Solvency II Compliance Assessment Tool Seminar

Milliman Webinar

DECEMBER 2020

Milliman

Welcome!

In order to make sure this session is successful, please do the following:

- Keep yourself on mute
- Keep your video turned off
- If you have any questions during the presentation, please enter them in the meeting chat

Milliman

Reliances and Limitations

- These slides are for general information purposes only. Action should not be taken solely on the basis of the information set out herein without taking specific advice

- No portion of this presentation or supporting material may be provided to any other party without Milliman's prior written consent.

These slides are for general information/educational purposes only. Action should not be taken solely on the basis of the information set out herein without obtaining specific advice from a qualified adviser.

3

Agenda

- General Business Update
- Updates in the tool this year
  - Recap of updates to date
  - QRT changes for year-end 2020
- Upcoming Changes
  - Level 3 Guidelines on information and communication technology security and governance
  - Solvency II 2020 Review
  - Regulations for pre-emptive recovery planning for (re)insurers
- Hands on in the tool
  - Refresher Session in tool
  - New Functionality Updates
  - Questions & Answers

Milliman

General Business Update

General Business Update

Milliman News

- Working remotely
  - Business as usual
  - Changed to working from home overnight
  - Service levels not impacted

- S2CAT Helpdesk
- S2CatHelpdesk@milliman.com
- Still the best way to make contact with the team with any queries

General Business Update

ViClarity News

- Working remotely

  - Business as usual

  - Service levels not impacted

- Merger & Expansion

- Merged with PolicyWorks LLC, a US consultancy and services firm who specialise in compliance

- ViClarity will continue to be headquartered in Tralee, Co. Kerry

- The agreement will see ViClarity continue to grow and expand its European headquarters in Tralee, while gaining a team of resources in the US. This will enhance their ability to provide best in class services to clients and to further develop the software, offering new and exciting solutions and features to clients.

- https://viclarity.com/2020/02/18/press-release-viclarity-merges-with-us-regulatory-consultancy-services-company-to-strengthen-its-position-in-the-global-marketplace/

Solvency II Updates

Changes to date and future changes

Solvency II Updates

1	**Changes to date**

2	**Future changes**

Milliman

These slides are for general information/educational purposes only. Action should not be taken solely on the basis of the information set out herein without obtaining specific advice from a qualified adviser.

1 **Changes to date (a reminder from last year)**

Document amended	Changes entered into force
Commission Delegated Regulation (EU) 2015/35 ("**Delegated Regulations**")	Apr 2016
	Sep 2017
	Oct 2017
Implementing Regulation (EU) 2015/2450 ("**Reporting QRTs**")	Oct 2016
Guidelines on reporting for Financial Stability Purposes ("**Financial Stability QRTs**")	Jun 2017
Guidelines on the supervision of branches of third country insurance undertakings	Jun 2017
S.I. No. 485 of 2015 - European union (insurance and reinsurance) regulations 2015	Aug 2017
Implementing Regulation (EU) 2015/2450 ("**Reporting QRTs**"), Implementing Regulation (EU) 2015/2452 ("**Public Disclosure QRTs**") and National Specific Templates ("**NSTs**")	Dec 2017

1 Changes to date (a reminder from last year)

Document amended	Changes entered into force
Domestic Actuarial Regime	May 2018
	Nov 2018
Solvency II Directive	July 2018
Delegated Regulations Updates	July 2018
Guidelines on reporting for Financial Stability Purposes	July 2018
Guidelines on the supervision of branches of third country insurance undertakings	July 2018
Commission Implementing Regulation (EU) 2018/1843 ("**Public Disclosure QRTs**")	Q4 2018
Commission Implementing Regulation (EU) 2018/1844 ("**Reporting QRTs**")	Q4 2018
National Specific Templates ("**NSTs**")	Q4 2018

1 Changes to date (a reminder from last year)

Document amended	Changes entered into force
Amendments to the Delegated Regulations – "2018 Interim Review"	July 2019
	Jan 2020
Commission Implementing Regulation (EU) 2019/2102 ("**Public Disclosure QRTs**")	Q4 2019
Commission Implementing Regulation (EU) 2019/2103 ("**Reporting QRTs**")	Q4 2019
National Specific Templates ("**NSTs**")	Q4 2019

2 **Future changes**

Document amended	Dates published	Changes entered into force
EIOPA Taxonomy Update ("**QRTs**")	Nov 2020	Dec 2020
Guidelines on information and communication technology security and governance ("**EIOPA-BoS-20/600**")	Oct 2020	June 2021
Regulations for pre-emptive recovery planning for (re)insurers (**CP131**)	June 2020	TBC (2021)
Amendments to the Delegated Regulations - "**2020 Review**" – Wave 1	June 2019	TBC
Amendments to the Delegated Regulations - "**2020 Review**" – Wave 2	Oct 2019	TBC

