



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Solvency II Data & Reporting: Early Observations

Dr Allan Kearns, Head of Function – Analytics (Insurance Supervision)

Presentation to Society of Actuaries Risk Management Perspectives Conference 2016

13th October 2016



Figure 1: Overview of Presentation

Solvency II Data & Reporting: Early Observations

‘What gets measured, gets managed’ - Peter Drucker

- Evolving Analytics Strategy
- Aggregate Statistics (Capital, Investment, SI – SII Reconciliation)
- Data Quality



Figure 2: Calibration of analytics input into *PRISM* risk assessments

- Supervisors and analytics need to speak the same language => PRISM

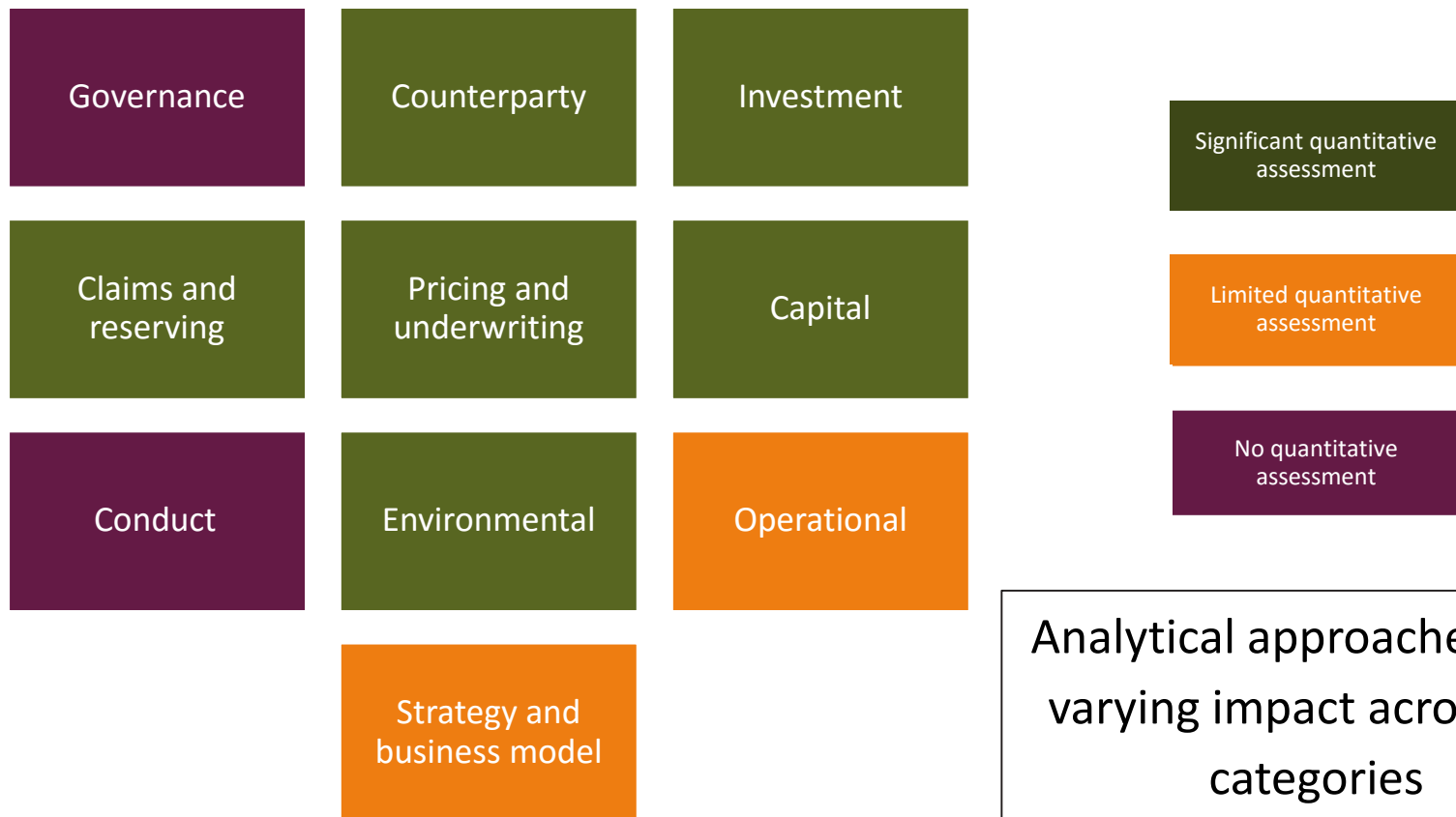




Figure 3: Phased receipt of Solvency II *quantitative* data to inform supervisory risk assessments

