

Bank of England PRA

Appendix 23: Draft amendments to SS40/15 – Solvency II: reporting and public disclosure options provided to supervisory authorities

Consultation paper | CP12/23

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Draft for consultation



Draft amendments to SS40/15 – Solvency II: reporting and public disclosure options provided to supervisory authorities

In this appendix, new text is underlined and deleted text is struck through.

~~SS40/15 – Solvency II: reporting and public disclosure options provided to supervisory authorities~~ reporting and disclosure

1 Introduction

1.1 This supervisory statement (SS) is of interest to all UK insurance firms and groups within the scope of Solvency II, the Society of Lloyd's and, where applicable, to third country branches (excluding branches of Swiss general insurers). For third country branches it should be read alongside the EIOPA Guidelines (as at the end of the transition period)¹ the Prudential Regulation Authority's (PRA's) Rules² for Third Country Branches and supervisory statement SS44/15 – Solvency II: third-country insurance and pure reinsurance branches on third country branches.³

1.2 This supervisory statement sets out the PRA's expectations of firms in relation to the supervisory reporting set out in either specific alternative approaches set out in the Solvency II supervisory reporting Implementing Technical Standards (ITS) (as it forms part of retained

¹ The UK's membership of the EU came to an end on Friday 31 January 2020. The UK entered into a transition period lasting until 11pm on Thursday 31 December 2020, which marks the end of the transition period, during which EU law continued to apply to the UK.

² PS2/15 'Solvency II: a new regime for insurers', March 2015: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency-2-a-new-regime-for-insurers>.

³ SS44/15 – Solvency II: third-country insurance and pure reinsurance branches, February 2023: www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-third-country-insurance-and-pure-reinsurance-branches-ss. [This SS is also subject to the same consultation and will be replaced with the updated version when the final policy statement is published.]

~~EU law) Chapter 2A of the Reporting Part of the PRA Rulebook and the Solvency II public disclosure ITS⁴ (as it forms part of retained EU law) Chapter 3A of the Reporting Part of the PRA Rulebook, or in areas that require the PRA to issue additional instructions. This supervisory statement sets out the PRA's expectations of how firms are to comply with the options contained in the ITS (as it forms part of retained EU law) Reporting Part of the PRA Rulebook in the following areas:~~

- ~~• Solvency II reporting currency.~~
- ~~• Exchange rates.~~
- Accident or underwriting year reporting.
- ~~• Claim size brackets for loss distribution risk profile.~~
- ~~• Sum insured size brackets for non-life distribution of underwriting risks by sum insured.~~
- ~~• Lines of business to be reported for non-life distribution of underwriting risks by sum insured.~~
- ~~•~~
- ~~• Reporting external credit ratings.~~
- Group reporting where the PRA is the group supervisor and there are no consolidated financial statements at the UK holding company that is at the head of the insurance or reinsurance group.

1.3 [Deleted].

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2 Solvency II reporting currency

This chapter has been deleted.

~~2.1 Article 1 of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) and Article 1 of the Solvency II public disclosure ITS (as it forms part of retained EU law)~~

⁴ Commission Implementing Regulation (EU) 2015/2450 (ITS for Solvency II templates submitted to supervisory authorities under Solvency II) (as it forms part of retained EU law) and Commission Implementing Regulation (EU) 2015/2452 (ITS for the Solvency and Financial Condition Report which includes templates in the SFCR) (as it forms part of retained EU law).

enables the PRA to the reporting currency to be other than that used for the preparation of financial statements.

2.2 For individual reporting the PRA expects firms to use the currency used for the preparation of the insurance or reinsurance undertaking's financial statements as their reporting currency.

2.3 For group reporting where the PRA is the group supervisor and where consolidated financial statements are prepared, the PRA expects the reporting currency to be the currency used for the preparation of the consolidated financial statements. Where consolidated financial statements are not prepared, see section 11 of this supervisory statement.

3 Exchange rates

This chapter has been deleted.

3.1 Article 3(4) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) and Article 3(4) of the Solvency II public disclosure ITS (as it forms part of retained EU law) enables the PRA to the conversion to the reporting currency to be other than the exchange rates used in the firm's financial statements.

