



PRA Solvency II Regulatory Reporting Industry Working Group, 24 March 2017

Firm representative	Organisation and representing
Andrew Smith	XL Catlin, for ABI
Angus McLean	Baillie Gifford & Co, for ABI
Barbara Kubis-Labiak	Financial Conduct Authority
Elzbieta Woynowska	Aviva, for ABI
Helen Dalziel	International Underwriting Association
Jane Tusar	Society of Lloyd's
Jim Troy	Legal and General
Kim Harmer	E&Y, for ILAG
Matthew Reed	Prudential, for ABI
Mike Schofield	Assurant Solutions, for ABI
Miki Palocsai	One Family, for AFM
Roni Ramdin	RSA, for ABI
Robert Warren	Association of British Insurers
Willem Van Der Westhuysen	Thomas Miller, for P&I Clubs
Bank of England	Role
Lewis Webber - Chair	Head of Division, Insurance Data Analytics Division
Joanna Rose	Regulatory Data Group, Statistics and Regulatory Data Division
Beju Shah	Information Service Technology Division
Danielle Martis	Accounting, Reporting and Disclosure Policy
Alex Novitskiy	Analyst, Insurance Data Analytics Division
Apologies	
Paul Appleton	Society of Lloyd's
Russell Worsley	Lancashire Group, for IUA
Martin Shaw	Association of Financial Mutuals
Darren Sait	JP Morgan for The Investment Association
Steve Dixon	Steve Dixon Associates, for AFM

These notes are intended as a record of the discussions held at the PRA on 24 March 2017. They are not verbatim minutes and, for the benefit of those organisations that are not members of the industry working group (IWG), they indicate the themes of the discussion and questions that were raised. The views expressed are those of IWG members and do not represent guidance from the PRA.

Firms seeking clarification on aspects of these notes, or wishing to raise questions regarding regulatory reporting for discussion at the IWG, should contact the appropriate industry representative in the first instance. If firms are not represented at the IWG by a member organisation, they should submit their question to: PRA.FirmEnquiries@bankofengland.gsi.gov.uk.

Notes from the meeting on 24 March 2017 covering agenda items:

1. **Welcome from the Chair, Lewis Webber**
 - Introduction
 - Update on progress since last IWG
2. **Plausibility framework**
3. **EIOPA update**
4. **Taxonomy 2.2**
5. **Test data**
6. **BEEDS update**
7. **Request for feedback**

Key points

1. **Welcome from Chair, Lewis Webber**
 - **Introduction**
 - Newcomers
 - Helen Dalziel from International Underwriting Association replaces Nick Lowe who has retired.
 - Barbara Kubis-Labiak from the FCA also joins the group.
 - **Update on progress since last IWG**
 - Sam Woods' evidence to the Treasury Committee, including regulatory reporting, to assist its inquiry into Solvency II:
<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/treasury-committee/eu-insurance-regulation/written/49691.pdf>
 - A small team drawn from the PRA, ABI and other industry representatives will be assembled (in addition to the IWG) to specifically review the cost-benefit of regulatory data, like NSTs.
 - Investigating potential for publication of selected aggregated statistics to promote understanding of the aggregate Solvency II balance sheet and provide context to firms' individual reporting submissions, as per the brief description in Sam Woods' speech at London Business School:
www.bankofengland.co.uk/publications/Documents/speeches/2017/speech967.pdf
 - **Terms of Reference**

A review of the Regulatory Reporting IWG Terms of Reference will take place in due course, informed by the outcome of the above work.

Q1: Will the IWG continue to cover the interests of Cat 5 firms?

A1: Yes, though proportionality will be taken into account.

Q2: Will the PRA-ABI reporting review group only cover NSTs?

A2: No. It will cover all aspects of reporting under the PRA's control or where it has influence, including ad hoc requests.

Q3: Would it be helpful for the PRA to work with the ABI on such reports, as it also publishes similar industry-wide reports?

A3: Yes. The ABI will be closely involved with the reporting review work.

2. Plausibility framework

- Current plausibility checks continue to identify errors and lead to data resubmissions.
- As more data becomes available, the approach to data quality checking is being reviewed:
 - checks in BEEDS will focus on closed tables and cover validation and completeness checks; and
 - plausibility checks in BEEDS will be more targeted and thresholds for throwing flags will be reviewed.
- Checks on open tables will initially focus on assets and derivatives data, and will make use of the CSDB information provided by EIOPA.
- A framework of data quality metrics will be designed to inform supervisors of their firms' data quality.
- A variety of statistical techniques are being developed to provide efficient and effective plausibility rules – the usefulness of which improves as more data become available.