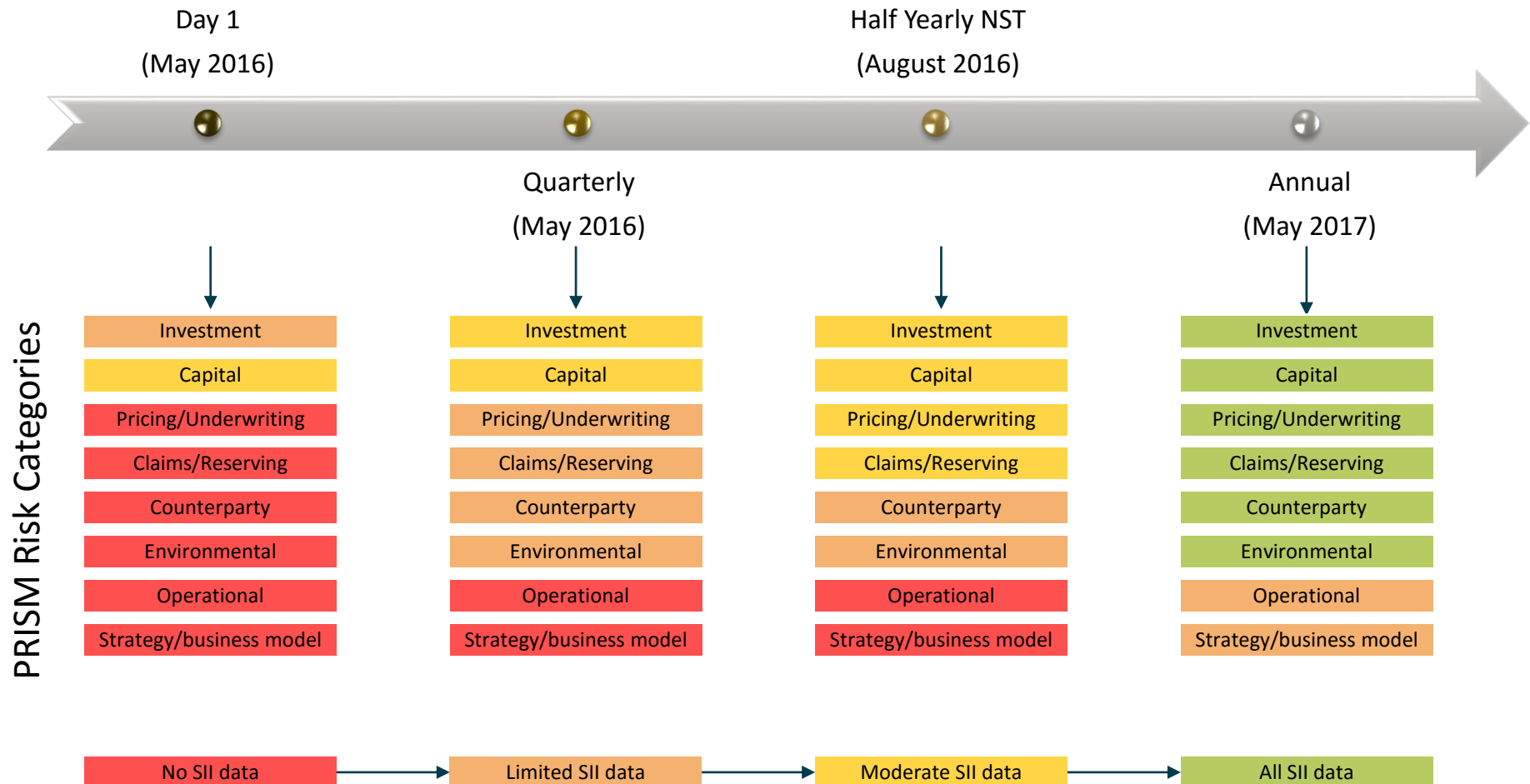
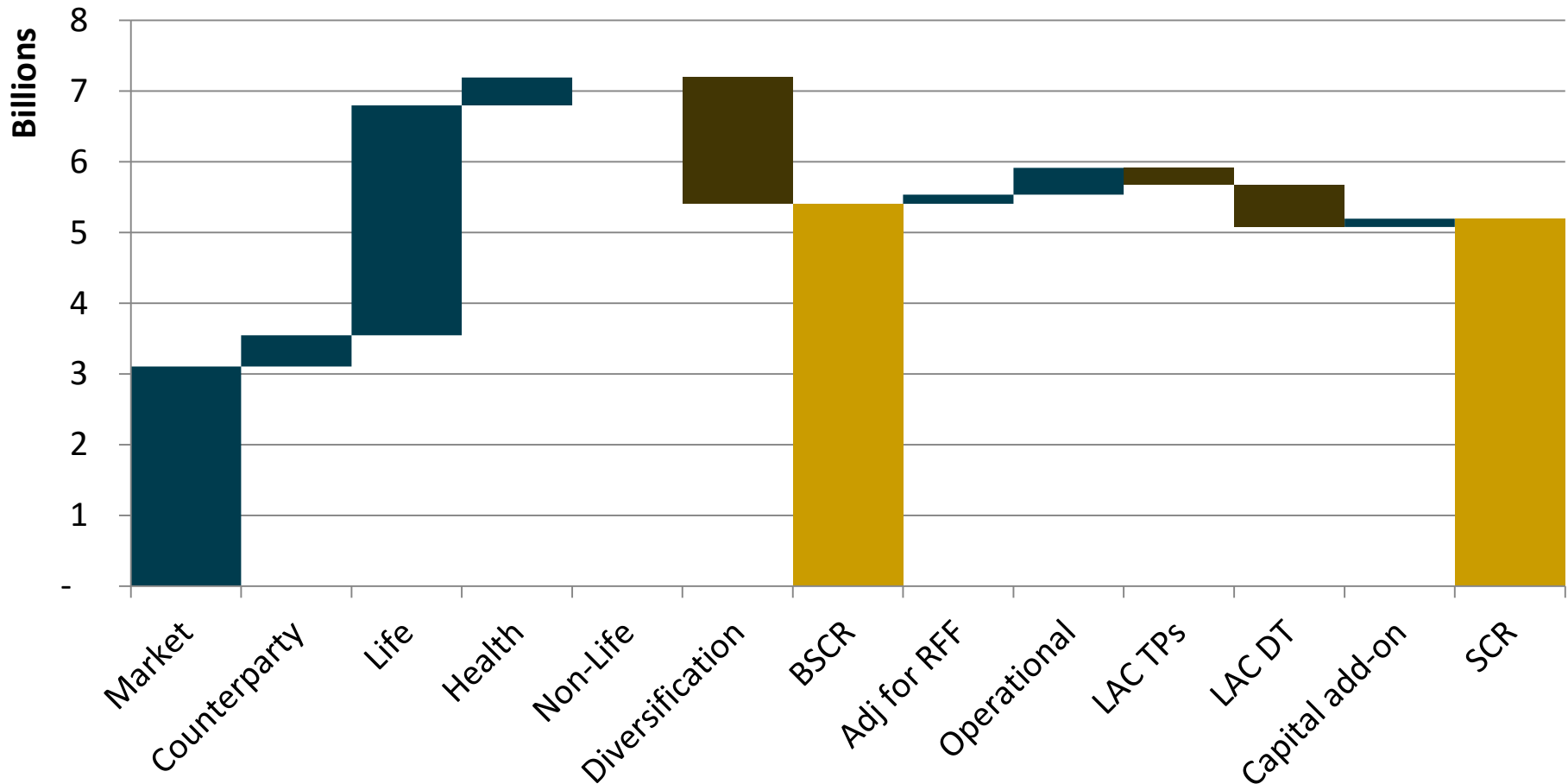




