



Society of Actuaries in Ireland

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# **Solvency II – Introduction to Pillar 3**

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Friday 20<sup>th</sup> May 2016

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# Disclaimer

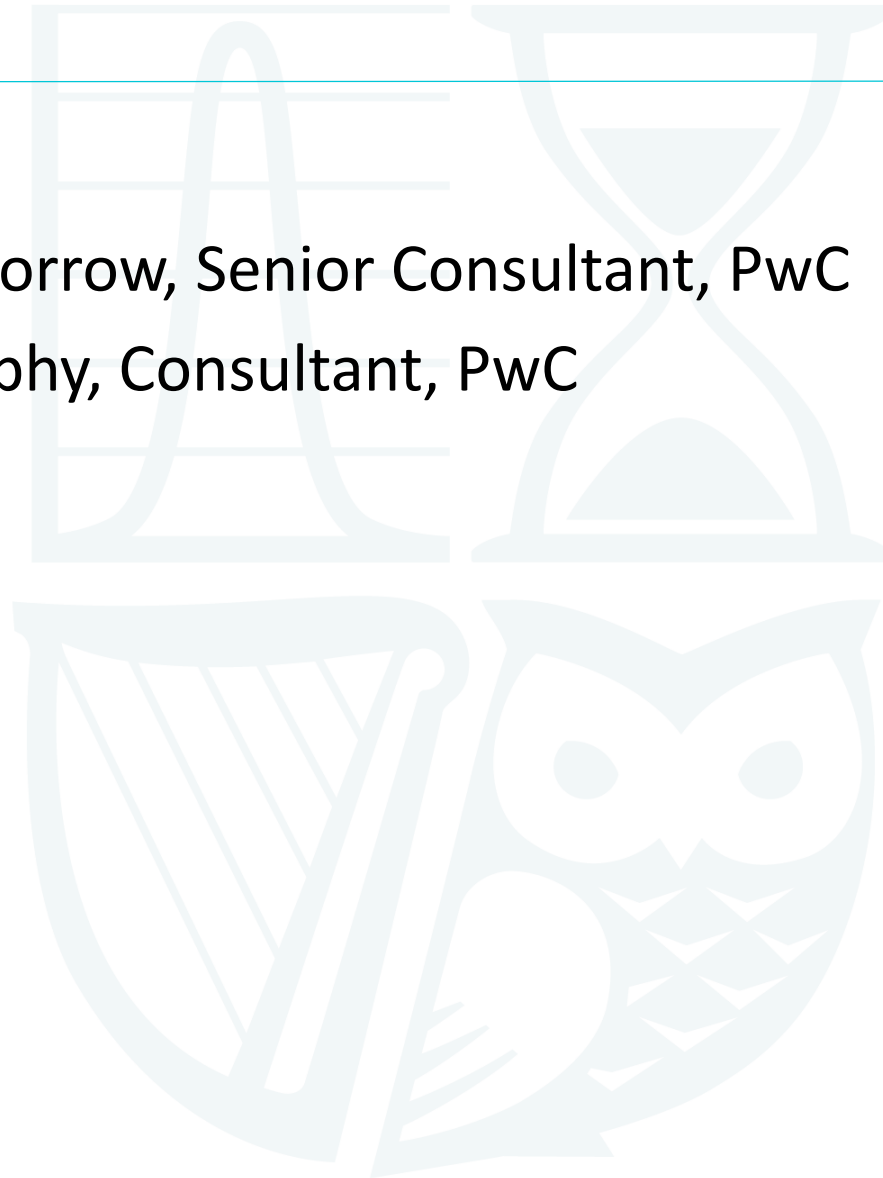
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**The views expressed in this presentation are those of the presenter(s) and not necessarily of the Society of Actuaries in Ireland**

# Introduction

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# Agenda

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- Overview of Reporting Requirements under Pillar 3
- Quantitative Reporting:
  - EIOPA's Quantitative Reporting Templates (QRTs)
  - Financial Stability Templates
  - CBI's National Specific Templates (NSTs)
  - Challenges of look-through requirements
- Qualitative Reporting:
  - Solvency and Financial Condition Report (SFCR) and Regular Supervisory Report (RSR)



# Overview of Reporting Requirements

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## 1) Solvency and Financial Condition Report (SFCR)

Includes details of the technical provisions (from Pillar 1) and also the governance and risk management practices (from Pillar 2) - public

## 2) Regular Supervisory Report (RSR)

Contains all information within the SFCR but also includes additional, more sensitive (non-public) information required by the regulator to provide a much more detailed picture

## 3) Quantitative Reporting Templates (QRT)

More detailed and supplementary quantitative information than that contained in the SFCR and RSR

## 4) Own Risk and Solvency Assessment report (ORSA report)

Self-assessment of the firm's own risk profile and solvency requirements explaining how the assessment has been made, e.g. how capital needs change under different scenarios

