



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

2014

Consultation on National Specific Templates for Insurers and Reinsurers under Solvency II

Consultation Paper CP89

National Specific Templates Consultation

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1. Introduction

1.1 Background

This consultation document sets out the Central Bank of Ireland (“the Central Bank”) proposals in relation to reporting templates (“National Specific Templates”) which the Central Bank deems necessary to address requirements specific to the local market and/or the nature of insurance undertakings supervised in Ireland and which are not catered for in the set of Solvency II harmonised reporting templates being developed by the European Insurance and Occupational Pensions Authority (“EIOPA”).

The proposals herein are subject to changes in the draft harmonised templates which are due to be submitted by EIOPA to the European Commission for endorsement on 30 June 2015.

1.2 Objective

The Central Bank deems it necessary for the continued effective supervision of undertakings that information, some of which is currently provided on an ad-hoc basis, be provided in a formalised structured reporting format in addition to the information required after the introduction of the Solvency II regime from 1 January 2016.

The content of the proposed National Specific Templates reflects the Central Bank view that certain information beyond that specified in the harmonised reporting templates is necessary given (a) the specific nature of certain insurance undertakings supervised in Ireland and (b) particular products in which Central Bank-supervised undertakings dominate (e.g. variable annuity business).

1.3 Scope and coverage

The proposed National Specific Templates will generally apply to all insurance and reinsurance undertakings supervised by the Central Bank and which are rated as HIGH or MEDIUM HIGH impact under the PRISM supervisory regime and to Groups of which the Central Bank will be the Group Supervisor under Solvency II. In addition, certain templates will apply to undertakings which transact Variable Annuity business.

Aware of the need to take account of implementation lead times and cost, as previously indicated, the Central Bank is working to the principles of proportionality, that any such national-specific information is essential and cannot be gleaned or inferred from the harmonised reporting templates and that the type and quantity of additional reporting is kept to a minimum.

1.4 General application and implementation

It is envisaged that National Specific Templates will be submitted quarterly and annually commencing with Q1 2016 return except if otherwise indicated in this Consultation Paper or the individual templates in the Appendices.

Submission deadlines are the same as those for the harmonised reporting templates, as set out in the Solvency II Directive.

National Specific Templates will be submitted via the Central Bank's existing Online Reporting System ("ONR") which will also be the method to submit the harmonised reporting templates.

The submission format for the National Specific Templates (e.g. **XBRL**, as already specified by the Central Bank for the EIOPA harmonised reporting templates, or **MS Excel** or other format) will be communicated after the end of the Consultation Process and when the new requirements are formalised.

The data in National Specific Templates should be submitted in the same currency as will apply to the harmonised reporting templates unless otherwise indicated.

Detailed completion instructions are included with each template under the "Log" tab.

2. Consultation process and requirements

2.1 Overview

The Central Bank invites submissions from interested stakeholders in the insurance industry including individual undertakings and groups, representative bodies, industry consultancies or service suppliers.

2.2 Making Submissions

Submissions should be headed "Consultation Paper 89" and ideally sent by email with **MS Word** document or **PDF** attachment to insurance@centralbank.ie.

Written responses should be sent to:

*Consultation Paper 89,
Solvency II Data & Reporting Project Manager,
Insurance Supervision,
Central Bank of Ireland,
PO Box 11517,
Spencer Dock,
North Wall Quay,
Dublin 1.*

2.3 Timeline and feedback

The consultation will remain open until Friday 23 January 2015 and submissions will be accepted until that date.

The Central Bank intends to make all submissions available on its web-site. We shall not publish any information which we deem potentially libellous or defamatory.

The Central Bank intends to issue final requirements on National Specific Templates during Q1 2015.

Please address any queries on the consultation to insurance@centralbank.ie or your regular supervisory contact.

**Insurance Supervision Directorate,
Central Bank of Ireland.**

Reissued 19 December 2014 (extension of closing date to 23 January 2015).