Figure 4: Capital risk: Life market (Decomposition of Nominal SCR)

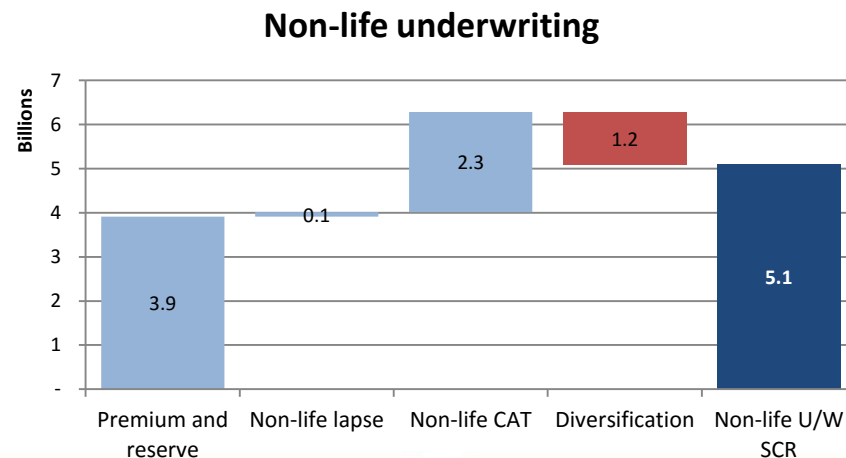
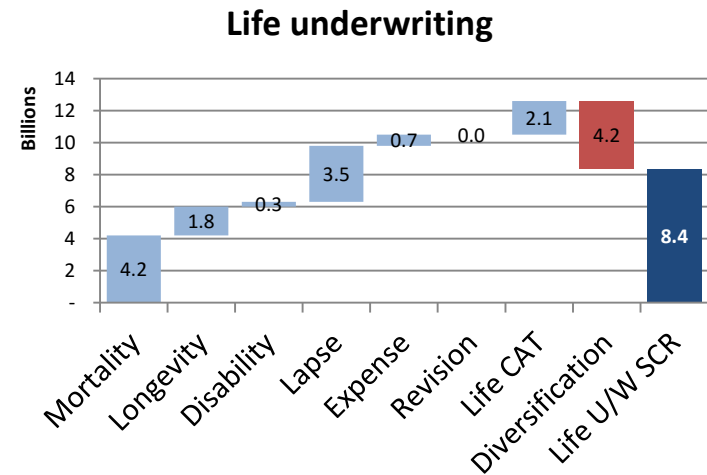
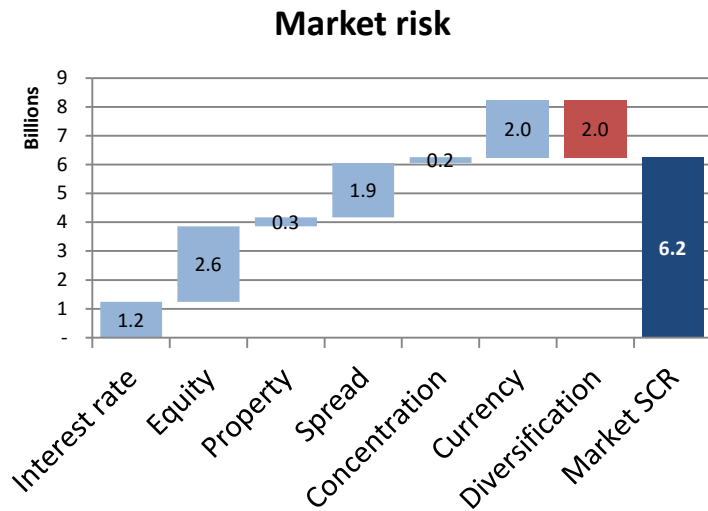


Note: Standard formula figures as reported in Day 1 returns. A number of undertakings with (partial) internal models are not represented in this view.

