

**PRA RULEBOOK SOLVENCY II FIRMS: REPORTING INSTRUMENT 2015**

**Powers exercised**

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
  - (1) section 137G (the PRA’s general rules); and
  - (2) section 137T (general supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

**Pre-conditions to making**

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook Solvency II Firms: Reporting Instrument 2015**

- D. The PRA makes the rules in the Annex to this instrument.

**Commencement**

- E. This instrument comes into force on 1 January 2016.

**Citation**

- F. This instrument may be cited as the PRA Rulebook Solvency II Firms: Reporting Instrument 2015.

**By order of the Board of the Prudential Regulation Authority**

17 March 2015

## Annex

In this Annex, the text is all new and is not underlined.

### Part

# REPORTING

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### Chapter content

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## 1 APPLICATION AND DEFINITIONS

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1.1 Unless otherwise stated, this Part applies to:

- (1) a *UK Solvency II firm*; and
- (2) in accordance with General Application 3, the *Society*.
- (3) in accordance with General Application 3, *managing agents*, for the purposes of 7.

1.2 In this part, the following definitions shall apply:

*aircraft*

means the *class of contract of insurance*, specified in paragraph 5 of Part 1 of Schedule 1 to the *Regulated Activities Order*.

*aircraft liability*

means the *class of contract of insurance*, specified in paragraph 11 of Part 1 of Schedule 1 to the *Regulated Activities Order*.

*assessable mutual*

means a *mutual* whose articles of association, rules or bye-laws provide for the calling of additional contributions from members.

*general liability*

means the *class of contract of insurance*, specified in paragraph 13 of Part I of Schedule 1 to the *Regulated Activities Order*.

*goods in transit*

means the *class of contract of insurance*, specified in paragraph 7 of Part 1 of Schedule 1 to the *Regulated Activities Order*.

*liability of ships*

means the *class of contract of insurance*, specified in paragraph 12 of Part 1 of Schedule 1 to the *Regulated Activities Order*.

*Lloyd's templates*

means the:

- (1) annual solvency return;
- (2) quarterly solvency return;
- (3) annual asset data; and
- (4) quarterly asset data

reporting templates that the *Society* has made available to *managing agents* to enable the *Society* to collect information from *syndicates* in order to complete the *Society's* reporting under this Part.

*material pooling agreement*

means an arrangement in which:

- (1) insurance or *reinsurance undertakings* only are members;
- (2) the members have assumed joint liability between themselves for a portfolio of insurance or *reinsurance* obligations in defined proportions (which are adjustable should one of the members default to ensure that any claim is fully met);
- (3) the members have the capacity to accept pooled insurance risks with a gross exposure to any one loss exceeding USD 1 Billion.

*mixed commercial package*

means *contracts of insurance* (other than treaty *reinsurance* contracts) against more than one of:

- (1) loss or damage to property;
- (2) risks to the *person* insured incurring liabilities to third parties;
- (3) risks of loss to the *persons* insured arising from the failure of debtors of theirs to pay their debts when due;
- (4) risks of loss to the *persons* insured attributable to interruptions of business carried on by them;
- (5) risks of loss to the *persons* insured attributable to their incurring unforeseen expenses; or
- (6) any other risk of loss to a commercial operation;

where the risks and losses covered in the contract are rated on a single package basis and no separately identifiable *premium* is charged or recorded for internal management purposes for any one group of risks or losses specified in the contract.

*motor vehicle liability*

means the *class of contract of insurance*, specified in paragraph 10 of Part I of Schedule 1 to the *Regulated Activities Order*.

*professional indemnity*

means *contracts of insurance* (other than treaty *reinsurance contracts*), including directors' and officers' liability and error and omissions liability, against the risks of the *persons* insured incurring liabilities to third parties arising from wrongful acts (such as breach of duty, breach of trust, negligence, error or omissions) by professionals, named individuals or businesses occurring in the course of the insured's professional activities.