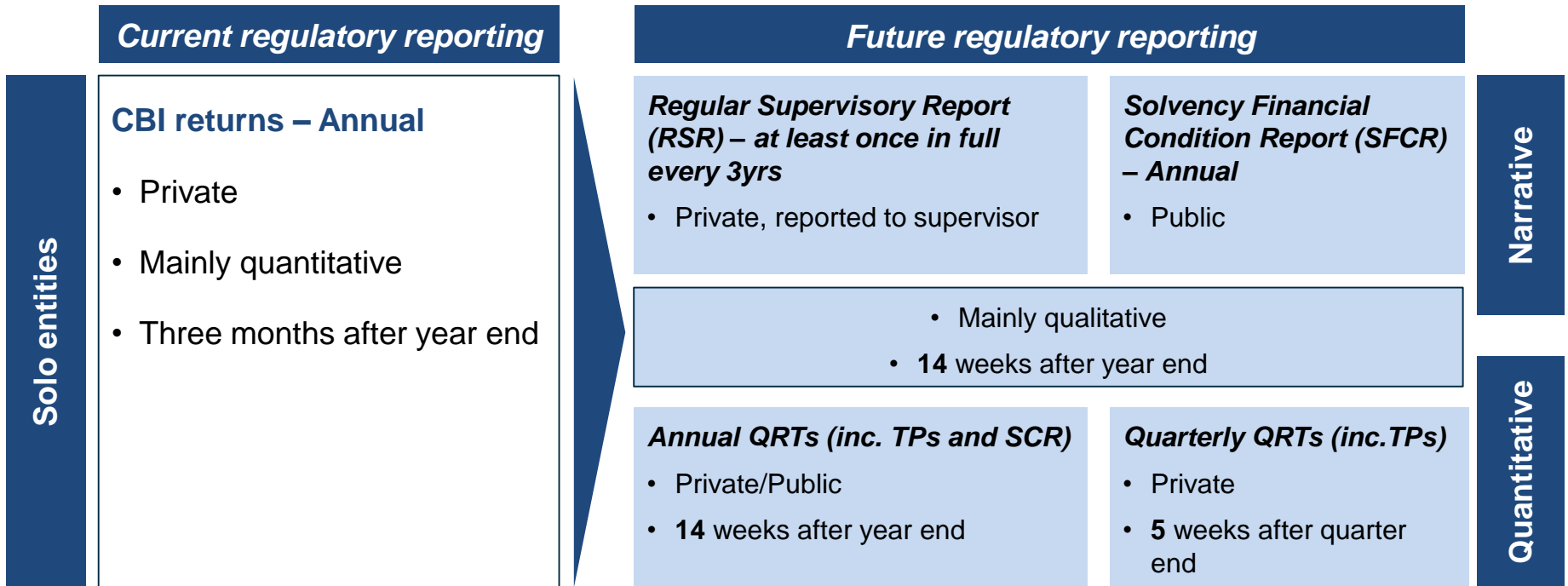
## 5) Ad hoc reporting

For example, in the event of a breach to the SCR or a significant change in risk profile



# Overview of Reporting Requirements under Pillar 3

- Solvency II introduces quarterly reporting and increased qualitative disclosure.



- Groups: An additional 6 weeks both at quarter and year end.
- Group and companies with continually changing structures and strategies may need to prepare a group **RSR** more frequently than once every three years.
- The above timelines phased in over 2016-2020



# Quantitative Reporting Requirements

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- Overview of quantitative reporting requirements
- Quantitative reporting timelines
- Key QRTs relevant to the balance sheet
- Key QRTs relevant to the SCR
- Key QRTs relevant to the TPs
- QRTs – some key challenges for (re)insurers



# Overview of Quantitative Reporting Requirements

Component	Number of templates	What is included?
<b>EIOPA designated QRTs</b>	80	<ul style="list-style-type: none"><li>• Applicable QRTs for an undertaking will depend on nature of business, e.g. life / non-life, mix of assets, use of MA</li></ul>
<b>Financial stability (FS) QRTs</b>	9	<ul style="list-style-type: none"><li>• Only applicable to solo entities or groups with assets &gt; €12bn</li><li>• Extra information included on duration of technical provisions, P&amp;L, discretionary benefits and lapses</li></ul>
<b>ECB add-ons</b>	5	<ul style="list-style-type: none"><li>• Extra fields added to Balance sheet and List of Assets QRTs</li><li>• 3 new QRTs covering deposits to cedants, pension entitlements and non-life reinsurance policies split by country</li></ul>
<b>National Specific Templates (NSTs)</b>	14	<ul style="list-style-type: none"><li>• Applicability varies, e.g. by life and non-life, PRISM rating</li><li>• NSTs include income statement, quarterly balance sheet, non-life specific and variable annuity specific information</li></ul>





# Overview of Quantitative Reporting Requirements

## Key messages

- Not all QRTs relevant to each undertaking
- Applicability varies by:
  - solo, group, 3<sup>rd</sup> country branch
  - nature of undertaking (e.g. asset mix, life, non-life, products written)
  - scale (FS reporting)
  - PRISM rating (NSTs)
- Significant increase in volume and granularity of quantitative information under SII (compared to Solvency I)
- Scope for greater understanding of an undertaking, its exposures and its risk profile



# Quantitative Reporting Timelines

Reporting	Deadline	What is included?
<b>Day 1</b>	Within 20 weeks of year end 2015*	<ul style="list-style-type: none"><li>• One off reporting requirement on transition to SII</li><li>• Subset of EIOPA QRTs, e.g. Balance sheet, Own Funds, MCR and SCR</li></ul>
<b>Quarterly</b>	Within 8 weeks of quarter end 2016**	<ul style="list-style-type: none"><li>• EIOPA QRTs include balance sheet, own funds, TPs, SCR, assets, derivatives and look through</li><li>• 3 ECB add-ons and 1 FS QRT (where applicable)</li><li>• All NSTs (where applicable to an undertaking)</li></ul>
<b>Annual</b>	Within 20 weeks of year end 2016**	<ul style="list-style-type: none"><li>• Full set of EIOPA QRTs</li><li>• Additional FS and ECB add-ons</li><li>• Subset of NSTs (where applicable to an undertaking)</li></ul>

\* Where applicable

\*\* These timescales reduce in future years (reducing to 5 weeks and 14 weeks by 2019 for quarterly and annual submissions, respectively)



# Key QRTs relevant to the balance sheet

Area	QRT	Name
Assets	S.06.02	List of assets
	S.06.03	Collective investment schemes
	S.08.01	Open Derivatives
Off Balance sheet items	S.03.01	Off-balance sheet items – general
	S.08.02	Off-balance sheet items – list of guarantees received
	S.09.01	Off-balance sheet items – list of unlimited guarantees provided
Technical Provisions	S.12.01	Life and Health SLT Technical Provisions
	S.17.01	Non-life Technical Provisions
Variation analysis	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
Other	S.23.01	Own Funds
	S.24.01	Participations held



# Key QRTs relevant to the balance sheet

<b>Assets</b>	<ul style="list-style-type: none"><li>• All assets held by the insurer attributable to both shareholders and policyholders</li><li>• Individual asset holdings in collective investment schemes</li><li>• Derivative holdings as at the valuation date</li><li>• Derivative transactions over the previous reporting period</li></ul>
<b>Off Balance sheet items</b>	
<b>Technical Provisions</b>	
<b>Variation analysis</b>	
<b>Other</b>	