3.2 For individual reporting the PRA expects firms to apply the exchange rates from the same source as used for the insurance or reinsurance firm's financial statements for conversion to the reporting currency.

3.3 For group reporting where the PRA is the group supervisor and where consolidated financial statements are prepared, the PRA expects firms to apply the exchange rates from the same source as used for the insurance or reinsurance firm's consolidated financial statements for conversion to the reporting currency. Where consolidated financial statements are not prepared, see section 11 of this supervisory statement.

4 Accident or underwriting year reporting

4.1 ~~Articles 11(1)(g), 11(1)(k), 11(1)(l), 11(m) and 16(c) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law)~~ Article 11 of Chapter 2A of the Reporting Part of the PRA Rulebook requires firms to submit claims information ~~on~~in templates S.16.01.01, S.19.01.01, and S.20.01.01 and S.21.01.01 of Annex I Chapter 9 of the Reporting Part of the PRA Rulebook following instructions set out in S.16.01, S.19.01, and S.20.01 and S.21.01.01 of Annex II Chapter 10 of the Reporting Part of the PRA Rulebook respectively. ~~Article 4(1)(f) of Article 4 of Chapter 3A of the Reporting Part of the PRA Rulebook~~ the Solvency II public disclosure ITS (as it forms part of retained EU law) requires firms to disclose claims information in S.19.01.21 of Annex I Chapter 9A of the Reporting Part

of the PRA Rulebook following the instruction set out in S.19.01 of Annex II Chapter 10A of the Reporting Part of the PRA Rulebook.

4.2 ~~For the supervisory reporting templates referred to in 4.1 above, These instructions allow the PRA to specify whether the information is to be reported by accident year (ie the information is aggregated by the year the claim event occurred) or reported by underwriting year (ie the information is aggregated by the year the insurance or reinsurance obligations were recognised), and whether the information is to be disclosed by accident year or by underwriting year.~~

4.3 ~~For the supervisory reporting templates referred to in 4.1 (where information is required at line of business (LoB) level of granularity) the PRA is not stipulating which of accident year or underwriting year basis to use. Therefore firms have the choice of whether to report all information for line of business (LoB) as described in the relevant instructions, LoB, as defined in the relevant instructions, by accident year or by underwriting year. Once a choice of reporting basis is made, the PRA expects that choice to be applied for future reporting periods.~~

If the PRA does not stipulate that a firm is required to report data on an accident year or underwriting year basis (in accordance with any requirements), the firm choice of can choose whether to report all information for line of business (LoB) as described in the relevant instructions, LoB, as defined in the relevant instructions, by accident year or by underwriting year. Once a choice of reporting basis is made, the PRA expects that choice to be applied for future reporting periods.

4.4 The PRA expects a firm's choice to report a LoB, as ~~defined~~ described in the relevant instructions, by accident or underwriting year to be consistent with how the firm manages its business and reports data internally. In cases where a firm manages part of a LoB on an accident year basis and the other part on an underwriting year basis, it is for the firm to decide which of accident or underwriting year is the more appropriate for reporting that LoB.

4.5 For the disclosure template referred to in 4.1 above (where information is required to be at undertaking level of granularity), ~~the PRA is not stipulating which of an accident year or underwriting basis is to be used. Therefore firms have the choice of whether to disclose the information by accident year or by underwriting year. Once a choice of disclosure basis is made, the PRA expects that choice to be applied for future periods.~~

4.6 Firms are expected to discuss any change to whether information is reported or disclosed by accident year or underwriting year with their usual supervisory contact prior to making ~~the~~ a change.

5 Claims size brackets for loss distribution risk profile

This chapter has been deleted.

5.1 ~~Article 11(m) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) requires firms to submit in template S.21.01.01 of Annex I non-life loss distribution information aggregated by claim incurred size brackets within an accident or underwriting year within a LoB. The instructions set out in S.21.01 of Annex II require the PRA to define~~

the start and end point of each bracket where the reporting currency is not Euro.⁸ These instructions also allow the PRA to specify claim size brackets where incurred losses are small.

