

Bank of England PRA

Chapter 10

Instructions regarding reporting templates

IR.25.05 – Solvency Capital Requirement – Partial or full internal model components

General comments

This section relates to annual submission of information for individual entities, groups, ring-fenced funds, matching adjustment portfolios and remaining parts.

The components to be reported shall be agreed between the PRA and insurance and reinsurance undertakings.

Template IRR.25.05 shall be reported for each ring-fenced fund (RFF), matching adjustment portfolio (MAP) and remaining part for individual entities under a full or partial internal model. This includes undertakings where a partial internal model is applied to a full ring-fenced fund and/or matching adjustment portfolio while the other ring-fenced funds and/or matching adjustment portfolios are under the standard formula.

	ITEM	INSTRUCTIONS
Z0020	Ring-fenced fund, matching adjustment portfolio or remaining part	Identifies whether the reported figures are with regards to a RFF, MAP or to the remaining part. One of the options in the following closed list shall be used: 1 – Ring-fenced fund 2 – Matching adjustment portfolio 3 – Remaining part
Z0030	Fund/Portfolio number	Identification number for a ring-fenced fund, or matching adjustment portfolio or remaining part. This number is attributed by the undertaking and must be consistent over time and corresponds to an entry in IR.01.03.
C0010	Unique number of component	Unique number of each component agreed with the PRA.
C0020	Components description	Identification, using free text, of each of the components agreed with the PRA using the format set out in the Appendix. These components shall be aligned with standard formula risk modules if possible. Each component shall be identified using a separate entry. Undertakings shall identify and report components consistently across different reporting periods, unless there has been some change to the internal model affecting the categories. Loss-absorbing capacity of technical provisions and/or deferred taxes not embedded within components shall be reported as separated components.

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C0030	Calculation of the Solvency Capital Requirement	Amount of the capital charge for each component regardless of the method of calculation, after the adjustments for loss–absorbing capacity of technical provision and/or deferred taxes when they are embedded in the component calculation. For the components Loss absorbing capacity ("LAC") of technical provisions and/or deferred taxes when reported as a separate component it shall be the amount of the loss–absorbing capacity (these amounts shall be reported as negative values) For components calculated using the standard formula this cell represents the net SCR. For components calculated using the internal model, this represents the value considering the future management actions which are embedded in the calculation, but not those which are modelled as a separate component.
C0040	Amount modelled	For each component this cell represents the amount calculated using the internal model (zero for components calculated using the standard formula).

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Appendix - List of internal model reporting codes and components

This appendix sets out how firms should derive the data item 'unique number of component' as a 6 character string in templates IR.25.05.

- Characters 1-3 identify the risk category, for example 101 for interest rates down and 302 for longevity risk. Firms should derive characters 1-3 of the data item 'unique number of component' using the codes provided in the table below.
- Characters 4-5 can be any combination of letters or letters and numbers. Where the risk is not divided into further sub-risk categories firms should use 00 for characters 4 and 5. Where a component represents a level of granularity higher than the risk category firms should use codes agreed with the PRA. For example 1041A represents equity values (sterling) and 30810 represents life catastrophe risk – pandemic.
- Character 6 (a letter) represents whether the component is a risk within the insurer, a risk within the pension scheme, an expectation or a deviation from expectation. For example '30220P' is the component of longevity trend risk within the pension scheme. Firms should use the letter 'I' for character 6 where the risk arises within the insurer and the letter 'P' where the risk arises within the pension scheme unless otherwise agreed with the PRA.

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Characters 1-3	Risks covered
	Market risk
101	Interest rates down
102	Interest rates up
103	Other interest rate risk
104	Equity risk
105	Equity risk (participations)
106	Property risk
107	Spread risk
108	Concentration risk
109	Currency risk
110	Other market risk
199	Diversification within market risk
	Counterparty default risk
201	Type 1 counterparty risk
202	Type 2 counterparty risk
203	Other counterparty risk
299	Diversification within counterparty risk
	Life underwriting risk
301	Mortality risk
302	Longevity risk
303	Disability-morbidity risk
304	Mass lapse
305	Other lapse risk
306	Expense risk
307	Revision risk
308	Life catastrophe risk
309	Other life underwriting risk
399	Diversification within life underwriting risk
	Health underwriting risk
401	Health mortality risk
402	Health longevity risk
403	Health disability-morbidity risk
404	Health SLT mass lapse
405	Health SLT other lapse risk
406	Health expense risk
407	Health revision risk
408	Health NSLT medical expenses
409	Health NSLT income protection
410	Health NSLT worker's compensation
411	Health NSLT non-proportional reinsurance
412	Health NSLT lapse risk
413	Health mass accident risk
414	Health accident concentration risk
415	Health pandemic risk
416	Other health underwriting risk
499	Diversification within health underwriting risk

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Characters 1-3	Risks covered
	Non-life underwriting risk
501	Premium risk
502	Reserve risk
503	Non-life catastrophe risk
504	Non-life lapse risk
505	Other non-life underwriting risk
599	Diversification within non-life underwriting risk

Characters 1-3	Risks covered
	Intangible asset risk
601	Intangible asset risk
	Operational risk
701	Operational risk
	Other risks and adjustments
801	Other risks
802	Loss-absorbing capacity of technical provisions
803	Loss-absorbing capacity of deferred tax
804	Other adjustments

Notes on internal model reporting codes

- Diversification within risks should be shown as a negative amount. The sum of all the amounts equals the total undiversified components (R0110/C0100).
- Lines 199, 299, 399, 499 and 599 are the diversification within risks 101-110, 201-203, 301-311, 401-417 and 501-505 respectively. Diversification in IR.25.04 R0436/C0100 is diversification between market risk, counterparty risk, life underwriting risk, health SLT underwriting risk, non-life underwriting risk, intangible asset risk, operational risk and other risks and adjustments.
- Where a firm has a single interest rate risk component this should be reported under risk 101 if interest rates down is more onerous than interest rates up and under risk 102 if interest rates up is more onerous than interest rates down. Where a firm has more than one interest rate risk component these should be reported under risk 103.