is not restating the RSR requirements in the PRA Rulebook. The deletion of the RSR has been implemented and the PRA has ceased collecting the RSR for all firms including TCBs.

General comments on TCB reporting

3.31 In CP12/23 the PRA proposed to amend third-country branches reporting expectations by removing a range of templates relevant to branch capital requirements, the branch risk margin, and the localisation of assets to cover the branch SCR.

3.32 Nine respondents provided general comments on the TCB reporting proposals. One respondent supported the general reduction of reporting requirements, in particular the deletion of S.23.01, but noted some extensions of branch reporting. Six respondents provided comments on proposed rules for pure reinsurance branches. Three sought clarification on how the current modifications by consent (MbCs) available to third-country branches would be impacted by the reporting reforms. Three respondents provided feedback that the proposed incorporation of pure reinsurance branch reporting into rules from the existing EIOPA Guidelines would increase reporting burden as the reporting changes the legal status expectations-based to mandatory.

3.33 Two respondents sought further clarity on how to report UK branch assets by Solvency II balance sheet category in S.02.01. One respondent advocated for the requirement for branches to conduct an Own Risk and Solvency Assessment (ORSA) to be removed.

3.34 The PRA welcomes the supportive comment on deletions. The MbCs will be reviewed in parallel with implementation of reporting reforms and affected branches will receive communications from their supervisors of any changes. Reforms to ORSA reporting were not in scope of CP12/23. However, proposed amendments to SS44/15 in CP21/23 – **The PRA's approach to the authorisation and supervision of insurance branches** consult on the PRA's expectations of ORSA reporting. The PRA has provided feedback in PS2/24 to CP12/23 responses on the notional allocation of branch assets relevant to balance sheet reporting. Further changes to SS44/15 were also consulted on as part of CP21/23. For transparency, the PRA has highlighted in yellow the proposed changes arising from CP21/23 in Appendix 3 of this final PS. However, the amendments could be subject to change, given that the PRA is still considering responses to that CP.

Reporting by TCBs on legal entity financial position

3.35 In CP12/23 the PRA proposed to introduce a new annual template S.01.04.07, to collect information on the capital and solvency position of the branch legal entity.

3.36 Nine respondents commented on the proposed collection of information on the capital and solvency position of the branch legal entity in the new S.01.04.07 template. Most respondents accepted the rationale for this new template, although one respondent questioned whether the template is a sufficient safeguard for policyholder protection.

3.37 Four respondents sought clarifications on the deadline and definitions in S.01.04.07. Three respondents suggested aligning the information requested in S.01.04.07 with publicly available reporting made by the legal entity. One respondent suggested that the PRA collect the information on each branch directly from each home state supervisor (HSS).

3.38 The PRA considers a solvent legal entity and equal priority ranking for UK policyholders in a winding up scenario to be key safeguards to its primary objectives. Aligning legal entity reporting with publicly available reporting or collecting the information from the home state supervisor may not result in accessible and comparable information on the financial resources and contractual arrangements covering UK policyholders. The PRA considers that S.01.04.07 will be essential to the PRA's ongoing monitoring of the adequacy of TCB's access to worldwide financial resources.

3.39 Having considered the responses, the PRA has decided to amend the instructions to S.01.04.07 to clarify that the equivalent metrics are those calculated under the home prudential regime, and clarify how firms report certain definitions such as connected reinsurer. The reporting deadline for the legal branch entity template will be the same as the reporting deadline for all annual templates applicable to third-country branches.

Reporting of national specific templates (NSTs) by TCBs

3.40 In CP12/23 the PRA proposed to extend the scope of application of some NSTs to third-country branches.

3.41 Three respondents challenged the application of the NSTs for third-country branches, noting the additional reporting burden.

3.42 After considering the responses, the PRA has decided not to change the draft policy. The PRA recognises that bringing third-country branches in scope of NSTs does not represent a simplification for firms. However, as set out in CP 12/23, insurance business written through third-country branches authorised by the PRA has increased materially since the UK has left the EU and following the end of the Transitional Permissions Regime. As a result, excluding TCBs from this reporting would result in a growing gap in the PRA's cross-firm analysis. The proposed extension of a limited sub-set of NSTs to third-country branches would support the PRA in efficiently incorporating third-country branches in cross-firm analysis, with the existing thresholds applicable to NST reports serving to limit reporting to TCBs with material activities.

3.43 The alternative would be to collect information from third-country branches through ad-hoc information requests. The PRA considers ad-hoc reporting of TCB activities would result in a sub-optimal use of both PRA and firm resources.

Narrative reporting on home state resolution arrangements

3.44 In CP12/23 the PRA proposed transferring the existing expectations for TCBs to submit information on their home state resolution arrangements from the RSR to a standalone narrative report.

3.45 Eight respondents commented on the proposed resolution report. Three respondents supported the PRA's proposals but sought clarity on whether the RSR will be deleted for Third Country Branches. Five respondents sought clarifications from the PRA on the content of the resolution report. Two respondents requested the PRA provide a numerical example illustrating how firms should meet the proposals, and one respondent questioned whether the provisions 3.4A and 3.4B within SS 44/15 are necessary for all jurisdictions. One respondent did not support the proposals, noting that a resolution regime focused narrative report is not a suitable substitute for the TCB RSR.

