



Data collection exercises in 2013

We have considered techniques and tools that are informative, cost effective and straightforward to implement for us and firms when we are assessing models and model output. The techniques and tools are also designed to gather and use data efficiently to perform industry analysis, and to use that information for firm-specific reviews as appropriate.

We have developed the following quantitative techniques and tools, which apply to life and general insurance firms. These tools are very similar to those used previously in 2011 and 2012 when information was gathered and analysed in the third and fourth quarters. The analysis of the information was particularly useful and it helped inform and focus our discussions with firms. We recognise that firms' internal models and calibration work have developed further since then. As such, we set out our intention to repeat the analysis and extend various tools to cover more firms. Minor changes have been made to these tools to increase their usefulness in 2013. We may repeat some or all of these information requests in the future.

What we are asking you to do

On Friday 31 May 2013, we will send two emails to firms affected by the data collection exercises – one to life insurance firms and one to general insurance firms – requesting responses by cob Wednesday 31 July 2013. If the firm has both life and general insurance operations, they will receive two emails with supporting materials. We will collate all responses and perform our analysis in Q3 and Q4 2013. The results will allow efficient industry analysis and will assist our discussions with firms during ICAS and ICAS+ reviews (including ICG assessments), and both the pre-application and submission phases of IMAP. For these exercises, we are asking for information as at 31 December 2012. Where this is not possible then a suitable date should be chosen that is as near to 31 December 2012 as possible. It is imperative that data at the same valuation date is used for all templates.

Life insurance firms

Comparison of ICAS, standard formula Solvency Capital Requirement (SCR) and internal model SCR

We will ask all life IMAP firms to provide us with the capital requirements from their ICAS, standard formula SCR and internal model SCR calculations (based on the [technical specifications published by EIOPA on 28 January 2013](#) as part of the long-term guarantees assessment, with liabilities calculated using the scenario 1 matching adjustment and zero Counter-Cyclical Premium), split by risk factor, along with an explanation of the material differences. This will help us to identify assumptions, methodologies or other areas for potential further review during both the pre-application and submission phases of IMAP. In addition we are seeking indicative information on capital resources (own funds), and the difference in asset and liability values between the internal model and ICA. This will help us to understand the changes in capital requirements.

We will also be using this information to support our ongoing development and monitoring of early warning indicators (EWIs).

Standardised risk information

This request will ask all life IMAP firms to provide information (e.g. percentiles of distributions) for key risk variables in a standardised format for their UK solo life entities.

Credit benchmark portfolio survey

The request will ask firms to disclose the impact (i.e. the fall in asset value) of specified stresses on a benchmark portfolio of corporate bond assets. This is an extension of a pilot study conducted earlier this year to all Category 1 and 2 life IMAP firms with material credit risk exposure.

Stochastic simulations survey

We will also include a request to Category 1 and 2 life IMAP firms with stochastic internal models, asking them to provide the stochastic simulation files used to calculate their capital requirements, including additional standardised risk variables. This is an extension of a pilot study conducted earlier this year.

General insurance firms

Comparison of ICAS, standard formula SCR and internal model SCR

As for life IMAP firms, we will ask all general insurance IMAP firms to give us the capital requirements from their ICAS, standard formula SCR based and internal model SCR calculations (based on the [technical specifications published by EIOPA on 28 January 2013](#) as part of the long-term guarantees assessment, with liabilities calculated using the scenario 1 matching adjustment and zero Counter-Cyclical Premium), split by risk factor, along with an explanation of the material differences. This will help us to identify assumptions, methodologies or other areas during both the pre-application and submission phases of IMAP. In addition we are seeking indicative information on capital resources (own funds), and the difference in asset and liability values between the internal model and ICA. This will help us to understand the changes in capital requirements.

We will also be using this information to support our ongoing development and monitoring of EWIs.

Standardised risk information

As part of firms' ICA submissions, we have previously required firms to provide a standard template of percentiles of claim distributions. We have found this information very useful and have now decided to request this information from general insurance firms (IMAP and non-IMAP) at a common date, i.e. year end 31 December 2012.