EIOPA Quarterly Reporting Templates

2020 Updates

General schedule of taxonomy releases

EIOPA's planned updates to QRTs

- EIOPA have stated that they expect one taxonomy release per year but that there may be more than one in extraordinary circumstances (EIOPA website)

- This update is part of Taxonomy **2.5.0**

- The next update, Taxonomy **2.6.0** is expected in July 2021.
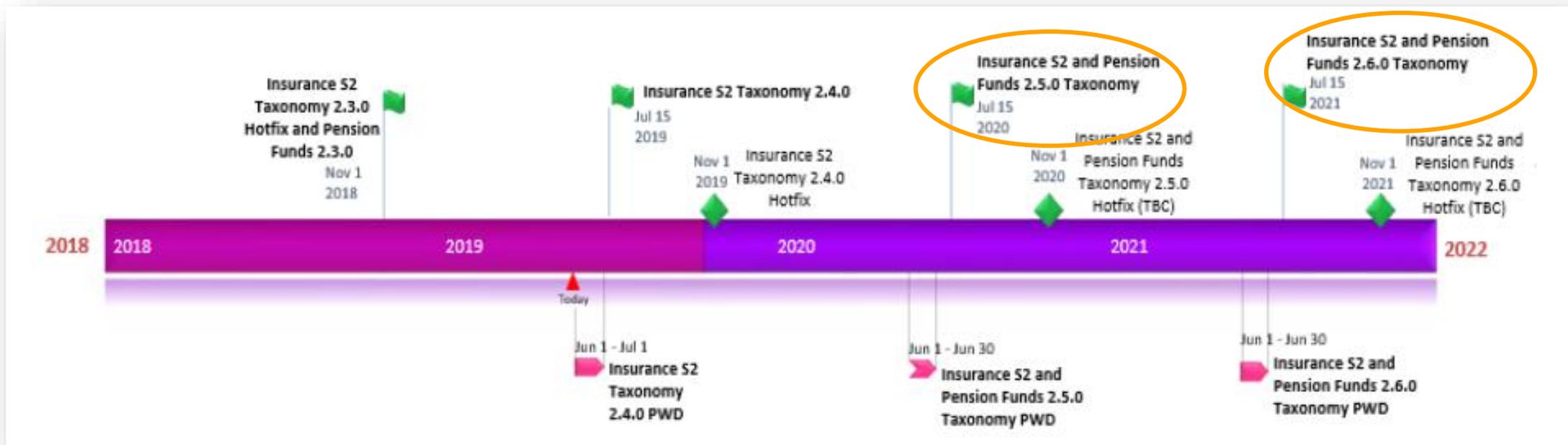
QRTs - Taxonomy 2.5.0

EIOPA's detail

"This EIOPA Solvency II DPM and XBRL taxonomy package release 2.5.0 is provided to be used from the **31/12/2020** reference date until a new version is announced in line with the Governance of Taxonomy Releases."

Source: EIOPA website

- "Release notes for the 2.5.0 Hotfix release of the EIOPA Solvency II DPM and XBRL taxonomy"

Milliman

QRT Changes in S2CAT

These slides are for general information/educational purposes only. Action should not be taken solely on the basis of the information set out herein without obtaining specific advice from a qualified adviser.

QRTs - Taxonomy 2.5.0 Changes

URL to download SFCR

Addition of the missing information in S.04.01.01

Relabelling a wide set of items due to the dash change from '–' to '-'

Minor typos addressed

Removal of the crossed-out cells in tables due to technical reasons

Crossing-out rows in templates that are not reportable

Addition of Ad hoc XBRL technical fields in SPV template

SFCR Download

S.01.02 - Basic Information - General

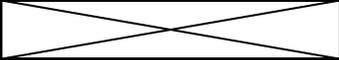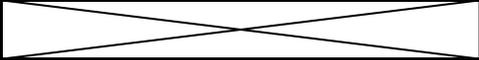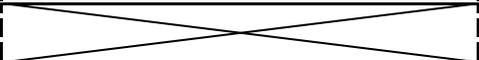|		C0010
Undertaking name	R0010	
Undertaking identification code and type of code	R0020	
Type of undertaking	R0040	
Country of authorisation	R0050	
Language of reporting	R0070	
Reporting submission date	R0080	
Financial year end	R0081	
Reporting reference date	R0090	
Regular/Ad-hoc submission	R0100	
Currency used for reporting	R0110	
Accounting standards	R0120	
Method of Calculation of the SCR	R0130	
Use of undertaking specific parameters	R0140	
Ring-fenced funds	R0150	
Matching adjustment	R0170	
Volatility adjustment	R0180	
Transitional measure on the risk-free interest rate	R0190	
Transitional measure on technical provisions	R0200	
Initial submission or re-submission	R0210	
Exemption of reporting ECAI information	R0250	
Direct URL to download the Solvency and Financial Condition Report (SFCR) corresponding to this financial year reporting obligation (R0090)	R0260	
Ad hoc XBRL technical field 1	R0990	
Ad hoc XBRL technical field 2	R0991	
Ad hoc XBRL technical field 3	R0992	