*public and products liability*

means *contracts of insurance* (other than treaty *reinsurance contracts*) against the risks of *persons* insured incurring liabilities to third parties for damage to property, injury, illness or death, arising in the course of the insured's business.

*ships*

means the *class of contract of insurance*, specified in paragraph 6 of Part 1 of Schedule 1 to the *Regulated Activities Order*.

*suretyship*

means the *class of contract of insurance*, specified in paragraph 15 of Part 1 of Schedule 1 to the *Regulated Activities Order*.

*railway rolling stock*

means the *class of contract of insurance*, specified in paragraph 4 of Part 1 of Schedule 1 to the *Regulated Activities Order*.

## 2 REPORTING TO THE PRA

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2.1 A *firm* must submit to the *PRA* information which is necessary for the purposes of the *PRA*'s supervision of the *firm*.

**[Note: Art. 35(1) of the *Solvency II Directive*]**

2.2 The information referred to in 2.1 must:

- (1) be submitted in the applicable format or template (if any) provided in the *Solvency II Regulations* or in the form of any *national specific template* where applicable; and
- (2) include at least the information necessary to enable the *PRA* to assess the matters set out below when performing the supervisory review process:
  - (a) the *firm*'s system of governance;
  - (b) the business pursued by the *firm*;
  - (c) the valuation principles applied by the *firm* for solvency purposes;
  - (d) the risks faced by the *firm*;
  - (e) the risk management systems of the *firm*; and
  - (f) the capital structure, capital needs and capital management of the *firm*, and
- (3) enable the *PRA* to make any appropriate decisions resulting from the exercise of their supervisory rights and duties.

**[Note: Art. 35(1) of the *Solvency II Directive*]**

2.3 The information referred to in 2.1 and 2.2 must comprise the following:

- (1) qualitative or quantitative elements, or any appropriate combination thereof;
- (2) historic, current or prospective elements, or any appropriate combination thereof; and
- (3) data from internal or external sources, or any appropriate combination thereof.

**[Note: Art. 35(3) of the Solvency II Directive]**

- 2.4 The information which a *firm* submits to the *PRA* in accordance with 2.1 and 2.2 must comply with the following principles:
- (1) it must reflect the nature, scale and complexity of the business of the *firm*, and in particular the risks inherent in that business;
  - (2) it must be accessible, complete in all material respects, comparable and consistent over time; and
  - (3) it must be relevant, reliable and comprehensive.

**[Note: Art. 35(4) of the Solvency II Directive]**

- 2.5 A *firm* must have in place appropriate systems and structures to fulfil the requirements set out in 2.1 to 2.4, as well as a written policy approved by its *governing body* ensuring the ongoing appropriateness of the information submitted by the *firm* to the *PRA*.

**[Note: Art. 35(5) of the Solvency II Directive]**

- 2.6 Subject to 2.7, a *firm* falling within categories (1) to (7) must submit to the *PRA* the corresponding *national specific templates* on an annual basis:
- (1) A *firm* carrying on *with-profits insurance business* must submit template NS.01: With-Profits Value of Bonus and template NS.02: With-Profits Assets and Liabilities;
  - (2) A *firm* which manages a *material pooling agreement* must submit template NS.03: Material Pooling Arrangements;
  - (3) An *assessable mutual* which:
    - (a) has called for an additional contribution after 1 January 2006; or
    - (b) has received approval for *ancillary own funds* as contemplated in Own Funds 2.3(4)must submit template NS.04: Assessable Mutuals;
  - (4) A *firm* writing *suretyship* business the effect of which is to improve the credit rating of the underlying *security* must submit template NS.08: Business Model Analysis – Financial Guarantee Insurers;
  - (5) A *long-term insurer* must submit:
    - (a) NS.05: Revenue Account - Life;
    - (b) NS.09: Best Estimate Assumptions for Life Insurance Risks; and
    - (c) NS.06: Business Model Analysis - Life;
  - (6) A *general insurer* must submit template NS.07: Business Model Analysis - Non-life;
  - (7) A *general insurer* carrying on *insurance business* and proportional and non-proportional *reinsurance* obligations relating to:
    - (a) *railway rolling stock*;

