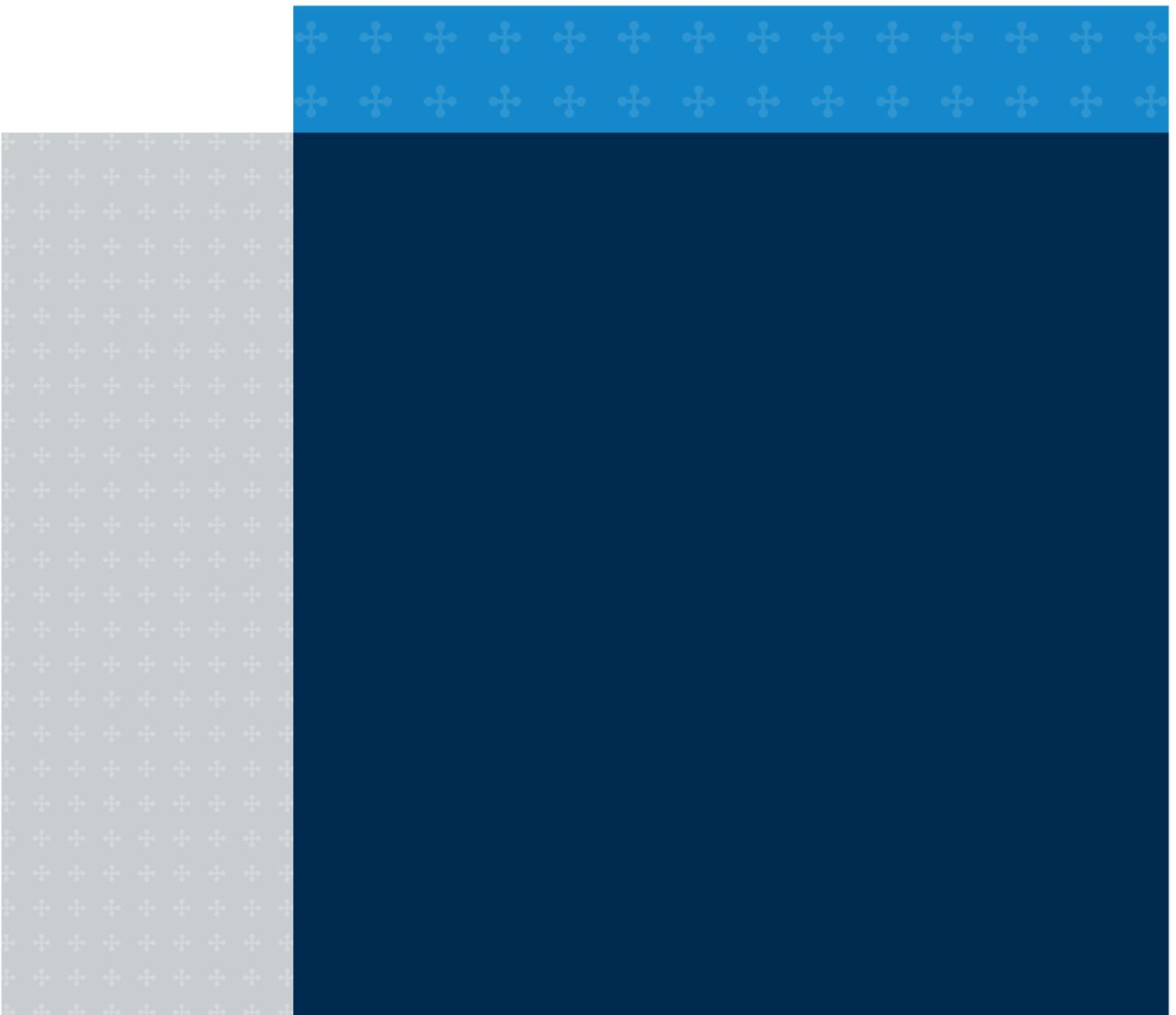




Policy Statement | PS29/21

Review of Solvency II: Reporting (Phase 1)

December 2021





BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Policy Statement | PS29/21

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1 Overview

1.1 This Prudential Regulation Authority (PRA) Policy Statement (PS) provides feedback to responses to Consultation Paper (CP) 11/21 ‘Review of Solvency II: Reporting (Phase 1)’.¹ It also contains the PRA’s final rule instrument, UK Technical Standards amendment instrument, Statement of Policy (SoP) and Supervisory Statements (SS), as set out below:

