Solvency II preparation

Analysis of EIOPA's final preparatory guidelines

October 2013

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Overview of EIOPA's guidelines for S-II preparation

Introduction

- On 27 September 2013, EIOPA published its final preparatory guidelines after considering all the comments received from regulators, industry and other stakeholders as a result of the consultation exercise.
- The guidelines, first released as consultation papers on 27 March 2013, set out a series of preparatory guidelines for National Competent Authorities ("NCAs") to adopt in preparation for full Solvency II implementation on 1 January 2016.
- These consultations cover:
  - System of Governance
  - Forward looking assessment of own risks
  - Reporting/Pillar 3
  - Internal model pre-application
- Implementation of the guidelines will be the responsibility of the NCAs under their existing powers. Once the guidelines are formally issued on 31 October 2013, NCAs will have two months to inform EIOPA whether they will comply (or alternatively, explain their decision not to comply with specific guidelines).

Feedback from the consultation process

- The industry tone is generally positive from the consultation process, and EIOPA believes that all concerns were considered and addressed where practical.
- NCAs will be required to submit a progress report on the application of the guidelines by 28 February 2015 and annually thereafter to EIOPA. The aim of these reports is to ensure convergence in the application of the guidelines across all NCAs.
- EIOPA is planning to issue a series of tools and technical specifications to aid firms in producing the required information during the preparatory phase. For example, EIOPA will issue an XBRL tool for use in completing the QRTs as well as technical specifications for the calculation of technical provisions, and the assumptions underlying the Standard Formula.

This document summarizes the final preparatory guidelines and insights on these as well as the implications for our clients. We have also summarized our understanding of the perspectives of a number of NCAs on preparation for Solvency II.

Overview

System of governance

Extensive implementation of requirements for an effective system of governance which provides for sound and prudent management and an effective risk management system from 1 January 2014

ORSA/Forward looking assessment of own risks ("FLAOR")

Little additional guidance or prescription but subject to full implementation for all insurers with respect to the forward-looking assessment (although other quantitative aspects are subject to thresholds)

Reporting to NCAs (Pillar 3)

Significant reporting requirements to apply in the period prior to full implementation date (assumed 1 January 2016); YE 2014 annual reporting required; Q3 2015 reporting required. Reporting is only to NCAs.

Internal model pre-application

Limited new material but focus areas are validation, independence requirements and need for stress/scenario tests to cover relevant material risks. A user manual or process documents, including clear referencing and version control, will also be required to enable NCA or third-party understanding of the model

Pillar 1

Not a preparatory guideline in its own right, but capabilities for point-in-time calculations and projections are established by FLAOR and Pillar 3 guidelines

Thresholds

EIOPA has outlined a range of minimum thresholds which apply to certain elements of FLAOR and Pillar 3 guidelines (life firms based on gross technical provisions and non-life firms based on gross written premiums):

- Annual solo returns and assessment of forward compliance with regulatory capital requirements — minimum of 80% of firms by market share
- As above, plus quarterly solo returns – minimum 50% of firms by market share
- Groups' annual and quarterly reporting and FLAOR — at least €12 billion of total assets

Key changes arising from the consultation process

System of Governance

- "The responsible entity" is now defined in the group specific Guidelines as "the entity responsible for fulfilling the governance requirements at group level". This will usually be the parent.
- Changes in tasks of the Actuarial Function, which should explain any material effect on the technical provisions of changes in data, methodologies or assumptions between valuation dates if already calculated on a Solvency II basis
- Additional requirements for the outsourcing process, mainly the criteria for determining whether a function or activity is critical or important to the firm

Internal model pre application

- The language has softened in some areas to focus on **material** assumptions or methodology changes, rather than documenting all changes in the internal model. Similarly, firms can now provide process descriptions rather than only a detailed user manual for the internal model
- NCAs are now required to provide "on-going feedback" and in the case of group models, the group supervisor and other NCAs are now required to include the allocation of tasks and the communication between them in the work plan for firms. Therefore firms can expect regular updates and feedback on their internal model
- An explicit guideline has been added stating firms applying for an internal model are now required to submit the standard formula SCR during the pre-application process
- Clear focus on assessing compliance with the 'Use Test' rather than the anticipated compliance referred to in the draft guidelines

