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Briefing note

Searching for Consistent Reporting

The first public submissions of the Solvency and Financial Condition Report (SFCR) for the majority of firms were published in late May this year. This was a complete rewrite of past public reports required by the regulator requiring significantly more information on business performance, systems of governance, risk profiles and capital management than in the past.

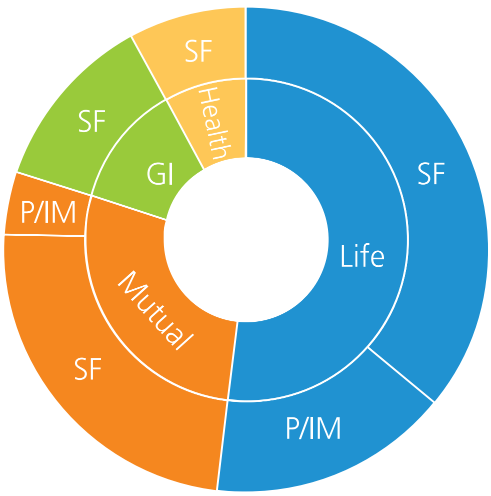
The new disclosures are intended to help provide consistency across the market and to improve public communications.

The requirement for details of the actuarial valuation are to some extent similar, but as with the other areas only high level guidance is given, leaving it open to interpretation and potential differences in the level of detail provided.

The new disclosures are intended to help provide consistency across the market and to improve public communications. Barnett Waddingham has performed a review of a material sub-section of the UK Insurance market to understand if these aims have been met for the first submissions of the SFCRs. Our aim was to identify and highlight key areas of difference in approach and best/good practice.

Our review covered 25 firms across the life insurance, general insurance, health insurance and mutual sectors. The split of firms reviewed is shown below:

Figure 1 – Summary of companies analysed



High level observations

Perhaps the most striking difference in the SFCRs at first glance is how they vary in length. The total length (excluding appendices, which include Quantitative Reporting Templates (QRTs)) varied from 12 to 83 pages, with an average length of 43 pages.

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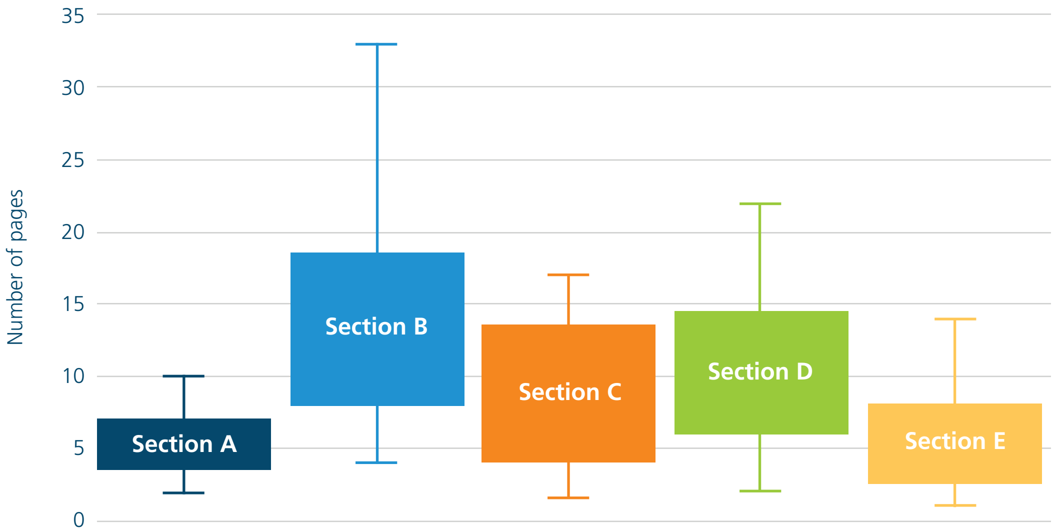
Section B covers a lot of qualitative information, much of which will have been readily available to firms from the previous reporting regime.

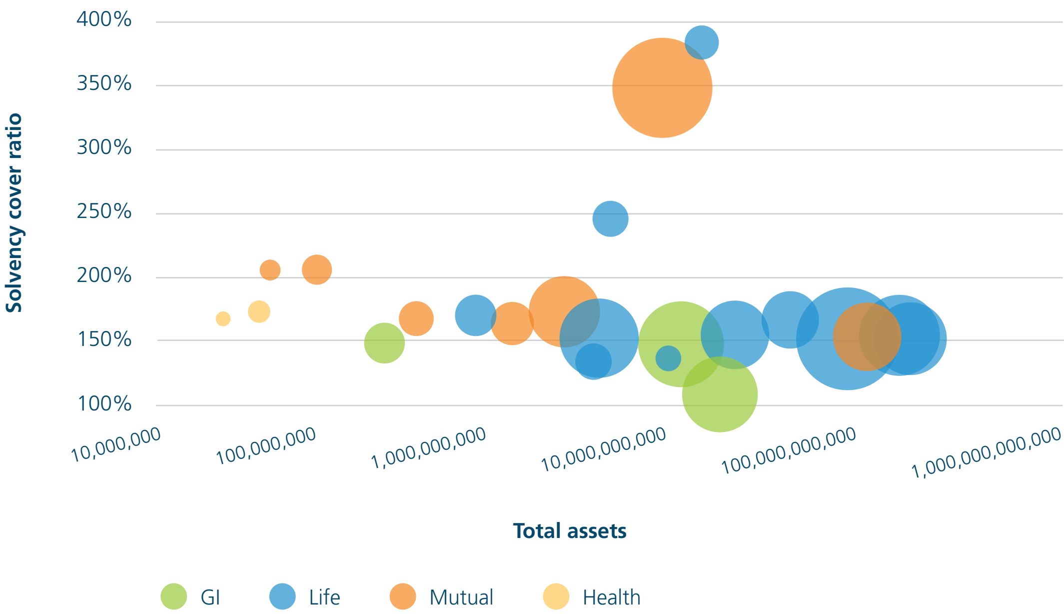
Figure 2 – Length of SFCR by section



At a more granular level, section B on Systems of Governance proved to be the longest section, with an average length of 12 pages – perhaps not surprising given that it covers a lot of qualitative information, much of which will have been readily available to firms from the previous reporting regime. Sections B, C and D, the longest three sections, also exhibited the largest variation in length.