- amendments to the onshored version of the Commission Implementing Regulation (EU) 2015/2450 (PRA Standards Instrument) (Appendix 1);
- amendments to the Minimum Capital Requirement Part of the PRA Rulebook (PRA Rulebook Instrument) (Appendix 2);
- an updated SS11/15 ‘Solvency II: Regulatory Reporting and exemptions’ (Appendix 3);²
- an updated SS40/15 ‘Solvency II: reporting and public disclosure – options provided to supervisory authorities’ (Appendix 4);³
- an updated SS41/15 ‘Solvency II: applying EIOPA Set 2, System of Governance and ORSA Guidelines’ (Appendix 5);⁴
- an updated SS44/15 ‘Solvency II: third-country insurance and pure reinsurance branches’ (Appendix 6);⁵ and
- an updated Statement of Policy (SoP) ‘Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK’s withdrawal from the EU’ (Appendix 7).⁶

1.2 This PS is relevant to all UK Solvency II firms, the Society of Lloyd’s and its managing agents, insurance and reinsurance undertakings that have a UK branch (third-country branch undertakings), and firms within the PRA’s Temporary Permissions Regime (TPR) for (re)insurers.

Background

1.3 In CP11/21, the PRA proposed to:

- remove the requirement to report a number of Solvency II Quantitative Reporting Templates (QRTs) for all insurance and reinsurance undertakings;
- reduce the reporting frequency of the minimum capital requirements (MCR) collected via S.28 templates from a quarterly to a semi-annual basis;
- amend a reporting proportionality threshold to further exempt reinsurance undertakings from reporting template S.16.01 on annuities stemming from non-life insurance obligations;
- expand the PRA’s modification by consent to waive certain quarterly returns, to firms that the PRA designates as Category 3 under its Potential Impact Framework; and

¹ July 2021: [CP11/21 – Review of Solvency II: Reporting \(Phase 1\)](#).

² July 2018: SS11/15 - [Solvency II: Regulatory Reporting and exemptions](#).

³ July 2016: SS40/15 - [Solvency II: reporting and public disclosure – options provided to supervisory authorities](#).

⁴ October 2015: SS41/15 - [Solvency II: applying EIOPA Set 2, System of Governance and ORSA Guidelines](#).

⁵ November 2015: SS44/15 - [Solvency II: third-country insurance and pure reinsurance branches](#).

⁶ December 2020: SoP - [Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK’s withdrawal from the EU](#).

- amend the PRA's SSs and SoP to:
 - reflect the above proposed reporting changes;
 - remove sections that are no longer required to be included in the supervisory statements; and
 - clarify references to EU based provisions following the UK's withdrawal from the EU.

Summary of responses

1.4 The PRA received fourteen responses to the CP. Respondents welcomed the PRA's proposals to remove selected reporting requirements, and expand the application of modification by consent to waive quarterly reporting requirements. However, some respondents also asked for the implementation date be brought forward earlier than proposed in the CP, and suggested a further reduction to the reporting frequency proposed in respect to the MCR templates. A few respondents sought clarifications on the proposal relating to the reporting frequency of the MCR. Although out of the scope of the proposals in the CP, respondents suggested areas of reporting requirements that could be simplified, deleted, or the frequency be reduced to achieve an ambitious reform in the next phase of the review.

Changes to draft policy

1.5 Where the final rules differ from the draft in the CP in a way which is, in the opinion of the PRA, significant, the Financial Services and Markets Act 2000 (FSMA)⁷ requires the PRA to publish:

- (a) details of the difference together with a cost benefit analysis; and
- (b) a statement setting out in the PRA's opinion whether or not the impact of the final rule on mutuals is significantly different to: the impact that the draft rule would have had on mutuals; or the impact that the final rule will have on other PRA-authorized firms.