SFCR Download

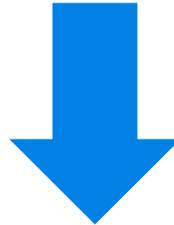S.01.02 - Basic Information - General

Voluntary at this stage

Without requiring human intervention

PDF format

Milliman

'–' to '-'

Seen in several templates – Example Below
S.02.01 – Balance Sheet

Liabilities			
Technical provisions – non-life	R0510		
Technical provisions – non-life (excluding health)	R0520		
Technical provisions calculated as a whole	R0530		
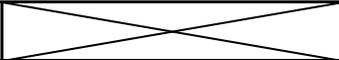
Liabilities			
Technical provisions - non-life	R0510		
Technical provisions - non-life (excluding health)	R0520		
Technical provisions calculated as a whole	R0530		

DI/ Year to Date

S.04.01 – Activity by Country

S.04.01.01.01

Z Axis:			
VG/Statutory accounts			
BL/All members	Line of business	Z0010	LB_52

Undertaking and all branches

		Undertaking		
		Business underwritten in the home country, by the undertaking	Business underwritten through FPS, by the undertaking in the EEA countries different from the home country	Business underwritten through FPS in the home country, by any EEA branch
		C0010	C0020	C0030
Premiums written	R0020			
Claims incurred	R0030			
Commissions	R0040			

S.04.01.01.01

Z Axis:			
VG/Statutory accounts			
DI/Year to Date			
BL/All members	Line of business	Z0010	LB_52

Undertaking and all branches

		Undertaking		
		Business underwritten in the home country, by the undertaking	Business underwritten through FPS, by the undertaking in the EEA countries different from the home country	Business underwritten through FPS in the home country, by any EEA branch
		C0010	C0020	C0030
Premiums written	R0020			
Claims incurred	R0030			
Commissions	R0040			

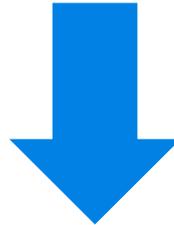Milliman

Minor typos addressed

Seen in several templates – Example below
S.15.01 - Description of the guarantees of variable annuities

S.15.01.01.01

Description of the guarantes of variable annuities

Product ID code	Product Denomination	Description of the product	Initial date of guarantee	Final date of guarantee	Type of guarantee	Guareanteed level	Description of the guarantee
C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110

S.15.01.01.01

Description of the guarantes of variable annuities

Product ID code	Product Denomination	Description of the product	Initial date of guarantee	Final date of guarantee	Type of guarantee	Guaranteed level	Description of the guarantee
C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110

Removal of rows previously crossed out

Seen in several templates – Example below
S.25.01 - Solvency Capital Requirement - for undertakings on Standard Formula

S.25.01.01.04

Z Axis:

AO/All members	Article 112	Z0010	AO_1

Calculation of loss absorbing capacity of deferred taxes

		Before the shock	After the shock
		C0110	C0120
DTA	R0600		
DTA carry forward	R0610		
DTA due to deductible temporary differences	R0620		
DTL	R0630		
LAC DT	R0640	✕	✕
LAC DT justified by reversion of deferred tax liabilities	R0650	✕	✕
LAC DT justified by reference to probable future taxable economic profit	R0660	✕	✕
LAC DT justified by carry back, current year	R0670	✕	✕
LAC DT justified by carry back, future years	R0680	✕	✕
Maximum LAC DT	R0690	✕	✕

TA/Absolute value before shock
VG/Solvency II

TA/Absolute value after shock
VG/Solvency II

S.25.01.01.05

Z Axis:

AO/All members	Article 112	Z0010	AO_1

Calculation of loss absorbing capacity of deferred taxes

		LAC DT	
		C0130	
DTA	R0600	✕	Metric: Monetary
DTA carry forward	R0610	✕	Metric: Monetary
DTA due to deductible temporary differences	R0620	✕	Metric: Monetary
DTL	R0630	✕	Metric: Monetary
LAC DT	R0640		Metric: Monetary
LAC DT justified by reversion of deferred tax liabilities	R0650		Metric: Monetary
LAC DT justified by reference to probable future taxable economic profit	R0660		Metric: Monetary
LAC DT justified by carry back, current year	R0670		Metric: Monetary
LAC DT justified by carry back, future years	R0680		Metric: Monetary
Maximum LAC DT	R0690		Metric: Monetary

S.25.01.01.04

Z Axis:

AO/All members	Article 112	Z0010	AO_1

Calculation of loss absorbing capacity of deferred taxes

		Before the shock	After the shock
		C0110	C0120
DTA	R0600		
DTA carry forward	R0610		
DTA due to deductible temporary differences	R0620		
DTL	R0630		

TA/Absolute value before shock
VG/Solvency II

TA/Absolute value after shock
VG/Solvency II

S.25.01.01.05

Z Axis:

AO/All members	Article 112	Z0010	AO_1

Calculation of loss absorbing capacity of deferred taxes

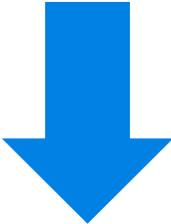|		LAC DT	
		C0130	
LAC DT	R0640		Metric: Monetary
LAC DT justified by reversion of deferred tax liabilities	R0650		Metric: Monetary
LAC DT justified by reference to probable future taxable economic profit	R0660		Metric: Monetary
LAC DT justified by carry back, current year	R0670		Metric: Monetary
LAC DT justified by carry back, future years	R0680		Metric: Monetary
Maximum LAC DT	R0690		Metric: Monetary

Milliman

These slides are for general information/educational purposes only. Action should not be taken solely on the basis of the information set out herein without obtaining specific advice from a qualified adviser.

24

Crossing out rows not reportable

Seen in several templates – Example below

S.26.01 - Solvency Capital Requirement - Market risk

		Absolute values after shock	
		Net solvency capital requirement	Gross solvency capital requirement
		C0060	C0080
qualifying infrastructure corporate equities	R0291		
qualifying infrastructure corporate equities, other than strategic and long-term	R0293		
strategic participations (qualifying infrastructure corporate equities)	R0294		
Long-term equity investments (qualifying infrastructure corporate equities)	R0295		
qualifying infrastructure equities other than corporate	R0292		
qualifying infrastructure equities other than corporate, other than strategic and long-term	R0296		
strategic participations (qualifying infrastructure equities other than corporate)	R0297		
Long-term equity investments (qualifying infrastructure equities other than corporate)	R0298		

		Absolute values after shock	
		Net solvency capital requirement	Gross solvency capital requirement
		C0060	C0080
qualifying infrastructure corporate equities	R0291		
qualifying infrastructure corporate equities, other than strategic and long-term	R0293	░	░
strategic participations (qualifying infrastructure corporate equities)	R0294	░	░
Long-term equity investments (qualifying infrastructure corporate equities)	R0295	░	░
qualifying infrastructure equities other than corporate	R0292		
qualifying infrastructure equities other than corporate, other than strategic and long-term	R0296	░	░
strategic participations (qualifying infrastructure equities other than corporate)	R0297	░	░
Long-term equity investments (qualifying infrastructure equities other than corporate)	R0298	░	░

Addition of Ad hoc XBRL technical fields

SPV.01.02.20.01 - Basic information

SPV.01.02.20.01

Basic information - General

		C0010
Name of reporting special purpose vehicle	R0010	
Identification code and type of code	R0020	
Home-country of the special purpose vehicle	R0040	
Reporting date	R0050	
Reference date	R0060	
Currency used for reporting	R0070	
Risks assumed through separate arrangements	R0080	
Compliance with fully funded requirement throughout the reporting period	R0090	
Ad hoc XBRL technical field 1	R0990	
Ad hoc XBRL technical field 2	R0991	
Ad hoc XBRL technical field 3	R0992	

QRTs – Taxonomy 2.5.0

Brexit Comment

"Although there were no new changes to DPM dictionary nor Annotated templates because of Brexit (the changes introduced in 2.4.0 are sufficient), it should be clarified how the 2.5.0 taxonomy release shall be used in this regard. Importantly, **up to the reference date 31.12.2020** the newly added domain members must not be used because UK will be still **treated as a part of EU** …….

There are only two exceptions that do apply for filers **finishing the accounting year in 2021**(e.g. end of February)"

Source: EIOPA website

- "Release notes for the 2.5.0 Hotfix release of the EIOPA Solvency II DPM and XBRL taxonomy"