Of course, firms come in all shapes and sizes, and it's not surprising that the level of detail provide would vary. In the figure below, which shows the size of firms against cover ratio, the size of the bubbles represents the length of the SFCR document. This helps to highlight that smaller firms are producing smaller SFCRs and cover ratios are for the most part relatively similar.

Figure 3 – A comparison of solvency cover ratio and firm size



Simply regurgitating the QRT information does not feel that valuable, and the better SFCRs justified the chosen measure of underwriting performance

From our review it is plain that firms had different objectives and aims when producing the SFCR. In our view, the majority of the firms produced a report with the objective to meet the requirements; for example, 92% made noticeable efforts to follow the prescribed structure. 16% of firms went the extra mile and produced a report that provides readers with some useful information to help them understand the business; these could almost be described as marketing documents, though you do need to ask the question of who will read a SFCR when buying their car insurance! On the other hand, trustees and corporate customers may well find these useful.

The closer we look at the report structures used, the more variety we see. All firms contained the prescribed sections A-E, but some firms inserted additional sub-sections to include more detail. Another approach adopted by 20% of firms in our sample was to include summaries at the start of key sections (typically the Risk Profile and Valuation for Solvency Purposes sections); these range from 1-2 pages in length.

There also appear to be contrasting views among firms on whether a comment is required when certain information is not applicable for the current reporting period; for example, if there has been no material change in a risk profile, is a comment needed to confirm this? While both approaches are understandable, it's worth noting that in future years such information may become more relevant, and a comment now may act as a prompt to include this information in future years.

Section A – Business and Performance

Required content

The Business and Performance section is required to include the following:

- Information on the business and structure, including material lines of business, material geographical areas and significant events occurring over the reporting period
- Qualitative and quantitative information on underwriting performance
- Qualitative and quantitative information on investment performance
- Information on other material income and expenses incurred over the reporting period
- Any other material information

Key differences

The approach to reporting underwriting performance is quite varied. Many firms, especially those reporting on an IFRS basis, used operating profits as a measure of underwriting performance. Mutuals, for whom operating profits are not applicable, typically showed premiums, claims, expenses and change in technical provisions as per the QRT. Simply regurgitating the QRT information does not feel that valuable, and the better SFCRs justified the chosen measure of underwriting performance.

One area of variation is the level of description on the key contributors to the performance. The regulations do ask for qualitative as well as quantitative information, which only 68% of our reviewed firms provided. The level of detail on key contributors varied widely.

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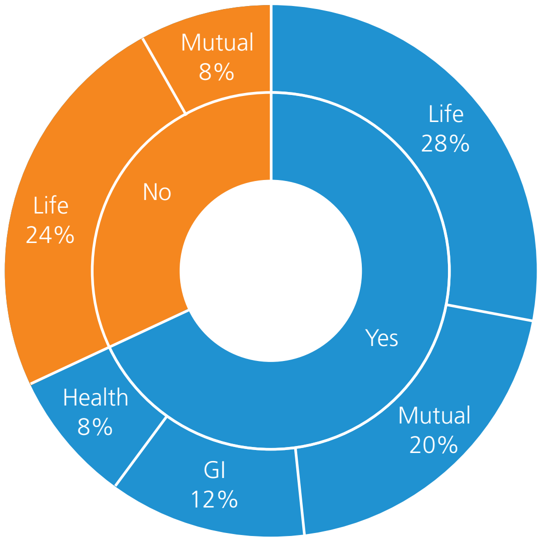
As yet there is no consensus on what to include in the 'Other information' section, with information tending to be quite specific to the individual firms reviewed

Figure 4 - Proportion of firms including description of key contributions to underwriting performance



Information on underwriting performance should be considered at an aggregate level, and by material line of business and geographical area where relevant. While firms generally split their quantitative results by line of business and geographical area, many firms, particularly the life ones, tended to restrict their qualitative information to an aggregate level.

Investment performance is less varied due to there being more detail available on what must be reported. However, surprisingly 44% did not split investment returns by asset class, despite it being required by the regulations. Again the regulations asked for qualitative information on the investment performance and 16% did not provide it. At the other end of the spectrum, 25% of firms supplemented information on their performance with details of their investment strategy, which is not strictly required.

As yet there is no consensus on what to include in the 'Other information' section. Information here tended to be quite specific to the individual firms, and included details of regulatory changes, share issues and intragroup transactions.

Finally, it is worth noting that for 2016 reporting, a comparison against the previous year's performance was not required. Although some firms that report under IFRS17 did include a comparison in this year's SFCRs, from next year comparisons will be required, and we may see more information on a Solvency II basis included in this section.

Key takeaways

- *A more consistent approach to reporting underwriting performance is required if the SFCRs are to provide useful comparisons between firms in future.*
- *Investment performance is not always reported to the detail required by the regulations*
- *Next year's SFCRs will include additional performance comparisons, which should add significant insight…*

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> One of the clearest and most engaging ways to describe the ORSA is to use a diagram.

