



Society of Actuaries in Ireland

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# Pillar 3 reporting for Life Companies

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12 May 2016

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# Disclaimer

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**The views expressed in this presentation are those of the presenter(s) and not necessarily of the Society of Actuaries in Ireland or their employers.**

# Agenda

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- **Overview of Pillar 3 requirements**
- Day 1 Qualitative Reporting
- Day 1 and Q1 QRTs
- (Subset of) Annual QRTs
- SFCR and RSR
- Questions

# Overview of Pillar 3 requirements

Day 1 Reporting	Regular Reporting		Event driven reporting
	Quarterly Reporting	Annual Reporting	
<ul style="list-style-type: none"> <li>Quantitative forms (QRTS); and</li> <li>Qualitative reporting on differences between Solvency I and Solvency II figures.</li> <li>Board approval required.</li> </ul>	<ul style="list-style-type: none"> <li>Quantitative Forms (QRTs, NSTs, FSTs and ECB add-ons)</li> </ul>	<ul style="list-style-type: none"> <li>Quantitative Forms (QRTs, NSTs, FSTs and ECB add-ons)</li> <li>Qualitative Reports, with Solvency &amp; Financial Condition Report (SFCR) disclosed publicly and Regular Supervisory Report (RSR) disclosed privately to CBI.</li> <li>Board approval required.</li> </ul>	<ul style="list-style-type: none"> <li>Updated information required upon occurrence of predefined events or during enquiries to assess a situation. The predefined events are those that can lead to material changes to an insurer's risk profile.</li> </ul>

# Overview of Pillar 3 requirements

	Quantitative Templates	SFCR	RSR
<b>Frequency</b>	Annual/ Quarterly*	Annual	At least once in 3 years
<b>Deadlines for Annual Submission</b>	For Regular Reporting QRTs, 20 weeks for 2016, reducing by 2 weeks every year to 14 weeks. **		
<b>Deadlines for Quarterly Submissions</b>	8 weeks for 2016, reducing by 1 week every year to 5 weeks**.	N/A	N/A
<b>Format</b>	XBRL	Electronic copy via company website	Electronic copy
<b>Approval by Board</b>	For Annual templates only***	Yes	Yes
<b>Public Document</b>	Subset of templates are public	Yes	No
<b>External Audit</b>	Public consultation expected in May 2016, with view to finalising requirements in Sept 2016.		No

\* Some Quarterly templates are required for Q2/Q4 only.

\*\* Different timelines apply for Group and Financial Stability templates.

\*\*\* Quarterly templates only require management approval.

# Overview of Pillar 3 requirements

## Types of Quantitative Templates

### Prudential Reporting (Regular Reporting QRTs)

- Also known as Regular Reporting Quantitative Reporting Templates.
- Minimum of 80% market coverage required for quarterly reporting.

### Prudential Reporting (National Specific Templates)

- Additional information acquired by the CBI (and equivalent supervisors in other jurisdictions) for prudential reporting.
- Only applicable to life companies that have “High” prism rating in Ireland or companies writing VA business.

### Financial Stability Reporting (FSTs)

- Only applicable to firms with total assets exceeding 12bn.

### Statistical Reporting (ECB Add-ons)

- Additional Information required by ECB for statistical and monetary policy operations.
- Also referred to as URTs (unofficial reporting templates)
- Requires a minimum of 95% coverage for national markets.