5.2 When the reporting currency is GBP, EUR, USD, CAD, CHF, AUD, NZD or SGD the PRA expects firms to select one of the following six base options of claims incurred size brackets for a specified LoB with the 'start claims incurred' and 'end claims incurred' items of each bracket being in the reporting currency:

- 20 brackets of 250 plus 1 extra open bracket for incurred losses => 5,000.
- 20 brackets of 5,000 plus 1 extra open bracket for incurred losses => 100,000.
- 20 brackets of 50,000 plus 1 extra open bracket for incurred losses => 1 million.
- 20 brackets of 250,000 plus 1 extra open bracket for incurred losses => 5 million.
- 20 brackets of 1 million plus 1 extra open bracket for incurred losses > 20 million.
- 20 brackets of 5 million plus 1 extra open bracket for incurred losses > 100 million.

5.3 When the reporting currency is other than GBP, EUR, USD, CAD, CHF, AUD, NZD or SGD the PRA expects firms to select one of the following six base options of claims incurred size brackets for a specified LoB with the 'start claims incurred' and 'end claims incurred' items of each bracket multiplied by a PRA specified fixed exchange rate factor and rounded to the nearest integer:

- 20 brackets of 250 plus 1 extra open bracket for incurred losses => 5,000.
- 20 brackets of 5,000 plus 1 extra open bracket for incurred losses => 100,000.
- 20 brackets of 50,000 plus 1 extra open bracket for incurred losses => 1 million.
- 20 brackets of 250,000 plus 1 extra open bracket for incurred losses => 5 million.
- 20 brackets of 1 million plus 1 extra open bracket for incurred losses > 20 million.
- 20 brackets of 5 million plus 1 extra open bracket for incurred losses > 100 million.

5.4 The PRA fixed exchange rate factor referred to in 5.3 is the European Central Bank EUR to reporting currency exchange rate as at 31 December 2015. The PRA has chosen a fixed exchange rate in order to have consistent brackets over time. The PRA may choose in the future to amend the fixed exchange rate factor for a specific currency if the value of that currency relative to the EUR changed to the extent that the claim size brackets defined in 5.3 was no longer appropriate.

5.5 An example of how 5.2 to 5.4 might be applied is shown in Appendix 1 of this supervisory statement.

⁸ The treatment to reporting where Euro is given as an example of a currency is set out in Supervisory Statement SS2/19.

~~5.6 The PRA also expects firms to:~~

- ~~(i) use only the claims incurred size brackets set out in 5.2 to 5.4 (ie not use firm specific brackets);~~
- ~~(ii) select the base option of claims incurred size brackets for a LoB:

 - ~~(a) that provides the best insight into the distribution of claims incurred for that LoB and;~~
 - ~~(b) that avoids, where possible, nearly all the number of claims for a LoB falling into bracket 1 or bracket 21 (if all the claims for a LoB are of a very small size or a very large size this might not be possible).~~~~
- ~~(iii) discuss any change to the base option of claims incurred size brackets for a LoB with their usual supervisory contact prior to making the change; and~~
- ~~(iv) only change the base option of claims incurred size brackets for a LoB if the current selected base option would give inadequate insight into the distribution of claims incurred.~~

6 Sum insured size brackets for non-life distribution of underwriting risks by sum insured

This chapter has been deleted.

~~6.1 Article 11(o) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) requires firms to submit in template S.21.03.01 of Annex I information on non-life underwriting risks aggregated by sum insured size brackets within a LoB. The instructions set out in S.21.03 of Annex II require the PRA to define the start and end points of each bracket where the reporting currency is not Euro. These instructions also allow the PRA to specify sum insured size brackets where sums insured are small.~~

~~6.2 When the reporting currency is GBP, EUR, USD, CAD, CHF, AUD, NZD or SGD the PRA expects firms to select one of the following six base options of sum insured size brackets for a specified LoB with the 'start sum insured' and 'end sum insured' items of each bracket being in the reporting currency:~~