Section B - System of Governance

Required content

Firms are required to provide the following information around the system of governance in this section:

- General information on the Company's structure, the Board's roles and responsibilities, the remuneration policy and any material changes in the SOG
- A description of the fit and proper requirements and the process for assessing people against this
- A description of the firm's risk management system
- Information on the process for conducting the firm's Own Risk and Solvency Assessment (ORSA)
- Information on the internal control system, internal audit, actuarial function, and any outsourcing
- An assessment of the adequacy of the SOG with regards to the nature, scale and complexity of the business.

This section of the SFCR covers the broadest range of information, and includes a number of topics that firms have disclosed previously. Many firms include descriptions of Board roles and responsibilities and remuneration policies within their annual results' pack and as such we find that firms are willing to provide significant levels of detail when discussing these points.

At the heart of Solvency II, the ORSA is a set of processes constituting a tool for decision-making and strategic analysis. It aims to assess, in a continuous and prospective way, the overall solvency needs and risks of the company. The ORSA is a new and important part of the disclosure within the SFCR that firms are undertaking for the first time in 2017. Our review of the SFCR within this blog will focus on the details firms provided about their ORSA, as this is a new process under Solvency II and has resulted in some variation between companies.

Firms are required to provide the following information about their ORSAs:

- A description of the process including how it is integrated into the firm's organisational structure and decision making process
- Details on how often the assessment is reviewed and approved
- How the firm has determined its solvency needs and how capital management activities and risk management interact

Key differences

It will come as no surprise that the approach for describing the ORSA was done in varying detail.

The ORSA process is a wide ranging tool which should feed into many areas of the business. From our review, one of the clearest and most engaging ways to describe the ORSA is to present the interdependencies of the different areas of the business within a diagram; however, only 28% of SFCRs within our review made use of such diagrams. Those firms which did include diagrams went on to provide further details of each process to better explain the importance of the ORSA to the business.

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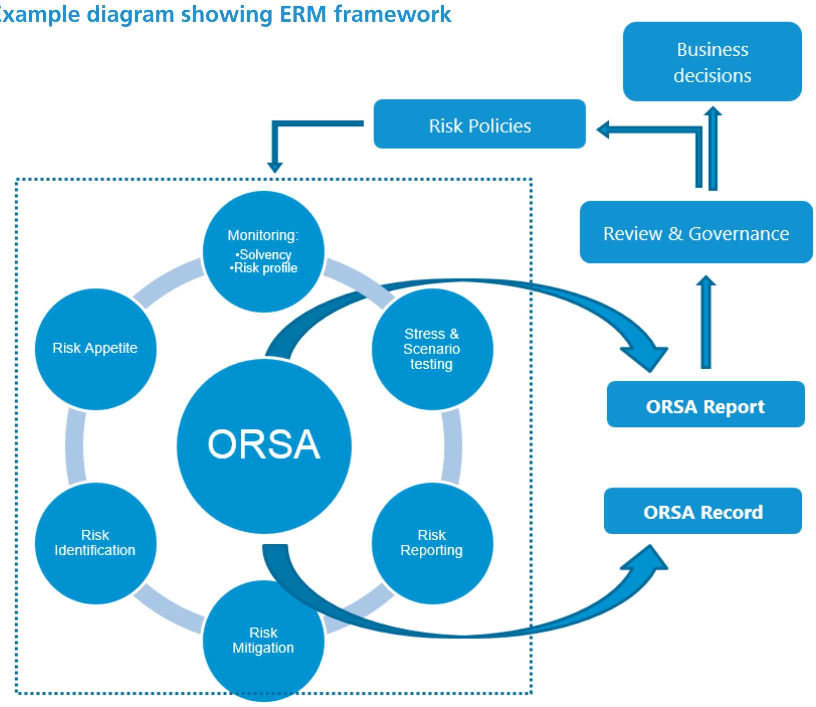
One of the key requirements of firms is to describe how the ORSA brings together risk management, capital management and business strategy.

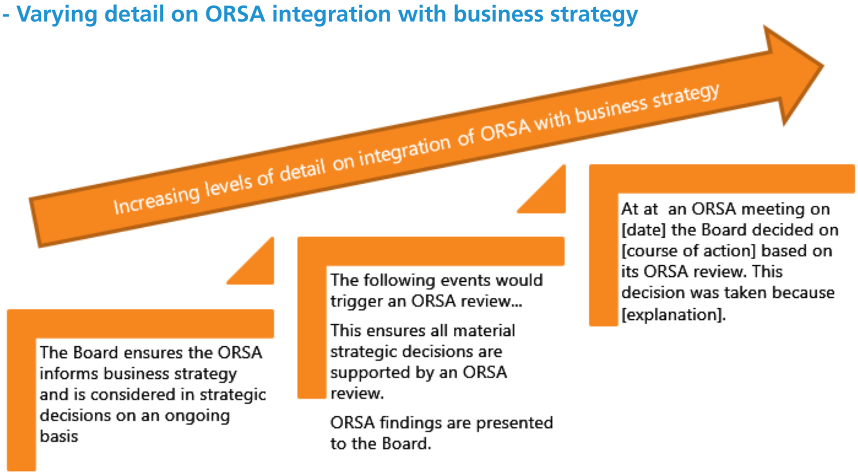
Figure 5 – Example diagram showing ERM framework



One approach to providing further details of the operational uses of the ORSA was to include details of the annual reporting and business strategy timelines. One firm provided a timeline setting out the aspects of the risk management framework, which proved to be a very useful approach to communicating the process; other firms should consider doing the same going forward.

