MetLife Submission - Central Bank of Ireland Consultation on National Specific Templates (NSTs)
Due date: 23 January 2015

MetLife is grateful for the opportunity to respond to the Central bank of Ireland (CBI) on its "Consultation on National Specific Templates for Insurers and Reinsurers under Solvency II" (CP 89).

As firm supporters of the European Single Market, we strongly advocate harmonisation across the EU. Greater harmonisation promotes coordination thereby making the discipline of compliance more effective and cost-efficient. We believe that the interests of policyholders, insurers and supervisors are best served through consistency across the EU.

In the context of these proposals, we believe the introduction of National Specific Templates (NSTs) dilutes the primary goal of Solvency II (i.e. harmonisation of regulation across the EU). Their quarterly and annual reporting would lead to significant additional costs and burden for the insurance industry. We believe EIOPA-harmonised Quantitative Reporting Templates (QRTs) and disclosures in qualitative reports (i.e. ORSA, RSR & SFCR) under Solvency II should provide adequate and proportionate information on financial position, solvency and risk needed for effective supervision.

In case the proposals are mandated in their current state, each quarter-end will be a period of significant activity requiring insurers and groups to submit:

- Solvency II Quarterly QRTs
- Quarterly NST to national regulators (including CBI)
- European Central Bank Reporting (likely from 1 January 2016)
- Financial Stability Reporting (likely from 1 January 2016)

In addition, during 1H of each year, they should produce:

- IFRS Financial Statements
- Solvency II Annual SFCR
- Solvency II Full or Limited RSR
- Solvency II Annual QRTs
- Annual NSTs to national regulators (including CBI)
- Solvency II opening position – based on 1 January 2016 (one off)
- Solvency I return – required for FY 2015 (last)

The generation of all of the above, in parallel, would lead to significant resource constraints and cost burden on the industry. We are also concerned that competing prioritiescould potentially undermine quality of output. Rather than on a quarterly basis, we believe proportionate information should either be requested ad-hoc (considering the risks), or the frequency of essential NSTs be curtailed to annual reporting with additional time allowed in order to minimise business impacts.

Firstly, we produce below our significant comments on sections 3 & 4:

- The applicability of NSTs to groups, considering that a few groups may not yet have PRISM ratings, should be further clarified.

- The applicability of NSTs (such as, NST.01 & NST.02) for groups, requiring data under the Local Accounting Basis, should be clarified in the context of exemption from producing consolidated financial statements [see Regulation 9A of the European Communities (Companies: Group Accounts) Regulations 1992]. In such instances, groups should either be exempted, or submission under another basis (such as, US GAAP) should be allowed to avoid full scale move to a consistent GAAP.

- The applicability of NSTs to "non-life individual undertakings" should be clarified in the context of life insurers with authorisation to write non-life Classes I & II business. In such instances, we interpret that non-life NSTs are not required but would be grateful for further clarification on this point.

- The decision on the submission format (such as, XBRL) and consistency with EIOPA-released taxonomy will be critical. The implementation and embedding of XBRL is a cumbersome exercise requiring sufficient lead time. We believe such consistency should be beneficial to both the preparers and the CBI.

- As Solvency II is a balance sheet concept, the relevance and usefulness of requesting revenue accounts should be carefully considered in the context of cost-benefit. Given similar data (albeit, different frequency) is already available in the EIOPA-harmonised QRT (S.05.01), any duplication to the extent possible should be avoided.

- The final guidance should address updates to PRISM ratings and lead time available for achieving readiness. We recommend there should at least be 12 months allowed from change to PRISM ratings, to when NSTs are first mandated for submission.

- Similar to EIOPA-harmonised QRTs, consideration should be given to introducing materiality thresholds (in each NST) to avoid requesting non-proportionate data. The quarterly reporting of granular data across the industry will be a significantly onerous and burdensome task, which should be minimised to the extent possible.

- We expect that the NSTs would not form part of any publically disclosed information, but require explicit confirmation.

Additional NST-specific feedback on sections 3 & 4 include:

- NST.01 & NST.02 – The requirement to present data under the Local Accounting Basis is not aligned to our current Solvency I Regulatory Return where data is reported prior to “deposit accounting” for investment contracts. We recommend continuing the use of existing basis. Also, the requirement to report on a quarterly basis should be curtailed and aligned to the generation of annual financial statements.

- NST.01 & NST.02 – The presentation of changes to reserves in the NSTs (e.g. BEL & risk margin) should be clarified.

- NST.01 – Given their nature and determination at the overall entity level, the line of business allocation and presentation of interest & tax should be clarified.

- NST.02 – A different line of business presentation to EIOPA-harmonised QRTs significantly increases burden on the industry with potentially limited benefits, such as comparability of data across other EU markets.

- NST.03, NST.04, NST.05, NST.06 & NST.07 – The data requirements are significantly onerous than EIOPA-harmonised QRTs (such as, S.17.01, S.17.02, S18.01 & S.19.01). We recommend cost-benefit consideration before mandating such disclosures (including, data by distribution channel).

- NST.05, NST.06 & NST.07 – The quarterly submission of NSTs, even though similar templates are required annually by EIOPA, is onerous and burdensome. Their frequency should more closely align to EIOPA-harmonised QRTs.

- NST.05, NST.06 & NST.07 – The request for groups to provide these NSTs, even though similar templates (S18.01, S.19.01) are not mandated for groups by EIOPA, should be re-considered in the context of proportionality and benefits of bringing together granular admin data (such as, claims triangle) across multiple business units.

Finally, we share below our significant feedback on (section 5) NSTs for Variable Annuity business:

- We interpret these NSTs to apply to solo insurers, but not to groups. There should be consideration to clarifying this further in the final guidance.

- Basis for P&L attribution – We hedge our variable annuity guarantee liabilities on a market consistent basis and believe this hedging basis is the most appropriate for P&L attribution. Our liability valuations are marked to the proprietary market consistent liability model, with timely capital market information and best estimate actuarial assumptions that are updated regularly based on actual policyholder behaviour experience and conservative actuarial judgments. We believe that attributing economic P&L results based on our own (market consistent) hedging basis allows us to best serve our economic liabilities, protect policyholder benefits, and protect MetLife's own solvency from adverse market conditions.

- Attribution for Reinsured Business – For those insurers that reinsure their variable annuity guarantee liabilities, we believe undertaking P&L attribution on a weekly basis and on a "best-efforts" basis is appropriate for initial submissions. These insurers should be expected to improve and refine their processes during 2015.

- Interaction between NST and ORSA – We believe it is preferable for each insurer to choose stress tests that are appropriate to its own risk profile.

- Nature of Scenario Tests – Similar to above, we believe it is preferable for each insurer to choose stress tests that are appropriate to its own risk profile.

Once again, we would like to extend our gratitude for the opportunity to share our views and experiences towards helping to shape the future of regulatory reporting. If needed, we would be pleased to discuss our comments with you in further detail at your convenience.