

UK Solvency II Review - PRA consults on changes in reporting requirements

AT A GLANCE

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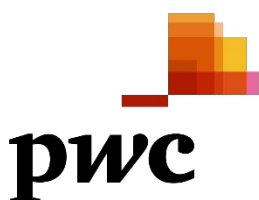
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What's new?

- The PRA published a [consultation paper \(CP14/22 - Review of Solvency II: Reporting phase 2\)](#) on 7 November 2022 setting out its proposals to streamline Solvency II reporting and disclosure requirements for insurers. The PRA expects that the proposals outlined in the CP would enhance data driven supervision and increase the quality of regulatory reporting. In addition, the proposals are tailored to reflect the features of the UK insurance sector and are designed to enable more effective regulatory oversight over new reporting areas.
- The PRA proposes to make new rules to amend and replace the retained EU Technical Standards for firms' supervisory reporting and public disclosure under Solvency II. It also proposes amendments to life insurance product reporting codes and the National Specific Templates (NSTs). The PRA notes the proposed changes aim to simplify and remove several reporting requirements and collect new information to address data gaps in certain key risk areas.
- The PRA considers that the proposals would reduce ongoing reporting costs for firms, thereby improving competitiveness and proportionality. The PRA estimates that the aggregate one-off costs to implement the proposals could range from £59 million to £109 million across the industry and result in an industry-wide median cost reduction of around £23 million per year.

What does this mean?

- The changes can broadly be grouped into the following areas:
 - **Deleting specific reporting templates:** The PRA is proposing to remove the requirements for firms to report 12 templates, including three NSTs. These templates cover areas such as underwriting, investments, reinsurance and special purpose vehicles. The PRA considers that the information reported in these templates either has limited prudential value or that it can monitor firms' exposure in those areas using other reporting templates.
 - **Changes to reporting frequency and reporting thresholds:** The PRA is proposing to reduce the reporting frequency of four Quarterly Reporting Templates (QRTs): S.06.02 List of assets, S.06.03 Collective investment undertakings – look-through approach, S.12.01.02 Life and Health SLT Technical Provisions and S.17.01.02 Non-Life Technical Provisions. The proposed reductions differ for solo insurers, third-country branches and groups. Separately, the PRA is proposing to change the thresholds which define the scope of application of nine QRTs/NSTs. Some of the proposed changes could also have an impact on audit requirements for insurers.

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- **Amending Solvency II reporting templates and NSTs:** The PRA is proposing amendments to templates across a range of areas including outwards reinsurance, capital and own funds, and activity by country and by line of business. Some of the proposed amendments would result in the introduction of new reporting forms.

For example, the PRA is proposing to introduce a new presentation of Solvency Capital Requirements (SCR) to be used by all solo firms. The proposed changes involve the deletion of certain existing templates across S.25.01 to S.25.03 and the introduction of new reporting templates, which would report on the SCR for all bases of calculation (i.e. standard formula, partial internal model and internal model) and show the split of SCR by sub-risk modules that correspond with the standard formula requirements.

- Reporting on new topics - The PRA proposes to introduce three new annual reporting templates to address reporting gaps identified by the PRA:
 - **Excess capital generation (ECG):** for life firms writing non-unit linked premiums exceeding £1 billion on an annual basis. The proposed new template would require firms to report the total amount of ECG in the most recent reporting year and what is expected to be generated over each of the next three years.
 - **Cyber underwriting risk:** the proposed new template would collect information about the

types of cyber risk coverages provided, the potential accumulation of risks and risk mitigation techniques. This would allow the PRA to monitor firms that are materially exposed to cyber underwriting risk and form an industry view of the total size of exposure.

- **Non-life obligations analysis:** the proposed template would apply to solo insurers and third-country branches and would be equivalent in nature to template S.14.01 on life obligations analysis. It would collect information split by line of business and by non-life products, on the numbers of contracts, premiums, claims, number of policyholders and number of insured properties.

What do firms need to do?

- Firms should review the details of the proposed changes and consider if they wish to respond to the consultation. Firms may also wish to:
 - Assess the impact of the proposed changes in the context of their size, business model and product offering.
 - Consider the system changes and resource requirements needed to implement the proposed changes. This should inform a detailed cost-benefit analysis which firms may wish to share with the PRA.
 - Consider and present any suggested areas of further change to the PRA as a part of their response to the CP.
 - Engage with their auditors to discuss how audit requirements may be impacted given the proposed changes in the CP.

Next steps

The consultation closes on 8 May 2023. Furthermore, the PRA notes that as part of the overall review of Solvency II it is also looking to review the existing requirements of the Solvency and Financial Condition Report and Regular Supervisory Report, and is expected to consult on these in the future.

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