<b>Key messages</b>	<p>QRT information enables better understanding of assets held by an undertaking, e.g.</p> <ul style="list-style-type: none"><li>• Exposures, concentrations, consistency with stated investment and hedging strategy</li></ul>
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# Challenges of look-through requirements

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- S.06.03 requires detailed individual asset information of collective investment schemes
- Significant increase in level of data required from asset managers and custodians
- Reporting timelines are challenging
- Wider impacts than just financial reporting
- CBI position paper on look-through



# Key QRTs relevant to the balance sheet

Assets	<ul style="list-style-type: none"><li>• Contingent liabilities that are not on the SII balance sheet</li><li>• All collateral that the entity holds and collateral it has pledged to other undertakings</li><li>• Guarantees that the entity has both provided and received</li><li>• Detailed information on guarantees includes:<ul style="list-style-type: none"><li>– The amount of the guarantee</li><li>– Who provided the guarantee</li><li>– What would trigger the guarantee</li></ul></li></ul>
Off Balance sheet items	
Technical Provisions	
Variation analysis	
Other	
<b>Key messages</b>	Provides detail to understand quality and quantity of off balance sheet items



# Key QRTs relevant to the balance sheet

Assets	<ul style="list-style-type: none"><li>• The split of the following items across SII product classes for each insurance segment:<ul style="list-style-type: none"><li>– Technical provisions</li><li>– The risk margin</li><li>– Reinsurance</li></ul></li><li>• A split of technical provisions into component cash flows</li><li>• The surrender value of contracts (life insurance only)</li><li>• The impact of the volatility adjustment and transitional measures</li></ul>
Off Balance sheet items	
Technical Provisions	
Variation analysis	
Other	
<b>Key messages</b>	<ul style="list-style-type: none"><li>• Provides analysis of technical provisions components across product segments</li><li>• Includes projection of component cash flows</li></ul>



# Key QRTs relevant to the balance sheet

<b>Assets</b>	<p>A comprehensive step-through of excess assets over liabilities over the reporting period includes variation in:</p> <ul style="list-style-type: none"><li>– Each basic own fund item</li><li>– The reconciliation reserve</li><li>– Investments and Financial liabilities</li><li>– Technical provisions</li><li>– The impact of income tax and dividend distribution during the reporting period is also shown</li></ul>
<b>Off Balance sheet items</b>	
<b>Technical Provisions</b>	
<b>Variation analysis</b>	
<b>Other</b>	
<b>Key messages</b>	<p>Key QRTs for understanding movements in the period, e.g.</p> <ul style="list-style-type: none"><li>• changes in capital / financing structure</li><li>• experience variance (claims, expenses)</li><li>• impact of new business</li></ul>





# Key QRTs relevant to the balance sheet

Assets	<p><b>Own funds</b></p> <ul style="list-style-type: none"><li>Line by line split of basic own funds, ancillary own funds and the reconciliation reserve</li><li>Expected profits in future premiums</li><li>All items are allocated to Tier 1, Tier 2 and Tier 3 own funds</li></ul> <p><b>Participations</b></p> <ul style="list-style-type: none"><li>List of all participations split into strategic and non-strategic along with financial institutions and non-financial institutions</li><li>Classified as type 1 or type 2 equity</li></ul>
Off Balance sheet items	
Technical Provisions	
Variation analysis	
Other	

<b>Key messages</b>	<ul style="list-style-type: none"><li>Provides detail on source of all Tier 1,2 and 3 own funds and how these are used to support the MCR and SCR</li><li>Provides a breakdown of all participations along with how they are classified</li></ul>
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# Key QRTs relevant to the SCR

Area	QRT	Name
SCR Summary	S.25.01	SCR – for undertakings on Standard Formula
	S.25.02	SCR – for undertakings using the standard formula and partial internal model
	S.25.03	SCR – for undertakings on full internal model
Individual risks	S.26.01	SCR – Market risk
	S.26.02	SCR – Counterparty default risk
	S.26.03	SCR – Life underwriting risk
	S.26.04	SCR – Non-life underwriting risk
	S.26.05	SCR – Health underwriting risk
	S.26.06	SCR – Operational risk
	S.26.07	SCR – Simplifications
	S.27.01	SCR – Non-life and health NSLT catastrophe
MCR	S.28.01	MCR – Only life or only non-life (re)insurance
	S.28.02	MCR – Both life and non-life insurance



# Key QRTs relevant to the SCR

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<b>SCR Summary</b>	<ul style="list-style-type: none"><li>• These QRTs are required for opening reporting and on a quarterly basis</li><li>• Gross and net SCR figures are available for all components of the basic SCR</li><li>• Further information available on loss absorbency of deferred tax and technical provisions</li><li>• Information also available on ring fenced funds and matching adjustment portfolios</li></ul>
<b>Individual risks</b>	
<b>MCR</b>	
<b>Key messages</b>	The summary SCR QRTs provide a high-level overview of the SCR and will be available from day one (and each quarter)



# Key QRTs relevant to the SCR

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## SCR Summary

- These QRTs are required on an annual basis so the first version will be available in 2017 based on year-end 2016

## Individual risks

- Impact of each stress on assets and liabilities is shown
- Life and market risk impacts are shown before and after the impact of loss absorbency of technical provisions
- Non-life risk impacts shown before and after the impact of reinsurance
- Information on simplifications used is also available

## MCR

## Key messages

- Information must be published on individual sub-risks annually
- Data is very granular (e.g. the impact of lapse up and down as well as interest rate up and down are disclosed)



# Key QRTs relevant to the SCR

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SCR Summary

- These QRTs are required for opening reporting and on a quarterly basis
- The linear MCR, the SCR cap and floor values are all presented along with the final MCR

Individual risks

MCR

**Key messages**

The summary MCR QRTs provide an overview of the MCR and will be available from day one (and each quarter)