Forward Looking Assessment of Own Risks (FLAOR)

- A Forward Looking Assessment of Own Risks ("FLAOR") report will need to be submitted to the NCA in 2014 covering the assessment of overall solvency needs of the firm and group
- The assessment of continual compliance with regulatory capital and technical provisions/deviation from the SCR requirements has been deferred to 2015 rather than starting during 2014. This is to allow time for EIOPA to produce the technical specifications required for this
- A quantitative assessment of the risk profile deviation from the SCR assumptions is required only when the qualitative assessment indicates significant deviation

Reporting to NCAs (Pillar 3 /reporting)

- EIOPA has extended the deadline for YE 2014 annual reporting from 20 to 22 weeks after YE2014 for solo entities, and from 26 to 28 weeks for groups.
- The requirement for Q4 2015 quarterly reporting has been removed, therefore only Q3 2015 quarterly reporting is required in the preparatory phase
- Whilst there have been a large number of minor adjustments to cell references, names and the explanation of required content in the LOG files, the detailed requirements, including the narrative items, remain largely the same as those set out in the consultation document
- The method of approval for groups who wish to use the deduction and aggregation method during the preparatory phase has been clarified, and it may be used after discussion with the group supervisor

System of governance

Summary of guidelines

from 1 January 2014 , in addition to existing local requirements; insurers, reinsurers and groups will be required to have, in a manner which is proportionate to the nature, scale and complexity of the risks inherent in the business, the following:

- An effective system of governance which provides for sound and prudent management
- An effective risk management system
- Qualitative information for NCAs to evaluate the quality of the system of governance

These will need to include:

- Risk management, compliance, internal audit and actuarial functions established at firm and at group level
- Policies for sound investment risk management, with processes to assess the firm's ability to perform any non routine investment activities
- Procedures for decision making and documentation
- Internal review of the system of governance
- A sound capital management policy, supporting a medium-term capital management plan
- An outsourcing policy including whether the function is critically important to the firm and the exit strategy from the agreement

For groups, responsibility for a number of items will rest with the designated group, including:

- The organization of all entities
- Appropriate group-level interaction with all group members, including effective flow of information across the group
- Suitability of management structures
- Consistent implementation of risk policy, risk management and internal control systems
- Identification of material risks for the group

EY insights

- The final guidelines emphasize the need for governance and risk management systems at both group and underlying business levels
- The responsibility for the group to consistently implement governance systems across businesses may conflict with existing management structures and local regulatory expectations
- Emphasis is on structures that enable effective group oversight of entities within the group. Firms will need to demonstrate how material risks to the group are managed at group level
- The final guidelines provide additional guidance on the Prudent Person Principle, with a focus on managing investment risks
- It may be more challenging for firms to demonstrate compliance with the high-level effectiveness principles than with the detailed requirements
- Actuarial functions will be required to set up processes to manage conflicts of interest (with reference to the tasks set out in Article 48)

What firms need to do

- Ensure a mechanism is in place to be able to demonstrate to local supervisors that from 1 January 2014, the firm has made sufficient preparatory progress for an effective governance and risk management system. Given lessons from the financial crisis and the relatively stable nature of these requirements, expectations for progress will be relatively high
- Ensure that items relating to the group and to the responsibility of group level individuals for the rest of the business are understood and translated into clear responsibilities and subsequent action plans
- Additionally, undertakings should ensure compliance with the revised wording for the individual detailed final guidelines, demonstrating that all relevant guidelines can be related to operating and documented aspects of the system of governance

Forward looking assessment of own risks

Summary of guidelines

Taking into consideration the nature, scale and complexity of the risks inherent to the business, from 2014, firms & groups will be required to:

- Develop and implement a forward-looking assessment of the risks to which they are exposed
- Perform an assessment of their overall solvency needs from 2014 onwards, this assessment can be performed at any time within 2014
- Monitor their continuous compliance with regulatory capital requirements from 2015 onwards
- Assess whether their risk profile deviates from the assumptions underlying the SCR calculation. A quantitative assessment is required when there are indicators of significant deviations. This is required from 2015 onwards (this does not apply for internal model users since it is included in the pre-application)
  - Internal model applicants are expected to use their internal model to conduct any assessment but must also consider the potential impact of the internal model being rejected
- Build qualitative information supporting the forward-looking assessment of own risks that will allow NCAs to review and evaluate the quality of the information
- Report to the NCA, on at least an annual basis, the results of these assessments, the report is to be provided within two weeks of the ASMB completing of the assessment
- Maintain necessary documentation to support the FLAOR report to the NCA, including a management-approved policy and internal reports documenting the assessment of each risk
- Have appropriate involvement from management and board in conducting the assessment and develop a top down approach starting in the preparatory phase
- Demonstrate how the forward looking assessment is used in the strategic decision making of the firm or group

EY insights

- During 2014 the first forward looking assessment needs to be submitted to the NCA. In 2015 the second assessment is required to be submitted. There NCA will expect clear development and enhancement of the documents between submissions
- The assessment of continual compliance with regulatory capital/technical provisions requirements has been postponed to 1 January 2015, however firms should be aware of the requirements
- The forward looking assessment is completed after sign/off by the Board and needs to be reported to the NCA within two weeks
- The full ORSA will require full quantitative analysis of SII balance sheet and technical provisions, i.e., capability to produce capital requirements at a point in time as well as future projections over the medium term and to conduct continual monitoring

What firms need to do

- Companies should develop and document a policy covering the FLAOR. This is likely to be a component of an ORSA policy. The policy should cover the necessary underlying processes, setting out the proposed approach to assessing risks on a forward-looking basis, as well as formalizing assessment of material risks and developing internal assessment reports for each of the material risks
- Groups should start considering whether a single overarching document is appropriate for reporting to the group supervisor, and, if so, start to develop an appropriate framework for sourcing required information and for involving subsidiary management in any assessment
- Consider whether to complete an internal dry-run ORSA/Forward looking assessment process during 2013, as 2014 documents will be shared with the NCA
- Leverage work performed in establishing the risk management system to ensure that the forward looking assessment is integrated into the decision making process and to identify whether the forward looking assessment challenges the adequacy of entity processes

Reporting to NCAs (Pillar 3)

Summary of guidelines

The Guidelines on “Submission of information to National Competent Authorities” contains key requirements, as follows, for those solo entities and groups above the 80% market share/€12bn assets threshold:

- Annual reporting to the supervisor of specified narrative information and a subset of quantitative reporting templates (QRTs) are based on 31 December 2014, data within 22 weeks of the year end (28 for groups). (This gives companies and groups an extra 2 weeks compared to the original proposals)

For those solo entities and groups above a 50% market share/€12 billion assets threshold:

- Quarterly reporting to the supervisor of a subset of quarterly QRTs based on 30 September 2015 data within 8 weeks of quarter end (14 weeks for groups). (The requirement for reporting of 31 December 2015 quarterly data has been removed compared to the original proposals.)

Key differences from the full Solvency II requirements EIOPA set out in 2012:

- Only a subset of the annual and quarterly QRTs is required — the subset is driven by the ECB financial stability reporting requirements and by which items are most stable
- The volume of narrative information required is substantially reduced
- Internal model firms need to report SCR on the standard formula basis as well as using their internal model
- The requirement to take account of the structure of the insurer with reference to ring fenced funds (RFF) is maintained for the SCR calculation, but reporting is required only for the most material RFF and the balance
- Groups using the deduction and aggregation method can use their own funds and capital requirements based on local rules for third-country subsidiaries rather than needing to recalculate on a Solvency II basis during the preparatory phase

