Consultation Paper | CP40/16

Solvency II: Reporting format of National Specific Templates and reporting clarifications

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Responses are requested by Tuesday 13 December 2016.

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1   Overview

1.1 In this consultation paper (CP), the Prudential Regulation Authority (PRA) proposes changes to National Specific Template (NSTs) in respect of the file type and reporting format for the 2016 financial year end and future financial year ends, and presents a number of reporting clarifications and technical corrections relating to the accompanying NST LOG files.

1.2 The CP is relevant to all UK Solvency II firms required to submit NSTs and to Lloyd's.

1.3 The NSTs contain information that is considered to be specific to the UK market and supervisory approach and are in addition to the Solvency II annual and quarterly reporting. The NSTs and accompanying LOG files are published on the regulatory reporting for Solvency II firms page of the Bank of England website.[1]

1.4 In Policy Statement (PS) 2/15 'Solvency II: a new regime for insurers',[2] the PRA published NSTs and accompanying LOG files. The templates are currently published in Excel format. In paragraph 12.13, the PRA said it expected to move to XBRL (eXtensible Business Reporting Language) reporting and would consult on any change in reporting format.

1.5 This consultation closes on Tuesday 13 December 2016. The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquiries to CP40_16@bankofengland.co.uk.

2   Proposals

2.1 Specifically the PRA proposes:

(a) reporting for financial year end 2016 and future financial year ends whereby firms submit NSTs in Excel templates, that have been designed using XBRL principles (see Appendix 3);

(b) the information requirements for NSTs are brought into the Reporting Part of the PRA Rulebook; and

(c) updates to the NST LOG files to reflect changes in cell references, reporting clarifications and technical corrections.

2.2 The PRA will consult in a later CP on new proposals moving towards XBRL reporting of NSTs.

Requirements for NSTs

2.3 The PRA proposes to bring the NST information requirements in to the Reporting Part of the PRA Rulebook. The Instrument is included in Appendix 1.

Format to submit NST files

2.4 The PRA proposes to standardise the delivery of supervisory data using international data standards for the reporting of financial, risk and supervisory information via XBRL, which is already used by the European Insurance and Occupational Pensions Authority (EIOPA) for the

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reporting of data under Solvency II. XBRL significantly improves the transparency, consistency and quality of the data submitted and any potential analyses.

2.5 The PRA proposes that for financial year end 2016 submissions and future financial year ends, that firms are required to submit their NST information via Excel workbook counterparts to the published templates that have been designed using XBRL principles via the Bank of England Data Electronic Data platform (BEEDs).

2.6 Proposed amendments to the Reporting Part of the PRA Rulebook are set out in Appendix 1.

2.7 The Excel templates (designed using XBRL principles) are presented within one workbook consistent with EIOPA Solvency II Quantitative Reporting Templates (QRTs). The workbook includes:

- additional 'basic information', which consolidates all common firm information from all NSTs into a single table; and

- 'contents of submission' tables at the beginning. The 'content of submission' table allows firms to indicate whether a given template is either 'reported' or 'not reported' where applicable according to the instructions in the LOG files.

2.8 The draft templates are provided in Appendix 3.

2.9 The PRA expects firms to submit using the updated Excel templates. However, the PRA proposes that some firms may, following discussion with their supervisor, submit NSTs in Excel format as originally published in March 2015 for financial year end 2016. For example, some June year end firms may have completed the NSTs in their original Excel format already.

2.10 To enable firms to submit the updated Excel templates, on 25 October 2016 the PRA published a Modification by Consent to enable firms with a financial year ending on or after 30 June 2016 but before 19 December 2016 to have time to implement the proposed changes to the reporting format.[1]

Updates to the NST LOG files

2.11 The PRA proposes to update the NST LOG files to reflect any changes in cell referencing following the updates to the templates, for example, A15 in NS.05 becomes R0150,C0030. The updated LOG files are included in Appendix 2.

2.12 Since the publication of NSTs in PS2/15 the PRA has received a number of queries relating to the interpretation of certain technical aspects of the information requested alongside reports of technical errors. The PRA proposes to update the LOG files with the clarifications set out in Appendix 4. The clarifications have been drafted to improve the quality of submissions and to provide additional guidance to all affected firms when completing the templates to ensure consistency and transparency where possible.