- ~~• 20 brackets of 1,250 plus 1 extra open bracket for sum insured => 25,000.~~
- ~~• 20 brackets of 25,000 plus 1 extra open bracket for sum insured => 500,000.~~
- ~~• 20 brackets of 50,000 plus 1 extra open bracket for sum insured => 1 million.~~
- ~~• 20 brackets of 250,000 plus 1 extra open bracket for sum insured => 5 million.~~
- ~~• 20 brackets of 1 million plus 1 extra open bracket for sum insured > 20 million.~~
- ~~• 20 brackets of 5 million plus 1 extra open bracket for sum insured > 100 million.~~

~~6.3 When the reporting currency is other than GBP, EUR, USD, CAD, CHF, AUD, NZD or SGD the PRA expects firms to select one of the following six base options of sum insured size brackets for a specified LoB with the 'start sum insured' and 'end sum insured' items of each bracket multiplied by a PRA specified fixed exchange rate factor and rounded to the nearest integer:~~

- ~~• 20 brackets of 1,250 plus 1 extra open bracket for sum insured => 25,000.~~
- ~~• 20 brackets of 25,000 plus 1 extra open bracket for sum insured => 500,000.~~
- ~~• 20 brackets of 50,000 plus 1 extra open bracket for sum insured => 1 million.~~
- ~~• 20 brackets of 250,000 plus 1 extra open bracket for sum insured => 5 million.~~
- ~~• 20 brackets of 1 million plus 1 extra open bracket for sum insured > 20 million.~~
- ~~• 20 brackets of 5 million plus 1 extra open bracket for sum insured > 100 million.~~

~~6.4 The PRA fixed exchange rate factor referred to in 6.3 is the European Central Bank EUR to reporting currency exchange rate as at 31 December 2015. The PRA has chosen a fixed exchange rate in order to have consistent brackets over time. The PRA may choose in the future to amend the fixed exchange rate factor for a specific currency if the value of that currency relative to the EUR changed to the extent that the sum insured size brackets defined in 6.3 was no longer appropriate.~~

~~6.5 An example of how 6.2 to 6.4 might be applied is shown in Appendix 1 of this supervisory statement.~~

~~6.6 The PRA also expects firms to:~~

- ~~(i) use only the sum insured size brackets set out in 6.2 to 6.4 (ie not use firm specific brackets);~~
- ~~(ii) select the base option of sum insured size brackets for a LoB:
 - ~~(a) that provides the best insight into the distribution of sums insured for that LoB;~~
 - ~~(b) that avoids, where possible, nearly all the number of underwriting risks for a LoB falling into bracket 1 or bracket 21 (if all the sums insured for a LoB are of a very small size or a very large size this might not be possible); and~~
 - ~~(c) so that if the LoB contains risks of unlimited sum insured, where possible only those risks with unlimited sum insured are allocated to bracket 21.~~~~
- ~~(iii) discuss any change to the base option of sum insured size brackets for a LoB with their usual supervisory contact prior to making the change; and~~
- ~~(iv) only change the base option of sum insured size brackets for a LoB if the current selected base option would give inadequate insight into the distribution of sums insured.~~

7 Lines of business to be reported for non-life distribution of underwriting risks by sum insured

This chapter has been deleted.

~~7.1 Article 11(o) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) requires firms to submit information on non-life underwriting risks in template S.21.03.01 of Annex 1 following instructions set out in S.21.03 of Annex II. These instructions give the PRA some discretion on the LoBs to be reported.~~

~~7.2 The PRA expects firms to report non-life distribution of underwriting risks by sum insured in template S.21.03.01 for each of the following LoBs:~~

- ~~• Other motor insurance.~~
- ~~• Marine, aviation and transport insurance.~~
- ~~• Fire and other damage to property insurance.~~
- ~~• Credit and suretyship insurance.~~
- ~~• Motor vehicle liability insurance.~~
- ~~• General liability insurance.~~
- ~~• Medical expenses insurance.~~
- ~~• Income protection insurance.~~
- ~~• Worker's compensation insurance.~~
- ~~• Miscellaneous financial loss.~~
- ~~• Legal expenses insurance.~~
- ~~• Assistance.~~