EY insights

- Our September 2012 Solvency II survey suggested that Pillar 3 was the least developed aspect for most insurers. The requirement to provide information in a prescribed format ahead of full Solvency II implementation means that many insurers will need to accelerate their plans in this area
- Based on the current timetable for International Financial Reporting Standards 4 Phase II (although unlikely to be implemented in full before 2018) firms may wish to consider combining their implementation of their required changes to reporting under both accounting and regulatory regimes
- Whilst there have been a large number of minor adjustments to cell references, names and the explanation of required content (LOG files), the detailed requirements, including the narrative items, remain largely the same as those set out in the consultation document
- The final guidelines have not provided any definitive information as to what reporting will be required for the year ending 31 December 2015. The requirements for this reporting will be dealt with through the Level 2 text rather than in the preparatory phase. The current level 2 text requires an opening balance sheet be produced

What firms need to do

- Insurers will need to identify whether they are likely to be in scope for annual, quarterly and group reporting, review the specific reporting requirements and accelerate their existing Pillar 3 programs accordingly
- They should also carefully plan the reporting timetable and align resources, particularly as existing reporting requirements are to remain in force. Obtaining additional resources may be more difficult in the current economic climate

Internal model pre-application

Summary of guidelines

The final guidelines require insurers/reinsurers/groups to do the following:

- Produce a detailed user manual or provide process descriptions for the operation of the internal model, including a description of the procedures used, a version control, and a clear referencing system (This has changed from requesting a user manual in the original proposals)
- Produce and submit a standard formula SCR as part of the pre application phase as well as the internal model SCR to the NCAs
- When an external source or provider is used for models and data, demonstrate a sufficiently detailed understanding of all parts of such a model, in addition to putting in place plans to mitigate the failure of any provider used
- Take into consideration the increased clarity of process, methods and tools that should be used for the validation of the internal model; in particular, characteristics considered when selecting validation tools should include at least the nature and level of complexity of the tool, the knowledge and independence required to perform the validation, the information required and the cycle of validation
- Ensure they can demonstrate compliance with the Use Test throughout the preparatory phase. NCAs will be assessing compliance with the use test as part of the pre application

In addition to the above requirements for firms, the final guidelines outline the need to increase the convergence of pre-application supervisory practices of the different NCAs across Europe with the college process working for group applications (this was previously covered by an EIOPA opinion in July 2013).

Group supervisors are also required to produce and maintain a work plan covering the timeline, primary steps, and deliverables of the application process, as well as how they will interact with the local supervisors, and provide this to the firm.

EY insights

- Care should be taken to ensure the clarifications in the guidelines on validation are appropriately considered. The focus is on the tools used being the most appropriate, in addition to the requirement for independence of validation and the need for stress and scenario testing to cover relevant material risks
- The user manual or process descriptions produced will need to allow the NCA or a third party to understand the model. While most firms will already have some existing documentation, this will likely need to become more logical with clear referencing and a version control in place
- There needs to be correspondence between the group risk supervisor, the local NCA and any third-party NCAs. Group supervisors are required to prepare a realistic timeline of the steps and the deliverables to be produced. Firms can now expect regular feedback on the internal model development throughout the preparatory phase

What firms need to do

- Focus on their validation reports to ensure that all the updated guidelines are followed, thereby allowing the NCAs to clearly verify the validation process of the insurer
- Ensure they have the ability to produce a robust Standard Formula SCR as well as the Internal Model SCR
- Work through existing documentation ensuring that there is a clear referencing system and there are control procedures for the internal model documentation, which is accompanied by a version control system
- Understand any shortcomings of external models and data, and document plans to mitigate the potential failure of a provider; attempt to avoid overreliance on a single external provider
- Ensure there is sufficient ongoing communication among the NCA, the group supervisor and any other subsidiaries under the legislation of the NCA or third-party NCAs. Where firms are not receiving enough information, they should challenge the regulator

Pillar 1

While there is no explicit preparatory guideline on Pillar 1, there are significant implications through the other guidelines; principally those on "Forward-looking assessment of the undertaking's own risks" and "Submission of information to National Competent Authorities."