### Statistical Reporting (National Specific Templates)

- Entire Solvency II reporting population

# Overview of Pillar 3 requirements

## Solo Reporting Templates

Template Category	Day 1 Reporting	Regular Reporting		FS Reporting	
		Quarterly Reporting *	Annual Reporting	Quarterly Reporting *	Annual Reporting
<i>General Information</i>	3	2	3	2	2
<i>Balance Sheet</i>	1	2	10	1	1
<i>Assets</i>	0	4	9	0	0
<i>Technical Provisions</i>	0	2	15	1	2
<i>Transitional Measures / LTGs</i>	0	0	4	0	0
<i>Own Funds</i>	1	1	5	0	0
<i>SCR</i>	3	0	11	1	0
<i>MCR</i>	2	2	2	0	0
<i>Variation Analysis</i>	0	0	4	0	0
<i>Reinsurance</i>	0	0	6	0	0
<i>Group (IGT)</i>	0	0	4	0	0
<i>Ring Fenced Funds</i>	0	0	17	0	0
<i>Special Purpose Vehicles</i>	0	0	6	0	0
<b>Total EIOPA Templates</b>	<b>10</b>	<b>13</b>	<b>96</b>	<b>5</b>	<b>5</b>
<b>Additional ECB Templates</b>	<b>0</b>	<b>4</b>	<b>6</b>	<b>0</b>	<b>0</b>
<b>National Specific Templates</b>	<b>0</b>	<b>11</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>Statistical National Specific Templates</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Templates</b>	<b>10</b>	<b>31</b>	<b>104</b>	<b>5</b>	<b>5</b>

\* Some quarterly templates are required for Q2 only.

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# Opening Qualitative Information

## EIOPA requirements for Day 1 Reporting

### Article 314 of Delegated Acts

- (Re)insurance companies required to submit the following quantitative and qualitative information:
  - an opening valuation of assets and liabilities;
  - separately for each material class of assets and liabilities, a qualitative explanation of the main differences between the figures reported in the opening valuation and those calculated according to the solvency regime previously in place;
  - opening MCR, SCR and eligible Own Funds;
- The reference date of the opening financial statement shall be the first day of the company's financial year starting on or after 1 January 2016 but before 1 July 2016;

### Guideline 39 of Guidelines on reporting and public disclosure

- A **qualitative** explanation of the main differences between the figures reported in the opening valuation using Solvency II valuation and those calculated according to the solvency regime previously in place.
- **This narrative information should follow the structure of the main classes of assets and liabilities as defined for the Solvency II balance-sheet.**

# Opening Qualitative Information

## EIOPA requirements for Day 1 Reporting

### S.02.01.s

#### Balance sheet

#### Assets

- Goodwill
- Deferred acquisition costs
- Intangible assets
- Deferred tax assets
- Pension benefit surplus
- Property, plant & equipment held for own use
- Investments (other than assets held for index-linked and unit-linked contracts)
  - Property (other than for own use)
  - Participations and related undertakings
- Equities
  - Equities - listed
  - Equities - unlisted
- Bonds
  - Government Bonds
  - Corporate Bonds
  - Structured notes
  - Collateralised securities
- Collective Investments Undertakings
- Derivatives
- .....
- .....
- .....
- .....

	Solvency II value	Solvency I
	C0010	C0030
<b>R0010</b>	<del>AS1</del>	AS1
<b>R0020</b>	<del>AS24</del>	AS24
<b>R0030</b>	A2	A2
<b>R0040</b>	A26	A26
<b>R0050</b>	A25B	A25B
<b>R0060</b>	A3	A3
<b>R0070</b>	A4	A4
<b>R0080</b>	A5	A5
<b>R0090</b>	A6	A6
<b>R0100</b>	A7B	A7B
<b>R0110</b>	A7	A7
<b>R0120</b>	A7A	A7A
<b>R0130</b>	A8E	A8E
<b>R0140</b>	A8	A8
<b>R0150</b>	A8A	A8A
<b>R0160</b>	A8C	A8C
<b>R0170</b>	A8D	A8D
<b>R0180</b>	A9	A9
<b>R0190</b>	A10A	A10A
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.....	.....	.....
.....	.....	.....
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# Opening Qualitative Information

## EIOPA requirements for Day 1 Reporting

- b) This reporting requirement is set in the Delegated Regulation. After additional input from stakeholders it was concluded that the burden would mainly be for those undertakings in jurisdictions where Solvency I is not in line with accounting principles. In addition, from an IT implementation perspective, it was also stressed that having, for only one submission, a requirement using a specific “data point” is seen as a disproportionate cost.
- c) Considering this, EIOPA has deleted the “Solvency 1” column from the day 1 reporting in the balance sheet template. This information will be received through another format, i.e.: as quantitative information in the narrative report due in relation to the first day of application of Solvency II. A guideline in the narrative reporting was added to clarify that the structure of the main classes of assets and liabilities, as defined for the Solvency II balance-sheet, should be followed when describing the qualitative explanation of the main differences between the figures reported in the opening valuation.



