



## PRA data collection exercises in 2015

### Background:

Further to the Insurance Directors' Update on 12 February 2015, the PRA has sent two data requests to all Solvency II-affected insurers on 27 February 2015. The data gathered will be used in the decision-making process for both internal model approvals and other Solvency II approvals as part of the preparation for and transition to Solvency II. The requests are, in the main, similar to those issued in previous years and apply to both life and general insurers. A high-level overview is provided below.

The response dates for general insurers is 1 May 2015; for life insurers it is 1 July 2015. If firms have not received the full details of the data requests, and believe that they should have, they should get in touch with their usual supervisory contact for further information.

The PRA will make appropriate industry-level feedback available online at [www.bankofengland.co.uk/solvency2](http://www.bankofengland.co.uk/solvency2) in 2015 Q4.

As a reminder, this document also contains a brief overview of the PRA's 2015 general insurance stress test.

### 1. All firms – internal model / standard formula / ICA (IM-SF-ICA) comparison

In 2014 the PRA collected data from all firms to understand the differences between the internal model (where applicable), the standard formula and ICA for the capital requirements (SCR and MCR, ICG) and the balance sheet. The output provided the PRA with extremely useful information which helped focus discussions with firms regarding their model development and SCR appropriateness.

In 2015 the PRA is repeating the SCR comparison in order to further understand and analyse the impact of Solvency II at individual firm and industry level. In particular, the data received will identify the impact of the matching adjustment, volatility adjustment, transitional deductions to technical provisions and undertaking specific parameters on firms.

For **internal model firms** the data will be used to satisfy the requirement for firms to provide standard formula capital requirements to support an internal model application. It will also be used to support the PRA's internal model decision making process.

For **standard formula firms** the data will support the PRA's assessment of standard formula appropriateness.

In order to give firms more time to prepare their submission, the PRA has this year issued the templates earlier than in previous years. The PRA recognises that although most of the technical specification is based on the Solvency II Directive and the Delegated Act which have both been published, firms cannot submit their calculations until EIOPA publishes the 2014 year end risk free discount rates and matching adjustment parameters on its website.

## **2. All internal model and selected standard formula general insurers - standardised risk information (SRI)**

In 2014 the PRA asked all internal model and selected standard formula general insurers to submit an SRI data request and this exercise is being repeated in 2015. The information will allow the PRA to compare firms' calibrations underlying/supporting their internal model approval applications. It will also allow the PRA to refine industry analysis and understanding of the drivers for overall capital requirements.

## **3. 2015 general insurance stress test**

As highlighted in the Insurance Directors' Update on 21 November 2014, during 2015 Q3 the PRA intends to send a questionnaire to general insurance firms asking for some information on stress testing. This work will support the PRA's ongoing monitoring of how insurers are developing the ORSA, as well as providing an overview of the UK industry's reliance on specific counterparties and jurisdictions under stressed conditions.

The questionnaire will be similar to the IMAP stress test exercise carried out in 2011, except that the PRA intends to broaden the scope to include most general insurers. As in 2011, the PRA will ask firms to provide the impact of specific stress tests both before and after mitigation.

Further details will be provided in 2015 Q2.