The requirements apply to both solo entities and groups.

Annual reporting to NCAs:

- Annual reporting required at YE14 includes technical provisions and regulatory capital requirements (Minimum Capital Requirement, or MCR, and SCR). For internal model firms, the SCR will also be required on both internal model and standard formula bases

Quarterly reporting to NCAs:

- Quarterly reporting at Q315 covers a restricted set of forms. However, the quarterly own funds form includes both MCR and SCR values, so quarterly update to the regulatory capital results will also be required

Forward-looking assessment (applying from 1 January 2014):

- Insurers are requested to perform an assessment of their overall solvency needs from 2014 onwards, this can be performed at any point within 2014

The following requirements apply from 2015:

- The insurer is expected to continuously comply with regulatory capital requirements going forward.
- Assessment of the significance of their risk profile deviating from assumptions underlying the SCR calculation in their forward assessment of their own risks is required (this does not apply for internal model users since it is included in the pre-application)
- The assessment also addresses whether the calculation of the technical provisions has been in accordance with the requirements

Further areas affecting Pillar 1 include:

- Aspects of the actuarial function, including calculation and validation of certain balance sheet items, such as technical provisions
- Greater definition of the prudent person principle

EY insights

The guidelines imply Pillar 1 capabilities are required from 1 January 2014 and will need continuous refinement and enhancement as the preparatory phase progresses:

  - Forward-looking assessment of the firms overall solvency needs is required during 2014, this includes the need to produce capital requirements
  - Point-in-time calculations to support the reporting requirements
- EIOPA anticipates issuing technical specifications on the valuation of technical provisions, assets and liabilities other than technical provisions, the SCR and the underlying assumptions of the SCR formula during 2014 to support firms production of the Pillar 1 balance sheet
- Having a clear line of line of sight of the 'gaps' in the current modelling capability and the information required to support the reporting requirements is important to establish before the implementation of the final guidelines

What firms need to do

- Given that calculations are expected to be needed from 1 January 2014, insurers need to establish a baseline calculation if not already available
- The requirements of the forward-looking assessment will be implemented from 1 January 2014, and beyond the core calculation, insurers will need to build processes to assess continual compliance and projection of the Pillar 1 position from 2015
- Reporting of the Pillar 1 results to NCAs will occur in parallel with existing regulatory/financial reporting from end 2014. Insurers will need to determine their production approaches for meeting the combined reporting exercise

Perspectives from European NCAs

Belgium

The Belgian NCA plans to implement Pillar 2 and Pillar 3 in line with EIOPA's preparation guidelines. On pillar 2 it focuses on the core elements of Pillar 2, via ORSA and governance. On the pillar 3 side the local regulator will implement the reporting requirements on balance sheet, SCR, MCR and technical provisions QRTs. The intention is to go beyond the requirement of 80% market coverage.

Denmark

The Danish NCA is accelerating S2 capital requirements through the existing regulatory framework with Solvency 1 ¾ (or "ISB plus") being introduced as of 1 January 2014. From a Pillar II perspective the Danish NCA is in line with EIOPA recommendations and is likely to implement transitional measures for the system of governance and ORSA over the coming years

Finland

The Finnish NCA will decide how to implement the EIOPA guidelines for the preparation when the guidelines are formally issued in October this year. In the meantime, firms are being advised to prepare their ORSA processes based on the draft ORSA guidelines from EIOPA.

France

The NCA has been vocal regarding the need to introduce Pillar 3 reporting. This has translated into additional requirements going beyond EIOPA's opinion with reporting of a subset of the annual QRTs on a solo basis as at 31 December 2012, covering the balance sheet, technical provisions, SCR, MCR and TP submitted on 6 September 2013 (Excel reporting). 70% of non life and 80% of life companies participated in the study. Further partial reporting in XBRL format is expected in 2014.