One of the key requirements of firms is to describe how the ORSA brings together risk management, capital management and business strategy. We found significant variation in firms' descriptions of how the ORSA feeds into key decision making and details of roles and responsibilities; 10% of firms did not cover this at all, while at the other extreme there were firms who provided detail of the actions that were taken during the year due to output from the ORSA. In reality most firms sat somewhere in between and included a simple statement that the ORSA feeds into decision making without further details. The diagram below illustrates the varying levels of detail.

Figure 6 - Varying detail on ORSA integration with business strategy



Fewer than 50% of reviewed firms explained how they had determined their own solvency needs.

Firms are required to detail how often the assessment is reviewed and approved. The requirements in this section are open to interpretation and this is reflected in the comments within the SFCR. Many firms took this to mean that companies must state that the ORSA is reviewed annually by senior management, however some firms have gone further and explained the processes for reviewing the underlying ORSA policy, rather than just the results of the process. In our opinion, the best SFCRs commented on both aspects and going forward, firms should consider disclosing the requirements to review the underlying policies rather than just the results of the process. This should help to give confidence that the ORSA is still suitable and firms are not simply going through the motions.

One of the areas in which we have seen the most variation is in disclosures regarding how firms determine their own solvency need. Fewer than 50% of reviewed firms explained how they had determined their own solvency needs. Most of those who did provided short, high level commentary, which met requirements without providing any insight into the business, however a small number of firms provided further detail, such as the differences between the Own Solvency assessment and the Standard Formula or a description of an additional capital buffer.

Key takeaways

While the system of governance section of the SFCR covers a wide range of requirements, the ORSA is a clear area of inconsistency, particularly where firms are required to explain how processes are implemented. Our key findings are:

- *Firms should consider using diagrams to describe the ORSA processes and how these fit into the wider business.*
- *Firms should consider disclosing the requirements to review the underlying risk and ORSA policies rather than just the results of the processes*
- *Over time we expect firms to provide more information on the ORSA process*
- *Many firms state that they are doing something without explaining how*

Section C - Risk Profile

Required content

The Risk Profile section is required to include the following:

- A description of the material risks to which the undertaking is exposed, including any material changes over the reporting period
- A description of the measures used to assess each risk, including any material changes over the reporting period
- A description of material risk concentrations
- A description of mitigation techniques and monitoring processes
- A description of how assets have been invested in accordance with the 'prudent person principle'
- For liquidity risk, the total expected profit included in future premiums
- Risk sensitivities, including a description of the methods used, the assumptions made and the outcomes
- Any other material information

This information should be given for underwriting risk, market risk, credit risk, liquidity risk, operational risk, and any other material risks. There is also a sub-section for any other information.

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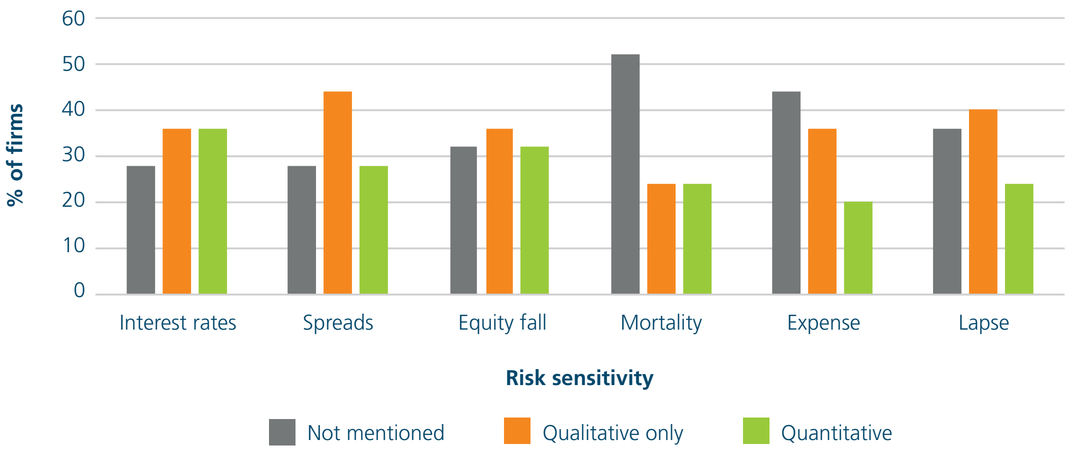
Over time we might expect there to be some convergence of the types and sizes of sensitivities included in the SFCR, and in the absence of specific guidance from EIOPA, direction may come from elsewhere.

Key differences

The main area of variation was the sensitivities:

- Fewer than 40% of firms in our review included quantitative descriptions of sensitivities in this section of the SFCR; many others simply stated whether they remained solvent under stressed conditions
- The magnitude of the stresses applied varied among firms, and in most cases were less severe than the stresses prescribed under the standard formula.
- The most common sensitivities included related to interest rates, spread movements, falls in equity, mortality, expenses and lapses.
- Other sensitivities included European windstorms, currency movements, motor premium rates, combined stresses (doomsday scenarios or severe market downturns) and cyber risk.

Figure 7 – Percentage of firms showing common sensitivities in the Risk Profile section of their SFCR



Over time we might expect there to be some convergence of the types and sizes of sensitivities included in the SFCR, and in the absence of specific guidance from EIOPA, direction may come from elsewhere. For example, the PRA's recent consultation, CP7/17, proposes to collect information on the impact of 9 prescribed market sensitivities on firm's balance sheets every 6 months. While this is unrelated to the SFCRs, and only applies to firms holding material quantities of assets exposed to market risk, it wouldn't be surprising if firms mirror these sensitivities in their SFCRs for convenience.