# Day 1 Quantitative Templates

## CBI combined reconciliation template for Day 1 Reporting

### Detailed walkthrough of TP changes

#### Solvency I TPs

Methodological Prudence

Contract Boundary

Assumptions: Lapse

Assumptions: Demographic

Assumptions: Economic

Assumptions: Discount Rate

Assumptions: Expenses

Risk Margin

Asset Revaluation

Matching Adjustment

Volatility Adjustment

Transitional measures

Other

#### Solvency II TPs

- Split by country
- Split by line of business
- Gross and net of reinsurance
- Significant number of model runs required (order matters!)
- Reconciliation back to Balance Sheet

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# Day 1 and Q1 Quantitative Templates

## General Information

- Content of the submission (S.01.01 and SE.01.01)
- Basic Information – General (S.01.02)

## Balance Sheet and related templates

- Balance sheet (S.02.01 and SE.02.01)
- Quarterly Aggregate Balance Sheet Statement (NST.12)
- Premiums, claims and expenses by line of business (S.05.01)
- Life Income Statement (NST.02)
- Irish Resident Branch Quarterly Aggregate Balance Sheet (SNST.01)

## Assets

- List of assets (S.06.02 and SE.06.02)
- Quarterly Aggregate Reporting of Security Holdings (NST 13)
- Collective investment undertakings - look-through approach (S.06.03)
- Open derivatives (S.08.01)
- Derivatives Transactions (S.08.02)
- Deposits to cedants (E.01.01)

# Day 1 and Q1 Quantitative Templates

## Variable annuity templates

- Variable Annuity P&L Attribution – Liability
- Variable Annuity P&L Attribution – Asset
- Variable Annuity P&L Attribution – Other
- Variable Annuity Stress Tests (**Q2 only**)



# Day 1 Quantitative Templates

## List of assets – S.06.02 and SE.06.02

SE.06.02.16

Variant of Solvency II template S.06.02.01 with ECB add-ons

Annual and Quarterly reporting, solo

List of assets

Table 1

Information on positions held

Asset ID Code	Asset ID Code type	Portfolio	Fund number	Matching portfolio number	Asset held in unit linked and index linked contracts	Asset pledged as collateral	Country of custody	Custodian	Quantity	Par amount	Write-offs/write-downs	Valuation method	Cont'd
C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	EC0141	C0150	
A4	A5	A1	A2		A3	A6	A12		A22		ECB add-on	A24	

Acquisition value

Total Solvency II amount

Accrued interest

C0160

A25

C0170

A26

C0180

A30

Table 2

Information on assets

Asset ID Code	Asset ID Code type	Item Title	Issuer Name	Issuer Code	Type of issuer code	Issuer Sector	Issuer Sector according to ESA 2010	Issuer Group	Issuer Group Code	Type of issuer group code	Issuer Country	Country of residence for collective investment undertakings	Cont'd
C0040	C0050	C0190	C0200	C0210	C0220	C0230	EC0231	C0240	C0250	C0260	C0270	EC0271	
A4	A5	A7	A8	A31	A33	A9	ECB add-on	A10	A32		A11	ECB add-on	

