



Society of Actuaries in Ireland

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***Solvency II - Pillar III Quantitative  
Reporting Templates (QRTs)***

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11<sup>th</sup> December 2012

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# Agenda

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- Introduction and Background
  - Summary of QRTs
  - Reporting Timelines and Next Steps
  - Questions
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# Solvency II Update

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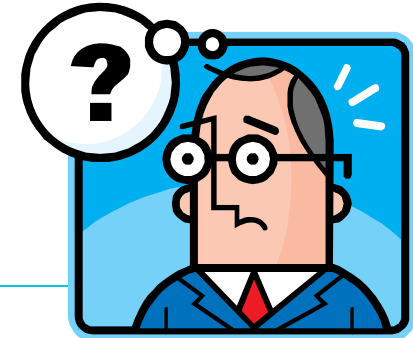
- *“...Even if a credible timetable will probably point out to an implementation date not earlier than 2016, it should be possible in an interim phase to start to incorporate in the supervisory process some of the key features of Solvency II, namely some elements related to Pillars 2 and 3.*

*EIOPA is exploring this possibility...”*

- **Gabriel Bernardino**, Chairman of EIOPA
- Frankfurt, 21 November 2012

# Introduction

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- What are the Quantitative Reporting Templates (QRTs)?
  - Technical Provisions
  - Reinsurance
  - Country & Cover
  - Variation Analysis
  - SCR & MCR
  - Balance Sheet
  - Own Funds
  - Assets
- Replace the current forms produced for the CBI
- Publicly disclosed on an annual basis

**SCR-B2A**

**Solvency Capital Requirement - for undertakings on Standard Formula or Partial Internal Models**

	Cell not relevant	Cell used more than once in one single template
	Net solvency capital requirement (including the loss-absorbing capacity of technical provisions)	Gross solvency capital requirement (excluding the loss-absorbing capacity of technical provisions)
Market risk	A1	B1
Counterparty default risk	A2	B2
Life underwriting risk	A3	B3
Health underwriting risk	A4	B4=A4
Non-life underwriting risk	A5	B5=A5
Diversification	A6	B6
Intangible asset risk	A7	B7=A7
Remaining part of the Solvency Capital Requirement calculated using partial internal model	A8	B8
Diversification (between Standard Formula and Partial Internal Model components)	A9	B9
<b>Basic Solvency Capital Requirement</b>	A10 = sum(A1...A9)	B10 = Sum (B1....B9)
Loss-absorbing capacity of technical provisions	A11=-max (min(B10-A10;FDB);0)	
Loss-absorbing capacity of deferred taxes	A12	

# Consultation Process

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- Consultation Papers issued in November 2011
  
- Feedback / Final Advice issued in July 2012
  - Quarterly Reporting Templates
  - Annual Reporting Templates
  - Annual Disclosure Templates
  - Reporting Instructions (Summary and Log files)
  
- Final Advice based on the draft Level II Delegated Acts

# Other Reporting Requirements

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- Financial Stability Reporting Templates
  - Balance sheet total of €12bln +
  - 50% coverage of Solvency II Balance Sheet in each country
  - Tight deadlines
- National Specific Templates
  - May be required to cover national legal requirements or local market specificities
  - Supervisor must prove that objectives are not met by other QRTs

# QRTs – Solo Undertakings

Category of Template	Annual	Quarterly	Public	Financial Stability
Technical Provisions	13	2	3	3
Solvency Capital Requirement	10		3	
Minimum Capital Requirement	2	2	2	2
Reinsurance	6	3	–	3
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# QRTs – Additional Templates

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## Additional Group Templates:


Category of Template	Annual	Quarterly	Public
Group	4		1
Intra Group Transactions	4		
Risk Concentration	<u>1</u>	–	–
	<b>9</b>	<b>0</b>	<b>1</b>

## Additional Financial Stability Templates:

Category of Template	Annual	Quarterly
SCR Templates		1
Duration Liabilities	1	
Lapses		1
Profit and Loss		1
Profit and Loss sharing	<u>1</u>	–
	<b>2</b>	<b>3</b>