- (b) *aircraft;*
- (c) *ships;*
- (d) *goods in transit;*
- (e) *motor vehicle liability;*
- (f) *aircraft liability;*
- (g) *liability of ships; or*
- (h) *general liability*

must submit template NS.10: Projection of Future Cash Flows (Best Estimate - Non Life: Liability Claim Types);

- (8) A *general insurer* carrying on *insurance business* relating to:
  - (a) *employers' liability* (including as part of a *mixed commercial package*);
  - (b) *public and products liability* (including as part of a *mixed commercial package*);  
or
  - (c) *professional indemnity*

must submit template NS.11: Non-Life Insurance Claims Information (General Liability Sub-classes).

- 2.7 A *firm* falling within 2.6(2), 2.6(3)(a) or 2.6(6) that does not have a *Part 4A permission* to *effect contracts of insurance* is not subject to the obligation to complete the corresponding *national specific template*.
- 2.8 The *Society* must submit to the *PRA* the following *national specific templates*:
  - (1) template NS.12: The Society of Lloyd's Solvency Capital Requirement on an annual basis; and
  - (2) template NS.13: The Society of Lloyd's Minimum Capital Requirement on a quarterly basis.
- 2.9 For the purposes of 2.6 and 2.8, all amounts shown in units must be reported in *UK* sterling unless the *national specific template* expressly states otherwise.
- 2.10 A *firm* shall submit the annual *national specific templates* referred to in 2.6 and 2.8(1), after the end of the transitional period set out in Transitional Measures 3.1, no later than 14 weeks after the *firm's* financial year end.
- 2.11 The *Society* shall submit the quarterly *national specific templates* referred to in 2.8(2) after the end of the transitional period set out in Transitional Measures 3.3, no later than 5 weeks after any quarter ending.
- 2.12 If the due date for the *national specific template* falls on a day which is not a *business day*, the documents must be submitted no later than the next *business day* after the due date.
- 2.13 A *firm* shall submit to the *PRA*, the *national specific templates* referred to in 2.6 and 2.8 in electronic format.

- 2.14 Where a *firm* notifies the *PRA* that any of its submissions of *national specific template* submissions under 2.6 or 2.8 is incorrect, or where the *PRA* notifies a *firm* that any part of the *national specific template* appears to it to be inaccurate or incomplete, the *firm* must promptly make any appropriate corrections or adjustments and if necessary re-submit the *national specific template* (or relevant part of it).

### 3 PUBLIC DISCLOSURE: SOLVENCY AND FINANCIAL CONDITION REPORT

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- 3.1 A *firm* must disclose publicly, on an annual basis, a *SFCR*.

**[Note: Art. 51(1) of the *Solvency II Directive*]**

- 3.2 The information which a *firm* discloses in its *SFCR* must include the information required in 2.3 and must comply with the principles in 2.4.

**[Note: Art. 51(1) of the *Solvency II Directive* and the *Solvency II Regulations*]**

- 3.3 A *firm's SFCR* must contain the following information, either in full or by way of reference to equivalent information, both in nature and scope, disclosed publicly under other legal or regulatory requirements:
- (1) a description of the business and performance of the *firm*;
  - (2) a description of the system of governance of the *firm* and an assessment of its adequacy for the risk profile of the *firm*;
  - (3) a description of the risk exposure, risk concentration, risk mitigation and risk sensitivity separately for each category of risk of the *firm*;
  - (4) a description, separately for assets, *technical provisions* and other liabilities, of the bases and methods used for their valuation, together with an explanation of any major differences in the bases and methods used for the valuation of those assets, *technical provisions* and other liabilities in financial statements of the *firm*; and
  - (5) a description of the capital management of the *firm*, including at least the following:
    - (a) the structure, amount and quality of *own funds* of the *firm*, together with the information specified in 3.5;
    - (b) the amount of the *MCR* and *SCR* of the *firm*, together with the information specified in 3.6;
    - (c) information showing and explaining the main differences between the underlying assumptions of the *standard formula* and the underlying assumptions of any *internal model* for which the *firm* has received *internal model approval*; and
    - (d) the amount of any non-compliance with the *MCR* or any significant non-compliance with the *SCR* during the reporting period, even if subsequently resolved, with an explanation of the origin of that non-compliance and its consequences, as well as any remedial measures taken in respect of that non-compliance.

