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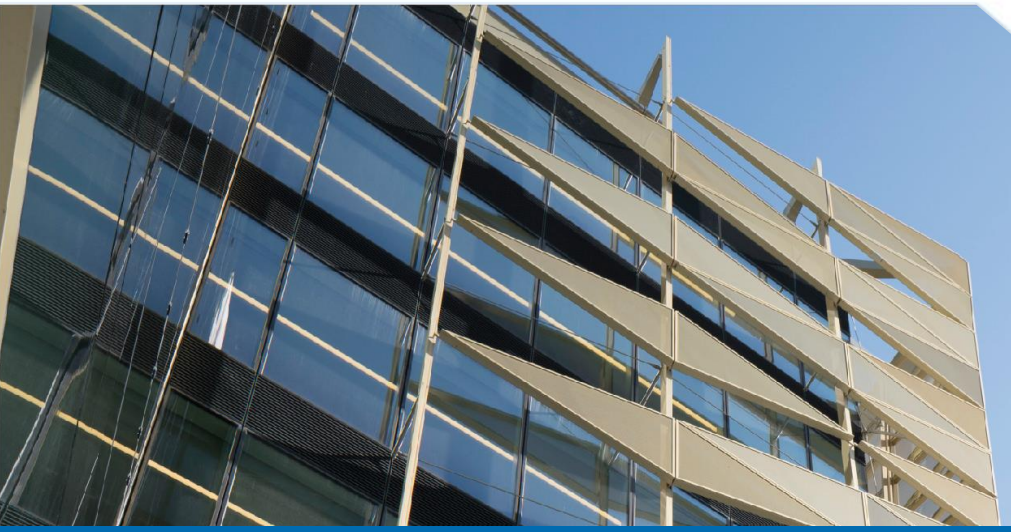

Solvency II reporting workshop

12 November 2018

Agenda

Time	Topic	Speaker
08:30	Welcome and introduction	Allan Kearns – Head of analytics
08:40	Key findings from year-end 2017	Eoin Haugh – Quantitative analytics manager
09:10	Reinsurance templates – key issues	Maribel Cardelle – Senior data analyst
09:35	Thematic reporting onsite	Susan Forristal – Onsite inspections
10:00	*Coffee*	
10:30	Life technical provisions – key reporting issues	John Daniels – Actuarial analytics
10:50	Narrative reporting feedback	John Fitzgerald – Head of domestic non-life
11:10	Reporting: Overview & Future Changes	Susan Coyle – Insurance policy
11:30	Questions and answers	
12:00	*End of workshop*	

Disclaimer

- The information in these slides were presented by Central Bank staff to representatives from all prudentially regulated insurance undertakings, with the narrative provided supplementing and explaining the contents of the slides.
- As such, where the slides in isolation are unclear, we encourage you to consult with colleagues who may have attended the workshop to understand the context in which these were presented.

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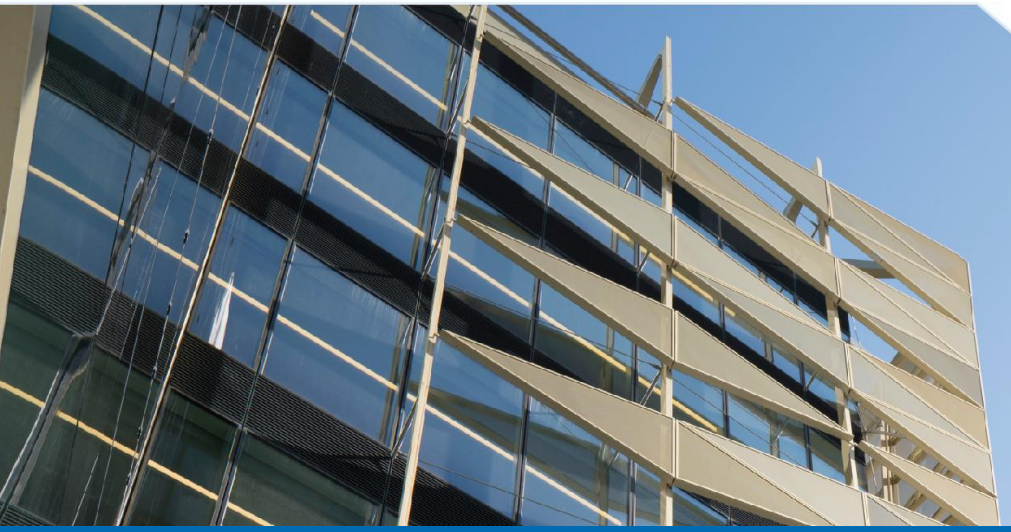

Welcome and introduction

Allan Kearns – Head of insurance analytics

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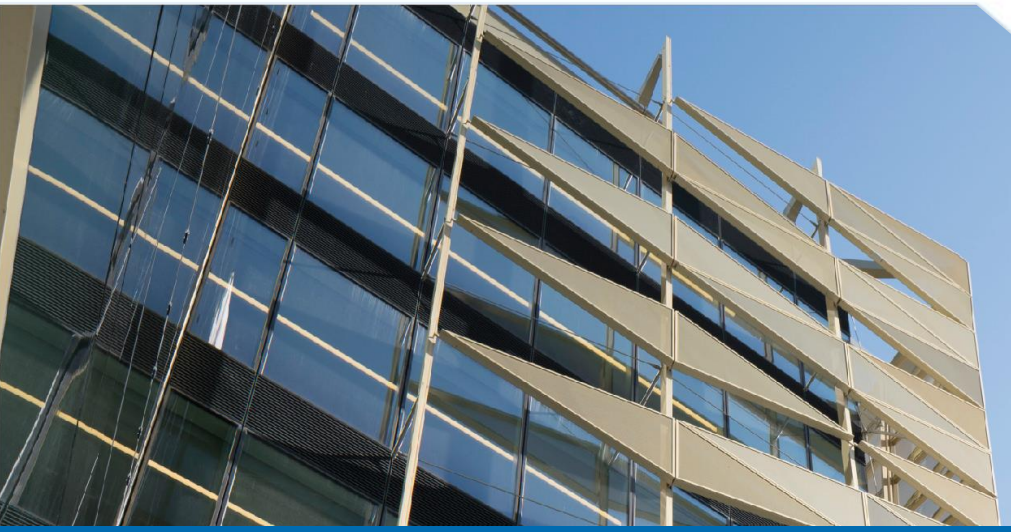

Key findings from year-end 2017

Eoin Haugh – Quantitative analytics manager

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Questions?

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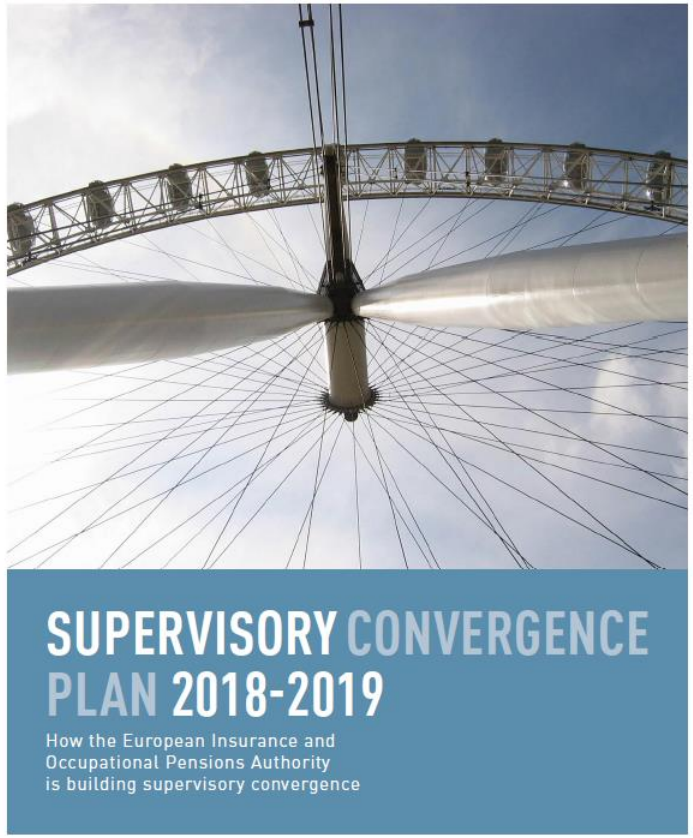
Data quality

“Data cards are guilty until proven innocent”

Brian Kurtz

Once is a mistake, twice is a choice

Supervisory convergence



1) Building common benchmarks for supervisory practices
2) Review of practices
3) EIOPA's own independent assessment

- "*Supervisory convergence does not mean a full harmonisation of the supervisory framework. NCAs may need to tailor the approach by considering the national specificities of their markets*"

Solvency capital requirement

- Templates continue to be a source of concern, mainly due to internal consistency issues. Examples include
  - Failure to reconcile component of the solvency capital requirement reported to the sum of the individual constituents less diversification
  - Failure to reconcile the change in the net value of assets versus liabilities because of shock to the relevant solvency capital requirement constituents

- Undertakings should ensure the all required figures are included (no inadvertently blank cells), both gross and net figures are reported and details underlying the final calculation of the solvency capital requirement are reflected in all SCR templates.

Solvency capital requirement – (partial) internal models

S.25.03.01

Solvency Capital Requirement — for undertakings on Full Internal Models

Unique number of component	Compo-nents description	Calculation of the Solvency Capital Requirement	Consideration of the future management actions regarding technical provisions and/ or deferred taxes
C0010	C0020	C0030	C0060

- The ITS requires that "*the numbers of the components shall be kept consistent over time*"; we are not observing this in all cases.