1.6 The PRA has considered the responses to CP11/21 and has made some further changes in the light of suggestions made by respondents. The PRA has also identified other minor corrections that are appropriate to make to the policy that was proposed. As a result, the PRA has:

- brought forward by one quarter the implementation date of the Technical Standards instrument, and the PRA Rulebook instrument in relation to reporting requirements set out in this CP, to Friday 31 December 2021; and the effective date of the SSs and the SoP, to come into effect upon publication of the PS on Friday 17 December 2021;
- reduced the reporting frequency of templates S.28.01 and S.28.02 from semi-annually to annually for all firms and made consequential amendments to the Technical Standard instrument, SS11/15, and to SS44/15 to align the expectations with this change;
- amended Rule 4.1 of the Minimum Capital Requirement Part of the PRA Rulebook; and
- corrected minor formatting and typographical errors that the PRA has identified in SS11/15.

1.7 The PRA considers that these changes will further reduce reporting requirements, and enhance the clarity of the PRA's approach, without impacting adversely on its statutory objectives. The PRA

⁷ Section 138J(5) and 138K(4).

does not consider that the impact of the changes will have a significantly different impact on mutuals.

Implementation and next steps

1.8 The policy in the SSs and the SoP as set out in the appendices will take effect upon publication of this PS, on Friday 17 December 2021. The modification by consent will also be made available for firms on the same date.

1.9 The PRA standards instrument and the PRA Rulebook instrument will be effective for quarterly and annual reporting reference dates falling on and after Friday 31 December 2021.

1.10 The policy in this PS has been designed in the context of the UK having left the European Union and the transition period having come to an end. Unless otherwise stated, any references to EU or EU derived legislation refer to the version of that legislation which forms part of retained EU law.⁸

⁸ For further information, please see: [Transitioning to post-exit rules and standards](#).

2 Feedback to responses

2.1 Before making any proposed rules, the PRA is required by FSMA to have regard to any representations made to it, and to publish an account, in general terms, of those representations and its feedback to them.⁹

2.2 The PRA has considered the responses received to the CP. This chapter sets out the PRA's feedback to those responses, and its final decisions.

2.3 The sections below have been structured broadly along the same lines as the proposals in the CP, with some areas rearranged to better respond to related issues. The responses have been grouped as follows:

- Implementation;
- Proposed changes to the reporting requirements of Solvency II QRTs;
- Change in the MCR reporting frequency;
- Change to the reporting proportionality threshold for S.16.01;
- Extension to the quarterly reporting waivers; and
- Other responses.

Implementation

2.4 In CP11/21 the PRA proposed to implement the changes on Thursday 31 March 2022.

2.5 Nine respondents commented on the proposed implementation date. One respondent supported the proposed implementation date, and three noted that as the nature of the proposals is relatively simple, firms can readily implement these changes with minimal lead time. Eight of the respondents called upon the PRA to implement the reductions in reporting scope in time for year-end 2021, instead of Thursday 31 March 2022 as proposed in the CP. Five of the respondents commented that implementing for year-end 2021 would deliver the greatest benefit if applied to the deletion of the S.29 series (variation analysis information) and the financial stability reporting, as these templates are challenging to prepare and conflict with other year-end reporting processes. Two respondents asked to remove the reporting requirements, at the very least, of the S.29 series for year-end 2021. Alternatively to bringing forward the implementation date, one respondent suggested that the submissions of the templates proposed for deletion be made voluntary until the implementation date.

2.6 The PRA proposed the implementation date of Thursday 31 March 2022 in the CP, which took into account a lead time that may be required by firms to implement the final policies. After considering the responses, the PRA has decided to bring forward the implementation date to Friday 31 December 2021, based on respondents' feedback which demonstrated there may be material additional benefit for firms in not having to prepare the proposed annual templates, and that firms need minimal lead time to meet an earlier implementation date. The change in the implementation date will be reflected in the final policy material.

⁹ Sections 138J(3) and 138J(4) of FSMA.

2.7 The PRA can confirm that firms will not be required to report the quarterly or annual quantitative reporting templates proposed for deletion in the CP from reporting reference date Friday 31 December 2021 and onwards; and the modification by consent to limit the quarterly reporting requirements as set out in SS11/15 will apply to reporting reference date Friday 31 December 2021 and onwards.

Proposed changes to the reporting requirements of Solvency II QRTs

2.8 The PRA proposed to remove the requirement to report a number of Solvency II QRTs by amending the onshored Commission Implementing Regulation (EU) 2015/2450.

2.9 Three respondents recommended that the PRA additionally deletes the S.04.01 template (underwriting activities by country) on the basis that it contains some data fields pertaining to the use of passporting services within the European Union.