Germany

The main focus is on preparation for Pillar 2, in particular, ORSA, which is seen as a continuation of the MaRisk VA requirements formalized in 2009. BaFin is also understood to be in favor of some limited Pillar 3 reporting. The European preparatory guideline may be put in force as at 1.1.2014 through a further national guideline issued by BaFin.

Greece

The NCA currently focused on Pillar 1, requiring participation across the market on the LTGA to additionally assess the impact of the government bond exchange. Stress Test participation has also been imposed to Bank subsidiaries as a Memorandum obligation.

The focus is expected to switch to Pillars 2/3 with regulations around risk management, internal controls, data quality and reporting requirements.

Ireland

No national developments independent of EIOPA are envisaged. The NCA are currently drafting local guidelines for implementation in Ireland. These will be based on EIOPAs guidelines and will be issued after EIOPA finalize these.. In the interim, the NCA has advised firms to continue with their implementation of Pillar 2, including system of governance, risk management system and ORSA.

Italy

The NCA (which is subject to reorganization under the control of the Bank of Italy) is continuing to focus on the internal model applications of the largest Italian insurance groups with no changes, at present, to the review schedule. Many core aspects of Pillar 2 already exist (ISVAP Regolamento 20), but no formal/informal communication has yet been made on EIOPA's preparation guidelines.

Perspectives from European NCAs (cont.)

Netherlands

The Own Risk Assessment (ORA) has been incorporated in Dutch Law, in order to provide the Dutch NCA (DNB) with more risk-based and forward-looking information. The ORA will be required from 2014 onwards and can be based on the ORSA, however the calculations are based on Solvency I. DNB has requested additional information regarding the insurers' Capital Management process, which has to be submitted before December 1, 2013. Similar to 2012 all insurers are invited by DNB to submit an ORSA 2013. DNB encourages all insurers to prepare for Solvency II and will adopt the preparatory guidelines, preferably for all Dutch insurers (no threshold).

Norway

The Norwegian NCA expects all companies to benefit from better processes and procedures for estimating their liabilities and understanding their risk profile. They are encouraging all companies to continue with this work despite the delays and have signalled that they intend to comply with EIOPA guidelines for preparation. It follows from a circular published by the Norwegian NCA that all companies will have to pass a ORSA report to the regulatory authority during 2014.

Poland

The Polish NCA (KNF) issued a report on Polish market LTGA results showing very good capital adequacy of Polish insurers (302% average SCR ratio). KNF additionally commented a need for reduction of artificial volatility and pointed out extended matching adjustment as the most efficient approach. The next local QIS is expected during next few months. Stress tests will be performed further on regular basis.

In August KNF has asked insurance companies to report their risk maps with quantitative estimates ("ORSA questionnaire").

KNF has discussed the draft EIOPA guidelines with the market and currently insurers expect KNF to issue further local framework details after issue of final guidelines at the end of October.

Portugal

No national developments independent of EIOPA are envisaged, but the Insurance and Pension Funds Supervisory Authority (ISP) has informally advised companies to continue with their implementation of Pillar 2 and ORSA.

Spain

The NCA is supportive of the qualitative aspects included in EIOPA's preparation guidelines — seen as beneficial for business management and policyholder protection. Measures will be applied in Spain, subject to the proportionality principle, and the DGS will expect to find these elements embedded in the business or at least implemented. The legal mechanism it will use for this purpose is not clear at this stage. Less emphasis on Pillar 3 is due to uncertainty on the final details of Pillar 1.

Sweden

The preparation guidelines are seen by the Swedish NCA as an important tool to coordinate the preparations for Solvency II. The Swedish NCA urge the firms to use the guidelines as reference when preparing for Solvency II. The Swedish NCAs plans for the near future are to continue working with the pre-application process for internal models, to enable reporting to the NCA, to review the firms ORSAs and to monitor the firms work on governance.

