

Bank of England

Prudential Regulation Authority

Minutes

PRA/ABI industry engagement group on regulatory reporting reform – tenth meeting

3 November 2022

Location: Teams Call

Attendees: Members of the PRA

Representatives of the following insurance firms and trade bodies:

ABI

AIG

AXA XL

Direct Line

Foresters

IUA/LMG

Just

L&G

M&G

Phoenix

Rothesay

RSA

Apologies: Representatives of the following insurance firms and trade bodies:

Certain members of the PRA

Certain members of insurance firms and trade bodies

Item No. **Minute**

1. **Welcome**

Members of the PRA introduced themselves and welcomed everyone to the meeting.

The PRA explained they wanted to share updates in what the PRA project team is calling Phase 2.

2. IFRS 17 Reporting

The PRA explained it had been thinking about questions the group may have and added it was happy to take further questions.

The PRA explained it couldn't say much about the longer-term approach but that it will be publishing Consultation Papers (CPs) in due course and encouraged stakeholders to provide their views.

In the nearer term, particularly 2023 quarterly returns, the PRA is not planning to make changes to templates or log files. The EU has not really changed its templates and, if the PRA were going to make changes there would have to be an extensive process ahead of the effective date of the CP that will be coming out in due course.

Should the PRA be making a public statement that it is not making changes? It is not easy to say anything in advance of the CP. Although IFRS 17 is only one small part of regulatory reporting, should it become necessary to make a statement, this is not something the PRA would rule out.

If there were any new templates, would these go through a consultation process? Yes.

Are there any other questions?

The ABI thanked the PRA for its explanation and asked whether the first consultation of Phase 2 was part of the wider consultation? It also asked whether IFRS 17 would be in the first or second tranche?

The PRA: IFRS 17 is not a substantial part of the second CP of Phase 2. If you're referring to the SFCR, the PRA is currently not sufficiently advanced in its assessment.

A different member of the PRA added that this relates to Item 4. In the context of Phase 2, (following Phase 1 in

2021 when the PRA made important and relatively simple changes), the PRA expects to issue a CP before the end of 2022 which will include the main items that the PRA is able to share now. This excludes the consequential reforms that have not yet landed – Matching Adjustment (MA), Transitional Measure on Technical Provisions (TMTP), Risk Margin (RM), Fundamental Spread (FS), etc. These will be consulted on in the first half of 2023.

The PRA therefore proposes that for the 2022 CP, there will be a longer than usual consultation period to overlap with the consultation period for the proposals in the 2023 CP. The idea is to share the entirety of the material but in a phased way. The project team refers informally to these two CPs as 2A and 2B, but they will have full names once published, of course.

3. **Quarterly Reporting Submission Deadlines**

The PRA stated that it had been asked if it could offer a Modification by Consent (MBC) for quarterly reporting. The PRA explained it had considered this request and come to the conclusion that it is not in a position to do this. All firms, however, can apply for an individual waiver. As with any waiver, the firm would have to demonstrate that it meets the two statutory tests:

1. that to complete the templates by the required deadline would cause them undue burden; and
2. that delaying or not submitting information would not impact the PRA's ability to perform its supervisory duties.

Put simply, firms would have to demonstrate that completion within the required deadline would be excessively onerous, and the PRA will have to satisfy itself that granting a waiver does not adversely impact its objectives.

Finally, the PRA added that an application was more likely to succeed if it was for an extension rather than for a waiver. Three weeks would be an appropriate extension because that meets PRA deadlines.

An industry representative asked whether the PRA is going to be issuing guidance of what it would like to see, specifically in respect of Form 5? In other words, is the PRA expecting Form 5 to be completed on an IFRS 17 basis?

The PRA said that it had considered whether it should be prescriptive, given that this might help some firms. However, it noted that the EU has not provided guidance and so any guidance from the PRA might create inconsistencies between what firms report for the EU and what they report to the PRA. The PRA is aware that some firms may choose to continue with their existing

processes whilst others may switch to their IFRS 17 process and make sure the data 'fits' into the templates.

In summary, firms are effectively in a transitional period, and it would be unrealistic and not helpful for the PRA to give prescriptive guidance. However, if the PRA does receive sufficient feedback otherwise, it would not rule out providing guidance.

The industry representative responded: "so, we can just interpret this on a firm-by-firm basis?"