3.46 TCBs are already expected to report on their home state resolution arrangements in accordance guidance set out in the EIOPA Branch Guidelines. CP12/23 proposed to convert this existing expectation into a PRA requirement under which TCBs would continue to report on their home country resolution arrangements as they currently do in the RSR, including using their existing approach to distribution of branch assets upon resolution of the undertaking, as well as a legal analysis with the description of the applicable laws relating to winding up in the relevant jurisdiction. The PRA considers that the continued reporting of resolution information is necessary for the PRA to understand the potential treatment of UK policyholders a winding up scenario. There is further guidance on availability of assets in Branch Guideline 26 which firms may find useful. The PRA will consider issuing further guidance if deemed necessary in the future. The PRA confirms that the RSR is deleted for TCBs.

3.47 The PRA notes that there are differences in the winding up regimes of different countries and considers the provisions in 3.4A and 3.4B from SS44/15 are necessary for all jurisdictions to for the PRA to understand the treatment of UK policyholders in different jurisdictional winding up scenarios.

Reporting the TMTP

3.48 In CP12/23, the PRA proposed to delete S.22.05 template and amend S.12.01 and S.17.01 template to report the limited rows in S.22.05 that remain relevant to the new TMTP calculation method.

3.49 Four respondents commented on the changes to TMTP reporting. Three respondents were supportive of the proposed changes, noting the reduced effort required due to the deletion of S.22.05. Two respondents suggested that the PRA should deliver the simplifications by retaining S.22.05 and making fields redundant, rather than transferring content to other templates. Additionally, one respondent sought clarifications on whether S.22.05 is also being deleted for groups and whether TCBs will be exempt from reporting S.22.07.

3.50 The PRA considers that the amendments to S.12.01 and S.17.01 to report the revised TMTP components, and delete existing rows relating to the current TMTP calculation, result in a clear and streamlined approach to TMTP reporting going forward. TMTP is calculated at solo level, and the S.22.05 template, which the PRA is deleting does not apply groups. Branches will not be required to complete S.22.07 as part of the TCB reporting deletions.

3.51 The PRA considers that retaining redundant fields in existing templates could reduce the one-off implementation cost of the TMTP changes, but would in the longer term reduce the clarity of reporting both to firms and supervisors. These issues are likely to require future change and would not result in the efficient use of firm or PRA resources to maintain in the present and then correct known deficiencies in the future.

Other Responses

3.52 Seventeen respondents made comments that were out of the scope of CP12/23. Most of the comments related to deletion or reform of templates that were not considered in the consultation or comments relating to the Solvency and Financial Condition Report.

4: Feedback to responses: CP14/22

4.1 The following chapter summarises responses the PRA received to CP14/22 and the PRA's feedback to the responses. The sections below have been structured broadly along the same lines as the chapters of the CPs, with some areas rearranged to better respond to related issues. The responses have been grouped as follows:

- Non-life obligations analysis
- Cyber underwriting risk
- Excess capital generation
- Internal model outputs
- Reinsurance
- Reporting by insurance groups
- Life obligation analysis
- Non-life technical provisions
- Own funds
- Reporting on premiums, claims, and expenses by line of business
- Reporting on activity by country

- Reporting on premiums, claims, and expenses by country
- Projection of future cash flows in the best estimate
- Solvency Capital Requirements by risk components for solo entities
- Solvency Capital Requirements by solo undertakings
- Society of Lloyd's reporting on National Specific Templates
- Template deletions
- Reporting frequency
- Reporting thresholds
- Other responses

Non-life obligations analysis

4.2 In CP14/22 the PRA proposed a new template S.14.02 to report on non-life product obligations.

4.3 Five respondents commented on the proposed non-life product obligations template. Three respondents noted that the granularity of the information required would be burdensome for firms to complete and that the data may not be readily available, adding to the cost. One of the respondents suggested a business-level threshold of £100 million Gross Written Premium ('GWP') to limit reporting, another suggested that the template should be significantly simplified, and a third respondent thought the template was unnecessary. Another respondent recommended the PRA introduce a product-level threshold so that firms with immaterial non-life business would not complete the template. Two respondents sought various technical clarifications.

4.4 Having considered the responses, the PRA has decided to not implement the template. The PRA recognises the comments around the burden of reconfiguring policy source systems to support regular reporting and considers that this burden outweighs the benefit of receiving this data.

Cyber underwriting risk

4.5 In CP14/22, the PRA proposed a new annual template, S.14.03 required for solo and TCBs.

4.6 Six respondents commented provided feedback, which broadly recognised the need to report on cyber risk policies but considered that the granularity of template was burdensome, and that existing systems may not capture cyber underwriting data at the level proposed.

4.7 Four respondents identified overlapping content between S.14.03 and proposed amendments to the NS.10 template on best-estimate cash flows for non-life claims. Two of these respondents suggested the implementation of a materiality threshold (eg £5 million or

5% of total non-life GWP) and questioned the application of S.14.03 to TCBs. One of these respondents further suggested that the PRA allow TCBs of EU insurance firms to report the EU cyber underwriting risk template to reduce regulatory divergence.

4.8 The PRA has considered these responses and has significantly simplified S.14.03, removing granular detail on target market, product identification and risk coverage. The PRA also reversed all proposed amendments to NS.10, which removes the duplication with S.14.03 which should further streamline reporting on cyber risk underwriting.

4.9 The application of a materiality threshold and excluding reporting by TCBs, or utilising the EIOPA template for TCBs would not provide the PRA with full market coverage and a consistent aggregate view of this emerging risk, given the growing size and evolution of cyber underwriting in the UK and London Market.

Excess capital generation

4.10 In CP14/22 the PRA proposed a new annual template NS.14 on excess capital generation (ECG) applicable to life firms writing non-unit linked premiums exceeding £1 billion on an annual basis.