BSCR – Basic Solvency Capital Requirement
RFF – Ring fenced fund
LAC TP – Loss absorbing capacity of technical provisions
LAC DT – Loss absorbing capacity of deferred tax



Figure 5: Capital risk (further decomposition – preparatory data)

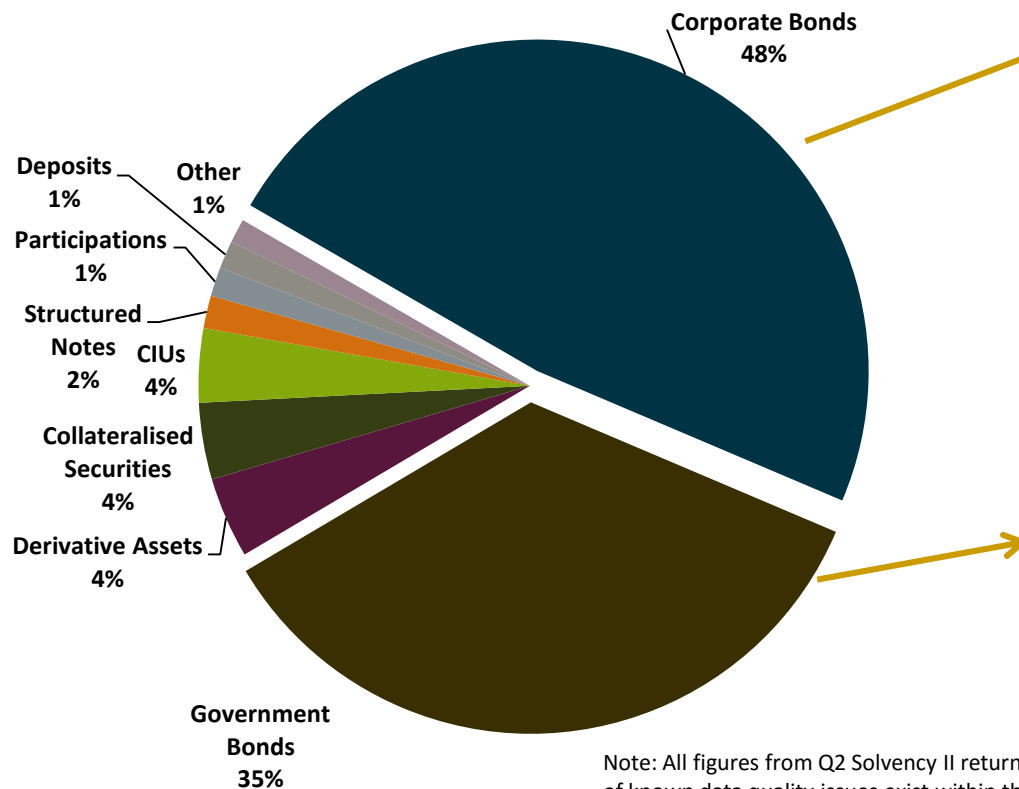


Note: These statistics are based on preparatory data. These data will be available when Annual Solvency II data become available in 2017.

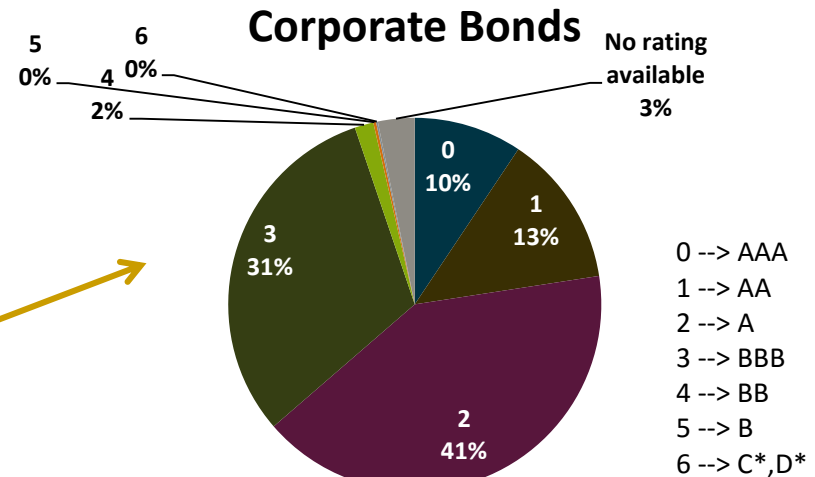


Figure 6: Investment risk (Reinsurance market)