# QRTs Detail





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- Assume all QRTs are only required annually, not publicly disclosed and applicable for Groups unless:
  - Quarterly **Q**
  - Public **P**
  - Not applicable to Groups 
  - Materiality Threshold **MT**
  - Financial Stability Reporting **FSQ** **FSA**






# Technical Provisions Templates – Life (1)

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- **TP - F1 Life and Health SLT TPs – Annual**  
  - TPs split by lines of business
  - **Materiality Threshold:** Split by country required up to 90% of business
  - Additional information on surrenders and discount rates
- **TP - F1Q Life and Health SLT TPs – Quarterly**  
  - Publicly disclosed on an annual basis

# Technical Provisions Templates – Life (2)

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- **TP - F2 Projection of future cash flows** 
  - Undiscounted cashflows split by year and by line of business
- **TP - F3 Life obligations analysis**  
  - Qualitative description of product (country, type of product, type of premium)
  - Quantitative information on no. contracts, premiums, claims, best estimate, capital at risk, surrender value

# Technical Provisions Templates – Life (3)

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- **TP - F3A VA - Description of guarantees by product**
  - Split by type of guarantee

- **TP - F3B VA - Hedging of guarantees**
  - Type of strategy
  - Risks hedged
  - Results with and without hedging









- **TP - F4 - Information on annuities stemming from Non-Life insurance obligations**

- Split by LOB, Currency, reporting year, accident year
- **Materiality Threshold:** no split by currency of TPs <3% of total



# Technical Provisions Templates – Non-Life (1)

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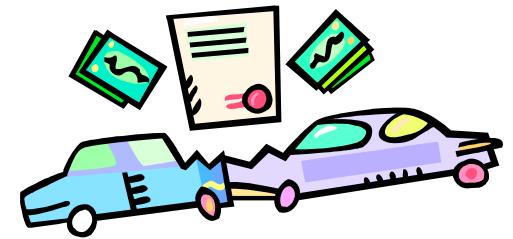
- **TP - E1 Non-Life Technical Provisions**  
  - Split by segment
  - Split by Best Estimate, Risk Margin, Calculated as a Whole
  - **Materiality threshold:** breakdown of Best Estimate by country (90% of TPs)
- **TP - E1Q Non-Life Technical Provisions**   
  - Publicly disclosed on an annual basis
- **TP - E2 Projection of future cash flows** 
  - Undiscounted cashflows split by year

# Technical Provisions Templates – Non-Life (2)

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- **TP - E3 Non-life Insurance Claims Information**  

- Triangles for claims paid, RBNS, claims provisions, reinsurance recoveries
- Tables for inflation



- **TP - E4 Movements of RBNS Claims** 





- RBNS split by open ay start, new claims, reopened claims during year

- **TP - E6 Loss distribution profile non-life** 

- Claims incurred in financial year split by accident/underwriting year

# Technical Provisions Templates – Non-Life (3)

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- **TP - E7A Underwriting risks non-life – Peak Risks**  
  - Peak risks that are exceptional in terms of nature and size
  - Qualitative and quantitative information
  - **Materiality threshold:** Only need to show largest risks – Top 20 across all lines and at least top 2 risks for each line
  
- **TP - E7B Underwriting risks non-life**  
  - Quantitative information on sums assured split into intervals for each line of business
  - **Materiality threshold:** line of business to be decided by each member state



# QRTs – Solo Undertakings

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# SCR Templates (1)

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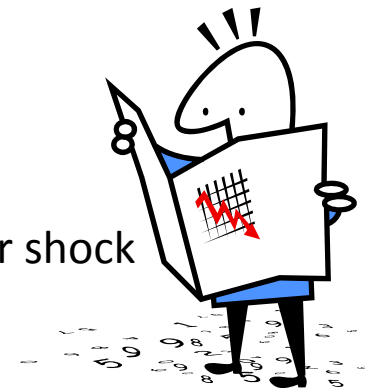
- **SCR - B2A (Standard formula or partial internal models)** **P**
  - Summary of SCR split by risk module
  - Some extra information for groups
- **SCR - B2B (partial internal models)** **P**
  - Risk components might not align exactly with standard formula
  - Date of formal approval of model
- **SCR - B2C (full internal models)** **P**