4.11 Ten respondents provided comments on the proposed new Excess Capital Generation template. Five respondents commented that the proposed template would be burdensome to report. Two of these respondents sought clarity on the application of the templates to both solo and group firms, and suggested limiting reporting to the solo level.

4.12 Three respondents considered that reporting the template would duplicate information reported in the Own Risk and Solvency Assessment (ORSA) report. Among these respondents, two suggested that the PRA's template should instead be incorporated into the ORSA reporting, with another suggesting that data should be exempted from NS.14 if it is presented in the ORSA.

4.13 Two respondents suggested field testing of the template with firms to ensure reporting requirements are clear. Two other respondents requested various technical clarifications (eg around economic assumptions, and the preferred approach when recognising reinsurance, expenses and tax). One respondent suggested that the template should not apply to non-life firms. A different respondent suggested that the PRA may benefit from collecting data reported from the year prior to the most recent reporting year. A final respondent supported the proposals.

4.14 After considering the responses, the PRA has decided to not change the draft policy. The PRA recognises that firms will need to undertake initial work to implement the template, however the PRA considers that the small population of life insurers that would be in in-scope of the new template reporting[6] produce similar (albeit inconsistent) schedules in their management information.

4.15 The excess capital generation template allows the PRA accurately to compare firms and better understand performance. While the PRA acknowledges that some firms do include similar schedules in ORSAs, these tables are prepared inconsistently, making comparison challenging. Further, since ORSAs are submitted by firms throughout the calendar year, data may be received from firms many months apart, compromising comparability. While the PRA understands some firms' preference to include the template in their ORSA rather than complete a reporting form, the PRA does not wish to make the ORSA more prescriptive by mandating inclusion of specific tables within the document.

4.16 With respect to concerns over timing differences (where the forecast data may be prepared prior to the year-end reporting data), the PRA intends to exercise pragmatism and not require amendment to update data. The PRA supports the suggestion to test submission of the form with firms prior to reporting. In turn, this should enhance consistency and usefulness of the output for the PRA.

4.17 The PRA does not support the suggestion that data from the prior reporting year should be provided as it would increase the burden on firms without adding sufficient value. Non-life firms are not in scope to report this template. While the CP14/22 and CP12/23 draft rule instruments presented different application scopes for NS.14, the PRA confirms that the excess capital generation template only applies to solo firms, and not insurance groups, as set out in the CP12/23 draft rule instrument.

Internal model outputs (IMO)

4.18 In CP14/22 the PRA proposed to amend the IM01 and IM03 templates and instructions to improve clarity and address data gaps.

4.19 Three respondents commented on internal model output proposals. One respondent commented that the changes to IM.01 were unnecessary and that firms may not internally produce the new data required. A different respondent commented that the new information in IM.01 was not difficult to provide but noted that the changes went against the PRA's streamlining objective. A third respondent queried the requirement to report swap over gilt spreads when Solvency II is based on swap risk-free rates.

4.20 Two respondents were supportive of the IM.00 and IM.03 changes made by the PRA. A different respondent questioned the value of the current IMO reporting proposals and suggested reducing the scope and level of detail in the reporting more broadly.

4.21 After considering the responses, the PRA has decided to not change the draft proposals. Firms are required to report swap over gilt rates because firms invest in gilts as well as swaps. Liabilities are discounted only at the swap rate. Therefore, if gilt yields went up but swaps did not, then assets would fall but liabilities would be unaffected. Hence, gilt-swap spread risk is modelled by many insurers as it is a source of volatility in the balance sheet.

4.22 The changes to IM.01 allows the PRA to better assess risk. The template had not been revised for several years and the PRA considers it appropriate to review the template's contents as the risk landscape changes.

Reinsurance

4.23 In CP14/22 the PRA proposed to reform reinsurance reporting by deleting three templates, amending four other templates and introducing one new template for non-life outwards reinsurance. The PRA also proposed four new templates for life-outwards reinsurance.

4.24 Ten respondents commented on the proposed changes to reinsurance reporting. Five respondents welcomed some of the proposed simplifications, but noted costs to implement the amended templates and considered that the PRA was moving data between templates. These respondents also considered that the proposed granularity would be burdensome. Two of the respondents suggested the PRA could go further and amend or delete the calculation of all future reinsurance premiums. One respondent commented that the costs to implement the changes outweigh the future benefits to firms, and that the PRA had not properly justified the changes or level of granularity required.

4.25 Two respondents sought various technical clarifications in relation to materiality thresholds, data point model, and template instructions. A handful of respondents called for the amended reporting to be prepared on a statutory account valuation basis which could align reporting with the management information that firms use to value and monitor their reinsurance counterparty exposures.

4.26 The deletion of S.30 and S.31 entirely would prevent the PRA meeting its supervisory objectives. Reinsurance is a key business model for UK regulated firms and it is essential for the PRA to be able to monitor the scale and nature of the industry's reinsurance and the scale of associated risks (at both firm and at aggregate industry levels). The PRA considers that the proposals will address known issues, and better align with market practice between life and non-life market segments and streamline the processes to produce this information.

4.27 Requests for further simplification of S.30 forms was raised by some respondents. Any such simplification would still require firms to collate reinsurance contract data and would still result in wider system changes to implement a revised template structure. Having considered the responses, the PRA has made some minor corrections, and removed some of the proposed columns in the S.31.01 template. Various technical clarifications have been made to the reporting instructions.

4.28 The PRA considers that the introduction of S.30.05 will reduce the existing need for firms to duplicate and validate information currently reported across multiple S.30 and S.31 forms. This will eliminate cross-form reporting inconsistencies and validation burden.