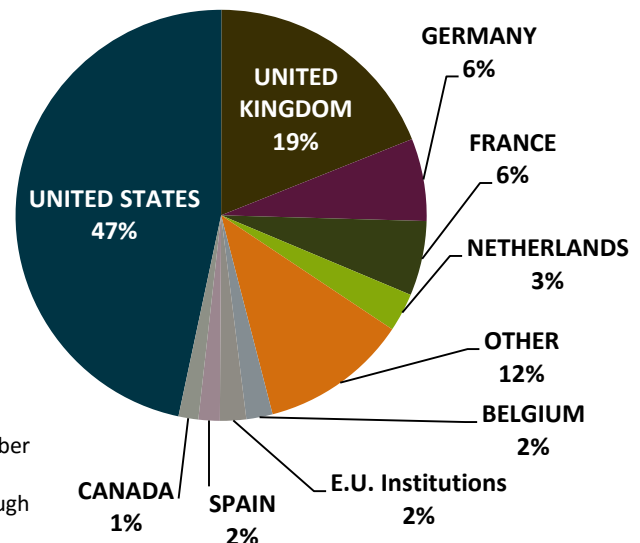
Investment allocation



Corporate Bonds



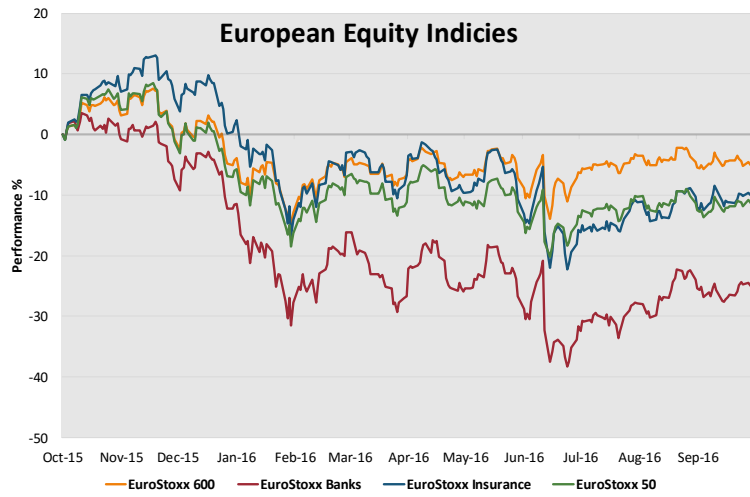
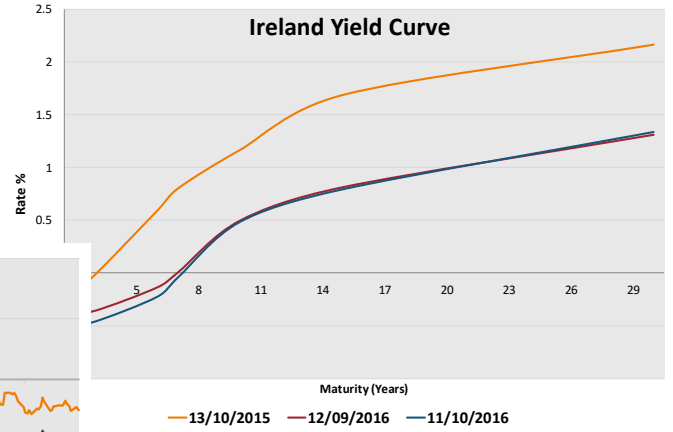
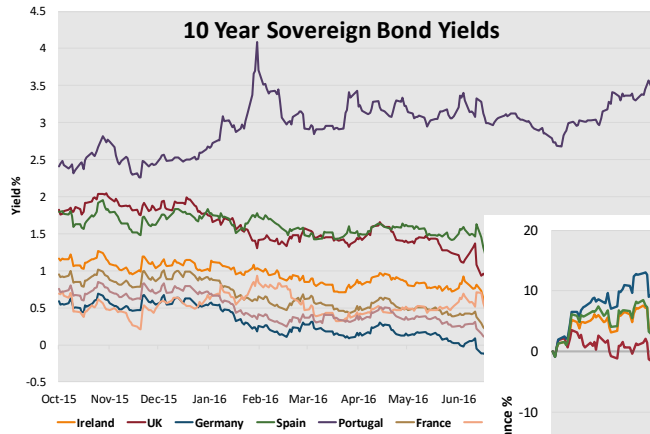
Government Bonds



Note: All figures from Q2 Solvency II returns. A number of known data quality issues exist within the submissions, which are currently being worked through with the undertakings concerned.