Another area of inconsistency was the level of detail provided on risk mitigation and monitoring. At one end of the spectrum we have firms who devoted a single comment to each sub-risk identified, or provided a few general comments for an entire risk category. At the other end we have firms who provided details of key risk indicators, monitoring frequency and who is responsible for each sub-risk.

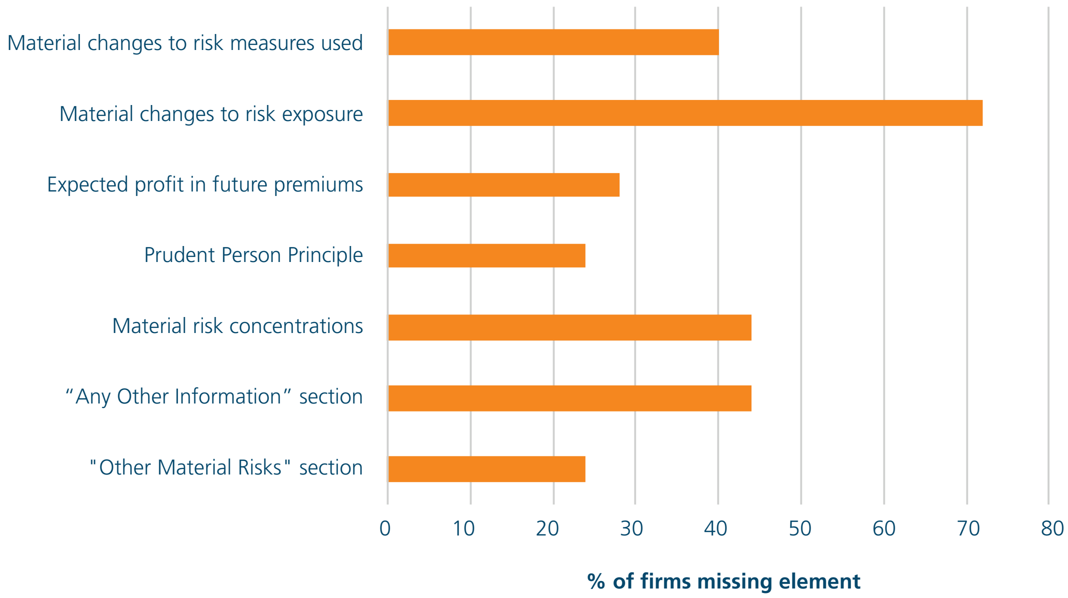
We also found some areas where firms are taking a somewhat relaxed view of the requirements. Our review found that:

- Fewer than 60% of firms commented on material risk concentrations to which they were exposed
- 24% of firms did not comment on using the Prudent Person Principle as part of their investment strategy. Those who did comment typically stated compliance rather than giving detailed descriptions of their investment strategy

28% of firms made no reference to the total expected profit in future premiums as required in the liquidity subsection

- 28% of firms made no reference to the total expected profit in future premiums as required in the liquidity subsection (3 Life companies, 2 Mutuals and 2 Health insurers)
- Only 20% of firms commented on material changes to both their risk exposure and the risk measures used
- While most firms included comments on other material risks and any other information, only 76% of included a specific ‘Other Material Risks’ section, and only 56% had a specific ‘Any Other Information’ section

Figure 8 - Percentage of firms missing required information



Risks commonly identified in the ‘Other material risks’ section included Conduct, Reputational, Strategic, Legal, Governance, Group and Reinsurance risk.

Key takeaways

The addition of information on risk profile to firms’ public disclosures is certainly a step in the right direction, but it may take a while longer for us to see consistency in the level of detail within each section. The findings from our review show that:

- *There is significant variation in the level of detail included on each risk category within the risk profile section.*
- *The sensitivities are a particular source of disparity, with firms providing different levels of detail, and performing different sensitivities. Over time, we might expect there to be some convergence on the size of the sensitivities and the amount of detail shown.*
- *Direction on which sensitivities to perform may well come from the PRA, such as the prescribed market sensitivities proposed to be collected every 6 months in consultation paper CP7/17.*
- *A well-structured approach to the risk profile section may help ensure that all required content is included.*

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> Although life insurers provided more detail than general insurers in their SFCRs, there was typically less information than life insurers provided under the Solvency I regime.

Section D - Valuation for Solvency Purposes

Required content

The Valuation for Solvency Purposes section is required to include the following:

- The value of a firm's assets, split by material asset class, and a description of the methods and assumptions used in valuation
- The value of a firm's technical provisions, including best estimate and risk margin, split by material line of business, a description of the methods and assumptions used in valuation, and a description of the level of uncertainty in the technical provisions
- The value of a firm's other liabilities, split by material asset class, and a description of the methods and assumptions used in valuation
- Quantitative and qualitative explanations of any material differences in the assets, technical provisions and other liabilities calculated for solvency purposes compared to those reported in financial statements
- Information on the use of a matching adjustment, volatility adjustment and transitional measures employed
- A description of any material changes in the assumptions used to calculate the technical provisions over the reporting period
- A description of recoverables from reinsurance contracts and special purpose vehicles

Key differences

The key differences between firms in Section D related to the 'technical provisions' sub-section.

25% of firms included a comparison to the previous reporting period. While this was not strictly required in this year's SFCRs, as it was the first reporting period of this type, in future SFCRs firms will be required to include a comparison and comment on any material changes to assumptions.

