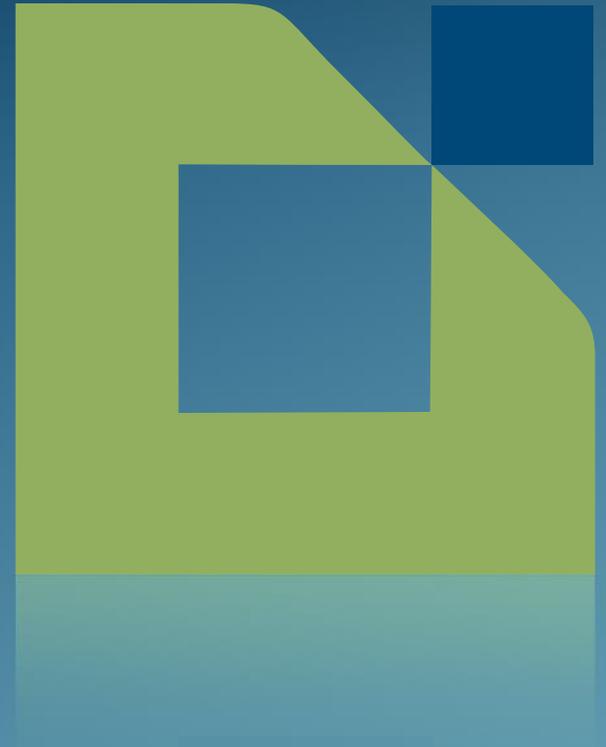


PILLAR THREE

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Pillar Three – The Boring Pillar



Solvency II Readiness

Solvency II Readiness Assessment Tool

Summary-Full Solvency II		Average Results from First Survey	Average Results from Second Survey	Change
Pillar 1	P1 - Assets and Liabilities	3.8	3.7	↓ -0.1
	P1 - Technical Provisions	3.0	3.7	↑ 0.7
	P1 - Data Quality	3.1	3.0	↓ -0.1
	P1 - Assumptions	3.6	3.7	↑ 0.1
	P1 - Own Funds	3.4	3.9	↑ 0.5
	P1 - Capital Requirements	3.6	3.6	→ 0.0
Pillar 2	P2 - Governance	4.0	4.2	↑ 0.2
	P2 - Risk Management System (RMS)	3.6	3.9	↑ 0.3
	P2 - Own Risk and Solvency Assessment (ORSA)	2.7	3.4	↑ 0.7
Pillar 3	P3 - Solvency and Financial Condition Report (SFCR)	1.4	1.6	↑ 0.2
	P3- Regular Supervisory Report (RSR)	1.4	1.6	↑ 0.2
	P3 - QRT - Annual Solo	1.9	2.1	↑ 0.2
	P3 - QRT- Quarterly Solo	2.0	2.1	↑ 0.1
Other	O - Strategic Considerations	3.1	3.7	↑ 0.6

Preparatory Guidelines

Submission of information to National Competent Authorities (NCAs)

- Thresholds are based on PRISM impact categories
- High and Medium High firms subject to all requirements
- Low and Medium Low firms subject to some requirements

	PRISM Rating: High & Medium-High	PRISM Rating: Medium-Low & Low
Submission of Information	2014: Prepare reporting systems 2015: Submit annual (as at YE 2014) & quarterly templates (as at Q3 2015)	2015: Prepare reporting systems

Preparatory Phase

CBI feedback on the test phase

- 36 companies intended to upload figures
- 26 actually tried
- 18 succeeded

Pillar 3 – Reporting timelines

Solo entity	Year 1	Year 2	Year 3	Year 4+
SFCR RSR (see below) AQRTs	20 weeks	18 weeks	16 weeks	14 weeks
QRTs	8 weeks	7 weeks	6 weeks	5 weeks

- Full RSR required every 3 years (unless supervisor requests more frequently)
 - Annual update on any material changes that have occurred during the year
- Group reporting
 - Deadlines extended by 6 weeks (if single SFCR - deadlines as per solo entity!)
 - Financial Stability deadline extended by 1 week

Summary of QRTs (1)

Category of Template	Annual	Quarterly	Public	Financial Stability
Balance Sheet (BS)	5	1	1	1
Activity by Country (Country)	2			
Premiums, claims & expenses (Cover)	2	2	1	1
Own Funds (OF)	4	1	1	1
Participations	1			
Variation analysis	4			
Solvency Capital Requirement (SCR)	11		3	
Minimum Capital Requirement (MCR)	2	2	2	2
Assets	9	4		5
Technical Provisions (TP)	17	2	3	3
Transitional Measures	3			
Reinsurance (Re)	6			3
TOTAL	66	12	11	16