3. Templates required for Groups, High and Medium High Impact individual undertakings

3.1 Background

The Irish Insurance Market is home to a number of Hub & Spoke insurance entities, three of which are deemed "High" and the other "Ultra High" under the Central Bank of Ireland ('the Central Bank') PRISM rating model. The Central Bank is proposing the National Specific Templates below for Group, Hub & Spoke and Individual regulated entities to ensure that it receives sufficient granular detail with regard to income, claims and expenses. The additional NST's will offer the supervision teams the financial information necessary to perform a detailed risk assessment of the respective companies in addition to performing peer analyses of the regulated entities.

3.2 Non-Life Income Statement (Template no. NST.01)

This statement of premium income, investment income, claims and expenses by line of business is largely a repeat of information currently received from undertakings through the current Regulatory Returns or by ad-hoc additional requests with the additional granularity of expenses and investment income by line of business.

Frequency of submission: Quarterly and annually.

Applies to: Non-Life individual undertakings and groups with PRISM impact rating of **HIGH** or **MEDIUM HIGH**.

3.3 Life Income Statement (Template no. NST.02)

This template is largely a repeat of information currently received from undertakings through the current Regulatory Returns or by ad-hoc additional requests with additional detail on claims categorisation by line of business.

Frequency of submission: Quarterly and annually.

Applies to: Life individual undertakings and groups with PRISM impact rating of **HIGH** or **MEDIUM HIGH**.

ACCOUNTING BASIS: The above templates NST.01 and NST.02 are required to be completed using International Financial Reporting Standards (IFRS 4 - Insurance Contracts) or Local Irish GAAP, in line with the Company's local accounting basis. (For Companies reporting under Irish GAAP, the guidelines issued under "FRS103 - Insurance Contracts" will apply from 1 January 2015).

4. Templates required for Non-Life undertakings

4.1 Background

The Central Bank concerns regarding the need to improve the existing regime in areas of relevance to pricing and reserving, so as to provide assurance that non-life insurers and reinsurers are maintaining appropriate reserves, were expressed in Consultation Paper CP73 in 2013. In particular the additional detail to be specified in the **Statement of Actuarial Opinion** focused on the areas of claims reserving and, by implication, claims settlement and development. As settlement and development patterns can vary significantly between lines of business and between distribution channels and territories it is proposed to formalise the split of information as detailed below (some of which is currently collected on an ad-hoc basis). We require additional data on a quarterly and an annual basis to facilitate the early identification of claims and reserving trends.

4.2 Non-Life Technical Provisions - Detailed Split by LOB and Distribution Channel (Template no. NST.03)

This template is based on EIOPA's template *S.17.01 Non-Life Technical Provisions* but split as follows:

- *Motor Vehicle* line into Personal and Commercial, Bodily Injury and Property damage
- *General Liability* line into Employers Liability, Public Liability (incl. Products and P.I)
- Distribution channels i.e. Direct and Intermediated.

Frequency of submission: Quarterly and annually.

Applies to: Non-Life individual undertakings and groups with PRISM impact rating of **HIGH** or **MEDIUM HIGH**.

4.3 Non-Life Technical Provisions - Detailed Split by LOB and Country (Template no. NST.04)

This template is based on EIOPA's template *S.17.02 Non-Life Technical Provisions* but split as follows:

- *Motor Vehicle* line into Personal and Commercial, Bodily Injury and Property damage
- *General Liability* line into Employers Liability, Public Liability (incl. Products and P.I)
- By country of location of insured risk.

Frequency of submission: Quarterly and annually.

Applies to: Non-Life individual undertakings and groups with PRISM impact rating of **HIGH** or **MEDIUM HIGH**.