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1   Available at www.bankofengland.co.uk/pra/Pages/authorisations/waivers/waiversbyconsent.aspx.

3   The PRA's statutory obligations

3.1 Before making any rules, the Financial Services and Markets Act 2000 (FSMA)[1] requires the PRA to publish a draft of the proposed rules accompanied by:

- an explanation of the PRA's reasons for believing that making the proposed rules is compatible with the PRA's duty to act in a way that advances its general objective,[2] insurance objective[3] (if applicable), and secondary competition objective;[4]

- cost benefit analysis;

- an explanation of the PRA's reasons for believing that making the proposed rules are compatible with its duty to have regard to the regulatory principles;[5] and

- a statement as to whether the impact of the proposed rules will be significantly different to mutuals than to other persons.[6]

3.2 The PRA is also required by the Equalities Act 2010 to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions.

Compatibility with objectives

3.3 By improving the transparency, consistency and quality of the data submitted and any potential analyses, the PRA seeks to advance its statutory objectives of ensuring the safety and soundness of the firms it regulates, and an objective specific to insurers, to contribute to the securing of an appropriate degree of protection for those who are or may become policyholders.

3.4 When making general policy, the PRA is required, in so far as is reasonably possible, to facilitate effective competition in the markets for services provided by PRA-authorised persons in carrying on regulated activities. The proposals are not expected to have a material effect on competition. To the extent that the proposals help the PRA to be more effective and efficient in supervising firms, they could help facilitate effective competition.

Cost benefit analysis

3.5 The proposals to move towards an XBRL solution for submitting supervisory information for NSTs and reporting clarifications do not impose additional data requirements firms. Rather, they seek to improve the quality, consistency and transparency of information submitted to the PRA.

3.6 Firms are familiar with the format and systems required in order to submit in the proposed Excel templates designed using XBRL principles. However, the proposals may impose additional costs for some firms as they make necessary system changes in order to accommodate the new format and structure.

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1   Section 138J.
2   Section 2B of FSMA.
3   Section 2C of FSMA.
4   Section 2H(1) of FSMA.
5   Sections 2H(2) and 3B of FSMA.
6   Section 138K of FSMA.

3.7 The PRA has discussed its proposals on Excel templates designed using XBRL principles with a number of firms, of different sizes, and industry associations. Their feedback suggests that any potential incremental costs associated with implementing the proposed changes are minimal.

Regulatory principles

3.8 The PRA considers that the regulatory principles are of particular relevance to the proposals set out above are:

- The principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction. The PRA has followed this principle when developing the proposals outlined in this CP by allowing firms with a financial year end on or after 30 June 2016 but before 19 December 2016 to apply for the Modification by Consent to report the information 20 weeks following publication of the final rules.

- The need to use the resources of each regulator in the most efficient and economical way. The PRA's proposed approach to reporting will allow for an efficient allocation of supervisory, statistical, and IT resource.

- The principle that the PRA should exercise its functions as transparently as possible. In this CP, the PRA sets out the key information relevant to its proposals, and gives respondents the opportunity to comment.

Impact on mutuals

3.9 The proposals in this CP will affect mutuals. In the PRA's opinion, the impact of the proposed rule changes on mutuals is expected to be no different to the impact on other firms.

Equality and diversity

3.10 The PRA considers that the proposals in this consultation do not raise any concerns with regards to equality and diversity.

Appendices

Appendix 1: Draft amendments to the Reporting Instrument 2016

PRA RULEBOOK: SOLVENCY II FIRMS: REPORTING INSTRUMENT 2016

Powers exercised

A.   The Prudential Regulation Authority ("PRA") makes this instrument in the exercise of the following powers and related provisions in The Financial Services and Markets Act 2000 ("the Act"):

(1) section 137G (The PRA's general rules) of the Act;
(2) section 137T (General supplementary powers) of the Act.

B.   The rule-making powers referred to above and related provisions are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making

C.   In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: Solvency II Firms: Reporting Instrument 2016

D.   The PRA makes the rules in the Annex to this instrument.

Commencement

E.   This instrument comes into force on [DATE].

Citation

F.   This instrument may be cited as the PRA Rulebook: Solvency II Firms: Reporting Instrument 2016.

By order of the Board of the Prudential Regulation Authority
[DATE]

Annex

Amendments to the Reporting Part

In this Annex, the new text is underlined.