Milliman

Central Bank of Ireland

Updates

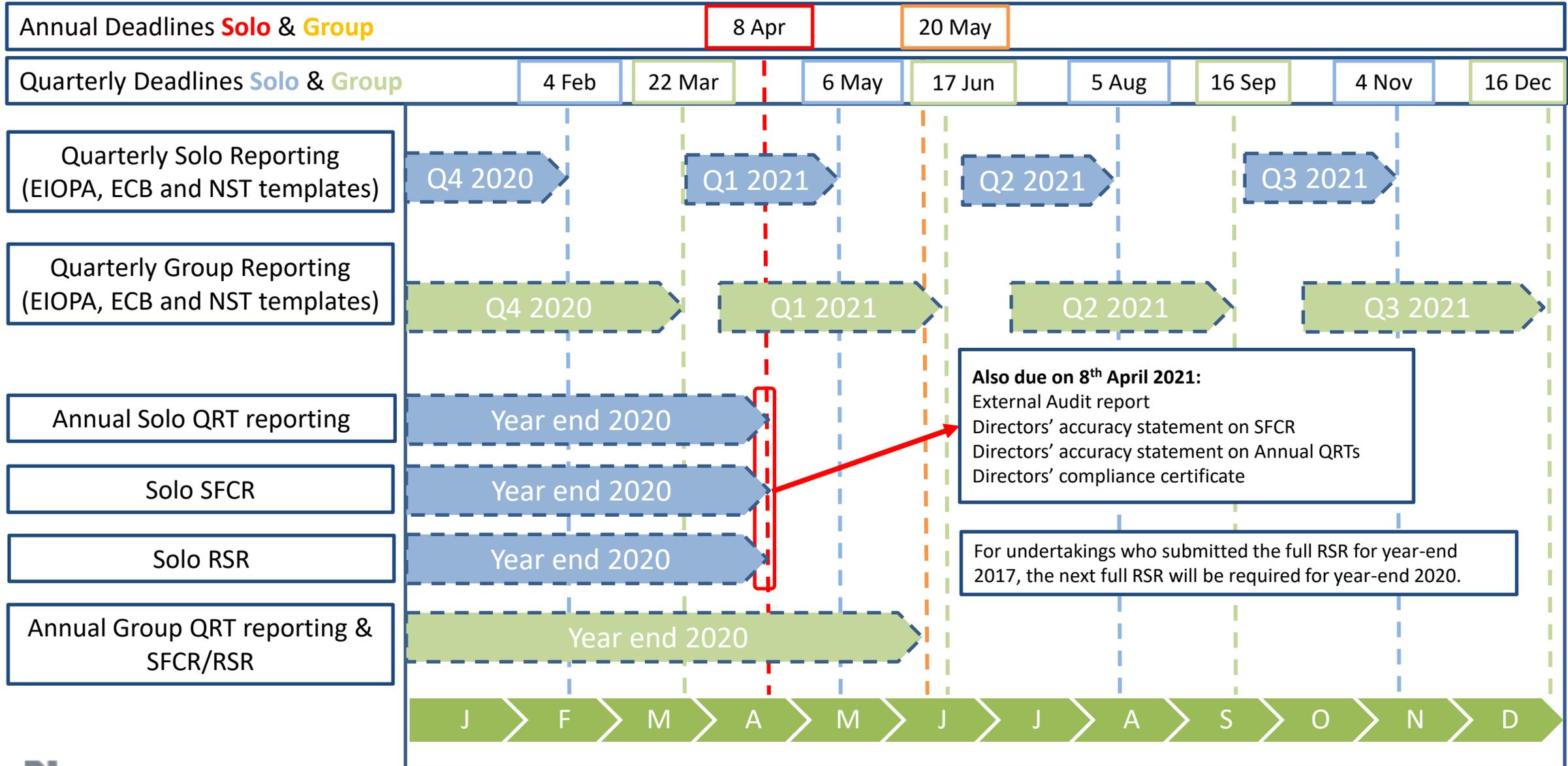# Central Bank of Ireland – National Specific Templates

No 2020 updates

DPM and Taxonomy - Version 1.5.0

There will no updated version of the NST taxonomy published in 2020

Source: Central Bank of Ireland website

Milliman

Reporting Deadlines 2021

| Annual Deadlines **Solo** & **Group** | | | | 8 Apr | | | 20 May | | | | | |

| Quarterly Deadlines **Solo** & **Group** | | 4 Feb | 22 Mar | | 6 May | 17 Jun | | 5 Aug | 16 Sep | | 4 Nov | 16 Dec |

Quarterly Solo Reporting (EIOPA, ECB and NST templates)
- Q4 2020
- Q1 2021
- Q2 2021
- Q3 2021

Quarterly Group Reporting (EIOPA, ECB and NST templates)
- Q4 2020
- Q1 2021
- Q2 2021
- Q3 2021

Annual Solo QRT reporting
- Year end 2020

Solo SFCR
- Year end 2020

Solo RSR
- Year end 2020

Annual Group QRT reporting & SFCR/RSR
- Year end 2020

Also due on 8th April 2021:
External Audit report
Directors' accuracy statement on SFCR
Directors' accuracy statement on Annual QRTs
Directors' compliance certificate

For undertakings who submitted the full RSR for year-end 2017, the next full RSR will be required for year-end 2020.

J F M A M J J A S O N D

New EIOPA Level 3 Guidelines

Guidelines on information and communication technology security and governance

New EIOPA Level 3 Guidelines

Guidelines on information and communication technology security and governance

"EIOPA identified the need to develop **specific guidance** on information and communication technology (ICT) security and governance in relation to Articles 41 and 44 of **Directive 2009/138/EC …..**"

Source: EIOPA website

These Guidelines shall apply from
1 July 2021

Level 3 Guidelines in S2CAT

25 New Guidelines

Proportionality	ICT within the system of governance	ICT strategy	ICT and security risks within the risk management system	Audit
Information security policy and measures	Information security function	Logical security	Physical security	ICT operations security
Security monitoring	Information security reviews, assessment and testing	Information security training and awareness	ICT operations management	ICT incident and problem management
ICT project management	ICT systems acquisition and development	ICT change management	Business continuity management	Business impact analysis
Business continuity planning	Response and recovery plans	Testing of plans	Crisis communication	Outsourcing of ICT services and ICT systems