Currency	CIC	Instrument classification according to ESA 2010	Infrastructure investment	Holdings in related undertakings, including participations	External rating	Nominated ECAI	Credit quality step	Internal rating	Duration	Unit Solvency II price	Unit percentage of par amount Solvency II price	Issue date	Maturity date
C0280	C0290	EC0291	C0300	C0310	C0320	C0330	C0340	C0350	C0360	C0370	C0380	EC0381	C0390
A13	A15	ECB add-on		A16	A17	A18			A20	A23		ECB add-on	A28

# Day 1 Quantitative Templates

## Collective Investment Undertakings – S.06.03

<b>S.06.03.01.01</b>					
<b>Collective investment undertakings - look-through approach</b>					
Line identification	Collective Investments Undertaking ID Code	Underlying asset category	Country of issue	Currency	Total amount
C0100	C0010	C0030	C0040	C0050	C0060

- Column C0100 and C0010 will come from S.06.02
- Information on remaining columns to be sourced from asset managers or third parties.

# Day 1 Quantitative Templates

## Why perform look through?

### SCR calculation

- Calculate on look through basis
- Use prudent asset allocation
- Apply Type 2 Capital Charge

### Solvency II Prudent Person Principle (Article 132 of Solvency II Directive)

- ..... with respect to the whole portfolio of assets, **insurance and reinsurance undertakings shall only invest in assets and instruments whose risks the undertaking concerned can properly identify, measure, monitor, manage, control and report**, and appropriately take into account in the assessment of its overall solvency needs in accordance with point (a) of the second subparagraph of Article 45(1).

### Regulatory Reporting

- Reporting of S.06.03

# Day 1 Quantitative Templates

## CBI Solvency II (information note 9)

- Undertakings should make every effort to provide a full look through of their CIUs.
- If undertakings do not meet expectations of regulations:
  - Complete template using best available data;
  - Provide narrative submission covering problems experienced regarding completion of template, proportion of total investments affected, and approach taken for Q1; and
  - Proposal to address issues in Q2.



# Line of Business

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Four lines of business applicable to life companies:

- Insurance with profit participation
- Index-linked and unit-linked insurance
- Health insurance
- Other life insurance

“Unbundle the obligations into the appropriate lines of business where possible”



# S.12.01: Life & Health SLT Technical Provisions

## Index-linked and unit-linked insurance

Contracts without options and guarantees      Contracts with options or guarantees

### Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole


### Technical provisions calculated as a sum of BE and RM

#### Gross Best Estimate

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Best estimate minus recoverables from reinsurance/SPV and Finite Re - total

#### Risk Margin


### Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best Estimate

Risk Margin


### Technical provisions - total

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# S.28.01: Minimum Capital Requirement

## MCRL Result

- Obligations with profit participation - guaranteed benefits
- Obligations with profit participation - future discretionary benefits
- Index-linked and unit-linked insurance obligations
- Other life (re)insurance and health (re)insurance obligations
- Total capital at risk for all life (re)insurance obligations

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk

## Minimum Capital Requirement - Non-Composite

### Overall MCR calculation

Linear MCR	
SCR	
MCR cap	
MCR floor	
Combined MCR	
Absolute floor of the MCR	

## Minimum Capital Requirement





# Financial Stability QRT's

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## S.25.04 – Solvency Capital Requirement

- Solvency capital requirement
- Minimum capital requirement

## S.39.01 – Profit and Loss

- Local statutory Profit and Loss figure

## S.41.01 – Lapses

- Lapse/surrender rate % based on contract count
- Lapse/surrender rate % based on technical provisions

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# S.12.01: Life & Health Technical Provisions

## Index-linked and unit-linked insurance

Contracts without options and guarantees      Contracts with options or guarantees

**Best Estimate of products with a surrender option**

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**Gross BE for Cash flow**

**Cash out-flows**

Future guaranteed and discretionary benefits

Future guaranteed benefits

Future discretionary benefits

Future expenses and other cash out-flows


**Cash in-flows**

Future premiums

Other cash in-flows


**Percentage of gross Best Estimate calculated using approximations**

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**Surrender Value**

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**Best estimate subject to transitional of the interest rate**