2.10 The PRA has set out in SS2/19 that firms are no longer required to complete passporting-related cells within this template.¹⁰ The PRA decided not to consult on removing this obsolete sub-table to minimise the operational impact on firms in this initial round of reporting reforms, and will consider making refinements to the S.04.01 template in the next stage of the Solvency II reporting review. Therefore, the PRA has decided not to make further amendments to the templates proposed for deletion as set out in the CP.

Change in the MCR reporting frequency

2.11 The PRA proposed to reduce the reporting frequency of templates S.28.01 and S.28.02 from a quarterly to a semi-annual basis, by eliminating first and third quarter submissions of these templates. Seven respondents welcomed the proposed change to the reporting frequency of these templates, with one respondent noting the particular benefit arising to firms that already hold a waiver of other quarterly reporting who would be exempt from quarterly reporting at Q1 and Q3.

2.12 However, five respondents whilst still welcoming the proposal, questioned the overall benefit of semi-annual submission of the MCR calculation, if firms are required to still calculate this metric on a quarterly basis. Three respondents called for the further reduction of the reporting frequency of S.28.01 and S.28.02 to an annual basis. One of the respondents cited the limited variability of the MCR result (which is restrained within a 25-45% corridor of the solvency capital requirement for some firms) in support of annual reporting of S.28.01 and S.28.02. The same respondent asked whether the MCR reported in templates other than the S.28 series at the first and third quarters should be based on a new calculation, or a repeat of the result for the prior quarter. Another respondent highlighted the potential operational complexity associated with the creation of a new semi-annual reporting frequency as proposed in the CP.

2.13 Whilst firms may still need to report the MCR result (as opposed to reporting the detailed calculation) in other templates and calculate the MCR for internal monitoring purposes, the PRA considers that the reduction in the reporting frequency at which the detailed MCR calculation is submitted in S.28.01 and S.28.02 will benefit firms. Having considered the feedback on reporting frequency, the PRA has decided to reduce further the reporting frequency of templates S.28.01 and S.28.02 to an annual basis. The PRA has updated the final policy material to reflect this change. The PRA has further amended PRA rule 4.1 under the Minimum Capital Requirement Chapter, to provide additional clarity on the MCR calculation and reporting requirements.

¹⁰ December 2020: [SS2/19 – PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after the UK's withdrawal from the EU.](#)

2.14 As a result of the reduction of the reporting frequency, the PRA has eliminated all quarterly reporting requirements for pure reinsurance branches, and further removed the reporting requirements at Q1, Q3, and Q4 for firms eligible for a quarterly reporting waiver. Overall, the changes will significantly reduce the frequency of reporting from the baseline Solvency II package for more than half of PRA-regulated insurers. The PRA considers this approach to further improve proportionality of the reporting framework, and provides clarity in particular to firms that will be exiting the TPR in advance of their first quarterly reporting cycle, for quarterly reporting reference date on Thursday 30 June 2022.

2.15 One respondent sought clarification on the quarters proposed for removal, highlighting divergent texts in the draft amendments made to SS44/15 in Appendix 6 of the CP.

2.16 The PRA will reflect the annual reporting frequency of S.28.01 and S.28.02 in the policy material as set out in paragraph 1.6. The PRA will also remove the reporting of templates S.01.01.08 (Content of the submission) and S.01.02.07 (Basic information) as listed under Table 1, in SS44/15 (Appendix 6) from the quarters where firms are not expected to report any other templates. This is a consequential amendment as a result of the further change in the reporting frequency of S.28.01.01 and S.28.02.01 from semi-annually to annually.

Change to the reporting proportionality threshold for S.16.01

2.17 The PRA proposed to exempt pure reinsurance businesses from reporting the template S.16.01 (annuities stemming from non-life insurance obligations).

2.18 Four respondents commented on the proposed amendment, and one respondent noted this proposal would have no impact on them. While three of these respondents agreed with making the application of this template more proportionate, they noted that in practice the proposal may have little benefit as pure reinsurers generally have limited exposure to annuity-type business. The other respondent called for an extension of the proposal so that firms, other than pure reinsurers, with small amounts of non-life annuity exposure may also be exempted from reporting S.16.01.