Figure 7: Investment risk – link to market data



Sovereign Bond Yields					
	Yield %	52 Week High	52 Week Low	52 V	
Ireland	0.483	1.265	0.318		
UK	0.978	2.051	0.517		
Germany	0.024	0.692	-0.189		
Spain	1.013	1.954	0.878		
Portugal	3.357	4.084	2.257		
France	0.318	1.02	0.101		
Italy	0.266	0.931	0.148		
US	1.7692	42643	1.3579		
IE Gov Yield	Yield %	52 Week High	52 Week Low	YTD Change	Monthly Change
2 Year	-0.479	-0.094	-0.479	-0.31	-0.13
3 Year	-0.459	-0.01	-0.459	-0.45	-0.12
6 Year	-0.225	0.603	-0.255	-0.82	-0.11
7 Year	-0.042	0.857	-0.136	-0.84	-0.07
15 Year	0.792	1.786	0.625	-0.89	-0.06
30 Year	1.332	2.333	1.097	-0.83	-0.02

CDS Spread Correlation												
	Co.2	Co.3	Co.4	Co.5	Co.6	Co.7	Co.8	Co.9	Co.10	Co.11	Co.12	
Co.2	1.000											
Co.3	0.979	1.000										
Co.4	0.984	0.972	0.992	1.000								
Co.5	0.991	0.966	0.989	0.979	1.000							
Co.6	0.982	0.994	0.973	0.973	0.969	1.000						
Co.7	0.815	0.820	0.780	0.722	0.790	0.811	1.000					
Co.8	0.975	0.996	0.967	0.960	0.958	0.993	0.832	1.000				
Co.9	0.985	0.998	0.979	0.970	0.972	0.993	0.828	0.996	1.000			
Co.10	0.985	0.997	0.979	0.974	0.968	0.995	0.822	0.995	0.997	1.000		
Co.11	0.702	0.707	0.661	0.597	0.678	0.701	0.969	0.719	0.712	0.705	1.000	
Co.12	0.928	0.873	0.925	0.890	0.950	0.867	0.796	0.858	0.887	0.876	0.696	1.000



Figure 8: Aggregate Solvency II statistics – day 1 opening balance sheet reconciliation (all Industry)

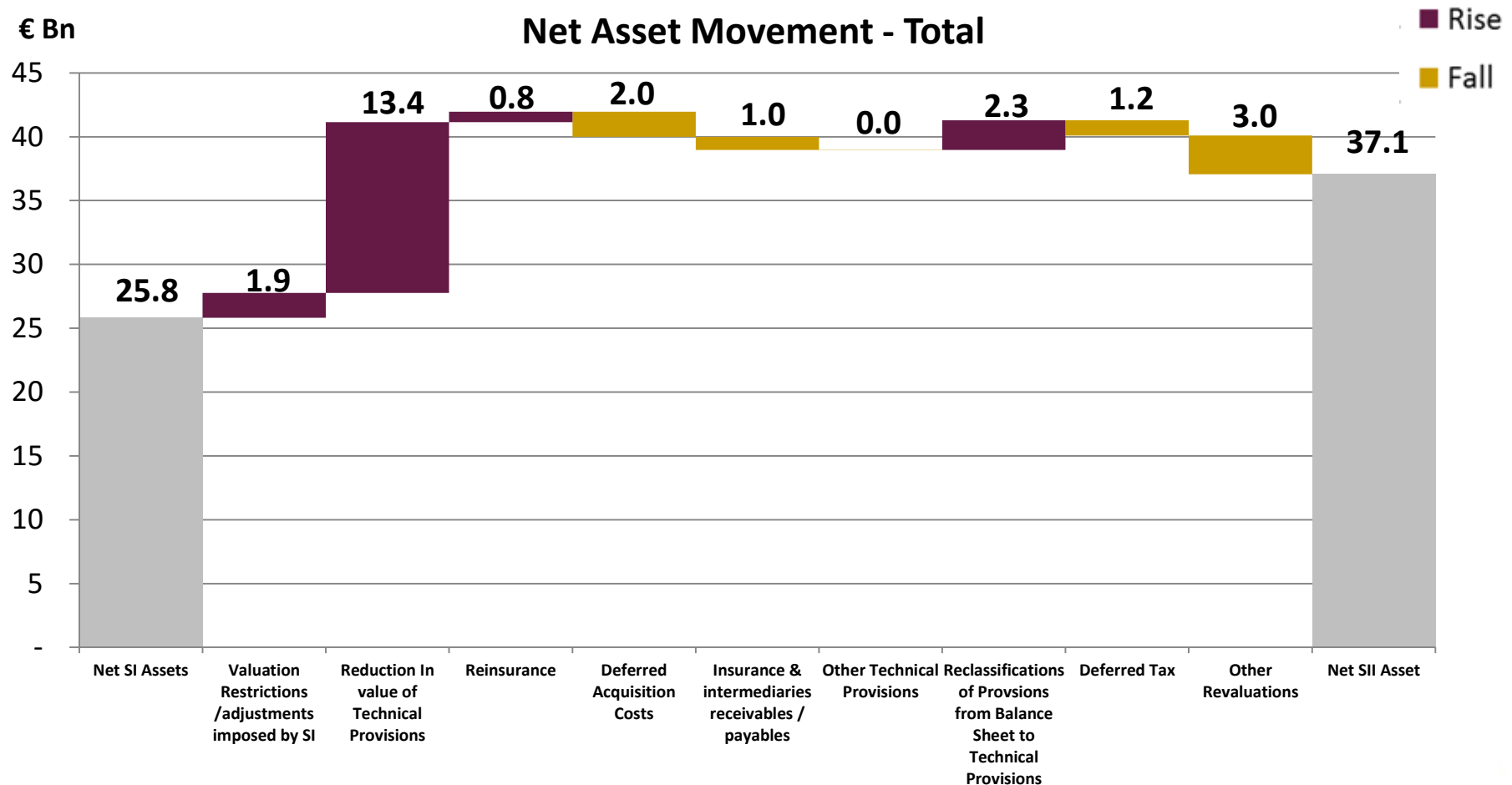




Figure 9: Aggregate Solvency II statistics – day 1 opening balance sheet reconciliation