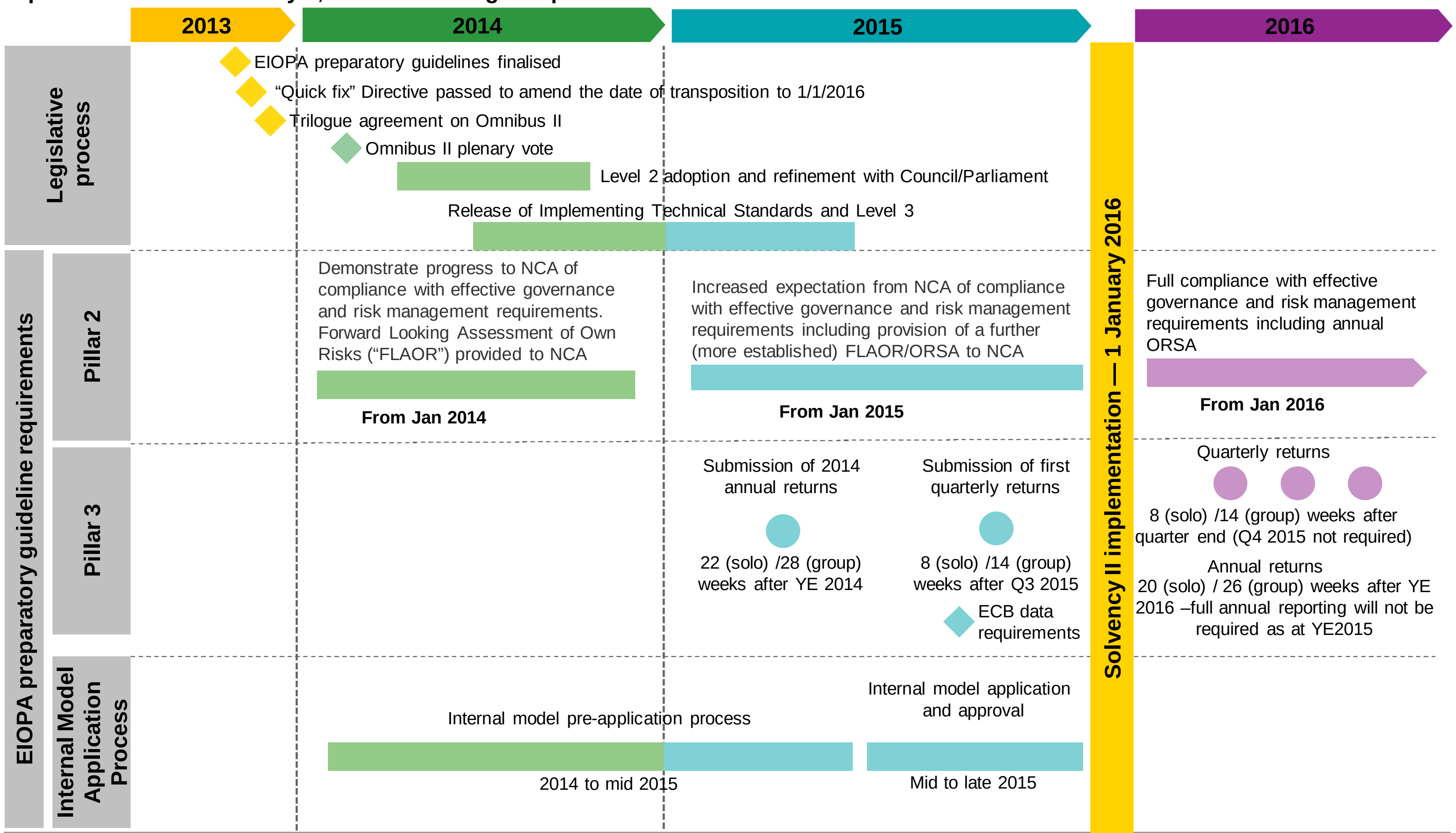
UK

The NCA is integrating its existing individual capital assessment (ICA) regime with internal model pre-application for firms looking to adopt the NCA's new models for existing regulatory requirements. Many Pillar 2 requirements already apply in the UK and are frequently subject to supervisory action. The NCA intends to release a supervisory statement in the coming weeks setting out how they intend to implement the guidelines.