Technical provisions without transitional on interest rate

**Best estimate subject to volatility adjustment**

Technical provisions without volatility adjustment and without others transitional measures

**Best estimate subject to matching adjustment**

Technical provisions without matching adjustment and without all the others




# S.12.02: Life & Health TPs (By Country)

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## Geographical zone

Home country

EEA countries outside the materiality threshold - not reported by country

Non-EEA countries outside the materiality threshold - not reported by country

## By country

Italy

Spain

Germany

Index-linked and unit-linked insurance


IT	
SP	
DE	





# S.14.01: Life Obligations Analysis

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## Portfolio

Product ID code	Fund number	Line of Business	Number of contracts at the end of the year	Number of new contracts during year	Total amount of written premiums	Total amount of claims paid during year	Country

## Characteristics of product

Product ID code	Product classification	Type of product	Product denomination	Product still commercialised?	Type of premium	Use of financial instrument for replication?	Number of HRGs in products

## Information on Homogeneous risk groups

HRG code	Best Estimate	Capital-at-risk	Surrender value	Annualised guaranteed rate

## Information on products and homogeneous risk groups

Product ID code	HRG code





# Additional SCR QRT's

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The summary SCR QRT (S.25.01) is analysed further in the following templates:

- S.26.01: SCR – Market Risk
- S.26.02: SCR – Counterparty Default Risk
- S.26.03: SCR – Life Underwriting Risk
- S.26.04: SCR – Health Underwriting Risk
- S.26.06: SCR – Operational Risk





# S.26.01: SCR – Market Risk

## Initial absolute values before shock

## Absolute values after shock

### Market risk - Basic information

Interest rate risk  
 interest rate down shock  
 interest rate up shock  
 Equity risk  
 type 1 equities  
 type 1 equity  
 strategic participations (type 1 equities)  
 duration-based (type 1 equities)  
 type 2 equities  
 type 2 equity  
 strategic participations (type 2 equities)  
 duration-based (type 2 equities)  
 Property risk  
 Spread risk  
 bonds and loans  
 credit derivatives  
 downward shock on credit derivatives  
 upward shock on credit derivatives  
 Securitisation positions  
   type 1 securitisations  
   type 2 securitisations  
   resecuritisations  
 Market risk concentrations  
 Currency risk  
   increase in the value of the foreign currency  
   decrease in the value of the foreign currency  
 Diversification within market risk module  
**Total market risk**

	Initial absolute values before shock		Absolute values after shock				
	Assets	Liabilities	Assets	Liabilities (after the loss absorbing capacity of technical provisions)	Net solvency capital requirement	Liabilities (before the loss-absorbing capacity of technical provisions)	Gross solvency capital requirement
Interest rate risk							
interest rate down shock							
interest rate up shock							
Equity risk							
type 1 equities							
type 1 equity							
strategic participations (type 1 equities)							
duration-based (type 1 equities)							
type 2 equities							
type 2 equity							
strategic participations (type 2 equities)							
duration-based (type 2 equities)							
Property risk							
Spread risk							
bonds and loans							
credit derivatives							
downward shock on credit derivatives							
upward shock on credit derivatives							
Securitisation positions							
type 1 securitisations							
type 2 securitisations							
resecuritisations							
Market risk concentrations							
Currency risk							
increase in the value of the foreign currency							
decrease in the value of the foreign currency							
Diversification within market risk module							
<b>Total market risk</b>							



# S.30.03: Outgoing Reinsurance Program (Basic)

Reinsurance program code	Treaty identification code	Progressive section number in treaty	Progressive number of surplus/ layer in program	Quantity of surplus/ layers in program	Finite reinsurance or similar arrangements	Line of business	Description risk category covered	Type of reinsurance treaty	Inclusion of catastrophic reinsurance cover	Validity period (start date)	(cont.)