Variation Analysis

- Reported for first time at year-end 2017
- Significant issues for first year – queries raised with c. 40% of undertakings
  - Sign conventions
  - Incorrect asset classifications (unit-linked instead of non-linked)
  - Inconsistent values reported on different tables
  - Blanks included where non-zero amounts should have been noted
- Undertakings should refer to the EIOPA Explanatory notes on Variation Analysis templates

Complementary Identification Code (CIC)

Where the asset is listed

Sub-Category

Third digit	Category
1	Government bonds
2	Corporate bonds
3	Equity
4	Investment funds
5	Structured notes
6	Collateralised securities
7	Cash and deposits
8	Mortgages and loans
9	Property
0	Other investments

- **Observation**: the same asset receiving different classification (3rd digit) by different undertakings
- **Analysis**: identifying the minority position based on the European database
- **Action**: requesting those in minority position to recheck and explain classification

Derivative reporting

E	European
M	Markets
I	Infrastructure
R	Regulation

- EMIR requires reporting of derivative transactions to trade repositories
- We expect the derivative information reported in the Solvency II returns to be consistent with that reported under EMIR
- Where misalignment continues, undertakings can expect to be requested to explain these differences

Own Risk and Solvency Assessment

- Undertakings must submit the ORSA on an annual basis
  - High/Medium-High – copy of the ORSA report
  - Low/Medium-Low – populated ORSA template
- ORSA returns are not scheduled in the same way as other returns (due to discretion over timing)
- ORSA is a **self-service return**; ONR users within your undertaking are responsible for the scheduling

Life technical provisions - classification

Life and Health SLT Technical Provisions

		Index-linked and unit-linked insurance		
			Contracts without options and guarantees	Contracts with options or guarantees
		C0030	C0040	C0050
Technical provisions calculated as a whole	R0010			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020			
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090			
Risk Margin	R0100			
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110			
Best estimate	R0120			
Risk margin	R0130			
Technical provisions - total	R0200			

- Unit-Linked contract with a surrender value option: *If the surrender value is defined as the value of the … it should be reported under the column without any options and guarantees*. (EIOPA Q&A #247)

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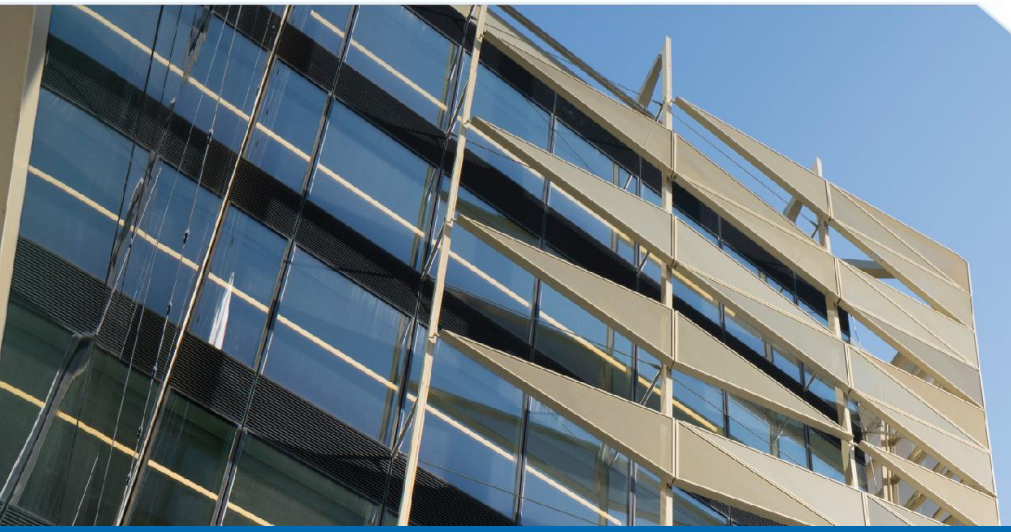


Reinsurance templates – key findings

Maribel Cardelle – Senior data analyst

S.30 Templates

Content of the templates

- S.30.01 and S.30.02 are filled with information on facultative covers valid in the next reporting year for the 10 most important risks (reinsurance exposure) for each line of business

- S.30.03 and S.30.04 are filled with information on reinsurance treaties valid in the next reporting year

Relevance

- Central Bank of Ireland Insurance Supervision teams to determine;
  - Reinsurance coverage
  - Counterparties

Key points

- Timelines:
  - "… facultative covers that have not yet expired at the start of the next reporting year whose period of validity includes or overlaps the next reporting year and are known when filling the template…"
  - "... a reinsurance treaty whose period of validity includes or overlaps the next reporting year and are known when filling the template… "
  - Therefore the Validity period (expiry date) should not be prior to the beginning of the following year, or blank (An exception is the case of life run-off treaties EIOPA Q&A 778)
- Currency
  - S.30.01 – C0120, S.30.02 – C0110, S.30.03 C0130
  - "… the currency used while placing the facultative cover. All the amounts must be expressed in this currency for the specific facultative cover, unless otherwise required by the national supervisory authority… "

Facultative Reinsurance

- S.30.01 and S.30.02

Facultative Reinsurance

- Unique Codes
  - “Risk identification code” should be consistent between S.21.02 and S.30.01
  - “Reinsurance program code”, “Risk identification code”, “Facultative reinsurance placement identification code” should be consistent across the templates S.30.01 and S.30.02
  - “This codes must be unique and must be maintained in subsequent reports.” (Q&A 913)
- Sum reinsured
  - Sum reinsured S.30.01 (C0160) should not exceed sum insured S.30.01 (C0130)
  - Sum reinsured to facultative reinsurer S.30.02 (C0120) to equal sum reinsured S.30.01 (C0160) multiplied by share reinsurer S.30.02 (C0100).

Reconciliation between S.21.02 and S.30.01

TOC	S.21.02.01.01 Underwriting risks non-life		
	Identification of the company / person to which the risk relates	Description risk	Line of business
Risk identification code	C0020	C0030	C0040
RC001	XYZ ltd.	Food Processing & Ge	Fire and other damage

S.30.01.01.01

TOC	Z Axis:	Line of business [gen	Fire and other damage		
			Finite reinsurance or similar arrangements	Proportional	Identification of the company/person to which the risk relates
Reinsurance program code	Risk identification code	Facultative reinsurance placement identification code	C0050	C0060	C0070
Prog_2018	RC001	1	Other than non-tradition	Non-proportional	XYZ ltd.

- "The code is a unique identifying number assigned by the insurer that identifies the risk and shall remain unchanged for subsequent annual reports."

Reconciliation between S.30.01.01.01 and S.30.02.01.01

- S.30.01.01.01:

TOC	Z Axis:	Line of business [ger	Fire and other damage											
			Finite reinsurance or similar arrangements	Proportional	Identification of the company/person to which the risk relates	Description risk	Description risk category covered	Validity period (start date)	Validity period (expiry date)	Currency	Sum insured	Type of underwriting model	Amount underwriting model	Sum reinsured on a facultative basis, with all reinsurers	Facultative reinsurance premium ceded to all reinsurers
Reinsurance program code	Risk identification code	Facultative reinsurance placement identification code	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170
Prog_2018	RC001	1	Other than non-traditio	Non-proportional	XYZ ltd.	Food Processing & Ge	Fire and Flood damage	2018-01-01	2018-12-31	EUR	100,000,000.00	Sum Insured [SI]	100,000,000.00	40,000,000.00	20,000.00
^	^	^													

- S.30.02.01.01:

TOC	Z Axis:	Line of business [gen	Fire and other							
					Activity code broker	Share reinsurer (%)	Currency	Sum reinsured to facultative reinsurer	Facultative ceded reinsurance premium	Annotations
Reinsurance program code	Risk identification code	Facultative reinsurance placement identification code	Code reinsurer	Code broker	C0090	C0100	C0110	C0120	C0130	C0140
Prog-2018	RC001	1	LEI/11111111111	LEI/AAAAAA	Intermediary for placement	25.00%	EUR	10,000,000.00	5,000.00	
Prog-2018	RC001	1	LEI/22222222222	LEI/AAAAAA	Intermediary for placement	75.00%	EUR	30,000,000.00	15,000.00	
^	^	^						^ Should sum to S.30.01 C160	^ Should sum to S.30.01 C170	

Pay attention to subtle differences like underscores and hyphens!

This must sum to 100%

Treaty Reinsurance

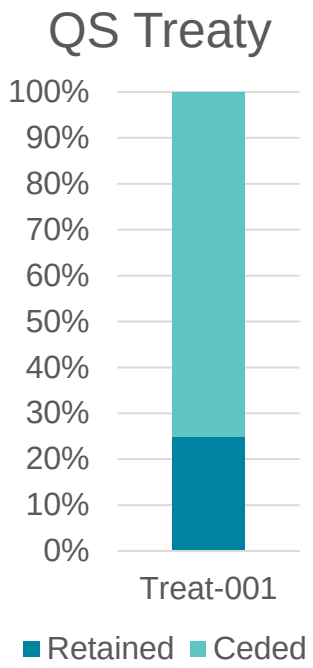
- S.30.03 and S.30.04

Treaty reinsurance

- Unique Codes
  - ““Reinsurance program code”, “Treaty identification code”, ”Progressive section number in treaty”, “Progressive number of surplus/layer in program” should be consistent across the templates S.30.03, S.30.04
  - “This codes must be unique and must be maintained in subsequent reports.” (Q&A 913)

Quota Share

- Estimated Subject Premium income (C0150), Retention or priority (C0190), Limit (C0220) should be blank
- C0160 and C0200 should be completed



- Example 1
- A Simple Quota Share Treaty
- Remember that Limit (%) (C0220) stays blank, this is reserved for Stop-Loss treaties
- Remember that C0160 and C0200 are capturing the opposite effects of ceding and retaining

Z Axis:

					Type of reinsurance treaty	Validity period (start date)	Validity period (expiry date)	Currency	Estimated Subject Premium income (XL-ESPI)	Gross Estimated Treaty Premium Income (proportional and non proportional)	Retention or priority (amount)	Retention or priority (%)	Limit (amount)	Limit (%)	Maximum cover per risk or event	Expected Reinsurance Commission	Expected Profit Commission
Reinsurance program code	Treaty identification code	Section code in the treaty	Progressive number of surplus/layer	Line of business [general]	C0090	C0110	C0120	C0130	C0150	C0160	C0190	C0200	C0210	C0220	C0230	C0290	C0350
Prog-001	Treat-001	1	1	General liability insurance [direct business]	Quota share	2018-01-01	2018-12-31	EUR	This stays blank	750,000.00	This stays blank	25.00%	-1	This stays blank	50,000,000.00	17.50%	30.00%
										^		^			^		
										This is the amount that the firm expects to **cede**		The percentage that the firm will **retain**			This doesn't nessecerily need to be -1 if the treaty is unlimited		