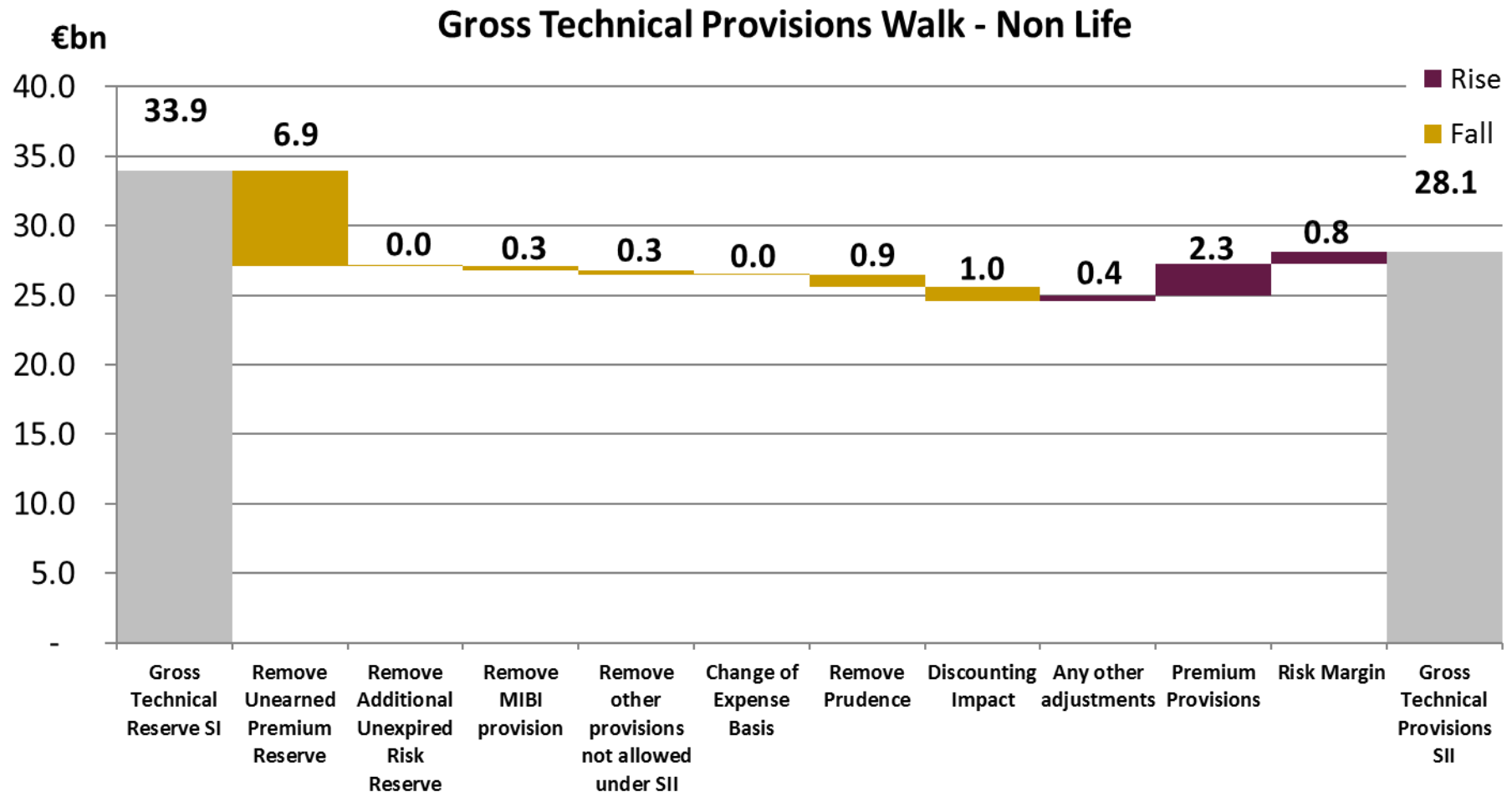




Figure 10: Data compliance and validation (SII)

- Data quality is foundational in ensuring the reliability of analytics for making decisions
- For SII data we proactively check that data are:
 - Complete
 - Accurate
 - Consistent
 - Valid

