

Bank of England PRA

Solvency II: Data collection of market risk sensitivities

Supervisory statement | SS7/17

December 2024

Effective from 31 December 2024



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1: Introduction

1.1 This supervisory statement sets out the Prudential Regulation Authority's (PRA) expectations in respect of the reporting of sensitivities of solvency position to various changes in market conditions by firms with material exposure to market risk.

1.2 It is relevant to Solvency II insurance and reinsurance firms holding, or intending to hold, material quantities of assets exposed to market risk.

2: Firms in scope of the request for sensitivities

2.1 The firms in scope are those insurance or reinsurance firms most exposed to market risks. These are primarily Category 1 and 2 firms in the life sector, and any other category life firm or general insurance firm, or composite insurance firm that demonstrates material market risk exposures. The PRA will inform firms individually through their usual supervisory contacts whether they fall within the scope outlined above. A firm that has not been contacted but would like to submit the information may do so after discussion with its usual supervisory contact.

2.2 Where a group exists, the solo firms within the group may each find themselves within scope. Subject to agreement with the PRA, participants that have immaterial non-UK business have the option to submit the information for the group rather than for each solo firm.

3: The key market risks and information to be provided

3.1 The PRA expects firms in scope to report sensitivities to various changes in market risks half-yearly.

3.2 Market risks cover a range of exposures including to UK equity prices, property prices, swap rates, sovereign rates, spreads on corporate bonds over swap rates, downgrades on credit-risky assets, inflation and exchange rates. New risks may develop over time, as markets develop or insurers move into new asset or liability classes. Similarly one or more of the existing risks noted above may become less significant over time. The population of risks surveyed is expected to stay constant until further notice.

3.3 The PRA expects the sensitivities to show the impact on assets, Best Estimate Liabilities, risk margin, the Transitional Measure on Technical Provisions (TMTP) and other liabilities and ultimately to Own Funds as well as the Solvency Capital Requirement (SCR).

3.4 Firms should apply the principle of proportionality when providing these sensitivities. The PRA is willing to accept approximations in the methodologies used by firms to calculate the sensitivities and encourages participants to discuss such approaches with their usual supervisory contact.

3.5 The PRA will estimate a firm's financial position on a regular basis by interpolating the sensitivity information. In order to do this, it is helpful to exclude from the sensitivities effects that could cause step changes in the financial position. One potential step change is the use of 'one-off' or 'out of model' management actions. Therefore, the PRA expects the submission to show the impact of stresses excluding material, one-off management actions where such actions mitigate the Own Funds impact of such a stress only at a certain stress level. The PRA expects such actions to be described separately both as to the action and at what level of stress it would be initiated, with the impact quantified.

3.6 Firms should engage with the PRA via their usual supervisory contact where the reporting of an immaterial ring-fenced fund would be disproportionate.

3.7 The data request also encompasses the sensitivity of the SCR to the defined stresses. The PRA expects this to be reported on the basis of the firm's current regulatory requirements, ie an approved full or partial internal model, or the standard formula.

4: Timescales and format

4.1 The information requested will enable the PRA to understand how a firm's financial situation, and through extrapolation that of the sector as a whole, might alter in a stressed scenario. Therefore, the PRA expects the sensitivities to be kept up to date as firms' exposures change over time. To this end, the PRA expects firms to submit the information four weeks after the formal submission of solo quarterly Quantitative Reporting Templates (QRTs) for end June and end December, or following a significant change in the risk profile of the company, or upon the PRA's request due to extraordinary market conditions. For example, the PRA expects firms to consider the need for a resubmission following a merger or acquisition. The first submission of sensitivity results should be at the effective date of 31 December 2017. Firms that have taken the option to provide combined group information are still expected to submit four weeks after the formal submission of solo quarterly QRTs for end June and end December.

4.2 The PRA expects the format of the information to be consistent with the Solvency II data reported. The PRA also expects firms to submit data using the template provided (Appendix

1). As new key risks develop or become more significant over time, the format of the information request may need minor revision. If a firm can respond to the request but not in the precise format of the particular information request, it should speak to its usual supervisory contact.

4.3 The PRA expects the information to be reported in XBRL via the Bank of England's Electronic Data Submission (BEEDS) portal, consistent with the process for Solvency II submission of information. Links to the template, technical artefacts and instructions are included in the appendices.

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Annex 1

1. The template and instructions for completion for SS7/17 are available at: <http://www.bankofengland.co.uk/prudential-regulation/publication/2024/february/review-of-solvency-ii-reporting-disclosure-phase-2-near-final-policy-statement>

Annex 2 – SS7/17 updates

This annex details the changes that have been made to this SS following its initial publication in October 2017:

2024

December 2024

Paragraphs 2.2, 3.3. and 4.1 have been updated to align with the revised calculation requirements on the Transitional Measure of Technical Provisions following the publication of policy statement 2/24 Review of Solvency II: Adapting to the UK insurance market.¹ The templates and instruction files have been updated accordingly.

2020

September 2020

Appendix 1 has been amended from links to the individual spreadsheet and instructions to a link to the insurance reporting webpage. This webpage will have a link to both the existing and new templates and instructions until the new template and instructions take effect.

2018

July 2018

Following publication of PS21/18,² this SS was updated to amend paragraph 4.3 to reflect that firms are expected to submit in XBRL format via the Bank of England's Electronic Data Submission (BEEDS) portal.

¹ <https://www.bankofengland.co.uk/prudential-regulation/publication/2024/february/review-of-solvency-ii-adapting-to-the-uk-insurance-market-policy-statement>.

² 'Solvency II: Changes to reporting format', July 2018: www.bankofengland.co.uk/prudential-regulation/publication/2018/solvency-ii-changes-to-reporting-format.