# SCR Templates (2)

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- **SCR - B3A - market risk**

- Gross and net capital charge for each sub-module
- Pre and post shock values of assets and liabilities
- Only considers assets and liabilities exposed to the particular shock



- **SCR - B3B - counterparty default risk**

- Type 1 exposures (PD and LGD) for each exposure
- Type 2 exposures

- **SCR - B3C - life underwriting risk**

- Similar to QRT for market risk
- Assets and liabilities pre and post shock for each sub-module

# SCR Templates (3)









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- **SCR - B3D - health underwriting risk**
  - Split between SLT and NSLT
- **SCR - B3E - non-life underwriting risk**
  - Premiums and reserve risk
  - Lapse risk & non-life catastrophe risk
- **SCR - B3F - non-life catastrophe risk**
  - Quite detailed QRT capturing all components of the calculation
- **SCR - B3G - operational risk**
  - All components of the calculation (TP, premiums, UL expenses)



# MCR Templates

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- **MCR – B4A**    
  - Non Composites
  - Publically disclosed on an annual basis
  
- **MCR – B4B**    
  - Composites
  - Publically disclosed on an annual basis
  
- Both QRTs contain components of MCR calculation

# QRTs – Solo Undertakings

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# Reinsurance Templates

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- **Re - J1\_basic & shares Facultative covers non-life & life**  
  - **Materiality threshold:** 10 most important risks in terms of reinsured exposure for each LOB
  - Resubmitted if actual top 10 covers are different from what was expected or if premium ceded varied by + / - 20%
- **Re - J2\_basic & shares Outgoing Reinsurance Program** 
  - Details of reinsurance treaties inforce over the next year
  - Resubmitted after the first half year if any material changes.
- **Re - J3 Share of reinsurers** 
- **Re – SPV Special Purpose Insurance Vehicles**

# QRTs – Solo Undertakings

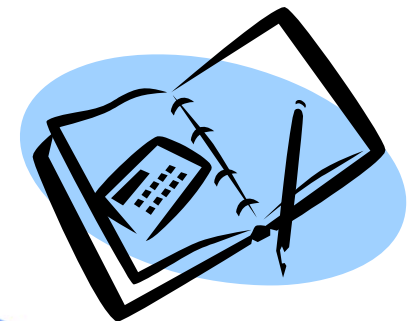
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# Balance Sheet Templates

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- **BS-C1 Balance sheet** **Q** **P** **FSQ**
  - Public disclosure / quarterly reporting limited to SII Balance Sheet
  - Split of investment funds by asset class required for public disclosure
- **BS-C1B Off-balance sheet items**
  - Collateral, guarantees and contingent liabilities
- **BS-C1D Assets and liabilities by currency** **MT**
  - **Materiality threshold:** 90% of assets and liabilities should be split by currency, remainder can be classified as “other”







# Cover and Country Templates

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- **Country-K1 Activity by country** 
  - Premiums, claims and commission by country and by class



- **Cover-A1A Premiums, claims & expenses** 
  - Premiums, claims and expenses gross and net of reinsurance split by LoB
  - **Materiality threshold:** County level split limited to the 5 major countries or until 90% of written premiums are covered

- **Cover-A1Q Premiums, claims & expenses**   
  - Quarterly version of Cover-A1A
  - **Materiality threshold:** County level split limited to the 5 major countries or until 90% of written premiums are covered

# QRTs – Solo Undertakings

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<del>Balance Sheet</del>	<del>3</del>	<del>1</del>	<del>1</del>	<del>1</del>
<del>Country &amp; Cover</del>	<del>2</del>	<del>1</del>	<del>1</del>	<del>1</del>
Own Funds & Participations	2	1	1	1
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# Own Funds and Participations Templates

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- **OF - B1A (Annual) and OF - B1Q (quarterly) Own Funds**



- Basic Own Funds & Ancillary Own Funds split into Tier 1, 2 and 3
- Reconciliation reserve and EPIFP
- Quarterly / Public disclosure templates contain less detail





- **Participations** 

- List of participations held by an undertaking
- Calculates the deduction from own funds related to participations in financial and credit institutions

