

Bank of England PRA

AoC.01 – Analysis of Change in Solvency Capital Requirement

General comments

Internal model (IM) firms are required to use the template AoC.01 to submit an analysis of change (AoC) in the Solvency Capital Requirement (SCR), as outlined in Solvency Capital Requirement – Internal Models 13A, and Articles 19 and 35 of Chapter 2A of the Reporting Part of the PRA Rulebook.

Alongside the AoC.01 template, firms are required to submit supporting narrative documentation providing an explanation of each change provided in the AoC.01 template. In addition, firms are expected to detail:

- the governance process followed in completion of the AoC exercise;
- any material actions taken following completion of the AoC exercise;
- the reasons for any movement in diversification benefit over the period;
- the definition of materiality used in reporting the AoC exercise; and
- a list of any model limitation adjustments (MLAs) and capital add-ons (CAOs) incorporated within the most recent reported SCR.

Further detail is provided in supervisory statement (SS) 17/16 – Solvency II: internal models – assessment, model change and the role of non-executive directors.¹

The order and grouping of SCR movements submitted in the AoC.01 template should align with firms' internal AoC exercises. In particular, the analysis should be sufficiently granular to enable stakeholders, such as the Board of Directors, to understand key changes in the SCR over the year.

In this template all monetary amounts are entered in £m and should be reported to the nearer £m unless SCR is less than £500m where they should be reported to the nearer £0.1m.

CELL(S)	ITEM	INSTRUCTIONS
R0010/C0010	Undertaking name	Legal name of the undertaking. This must be the same as the identification code reported in the Implementing Technical Standard Reporting template IR.01.02.
R0020/C0010	Reporting start date	Identify the ISO 8601 (yyyy-mm-dd) code of the date identifying the first day of the reporting period.
R0030/C0010	Reporting reference date	Identify the ISO 8601 (yyyy-mm-dd) code of the date identifying the last day of the reporting period.
R0040/C0010	Reporting submission date	Identify the ISO 8601 (yyyy-mm-dd) code of the date when the report to the supervisory authority is made.
R0100	SCR at start of period	SCR at the start of the reporting period. This should include any MLAs and CAOs.

¹ Available at: www.bankofengland.co.uk/prudential-regulation/publication/2016/solvency2-internal-models-assessment-model-change-and-the-role-of-non-executive-directors-ss.

Bank of England PRA

R0110	Sum of listed changes	Automatically calculated sum of causes of SCR movements in R0200/C0300.
R0120	Change in model limitation adjustments	Indicate the impact in £m of changes in MLAs. These changes would be from the MLAs communicated to the PRA at the previous submission. These MLAs are subject to the model change policy.
R0130	Change in capital add-ons	Change in CAOs applied. These should have been approved and agreed with the PRA.
R0140	Balancing item	Automatically calculated as the difference between the end of period SCR and start of period SCR less identified causes (R0110+R0120+R0130). Example causes which could contribute to this category are tax liability changes, including tax reserves, where these are immaterial.
R0150	SCR at end of period	SCR at the end of the reporting period. This should include any MLAs and CAOs.
R0200/C0200	Cause of SCR movement	<p>Describe each material cause of the SCR movement over the period. This should be a brief explanation.</p> <p>A detailed explanation of the movement should be provided in the supporting narrative documentation.</p> <p>A new entry should be provided for each material cause.</p> <p>Changes in MLAs, CAOs and any balancing item should not be included here.</p> <p>Examples of causes include, but are not limited to:</p> <ul style="list-style-type: none"> - Changes in exposure or liabilities, e.g. new business written, (outward or inward) transfers of business, application of reinsurance coverage. - Assumption changes to reflect, e.g. expected or actual changes in variables. - Changes in investments, e.g. a different strategic asset allocation chosen, (dis)investment in a new asset class. - Market movements, e.g. changes in interest rates, exchange rates. - IM changes (minor and major). Note, the PRA will be aware of such changes through firms' IM permission applications and the QMC.01 template submissions. Therefore, aggregate figures should be stated for both minor and major IM changes, rather than a granular breakdown.

Bank of England PRA

		<p>Firms are expected to provide a granular breakdown of the individual causes which the firm deems material. Further detail of the PRA's expectations is set out in SS17/16.</p> <p>As detailed in SS17/16, partial internal model firms should include material movements in the SCR from standard formula modules.</p>
R0200/C0300	Impact	Quantitative impact of each of the respective causes of SCR movement stated in column C0300.