Milliman

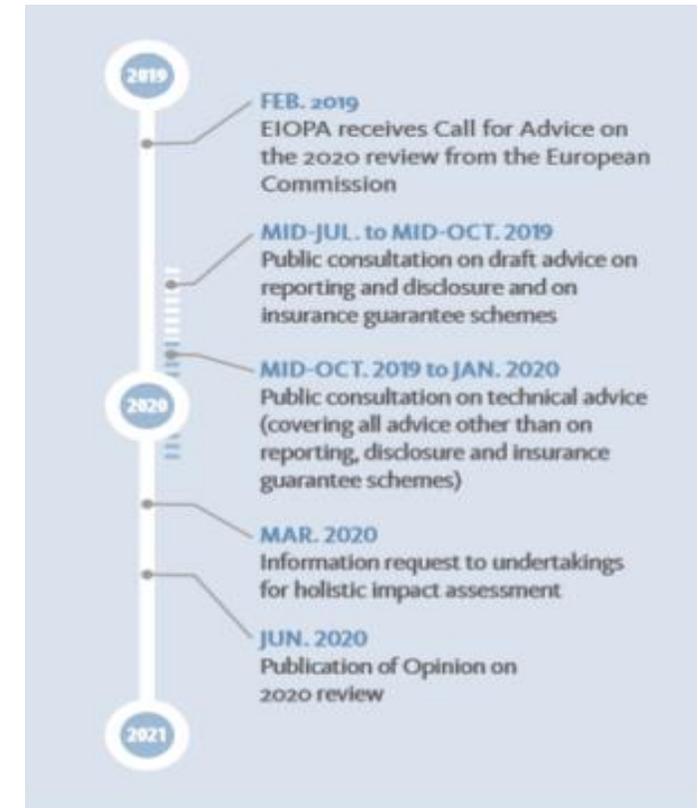# Solvency II 2020 Review

Solvency II had big plans for 2020…

Solvency II Directive requires that, by 1 January 2021, the Commission shall review:

LTG measures and equity risk measures	Methods, assumptions & parameters used in calculating standard formula SCR
Calculation of the MCR	Group supervision & capital management

2019

FEB. 2019
EIOPA receives Call for Advice on the 2020 review from the European Commission

MID-JUL. to MID-OCT. 2019
Public consultation on draft advice on reporting and disclosure and on insurance guarantee schemes

MID-OCT. 2019 to JAN. 2020
Public consultation on technical advice (covering all advice other than on reporting, disclosure and insurance guarantee schemes)

2020

MAR. 2020
Information request to undertakings for holistic impact assessment

JUN. 2020
Publication of Opinion on 2020 review

2021

COVID-19 Impact

EIOPA issued some extensions and additional requests as a result of the COVID-19 pandemic:

- The deadline of the information request for the holistic impact assessment of the 2020 Solvency II Review was extended by two months, to 1 June 2020

- A supplementary information request was issued to a sub-sample of the previous request participants. This used a reference date of 30 June 2020 and was to be completed from July to mid-September 2020

- EIOPA's advice to the European Commission was delayed from end June 2020 to end December:

  "EIOPA, in close coordination with the European Commission, has decided to deliver its advice to the European Commission at end December 2020, to take into account the importance of assessing the impact of the current Covid-19 situation on the Solvency II Review."

What will 2021 hold in store for Solvency II

- Final Advice delayed to December 2020
    - Expect to see new proposed regulatory text in June / July 2021 at the earliest, possibly Q3 2021

- Gabriel Bernardino: *"the big fundamental elements that we wanted to achieve with the review will continue to be the same"*