Excess of Loss Treaties

Z Axis:					Quantity of surplus/layers in program	Description risk category covered	Type of reinsurance treaty	Type of underwriting model	Estimated Subject Premium income (XL-ESPI)	Gross Estimated Treaty Premium Income (proportional and non proportional)	Aggregate deductibles (%)	Retention or priority (amount)	Limit (amount)	Maximum cover per risk or event	Maximum cover per treaty	Number of reinstatements	Descriptions of reinstatements	XL rate 1
Reinsurance program code	Treaty identification code	Section code in the treaty	Progressive number of surplus/layer	Line of business [general]	C0050	C0080	C0090	C0140	C0150	C0160	C0180	C0190	C0210	C0230	C0240	C0250	C0260	C0360
Property XOL	1st Layer	1	1	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 1	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	350,000.00		1,000,000.00	5,000,000.00	4,000,000.00	12,000,000.00	3	3@100%	3.50%
Property XOL	2nd Layer	1	2	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 2	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	300,000.00		5,000,000.00	12,000,000.00	7,000,000.00	21,000,000.00	3	3@100%	3.00%
Property XOL	3rd Layer	1	3	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 3	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	250,000.00		12,000,000.00	20,000,000.00	8,000,000.00	16,000,000.00	2	2@100%	2.50%
Property XOL	4th Layer	1	4	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 4	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	200,000.00		20,000,000.00	30,000,000.00	10,000,000.00	20,000,000.00	2	2@100%	2.00%
Property XOL	5th Layer	1	5	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 5	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	150,000.00		30,000,000.00	45,000,000.00	15,000,000.00	15,000,000.00	1	1@100%	1.50%

- Key point is that C210 ‘Limit’ should always be larger than C190 ‘Retention’
- Some firms are using Limit to express the quantum of cover that the treaty provides
- See Q&A 1103

- C0160 = C0150 * C0360
- C0150 should be the estimated reinsurance premium over the life of the contract
- Yes, this can be difficult to estimate for multi-year life contracts, please try and give a reasonable estimate

Z Axis:					Quantity of surplus/layers in program	Description risk category covered	Type of reinsurance treaty	Type of underwriting model	Estimated Subject Premium income (XL-ESPI)	Gross Estimated Treaty Premium Income (proportional and non proportional)	Aggregate deductibles (%)	Retention or priority (amount)	Limit (amount)	Maximum cover per risk or event	Maximum cover per treaty	Number of reinstatements	Descriptions of reinstatements	XL rate 1
Reinsurance program code	Treaty identification code	Section code in the treaty	Progressive number of surplus/layer	Line of business [general]	C0050	C0080	C0090	C0140	C0150	C0160	C0180	C0190	C0210	C0230	C0240	C0250	C0260	C0360
Property XOL	1st Layer	1	1	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 1	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	350,000.00		1,000,000.00	5,000,000.00	4,000,000.00	12,000,000.00	3	3@100%	3.50%
Property XOL	2nd Layer	1	2	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 2	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	300,000.00		5,000,000.00	12,000,000.00	7,000,000.00	21,000,000.00	3	3@100%	3.00%
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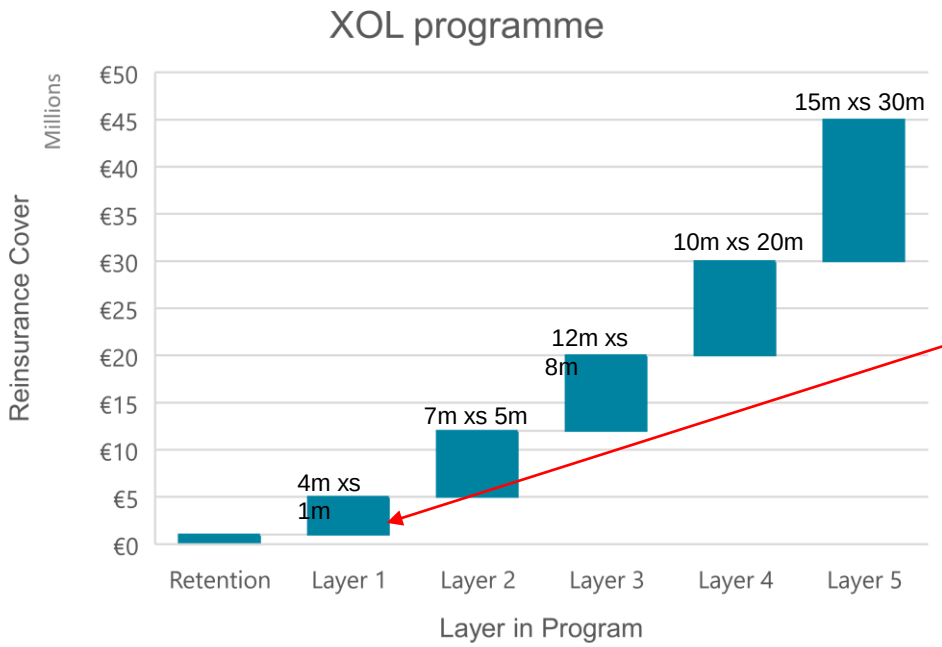

Retention or priority (amount)	Limit (amount)	Maximum cover per risk or event	Maximum cover per treaty	Number of reinstatements	Descriptions of reinstatements
C0190	C0210	C0230	C0240	C0250	C0260
1,000,000.00	5,000,000.00	4,000,000.00	12,000,000.00	3	3@100%
5,000,000.00	12,000,000.00	7,000,000.00	21,000,000.00	3	3@100%
12,000,000.00	20,000,000.00	8,000,000.00	16,000,000.00	2	2@100%
20,000,000.00	30,000,000.00	10,000,000.00	20,000,000.00	2	2@100%
30,000,000.00	45,000,000.00	15,000,000.00	15,000,000.00	1	1@100%

Z Axis:

Reinsurance program code	Treaty identification code	Section code in the treaty	Progressive number of surplus/layer	Line of business [general]	Quantity of surplus/layers in program	Description risk category covered	Type of reinsurance treaty	Type of underwriting model	Estimated Subject Premium income (XL-ESPI)	Gross Estimated Treaty Premium Income (proportional and non proportional)	Aggregate deductibles (%)	Retention or priority (amount)	Limit (amount)	Maximum cover per risk or event	Maximum cover per treaty	Number of reinstatements	Descriptions of reinstatements	XL rate 1
					C0050	C0080	C0090	C0140	C0150	C0160	C0180	C0190	C0210	C0230	C0240	C0250	C0260	C0360
Property XOL	1st Layer	1	1	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 1	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	350,000.00		1,000,000.00	5,000,000.00	4,000,000.00	12,000,000.00	3	3@100%	3.50%
Property XOL	2nd Layer	1	2	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 2	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	300,000.00		5,000,000.00	12,000,000.00	7,000,000.00	21,000,000.00	3	3@100%	3.00%
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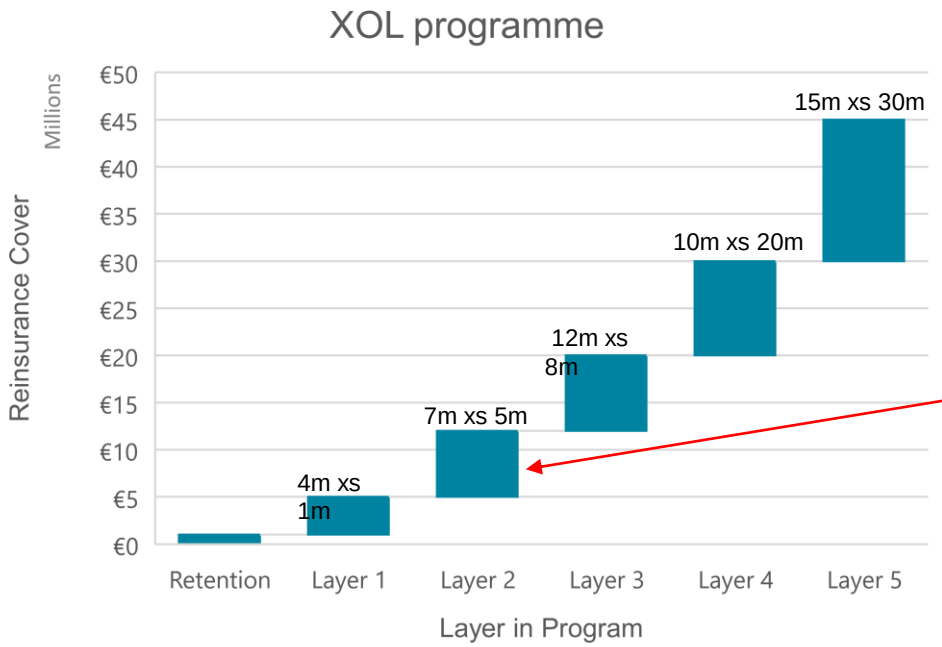
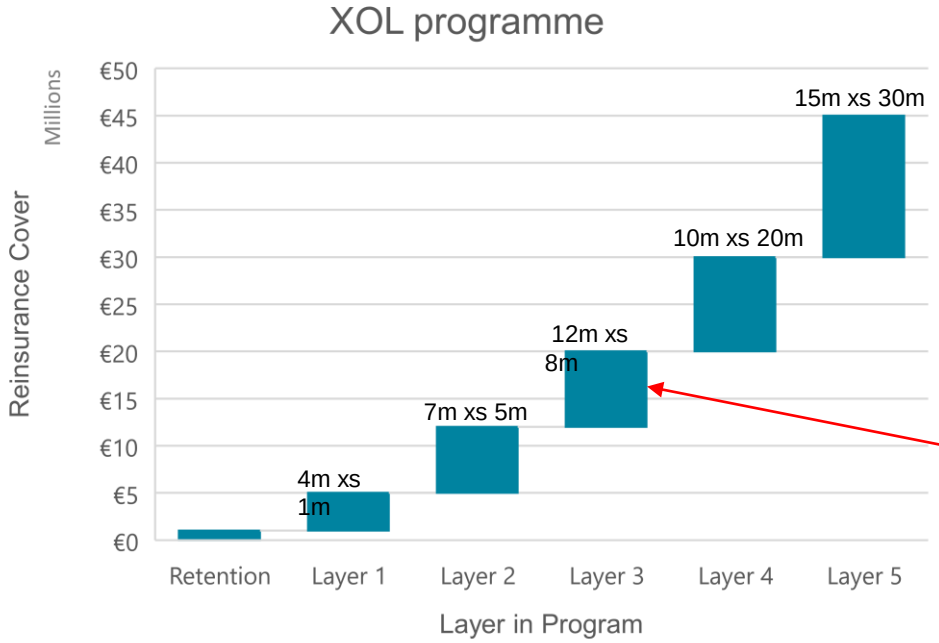
Property XOL	4th Layer	1	4	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 4	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	200,000.00		20,000,000.00	30,000,000.00	10,000,000.00	20,000,000.00	2	2@100%	2.00%
Property XOL	5th Layer	1	5	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 5	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	150,000.00		30,000,000.00	45,000,000.00	15,000,000.00	15,000,000.00	1	1@100%	1.50%