4.29 The PRA has considered the responses on reporting reinsurance on a statutory account basis and engaged with some of the respondents calling for this change. However, as only a small number of CP14/22 respondents highlighted this point, no change in valuation basis will be made.

Reporting by insurance groups

4.30 In CP14/22 the PRA proposed to amend template S.32.01 to report the Legal Entity Identifier (LEI) of the immediate parent of each entity in an insurance group. The PRA also proposed the groups should report template S.37.01 on a total counterparty exposure basis only.

4.31 Eight respondents commented on the group-specific reporting proposals. Two respondents called for further simplification or deletion of the S.32.01 template, and the same respondents noted duplication of data in the S.37.01 template with S.06.02 and considered that the proposed simplifications would not result in a reduction in burden. Two other respondents sought clarification on whether the inclusion of additional cells to collect details of identification code and the legal name of the immediate parent of each legal entity is to be included in both the supervisory and public disclosure versions of S.32.01.

4.32 Two respondents noted that if the PRA's deadline for reporting the consolidated group SCR was earlier than the equivalent EU deadline, then a finalised calculation may not be available for UK group reporting. Three respondents considered the group SCR proposals to be burdensome and one of these respondents called for S.33.01 to be deleted, while three respondents sought technical clarifications to the S.33.01 instructions. One respondent noted that S.33.01 and S.35.01 would not be applicable to them.

4.33 After reviewing the responses, the PRA has decided to delete S.37.01, noting the duplication with other reporting on asset and reinsurance counterparties. S.32.01 requires firms to report the Legal Entity Identifier of the immediate parent of each entity in the group and is applicable to all firms included in the group SCR calculation through method 1.

4.34 The PRA also notes respondents' comments on the reporting deadline for the consolidated group SCR. While respondents raised the issue of burden in calculating the contribution to the group SCR, the PRA does not consider this to be an additional requirement since this calculation is already required. Respondents raised requests for clarification as to how to calculate the contribution to group SCR. The contribution to the group SCR is applicable to all firms included in the group SCR through method 1, and the reporting of the contribution to the group SCR will be moved to C0020 of S.33.01.01 and S.33.01.04 in order to avoid any confusion.

Life obligation analysis

4.35 In CP14/22 the PRA proposed to simplify the structure and the content of the S.14.01 template.

4.36 Eight respondents commented on the proposed simplifications to Life obligation analysis. Four respondents supported the PRA's proposals to streamline the S.14.01 template, while two other respondents welcomed the streamlining but thought the PRA could go further and remove duplicated content with S.05.01. One of the respondents also suggested that S.14.01 should be deleted for non-life firms and non-life annuities be removed. One respondent sought no changes to S.14 to retain the reporting of data relevant to statistical reporting, and another noted that that there will be little impact from the proposals as the data points deleted are prepared for other reporting. One respondent sought clarifications on the instruction files and whether S.14 is to be retained for reinsurers.

4.37 Having considered the responses, the PRA is proceeding with the implementation of the proposed template. The PRA considers S.14 template to be valuable for all life firms including reinsurers, because there is no product split in other Solvency II templates (eg S.05 or S.12.01). The product codes in S.14 are at a granular level and the distinction between products is well understood in the industry.

Non-life technical provisions

4.38 In CP14/22 the PRA proposed to amend:

- NS.11 template so that it remains consistent with S.19.01 template;
- S.16.01 template to add columns to collect additional data on claims provisions and remove certain seldom used data;
- S.20.01 template to include all elements that comprise the claim and allocated loss adjustment expenses; and
- NS.10 template to collect cyber claims related data.

4.39 Six respondents provided comments to the proposed amendments to reporting of non-life technical provisions. Two respondents suggested that S.20.01 should be deleted or otherwise extensively simplified to reduce burden. One respondent supported the proposed amendments to S.19.01 but also suggested removing currency level reporting from S.19.01 to further improve the template. A different respondent also welcomed the changes to S.19.01 but did not consider that the changes would materially reduce burden.

4.40 One respondent was supportive of proposals to adopt line of business materiality thresholds and supported the changes to S.16.01, but also noted that the premium by accident/underwriting year data required in the NS.11 proposals may not be readily available. One respondent considered the proposals would lead to an increased burden on certain firms. One respondent sought clarifications on the proposed requirement for third-country branches to report NSTs, and a different respondent sought various clarifications on rulebook and instruction file discrepancies.

4.41 After considering the responses, the PRA has decided to amend the draft proposals. As described in the cyber risk underwriting section of this chapter, the PRA has amended NS.10 to remove duplication with S.14.03. Additional minor edits have been made to the instructions to improve clarity and remove discrepancies. The PRA considers templates S.20.01, S.19.01 and S.16.01 to provide information essential for firm supervision and therefore does not intend to make any additional changes.

Own funds

4.42 In CP14/22 the PRA proposed minor amendments to S.23.01 template to address some inconsistencies.

4.43 Nine respondents commented on the own funds proposals. Eight respondents welcomed the deletion of the expected profits included in future premiums (EPIFP) requirement in S.23.01 but sought clarifications on whether the PRA planned to remove the requirement from all reporting. Three respondents noted technical discrepancies in the S.23.01 proposals. One respondent suggested that the S.23.01.22 disclosure template could be updated in line with S.23.01.04 group reporting template by moving the placement of deduction in financial and credit participations field. Two respondents suggested a minor change to the title of R00010 in S.23.01.01. One of the respondents further suggested amending the instructions in R0240 to reflect the changes in the deduction for participations in financial and credit institutions.