- So this is the new timeline for the commission's proposed text. But after that, how long will it take to be agreed by the legislators and then transposed into national law?
    - Implementing any changes may take several years because political agreement will take time – could be 2023/24.
    - Gabriel Bernardino: *"If we are still within this extremely low interest rate environment, we will have a mechanism to dampen and to mitigate that"*
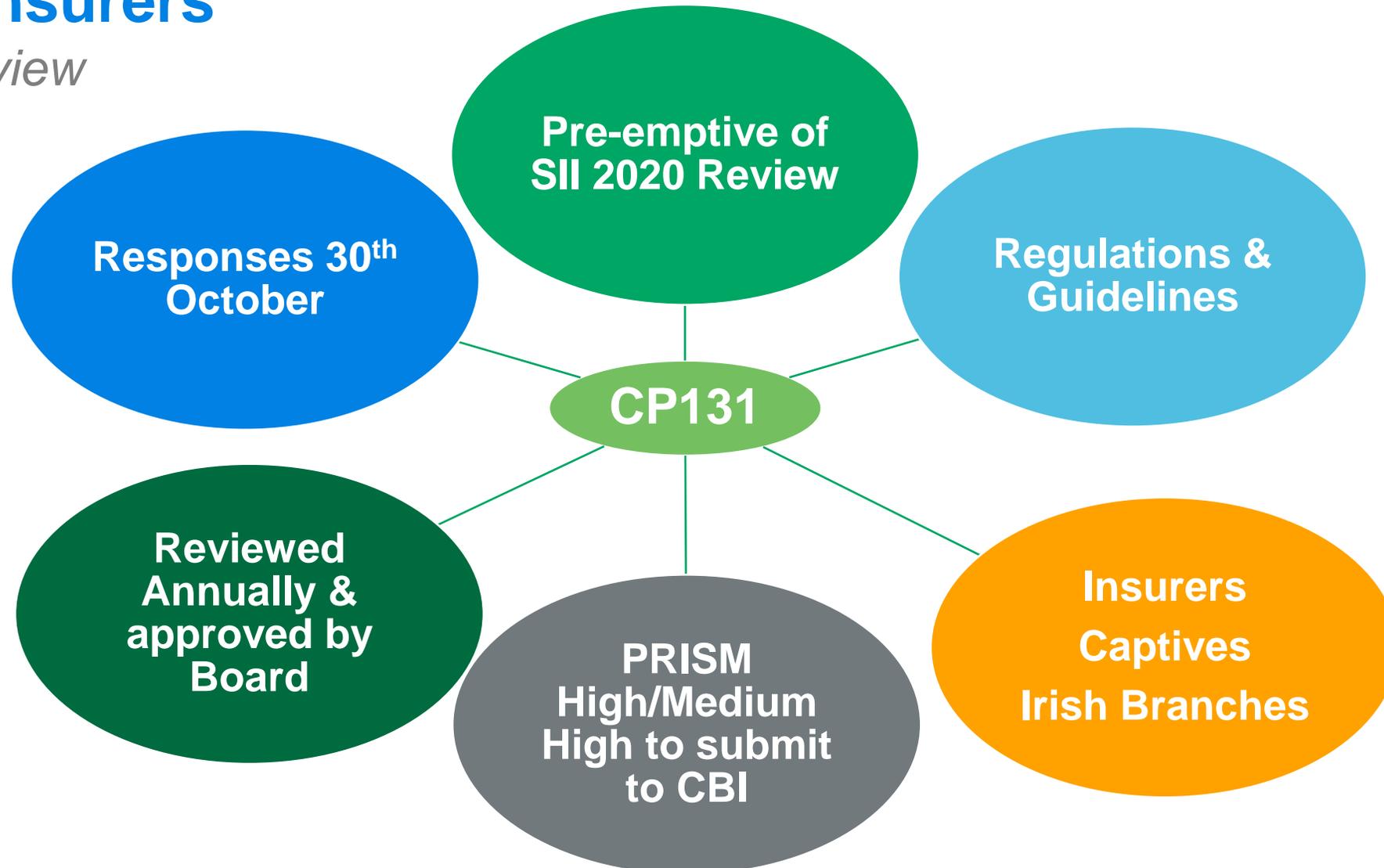
Milliman

Milliman Briefing Notes on Solvency 2020 Review

- Please see our website for Briefing Notes prepared by our consultants addressing Solvency II and relevant regulatory updates proposed during the consultation phase:

  - EIOPA consultation paper on the opinion on the 2020 review of Solvency II – *11th November 2019*

    https://ie.milliman.com/en/insight/eiopa-consultation-paper-on-the-opinion-on-the-2020-review-of-solvency-ii

  - EIOPA paper on proposals for Solvency II 2020 review: Package on Supervisory Reporting and Public Disclosure – Quantitative Reporting Templates – *2nd October 2019*

  - EIOPA Paper on proposals for Solvency II 2020 review: Package on Supervisory Reporting and Public Disclosure – Solvency and Financial Condition Report – *2nd October 2019*

  - EIOPA Consultation Paper on proposals for Solvency II 2020 review: Harmonisation of National Insurance Guarantee Schemes across EU Member states - *2nd October 2019*