Retention or priority (amount)	Limit (amount)	Maximum cover per risk or event	Maximum cover per treaty	Number of reinstatements	Descriptions of reinstatements
C0190	C0210	C0230	C0240	C0250	C0260
1,000,000.00	5,000,000.00	4,000,000.00	12,000,000.00	3	3@100%
5,000,000.00	12,000,000.00	7,000,000.00	21,000,000.00	3	3@100%
12,000,000.00	20,000,000.00	8,000,000.00	16,000,000.00	2	2@100%
20,000,000.00	30,000,000.00	10,000,000.00	20,000,000.00	2	2@100%
30,000,000.00	45,000,000.00	15,000,000.00	15,000,000.00	1	1@100%

Z Axis:

Reinsurance program code	Treaty identification code	Section code in the treaty	Progressive number of surplus/layer	Line of business [general]	Quantity of surplus/layers in program	Description risk category covered	Type of reinsurance treaty	Type of underwriting model	Estimated Subject Premium income (XL-ESPI)	Gross Estimated Treaty Premium Income (proportional and non proportional)	Aggregate deductibles (%)	Retention or priority (amount)	Limit (amount)	Maximum cover per risk or event	Maximum cover per treaty	Number of reinstatements	Descriptions of reinstatements	XL rate 1
					C0050	C0080	C0090	C0140	C0150	C0160	C0180	C0190	C0210	C0230	C0240	C0250	C0260	C0360
Property XOL	1st Layer	1	1	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 1	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	350,000.00		1,000,000.00	5,000,000.00	4,000,000.00	12,000,000.00	3	3@100%	3.50%
Property XOL	2nd Layer	1	2	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 2	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	300,000.00		5,000,000.00	12,000,000.00	7,000,000.00	21,000,000.00	3	3@100%	3.00%
Property XOL	3rd Layer	1	3	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 3	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	250,000.00		12,000,000.00	20,000,000.00	8,000,000.00	16,000,000.00	2	2@100%	2.50%
Property XOL	4th Layer	1	4	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 4	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	200,000.00		20,000,000.00	30,000,000.00	10,000,000.00	20,000,000.00	2	2@100%	2.00%
Property XOL	5th Layer	1	5	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 5	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	150,000.00		30,000,000.00	45,000,000.00	15,000,000.00	15,000,000.00	1	1@100%	1.50%



Retention or priority (amount)	Limit (amount)	Maximum cover per risk or event	Maximum cover per treaty	Number of reinstatements	Descriptions of reinstatements
C0190	C0210	C0230	C0240	C0250	C0260
1,000,000.00	5,000,000.00	4,000,000.00	12,000,000.00	3	3@100%
5,000,000.00	12,000,000.00	7,000,000.00	21,000,000.00	3	3@100%
12,000,000.00	20,000,000.00	8,000,000.00	16,000,000.00	2	2@100%
20,000,000.00	30,000,000.00	10,000,000.00	20,000,000.00	2	2@100%
30,000,000.00	45,000,000.00	15,000,000.00	15,000,000.00	1	1@100%

Z Axis:					Quantity of surplus/layers in program	Description risk category covered	Type of reinsurance treaty	Type of underwriting model	Estimated Subject Premium income (XL-ESPI)	Gross Estimated Treaty Premium Income (proportional and non proportional)	Aggregate deductibles (%)	Retention or priority (amount)	Limit (amount)	Maximum cover per risk or event	Maximum cover per treaty	Number of reinstatements	Descriptions of reinstatements	XL rate 1
Reinsurance program code	Treaty identification code	Section code in the treaty	Progressive number of surplus/layer	Line of business [general]	C0050	C0080	C0090	C0140	C0150	C0160	C0180	C0190	C0210	C0230	C0240	C0250	C0260	C0360
Property XOL	1st Layer	1	1	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 1	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	350,000.00		1,000,000.00	5,000,000.00	4,000,000.00	12,000,000.00	3	3@100%	3.50%
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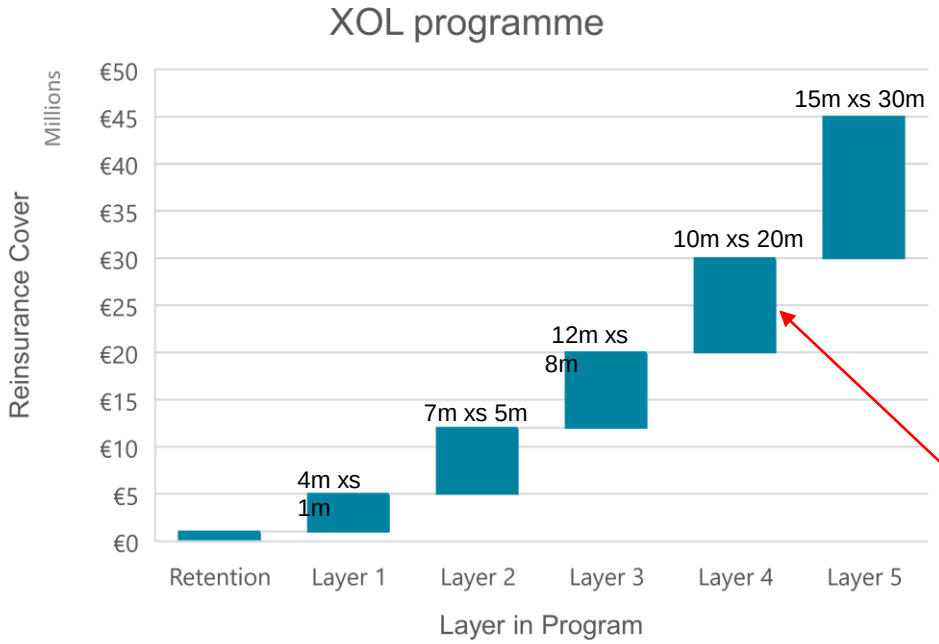
Property XOL	5th Layer	1	5	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 5	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	150,000.00		30,000,000.00	45,000,000.00	15,000,000.00	15,000,000.00	1	1@100%	1.50%



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C0190	C0210	C0230	C0240	C0250	C0260
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5,000,000.00	12,000,000.00	7,000,000.00	21,000,000.00	3	3@100%
12,000,000.00	20,000,000.00	8,000,000.00	16,000,000.00	2	2@100%
20,000,000.00	30,000,000.00	10,000,000.00	20,000,000.00	2	2@100%
30,000,000.00	45,000,000.00	15,000,000.00	15,000,000.00	1	1@100%

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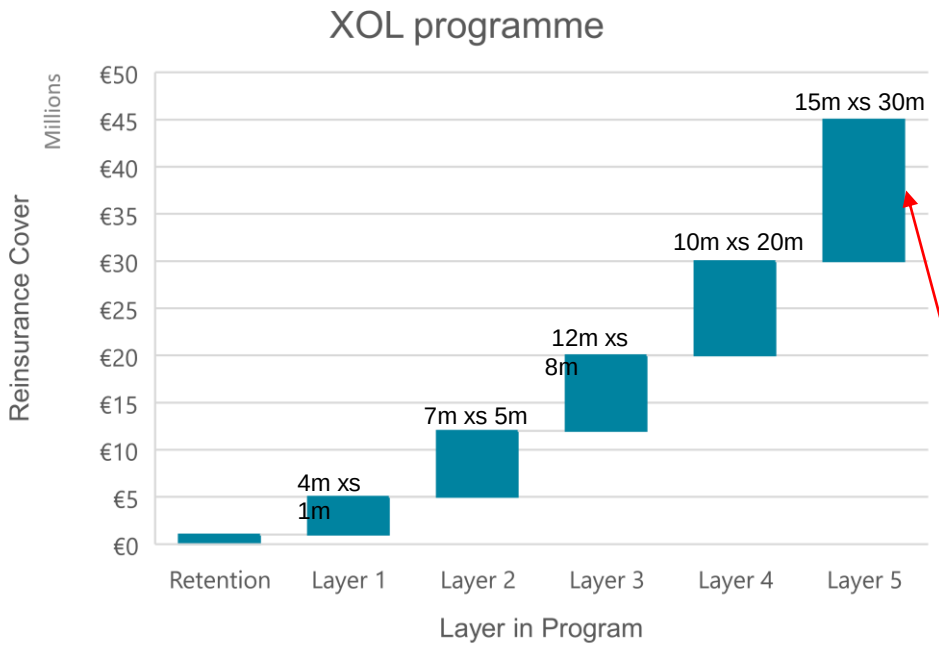
Property XOL	4th Layer	1	4	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 4	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	200,000.00		20,000,000.00	30,000,000.00	10,000,000.00	20,000,000.00	2	2@100%	2.00%
Property XOL	5th Layer	1	5	Fire and other damage to property insurance [direct business]	5	Property XOL - Layer 5	Excess of loss [per risk]	Sum Insured [SI]	10,000,000.00	150,000.00		30,000,000.00	45,000,000.00	15,000,000.00	15,000,000.00	1	1@100%	1.50%



Retention or priority (amount)	Limit (amount)	Maximum cover per risk or event	Maximum cover per treaty	Number of reinstatements	Descriptions of reinstatements
C0190	C0210	C0230	C0240	C0250	C0260
1,000,000.00	5,000,000.00	4,000,000.00	12,000,000.00	3	3@100%
5,000,000.00	12,000,000.00	7,000,000.00	21,000,000.00	3	3@100%
12,000,000.00	20,000,000.00	8,000,000.00	16,000,000.00	2	2@100%
20,000,000.00	30,000,000.00	10,000,000.00	20,000,000.00	2	2@100%
30,000,000.00	45,000,000.00	15,000,000.00	15,000,000.00	1	1@100%

Multiline

- Multiline is for:
- Treaties with multiple LOB

  Where
- Terms of cover differ between LOB

  But
- A split by LOB is not possible

Multiline

- Example 1: Large QS arrangement
- Treaty with multiple LOB Where Terms of cover differ between LOB And a split by LOB is possible
- Multiline is not appropriate here

