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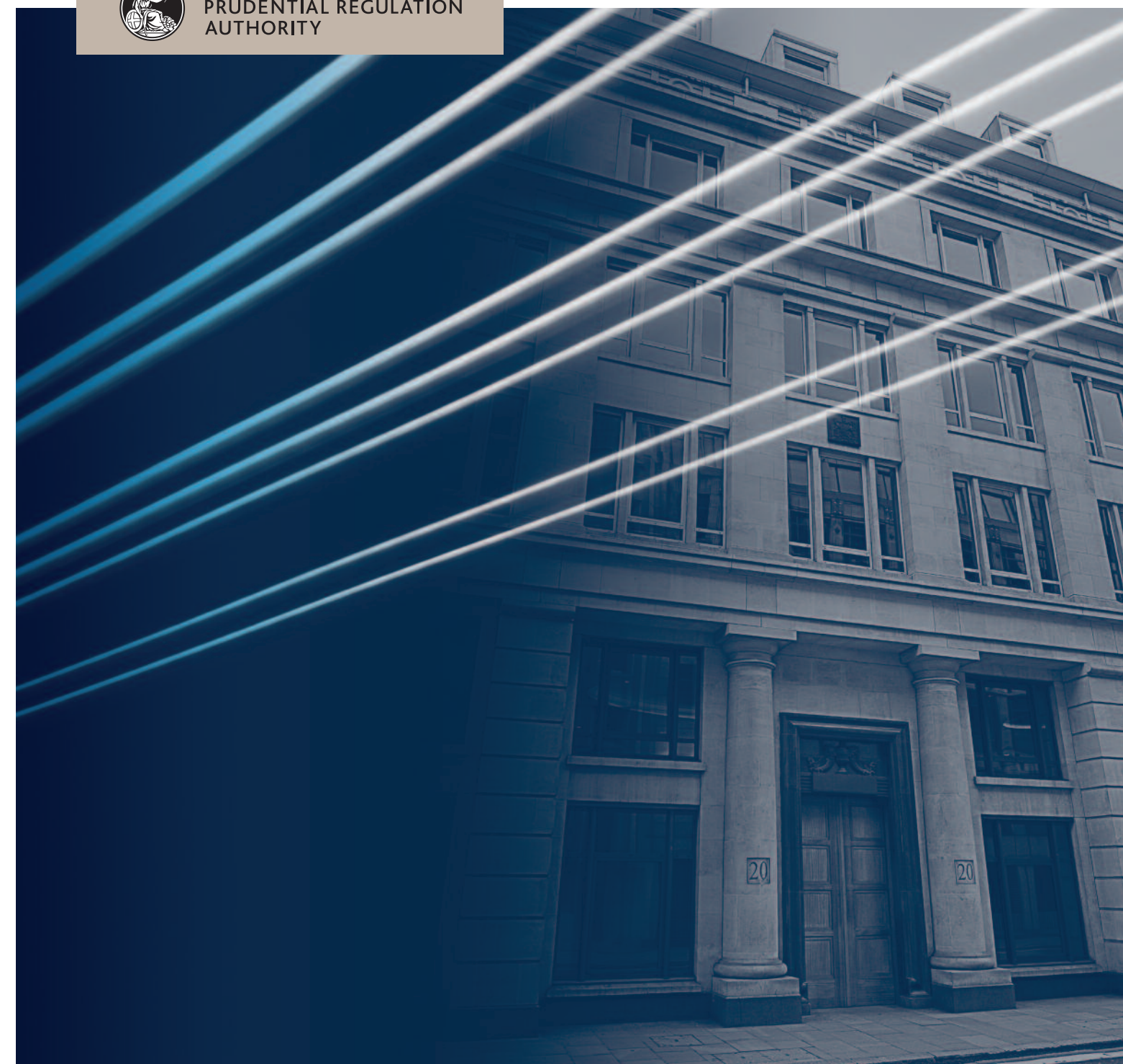
Supervisory Statement | SS25/15

Solvency II: regulatory reporting, internal model outputs

June 2015



BANK OF ENGLAND
PRUDENTIAL REGULATION
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1 Introduction

1.1 This supervisory statement is of interest to UK insurance firms within the scope of Solvency II and to the Society of Lloyd's in respect of each of their Syndicates and in respect of outputs of the Lloyd's internal model. The Prudential Regulation Authority (PRA) expects firms to read this statement alongside all relevant European legislation and relevant parts of the PRA Rulebook.

