PRA Internal Model Outputs for General Insurers

Potential changes to data collection: YE2018

5 March 2018
Background

• A consistent piece of feedback we have been given is that firms / syndicates do not want continual tinkering / modification to the data templates
  – There will be no changes for YE2017
• However, it is also becoming increasingly evident from feedback and PRA analysis that some of the data is not “fit-for-purpose”
  – We will likely consult on changes for YE2018 data collection
  – This will coincide with a plan to move to XBRL
  – We want to discuss now some of the possible changes to help us decide whether or not to put them into consultation paper.
• There will be a formal consultation process in due course
  – Please let us have your thoughts.
Criteria for changes

• Reducing reporting burden
• Addressing industry feedback
• Addressing PRA objectives
  – Maintain firms’ focus on model development, governance and use
  – Improve transparency
  – Inform understanding of methodologies / calibrations
  – Identify key risk factors and assumptions
  – Monitor model drift
• Improving process efficiency
  – Complexity of implementation
Changes we are likely to consult on: High level

• Remove
  – If we don’t use it, it’s going
  – If we can’t use it, it’s going (may be replaced)

• Add
  – To replace data we can’t use
  – Requests for additional commentary

• Clarity
  – In response to industry feedback we’re clarifying some instructions

• Improve
  – Improved format for templates, including dealing with known issues (e.g. locked ranges, protected & merged cells)
  – Move to XBRL
Insurance Risk specific items

- Remove skewness
- Add net undiscounted standard deviation
  - Allows analysis of reinsurance impact / clarifies volatility
- Request information on firm’s own LoBs
  - Commentary on changes since last year
  - Matrix of ratios used when allocating to SII lines
- Clarify definition of exposure and loss ratio
  - Premium provision within Premium risk
    - \((UPR + \text{premium written in next period}) \times (99.5\%LR – \text{mean LR})\)
  - Premium provision within Reserve risk
    - \((\text{premium in next period}) \times (99.5\% \text{ LR} – \text{mean LR})\)
  - Loss ratio
    - Include effect of risk recognition and premium provision @ t=1
Cat Risk specific items

• Remove ultimate loss sheet (i.e. only submit 1-year loss sheet)
  – Note: include all cats relating to the u/w year
• Remove premium and sum insured information by peril
  – But collect high level data on separate sheet (see below)
• Remove split between property and liability
  – except for man-made cats
• Remove split of losses between direct insurance and reinsurance
• Remove requirement for Own Peril loss data
  – Comment on any significant other perils
• Separate aggregate sheet
  – Collect premium by territory / region
  – Provide broad split of insurance / reinsurance / retro premiums
Market Risk specific items

- Remove distribution of asset market values for all currencies
  - Retaining only (converted) GBP
- Remove nominal value and IE100
- If asset specific inflation is modelled, remove RPI inflation and use asset specific inflation instead
Other key changes we are likely to consult on

- Remove counterparty risk template altogether
- Add mapping of LoB from last year to this year
  - Allows more meaningful correlation comparisons
- Clarify that historical LRs could be accident or underwriting year basis depending on how you parameterise the premium risk.
  - But consistent with other reporting
Next steps

• Take account of today’s discussion
• Consultation paper to be published in due course
• 3 month window for response
• Final proposals updating the Supervisory Statements SS25/15 & SS26/15 planned for Q4
• Firms submit YE2018 IMO on 22 April 2019 (solo), 3 June 2019 (groups)
Three key take-aways

• No changes at YE 2017
• There will be changes at YE 2018
  – The majority of the changes are either removing reporting requirements of clarifying instructions
  – We will be proposing some additions but they’re largely to replace items we’re removing
• We are listening
  – Our key decision criteria reflect industry feedback
  – We will consult on the proposals