Q4: Will the PRA take the same approach to fixing the problems with firms' annual submissions as it did with quarterly submissions, ie that firms will not need to resubmit in most cases but will make changes for the next submission?

A4: The lower frequency and broader content of annual submissions puts a premium on making sure they are accurate. The need for re-submission will depend on the seriousness of the error(s).

Q5: Firms receive warnings for discrepancies between reporting items as low as £1,000. Will the PRA fix this?

A5: The PRA is working to introduce more tailored absolute triggers to help ensure proportionality.

Q6: There is duplication in plausibility checks for Lloyd's, with warnings being sent both to Lloyd's and its syndicates. Some triggers are hit due to limitations in the templates themselves.

A6: The PRA is working hard to ensure this does not happen. If it does, please contact the PRA via the usual routes.

3. EIOPA Update

- EIOPA is planning to release proposed corrections to the ITS reporting instructions to be incorporated in Taxonomy 2.2.0.
- The corrections will cover many of the errors identified in published Q&As and will make the answers to these Q&As legally binding.
- The majority of the changes are non-material and are not expected to have an implementation impact for firms.
- EIOPA consulted on the changes in May 2017. Following this consultation, the final corrections are expected to feature in Taxonomy 2.2.0, to be released in July 2017.
- The ITS corrections are expected to take effect for reporting from 2017 Q4.

Q7: Does the PRA still expect firms to make changes in reporting when responding to EIOPA's Q&A? The Q&A process is less useful for smaller firms.

A7: Firms should consider the applicability and materiality of information provided through the Q&A process to their own businesses.

Q8: How frequently are the PRA's Q&As updated?

A8: There is no regular schedule. They are updated depending on the volume and materiality of information to convey.

4. Taxonomy 2.2.0: timeline

- Per EIOPA's taxonomy governance model, the release of v2.2.0 of EIOPA's Solvency II Taxonomy has the following key dates:
 - **1 June:** public working draft (PWD) published on the EIOPA website
 - **17 July:** final version published
 - **To be used for all reporting from reference date of 31 December 2017 onwards.** The first reports will be submitted on 16 Feb 2018.

4.1 Taxonomy 2.2.0: scope

- No new templates expected from firms.
- Corrections to existing templates only.
- Affects underlying data model and therefore taxonomy architecture. Changes include:
 - potential for new filing rule(s);
 - validations for multicurrency reporting;
 - versioning of dictionary concepts;
 - implementation of new XBRL specifications to address limitations/workarounds implemented for Taxonomy 2.1 (multiple list items for a single cell represented as a text string); and
 - improvements to design/layout of annotated templates.

4.2 Reporting special cases: three scenarios

i. Special cases foreseen in the ITS

The ITS (Implementing Regulation (EU) 2015/2450) includes a specific example which might need to be provided by a firm and covered by a special case. The example of such a trigger is described for templates S.30.01, S.30.02, S.30.03 and S.30.04 whose trigger is described in annex II:

“If reinsurance strategy changes materially after that date or if the renovation of the reinsurance contracts are performed later than the reporting date and before next 1 January, the information on this template shall be re-submitted when adequate.”

ii. Special cases not particularly foreseen in the ITS, but following the approach of Article 35 of the Directive

According to the Article 35 of Solvency II Directive (2009/138/EC):

“Member States shall require insurance and reinsurance undertakings to submit to the supervisory authorities the information which is necessary for the purposes of supervision.”

In principle, the PRA could therefore require tailored submissions from a firm to address specific issues – for example, monthly reporting of particular data or ad hoc information.

iii. Empty submissions

Such a filing could be required to address particular needs of an NCA or to reflect special status of an undertaking. For example, in the case of a merger between two companies when a transaction is back-dated, one side of the merged companies may need to resubmit Q1 and Q2 reports with no data, while the other would have to resubmit the data of the entire merged company.

4.3 Dealing with special cases

- Both EIOPA and the PRA do not expect many special cases to be reported.
- According to EIOPA, the obligation to report in the event of these cases remains.
- EIOPA is most likely to issue a ‘hotfix’ to v2.0.1 and v2.1.0 of the taxonomies to allow for reporting in such cases instead of deactivating 20 validation rules. V2.2.0 will address this.
- Deactivation will have a wider impact on the market, NCAs and data quality.
- The hotfix versions are backward-compatible so there is no need for firms to upgrade unless special cases apply (in which case the hotfix amendments would apply).
- Firms should not use ad hoc entry points for any reporting – the PRA will not accept this. Only the existing entry points will likely be used.
- Fuller guidance may be helpful once the options for handling these cases from EIOPA become known.