8 Reporting of annuities stemming from non-life obligations by currency

~~8.1 Article 11(1)(g) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) Chapter 2A of the Reporting Part of the PRA Rulebook requires firms to submit information on annuities stemming from non-life obligations in template S.16.01.01 of Annex I Chapter 9 of the Reporting Part of the PRA Rulebook following the instructions set out in S.16.01 of Annex II Chapter 10 of the Reporting Part of the PRA Rulebook. These instructions allow the PRA to specify currencies other than the original currency of the contracts.~~

~~8.2 The PRA expects firms to report the information on template S.16.01.01 in the original currency of the contracts, unless otherwise specified by the PRA.~~

9 Development of the distribution of reported but not settled (RBNS) claims – reporting number of claims

9.1 Article 11(1)(l) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) ~~Chapter 2A of the Reporting Part of the PRA Rulebook~~ requires firms to submit information on RBNS claims in template S.20.01.01 of Annex I ~~Chapter 9 of the Reporting Part of the PRA Rulebook~~ following the instructions set out in S.20.01 of Annex II ~~Chapter 10 of the Reporting Part of the PRA Rulebook~~. These instructions allow the PRA to specify the definition of number of claims.

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10 Reporting external ratings

This chapter has been deleted.

10.1 ~~Articles 10(1)(b) and 10(1)(e) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) requires individual firms to submit individual asset data on template S.06.02.01 and individual open position derivative data on template S.08.01.01 of Annex I following the instructions set out in S.06.02 and S.08.01 of Annex II respectively. Articles 27(b) and 27(e) require groups to submit individual asset data on template S.06.02.04 and individual open position derivative data on template S.08.01.04 following instructions set out in S.06.02 and S.08.01 of Annex III.~~

10.2 ~~These instructions allow the PRA to exempt a firm from reporting external ratings and nominated external credit assessment institutions (ECAI) at individual asset or derivative level in specific circumstances. The PRA does not envisage exempting UK firms from complying with the instructions in the Solvency II reporting ITS (as it forms part of retained EU law) set out in S.06.02 of Annexes II and III under items 'external rating' (C0320) and 'nominated ECAI' (C0330), or set out in S.08.01 of Annexes II and III under items 'external rating' (C0290) and 'nominated ECAI' (C0300). This data is important for firms' understanding of their risks and for the PRA to use in the supervision of firms.~~

11 Group reporting where the PRA is the group supervisor and there are no consolidated financial statements at the UK holding company which is at the head of the insurance or reinsurance group

11.1 ~~There are various sections in the Solvency II supervisory reporting ITS (as it forms part of retained EU law) and the Solvency II public disclosure ITS (as it forms part of retained EU law) Chapter 2A and Chapter 3A of the Reporting Part of the PRA Rulebook for groups that reference contain references to a group's consolidated financial statements. The PRA is aware that in some cases consolidated financial statements are not produced at the same~~

level at which the PRA exercises group supervision under Solvency II. Where this is the case, the PRA expects a firm to discuss and agree with its usual supervisory contact how best to provide meaningful information for inclusion in the reporting and disclosure ITS templates. This discussion should include the agreement of the reporting currency and exchange rates to be used for its reporting and disclosure.

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11.3 Firms should analyse which templates may be impacted by not having consolidated financial statements at the level of the Solvency II reporting group. These will include:

- the balance sheet reporting template S.02.01.01 as required under Article 26(1)(a) ~~of the Solvency II supervisory reporting ITS (as it forms part of retained EU law)~~ of Chapter 2A of the Reporting Part of the PRA Rulebook. The “statutory accounts value” column in the template relates to financial statements produced by the group;
- the premiums claims and expenses reported ~~in~~ templates S.05.01.01 S.05.03.02, NS.07.01.02 and S.05.02.01 as required under Articles 26(1)(f)(i), ~~26(1)(f)(ii) and 26(g) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law)~~ of Chapter 2A of the Reporting Part of the PRA Rulebook;
- the premiums claims and expenses disclosed ~~in~~ templates S.05.01.02 S.05.03.02, NS.07.01.02 and S.05.02.02 as required under Articles 5(1)(c) and 5(1)(d) ~~of the Solvency II public disclosure ITS (as it forms part of retained EU law)~~ of Chapter 2A of the Reporting Part of the PRA Rulebook;
- own funds reporting template S.23.01.04 as required under Article 30(a) ~~of the Solvency II supervisory reporting ITS (as it forms part of retained EU law)~~. 30 of Chapter 2A of the Reporting Part of the PRA Rulebook. The item at row R0220 relates to own funds from the financial statements;
- own funds disclosure template S.23.01.22 as required under Article 5(1)(f) ~~of the Solvency II public disclosure ITS (as it forms part of retained EU law)~~. 5 of Chapter 3A of the Reporting Part of the PRA Rulebook. The item at row R0220 relates to own funds from the financial statements; and
- own funds by tiers reporting template S.23.02.04 ~~4~~ as required under Articles 30(b) ~~of the Solvency II supervisory reporting ITS (as it forms part of retained EU law)~~. 30 of Chapter 2A of the Reporting Part of the PRA Rulebook. The items at rows R0630 to R0650 relate to reserves from the financial statements.

11.4 The information groups propose to include in the templates, where consolidated financial statements are not available at the level at which the PRA exercises Solvency II group supervision, should:

- be a meaningful representation of the size and nature of the group in question;

- be consistent with the undertakings in the scope of the group as reported in template S.32.01.04;
- be linked (by reconciliation) to the relevant information included in the Solvency II group;
- enable a meaningful comparison between the template in question and other templates in the ~~Solvency II supervisory reporting or disclosure ITS (as it forms part of retained EU law)~~ the Reporting Part of the PRA Rulebook; and
- in cases where only specific items of a template are impacted, be meaningful in the context of the rest of the template.

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Appendices

~~1 Examples of how the PRA's expectations relating to claim size brackets and sum insured size brackets might be applied~~

[...]

Appendix 1: Examples of how the PRA's expectations relating to claim size brackets and sum insured size brackets might be applied

This appendix has been deleted.

Examples of how claim size brackets referred to in sections 5.2 to 5.4 of the draft supervisory statement might be applied are:

- If the reporting currency is GBP and a firm chooses base option iii (brackets of 50,000) for a LoB, then the 'end claims incurred' of bracket 7 is GBP 350,000.
- If the reporting currency is EUR (or USD) and a firm chooses base option ii (brackets of 5,000) for a LoB, then the 'end claims incurred' of bracket 13 is EUR 65,000 (or USD 65,000).
- If the reporting currency is JPY a firm chooses base option iii (brackets of 50,000) for a LoB and the ECB exchange rate at 31 December 2015 is 1 EUR = 145.23 JPY, then the 'end claims incurred' of bracket 7 is JPY 50,830,500 (=350,000 * 145.23).
- If the reporting currency is CNY a firm chooses base option i (brackets of 250) for a LoB and the ECB exchange rate at 31 December 2015 is 1 EUR = 7.5358 CNY, then the 'end claims incurred' of bracket 1 is CNY 1,884 (=250 * 7.5358 = 1883.95; rounded to nearest integer gives 1,884).

Examples of how sum insured size brackets referred to in sections 6.2 to 6.4 of the draft supervisory statement might be applied are:

- If the reporting currency is GBP and a firm chooses base option iv (brackets of 250,000) for a LoB then the 'end sum insured' item for bracket 13 is GBP 3,250,000.
- If the reporting currency is EUR (or USD) and a firm chooses base option v (brackets of 1,000,000) for a LoB then the 'end sum insured' item for bracket 8 is EUR 8,000,000 or USD 8,000,000).
- If the reporting currency is JPY and a firm chooses base option iv (brackets of 250,000) for a LoB and the ECB exchange rate at 31 December 2015 is 1 EUR = 145.23 JPY then the 'end sum insured' item for bracket 13 is JPY 544,612,500 ($=3,250,000 * 145.23$).
- If the reporting currency is CNY a firm chooses base option i (brackets of 1,250) for a LoB and the ECB exchange rate at 31 December 2015 is 1 EUR = 7.5358 CNY, then the 'end sum insured' of bracket 1 is CNY 9,420 ($=1,250 * 7.5358 = 9419.75$; rounded to nearest integer gives 9,420).