Multiline

- Example 1: Large QS arrangement
- Treaty with multiple LOB Where Terms of cover differ between LOB And a split by LOB is possible
- Multiline is not appropriate here

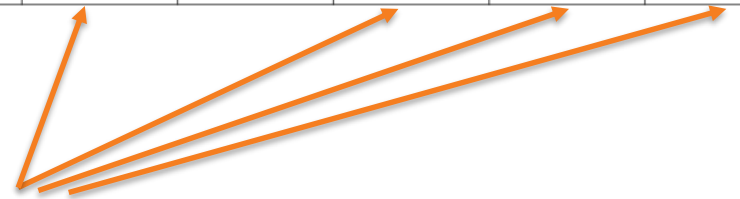
Z Axis:					Type of reinsurance treaty	Currency	Type of underwriting model	Gross Estimated Treaty Premium Income (proportional and non proportional)	Retention or priority (%)	Limit (amount)	Maximum cover per risk or event	Expected Reinsurance Commission	Expected Profit Commission
Reinsurance program code	Treaty identification code	Section code in the treaty	Progressive number of	Line of business [general]	C0090	C0130	C0140	C0160	C0200	C0210	C0230	C0290	C0350
Ireland 2018 Prog	Treat-001	0	1	Motor vehicle liability insurance [direct business]	Quota share	EUR	Sum Insured [SI]	50,000,000.00	10.00%	-1.00	-1.00	10.00%	0.00%
Ireland 2018 Prog	Treat-001	1	1	Fire and other damage to property insurance [direct business]	Quota share	EUR	Sum Insured [SI]	150,000,000.00	20.00%	-1.00	1,495,000.00	30.00%	7.00%
Ireland 2018 Prog	Treat-001	2	1	Marine, aviation and transport insurance [direct business]	Quota share	EUR	Sum Insured [SI]	29,000,000.00	15.00%	-1.00	14,000,000.00	23.00%	2.00%
Ireland 2018 Prog	Treat-001	3	1	Other motor insurance [accepted proportional reinsurance]	Quota share	EUR	Sum Insured [SI]	190,000,000.00	50.00%	-1.00	2,000,000.00	14.00%	0.00%

Multiline

- Example 1: Large QS arrangement
- Treaty with multiple LOB Where Terms of cover differ between LOB And a split by LOB is possible
- Multiline is not appropriate here

Z Axis:

					Type of reinsurance treaty	Currency	Type of underwriting model	Gross Estimated Treaty Premium Income (proportional and non proportional)	Retention or priority (%)	Limit (amount)	Maximum cover per risk or event	Expected Reinsurance Commission	Expected Profit Commission
Reinsurance program code	Treaty identification code	Section code in the treaty	Progressive number of	Line of business [general]	C0090	C0130	C0140	C0160	C0200	C0210	C0230	C0290	C0350
Ireland 2018 Prog	Treat-001	0	1	Motor vehicle liability insurance [direct business]	Quota share	EUR	Sum Insured [SI]	50,000,000.00	10.00%	-1.00	-1.00	10.00%	0.00%
Ireland 2018 Prog	Treat-001	1	1	Fire and other damage to property insurance [direct business]	Quota share	EUR	Sum Insured [SI]	150,000,000.00	20.00%	-1.00	1,495,000.00	30.00%	7.00%
Ireland 2018 Prog	Treat-001	2	1	Marine, aviation and transport insurance [direct business]	Quota share	EUR	Sum Insured [SI]	29,000,000.00	15.00%	-1.00	14,000,000.00	23.00%	2.00%
Ireland 2018 Prog	Treat-001	3	1	Other motor insurance [accepted proportional reinsurance]	Quota share	EUR	Sum Insured [SI]	190,000,000.00	50.00%	-1.00	2,000,000.00	14.00%	0.00%



- Parameters of the treaty have been agreed separately for each LOB

Multiline

- Example 2: Life and Serious Illness reinsurance with different retentions, premium has been negotiated for portfolio of risks as a whole
- Treaty with multiple LOB Where Terms of cover differ between LOB And a split by LOB is not possible
- Multiline is appropriate here
- Note that the premium payable cannot be split by LOB as it has been negotiated for a portfolio of risks

Z Axis:					Description risk category covered	Type of reinsurance treaty	Gross Estimated Treaty Premium Income (proportional and non proportional)	Retention or priority (amount)	Retention or priority (%)	Limit (amount)	Limit (%)	Maximum cover per risk or event	Maximum cover per treaty
Reinsurance program code	Treaty identification	Section code in the treaty	Progressive number of	Line of business [general]	C0080	C0090	C0160	C0190	C0200	C0210	C0220	C0230	C0240
Life Prog	Treat-001		1	Multiline		Other proportional treati	12,500,000.00						-1.00
Life Prog	Treat-001	1	1	Health SLT	Serious Illness	Other proportional treaties		100,000.00	20.00%	1,200,000.00		-1.00	-1.00
Life Prog	Treat-001	2	1	Other life	Life	Other proportional treaties		20,000.00	45.00%	1,200,000.00		-1.00	-1.00

Reinsurer and Broker

- Each Code of Reinsurer used in 30.02.01.01 and 30.02.01.02,the correspondent details should appear in 30.02.01.03
- Each Code Broker used in 30.02.01.01 and 30.02.01.02, the correspondent details should appear in 30.02.01.04
- Each Code of Reinsurer used in S.30.04.01.01 the correspondent details should appear in 30.04.01.02
- Each Code Broker used in S.30.04.01.01 the correspondent details should appear in 30.04.01.02

Reinsurer and Broker

								Activity code broker	Share reinsurer (%)	Exposure ceded for reinsurer's share (amount)
S.30.04.zz.01 line identification	Reinsurance program code	Treaty identification code	Section code in the treaty	Progressive number of surplus/layer in program	Code reinsurer	Code collateral/guarantee provider	Code broker	C0090	C0100	C0110
1	Prog_2018	Treat_1	1	1	LEI/11111111111111111111		LEI/12345678901234567890	1	25.00%	1000000.00

	Legal name reinsurer	Type of reinsurer	Country of residency	External rating assessment by nominated ECAI	Nominated ECAI	Credit quality step	Internal rating
Code reinsurer	C0200	C0210	C0220	C0230	C0240	C0250	C0260
LEI/11111111111111111111	Reir 1	External reinsurer	Ireland	AAA	Standard & Poor's Credit Market Services Europe Limited (LEI code: 549300363WVTTH0TW460)	Credit quality step 0	

	Legal name broker
Code broker	C0290
LEI/12345678901234567890	Broker Name

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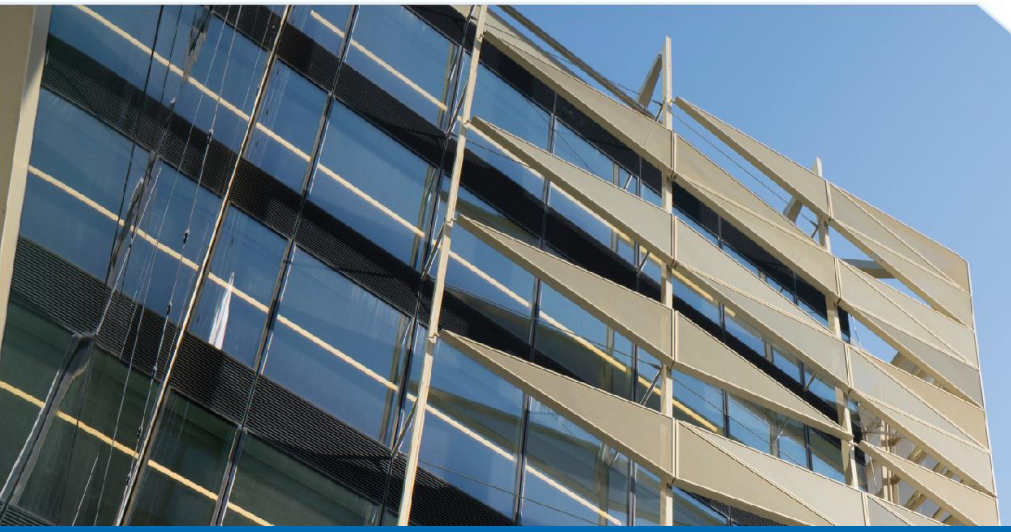


Onsite Thematic Regulatory Reporting Inspections

Susan Forristal - Onsite Inspections Team

Agenda

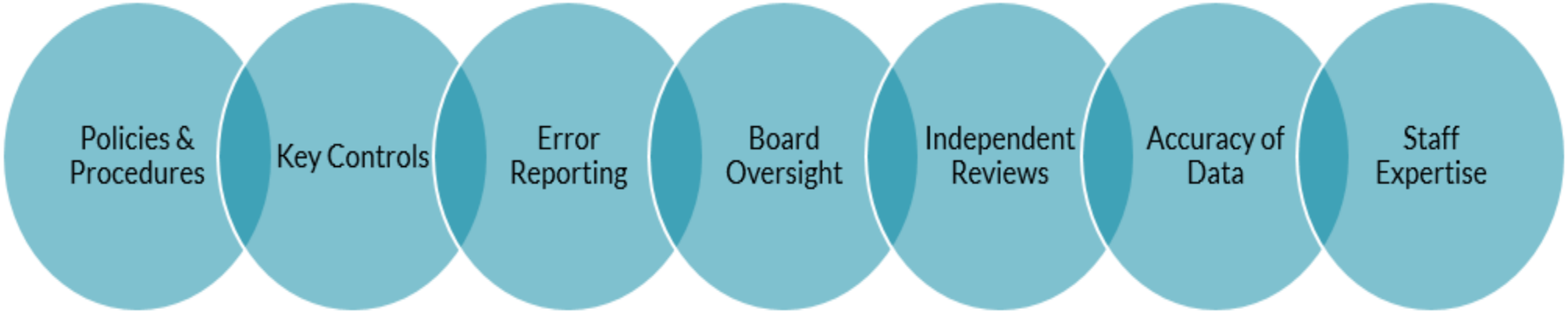
- Introduction
- Solvency II requirements for Regulatory Reporting
- Scope of the Thematic Onsite Inspection on Regulatory Reporting
- Good Practices observed
- Poor Practices observed

Solvency II

- Supervisory Reporting Policy
- Directors Accuracy Certificate
- Robust Control Framework
- Appropriate Reporting Arrangements
- Independent External Review of Relevant Elements of SFCR