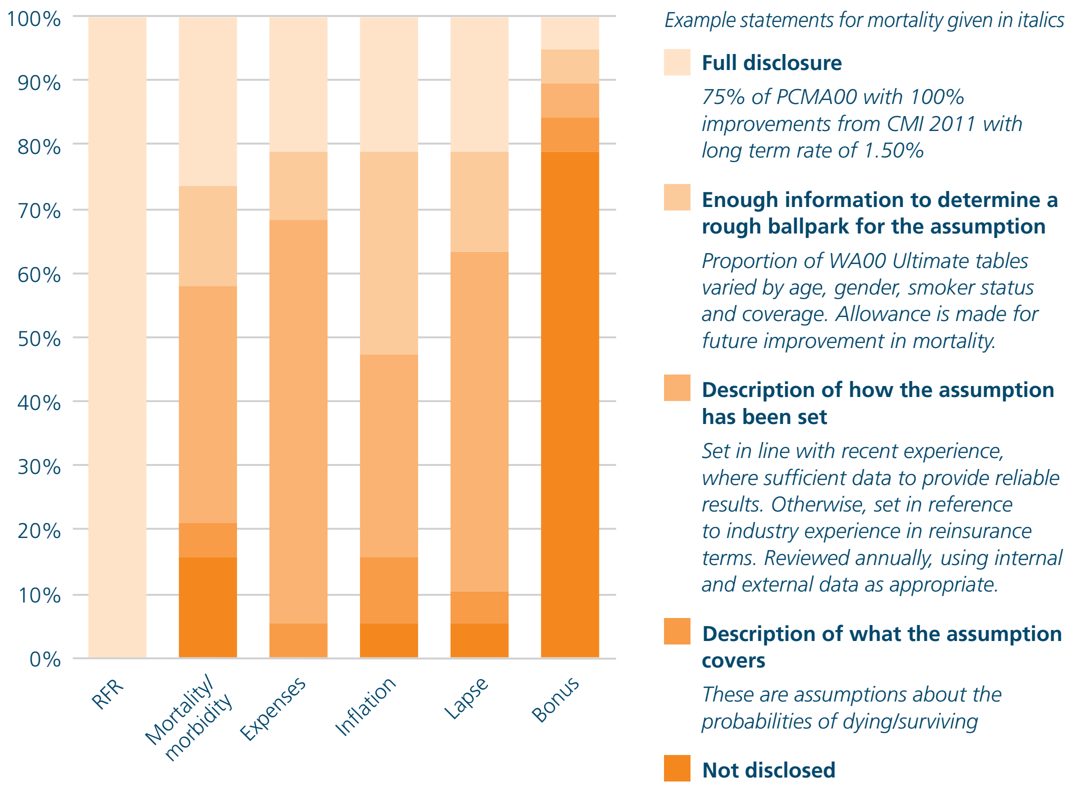
All firms made some reference to the difference between their Solvency II results and those disclosed in their financial statements. The most common reasons given were the inclusion of the risk margin, the removal of valuation margins and the use of the risk-free rate when discounting under Solvency II. For general insurers, a common difference was the inclusion of Events Not In Data.

The level of detail used to describe the methodology and assumptions used in calculating technical provisions was another source of variation. It was notable that general insurers typically provided significantly less information, for example only 67% identified the technique used to calculate claim provisions (e.g. the chain ladder method), and detail on the assumptions used tended to be restricted to the discounting assumption.

Although life insurers provided more detail than general insurers, there was typically less information than life insurers provided under the Solvency I regime. This is because under the old regime life insurers had to complete Appendix 9.4 in their PRA returns, which contained detailed information on a firm's methodology and assumptions. In the SFCRs, few life firms stated what their assumptions were, with the majority simply giving an overview of how assumptions were set.

Over time we expect the variance in the level of disclosure to narrow as regulators publish further guidance and market practice emerges.

Figure 9 – Breakdown of level of detail given by life insurers for key assumptions



Unlike life firms, general insurers were not subject to an equivalent requirement to disclose their methodology and assumptions under Solvency I, so this is a step forwards for them.

Over time we expect the variance in the level of disclosure to narrow as regulators publish further guidance and market practice emerges.

Further discrepancies in firms' SFCRs can be found in the disclosures on the matching adjustment, volatility adjustment and transitional measures.

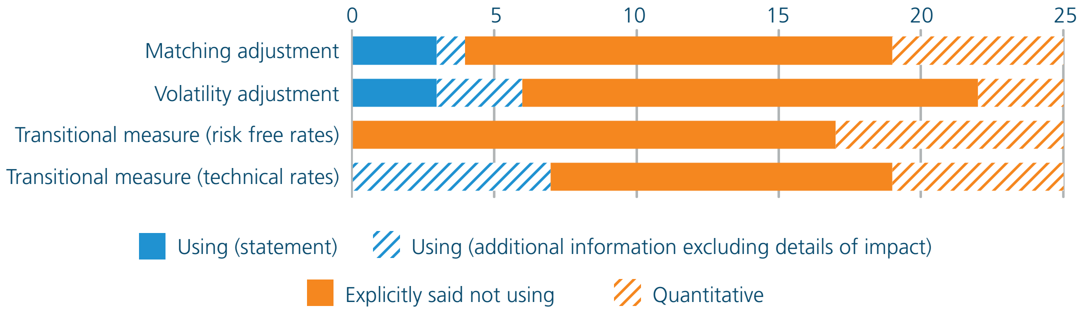
Potentially confusingly, the Solvency II delegated acts require firms to state whether they are using the volatility adjustment, but not the matching adjustment. The majority of firms appear to have played it safe by including a statement for both adjustments, although 3 firms failed to comment on whether they were using a volatility adjustment.