# Key QRTs relevant to Life and Health SLT TPs

	QRT	Name
	S.12.01	Life and Health SLT TPs
	S.12.02	Life and Health SLT TPs – by country
	S.13.01	Projection of future gross cash flows
	S.14.01	Life obligation analysis
	S.15.01	Description of the guarantees of variable annuities
	S.15.02	Hedging of guarantees of variable annuities
	S.16.01	Information on annuities stemming from Non-Life Insurance obligations
	S.22.01	Impact of long term guarantees and transitional measures
	S.22.02	Projection of future cash flows (Best Estimate – Matching portfolios)
	S.22.03	Information on the matching adjustment calculation
	S.22.04	Information on the transitional on interest rates calculation
	S.22.05	Overall calculation of the transitional on technical provisions
	S.22.06	Best estimate subject to volatility adjustment by country and currency
	S.29.03	Analysis of Change due to Technical Provisions



# S.12.01 Life and Health SLT TP

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- This template provides an analysis of **life** and **health SLT** technical provisions **by type** of contract (e.g. with profits, linked, other).
- The information is **split** between the **best estimate** and the **risk margin** (with technical provision calculated **as a whole** separately reported).
- The **annual** template provides more **detailed sub-analyses**.

## Key messages

- **Facilitates consistency checks (e.g. across QRTs, period on period, gross vs net of reinsurance)**
- **Provides more granular understanding of TPs by segment**



## S.13.01 Projection of future gross cash flows

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- Provides **analysis of cash flows by line of business** by year over the next **30 years**, by decade up to **50 years** and in total thereafter.

### Key messages

**Profile and length of projected cashflows aids understanding of exposures (e.g. impact of discounting, future premiums and persistency) and reasonableness of component cashflows**





## S.29.03 Analysis of changes due to technical provisions

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- This template analyses the **changes** in **own funds** relating to technical provisions.
- A detailed **breakdown** into different **sources** is required in respect of the gross best estimate and analysis is required of technical flows affecting technical provisions (premiums, claims, etc.)

### Key messages

**Key QRT for understanding movements in the period (e.g. experience variance (claims, expenses), impact of new business)**



# Other QRTs - Life and Health SLT TPs

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<b>QRT</b>	<b>Description</b>
S.14.01 Life Obligation Analysis	This template aims at giving an understanding of life business characteristics at a product level and homogenous risk groups
S.15.01 Description of the guarantees of variable annuities	This template aims at giving an overview of Variable Annuities (VA) with a description of guarantees by product
S.15.02 Hedging of guarantees of variable annuities	This template aims at giving an overview of hedging techniques used for VA products
S.16.01 Information on annuities stemming from Non-Life Insurance obligations	This template provides an overview of non-life annuities stemming from non-life claims at a line of business level



# Other QRTs - Life and Health SLT TPs

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QRT	Description
S.22.01 Impact of long term guarantees and transitional measures	Analyses the impact of the long term guarantee and transitional measures on technical provisions, basic own funds, own funds eligible to meet the SCR by tier, and the SCR.
S.22.02 Projection of future cash flows (Best Estimate – Matching portfolios)	Provides a projection of cash flows and analysis of mismatch during the reporting period for each matching adjustment portfolio
S.22.03 Information on the matching adjustment calculation	Provides information on the calculations supporting the matching adjustment, by matching adjustment portfolio



# Other QRTs - Life and Health SLT TPs

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<b>QRT</b>	<b>Description</b>
S.22.04 Information on the transitional on interest rates calculation	Provides information on the calculation of the transitional arrangements on interest rates, by currency for which the adjustment is calculated.
S.22.05 Overall calculation of the transitional on technical provisions	Provides the information on the calculation of the transitional adjustment on technical provisions
S.22.06 Best estimate subject to volatility adjustment by country and currency	Provides information on the best estimate subject to volatility adjustments by country and currency



# Key QRTs relevant to Non-Life and Health NSLT TPs

QRT (EIOPA)		Corresponding NST (if applicable)
S.17.01	Non-Life Technical Provisions – Quarterly & Annual	NST.03 - Detailed Split by LOB and Distribution Channel
S.17.02	Non-Life Technical Provisions – by country	NST.04 - Detailed Split by LOB and Country
S.18.01	Projection of future cash flows (Best Estimate - Non-life)	NST.05 – Detailed split by Claims type
S.19.01	Non-life Insurance Claims Information	NST.06 - Detailed Split by Distribution Channel and claims type
S.20.01	Movements of RBNS claims	N/A
S.21.01	Loss distribution profile non-life	N/A
S.29.03	Analysis of changes in BOF due to Technical Provisions	N/A
S.29.04	Detailed analysis per period - Technical flows versus Technical Provisions	N/A



# S.17.01 Non-Life Technical Provisions

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S.17.01

- Provides an analysis of technical provisions by line of business
- Information is split between the best estimate and the risk margin
- (Re)insurers are required to submit both annual (S.17.01.01) and quarterly templates (S.17.01.02)
- The annual template provides more detailed sub-analyses
  - Direct/ Accepted Proportional/ Accepted Non-Proportional
  - Recoverables from reinsurance
- **NST .03** : Provides a Detailed Split by LOB and Distribution Channel
  - Distribution Channel: Direct and All intermediated including Broker
  - LoB: Motor Vehicle split into Private Motor and Commercial Motor, Liability is split into Employers Liability and Public Liability

S.17.02

S.18.01

S.19.01

S.20.01

S.21.01

S.29.03 &  
S.29.04



## S.17.02 Non-Life Technical Provisions - by country

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S.17.01

- Provides an analysis of technical provisions by line of business and by country (for direct business only)

S.17.02

- This is an annual template
- Completion thresholds apply - Information on technical provisions by country is only required to achieve a 90% coverage.

S.18.01

S.19.01

- **NST .04** : Provides a Detailed Split by LOB and Distribution Channel
  - Distribution Channel: Direct and All intermediated including Broker
  - LoB: Motor Vehicle split Private Motor and Commercial Motor, Liability split Employers Liability and Public Liability

S.20.01

S.21.01

S.29.03 &  
S.29.04



## S.18.01 Projection of future cash flows (Best Estimate - Non-life)

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S.17.01

- Gives an overview of the future cash flows by year expected to be required to settle the insurance obligations.

S.17.02

- Cash flows are analysed by year over the next 30 years and in total thereafter.