Validity period (expiry date)	Currency	Type of underwriting model	Estimated Subject Premium income (XL-ESPI)	Gross Estimated Treaty Premium Income	Aggregate deductibles (amount)	Aggregate deductibles (%)	Retention or priority (amount)	Retention or priority (%)	Limit (amount)	Limit (%)	(cont.)

Maximum cover per risk or event	Maximum cover per treaty	Number of reinstatements	Descriptions of reinstatements	Maximum reinsurance commission	Minimum reinsurance commission	Expected reinsurance commission	Maximum overriding commission	Minimum overriding commission	Expected overriding commission	Maximum profit commission	(cont.)

Minimum profit commission	Expected profit commission	XL rate 1	XL rate 2	XL premium flat



# S.30.04: Outgoing Reinsurance Program (Shares)

Reinsurance program code	Treaty identification code	Progressive section number in treaty	Progressive number of surplus/ layer in program	Code reinsurer	Type of code reinsurer	Code broker	Type of code broker	Activity code broker	Share reinsurer (%)	(cont.)

Exposure ceded for reinsurer's share (amount)	Type of collateral (if applicable)	Description of the reinsurers limit collateralised	Code collateral provider (if applicable)	Type of code of collateral provider	Estimated outgoing reinsurance premium	Annotations

## Information on reinsurers and brokers

Code reinsurer	Type of code reinsurer	Legal name reinsurer	Type of reinsurer	Country of residency	External rating assessment by nominated ECAI	Nominated ECAI	Credit quality step	Internal rating

Code broker	Type of code broker	Legal name broker

Code collateral provider (if applicable)	Type of code collateral provider (if applicable)	Collateral provider name (if applicable)





# Additional Reinsurance QRT's

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S.30.01 – Facultative Cover (Basic)

S.30.02 – Facultative Cover (Shares)

S.31.02 – Special Purpose Vehicles



# Analysis of Change QRT's

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Four QRT's to populate:

- S.29.01 – Analysis of Variation of Excess of Assets over Liabilities
- S.29.02 – Analysis of changes due to investments and financial liabilities
- S.29.03 – Analysis of changes due to technical provisions
- S.29.04 – Technical flows versus Technical provisions

Not due until May 2018!

*<https://eiopa.europa.eu/regulation-supervision/q-a-on-regulation>*

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# SFCR and RSR

## A. Business and Performance

- A.1 Business
- A.2 Underwriting Performance
- A.3 Investment Performance
- A.4 Performance of other activities
- A.5 Any other information

## B. System of Governance

- B.1 General information on the system of governance
- B.2 Fit and proper requirements
- B.3 Risk management system including the own risk and solvency assessment
- B.4 Internal control system
- B.5 Internal audit function
- B.6 Actuarial function
- B.7 Outsourcing
- B.8 Any other information

## C. Risk Profile

- C.1 Underwriting risk
- C.2 Market risk
- C.3 Credit risk
- C.4 Liquidity risk
- C.5 Operational risk
- C.6 Other material risks
- C.7 Any other information

## D. Valuation for Solvency Purposes

- D.1 Assets
- D.2 Technical provisions
- D.3 Other liabilities
- D.4 Alternative methods for valuation
- D.5 Any other information

## E. Capital Management

- E.1 Own funds
- E.2 Solvency Capital Requirement and Minimum Capital Requirement
- E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement
- E.4 Differences between the standard formula and any internal model used
- E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement
- E.6 Any other information

## Annex of QRTs

Annex of QRTs for SFCR





# SFCR and RSR

## Sources of requirements

### SFCR (Solvency and Financial Condition Report)

- Articles 292 – 297 of the Delegated Act.
- Guidelines 1-13 of the “Guidelines on reporting and public disclosure\*”.

### RSR (Regular Supervisory Report)

- Articles 307 – 311 of the Delegated Act.
- Guidelines 16-25 of the “Guidelines on reporting and public disclosure\*”.

### Structure of the SFCR/RSR

- Annex XX of the Delegated Acts.

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- Day 1 and Q1 QRTs
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- **Questions**