4.4 Non-Life - Projection of future cash flows (Best Estimate - Non-Life) detailed split (Template no. NST.05)

This template is based on EIOPA's template *S.18.01 Projection of future cash flows (Best Estimate - Non Life)* with Best Estimate Claims Provisions/Cash out-flows/ Future Benefits, including Latent claims, broken out for Motor Vehicle and General Liability lines as in Template NST.03 above.

Frequency of submission: Quarterly and annually.

Applies to: Non-Life individual undertakings and groups with PRISM impact rating of **HIGH** or **MEDIUM HIGH**

4.5 Non-Life Insurance Claims Information - Detailed split by Distribution Channel and Claims Type. (Template No. NST.06)

This template is based on EIOPA template no. *S.19.01 Non-Life Insurance Claims Information* but with claims development triangulations split as follows

- Distribution channel i.e. Direct and Intermediated.
- Claims Type (Motor and Liability only).

Frequency of submission: Quarterly and annually.

Applies to: Non-Life individual undertakings and groups with PRISM impact rating of **HIGH** or **MEDIUM HIGH**

4.6 Non-Life Premiums, claims and expenses - Detailed Split by LOB and Distribution Channel (Template No. NST.07)

This template is based on EIOPA template no. *S.05.01 Premium, Claims and Expenses* but with non-Life Lines of Business split reporting as follows

- *Motor Vehicle* line into Personal and Commercial, Bodily Injury and Property damage
- *General Liability* line into Employers Liability, Public Liability (incl. Products and P.I)
- Distribution channels i.e. Direct and Intermediated.

Frequency of submission: Quarterly and annually.

Applies to: Non-Life individual undertakings and groups with PRISM impact rating of **HIGH** or **MEDIUM HIGH**

5. Templates required for Variable Annuity business

5.1 Background

VA companies run market risk exposures which are materially different from those of more conventional insurance companies and Ireland has a greater concentration of undertakings transacting Variable Annuity business than any other jurisdiction impacted by Solvency II.

The Central Bank has recently completed a consultation with industry on the setting up of a “**VA Risk Monitor**” which *inter alia* includes collection of additional information to ensure the effective supervision of the techniques used by the VA industry for the mitigation of market risk exposures (dynamic hedging). The Central Bank believes stress and scenario testing are required to assess the risks associated with dynamic hedging programmes. In particular, these tests can examine areas where the mitigation of a specific risk is not complete (hedge efficiency) and the impact of the risks which are not hedged by the companies (e.g. convexity risk). In addition, quarterly profit and loss attributions of hedging programmes are seen as a key component of the supervisory strategy for the VA industry.

These risks are not appropriately captured in the current harmonised Quantitative Reporting Templates and the Central Bank proposes a set of National Specific Templates which cover the areas of

- Retrospective examination of hedging performance (profit and loss attribution) and
- Examination of areas of potential hedge inefficiency (stress and scenario testing).

5.2 Issues for consultation:

VA Issue 1 – Basis for P&L attribution

The Central Bank considers a Solvency II basis to be most suitable for the P&L attribution. However, it is recognised that companies may hedge on a basis which differs from Solvency II and hence provision of a P&L attribution on a Solvency II basis may provide implementation challenges. Potential options include:

- Solvency II basis
- Company’s own hedging basis
- Hedging basis, with regular (weekly/monthly/quarterly) attribution of the difference between the hedging and Solvency II results

Notwithstanding the Central Bank’s expressed preference for the Solvency II basis, feedback from industry is welcomed on the pros and cons of the various bases for a P&L attribution.

VA Issue 2 – Attribution for reinsured business

For direct writers of VA who have reinsured the guarantees to third parties and are rated “High” under the PRISM framework the Central Bank requires a “look-through” basis for the P&L attribution. The Central Bank welcomes feedback on any factors which should be considered in applying the P&L attribution on a look-through basis (e.g., frequency, granularity, basis etc.).