2.19 The PRA recognises the complexity of annuity-type business, and the determination of an appropriate threshold needs to account for the presence and future emergence of such obligations, and not solely be based on a measure of materiality. Given that careful considerations are required to evaluate such a threshold, and the likely operational impact to firms in its application, the PRA has decided to not amend the application of the proposed proportionality threshold that will exempt the reporting for accepted reinsurance business at this stage. Further consideration of a potential threshold applicable to firms that do not accept reinsurance will be undertaken in the next phase of the review.

Extension to the quarterly reporting waiver

2.20 The PRA proposed to extend the eligibility of the modification by consent to PRA designated Category 3 firms.

2.21 Eight respondents commented on the proposal. Four respondents welcomed the proposal. One of the respondents asked whether the exemption to quarterly reporting requirements could be granted on a permanent basis rather than by rolling modification, thereby removing the risk of an extension to the exemption being withdrawn. Another respondent noted this proposal would have little impact on them.

2.22 The modification by consent is available where the PRA considers that the criteria in s138A FSMA are met. As set out in SS11/15 (including the amendments described in this PS), the PRA

considers that firms designated as Category 3, 4, or 5 are eligible for the modification by consent. Therefore the PRA-designated category rating of a firm is relevant to the appropriateness of the modification by consent, and this may change from time to time. Where changes within a firm could have an impact on its category rating, a supervisory review may be necessary to determine the firm's eligibility for being continually granted the existing modification by consent. The PRA may consider reporting waiver applications from firms designated Category 1 and 2 on an exceptional basis.

2.23 Two respondents sought clarity on the application of the waiver eligibility to third country branches in the relevant PRA categories, and asked for the PRA to make this explicit in the relevant policy material.

2.24 The PRA sets out in SS11/15 that the eligibility for the exemption from quarterly reporting is based on the PRA-designated categories of a firms. Specifically, the PRA considers that firms designated as Category 3, 4, or 5 by the PRA, whether solo or part of a group, meet the requirements of exemption from quarterly reporting. The PRA considers that third country branches are within the scope of SS11/15, and has in practice granted quarterly reporting waivers to many of these insurer types. Nevertheless, the PRA will update SS44/15 to clarify the applicability of the quarterly reporting waiver to third country branches.

2.25 The same respondent commented that if the treatment of reinsurance would be known before the end of the transitional relief set out in the TPR, reinsurance branches would be spared the need to apply for any relevant waiver or modifications.

2.26 The PRA's decision to bring forward the implementation date to Friday 31 December 2021 is expected to provide clarity to firms of their reporting requirements in advance of the end of the transitional relief. In addition, the PRA has eliminated all quarterly reporting requirements for pure reinsurance branches, thereby removing the need for these entities to apply for a quarterly reporting waiver.

2.27 One respondent welcomed the proposal in principle, but noted that entities operating in the London market fall outside of the scope of waiver, and asked the PRA to include specific work in the next phase of the review to avoid disparities emerging between entities with different operating models.

2.28 The PRA considers it important that reporting requirements are reflective of the differing types and sizes of insurance and reinsurance undertakings within the UK, and will consider further opportunities for improving the proportionality of reporting requirements in the next phase.

2.29 The PRA can confirm that the change in the reporting frequency of the S.28 templates to annually is applicable to all firms. Firms that have been granted a quarterly reporting waiver are also exempted from the requirement to submit the S.01.02.01 (Basic information) and S.01.01.02 (Content of the submission) templates at Q1, Q3, and Q4 of the firm's financial year.

Other responses

2.30 Twelve respondents provided comments to matters that are outside of the scope of the CP, which were concerned with the broader scope of future reporting reforms being considered by the PRA, future taxonomy releases, the formal industry engagement in the next phase of the PRA's review, and the finalisation of policy of the current phase.

Scope of the next stage of review

2.31 Twelve respondents put forward additional specific suggestions covering: review of the regular supervisory report, the Solvency and Financial Condition Report; recommendations made by the

European Insurance and Occupational Pensions Authority; further simplification of a number of QRTs; the frequency of reporting; branch reporting requirements and the quarterly and annual reporting deadlines. Although out of scope of the CP, the PRA will consider this feedback in the next phase of the review.