The PRA explained that the fact that the PRA are not providing guidance still means that firms will have to approach Form 5 with appropriate care and consideration.

A different industry representative asked how the PRA will use the IFRS 17 Profit and Loss numbers (P&Ls), given it won't see the basis of calculation?

The PRA explained that it does use the P&L information, more specifically on life than non-life. It added that it would be helpful if firms shared particular bases of preparation (especially if there are judgements that have been made) since this will help the PRA's understanding. The PRA is looking for similar completion of templates and, despite not providing guidance, is not saying that firms can just choose what they submit.

The industry representative noted that it was possible that a firm would use an opening IFRS 4 and a closing IFRS 17 and asked whether the PRA was taking into consideration the fact that the first half of 2023 will be challenging?

The PRA explained that the proposal is to have a six-month consultation period for CP2A in order to give firms more time to provide responses, and the industry representative said that this was appreciated.

Another industry representative asked if there will be an indication of how to report the movement of Technical Provisions (TPs) in S.05?

The PRA said it had tried to deal with this in the CP in which it also talks about the longer-term approach. This may help firms complete the templates. EIOPA hasn't changed templates/instructions so there may be elements of consensus in the industry already. The PRA reiterated that it would appreciate information about the basis of preparation.

The industry representative said that he would also appreciate information on any consensus among firms

4. **Scheduling of Consultation Papers for Phase 2**

The PRA will manage the consultation process by including what it can share this year in CP2A, allowing a six-month consultation period to align with the consultation period for CP2B. The contents of CP2B are contingent on landing agreement on what else can be done and, there is legal precedent to extend the six-month CP2A consultation period, if required, to align with the three-month consultation period on CP2B.

The reason the PRA requested this session of the PRA/ABI industry engagement group was in response to feedback saying it should defer publication of CP2A, instead combining all changes into one single CP in 2023. The PRA are looking to share as much as possible this year and then share the remainder when it is able so that firms can see the majority of reforms as soon as early as possible.

One industry representative noted that the implementation date was originally year-end 2023 and asked if he could assume this is no longer correct.

The PRA confirmed that the implementation date is year-end 2024

The industry representative asked whether there were elements of Phase 2 that can be implemented earlier?

The PRA replied that it understood that firms would not appreciate having to make one set of changes followed by another a year later.

A different representative from the industry said that simple deletions are easy, and he would appreciate not completing templates at year-end 2023 that will not be used at year-end 2024:

The ABI noted that it is important that firms have sufficient time to make changes, but we will see a consultation before the end of this year. Sam Woods has talked about growth and competitiveness. So, where there are whole templates that can be deleted, we would like to see them go before year-end 2024. Can the PRA consider year-end 2023 or year-end 2022?

The PRA replied that year end 2022 is extremely challenging. In terms of 2023, if this is part of the feedback, this is useful input into our thinking. The PRA accepts the point that preparing a template whose future deletion is known can be seen as unnecessary but piecemeal implementation poses issues with validation and the PRA has to provide firms sufficient implementation time.

A further industry representative noted that the PRA is not changing the SFCR but asked whether it be changing reporting templates that will not be changed in the SFCR? The PRA explained that it will try to avoid such anomalies but stressed that some Phase 3 work is not entirely within its control.

5. AOB**(i) Regular Supervisory Report (RSR)**

The ABI: A number of members have raised the point that firms will be submitting an RSR after a significant exemption due to Covid-19. Has there been any thought around whether a full RSR is strictly needed, given that it is six years since the last RSR?

The PRA said that it had looked at an MBC for the RSR but has come to the same conclusion as it did in relation to quarterly reporting: it has decided against an MBC but firms may apply for individual waivers. The PRA representative noted that his personal opinion is that firms are less likely to receive a waiver for an RSR than for quarterly reporting.

The ABI asked whether this referred to an extension or an exemption?

The PRA stressed it will definitely be wanting the full RSR but firms can apply for a waiver for an extension to the submission deadline.

(ii) IFRS 17

The PRA reiterated that it is not planning to release guidance in relation to IFRS 17 but, if firms have suggestions when they see the direction of travel, the PRA would welcome feedback.

The ABI expressed its gratitude.

The PRA thanked the industry attendees at the meeting and colleagues from the PRA, together with representatives of the ABI, Lloyds and L&G who had attended pre-meeting events.

The PRA also stated that it welcomed this opportunity to share its thinking.

Meeting closed: 16:48