PRA Internal Model Outputs for General Insurers

Potential changes to data collection: YE2018

5 March 2018

Background

- A consistent piece of feedback we have been given is that firms / syndicates do not want continual tinkering / modification to the data templates

  – There will be no changes for YE2017

- However, it is also becoming increasingly evident from feedback and PRA analysis that some of the data is not "fit-for-purpose"

  – We will likely consult on changes for YE2018 data collection

  – This will coincide with a plan to move to XBRL

  – We want to discuss now some of the possible changes to help us decide whether or not to put them into consultation paper.

- There will be a formal consultation process in due course

  – Please let us have your thoughts.

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Criteria for changes

- **Reducing reporting burden**
- **Addressing industry feedback**
- Addressing PRA objectives
  - Maintain firms' focus on model development, governance and use
  - Improve transparency
  - Inform understanding of methodologies / calibrations
  - Identify key risk factors and assumptions
  - Monitor model drift
- Improving process efficiency
  - Complexity of implementation

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Changes we are likely to consult on: High level

- Remove
  - If we don't use it, it's going
  - If we can't use it, it's going (may be replaced)
- Add
  - To replace data we can't use
  - Requests for additional commentary
- Clarity
  - In response to industry feedback we're clarifying some instructions
- Improve
  - Improved format for templates, including dealing with known issues (e.g. locked ranges, protected & merged cells)
  - Move to XBRL

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Insurance Risk specific items

- Remove skewness

- Add net undiscounted standard deviation
  - Allows analysis of reinsurance impact / clarifies volatility

- Request information on firm's own LoBs
  - Commentary on changes since last year
  - Matrix of ratios used when allocating to SII lines

- Clarify definition of exposure and loss ratio
  - Premium provision within Premium risk
    - (UPR + premium written in next period) x (99.5%LR – mean LR)
  - Premium provision within Reserve risk
    - (premium in next period) x (99.5% LR – mean LR)
  - Loss ratio
    - Include effect of risk recognition and premium provision @ t=1

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Cat Risk specific items

- Remove ultimate loss sheet (i.e. only submit 1-year loss sheet)
  - Note: include *all* cats relating to the u/w year
- Remove premium and sum insured information by peril
  - But collect high level data on separate sheet (see below)
- Remove split between property and liability
  - except for man-made cats
- Remove split of losses between direct insurance and reinsurance
- Remove requirement for Own Peril loss data
  - Comment on any significant other perils
- Separate aggregate sheet
  - Collect premium by territory / region
  - Provide broad split of insurance / reinsurance / retro premiums

Market Risk specific items

- Remove distribution of asset market values for all currencies
  - Retaining only (converted) GBP
- Remove nominal value and IE100
- If asset specific inflation is modelled, remove RPI inflation and use asset specific inflation instead

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Other key changes we are likely to consult on

- Remove counterparty risk template altogether
- Add mapping of LoB from last year to this year
  - Allows more meaningful correlation comparisons
- Clarify that historical LRs could be accident or underwriting year basis depending on how you parameterise the premium risk.
  - But consistent with other reporting

Next steps

- Take account of today's discussion

- Consultation paper to be published in due course

- 3 month window for response

- Final proposals updating the Supervisory Statements SS25/15 & SS26/15 planned for Q4

- Firms submit YE2018 IMO on 22 April 2019 (solo), 3 June 2019 (groups)

Three key take-aways

- No changes at YE 2017

- There will be changes at YE 2018

  – The majority of the changes are either removing reporting requirements of clarifying instructions

  – We will be proposing some additions but they're largely to replace items we're removing

- We are listening

  – Our key decision criteria reflect industry feedback

  – We will consult on the proposals

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