

Policy Statement | PS19/16

Reporting requirements for non-Solvency II insurance firms

June 2016



BANK OF ENGLAND
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This policy statement contains the final rules to implement the proposals made in Consultation Paper 18/16 'Reporting requirements for non-Solvency II insurance firms'.

Contents

1	Overview	5
2	Feedback on responses to CP18/16	6
	Appendices	7

1 Overview

1.1 This Prudential Regulation Authority (PRA) Policy Statement (PS) provides feedback to responses to Consultation Paper (CP) 18/16 'Reporting requirements for non-Solvency II insurance firms'.¹

1.2 It sets out final rules for the new reporting requirements that apply to insurance firms that are outside the scope of Solvency II. Collectively, these firms are referred to as non-Directive firms (NDFs).

1.3 In CP18/16 the PRA proposed:

- Transposing PRA Handbook material relevant to NDF reporting requirements into the Rulebook format.
- Amending the reporting rules following the changes to the prudential regime for non-Solvency II insurance firms published in Policy Statement 26/15 'The prudential regime, and implementation of the Senior Insurance Managers Regime, for non-Solvency II firms'².
- Rationalising and simplifying some of the reporting requirements where possible.

1.4 There are in general, separate parts of the PRA Rulebook for friendly societies and other insurers. The PRA has separated the reporting rules applying to friendly societies and other NDFs into two distinct parts to reflect the different regimes and requirements.

1.5 The appendices of this PS contain the following rules:

- New Rulebook Part - *Non-Solvency II firms: Insurance Company – Reporting*, which set out the new reporting requirements for NDFs (except friendly societies).
- New Rulebook Part- *Non-Solvency II firms: Friendly Society – Reporting*, which set out the new reporting requirements for NDF friendly societies.
- Consequential amendments: amendments to the PRA Rulebook to reflect the implementation of the NDF reporting regime.

1.6 This PS is relevant to those insurance firms that are not within the scope of Solvency II.

1.7 The PRA is required by the Financial Services and Markets Act 2000 (FSMA) to publish a statement on whether the impact of rule on mutuals will be significantly different from the impact on other authorised persons.³ In the PRA's opinion, the impact of the rules as made is not significantly different for mutuals as compared with the other NDF insurers.

1.8 The PRA is required by FSMA to have regard to any representations made to the proposals in a consultation, to publish an account, in general terms, of those representations and its response to them, and to publish details of any significant differences in the rules as made. There was one main change to the proposal following the consultation to remove the ongoing requirement for friendly societies to appoint an actuarial function holder and a with-profits actuary. This change is discussed further in paragraph 2.6 of this PS.

1 May 2016; www.bankofengland.co.uk/pr/Pages/publications/cp/2016/cp1816.aspx.

2 November 2015; www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps2615.aspx.

3 Section 138K of FSMA.

1.9 The PRA Supervisory Statement 'Reporting instructions for non-Solvency II firms' will be issued in due course.

2 Feedback on responses to CP18/16

2.1 This chapter sets out feedback to responses received to proposals set out in CP18/16 on the new reporting requirements for NDFs. Respondents generally welcomed the PRA's proposed changes and simplifications to the reporting requirements.

Non-Solvency II firms (except friendly societies)

2.2 A concern was expressed on the formatting of the reporting forms. The structure of the reporting forms remains unchanged. The data items that are no longer required have been greyed out but the (row and column, order and numbering) format has been maintained so that existing processes used to produce the returns can be retained. Following comments received there were some minor amendment made to formatting on Forms 3, 11, 12, 15, 16, 24, 28, and 60.

2.3 The rules require firms to submit all reporting forms in electronic format. Firms can use the 'Bank of England Electronic Data Submission' (BEEDS) portal to submit the required regulatory returns. The Portal allows Excel, Word, PDF, and PowerPoint files to be submitted securely. Submissions can also be made via email to: insurancedata@bankofengland.co.uk.

2.4 As indicated in the CP18/16, NDFs with waivers in relation to the IPRU(INS) reporting rules will benefit from the automatic 'grandfathering' of these to the equivalent reporting rules in the new regime. This applies to waivers in effect before 1 January 2016 which had not expired by 1 July 2016. In order to clarify, while the PRA is grandfathering across these waivers the PRA still expects firms to satisfy the statutory tests under which the waiver was granted under FSMA.

Non-Solvency II firms - friendly societies

2.5 There were several comments raised about aligning the three year reporting cycles and the spike in workload this would cause to the actuarial consultants who are required to provide certification. These comments have been considered alongside the results of the cost analysis performed and highlighted in CP18/16. The PRA acknowledges that although there will be a spike in workload to consulting firms, there will still be a greater benefit to friendly societies as the more burdensome FSC1 returns have been replaced by the FSC2 returns, there is significantly less certification required and firms have six months to produce the FSC2 returns which should allow enough time for external consultancies to complete their reporting requirements.

2.6 There were also several comments raised during the consultation with regards to the ongoing requirement to appoint an actuarial function holder and a with-profits actuary. These rules were originally in place to differentiate requirements between incorporated and unincorporated friendly societies but this distinction has been removed. The differentiation now is between Solvency II and non-Solvency II friendly societies. Therefore in the final version of the rules, the requirements to appoint an actuarial function holder and a with-profits actuary will be removed from the Actuarial Requirements Part of the Rulebook.

Consequential instrument

2.7 There were no other changes to the Consequential Instrument other than the change explained in paragraph 2.6.

Appendices

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- 1 PRA RULEBOOK: NON-SOLVENCY II FIRMS: INSURANCE COMPANY - REPORTING INSTRUMENT 2016 available at www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps1916.aspx**

 - 2 Non-Solvency II Firms (except friendly societies) reporting templates available at www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps1916.aspx**

 - 3 PRA RULEBOOK: NON-SOLVENCY II FIRMS: FRIENDLY SOCIETY - REPORTING INSTRUMENT 2016 available at www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps1916.aspx**

 - 4 Non-Solvency II Firms - friendly society - reporting templates available at www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps1916.aspx**

 - 5 PRA RULEBOOK: GLOSSARY AND INSURANCE CONSEQUENTIALS INSTRUMENT 2016 available at www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps1916.aspx**