  - And others…

    https://ie.milliman.com/en-gb/Insight/solvency-ii-2020-review

Milliman

Regulations for pre-emptive recovery planning for (re)insurers

CP131 - Regulations for pre-emptive recovery planning for (re)insurers

Overview

Pre-emptive of SII 2020 Review

Responses 30th October

Regulations & Guidelines

CP131

Reviewed Annually & approved by Board

PRISM High/Medium High to submit to CBI

Insurers
Captives
Irish Branches

CP131 - Contents of a recovery plan

"Pre-emptive recovery planning will inform strategic decision-making processes during a crisis - developing a strategy during an extreme stress can limit the scope of the planning, the detail of the review, and the efficacy of decision making."
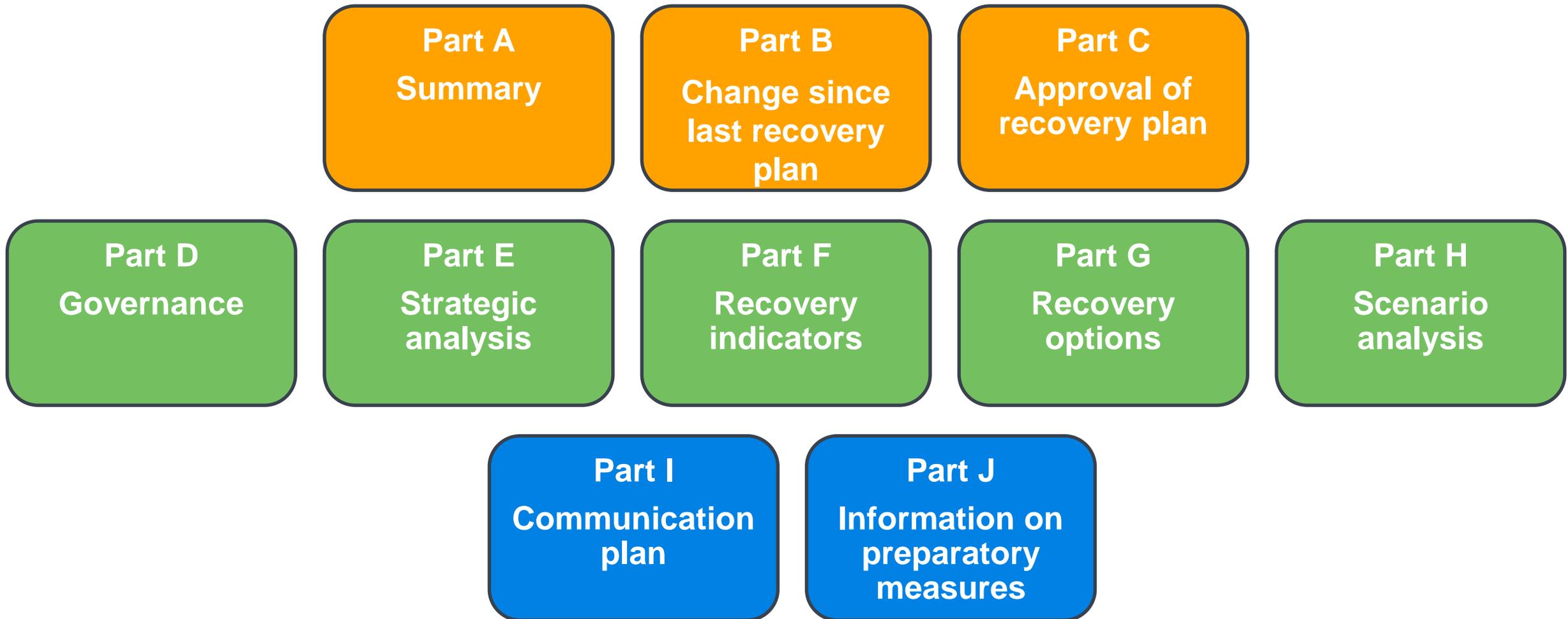
Draft Regulations

- Review at least annually and on any material organisational or financial change
- Board assessed and approved
- Confirmation of internal reviews
- Monitoring of recovery indicators
- Confirmation that the trigger framework can operate reliably under financial stress
- Detailed requirements on plan contents:

  ✓ Plan governance   ✓ Recovery options
  ✓ Strategic analysis   ✓ Scenario analysis
  ✓ Recovery indicators ✓ Communication plan

Draft Guidelines

- Sets out links with recovery planning, with the insurer's SoG, ERM framework and ORSA
- Allows for proportionality – nature and scale of insurer but also its systemic importance
- Insurers shouldn't rely on a group recovery plan
- Breakdown of strategic analysis into core business lines, key services, and critical functions
- Indicator framework – capital, liquidity, profitability, reserving, market-based, macroeconomic
- Impact and feasibility assessments for recovery options

Milliman

CP131 - Proposed layout of the recovery plan

Proposed format of recovery plan

Part A
Summary

Part B
Change since last recovery plan

Part C
Approval of recovery plan

Part D
Governance

Part E
Strategic analysis

Part F
Recovery indicators

Part G
Recovery options

Part H
Scenario analysis

Part I
Communication plan

Part J
Information on preparatory measures
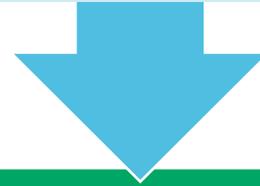
Milliman

Hands-on in the tool

Conclusion

In Summary

What to know for Year-End 2020

Minor changes to EIOPA QRTs	No changes to EIOPA log files	No changes to the CBI NSTs

What to expect in future

Level 3 Guidelines (June 2021)	Annual changes expected to the QRTs	Delegated Regulations will see substantial changes again following the 2020 review

Milliman

Lots of changes to monitor….

……but don't panic as

S2CAT does the hard work so you don't have to...

Milliman

Questions & Answers ???