4.44 The PRA notes that firms have welcomed the deletion of EPIFP but that there is some confusion over whether EPIFP will be required for other reporting. The PRA has amended the template instructions to clarify that the EPIFP requirement is being removed from all reporting, including disclosure. Further amendments have been made to the S.23.01 template and its instruction file in respect of rows R0010, R0240, and the placement of deduction in financial/credit participants has been moved in the disclosure templates.

Reporting on premiums, claims, and expenses by line of business

4.45 In CP14/22 the PRA proposed to reform the reporting of premiums, claims and expenses by Line of Business (LoB) by removing S.05.01, which is reported by life and non-life firms, as well as NS.05 on life revenue account, and replacing these with new life template S.05.03, and an amended NS.07 template.

4.46 Eleven respondents commented on the PRA's proposals. Seven respondents commented that the benefits to firms from the proposed deletion of S.05.01 would be offset by the costs of reporting the amended version of NS.07, given the transfer of some of the S.05.01 data points and complexity of NS.07.

4.47 Two respondents thought the proposals were particularly onerous for TCBs, with one respondent suggesting that TCBs with a low-risk profile should be excluded. One respondent supported the changes and the new S.05.03 life template, while a different respondent also supported the proposed consolidation for life firms but stated that there was no benefit for non-life firms. One respondent sought no changes to NS.07 and S.05.03. Another respondent suggested that the PRA further streamline or reduce the frequency of S.05.03. One respondent suggested that the deletion of S.05.01 may reduce reporting transparency, and another respondent highlighted technical discrepancies between NS.07 and S.05.03. One respondent sought clarification on why data on ring-fenced funds is required when it did not appear in S.05.01.

4.48 One respondent suggested that the reporting frequency of S.05.03 should be reduced from quarterly. The same respondent called for the alignment of the template with IFRS 17 concepts. Similarly, another respondent called for the PRA to take greater account of IFRS17 in the S.05 templates to reduce the need for firms to maintain two bases for premiums and claims. Two other respondents sought clarity on whether the PRA are seeking to align S.05 to the IFRS17 format and suggested incorporating the changes brought in by IFRS 17.

4.49 The proposals allow the PRA to have a common source for information on premiums, claims and expenses by line of business for life firms and for non-life firms, which removes the existing duplication across S.05.01, NS.05 and NS.07. The proposed reforms to templates sought to remediate the inconsistent and inefficient reporting of premium, claims and expense (henceforth referred to as the revenue account) data across the life and non-life Lines of Business (LoBs), which has led to gaps in view of key insurance structures - such as the apportionment of RFF activity and investment results that lead to movement of own funds.

4.50 Collecting revenue account data at the LoB level remains essential to the PRA's ability to supervise insurance activity and performance by authorised LoB, and full removal of this data is not consistent with the PRA's supervisory needs. While the PRA notes the comments that the proposed consolidation of S.05.01, NS.05 and NS.07 data does not result in the same benefit to firms as the outright deletion of this data, outright deletion is not the PRA's aim.

4.51 The PRA has considered leaving the existing templates unchanged, and while this would lower firm implementation costs, it would maintain existing reporting deficiencies. The PRA does not consider that addressing the current issues in the reporting templates while avoiding any change in reporting systems is achievable.

4.52 The PRA is therefore proceeding with the deletion of S.05.01 and NS.05, the introduction of S.05.03 and amendments to NS.07. These reforms will support the efficient and clear reporting of LoB revenue account data.

4.53 The PRA is further standardising aspects of the reporting and disclosure templates S.05.03 and NS.07 to simplify preparation and enhance cross firm comparison. These changes include aligning the reporting of premiums, claims and expenses between these templates, and consolidating certain expense rows. The sections within S.05.03 and NS.07 are now presented in the same order and the expense categories are aligned where these apply to both life and non-life business, and unnecessary granular detail has been removed.

4.54 RFF data was previously collected in NSR.05, and the new SR.05.03 templates continue this basis of reporting. The PRA is maintaining the proposed quarterly reporting of S.05.03 which will be reported on a simpler basis than the annual version.

4.55 CP14/22 set out the PRA's thinking on the case for incorporating IFRS 17 concepts into reporting. In particular, the PRA considers that it would be difficult at present to move away completely from IFRS 4 concepts without a fundamental overhaul of the Minimum Capital Requirement and standard formula.

Reporting on activity by country

4.56 In CP14/22 the PRA proposed a new reporting template on activity by country (S.05.04) and the proposed deletion of templates S.04.01 and S.04.02 on revenue, and S.12.02 and S.17.02 on best estimate liabilities.

4.57 Ten respondents provided comments on the proposals. Two respondents supported the consolidation of existing reported data into S.05.04. One respondent welcomed the deletion of some data but noted that the costs of consolidation negate most of the benefits from firms' perspective and suggested streamlining the proposed S.05.04 template. A different respondent commented that the proposed consolidation was not sufficiently justified and also thought that parts of S.05.04 should be deleted. The same respondent suggested that the

PRA reverse the change to reinstate the current format of S.17.02. One respondent suggested that the 'premiums earned' field be retained in S.05.04 for national accounts compilation purposes. Two respondents requested technical clarifications.

4.58 Two respondents noted that the data required to meet the proposals is readily available. One of these respondents did not expect the proposals to result in implementation effort, whereas the other respondent noted there will be a cost to the change from the existing country level reporting approach.

4.59 This existing reporting on activity by country in templates S.04.01, S.04.01, S.12.02 and S.17.02 had several issues relating to separate reporting information written under the Freedom to Provide Services (passporting) basis and split by European Economic Area (EEA) versus the rest of the world. Passporting activity is now redundant and the PRA's supervisory approach to overseas business no longer reflects this division of EEA business. The PRA considers data manipulation difficult because S.04.01, S.12.02 and S.17.02 templates report separately on premiums, claims and best estimate liabilities requiring complex data transformations by the PRA.