Part

REPORTING

Chapter content

...

       8.   **NATIONAL SPECIFIC TEMPLATES**

...

8.   **NATIONAL SPECIFIC TEMPLATES**

8.1   NS1 can be found here.

8.2   NS2 can be found here.

8.3   NS3 can be found here.

8.4   NS4 can be found here.

8.5   NS5 can be found here.

8.6   NS6 can be found here.

8.7   NS7 can be found here.

8.8   NS8 can be found here.

8.9   NS9 can be found here.

8.10   NS10 can be found here.

8.11   NS11 can be found here.

8.12   NS12 can be found here.

8.13   NS13 can be found here.

Appendix 2: National Specific Template requirements and LOG files, available at www.bankofengland.co.uk/pra/Pages/publications/cp/2016/cp4016a.aspx

Appendix 3: National Specific Template Excel templates, available at www.bankofengland.co.uk/pra/Pages/publications/cp/2016/cp4016a.aspx

Appendix 4: Reporting clarifications and technical corrections for National Specific Templates

Introduction

This document provides clarification on the reporting requirements for the National Specific Templates (NSTs) following various queries which have been raised by firms. The templates and log files published in 2015 are available on the Bank of England website at www.bankofengland.co.uk/pra/Pages/regulatorydata/insurance/reporting.aspx.

All templates

Monetary amounts should be reported in units with no decimals, consistent with Commission Implementing Regulations (EU) 2015/2450 article 2 and in the Solvency II reporting currency as defined in Supervisory Statement (SS) 40/15 'Solvency II: reporting and public disclosure - options provided to supervisory authorities'.[1]

For templates NS.01, NS.02, NS.05, firms should create additional worksheets within the same file for each sub-fund.

NS.02 (With-profits Liabilities and Assets)

Total with-profits best estimate liabilities (R0150/C0030) should correspond to S.12.01.01 R0030/C0020.

Total past miscellaneous surplus included in with-profits benefits reserve (WPBR) (R0030/C0030) and Total miscellaneous surplus added at valuation date included in WPBR (R0040/C0030) are amounts which are permanent in accordance with Surplus Funds 3.3(3) and 3.3(4) of the PRA Rulebook. Provisional allocations should be excluded.

NS.05 (Revenue Account Life)

The PRA confirms the general comment in the log file that asset values (R0370/C0050), changes to balance sheet amounts (R0380/C0050) and realised and unrealised gains / (losses) on assets (R0080/C0050 and R0090/C0050) should be calculated using the Solvency II value.

The matching adjustment portfolio revenue account should be included with the remaining part or ring-fenced fund to which the matching adjustment portfolio belongs.

Annuities stemming from non-life business should be excluded from this template.

In the log file, the cell reference for claims incurred (net) should be R0110/C0050 and not R0110/C0030.

Cell C41 (Decrease (increase) in debtors) has been removed.

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[1]   Updated on 6 July 2016; www.bankofengland.co.uk/pra/Pages/publications/ss/2016/ss4015update.aspx.

NS.06 (Business Model Analysis Life)

Firms may round amounts to the nearer £000 or £million if appropriate for the scale of their business, but amounts should still be shown in units.

For the avoidance of doubt 'deposit accounting' does not apply to this template for the reporting of premiums and claims.

Non-life insurers are not required to complete this template even where they have annuities stemming from non-life business.

For composite insurers and reinsurers, this template should only be completed if gross life technical provisions exceed £500 million. The revenue and new business sections are purely for life business excluding annuities stemming from non-life business. Assets and SCR are amounts for the firm as a whole. Non-life technical provisions and technical provisions for annuities stemming from non-life business should be included with other liabilities.

NS.07 (Business Model Analysis Non-Life)

1.   References to Solvency II reporting Templates

References to 'harmonised template S.XX.01.b' should read 'Solvency II implementing technical standards reporting template S.XX.01.01'.