Thematic Inspections on Regulatory Reporting

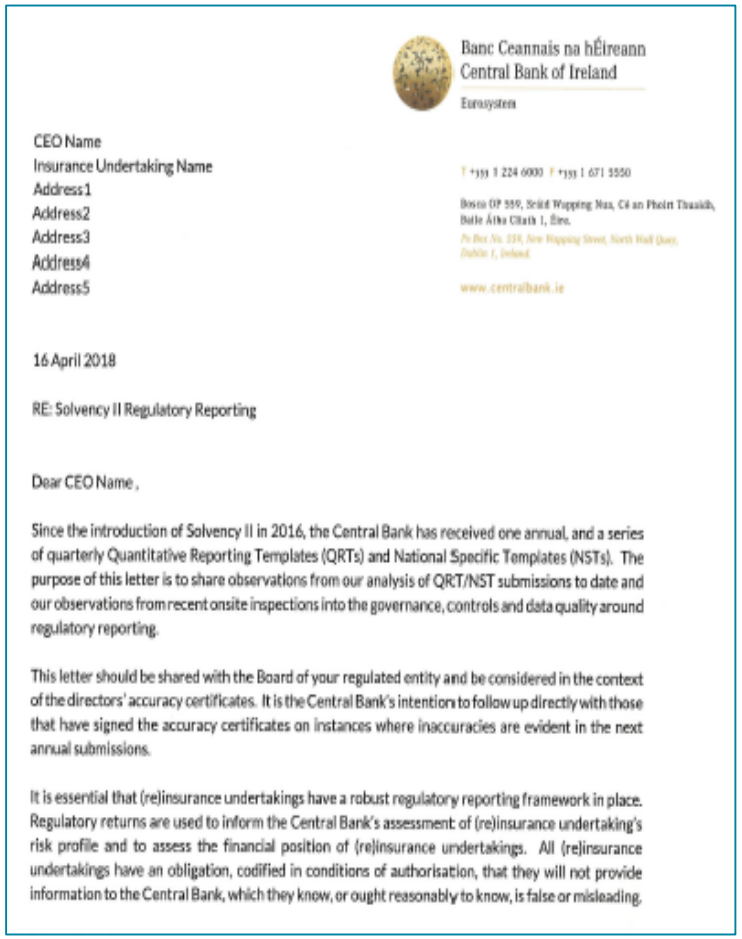
Question: Have Insurance firms established a robust, documented and quality assured, end-to-end process for the creation, validation, sign off and transmission of the Solvency II returns?



Thematic Findings: Dear CEO Letter

What were the <u>good</u> practices observed during the Inspection?

- Effective Governance
- 2nd & 3rd Line Involvement
- Effective Policies and Procedures
- Assured Key Controls
- Error Management Processes
- Consideration of Key Person Risks
- Training
- Data Quality



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CEO Name
Insurance Undertaking Name
Address1
Address2
Address3
Address4
Address5

16 April 2018

RE: Solvency II Regulatory Reporting

Dear CEO Name ,

Since the introduction of Solvency II in 2016, the Central Bank has received one annual, and a series of quarterly Quantitative Reporting Templates (QRTs) and National Specific Templates (NSTs). The purpose of this letter is to share observations from our analysis of QRT/NST submissions to date and our observations from recent onsite inspections into the governance, controls and data quality around regulatory reporting.

This letter should be shared with the Board of your regulated entity and be considered in the context of the directors' accuracy certificates. It is the Central Bank's intention to follow up directly with those that have signed the accuracy certificates on instances where inaccuracies are evident in the next annual submissions.

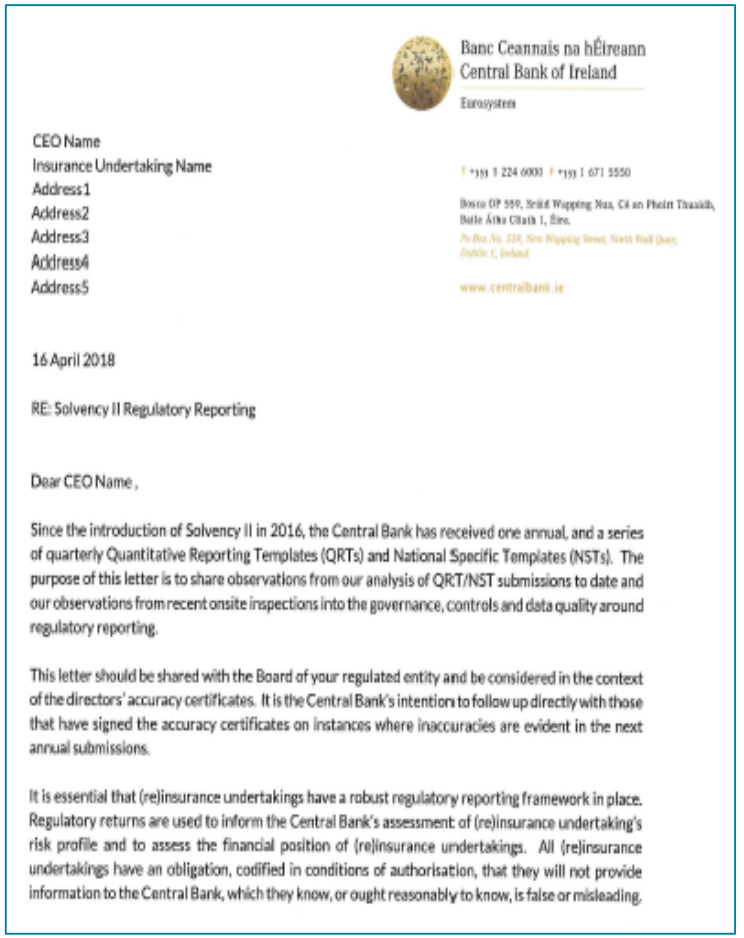
It is essential that (re)insurance undertakings have a robust regulatory reporting framework in place. Regulatory returns are used to inform the Central Bank's assessment of (re)insurance undertaking's risk profile and to assess the financial position of (re)insurance undertakings. All (re)insurance undertakings have an obligation, codified in conditions of authorisation, that they will not provide information to the Central Bank, which they know, or ought reasonably to know, is false or misleading.

Click here

Thematic Findings: Dear CEO Letter

What were the <u>poor</u> practices observed during the Inspection?

- Ineffective or Absent Governance
- No or little 2nd & 3rd Line Involvement
- Absence of Policies and Procedures
- Absence of Key Controls
- No Error Management Processes & Repeated Errors
- Insufficient Mitigation of People Risks
- No Training @ Operational or Board Level
- Poor Data Quality



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Central Bank of Ireland
Eurosystem

CEO Name
Insurance Undertaking Name
Address1
Address2
Address3
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Click here

Summary & Conclusions

Three key takeaways from the Onsite Inspections conducted are as follows:

(i) Companies should have a **robust control framework that is documented**

(ii) Companies should understand the importance of the **2nd and 3rd Line of Defence involvement** in the regulatory reporting process

(iii) And companies should understand that by signing the Accuracy Certificate, the **Directors are attesting to the accuracy of all information provided**

Controls should not just be a "tick box"; if QRT/NSTs are complete, correct and accurate first time, no resubmissions will be required

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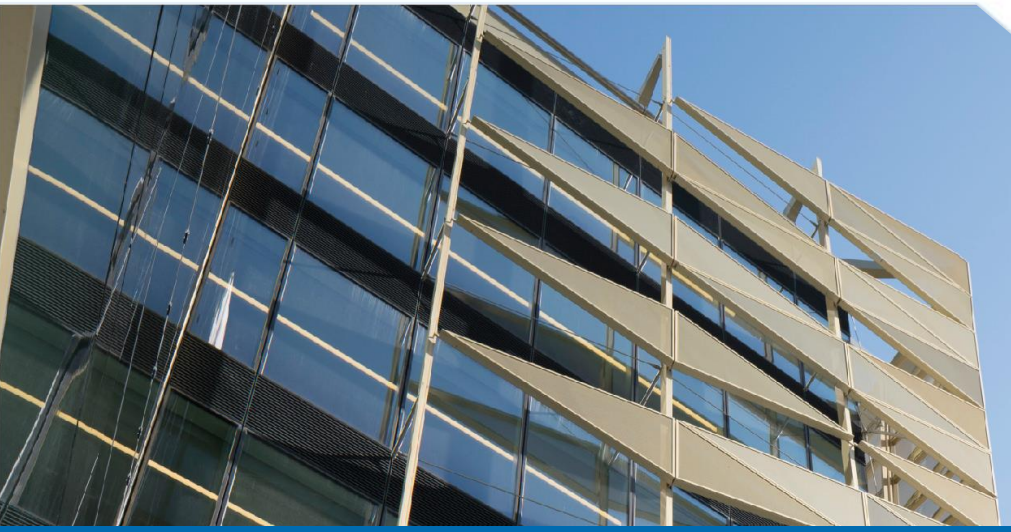

Life technical provisions – key reporting issues

John Daniels – Actuarial analytics

S.12.01 - Life and Health SLT Technical Provisions

- Compare **annual return against quarterly return**

- Check **S.12.01 Technical Provisions against Balance Sheet SE.02.01.16**
  - S.12.01 Gross Technical Provisions (Gross TPs calculated as a whole; Gross BE; Risk Margin) against those in the Balance Sheet SE.02.01.16 (for Unit Linked, Life and Health SLT)
  - S.12.01 Reinsurance Recoverable against Balance Sheet SE.02.01.16

- **Line of Business with Premium** reported in the P&L S.05.01.01.02 would be expected to have non-zero Technical Provisions for corresponding Lines of business in S.12.01

- **Gross Best Estimate** reported in *R0030* checked against sum of **present value of outflows (***R0230* + *R0240* + *R0250* + *R0260***) less present value of inflows (***R0270* + *R0280***)** for each line of business

- Where **adjustment to the TPs** are reported in S.12 these should also appear in S.22
- Where a firm has some **Life Technical Provisions** in S.12 then we would expect to see a positive **Life SCR** reported in S.25

S.12.02 - Gross TP / Gross BE for different countries

- Check that the **sum of the values in S.12.02** across Home, Countries outside the materiality threshold and Countries inside the materiality threshold equals the Gross TP calculated as a Whole plus the Gross BE reported in **S.12.01**
  - S.12.02.01.01 + S.12.02.01.02 = S.12.01.01.01 *R0010 + R0030 + R0110 + R0120*
  - Check is performed at a line of business level

S.12.01 and S.12.02 - Comments

S.12.01 Comments

- A number of firms had inconsistent lines of business reported between S.12.01 and S.05.01.01.02
- For many firms the present values of cashflows underlying the BE reported in rows R0230 to R0280 did not correspond with the reported Gross BE in R0030 (in particular unit linked funds)
- S.12.01 R0230 to R0280 should be present values, ie. discounted future cashflows
- S.12.01 R0230 to R0280 should typically have a positive sign

S.12.02 Comments

- **S.12.02 should exclude the Risk Margin**
- A number of firms had inconsistent lines of business reported between S.12.01 and S.12.02

S.13 - Best Estimate - Life

- S.13 should give the cashflows underlying the present values in S12.01 R0230 to R0280 (and hence the cashflows underlying the Gross BE in S.12.01)
  - The S.13 cashflows are the undiscounted cashflows
  - Check that the *Present Values* reported in S.12.01 *approximately equal* to the calculated discounted value of the S.13 future cashflows
    - S.12.01 BE Present Values $\approx S.13\ Present\ Values\ = \sum_t CF_t/(1+RDR_t)^t$
  - Known issues with check: different currencies (and hence yield curves) of future cashflows aggregated in QRT, discounting frequency of BE may not be annual, cashflows beyond 30 years are aggregated in QRT, etc.