4.4 Other information

- v2.2.1 (corrective release) is planned for February 2018, but it has not yet been confirmed if it is required. Firms should plan for it at this stage.

Q9: When will the hotfix for the current taxonomy be published?

A9: The hotfix is due for publication in April. The PRA is currently assessing when to implement it and will provide firms with adequate notice and further details in due course as necessary.

5. Test data

Request for test data ahead of annual reporting:

- The PRA will conduct system testing ahead of the Solvency II annual reporting deadline for December year end firms.
- The PRA would like to encourage IWG member firms to provide annual templates populated with test data in preparation for the actual annual reporting.
- It would be particularly beneficial if firms could include a wide variety of templates, including complex templates involving multiple dimensions (open tables). In this regard, templates relating to balance sheet, capital, assets, liabilities and underwriting are a priority, particularly those which are open explicit or relate to ring-fenced funds.
- Please email PRASIIregulatoryreporting@bankofengland.co.uk if you would like to participate. All test submissions should be completed with dummy data on a best endeavours basis by **21 April 2017**.

6. BEEDS update

- Workflow issue experienced on deadline day for quarterly reporting relating to 2016 Q3:
 - firms would have noticed a delay in acknowledgement of their submission; and
 - the software provider corrected the problem and the deadline for 2016 Q4 passed without recurrence of the problem.
- Separately, an issue was experienced relating to financial stability submissions for 2016 Q4:
 - the problem was with the portal hosting provider, with the portal unavailable for most of the day; and
 - only one firm submitted after the deadline, but before the next working day.
- External UAT:
 - the session in February was used mainly for testing quarterly files; and
 - the next session will be held between 18-28 April for firms to test annual files.
- The deadline for 2017 Q1 is 19 May 2017:
 - it is recommended that firms submit as early as possible; and
 - uncertainty around expectation for file sizes for annual data – though firms are not required to restate their assets and derivatives data, which will help keep the file size down.

- For information – BEEDS is being expanded to cover credit unions and other reporting.

Q10: Will groups be able to submit group and solo submissions earlier?

A10: Yes. Early submissions continue to be possible and encouraged.

Q11: Can firms submit the SFCR submission separately?

A11: Yes. They should be submitted as an occasional submission.

Q12: Have the statistics about firms' reporting timings changed?

A12: Not really. Approximately 30% of submissions come in on the final day of the deadline.

Q13: Can the PRA make sure/confirm that validation rules do not allow for duplicated templates to inadvertently be submitted.

A13: The Filing Rules do not allow duplicate templates to be submitted.

7. Request for feedback:

Homogeneous risk groups

- [SS36/15](#) identified the product codes to be used when reporting template S.14.01.01.
- The reporting of S.14.01.01.03 gives firms flexibility in the definition of the homogeneous risk groups. But without knowledge of the homogeneous risk groups that firms plan to use, it is hard for the PRA to prepare to quality check and analyse the data supplied. As such, IWG members are again encouraged to provide the PRA with their list of homogeneous risk groups and how they relate to the product codes identified in [SS36/15](#), on a voluntary basis.

Q14: Some firms' quarterly reporting waivers will soon expire. Do firms need to wait for a window for when they can reapply?

A14: Firms whose quarterly reporting waivers are expiring should submit any applications to have these waivers extended in good time. There is no pre-determined window for these applications.

Q15: Within the Solvency and Financial Condition Report (SFCR) narrative, '*millions*' is used as the unit, but in the associated templates units are in '*thousands*'. Should firms report in thousands or millions?

A15: Article 2 of the Commission Implementing Regulation 2015/2452 ('ITS on disclosure') requires the monetary units for public disclosure formats to be in the thousands. Thus firms should disclose in thousands for both the narrative element of the SFCR, as well as the public disclosure templates. The set format has been established to assist the comparability of information published across firms.

Q16: Will the PRA publish consolidated information about firms' SFCRs and/or guidance?

A16: The PRA currently has no such plans.

Q17: How will the PRA make sure that the SFCR information is made public and is valid?

A17: Supervisors are aware that Solvency II reporting firms are obliged to make SFCR information public, including via a link on their websites.