2.   General Comments section of the instructions

Under the section headed 'The lines of business (LoB) to be reported on this template are:' the amounts reported in column C0010 should comprise all LoBs combined (including annuities from non-life obligations) unless otherwise stated.

The amounts reported in column C0010 should comprise all non-life LoBs combined (excluding annuities from non-life obligations) for the following rows:

- R0610 – gross claims incurred undiscounted;

- R0630, R0640, R0670, R0680 – gross undiscounted claims provision;

- R0650, R0660 – split of claims paid between claim events occurring in the business year (or claim events relating to business written in the business year) and claim events occurring prior to the business year (or claim events relating to business written prior the business year);

- R0690 – net claims incurred undiscounted;

- R0710, R0720 – net undiscounted claims provision.

3.   Provision for unearned premium – gross at rows R0230, R240, R250, R260

The definition of 'provision for unearned premiums' includes any provision for unexpired risks. [See definition of provision for unexpired risks provided in Directive 91/674/EEC Article 26.] It is the amount set aside in addition to unearned premiums in respect of risks to be borne by the firm after the end of the financial year in connection with insurance contracts in force.

4. **Allocation of business to 'claim events occurring in the business year' and to 'claim events that occurred prior to the business year' (rows R0650, R0660, R0670, R0680) [for business reported by accident year and business reported by underwriting year]**

As outlined in the SS40/15, firm may choose whether to report business by accident year or by underwriting year. This choice should be applied consistently.

For business reported by accident year:

- Claim events that occurred in the business year should be allocated to rows R0650 and R0670.

- Claim events that occurred prior to the business year should be allocated to rows R0660 and R0680

For business reported by underwriting year:

- Insurance and reinsurance contracts allocated to the underwriting year that is the business year should be allocated to rows R0650 and R0670.

- Insurance and reinsurance contracts allocated to underwriting years prior to the business year should be allocated to rows R0660 and R0680.

5. **Reporting of expense information in rows R0910, R0920, R0930, R0940, R0980 and R1310**

(a) For total expenses attributable to the business year (row R0910), the part of the instruction 'The amount reported at column C0010 for the 'reporting period' business year should be the same as the amount reported on Implementing Technical Standard Reporting template S.05.01.b at R0550 at column C0200.' should be ignored.

(b) Expense amounts reported in column C0010 should include annuities from non-life. Therefore expense amounts reported in column C0010 for the 'reporting period' business year should reconcile with Solvency II reporting template S.05.01.01 as follows:

- Administrative expenses for all business reported at {NS.07, R0920/C0010} = {S.05.01.01, R0700/C0200} + {S.05.01.01, R2000/C0250} + {S.05.01.01, R2000/ C0260}.

- Investment management expenses for all business reported at {NS.07, R0930, C0010} = {S.05.01.01, R0800/C0200} + {S.05.01.01, R2100/C0250} + {S.05.01.01, R2100/C0260}.

- Claims management expenses for all business reported at {NS.07, R0940, C0010} = {S.05.01.01, R0900/C0200} + {S.05.01.01, R2200/C0250} + {S.05.01.01, R2200/ C0260}.

- Overhead expenses for all business reported at {NS.07, R0980, C0010} = {S.05.01.01, R1100/C0200} + {S.05.01.01, R2500/C0250} + {S.05.01.01, R2500/ C0260}.

6. Total incurred expenditure and comprehensive income for the business year in rows R1310 and R1620 respectively

(a) For total expenditure incurred (undiscounted) in the business year (row R1310), the item description should read 'total expenditure incurred (discounted) in the business year' and instructions should read 'Item derived as J1 = G13 +H1 +I2 +I3 +I4 (R1310/C0010 = R0730/CC010 + R0910/C0010 + R1120/C0010 + R1130/C0010 + R1140/C0010)'. (In PS2/15 the 'G13 (R0730/C0010)' is incorrectly written as 'G7 (R0670/C0010)'.)

(b) For total comprehensive income for the business year (row R1620) the instruction should read 'Item derived as L2 = E1 -J1 –K1 +L1 (R1620/C0010 = R0510/C0010 – R1310/C0010 – R1510/C0010 + R1610/C0010)'. (In PS2/15 the '-J1 (-R1310/C0010)' is incorrectly written as '+J1 (+R1310/C0010)'.)