Figure 10 – Breakdown of disclosure requirements and detail given on adjustments and transitional measures

Adjustment and measures	Regulatory references	Usage statement	Description of adjustment or measure	Impact of removal
Matching adjustment	Article 297 (2d)	✘	✔	✔
Volatility adjustment	Article 297 (2e)	✔	✘	✔
Transitional measure (risk free rates)	Article 297 (2f)	✔	✘	✔
Transitional measure (technical provisions)	Article 297 (2g)	✔	✘	✔

80% of firms have opted for generic statements that uncertainty exists in methodology, assumptions, data and claims experience.

Number of firms providing different levels of disclosure



Firms using the adjustments or transitional measures are required to show the impact of removing each of these items individually on the technical provisions, basic own funds, eligible own funds, SCR and MCR.

Of the firms in our review subject to these requirements:

- 67% explicitly did this in Section D of the SFCR.
- 11% referred readers to the relevant Quantitative Reporting Template (QRT) containing this information
- 22% only stated the impact on technical provisions

Finally, there are differences in how firms comment on uncertainty in the value of technical provisions. 80% of firms have opted for generic statements that uncertainty exists in methodology, assumptions, data and claims experience; the remaining 20% of firms have given a high level of detail, identifying specific sources of uncertainty such as persistency or equity values, and either including sensitivities or referring the reader to Section C of the SFCR.

Key takeaways

- *Many of the differences in firms' disclosures related to the technical provisions sub-section*
- *Life insurers provided more information on methodologies and assumptions than general insurers…*
- *…however, the amount of detail provided by life insurers is lower than they used to provide under Solvency I*
- *Most firms only gave limited information on the uncertainty in the value of technical provisions*
- *Over time, we expect the variation in the level of disclosure to reduce as more guidance is published and firms adopt consistent approaches with the rest of the market*

Section E - Capital Management

Required content

The Capital Management section is required to include the following:

- Objectives, policies and procedures for managing own funds
- Information on the structure and quality of own funds including descriptions of ancillary own funds, any deductions made and the impact of transitional measures
- An explanation of any differences between own funds and amounts shown in financial statements

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> There were stark differences in the level of detail provided on capital management objectives, with 40% of firms providing just one objective.

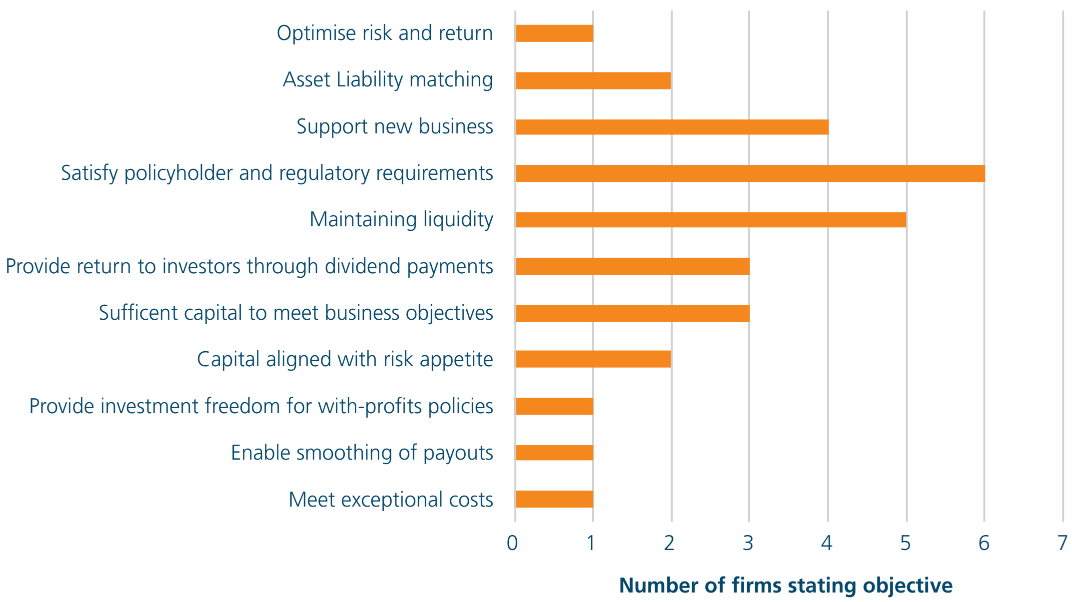
- Details of the SCR spilt by risk module including simplifications, transitional measures and material changes over the reporting period
- Details of the MCR including inputs and material changes over the period
- For firms using partial or full internal models, information on the purposes, scope and methodology of the internal model and how it differs from the standard formula
- Details of any non-compliance with SCR and MCR
- Other material information on capital management

Key differences

There were stark differences in the level of detail provided on capital management objectives, with 40% of firms providing just one objective (typically to ensure own funds remain sufficient to cover the SCR with a buffer), and 8% not referring to objectives at all! The remainder provided more detailed objectives, providing a better insight into their capital management priorities.

Many firms identified similar objectives, such as maintaining liquidity to meet obligations as they fall due, supporting new business, and meeting policyholder and regulatory requirements. However there was a broad range of other objectives which were not overly consistent. These are shown in the graph below.

Figure 11 - Capital management objectives identified by firms



While qualitative descriptions of objectives were relatively common, quantitative targets such as solvency ratio or credit rating were rare. Of our sample, just 5 firms disclosed an explicit solvency ratio target and only one revealed a credit rating target. Target solvency ratios ranged from a minimum of 120% to up to 200%.

The level of detail disclosed under capital management policies and procedures also varied significantly. 52% of firms opted to cover this section lightly with statements such as “the capital position is reviewed in line with our business plan once a quarter/year”.

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> Given the forward-looking capital projections carried out in the ORSA, we might have expected firms to discuss this in their capital management procedures but surprisingly only 36% of firms did so.