4.60 Similar to the PRA's consideration of responses received on revenue account LoB reporting, the PRA notes the comments that the consolidation of information from templates (S.04.01, S.04.02, S.12.01 and S.17.01 in this case) does not have the same effect as outright deletions for firms. Similarly, however, removal of country level data entirely was not the PRA's intention.

4.61 The PRA acknowledges the responses on the potential burden of combining accounting and best estimate liability data in the proposed S.05.04 given the different business sources of this information. The PRA also notes the responses stating that elements of S.05.04 may still be burdensome despite the proposed streamlining measures.

4.62 In response to these comments on the new S.05.04, the PRA will not introduce the proposed template, and will instead maintain a separation between reporting of revenue account and best estimate liability data. Recognising the issues with the existing templates that led to the proposed reforms, the PRA is not reinstating the current activity by country reporting.

4.63 Instead, the PRA is introducing new templates IR.05.05, IR.05.06, IR.12.03 and IR.17.03, which are simplified versions of the existing solo level reporting on revenue and best estimate liabilities. The PRA considers that the format and certain data items in these existing solo templates, when applied to a country level, give the PRA a sufficient and robust view of overseas business. Unlike the current reporting, and proposed S.05.04, these alternative templates apply existing formats and data items that can easily be leveraged for activity by country reporting. Third country branches will only report templates IR.12.03 and IR.17.03. Pure reinsurance branches are not required to report templates IR.12.03 and IR.17.03.

Reporting on premiums, claims, and expenses by country

4.64 In CP14/22 the PRA proposed to delete the rows related to other Technical Provisions from S.05.02 template. The PRA also proposed to change the threshold over the proportion of overseas business reported by lowering the portion considered immaterial from 10% to 5% and introducing an additional monetary based criterion of £500m.

4.65 Four respondents provided comments on the reporting of premiums, claims and expenses by country. Four respondents challenged the lowering of the threshold in S.05.02 on the coverage of overseas business reported. Two respondents noted overlap between S.05.02 and the new S.05.04 templates and suggested further streamlining. One respondent suggested that S.05.02 should no longer be reported by groups, and one respondent questioned whether S.05.02 should still be reported by insurers that only operate in the UK.

4.66 S.05.02 provides the PRA with the split life and non-life business, and the disclosure version of S.05.02 provides the market with an important view of the business activity of insurers. S.05.02 provides a centralised data source on the amount of business written in the home country and is valuable for group reporting because business written outside of the home country is often written through a subsidiary. The PRA has removed the requirement to report 'other expenses' which is not a significant expense at the country level.

4.67 The monetary threshold introduced for S.05.02 enables the PRA to identify firms with large amounts of business in absolute values outside UK, even if it does not represent a large proportion of business for the individual firm. Firms are not required to report territories outside of the UK if business is below the threshold. The PRA will proceed with the revised threshold.

Projection of future cash flows in the best estimate

4.68 In CP14/22 PRA proposes to amend templates S.18.01 and S.13.01 template to collect relevant information and maintain consistency with other templates.

4.69 Seven respondents commented on the proposed changes to best estimate liability cash flow projections in templates S.13.01 and S.18.01. Four respondents welcomed the PRA's proposals noting they were reasonable and would save preparation time. One of the respondents thought the PRA could go further and delete S.13.01 and SR.22.02 entirely. Two respondents considered that there would be a small burden to implement the changes to S.18.01. One respondent sought various technical clarifications.

4.70 After considering the responses, the PRA has made minor amendments to the template instructions. The data in these templates remains important to the PRA and S.13.01 and SR.22.02 will continue to be collected.

Solvency capital requirements by risk components for solo entities

4.71 In CP14/22 the PRA proposed to amend S.26 and SR.26 templates series in relation to management actions and assets and liabilities before and after stress.

4.72 Four respondents provided comments on reporting of the SCR by risk components for solo entities. Two of the respondents welcomed the removal of the asset and liability breakdowns in S.26 series, noting the inconsistency with their own internal preparation of such breakdowns. One respondent suggested the PRA could go further to reform the reporting, highlighting that templates S.26.02 and S.26.04 could be further simplified or deleted. One respondent raised a technical query with the instruction files.

4.73 Having considered the responses, the PRA has decided to not make material changes to the proposals, other than amending the instructions to the reporting template S.26.01 and SR.26.01 to address an error relating to a missing row. The PRA considers that the current proposals contain information useful to the PRA and therefore has decided against further simplification or deletion of S.26.02 and S.26.04. The PRA has also removed rows reporting assets and liabilities before and after stress in S.26.05 to align with the removal of these rows in templates in S.26.01, S.26.03 and S.26.04.

Solvency capital requirements by solo undertakings

4.74 In CP14/22 the PRA proposes to delete the existing SCR templates S/SR.25.01, S/SR.25.02, S/SR.25.03, and introduce new SCR reporting templates S/SR.25.04 to report on the SCR on all bases of calculation, S/SR.25.05 to report on the SCR components; and S.25.06 to report on the deferred tax data.

4.75 Ten respondents commented on the proposal to consolidate the reporting of the SCR result by solo firms. One respondent supported the changes. Five respondents called for the alignment of reporting approaches between groups and solos. Two respondents considered that the granularity of the disclosure proposals could exceed firm’s disclosure appetites and sought flexibility on the granularity to be disclosed. One respondent welcomed the PRA's changes to S.25.04 but considered there to be duplication between S.25.04 and S.25.05, for which further streamlining is necessary. Two respondents suggested that the proposals contained too much reformatting of existing reported data. Four respondents sought clarifications to various scope and technical aspects of the proposals. One respondent noted that S.25.06 requires data that may be particularly onerous for standard formula firms.