Expected timelines

Expected regulatory timeline

The following timeline reflects EY's latest views of the main regulatory milestones and the mandatory deliverables through to the full implementation of Solvency II; which following the quick fix directive will be 1/1/2016.



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Expected activity timeline (1 of 2)

The following timeline reflects our view of regulatory expectations in the lead up to Solvency II implementation as well as our expectation of what firms across the industry will be doing to prepare for Solvency II.

	2013	2014	2015
Pillar 1	Finalise model build	Update methodology documents to reflect final technical regulations Perform gap analysis on balance sheet, SF model and consolidation approach against final regulation Implement model changes and perform model testing HY2014 MCBS & SF/IM dry –run	Finalise model documentation and user guides Finalise what transitional measures to utilise and the implications of these YE14 MCBS & SF/IM for preparatory Pillar 3 reporting (EIOPA) Approval for ancillary Own Funds & consolidation method chosen Q315 MCBS & SF/IM for preparatory Pillar 3 reporting (EIOPA)
Pillar 2	Prioritise Risk Management Effectiveness (RME) improvements Formally assess RME	Implement RME improvements that are a priority for achieving business strategy Ensure sufficient awareness & understanding of residual data limitations and impact on key business decisions Forward looking assessment of own risks for submission to NCA (EIOPA) Undertake dry-run “sign off” of ORSA data and qualitative statements made in ORSA about RME	Continue on-going risk management development “Near-final” ORSA dry-run for submission to NCA (EIOPA) Demonstrate progress on data limitations and implications for ORSA sign off *From a commercial perspective we expect firms will want to ensure their risk management system is operating effectively as soon as possible. By 2015, activity should therefore be focused on making the risk management system more efficient.*
Pillar 3	Complete QRT, SFCR & RSR gap analysis Design financial reporting controls	Annual and quarterly QRT dry-run based on YE13 Annual and quarterly QRT dry-run based on Q214 RSR & SFCR dry run based on YE13 Implement financial reporting controls Perform assessment of financial control effectiveness	RSR & SFCR dry run based on YE14 Submission of 2014 annual QRTs (EIOPA): 22 (solo) /28 (group) weeks after YE14 Submission of first quarterly QRTs based on Q3 2015 (EIOPA): 8 (solo) /14 (group) weeks after Q315

Solvency II implementation — 1 January 2016

As set out in EIOPA’s preparatory guidelines. (EIOPA) EY expectation (all other items)

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Expected activity timeline (2 of 2)

The following timeline reflects our view of regulatory expectations in the lead up to Solvency II implementation as well as our expectation of what firms across the industry will be doing to prepare for Solvency II.

	2013	2014	2015
Internal Model		Ensure IM policies aligned with final Level 1 articles 101, 112, 120 – 126 are complete. Complete detailed user guide for the Internal Model Reflect the final level 2 regulation in all IM documents Complete self assessment template for model application Complete evidence of complying with policies (e.g. Validation & Use Test)	Implement feedback from pre application Complete Internal Model application Confirm completeness and accuracy of Internal Model application Board sign-off of Internal Model application Submit Internal model application
Data	Ensure local and group data quality policies are finalised Establish data control framework	Ensure data directory is set up and documents all data sources Identify data reuse across Pillars and reporting bases Perform dry-run end to end	Refresh assessment of data governance standards and data control framework Document all EUC tools
Technology	Formally assess technology gaps Agree local and group ownership	Implement strategic solution for reporting Implement strategic Standard Formula solution Decide whether tactical solution is required for 2014 report production Produce user guides for all systems Perform full system integration test	Conduct user acceptance testing and training Define IT operational procedures and implement support structures

Transition to BAU

Solvency II implementation — 1 January 2016

As set out in EIOPA's preparatory guidelines.

EY expectation

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