BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Feedback to life insurers to improve data quality for 2017 YE QRTs and NSTs

Introduction

2016 year end was the first year end in Solvency II for which the full reporting package applied. For templates which are part of the preparatory phase, day 1 reporting or quarterly reporting the PRA has had several opportunities to use the data and work with firms to achieve a consistent standard of reporting. S.14 and National Specific Templates (NSTs) were due for the first time for 2016 year end and this note sets out some areas that the PRA would like firms to check in their 2017 year end returns. The PRA generally asked firms to resubmit NSTs where the NSTs were not submitted in the latest template but minor errors were corrected internally and the PRA has not sought any resubmissions for S.14.[1] The opportunity is also being taken to express the PRA's preference on interpretation of technical provisions as a whole.

Life product codes and homogenous risk groups (S.14.01 life obligations analysis)

SS36/15[2] sets out the PRA's expectations on how firms should create 'product ID code' C0010. The list of codes from 100-794 covers a similar list of products to 100-915 for Solvency I (instructions to Form 47) but the products are grouped differently and hence products have a different product code number in Solvency II. A few firms used the old Solvency I product codes and a few firms used internal codes. This data cannot be used without a standardised product code and the PRA requests that firms that did not use SS36/15 codes for 2016 year end make changes to their product codes for 2017 year end as set out in SS36/15.

CP18/17[3] Chapter 10 sets out proposals for a standardised naming of homogeneous risk groups to be implemented by revisions to SS36/15. The PRA acknowledges that this is still subject to consultation. Nevertheless the PRA would like firms to consider the objectives of the changes and create a better correspondence between homogeneous risk groups and product codes and to label the homogeneous risk groups accordingly. The PRA has proposed a basis of calculating fees which excludes premiums and best estimate liabilities for corporate pensions business (product codes 300-322). It will be mutually beneficial for the PRA, Office of National Statistics and the industry if the data in S.14.01 gives a good apportionment of best estimate liabilities between products.

Technical provisions as a whole (affects S.02, S.12, S.13)

The framework for technical provisions as a whole is set out in the European Insurance and Occupational Pension Authority (EIOPA) Guidelines on valuation of technical provisions (EIOPA-BoS-14/166), guidelines 64-67. Firms have interpreted these guidelines differently for equivalent unit-linked products. Some firms report all or part of their unit liabilities as technical provisions as a whole whereas other firms report their unit liability as part of best estimate liabilities. The matter was discussed within EIOPA earlier in the year but was not resolved.

Recently EIOPA has used the data for S.13 for asset liability analysis and has found that its objectives would have been better served by the exclusion of unit related cashflows in this template.

The PRA would prefer firms to report unit liabilities as technical provisions as a whole and exclude the unit part of future benefits and future premiums from S.13. This will enable the PRA and other users to identify the future profits component of unit-linked technical provisions and will improve the usefulness of cash flow projections for asset liability analysis.

---

[1] NSTs are available on the Bank of England website at www.bankofengland.co.uk/prudential-regulation/regulatory-reporting/regulatory-reporting-insurance-sector#regulatory_reporting.
[2] Solvency II: life insurance product reporting codes, August 2015: www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-life-insurance-product-reporting-codes-ss.
[3] 'Occasional Consultation Paper', October 2017: www.bankofengland.co.uk/prudential-regulation/publication/2017/occasional-consultation-paper-18-2017. Consultation closes Tuesday 9 January 2018.

Matching adjustment impact

Template S22.01 shows the impact on technical provisions and own funds of removing the matching adjustment. Some firms have reported the same impact for own funds as for technical provisions. Other firms report a different impact which includes a deferred tax impact. Firms should check for second order impacts when showing the impact on own funds of removal of one or more of the long term guarantee items.

National Specific Templates

Various minor errors were corrected by the PRA for 2016 year end data where formats and labelling of funds were not in accordance with the log files. To improve the data quality for 2017 firms are requested to note the list of checks below.

- The latest template should be used.
- NS.00.01 and NS.00.02 should always be completed.
- Where there are with-profits ring-fenced funds the fund number in NSR.00.01 should correspond to one of the fund numbers in S.01.03. For the remaining part the fund number is zero in NSR.01, NSR.02 and NSR.05.
- Matching adjustment portfolios are not reported separately in NSTs. The fund number should correspond to the fund number in S.01.03 to which the matching adjustment portfolio belongs.
- With-profits mutuals which have with-profits ring-fenced funds should use NSR for the main fund (remaining part) as well as for the with-profits ring-fenced funds.
- Where a firm has more than one with-profits ring-fenced fund NSR.01 and NSR.02 should be completed for each with-profits ring-fenced fund. NS.01 and NS.02 are not required.
- Where a firm has a matching adjustment portfolio but no with-profits ring-fenced funds only NS.05 is required, not NSR.05.
- NS.01 R0080, NS.02 R0160-R0190, NS.09 R0010-R1320 should all be entered as percentages.
- NS.06 data may be rounded to the nearer £m but should still be submitted in £.
- NS.09 data should be blank where the data item is not applicable. Firms should not enter 0 or N/A in these circumstances.
- NS.09 data is not required for subcategories 2 and 3 where the previous line(s) already cover at least 50% of the business for that product.
- NS.09 data for R2100 should show expense loadings for the firm as a whole. R2110 and R2120 should be left blank.
- NS.09 C0090 subcategory descriptions should be concise and should not repeat the name of the current insurer.

7 December 2017