4.76 Having considered the responses the PRA has decided to maintain its proposals. The PRA consulted on group SCR reporting in CP12/23 which further aligned the SCR reporting requirement for solo entities and groups and consider the S.25.04 template format, which applies to all firms regardless of whether they are standard formula, partial internal model or full internal model firm, and will facilitate comparison between firms and creation of overall industry data. The PRA considers the differing levels of granularity between S.25.04 and S.25.05 as necessary, and S.25.05 provides and important deeper view of the risks components of firms.

4.77 The PRA notes that some firms are already disclosing their SCR calculations at a similar level of granularity to the proposed revised S.25 disclosure template, and the PRA considers disclosure of a standard breakdown of SCR particularly helpful in interpreting and ranking the risks. The PRA has made additional edits to the near final rule instrument and S.25.04.21 public disclosure template in response to the final policy set out on PS2/24 (Chapter 5 – Capital Add-Ons) to reflect the removal of the requirement for firms to disclose residual model limitation capital add-ons. The disclosure template and amended rules will not require firms to disclose the level of detail in their internal models.

Society of Lloyd's reporting on national specific templates

4.78 In CP14/22 the PRA proposed to combine NS.12 and NS.13 into a single new template NS.13, the Society of Lloyd's SCR and MCR.

4.79 Three respondents commented on the proposed consolidation of NS.12 and NS.13. Two respondents welcomed the simplification, and one respondent noted it was not reported by their members and therefore had no comments. The PRA welcomes the respondents' supportive comments.

Template deletions

4.80 In CP14/22 the PRA proposed to delete 12 templates.

4.81 Twelve respondents commented on the PRA's proposed template deletions. Most respondents supported all deletions. However, one respondent commented that S.05.01 and S.08.02 should be retained to support statistical reporting, and a different respondent noted that S.07.01 and S.08.02 may still provide the PRA with important information on structured products and derivatives. Three respondents considered there to be limited benefit to firms of the proposed deletions, because some data is being transferred into new templates which would incur a cost to implement. Two of these respondents suggested that the existing templates should continue to be reported, albeit with redundant fields to avoid firms having to incur costs to implement new rationalised templates.

4.82 The PRA considers that the information reported in the proposed templates for deletion has limited prudential value to its supervisory approach or that it can monitor firms' exposure in those areas using other reporting templates. Preserving existing templates with redundant cells and formats to avoid implementation effort, may save firms implementation costs in the short term, but would reduce the clarity of reporting, and will eventually require effort to fix. In considering which data to retain, the PRA has considered the extent to which reporting supports its objectives and sought to keep reporting relevant to these.

Reporting frequency

4.83 In CP14/22 the PRA proposed to change the reporting frequency for S.06.02, S.06.03, S.12.01.02 and S.17.01.02 templates, while retaining the existing quarterly submission deadlines.

4.84 Eleven respondents commented on reporting frequency. While most respondents welcomed the reduction in frequency of S.06.03, S.12.01.02 and S.17.01.02 templates from quarterly to semi-annual for solo and TCB firms, and S.06.02 and S.06.03 from quarterly to fourth quarter submission for groups, eight respondents noted that there may be little reduction in burden due to automated processes and data points still being required in other reporting. The continued burden of the proposed semi-annual reporting S.12.01.02 and S.17.01.02 was cited by five respondents who noted that the full calculation of technical provisions is still required quarterly for balance sheet reporting. Four respondents also noted that proposals which result in different reporting frequencies between groups and solos firms will have little impact for firms where there is large overlap between solo and group.

4.85 One respondent noted that while larger businesses with automated processes will see little impact, the proposals may have a larger beneficial impact on small firms. Finally, one respondent opposed changes to the frequency of S.06.03, S.12.01.02 and S.17.01.02 citing quarterly utilisation of this data in statistical reporting.

4.86 Eight respondents commented on the need to report at the fourth quarter (Q4). Respondents suggested that the PRA should reduce or remove Q4 reporting, citing the procedural burden of producing Q4 reports at the same time as the annual reports, and duplication in content with annual reporting. One respondent considered that certain Q4 templates would be useful for early warning and early insight, but still called for reductions to be made in the quantity of Q4 reporting. Three respondents suggested that if Q4 reporting was removed, the reporting deadlines for other reporting should not be reduced to compensate as it would be unfeasible for firms to accelerate the governance processes.

4.87 The PRA has considered the responses which state the expected benefit is unlikely to be realised by firms from the proposed frequency reductions, particularly in cases where this was the main policy aim. The semi-annual reporting of S.12.01.02 and S.017.01.02 are a key example of this, where the PRA makes frequent use of technical provision information, and where most respondents suggested there would be no benefit to firms to reduce frequencies. The PRA is therefore reverting to the current reporting frequency of quarterly of S.12.01.02 and S.17.01.02

4.88 The PRA considered the feedback calling for the removal Q4 reporting but considers the lag between the provision of third quarter and annual reporting to be too great to support timely supervision. Most firms reporting at Q4 are the highest impact insurance firms supervised by the PRA (ie PRA categories 1 and 2) and timely insight into the limited templates on capital and solvency reported at Q4 are essential to the supervision of the PRA's primary objectives.