Evaluation approach

2.32 Four respondents commented on the general principles that should be considered by the PRA in reporting. One respondent emphasized that as a principle, the PRA should recognise the significance of one-off implementation costs associated with even minor changes to a single template. Another respondent called for a detailed template-by-template cost benefit analysis for all reporting templates, and of all future changes. Two respondents noted that the purpose of some of the information requested is unclear, and called for regulators to be transparent as to what data is being used. One of the respondents recommended consideration of distinctions between reporting requirements for the life and non-life sectors.

2.33 The PRA considers it paramount that all policy proposals are supported by a cost benefit analysis in meeting its statutory obligations, and recognises the costs of changes in the short term need to be balanced against the benefits. The PRA anticipates there are additional areas of the existing reporting package which could be improved, as evidenced in the feedback provided by respondents in paragraph 2.31. The PRA will consider these comments in the next phase of the review.

Taxonomy

2.34 Two respondents commented on the PRA's proposal to implement taxonomy version 2.6. One respondent noted that while this is not expected to cause any significant issues, it would help if such decisions were provided in a more timely way to allow firms time to prepare, and for the PRA to set out the reasons more clearly. The same respondent urged the PRA to provide a detailed taxonomy route map as part of the next phase of the review, and to set out the approach it will take to periodic changes going forward. The other respondent asked for taxonomy releases to take place no more frequently than once every five years after the completion of the review, noting the time and cost associated with each implementation.

2.35 Taxonomy version 2.6 includes corrections and minor amendments made to address known deficiencies in the previous taxonomy release, and the PRA does not expect this version to impact the reporting contents. As the review of the Solvency II framework is currently underway, any future updates to the reporting taxonomy will follow any future changes to the PRA reporting requirements, which are subject to the the PRA's normal consultation process as required by FSMA. The PRA will consider implementation lead times, including the taxonomy, with a view to giving firms enough time to plan for and implement any additional proposals for the next phase of the review. The PRA cannot comment on the likely frequency of future taxonomy releases at this stage.

Joint PRA-industry engagement

2.36 Two respondents expressed interest in the opportunity to participate in the joint regulator-industry engagement as part of the next phase of the review of reporting and disclosure requirements. The PRA welcomes all industry participants and has commenced formal engagement with interested parties.

Finalisation of policy

2.37 Two respondents stated the need for the policy to be finalised in a timely manner, particularly if the implementation date is to be brought forward from initial proposals, and that the first quarterly reporting date for firms in the TPR is due soon.

2.38 The PRA has responded to consultation feedback by introducing additional changes in the final PS that are expected to further reduce firms' reporting burden and provide additional clarity. The PRA's existing modification by consent is a streamlined process intended to reduce the administrative burden on firms for those that are eligible to apply in time for the next quarterly submission date. There remains more than three months' lead time upon publication of the PS until the annual QRTs submission date. The PRA considers the timing of the final PS to have allowed for the necessary preparations firms may require to meet the implementation date.

Appendices

- 1 PRA STANDARDS INSTRUMENT: THE TECHNICAL STANDARDS (SOLVENCY II REGULAR SUPERVISORY REPORTING) INSTRUMENT 2021, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2021/december/ps2921app1.pdf>.

 - 2 PRA RULEBOOK: SOLVENCY II FIRMS: MINIMUM CAPITAL REQUIREMENT INSTRUMENT 2021, available at: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2021/december/ps2921app2.pdf>.

 - 3 SS11/15 'Solvency II: regulatory reporting and limitations', available at: www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-regulatory-reporting-and-exemptions-ss.

 - 4 SS40/15 'Solvency II: reporting and public disclosure – options provided to supervisory authorities', available at: www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-reporting-and-public-disclosure-options-provided-to-supervisory-authorities-ss.

 - 5 SS41/15 'Solvency II: applying EIOPA Set 2, System of Governance and ORSA Guidelines', available at: www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-applying-eiopa-set2-system-of-governance-and-orsa-guidelines-ss.

 - 6 SS44/15 'Solvency II: third-country insurance and pure reinsurance branches', available at: www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-third-country-insurance-and-pure-reinsurance-branches-ss.

 - 7 Bank of England and PRA Statement of Policy 'Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK's withdrawal from the EU', available at: www.bankofengland.co.uk/paper/2019/interpretation-of-eu-guidelines-and-recommendations-boe-and-pra-approach-sop.

 - 8 Modification by consent, available at: <https://www.bankofengland.co.uk/prudential-regulation/authorisations/waivers-and-modifications-of-rules>.
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