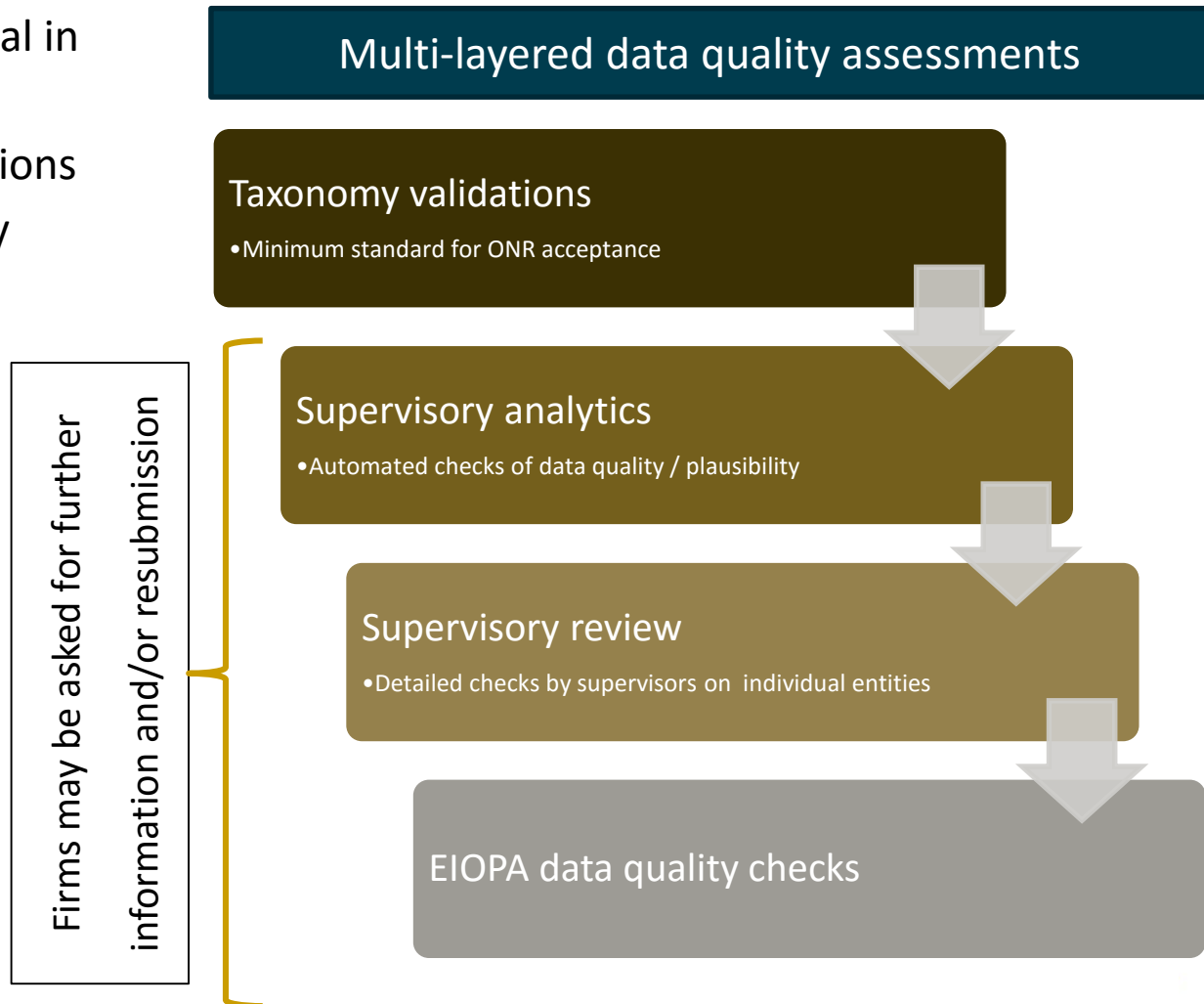




Figure 11: Data quality – an on-going journey

- 3 Risk Management Questions:

What controls are in place to mitigate risks to the quality of reporting?

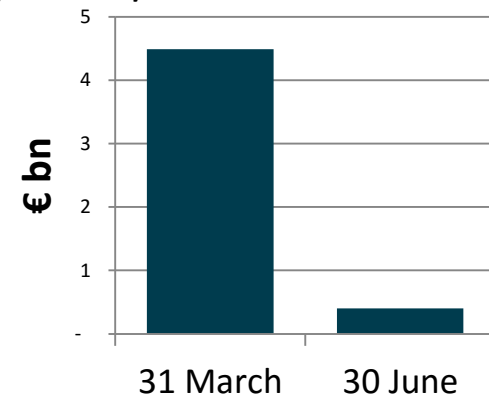
To what extent is there certainty of the integrity of the data from origin to final reporting?

To what extent has the review and governance process been validated?

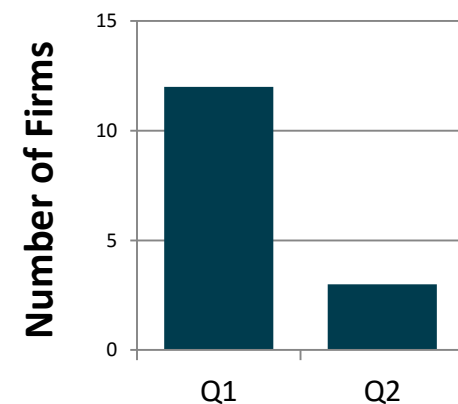
‘What gets measured *accurately*, gets managed!’

Examples of Incorrect Reporting (Q1) and Improvement (Q2)

(i) Notes/Coins in Circulation



(ii) Incorrect Approvals Reported





Thank you

**For general queries on SII reporting:
Please email**

InsuranceRegulatoryReportingQueries@centralbank.ie