Reporting thresholds

4.89 In CP14/22 the PRA proposed a reporting threshold for S.03.01, S.05.04, S.11.01 and S.19.01 to limit reporting for firms operating below the thresholds. The PRA also amended existing threshold for S.05.02.

4.90 Ten respondents commented on the proposed revisions to reporting thresholds. Six respondents welcomed the proposed expanded use of thresholds. Four respondents commented that thresholds should be specified unambiguously by reference to cells in the templates. Two respondents suggested that thresholds should be exceeded for a period before reporting commences. Three respondents provided feedback that the burden of calculating whether the threshold offsets the benefit of reduced reporting under the threshold. One respondent considered that the S.03.01 threshold was too low to result in many exemptions from reporting.

4.91 The PRA has updated the reporting instructions so that thresholds unambiguously reference cells in the template. Specifically, the S.11 threshold based on the total value of the balance sheet now references C0010/R0500 of template S.02.01. The monetary thresholds introduced for IR.05.05, IR.05.06, IR.12.03, and IR.17.03 enable the PRA to identify firms with large amounts of business in absolute values outside UK. The PRA notes the suggestion that firms exceed the threshold for two years before being subject to the requirement. The PRA does not wish to over-complicate the thresholds by including additional time-based criteria. Alongside ensuring the conditions are proportionate, the PRA also balances ensuring the rules and policies are simple.

Other responses

4.92 Thirteen respondents made comments that were out of the scope of CP14/22. Most comments related to reform or deletion of templates that were outside the scope of the consultation.

4.93 Three respondents commented on the Solvency and Financial Condition Report (SFCR). CP14/22 proposals were limited to the disclosure templates set out in ITS 2015/2452. All respondents supported the continuation of the SFCR with various levels of reforms.

4.94 Comments were also received on the RSR, reporting deadlines, NS.09, past consultation papers, ad-hoc reporting, calculation of metrics, EIOPA's Q&A process, and differences between solo and group reporting. The RSR, reporting deadlines and extending some of the solo proposals to group reporting were subsequently in scope of CP12/23.

4.95 The PRA has not provided feedback to these responses in this final PS and will consider the points raised in further policy development.

Other consistency changes to the rule instrument

4.96 The amendment and transfer to the Reporting Part of the PRA Rulebook of the retained reporting and disclosure templates and instruction files set out in ITS 2015/2450 and ITS 2015/2452 necessitate presentational and consistency amendments to the Reporting Part of the PRA Rulebook. This will facilitate consistent application and submission conditions between this transferred content and the existing PRA reporting requirements. The additional changes to those set out in the CP14/22 and CP12/23 rule instruments include:

- the renumbering, and in some cases renaming of the reporting and disclosure templates with prefixes 'S', 'SR', 'NS' and 'NSR' to 'IR' or 'IRR' as set out in paragraph 1.31;
- correcting rule 1.3 (1) applicable to third country branches to include reference to the Article 4A materiality provision;
- clarification of the means of submission available to Friendly Societies when submitting the new templates and templates transferred from ITS 2015/2450 and ITS 2015/2452;
- transfer of existing standalone annexes in the rule relating to asset categories and Complementary Identification Codes (CIC) into the instructions S.06.02 and S.08.01; and
- removal of references to Regulation 24(1)(a) of the Solvency 2 Regulation and thresholds that may be set by the PRA in relation to intra-group transactions.

4.97 The PRA does not consider these presentational and consistency changes to be significant, as they do not change the substance of the consulted upon policy and are not likely to result in additional implementation effort for firms. These changes are not reflected in the revised cost estimates set out in paragraph 1.23.

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1. Sections 138J(5) and 138K(4) of FSMA.

2. Sections 138J(3) and 138J(4) of FSMA.

3. The PRA has counted each template once regardless of how frequently submitted in one year (i.e. a quarterly template is counted as on template, not four).

4. The analysis makes no allowances for relative burden, from a firm's perspective between completing different templates, or the applicability of different templates according to business mix (eg life, non-life, composite) and threshold criteria.

5. The Insurance and Reinsurance Undertakings (Prudential Requirements) (Risk Margin) Regulations 2023, made on 7 December 2023, laid before Parliament on 8 December 2023, and coming into force on 31 December 2023.

6. Life firms writing non-unit linked premiums exceeding £1 billion on an annual basis.

Appendices

Appendix 1: Near-final PRA Rulebook: Solvency II Reporting Reforms Instrument [2024] (PDF)

Appendix 2: Reporting and disclosure templates and instructions (XLSX)

Appendix 2a: Reporting and disclosure templates (ZIP)

Appendix 2b: Reporting and disclosure instructions (ZIP)

Appendix 3: Overview of applicable Branch Guidelines (PDF)

Appendix 4:

Near-final update to supervisory statement 11/16 – Solvency II: External audit of, and responsibilities of the governing body in relation to, the public disclosure requirement

Near-final update to supervisory statement 25/15 – Solvency II: Regulatory reporting, internal model outputs

Near-final update to supervisory statement 40/15 – Solvency II: reporting and disclosure

Near-final update to supervisory statement 44/15 – Solvency II: third-country insurance and pure reinsurance branches

Near-final update to supervisory statement 7/17 – Solvency II: Data collection of market risk sensitivities

Near-final update to supervisory statement 17/16 – Solvency II: internal models – assessment, model change and the role of non-executive directors

Appendix 5: Near-final new SoP – Solvency II regulatory reporting waivers

Appendix 6: Mapping of reporting and disclosure template names (XLSX)

Appendix 7: Overview of key post-consultation changes to templates and instructions (PDF)

Note: All content for this PS is included on this webpage. If you would like a PDF version of the PS, please use the button available below.