**[Note: Art. 51(1)(a)–(e) of the *Solvency II Directive*]**

- 3.4 For the purposes of 3.3(4), where a *firm* applies:



- (1) a *matching adjustment* in accordance with Technical Provisions 6, the firm must include in the description:
  - (a) a description of the matching adjustment and of the portfolio of obligations and assigned assets to which the *matching adjustment* is applied; and
  - (b) a quantification of the impact of a change to zero of the *matching adjustment* on the *firm's* financial position;
- (2) a *volatility adjustment* in accordance with Technical Provisions 8, the firm must include in the description:
  - (a) a statement on whether the *volatility adjustment* referred to in Technical Provisions 8 is used by the *firm*;
  - (b) quantification of the impact of a change to zero of the *volatility adjustment* on the *firm's* financial position.

**[Note: Art. 51(1a) of the Solvency II Directive and the Solvency II Regulations]**

3.5 The disclosure required by 3.3(5)(a) must include the following:

- (1) an analysis of any significant change in the structure, amount and quality of *own funds* of the *firm* as compared to the previous reporting period of the *firm*;
- (2) an explanation of any major differences in relation to the value of elements of *own funds* items in the financial statements of the *firm*; and
- (3) a brief description of the capital transferability of the *own funds* of the *firm*.

**[Note: Art. 51(2) of the Solvency II Directive]**

3.6 The disclosure required by 3.3(5)(b) must include the following:

- (1) the amount of the *SCR* calculated by the *firm* using the *standard formula* or, where the *firm* has received *internal model approval*, the amount of the *SCR* calculated using its *internal model* and, where applicable in the case of a *partial internal model*, the *standard formula*;
- (2) the amount of any *capital add-on* imposed upon the *firm* in accordance with Article 37 of the *Solvency II Directive*, together with concise information on the justification given by the *PRA* for its imposition; and
- (3) the impact of any *undertaking specific parameters* the *firm* is required to use in calculating the *standard formula* in accordance with Article 110 of the *Solvency II Directive*, together with concise information on the justification given by the *PRA* for requiring the use of those *undertaking specific parameters*.

**[Note: Art. 51(2) of the Solvency II Directive]**

3.7 The disclosure of the *SCR* required by 3.3(5)(b) must be accompanied, where applicable, with a statement indicating that the final amount of the *SCR* is subject to supervisory assessment.

**[Note: Art. 51(2) of the Solvency II Directive]**

- 3.8 Where a *firm*, in its *SFCR*, makes use of, or refers to, public disclosures made by the *firm* under other legal or regulatory requirements, those disclosures must be equivalent to the information required to be disclosed under 3.3 to 3.7, in both their nature and scope.

**[Note: Art. 53(3) of the Solvency II Directive]**

#### **4 PERMITTED NON-DISCLOSURE: SOLVENCY AND FINANCIAL CONDITION REPORT**

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- 4.1 Where a *firm* is granted a *waiver* by the *PRA* permitting the *firm* not to disclose information otherwise required to be disclosed pursuant to 3.3(1) to (4) and 3.4 in its *SFCR*, the *firm* must make a statement to this effect in its *SFCR* and state whether the non-disclosure is permitted because:

- (1) the disclosure of that information would enable competitors of the *firm* to gain a significant, undue advantage; or
- (2) the *firm* has obligations to *policyholders* or other counterparty relationships which bind the *firm* to secrecy or confidentiality.