S.18.01

- **NST .05** : Provides a more detailed Split by LOB, Claim Type and Distribution Channel
  - **LoB**: Motor Vehicle split Private Motor and Commercial Motor, Liability split Employers Liability and Public Liability ( PL to include Professional Indemnity and Products Liability)
  - **Claim Type**:
    - Motor – BI , PD and Latent Claims
    - EL and PL – Latent claims separated out
  - **Distribution Channel**: Direct and Intermediated

S.19.01

S.20.01

S.21.01

S.29.03 &  
S.29.04





# S.19.01 - Non-life Insurance Claims Information

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S.17.01

- Provides development triangles for each line of business and material currency for:

S.17.02

- claims paid;
- the undiscounted best estimate of claims outstanding; and
- claims reported but not settled (RBNS).

S.18.01

- There is separate reporting of gross amounts; reinsurance recoveries and net amounts.

S.19.01

- Undertakings are required to report run-off triangles with a default length of 15 years.

S.20.01

S.21.01

- **NST .06** : Detailed Split by Distribution Channel and claims type

S.29.03 &  
S.29.04

- Motor : Private/ Commercial, PD/BI
- Liability : EL/ PL (including Professional Indemnity and Products)



## S.20.01 - Movements of RBNS claims

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S.17.01

- Shows the development of the distribution of the claims incurred

S.17.02

- For each line of business, this template provides an analysis of the year on year movement in the value and number of RBNS claims

S.18.01

S.19.01

**S.20.01**

S.21.01

S.29.03 &  
S.29.04



# S.21.01 - Loss distribution profile non-life

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S.17.01

S.17.02

S.18.01

S.19.01

S.20.01

**S.21.01**

S.29.03 &  
S.29.04

- Analyses the number and value of claims incurred at the end of the current and previous 14 accident or underwriting years in predefined brackets.



## S.29.03 Analysis of changes in BOF due to TPs

## S.29.04 Detailed analysis per period - Technical flows versus TPs

S.17.01

- Analyses changes in own funds relating to technical provisions
- Requires a breakdown into different sources of the variation of the gross best estimate, examples:

S.17.02

- Due to unwinding of the discount rate
- Due to experience and other sources

S.18.01

- Requires an analysis of technical flows affecting technical provisions

S.19.01

- Premiums
- Claims and benefits
- Expenses
- Flows relating to reinsurance

S.20.01

S.21.01

S.29.03 &  
S.29.04

- **S.29.04** provides further analysis differentiating between risks accepted/covered during, prior and after (accident year only) the reporting period.



# QRTs – some key challenges for (re)insurers

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1 Interpreting QRT requirements, e.g. what data should be included in each field

2 Obtaining all required data, in particular, achieving asset look-through

3 Volume of data and tighter reporting timelines (compared with SI)

4 Consistency of data provided in various templates and with other sources (capital model vs reserving vs QRTs, Solo vs Group)

5 Governance and internal controls – issue is complicated where outsourcing arrangement are in place



# QRTs - Key learning points

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*Significant  
increase in  
information  
available*

- Applicable QRTs depend on size, structure and business written by an undertaking
- Significant increase in volume and granularity of quantitative information under SII (compared to Solvency I)

*Challenging  
for  
insurers*

- Challenges include interpreting requirements, obtaining new data, data volumes and reporting timelines – all impacting on need for appropriate governance and internal controls

*Potential for  
better  
understanding*

- Scope for greater understanding of an undertaking, its exposures and its risk profile



# Narrative Reporting: Overview

- Pillar 3 qualitative reporting should tell the story around the numbers, including insights into the **governance**, the **significance of the risk** and **capital evaluations** for the management of the business and why they may deviate from statutory reporting.

## *Narrative reporting under Pillar 3*

### ***Regular Supervisory Report –***

#### ***At least once in full every 3 years***

- Private, reported to supervisor
- All information necessary for the purposes of supervision

### ***Solvency Financial Condition Report –***

#### ***Annual***

- Publicly disclosed information

- Mainly qualitative
- Due **14** weeks after year end

Article 310 of Delegated Acts:

#### ***“Valuation for solvency purposes***

1. The ***regular supervisory report*** shall include any important information, other than that already ***disclosed in the solvency and financial condition report*** of the insurance or reinsurance undertaking, regarding the valuation of its assets, technical provisions and other liabilities for solvency purposes.”



# Narrative Reporting: SFCR vs RSR

- The reports will differ in terms of level of detail required and the likely audience for each