- Similar check for the Reinsurance Recoverables
  - *S.12.01 C0150, C0210 \ R0080* approximately equals present value of *S.13 C0290*

S.13 - Comments

- Some firms did not populate S.13, but did populate S.12
- Line of business reporting inconsistencies (column misclassifications) between S.13. and S.12
- Incorrectly identifying cash-in flows with negative signs – all values should be reported as positive values unless otherwise stated
- A number of firms excluded policyholder cashflows from the *S.13 C0050* Future Benefits for Index linked and unit-linked insurance

S.14 - Life obligation analysis

- Check that the Best Estimate and TPs calculated as a whole in *S.14.01.01.03 C0180* equal those in *S.12.01*
- Check that the Surrender value in *S.14.01.01.03 C0200* equals that in *S.12.01 R0300*
- Check on the Gross Written Premium between *S.14.01.01.01 C0060* and *S.05.01.01.02 R1410\C0300*
- Check that the number of contracts in *S.14.01.01.01 C0040* are positive whole numbers
- Check that the number of new contracts in *S.14.01.01.01 C0050* are non-negative whole numbers

S.14 - Comments

- S.14 should be reported where S.12 is reported
  - A number of firms submitted an incomplete S.14

- The Technical Provisions in ***S.14 C0180*** **include accepted reinsurance business** (cf. EIOPA Q&A)

- ITS instruction for *S.14 C0180* updated (expended from solely BE to BE plus TP calculated as a whole)

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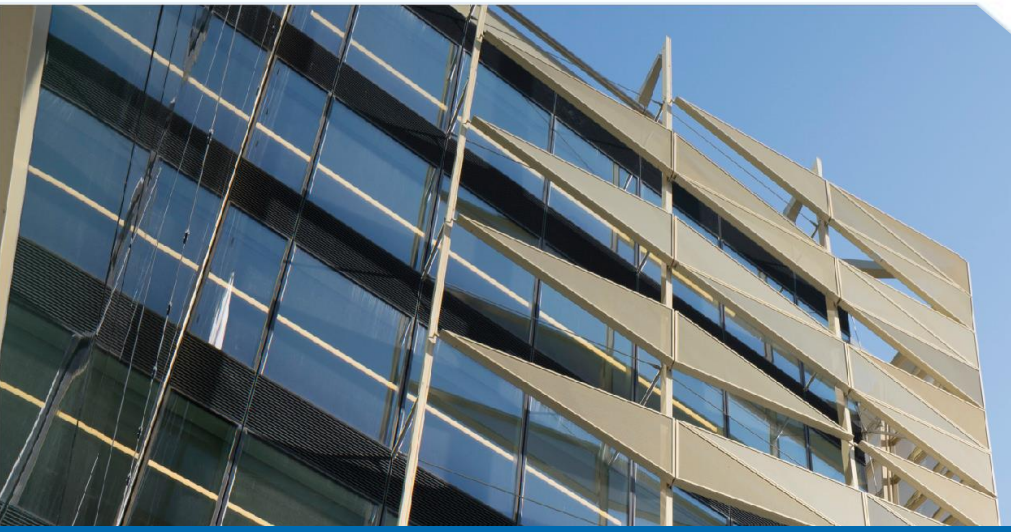


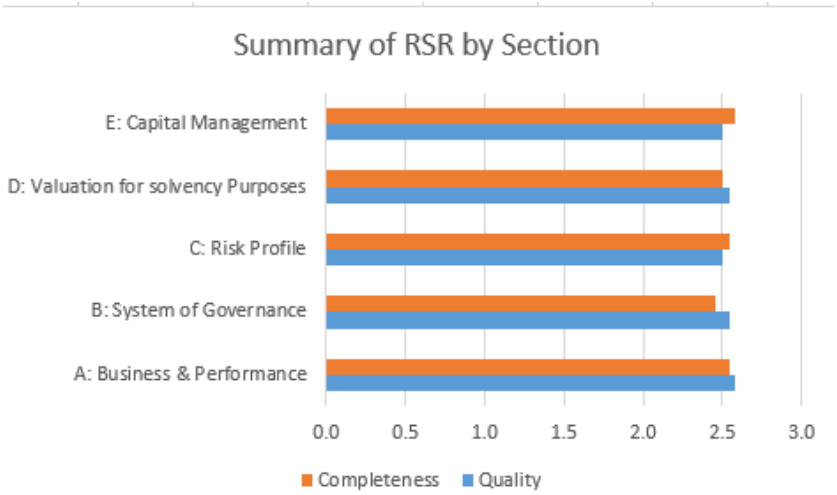
Qualitative reporting

John Fitzgerald – Head of domestic non-life

Points for Discussion

- Full RSR
- Summary RSR
- Guidance on reporting in a “machine readable format”

Full RSR



- Generally average (2) to good (3) in terms of completeness / quality of disclosure
- Information generally in line with supervisors expectations

- Some changes to standardised sections and numbering
- Examples of poor use of cross referencing other documentation

The summary
which shall in particular highlight any material changes that have occurred in the undertaking's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management over the reporting period, and provide a concise explanation about the causes and effects of such changes. The summary must include information on the ORSA for the purpose of Article 45(6) of Directive 2009/139/EC.

- Missing or not in line with requirements
- Not forward looking

Full RSR

A	**Business & Performance**
A.1	Business Overview
A.2	Underwriting Performance
A.3	Investment Performance
A.4	Other Activities Performance
A.5	Any Other Information
B	**System of Governance**
B.1	General Overview
B.2	F&P requirements
B.3	Risk Management system / ORSA
B.4	Internal Control System
B.5	Internal Audit Function
B.6	Actuarial Function
B.7	Outsourcing
B.8	Any other Information

- Projections – missing or inconsistent
- Missing information – Branches / risk mitigation
- Factors affecting performance – minimal discussion

- Outsourcing – insufficient disclosure
- Other material risks not included in SCR – Not referenced
- Internal audit Function – limited disclosure

Full RSR

C	Risk Profile (over planning period)
C.1	Underwriting Risk
C.2	Market Risk
C.3	Credit Risk
C.4	Liquidity Risk
C.5	Operational Risk
C.6	Other Material Risks
C.7	Any other Information
D	**Valuation for solvency Purposes**
D.1	Assets
D.2	Technical Provisions
D.3	Other Liabilities
D.4	Alternative methods for valuation
D.5	Any Other Information
E	**Capital Management**
E.1	Own Funds
E.2	SCR and MCR
E.3	Duration based equity risk sub-module
E.4	Differences between SF and IM
E.5	Risk of non-compliance with SCR/MCR
E.6	Any other Information

- Impact of business strategy on risk profile – missing / inconsistent
- Limited information on how risks are mitigated
- Stress testing, sensitivity analysis and risk concentrations

- Technical area – supplemental to SFCR
- Specific disclosures omitted or not identified as not applicable

- Development of SCR / Own Funds over planning period – lack of detail
- Possibility of non-compliance with SCR

Summary RSR

Dear CEO letter (20th December 2017)

Reporting during each of the intervening 2 years should consist of the RSR summary section. This summary is required to detail any material changes that have occurred in the undertaking's business and performance, system of governance, risk profile, valuation for solvency purposes and capital management over the reporting period and provide a concise explanation about the causes and effects of such changes. For clarification purposes, it is expected that all undertakings will submit a summary section either outlining material changes as prescribed above or noting no material changes.

- Mixed Approach – Full “mini” RSR ranging to very minimalist overview

- Increased use of broadly referencing other documentation
- Questionable application of cut-offs / Missing information
- Excessive or irrelevant disclosure diluting key message

- Indicates that firms may not be giving sufficient attention to the purpose of the RSR.

Guidance on reporting in a “machine readable format”

Dear CEO letter (20th December 2017)

The Central Bank request that all future RSR summary section and full reports are submitted via the ONR platform and are in a machine readable format.

Also applies to SFCR

Do:

- Save as v’s Scan
- Ensure all required templates are included within Annex 1.
- Ensure no columns are missing from a template within Annex 1.
- Provide all templates inside original template gridlines

Do Not:

- Use embedded images for templates within Annex I
- Add descriptive columns within the template. *(If required for other stakeholders, please locate such descriptions beside an intact template, rather than altering the layout of the template)*.
- Split templates horizontally to fit a page.
- Reformat values inside the templates such as including added spaces, dots or commas.
- Locate more than one table side-by-side on a given page of Annex I.