**[Note: Art. 53(1) and Art. 53(2) of the Solvency II Directive]**

#### **5 UPDATES AND ADDITIONAL VOLUNTARY INFORMATION: SOLVENCY AND FINANCIAL CONDITION REPORT**

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- 5.1 In the event of any major development affecting significantly the relevance of the information disclosed in accordance with:

- (1) 3.3 to 3.8; or
- (2) 4.1;

a *firm* must disclose publicly appropriate information on the nature and effects of that major development.

**[Note: Art. 54(1) of the Solvency II Directive]**

- 5.2 Without limiting the general application of 5.1, for the purposes of that rule the following will be regarded as a major development:

- (1) non-compliance with the *MCR* by the *firm* and either the *PRA* considers that the *firm* will not be able to submit, or the *PRA* does not receive within one *month* of the date of observation by the *firm* of non-compliance with the *MCR*, a *finance scheme* in accordance with Undertakings in Difficulty 4.1; and
- (2) significant non-compliance with the *SCR* by the *firm* and the *PRA* does not receive, within two *months* from the date when non-compliance with the *SCR* was first observed by the *firm*, a *recovery plan* as required by Undertakings in Difficulty 3.1(2).

**[Note: Art. 54(1) of the Solvency II Directive]**

- 5.3 Where the circumstances described in 5.2(1) or 5.2(2) arise, the *firm* must immediately publicly disclose the amount of non-compliance with the *MCR* or *SCR* as the case may be, together with an explanation of the origin and consequences of that non-compliance, and a description of any remedial measures taken.

**[Note: Art. 54(1) of the Solvency II Directive]**

- 5.4 Where compliance with the *MCR* has not been restored by a *firm* within three *months* after the first observation of non-compliance by the *firm*, then the *firm* must publicly disclose at the end of that three-*month* period the non-compliance with the *MCR*, together with an explanation of the origin and consequences of that non-compliance, a description of any remedial measures taken and of any further remedial measures planned.

**[Note: Art. 54(1) of the *Solvency II Directive*]**

- 5.5 Where compliance with the *SCR* has not been restored by a *firm* within six *months* after the first observation of non-compliance by the *firm*, then the *firm* must publicly disclose at the end of that six-*month* period the non-compliance with the *SCR*, together with an explanation of the origin and consequences of that non-compliance, a description of any remedial measures taken and of any further remedial measures planned.

**[Note: Art. 54(1) of the *Solvency II Directive*]**

## **6 POLICY AND APPROVAL: SOLVENCY AND FINANCIAL CONDITION REPORT**

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- 6.1 A *firm* must have in place:
- (1) appropriate systems and structures to fulfil the requirements of 3 to 5; and
  - (2) a written policy ensuring the ongoing appropriateness of any information disclosed:
    - (a) in accordance with the requirements referred to in (1); and
    - (b) on a voluntary basis as further information or explanation related to the *SFCR* which is not already required to be disclosed.

**[Note: Art. 55(1) of the *Solvency II Directive*]**

- 6.2 A *firm* must ensure that its *SFCR* is:
- (1) subject to approval by its *governing body*; and
  - (2) not publicly disclosed until the approval referred to in (1) is received.

**[Note: Art. 55(2) of the *Solvency II Directive*]**

## **7 LLOYD'S**

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- 7.1 A *managing agent* must, as promptly as possible, submit any information to the *Society* that is necessary for the *Society* to comply with its obligations in this Part or under the *Solvency II Regulations*.
- 7.2 The information in 7.1 must be submitted in the form that the *Society* requires.
- 7.3 The *Society* must provide to the *PRA* in electronic format the *Lloyd's templates* it receives from each *managing agent* on behalf of each respective *syndicate* that the *managing agent* manages at the same time it submits its *national specific templates* required by 2.8.