VA Issue 3 – Split between VA and non-VA business

As a minimum, the VA business must be considered for the stress tests. This includes the best estimate liability of any guaranteed policies, any assets held to back the VA liabilities (including the hedging assets used in risk mitigation) and a portion of the excess shareholder assets. In the event that a firm wishes to use the entirety of the shareholder funds when assessing the sensitivity of the balance sheet to the stresses applied or to take credit for offsetting movements on the non-guaranteed liabilities, the Central Bank will then require that the entire balance sheet is stressed.

Where the portfolio is being split, the apportionment of shareholder assets between VA and non-VA business is an area of subjectivity. The Central Bank does not prescribe any particular approach to the VA/non-VA split, although it will be required that the approach taken by a firm be both clearly specified and consistent from period-to-period.

The Central Bank welcomes any thoughts firms have on best practices for segregation of portfolios.

VA Issue 4 – Interaction between NST and ORSA

The Central Bank recognises there may be overlap between the stress and scenario tests within the NST and the contents of the ORSA/FLAOR reports, but believe this to be justified to ensure consistency across the VA industry.

However, the Central Bank welcomes any comments on how the proposed stresses might interact with existing components of company's risk management frameworks (e.g., risk appetite statements, ORSA/FLAOR) would be welcome.

VA Issue 5 – Nature of scenario tests

The scenarios chosen by the Central Bank consider a range of combinations of stresses to market parameters to examine hedge losses under possible adverse market conditions for equity, interest rates and fx markets. Alternative parameterisations are possible (e.g. different stress levels, calibration to historical financial crises etc.) and the Central Bank welcomes any comments from industry on the nature of scenario tests which could be consistently applied across the industry.

Templates:**5.2 Variable Annuity – Daily Attribution – Liability (Template No. NST.08)**

This template is based on the template of this name which formed part of the recent VA Risk Monitor Consultation paper.

Frequency of submission: Quarterly.

Applies to: All undertakings which transact Variable Annuity business regardless of PRISM impact rating.

5.3 Variable Annuity – Daily Attribution – Asset (Template No. NST.09)

This template is based on the template of this name which formed part of the recent VA Risk Monitor Consultation paper.

Frequency of submission: Quarterly.

Applies to: All undertakings which transact Variable Annuity business regardless of PRISM impact rating.

5.4 Variable Annuity – Daily Attribution – Other (Template No. NST.10)

This template is based on the template of this name which formed part of the recent VA Risk Monitor Consultation paper.

Frequency of submission: Quarterly.

Applies to: All undertakings which transact Variable Annuity business regardless of PRISM impact rating.

5.5 Variable Annuity – Stress tests (Template No. NST.11)

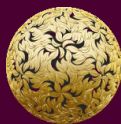
This template is based on the template of this name which formed part of the recent VA Risk Monitor Consultation paper.

Frequency of submission: Quarterly.

Applies to: All undertakings which transact Variable Annuity business regardless of PRISM impact rating.

6. Appendix – Summary table of proposed National Specific Templates and links

No.	Name	Link
NST.01	Non-Life Income Statement	Click here for Template
NST.02	Life Income Statement	Click here for Template
NST.03	Non-Life Technical Provisions - Detailed Split by LOB and Distribution Channel	Click here for Template
NST.04	Non-Life Technical Provisions - Detailed Split by LOB and Country	Click here for Template
NST.05	Non-Life - Projection of future cash flows (Best Estimate - Non-Life) detailed split	Click here for Template
NST.06	Non-Life Insurance Claims Information - Detailed Split by Distribution Channel and claims type	Click here for Template
NST.07	Non-Life Premiums, claims and expenses - Detailed Split by LOB and Distribution Channel	Click here for Template
NST.08	Variable Annuity – Daily Attribution – Liability	Click here for Template
NST.09	Variable Annuity – Daily Attribution – Asset	Click here for Template
NST.10	Variable Annuity – Daily Attribution – Other	Click here for Template
NST.11	Variable Annuity – Stress tests	Click here for Template



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