Summary of QRTs (2)

Category of Template	Annual Templates	Quarterly Templates	Publicly Disclosed
<u>Additional Group</u>			
Group (G)	4		1
Intra Group Transactions (IGT)	4		
Risk Concentration (RC)	1		
TOTAL	9	0	1
<u>Additional Financial Stability</u>			
SCR - B2A_B2C		1	
Duration Liabilities	1		
Lapses		1	
Profit and Loss		1	
Profit and Loss sharing	1		
TOTAL	2	3	

Example: Information per individual Asset

Information on positions held

Asset ID Code

Asset ID Code type

Portfolio Fund number

Matching portfolio number

Asset held in ul and il contracts

Asset pledged as collateral

Country of custody

Custodian

Quantity

Par amount

Valuation method

Acquisition price

Total Solvency II amount

Accrued interest

Information on assets

Asset ID Code

Item Title

Issuer Name

Issuer Code

Type of issuer code

Issuer Sector

Issuer Group

Issuer Group Code

Type of issuer group code

Issuer Country

Currency

CIC

... + 10 more items!

Example: Non-Life Claims Triangulations

- Can you read this at the back???
- Solvency I : 3 classes only – gross only – Motor EL and PL
- Solvency II: All LOB, by currency, Gross, RI and Net
- Triangles for Claims Paid, undiscounted Best Estimate Claims Provisions, Reported but not Settled Claims

Gross Claims Paid (non-cumulative)
(absolute amount)

Year	Development year																In Curr C0170	Sum of years C0180		
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +				
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160				
Prior	R0100															A1	R0100	A3		
N-14	R0110	A1		R0110	A2	A3														
N-13	R0120	A1			R0120	A2	A3													
N-12	R0130	A1				R0130	A2	A3												
N-11	R0140	A1					R0140	A2	A3											
N-10	R0150	A1						R0150	A2	A3										
N-9	R0160	A1							R0160	A2	A3									
N-8	R0170	A1								R0170	A2	A3								
N-7	R0180	A1									R0180	A2	A3							
N-6	R0190	A1	A1	A1	A1	A1	A1										R0190	A2	A3	
N-5	R0200	A1	A1	A1	A1	A1											R0200	A2	A3	
N-4	R0210	A1	A1	A1	A1												R0210	A2	A3	
N-3	R0220	A1	A1	A1													R0220	A2	A3	
N-2	R0230	A1	A1														R0230	A2	A3	
N-1	R0240	A1															R0240	A2	A3	
N	R0250	A1															R0250	A2	A3	
																	Total	R0260	A2	A3

Reinsurance Recoveries received (non-cumulative)

National Specific Templates

Template	Name	Applies to
NST.01	Non-Life Income Statement	Non-Life, H/MH
NST.02	Life Income Statement	Life, H/MH
NST.03	Non-Life TPs: split by LOB and Distribution channel	Non-Life, H/MH
NST.04	Non-Life TPs: split by LOB and Country	Non-Life, H/MH
NST.05	Non-Life projection of future cashflows	Non-Life, H/MH
NST.06	Non-Life claims: split by distribution & type	Non-Life, H/MH
NST.07	Non-Life premiums, claims, & expenses	Non-Life, H/MH
NST.08	Variable Annuity: Daily attribution - asset	VA
NST.09	Variable Annuity: Daily attribution – liability	VA
NST.10	Variable Annuity: Daily attribution - other	VA
NST.11	Variable Annuity: Stress Tests	VA

Source: CBI Consultation Paper CP89: Consultation on National Specific Templates for Insurers and Reinsurers under Solvency II

Pillar 3

Disclosure & Reporting Requirements

- **Solvency and Financial Condition Report (“SFCR”)**
 - Annual **public** disclosure requirements
- **Regular Supervisory Report (“RSR”)**
 - Annual **private** disclosure to regulators
 - Similar structure but more detail than SFCR
- Both contain a qualitative report and quantitative reporting templates (“QRTs”)



Where to go from here

- A once in a generation change – needs the investment
- Multi disciplined team - huge operational risk
- Monumental task and very short timeframes.
- Audit trails will be critical
- Key Decisions include
 - Build or buy
 - Industrialise or use End User Computing
 - Tactical Solution or Strategic Solution
 - Simple solution or heavily integrated