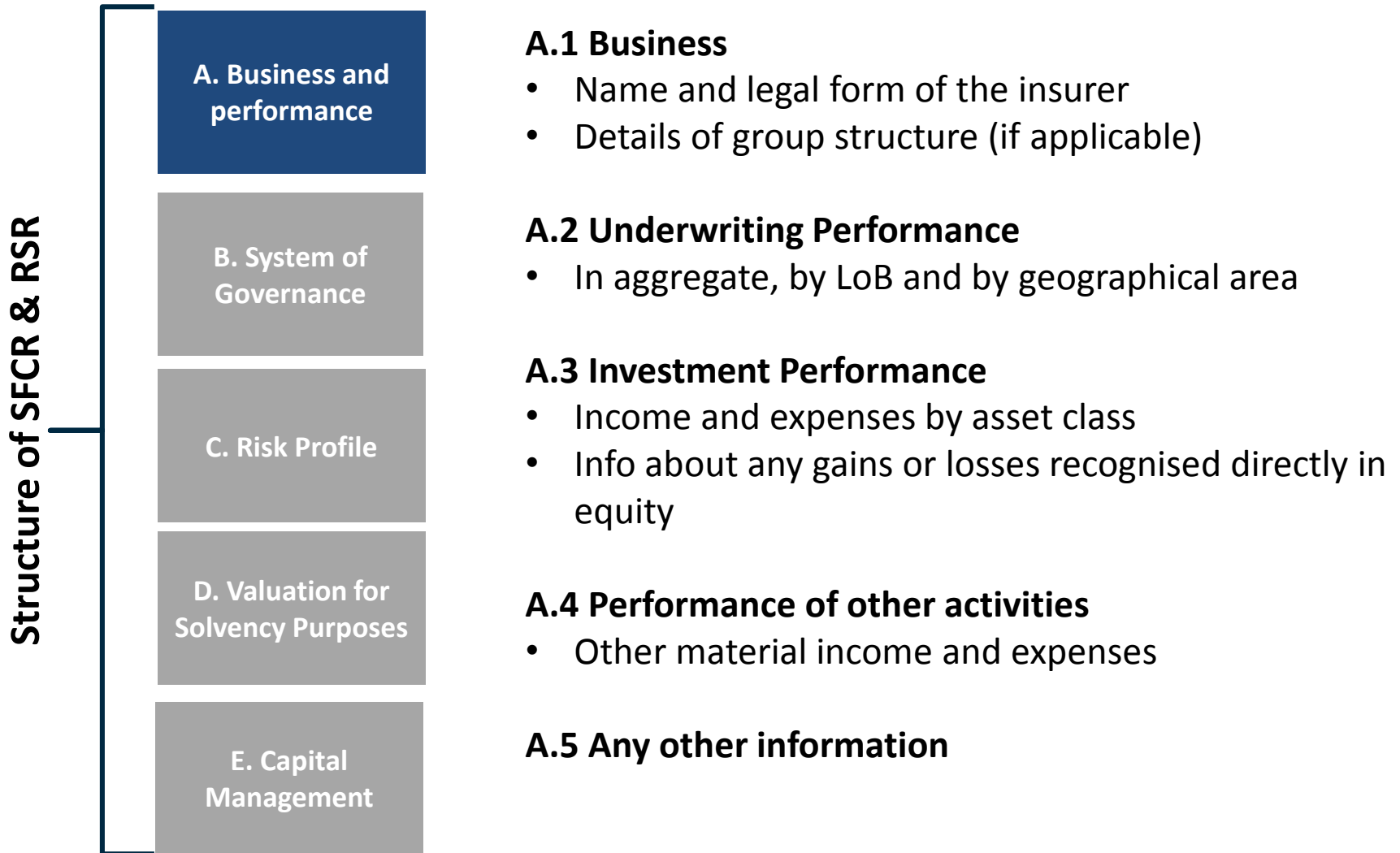
RSR	SFCR
Reporting Frequency	
<ul style="list-style-type: none"><li>• Complete report every three years</li><li>• Annual update in terms of a summary</li></ul>	<ul style="list-style-type: none"><li>• Complete report every year</li></ul>
Level of Detail	
<ul style="list-style-type: none"><li>• Material information described in detail</li></ul>	<ul style="list-style-type: none"><li>• Detailed description in order to understand the content</li></ul>
Ease of Understanding	
<ul style="list-style-type: none"><li>• Pre-knowledge of the supervisor can be assumed</li></ul>	<ul style="list-style-type: none"><li>• Understandable for the public</li></ul>
Reporting Period	
<ul style="list-style-type: none"><li>• Retrospective and prospective (Report about forecasts based on the planning horizon)</li></ul>	<ul style="list-style-type: none"><li>• Retrospective at the cut-off date (i.e. report is about the past financial year)</li></ul>

*It's important to ensure that the SFCR is clear and understandable to an audience that may largely be unfamiliar with the technical intricacies of Solvency II.*





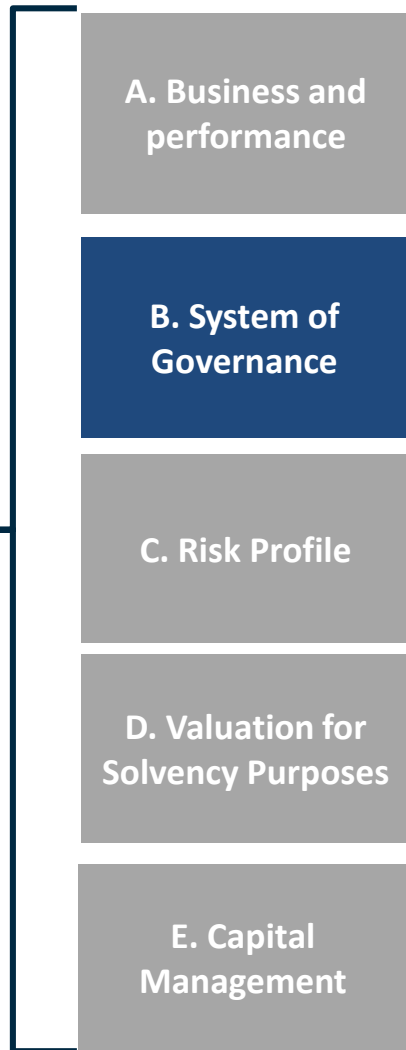
# Narrative Reporting: Structure





# Narrative Reporting: Structure

## Structure of SFCR & RSR



### **B.1 General Information on the system of governance**

- Structure of the management body including main roles/responsibilities
- Remuneration policies

### **B.2 Fit and proper requirements**

- Insurer's specific requirements concerning skills, knowledge and expertise

### **B.3 Risk management system including the ORSA**

- Description of the system and the ORSA process including how they're implemented
- Descriptions of how the following are implemented:

### **B.4 Internal control system**

### **B.5 Internal audit function**

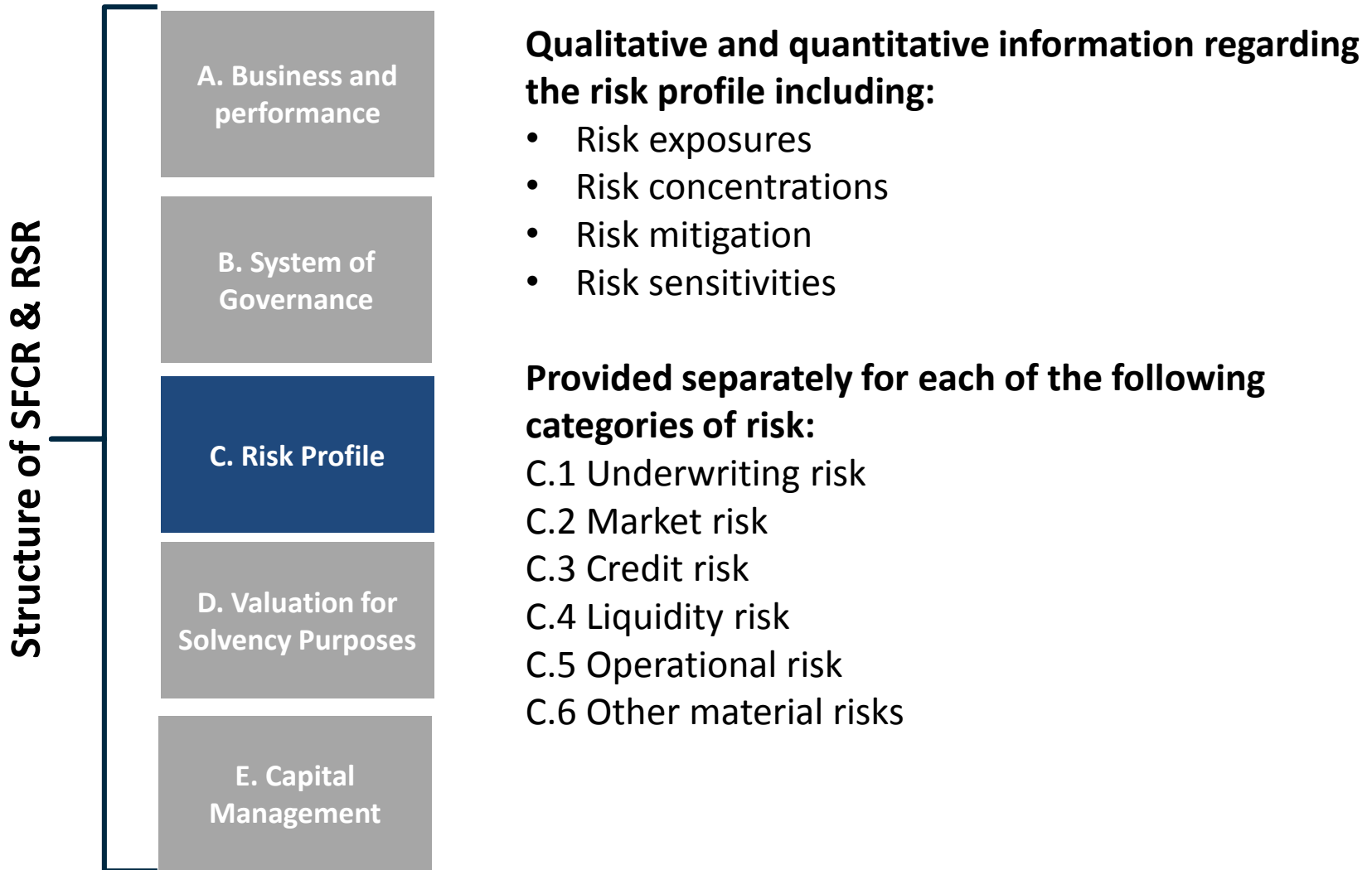
### **B.6 Actuarial function**

### **B.7 Outsourcing**

### **B.8 Any other information**



# Narrative Reporting: Structure





# Risk Profile: SFCR vs RSR

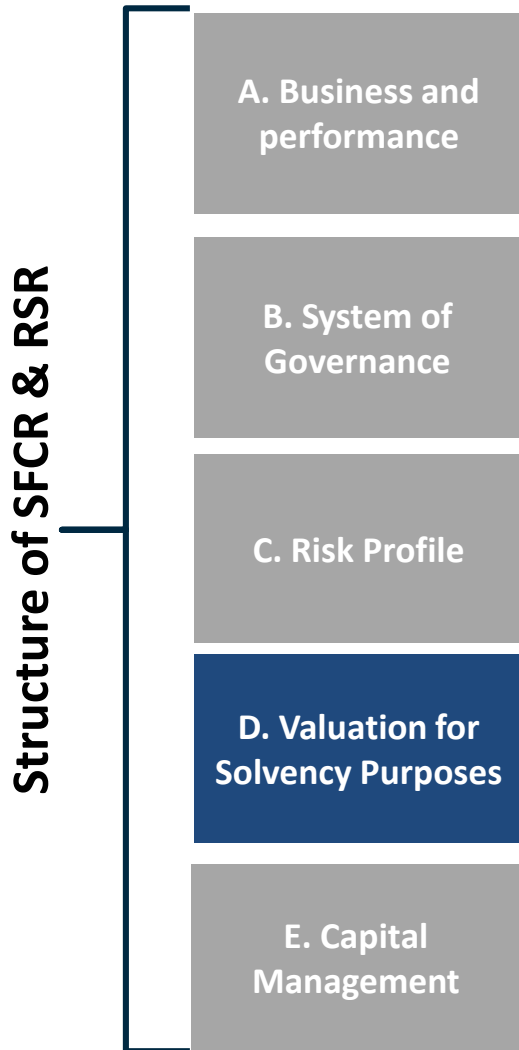
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	SFCR (public)	RSR (supervisor only)
<b>C. Risk Profile</b>	<ul style="list-style-type: none"><li>• Material changes to material risks &amp; measures used for those risks</li><li>• Material <b>risk concentrations</b>, their probability and impact of risk mitigation</li><li>• Methods, assumptions and outcomes of <b>stress testing and sensitivity analysis</b> for material risks</li></ul>	<ul style="list-style-type: none"><li>• Material risk exposures, risk concentrations and effect of risk mitigation techniques <b>over business planning horizon</b></li><li>• Quantitative <b>data</b> to determine risk <b>dependencies</b></li></ul>

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# Narrative Reporting: Structure



## D.1 Assets

- SII valuation (including recognition & valuation basis used)
- Any differences to the financial statements

## D.2 Technical Provisions

- For each material line of business,
  - SII valuation of TPs (split between the BEL and RM)
  - Description of the basis, methods and main assumptions & any changes in these
  - Description of the uncertainty associated with the TPs

## D.3 Other liabilities

- SII valuation (including recognition & valuation basis used)