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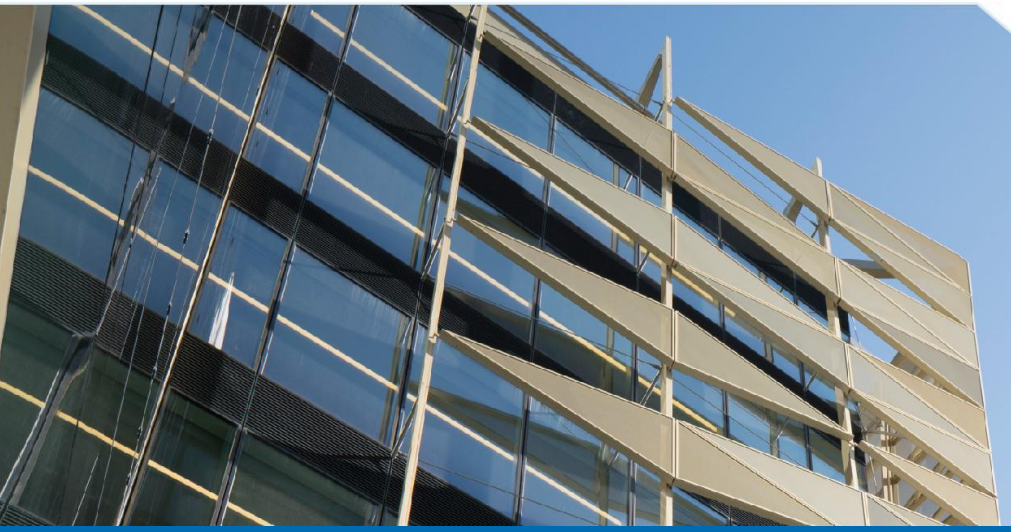
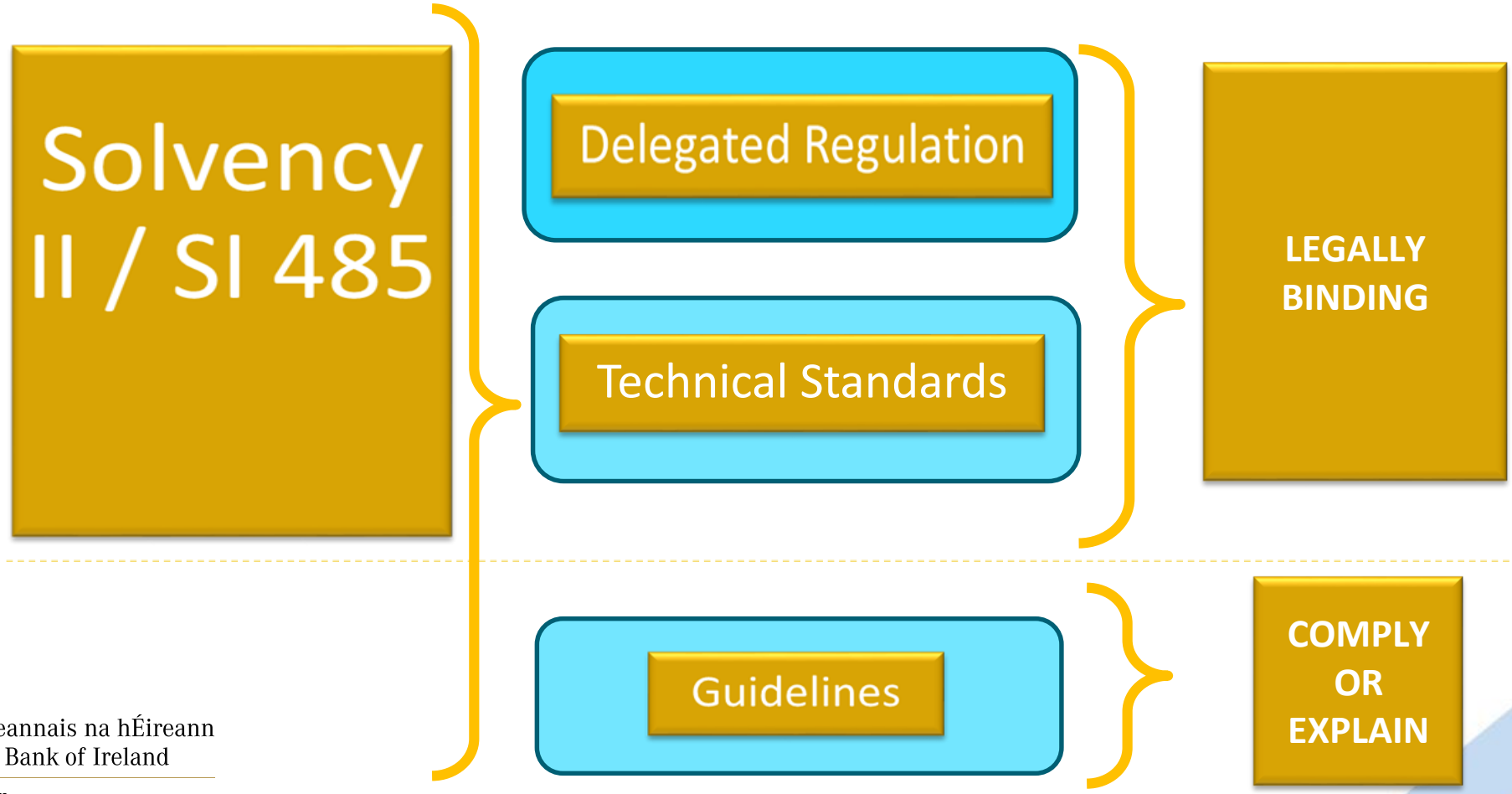


Reporting: Overview & Future Changes

Susan Coyle – Insurance policy

Solvency II – Legislative Framework – Pillar III reporting



Level 1 Reporting – Legislative Basis; Reg. 34 (1)

S.I. 485 Regulation 34 “Information to be provided for supervisory purposes”:

34 (1) An insurance undertaking or reinsurance undertaking shall provide to the Bank information which is necessary for the purposes of supervision in accordance with these Regulations, taking into account the objectives of supervision laid down in Regulations 27 and 28

Reporting – Legislative Basis; Central Bank (Supervision and Enforcement) Act 2013; Section 22.

The Bank's power to gather information :

- The Bank may require specific information & specific records
- The Bank may require the preparation of forecasts, plans, accounts or other documents;
- The Bank may require information to be certified or attested including a statutory declaration;
- Section 22 does not limit any other power of the Bank to require information.

Reporting Requirements

- Supervisory QRTs
- Solvency and Financial Condition Report (SFCR)
- Regular Supervisory Report (RSR)
- ORSA (Own Risk and Solvency Assessment) Report
- Financial Stability QRTs
- Pre-defined events
- Director's Report & Financial Statements
- ECB Add-Ons
- National Specific Templates (NSTs)
- Actuarial Opinion on Technical Provisions
- Directors' Certification

CBI Reporting Obligations

- **CBI Obligations re Supervisory Transparency and Accountability**

  - Aggregate Statistical Data published annually

- **CBI Reporting Obligations to EIOPA**

  - Add-ons and exemptions
  - Submission of QRT data

Solvency II Level 2: Technical Standards

- **Solvency II Implementing Regulations** laying down Implementing Technical Standards (ITS)
- Adopted during 2015 and 2016
- Amendments submitted to EC July 2017; applicable end 2017
- Further amendments submitted to EC July 2018; likely to be applicable end 2018
- Conditions of application of the Directive and Delegated Regulations

Solvency II Level 3: EIOPA Guidelines

- EIOPA is the ESA which has responsibility for the development of Guidelines
- EIOPA have published 29 sets of Solvency II guidelines to date
- Further guidance on specific areas of regulation for NSAs
- Comply or Explain

Role of the European Insurance and Occupational Pensions Authority (EIOPA)

- Part of the European System of Financial Supervision (ESFS)
- EIOPA is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European insurance and pensions sectors.

Responsibilities of EIOPA

- EIOPA's core responsibilities
  - support the stability of the financial system
  - transparency of markets and financial products
  - the protection of policyholders, pension scheme members and beneficiaries
  - promote coordinated European supervision

- CBI representatives are active on the majority of EIOPA working groups

EIOPA Q&A PROCESS

- Financial institutions, supervisors and stakeholders can use the Q&A process to submit questions on:
  - Solvency II Directive 2009/138/EC
  - Delegated Regulation (EU) 2015/35
  - Commission Implementing Regulation (EU) 2015/2450
  - EIOPA Guidelines
- All NSAs participate in drafting and approval of answers in advance of publishing
- Q&As not binding, however application will be challenged by EIOPA and NSAs
- Answers provided within 2-4 months and available on EIOPA website
- Q&A tool on EIOPA website

Future Changes to Reporting – 2020 Review

- European Commission Call for Advice expected late 2018 / early 2019
- EIOPA to hold a meeting with stakeholders on 16 November 2018
- Areas for discussion:
  - SFCR, QRTs & Proportionality
- Public consultation will follow proposed response to the Commission.

Resources

- **EIOPA Guidelines:**
https://eiopa.europa.eu/regulation-supervision/guidelines
- **Summaries of EU Legislation**:
http://eur-lex.europa.eu/browse/summaries.html
- **Solvency II Implementing and Delegated Acts:**
https://ec.europa.eu/info/law/risk-management-and-supervision-insurance-companies-solvency-ii-directive-2009-138-ec/amending-and-supplementary-acts/implementing-and-delegated-acts_en
- **Implementing Technical Standards**
https://eiopa.europa.eu/regulation-supervision/insurance/reporting-format/supervisory-reporting-and-public-disclosure-requirements
- **CBI Reporting Requirements:**
https://www.centralbank.ie/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/reporting-requirements
- **Insurance Legislation:**
https://www.centralbank.ie/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/legislation
- **Codes:** https://centralbank.ie/regulation/how-we-regulate/codes

Resources cont'd.

- **Draft Amendments and Corrections to the ITS**

https://eiopa.europa.eu/publications/submissions-to-the-ec

- **Insurance Statistics page on the CBI website**

https://www.centralbank.ie/statistics/statistical-reporting-requirements/insurance-corporations

- **Aggregate Statistical Data**

https://www.centralbank.ie/docs/default-source/Regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/supervisory-disclosures/aggregate-statistical-data.pdf?sfvrsn=2

- **ECB Guideline**

http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2016.086.01.0042.01.ENG&toc=OJ:L:2016:086:TOC

- **ECB Regulation**

http://www.ecb.europa.eu/ecb/legal/date/2014/html/index.en.html?skey=ECB/2014/50

Questions

Queries

- Step One: Refer to the Implementing Technical Standards, and the Logs therein, which describe the information required to populate each template cell
- Step Two: Refer to the EIOPA Guidelines, EIOPA Q&A, published information and Central Bank Guidelines
- Step Three: Email to: InsuranceRegulatoryReportingQueries@centralbank.ie