7. Claim and premium provision reported in rows R1930 and R1940

Best estimate claim provision (row R1930) and best estimate premium provision (row R1940) should be gross of reinsurance and references in the instructions for these rows should be corrected as follows:

CELL(S)	ITEM	INSTRUCTIONS

R1930	Best Estimate Claim provision at end business year.	Item reference N4 (R1930/C0010)
		This item need only be reported:
		• at columns C0010, C0510 to, C0540 (ie for all non-life business and for annuities from non-life obligations); and
		• for each of the four business years.
		For the 'reporting period' business year, the item reported in column:
		• C0010 should be the sum of the following items reported on Implementing Technical Standard Reporting template S.17.01.01 at:
		  ○ {column C0180, row R0010}
		  ○ {column C0180, row ~~R0250~~R0160};
		• C0510 should be the sum of the following items reported on Implementing Technical Standard Reporting template S.12.01.01 at :
		  ○ {column C0190, row R0010};
		  ○ {column C0190, row ~~R0090~~R0030};
		• C0520 should be the sum of the following items reported on Implementing Technical Standard Reporting template S.12.01.01 at :
		  ○ {column C0090, row R0010};
		  ○ {column C0090, row ~~R0090~~R0030};
		• C0530 should be the sum of the following items reported on Implementing Technical Standard Reporting template S.12.01.01 at :
		  ○ {anything in C0200 relating to annuities stemming from non-life reinsurance contracts, row R0010};
		  ○ {anything in C0200 relating to annuities stemming from non-life reinsurance contracts, row ~~R0090~~R0030}.
		• C0540 should be the sum of the following items reported on Implementing Technical Standard Reporting template S.12.01.01 at :
		  ○ {column C0140, row R0010}
		  ○ {column C0140, row R0030}
		(NB this item is to include technical provisions calculated as a whole.)

R1940	Best Estimate Premium provision at end business year	Item reference N5 (R1940/C0010) This item need only be reported: • at columns C0010; and • for each of the four business years. For the 'reporting period' business year, the item reported in column C0010 should be that reported on Implementing Technical Standard Reporting template S.17.01.01 at { column ~~C0180~~C0060, row R0150 }

NS.10 - Projection of future cash flows (best estimate – non-life: liability claim types)

Motor vehicle liability

When submitting NS.10, 'Motor Third party Bodily Injury' and 'Motor TPBI' should be taken to mean Motor vehicle liability. (Where motor vehicle liability is lines of business 4 and 16 and that part of 26 that relates to 4, as defined in the Delegated Act Annex 1: 'Lines of Business'.) For avoidance of doubt when the template is completed for category of business Motor vehicle liability, the column 'Future benefits : other' (C0400) might include third party damage claims.

Large bodily injury claims

The definition of large bodily injury claims (set out under item C0110 in the instructions) excludes annuities stemming from non-life contracts (ie excludes settled PPO claims). The cash flows from annuities stemming from non-life are reported on Solvency II reporting template S.13.01 and at column C0210 on this template, therefore they are not needed in column C0220.

Annuities stemming from non-life reinsurance contracts (column C0210)

This column only applies to insurance and reinsurance undertakings engaged in both life and non–life insurance activity. (Undertakings engaged in only non-life (re)insurance activity will report cash-flows relating to annuities stemming from non-life reinsurance contracts on template S.13.01 and so are not asked to report the same information on this template.)

NS.11 - Non-life claim development information (general liability sub-classes)

If an NS.11 class of business (ie employers' liability, public and products liability or professional indemnity) reaches the reporting threshold set out in the instructions, the template should be completed for each original currency in that class until 80% of the gross undiscounted best estimate claim provision for future benefits for the class of business in question at the reference date in the reporting currency has been reported.

For example, if the reporting currency is GBP and the overall gross undiscounted best estimate claim provision for a class is £100 million, then all the currencies that make up to £80 million should be reported. If the claims provisions in GBP and USD original currencies are £30 million and $50 million respectively and the exchange rate at the reference date is £1=$1.3, then the GBP and USD original currencies comprise £(30+50/1.3) = £68.5 million of gross claim provision in the reporting currency. Thus GBP and USD original currencies comprise only 68.5% of the 80% threshold.