

Interim Measures

EIOPA Consultation on Submission of Information to National Competent Authorities

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Background

- Pillar III reporting will consist of
 - Quantitative Reporting Templates (QRTs)
 - Regular Supervisory Report (RSR)
 - Solvency and Financial Condition Report (SFCR)

- Consultation Papers issued by EIOPA in November 2011

- Final Report issued in July 2012
 - Guidelines on narrative reporting
 - Quarterly Reporting Templates
 - Annual Reporting Templates
 - Annual Disclosure Templates
 - Reporting Instructions (Summary and Log files)

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EIOPA Consultation Paper (March 2013)

Consultation Paper consists of:

- 38 Guidelines covering quantitative and narrative reporting
- 7 Technical Annexes
 - Documents in support of Guidelines e.g. QRT templates, CIC Codes, LOBs, list of data checks
- Impact Assessment Appendices
 - EIOPA's thought process and justification of Guidelines

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General Provisions

- General Provisions
 - National Competent Authorities (NCAs/Supervisors) to ensure companies take steps to:
 - submit required qualitative and quantitative information
 - build **systems** and processes to deliver information to NCAs
 - Submission will be **electronically**
- Progress Report
 - From NCAs to EIOPA on application of Guidelines
 - By end February each year (beginning 28 February 2015 as of now)
 - Before firms will have submitted first set of reports

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Thresholds

- **Thresholds for solo quantitative information**
 - Annual information: At **least** 80% of national market share
 - Quarterly information: At **least** 50% of national market share

- **Market Share for solo undertakings**
 - Based on end 2012 information
 - Based on gross technical provisions for life
 - Based on gross written premium for non-life

- **Notification**
 - 11 months' prior notice provided to companies within scope

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Thresholds

- **Thresholds for group quantitative information**
 - At least €12 billion assets on consolidated balance sheet
 - Smaller groups may be included at discretion of NCAs
 - 11 months' prior notice will be provided

- **Narrative Reporting Thresholds**
 - Companies and Groups required to produce annual quantitative information also need to produce narrative information

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Initial submission dates and deadlines

Initial submission dates and deadlines (assuming Solvency II applies from 1 January 2016)

- Annual quantitative submission for year ending 31 December 2014
 - 20 weeks to complete (Overlaps with current reporting)

- Quarterly quantitative submission for quarter ending 30 Sept 2015
 - 8 weeks to complete (Overlap with ongoing reporting)

- Groups get additional 6 weeks for both annual and quarterly returns

- Annual narrative submission for year ending 31 December 2014
 - 20 weeks to complete

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Quantitative Information

Reporting requirement	Solo entities		Groups	
	Annual	Quarterly	Annual	Quarterly
BI - Basic information	✓	✓	✓	✓
BS-C1 - Balance sheet	✓	✓	✓	✓
BS-C1D - Assets and liabilities by currency	✓			
AS-D1 - Detailed list of assets	✓	✓	✓	✓
AS-D20 - Detailed list of derivatives (open positions)	✓	✓	✓	✓
TP-E1Q - Non-life technical provisions	✓			
TP-F1Q - Life and health SLT technical provisions	✓			
OF-B1Q - Own Funds	✓	✓	✓	✓
SCR-B2A - SCR for undertakings on Standard Formula or Partial Internal Models	✓		✓	
SCR-B2B - SCR for undertakings on Partial Internal Models	✓		✓	
SCR-B2C - SCR for undertakings on Full Internal Models	✓		✓	

- Lots of information required but some good news
 - Some cells in QRTs are not applicable in the preparatory phase
 - No variation analysis templates
 - No “Assets - D4” investment fund look through template
 - Fewer technical provision templates

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Quantitative Information

Reporting requirement	Solo entities		Groups	
	Annual	Quarterly	Annual	Quarterly
SCR-B3A - SCR for market risk	✓		✓	
SCR-B3B - SCR for counterparty default risk	✓		✓	
SCR-B3C - SCR for life underwriting risk	✓		✓	
SCR-B3D - SCR for health underwriting risk	✓		✓	
SCR-B3E - SCR for non-life underwriting risk	✓		✓	
SCR-B3F - SCR for non-life catastrophe risk	✓		✓	
SCR-B3G - SCR for operational risk	✓		✓	
MCR-B4A - MCR - Undertakings other than composites	✓	✓		
MCR-B4B - MCR - Composite Undertakings	✓	✓		
G01 - Entities in the scope of the group			✓	
G03 - Insurance and reinsurance solo requirements			✓	
G04 - Other regulated and non-regulated financial entities including insurance holding companies solo requirements			✓	
G14 - Contribution to group technical provisions			✓	

- Depending on the business being written some of the above SCR templates will not be required
- Note there have been changes to some templates from EIOPA report e.g. OF-B1Q and TP-F1

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Quantitative Information

- Internal Model information
 - Internal Model firms need to produce both internal model and standard formula SCR QRTs
- Ring Fenced Funds information
 - Ring Fenced Funds should be included in SCR QRTs
 - Requirements less onerous than under Solvency II as only largest RFF needs to be identified separately

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Narrative Information on system of governance

- Information on general governance requirements
 - Structure of Board, roles & responsibilities, reporting lines etc.

- Information on fit and proper requirements
 - List of key function holders, policies to ensure requirements met

- Information on risk management system
 - Risk management strategies
 - Processes and procedures to identify, measure, monitor, manage and report on risks
 - Information on how external credit assessments are used and justified

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Narrative Information on system of governance

- Information on internal control system
 - Includes description on how compliance function is implemented

- Information on system of governance – groups
 - How risk management and internal controls are implemented consistently throughout group
 - Intragroup outsourcing
 - Material risks at group level

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Narrative information on capital management and valuation

- Information on Own funds
 - Differences between financial statements and solvency valuation
 - Information on structure and quality of own funds
 - Groups need to consider intragroup transactions, transferability etc.

- Information on valuation of assets and liabilities (including Technical Provisions)
 - Include description of bases, methods and assumptions
 - Differences between financial statements and solvency valuation
 - Value Technical Provisions by Line of Business
 - Describe level of uncertainty in Technical Provisions

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Narrative information on valuation

- Any other material information
 - Relates to value of assets and liabilities
 - Include information on assumptions on management actions and policyholder behaviour
 - Include information on any mark to model techniques used

- Information on valuation for solvency purposes - Groups
 - Describe difference in group and undertaking approach to valuation

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Narrative information on reporting

- Undertaking's reporting policy
 - Who drafts reports and who reviews
 - Processes and time line for completing requirements
 - Controls for ensuring data quality

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Next Steps

- Exact scope for Irish firms is unclear but based on proposed thresholds companies should have a good idea if they will need to submit information
- Begin sourcing of data for templates
 - From accounting teams, actuarial teams, asset managers
- Dry run of population of templates
- Industrialise population of templates and data checks
- Preparation of draft report

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In Conclusion

- Interim measures will bring forward certain aspects of Pillar III
 - Quantitative reporting to NCAs (annual and quarterly)
 - Narrative reporting to NCAs
- Thresholds apply (not all of market covered)
- Lots required (but less than would be required under Solvency II)
 - Some templates on Own Funds, Technical Provisions, SCR, Assets
 - No templates on Variation Analysis or Reinsurance
- First submission in 2015 based on end 2014
 - Dependent on Solvency II coming in on 1 January 2016
 - Still time to put processes and procedures in place but lots to do

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