1.2 This statement sets out the PRA's expectations of firms, and provides further clarity on the information to be reported by firms using an internal model to calculate the solvency capital requirement (SCR).

2 Reporting internal model outputs

2.1 The PRA expects firms using an approved internal or partial internal model to calculate their SCR to report the internal model outputs using the relevant templates provided in the Appendices. The templates capture selected percentiles of the probability distributions for specified variables (eg risk drivers and lines of business) as well as some information (eg correlation factors) relevant for the PRA to monitor internal models. These should be submitted at the same time firms submit their annual quantitative reporting template in accordance with the rules for deadlines set out in 'PRA Rulebook Solvency II Firms: Reporting Instrument 2015 (PRA 2015/23)'.⁽¹⁾ Firms using an approved partial internal model should only complete the parts of the templates relevant to the scope of their partial internal model.

2.2 Where a firm uses an internal model the PRA is required to evaluate on-going compliance with the Solvency II internal model requirements.⁽²⁾ To monitor the performance of the approved internal models over time, the PRA expects firms with an approved internal model to report the outputs of the model so that the PRA can supervise internal models on an ongoing basis. The PRA has developed templates that allow firms to capture outputs of different structures of internal models (for instance, using different sets of lines of business) recognising the differences in the structure of internal models and main risk drivers between life and non-life insurance activities. The PRA considers that these templates will make it easier and simpler for firms to supply the relevant information. The templates also allow the PRA to take a consistent view of the performance of approved internal models across firms.

2.3 The PRA will keep the content of the templates under review to assess the value of the information and take account of European Insurance and Occupational Pensions Authority (EIOPA) initiatives in this area.

2.4 Life insurance firms calculating their SCR using an approved internal or partial internal model should use the templates IM01 and IM02 in Appendix 1 of this supervisory statement.

2.5 General insurance firms calculating their SCR using an approved internal or partial internal model should use the templates NL-IMS-01 to NL-IMS-10 and IM02 in Appendix 1 of this supervisory statement.

2.6 Composite insurers calculating their SCR using an approved internal model should contact their usual supervisory contact to agree the templates they should use.

2.7 In the situation where the Society of Lloyd's seeks and is granted approval to use an internal model to calculate its SCR, the PRA expects the Society of Lloyd's to report the internal model outputs produced by the managing agents for each syndicate it manages using the templates in Appendix 1, and following the instruction for general or life insurers as appropriate. The PRA also expects the Society of Lloyd's to report its internal model outputs using the templates in Appendix 1 with appropriate amendments as agreed following discussion with its usual supervisory contact.

2.8 For groups where the PRA is the group supervisor, the group should speak with their usual supervisory contact to determine which templates should be completed.

(1) *PRA Policy Statement PS2/15*, 'Solvency II: a new regime for insurers', March 2015, Appendix 1.15 page 140 of 330; www.bankofengland.co.uk/pr/Documents/publications/ps/2015/ps215.pdf.

(2) See Article 36 of the Solvency II Directive.

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Appendix 1

Related templates and LOG files for Supervisory Statement SS25/15

Template number	Template name	Template and LOG file link
IM.01	Internal model risk outputs (life)	Life internal model risk outputs template: www.bankofengland.co.uk/prd/Documents/publications/ss/2015/solvency2/im01template.xlsx Life internal model risk outputs log file: www.bankofengland.co.uk/prd/Documents/publications/ss/2015/solvency2/im01log.pdf
IM.02	Internal model counterparty risk	Life internal model counterparty risk template: www.bankofengland.co.uk/prd/Documents/publications/ss/2015/solvency2/im02template.xlsx Life internal model counterparty risk log file: www.bankofengland.co.uk/prd/Documents/publications/ss/2015/solvency2/im02log.pdf
NL.IMS.01– NL.IMS.10	Internal model outputs (non-life)	Non-life internal model outputs template: www.bankofengland.co.uk/prd/Documents/publications/ss/2015/solvency2/nl0110template.xlsx Non-life internal model outputs log file: www.bankofengland.co.uk/prd/Documents/publications/ss/2015/solvency2/nl0110log.pdf