



Business line reporting for employers' liability insurance and motor insurance

This note sets out the correct allocation to the lines of business, and in consequence some issues on the unbundling of contracts, that the PRA expects for reporting insurance contracts under employers' liability insurance and motor insurance. The information in the note is based on the Solvency II Directors' update letter of 14 July 2015ⁱ on employers' liability insurance and motor insurance which was issued to firms to enable their compliance with Solvency II by 1 January 2016.

This note is relevant to all firms in scope of Solvency IIⁱⁱ and to the Society of Lloyd's and relates to the Implementing Technical Standards (ITS) on Supervisory Reporting.ⁱⁱⁱ

Firms should be aware that any incorrect reporting might result in the PRA asking for a re-submission.

Employers' liability

The PRA reminds firms to ensure that they have assigned their employers' liability policies to the correct line of business, in accordance with Article 55(2) of the Commission Delegated Regulation^{iv} and that they should be able to explain and justify the allocation decisions that they make. In particular, the PRA considers that contracts of insurance taken out to meet the requirements of the Employers' Liability (Compulsory Insurance) Act 1969 and various related regulations should be assigned to line of business 8 'General Liability' because a claim on such a contract is typically triggered when the insured has incurred a legal liability (to compensate its employee(s) for injury or illness sustained in the course of their employment).

Motor insurance: Third party liability claims

Third party liability cover included in the United Kingdom's comprehensive motor insurance policies would indemnify the insured against claims from third parties in respect of both bodily injury and property damage. The PRA expects these policies and claims to be unbundled into the appropriate Solvency II lines of business, in accordance with the Commission Delegated Regulation Article 55(6).^v This impacts both reporting and standard formula calculations.

Specifically, motor third party liability claims, both property and bodily injury, should be allocated to line of business 4 'Motor vehicle liability insurance', 16 'Motor vehicle liability proportional reinsurance' or 26 'Non-proportional casualty'. Motor own property damage should be allocated to

ⁱ Available at <http://www.bankofengland.co.uk/pru/Documents/solvency2/directorsletterjuly2015.pdf>.

ⁱⁱ Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast).

ⁱⁱⁱ Commission Implementing Regulation 2015/2450 laying down Implementing Technical Standards (ITS) with regard to the templates for the submission of information to the supervisory authorities.

^{iv} Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) Text with EEA relevance.

^v Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) Text with EEA relevance.

line of business 5 'Other motor insurance', 17 'Other motor proportional reinsurance' or 28 'Non-proportional property'. Where only one of the risks is considered material, Guideline 21 of the European Insurance and Occupational Pensions Authority (EIOPA) Guidelines on the valuation of technical provisions^{vi} states that the unbundling of the obligations is not required. Where the risks within 'Other motor' cannot be shown to be immaterial, and to ensure that motor business is treated consistently, firms should be unbundling their motor business into the appropriate Solvency II lines of business.

Non-life insurance claims in template S.16.01

The PRA reminds firms that non-life insurance claims which are settled as an annuity, such as periodic payment orders (PPOs), should be reported in Template S.16.01.^{vii}

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^{vi} EIOPA-BoS-14/166.

^{vii} See S.16.01 of Annex II of the Commission Implementing Regulation (EU) 2015/2450 of 2 December 2015 laying down implementing technical standards with regard to the templates for the submission of information to the supervisory authorities according to Directive 2009/138/EC of the European Parliament and of the Council (Text with EEA relevance).