## D.4 Alternative methods for valuation

- Assets & liabilities to which this relates
- Justification for the approach

## D.5 Any other information

- Differences in approach between Group & Solo

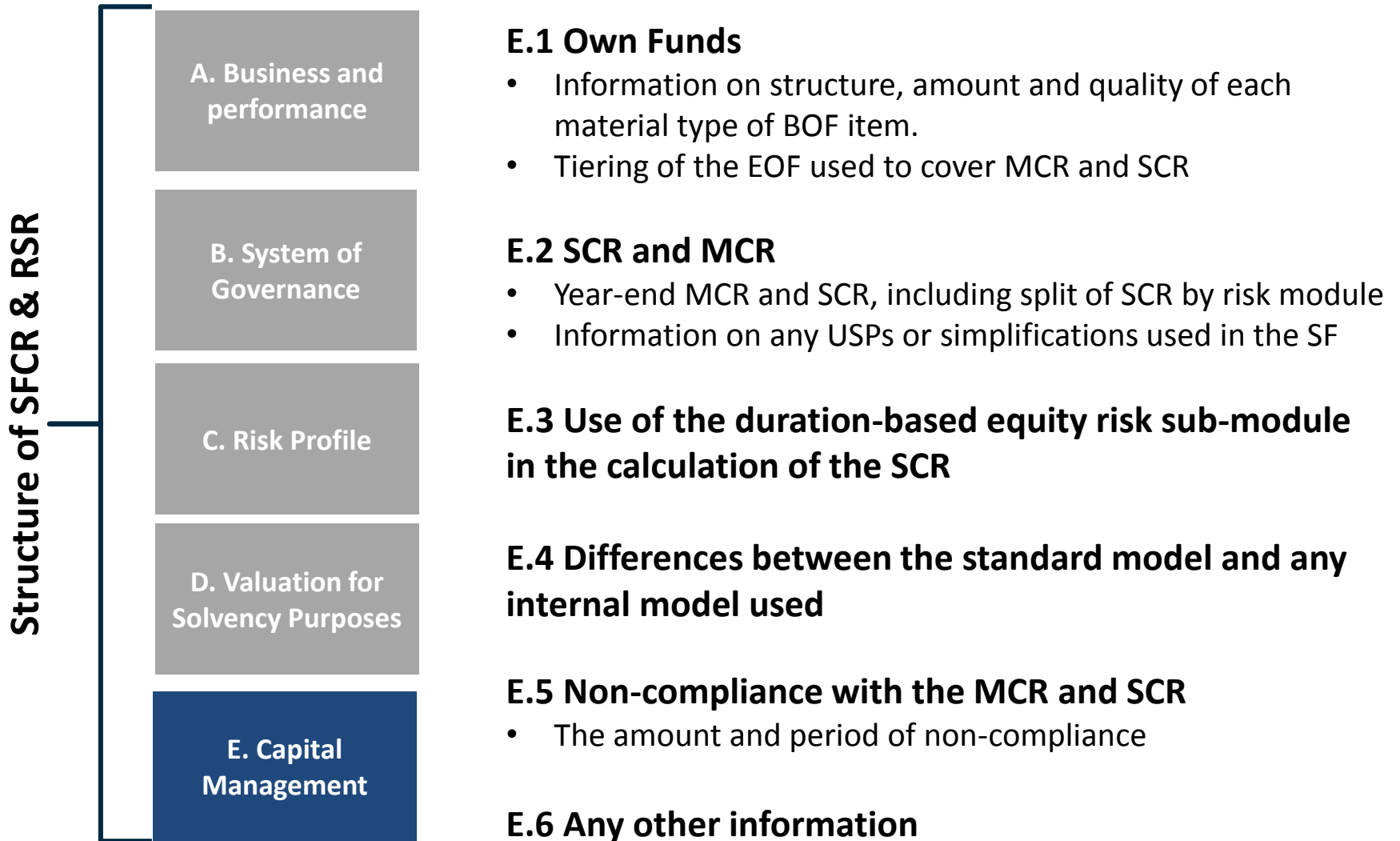


# Valuation for Solvency Purposes: SFCR vs RSR

	SFCR (public)	RSR (supervisor only)
<b>D. Valuation for Solvency Purposes</b>	<ul style="list-style-type: none"><li>• Description of bases, <b>methods and assumptions</b> used</li><li>• Description of level of <b>uncertainty</b> associated with TPs</li><li>• Explanation of <b>differences</b> between methods and assumptions used <b>for TPs and in financial statements</b> for each material line of business</li><li>• Material <b>changes in assumptions</b> compared to previous YE</li><li>• Description of <b>matching and volatility adjustment</b> &amp; quantification of impact on financial position of reducing those adjustments to zero</li><li>• Material differences in M&amp;A between Group &amp; Subsidiaries</li></ul>	<ul style="list-style-type: none"><li>• Actuarial methodologies, assumptions, simplifications, homogenous risk groups used</li><li>• Details on contract boundaries applied, options and guarantees</li><li>• Description of unbundling</li><li>• Recommendations for improvements in relation to data</li><li>• Data deficiencies and adjustments</li><li>• Details of the ESG assumptions</li><li>• Approach taken to calculate reinsurance recoveries</li><li>• More detail on matching and volatility adjustments</li></ul>



# Narrative Reporting: Structure





# Capital Management: SFCR vs RSR

	SFCR (public)	RSR (supervisor only)
<b>E. Capital Management</b>	<ul style="list-style-type: none"><li>• Reasons for <b>material changes to the SCR</b> over reporting period</li><li>• Details of <b>simplifications used in standard formula</b></li><li>• <b>Uses</b> of the internal model</li><li>• Methods used in internal model with explanation by risk module of <b>differences</b> in assumptions and methodologies <b>with standard formula</b></li><li>• Description of the <b>operational performance</b> of the internal model</li><li>• Qualitative and quantitative information on the material sources of <b>Group diversification effects</b></li><li>• Description of differences between entity and Group internal models</li></ul>	<ul style="list-style-type: none"><li>• Expected <b>development of the SCR</b> and MCR over <b>business planning time horizon</b></li><li>• Where IMAP firm, comparison with Standard formula results</li><li>• Description of P&amp;L attribution results</li></ul>



Questions?