The remainder went into more detail, including information such as:

- the roles of committees and capital management plans
- the use of sensitivities and scenario testing
- capital forecasting
- review of the capital position against dividend policy
- measures that could be taken in the event of falling or low solvency ratio
- descriptions of management actions such as repricing, reviewing expenses and reviewing objectives

Given the forward-looking capital projections carried out in the ORSA, we might have expected firms to discuss this in their capital management procedures but surprisingly only 36% of firms did so. Those that did usually explained how the ORSA helped determine their likely ability to meet their capital requirements in the future.

In addition to the differences in detail on objectives, procedures and projections, we found that:

- Only 56% of propriety companies linked capital management to their dividend policy, and only 14% of mutuals commented on the link between capital management and bonus levels
- Firms take different approaches in cases where no material changes have occurred to an area of interest. 32% of firms in our sample explicitly stated that there were no material changes to their capital management policies over the year.
- 88% of firms presented their capital requirements as the SCR split into the main risk modules, with 3 of these further splitting the underwriting risk module into its component parts. The remaining 12% of firms simply disclosed the overall SCR, referring to the public QRTs in the appendix for a further breakdown.
- 20% of sampled firms used an internal model or partial internal model. Diagrams proved highly effective in demonstrating how these are used to arrive at an overall capital requirement

Key takeaways

- *The level of detail used to describe a firm's capital management varies widely. Some firms provided explicit objectives, targets and procedures whilst others stuck to the bare minimum requirements.*
- *Firms who discussed their ORSA, dividend policy and bonus policy generally gave readers more of an opportunity to really understand how capital is managed.*
- *Diagrams were used to good effect in some SFCRs to help emphasise key areas or simplify an important explanation.*
- *Firms took differing approaches in the level of detail reported around the total SCR, though the majority reported the headline SCR with a breakdown of the main risk components as required.*

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> Firms face something of a balancing act to provide enough information to attract new business without giving too much away.

SFCRs: So what's the point?

We'd like to finish by considering a question often asked when a SFCR is signed off by the Board: "Who is going to read this document?"

Who it's not for

Firms are required to submit Regulatory Supervisory Reports (RSRs) to the PRA, which contain everything in the SFCR plus additional information which isn't publicly reported. With their access to this more detailed information, we might ask ourselves whether the PRA are really interested in the SFCR, and whether they'll even look at it. Sure, they could check that the SFCRs are in line with regulations, but don't they have better things to do?

If the regulators aren't interested in the SFCR, then who is it aimed at? The fact that it's publicly available might suggest policyholders, but will someone buying car insurance or term assurance read a document that is on average 40 pages in length? It seems unlikely…

Who it is for

For listed companies, one group that certainly will be interested is analysts looking to get a better understanding of a firm. For the biggest players they may have this information already in financial statements, market briefings etc., but for analysis of other firms this will be a useful and insightful document. Like an ORSA, it will also be helpful for new NEDs and executives to get a good understanding of the business.

If you sell insurance to trustees or corporates, the SFCR will be a really useful document to demonstrate your strengths in finance, governance and risk, and a well-styled, clearly communicated document may be a real asset in attracting new business. Having said that, the SFCRs we reviewed probably have a long way to go to be useful for this group, suggesting that firms are erring on the side of caution…

Tell them everything…but not everything

…and caution may be advisable. Trustees and corporate customers won't be the only ones interested in a firm's finances, governance and risk, and potential acquirers will also be looking at SFCRs to gain an understanding of these areas. Firms therefore face something of a balancing act to provide enough information to attract new business without giving too much away.

Another group that will definitely be reading your SFCR is your competitors, and care needs to be taken with the level of detail included. The requirements often ask for 'how' things have been done, and it's noticeable that many firms have been cautious, simply stating that they have done something rather than explaining how.

Finally, firms must consider the level of disclosure of assumptions for the valuation. Previously, life firms reported this in their PRA returns, but with the move to reporting on a best estimate basis firms have been reluctant to divulge too much information.

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Key Takeaways

To conclude our review of the first round of SFCRs, we have identified six key takeaways:

1. Style is important

Diagrams were highly effective in providing information on a process such as ORSA or Internal Model in an easy-to-understand manner. This will help to keep readers engaged.

2. External peer review

An external peer review is useful to ensure the SFCR is readable and complies with regulations, and to assess the market impact.

3. Explain 'how' rather than just stating that you do it

There are several instances where the regulations require firms to explain how something is done. We found many cases where firms had not done so.

4. Include comparisons with the previous valuation in future SFCRs

This was not necessary this year as these were the first SFCRs, but comparisons with the previous year's valuation must be included in future.

5. A step backwards for life firms, but a step forwards for general insurers

Under the previous regulatory regime, life insurers had to complete Appendix 9.4 of the PRA returns. This required more explicit detail on valuation methodology and assumptions than the SFCR, and in our opinion the move to the SFCR has led to a loss of useful information on valuation for life insurers. Conversely, general insurers, which did not have an equivalent disclosure requirement under the old regime, are now having to disclose more.

6. Levels of disclosure will converge over time

Firms will want to align their level of disclosure with that of their peers. Having published the first round of SFCRs, firms will find it difficult to reduce the level of detail, and we expect the amount of disclosure to become more detailed over time. This may be encouraged by further regulatory guidance.

How we can help

With everything we've seen so far, it's clear that firms need to consider carefully what they put into their SFCR, and think strategically when pulling it together.

Barnett Waddingham have carried out a review of a number of SFCRs, as well as working with firms to produce them. We can provide an independent review that will look at all aspects to ensure that you have a well-written, clear and useful document that will be an asset to your business.

Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively contact us via the following:

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