# Variation Analysis Templates

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- **VA - C2A Summary analysis of changes in Basic Own Funds** 
  - Overview of sources of change in BOF over the reporting period
- **VA - C2B Analysis of changes in BOF due to investments** 
  - Investments, Own Shares, financial liabilities, derivatives and subordinated liabilities
  - Excludes assets held for UL & IL funds or property held for own use
- **VA - C2C Analysis of changes in BOF due to TPs**  
  - Analysis of movement of BEL - Costs anticipated
  - Split of technical flows by new and existing business
  - **Materiality threshold:** AOM not split by LoB for Life and Health SLT

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# Asset Templates (1)

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- **Assets - D1 Investments Data - Portfolio list**   
  - Detailed list of all assets, including UL & IL (except derivatives)
  - No look through required for investment funds
  - **Materiality Threshold:** May be exemptions for reporting in 3 quarters
- **Assets - D1Q Investments Data – Quarterly** 
  - Same format as BS-C1, including split of investment funds
  - Undertakings that are exempt from reporting Assets – D1 on a quarterly basis
- **Assets - D1S Structured Products Data - Portfolio list** 
  - Structured Notes and Collateralised Securities
  - **Materiality Threshold:** Structured Products > 10% of total Investments

# Asset Templates (2)

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- **Assets - D2O Derivatives – open positions**



- Detailed list of derivatives held at reporting date
- **Materiality Threshold:** Same as Assets D1

- **Assets - D2T Derivatives - historical derivatives trades**



- Detailed list of derivatives trades over reporting period
- **Materiality Threshold:** Same as Assets D1

- **Assets - D3 Return on investment assets**



- Dividend, rent and net gains and losses



# Asset Templates (3)

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- **Assets - D4 Investment funds (look-through approach)**

- Look through by asset category, geographical exposure and currency exposure
- Applies to investment funds held in unit linked / index linked funds
- **Materiality Threshold:** Exemption from quarterly reporting if the ratio of investment funds to total investments < 30%



- **Assets - D5 Securities lending and repos**

- **Materiality Threshold:** Securities lending / repo > 5% of total assets or 5% off balance sheet assets



- **Assets - D6 Assets held as collateral**

# QRTs – Solo Undertakings

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# Additional Group Templates

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- **G01 Entities in the scope of the group**
- **G03 (Re)insurance Solo requirements**
- **G04 Non-(re)insurance Solo requirements**
- **G14 Contribution to group TP**
- **IGT1 IGT - Equity type transactions, debt & asset transfer**
- **IGT2 IGT - Derivatives**
- **IGT3 IGT - Internal Reinsurance**
- **IGT4 IGT - Cost sharing, contingent liabilities, off BS items**
- **Risk Concentration**

# Additional Financial Stability Templates

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- **SCR - B2A\_B2C - Solvency Capital Requirement** 
  - Required quarterly for Financial Stability Purposes
- **Duration Liabilities** 
- **Lapses (Life Business)** 
- **Profit and Loss - Balance sheet P&L** 
- **Profit and Loss Sharing** 

# Reporting Timelines



Solo entity	Year 1	Year 2	Year 3	Year 4 +
Annual	20 weeks	18 weeks	16 weeks	14 weeks
Quarterly	8 weeks	7 weeks	6 weeks	5 weeks
Financial Stability	8 weeks	7 weeks	6 weeks	5 weeks

- **Group reporting**

- Annual and Quarterly deadlines extended by 6 weeks
- Financial Stability deadline extended by 1 week

- **Public disclosure**

- Templates will be shown in SFCR
- 20 weeks initially reducing to 14 weeks

# Next Steps for Companies

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- Detailed analysis of QRT requirements
  - available at <https://eiopa.europa.eu/>
- Mapping of QRT requirements against current systems
- Sourcing additional information (e.g. asset look through)
- Develop Variation Analysis calculation capability
- Automation of completion and upload of QRTs
- Testing of solution
- Monitor Solvency II developments

# Summary

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- QRTs will replace current CBI forms
- Financial Stability Reporting
- Some similarities with Solvency I
- More detailed information
  - Technical Provisions
  - Solvency Capital Requirement
  - Assets
  - Variation Analysis
- Similar timelines (including transition period)
- Next steps

# Questions?

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