



FINANCIAL REGULATOR
Rialtóir Airgeadais

PROPOSALS FOR A QUARTERLY REPORTING REGIME

September 2005

CONSULTATION PAPER CP 13

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1. Introduction

1.1 The work programme contained in the Financial Regulator's 2005 Strategic Plan included the implementation of quarterly reporting for insurance undertakings. In addition, best practice reviews identified that quarterly reporting was standard practice reinforcing the desirability of introducing this regime in Ireland. Quarterly reporting also allows for ongoing monitoring based on up-to-date information and enables intervention at an earlier stage than that achievable under an annual reporting regime, although annual returns will still be required in conjunction with quarterly reporting. The proposals outlined in this paper are intended to produce a quarterly reporting system that will achieve these objectives.

1.2 Comments are invited on all aspects of the proposed quarterly reporting regime and will be carefully considered when finalising the regime. **The closing date for submissions is 31 December 2005.** The final quarterly reporting framework to be adopted by the Financial Regulator will be published after this consultation.

Please submit your comments in writing, preferably in electronic format. When addressing any points raised in this paper, please use the corresponding numbers in the paper to identify the relevant issue. If you are raising an issue that is not included in this paper, please indicate this in your submission.

Please clearly mark your submission "Quarterly Reporting Regime"
and send it to:

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All submissions should be sent before 31 December 2005

2 Industry Internal Reporting Data

2.1 In 2004, a review of Board packs provided by all insurance companies was undertaken by the Financial Regulator to assess the nature, content and quality of management reporting to Boards of insurance companies.

2.2 On the basis of this review, the type of financial information frequently submitted to Board meetings of both life assurance and non-life insurance undertakings and of relevance to quarterly reporting is as follows:

- Premium income
- Investment income
- Expenses
- Claims
- Profitability
- Solvency

In addition, certain sector-specific financial data of importance for quarterly reporting is reported to Board meetings:

- Life Assurance:
 - New business premium (sales)
- Non-life insurance:
 - Asset breakdown
 - Liabilities

3 Proposed Quarterly Reporting Data

3.1 At present, approximately 43% of Irish authorised insurance undertakings (life and non-life) report financial data to the Financial Regulator on a quarterly basis. This is either because these undertakings have been authorised within the last three years or because there are particular reasons that necessitate ongoing monitoring.

3.2 In this context, it is recognised that the introduction of quarterly reporting for all other insurance entities may place an additional regulatory burden on the insurance industry. Consequently, in order to minimise the overall impact, it is considered desirable that the required data should focus on specific information that is pertinent for supervisory purposes and is already used in insurance undertakings for management purposes.

4 Proposed Quarterly Reporting Regime

4.1 While it may be possible to design anew a specific format for the submission of the required quarterly data, it is considered preferable to make use of relevant Forms taken from the European Communities (Life Assurance) Framework Regulations, 1994¹ and the European Communities (Non-Life Insurance Accounts) Regulations, 1995². These Forms are familiar to the industry, are used in the annual statutory returns and for quarterly returns currently received from specified undertakings.

4.2 As a result, it is proposed that the Forms outlined below in respect of life assurance and non-life insurance be adopted to provide the information required for purposes of quarterly reporting.

¹ S.I. No. 360 of 1994

² S.I. No. 202 of 1995

LIFE ASSURANCE

<i>Information required</i>	<i>Relevant Forms/accounts</i>
Net premium income Investment income	Form 1 – Revenue Account (Provides net premium income and investment income figures, etc.)
Expenses	Form 2 – Analysis of Premiums and Expenses (Provides breakdown of expenses by commission, acquisition expenses, maintenance expenses)
Gross and net premium	Form 2A – Analysis of Premiums by Class (Provides breakdown of gross and net premium and gross and net new business premium by Class of business)
Claims	Form 3 - Analysis of Claims (Provides breakdown by type of claim and category of business)
New business premium	Form 6 – Analysis of New Business (Provides breakdown by single premium/regular premium and categories of business)
Solvency position	Form 20 – Statement (To be accompanied by a note showing the calculated required minimum solvency margin, in cases where the minimum guarantee fund applies)
Profitability	Quarterly Management Accounts

NON-LIFE INSURANCE

<i>Information required</i>	<i>Relevant Forms</i>
Premium income Expenses Claims Investment Income	Form 1 – Underwriting Revenue Account (Provides gross/net premium, expenses, claims and related investment income broken-down by categories of business, i.e. motor, liability, property, etc.)
Asset Breakdown	Form 6 - Assets Analysis (Provides a detailed breakdown of all assets held and those admissible for technical reserves purposes by category i.e. cash, equities, Government securities, etc.)
Liabilities	Form 10 - Balance Sheet (Provides a breakdown of liabilities and assets.)
Profitability	Form 11 – Profit and Loss Account (Provides the profitability of the entity and additional information such as: <ul style="list-style-type: none"> • Investment income on shareholders funds • Management expenses not included on underwriting revenue account • Taxation)
Solvency position	Form 14 – Statement of Solvency (Provides details of the financial data used to calculate the required minimum solvency margin and the assets available to meet this requirement)

In comparison to the existing requirements for quarterly reporting, the proposed new regime will, in respect of life companies, involve a reduction in the number of financial data Forms to be completed to six Forms. In the case of non-life undertakings, there will be a slight

increase from four Forms to five as a result of one additional Form being required (Form 6). In addition to the financial data, it is intended that each undertaking will be requested to include a qualitative statement, akin to similar statements provided to boards by the CEO/General Manager with the quarterly returns detailing any significant issues/developments affecting the undertaking. Undertakings that are currently on the quarterly reporting system will move to the new regime when it is introduced.

5 Electronic Filing of Quarterly Reports

5.1 To maximise efficiencies and minimise impact on the industry, it will be necessary to develop a system for the electronic submission of the quarterly reports. Currently, a web-based system is available in respect of the non-life industry (In-Reg), which facilitates the transmission of the annual regulatory return to the Financial Regulator. There is, as yet, no similar facility for life companies' data.

5.2 It is anticipated that the Financial Regulator will implement a comprehensive electronic reporting system at some time in the future and possibly in 2007. However, if quarterly reporting is introduced prior to that date, a temporary solution will need to be identified in order to provide for the electronic submission of the quarterly reports. In this case, some adaptation of the functionality of the present In-Reg non-life system could perhaps be undertaken to accommodate quarterly reporting. In relation to life assurance, since there is no existing electronic filing system, some form of temporary arrangement may have to be designed, providing that this can be easily developed. It is proposed that the Financial Regulator would work closely with the insurance industry in the development of an electronic filing system for quarterly reporting.



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