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Asta turns up the heat on pillar 3

30 June 2015 • Interview by Sarfraz Thind for Insurance ERM

The road to Solvency II reporting has not been easy. For Lloyd's syndicates, complying with the additional challenges of the Lloyd's market regulations, things are perhaps even tougher. Managing agency Asta explains to Sarfraz Thind how it is preparing for lift-off next year.

As one of the biggest managing agents in Lloyd's with responsibility for seven syndicates and two special purpose syndicates, Asta is at the frontline in tackling the challenges of Solvency II regulatory compliance.

The company is responsible for ensuring that all its syndicates comply with regulations, carrying out activities on their behalf or providing oversight, depending on their needs. This currently includes Solvency II readiness.

Solvency II 'pillar 3' reporting is a new paradigm for all and harmonising the reporting needs of seven different businesses has been one of the key areas of focus for the company. Included under the Asta umbrella are smaller syndicates such as DL Dale, a specialist in third-party insurer, as well as the syndicate of large multinational re/insurer Axis, which deals in everything from property and casualty to marine risk and aviation.

UP TO SPEED

In the past four years, pillar 3 has gone from an important regulatory concern to one that now has the company working on full afterburners. Leading the charge is Matt Lane, head of business intelligence and pillar 3 programme manager at Asta. Lane previously worked for Lloyd's on its pillar 1 and 2 dry run project and, having sat on both sides of the fence, is aware of the complexities and nuances involved with undertaking such a task.

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"I have been involved with projects in the past which involved organisational restructure and reengineering," he says. " Pillar 3 is meant to be about producing a set of reports but it is in effect of the same size and complexity as an organisational restructure and reengineering."

The project is half IT and half business processes, says Lane. On the technology side, the main work to date has been building a harmonised data warehouse to accommodate the reporting requirements of all syndicates. This has involved tying the siloed, single department submissions together and fitting this to each individual syndicate's needs.

UNCERTAIN DESTINATION

When Lane joined the company two years ago, Asta had already begun building its data warehouse. The idea was to improve processes to handle the vast amount of data required for Solvency II and be able to meet the tight deadlines for submission.

"We had to think of the whole food chain," explains Lane. "What to build and what to buy. The data warehouse was a good start but was not enough. We needed to enhance the warehouse to accommodate new data."

Asta has had to re-engineer business processes and feed new information into the warehouse.

But for Asta then, as now, the biggest challenge it faced was the lack of certainty over the final regulatory requirements which made it trickier to carry out the project.

"It isn't easy to get your arms around the project and focus on the goal, because the goal is always changing," says Lane.

CHECKS AND BALANCES

The company has had to grapple with a host of new variables under Solvency II. For instance, syndicates now have to break out business expenses by Solvency II lines of business and expense categories, according to European Insurance and Occupational Pensions Authority (Eiopa) standards. This has involved assigning a whole new business process.

Similarly, for example, pillar 3 requires detailed reporting on earned and accrued outward premium figures. To account for these requirements, Asta has had to re-engineer business processes and feed new information into the warehouse. Other things - like outward reinsurance recoveries - were not suitable for Solvency II in their current form and have needed to be re-categorised by Solvency II lines of business.

The firm has also been busy getting ready for the final stage of form-filling. The aim is to cut down on the time required to produce the final reports and automate the whole procedure. But getting the right software to do this has proven tricky.

Not many reporting packages could handle Eiopa and Lloyd's requirements

Being part of Lloyd's, syndicates have to comply not only with the Solvency II rules, but also the existing Lloyd's standards and bylaws. The company was approached by a number of different vendors and while many were able to show their ability to handle Eiopa's reporting requirements, hardly any demonstrated that they could deal with the different requirements of Lloyd's.

"There are a number of pillar 3 reporting applications that produce XBRL as mandated by Eiopa," says Lane. "But a large majority of them don't have an understanding of the Lloyd's marketplace. Vetting them has been a difficult process. Not many showed they could handle the two different requirements."

Invoke's software was one of the few that could handle both Lloyd's and Solvency II requirements. Its ability to streamline the process, cutting down on the time needed to produce reports, convinced Asta to go with the Invoke package.

The software has validation rules configured into it, including intra-document validations, cross-report validations, and a dashboard on the validations, which should help the company from uploading data many times on the Lloyd's core market returns (CMR) system.

The coming few months are likely to be some of the busiest for Asta

Time to produce reports is a more important consideration than ever. In future, Lloyd's will have five weeks after the quarter end to get its report delivered. Since Lloyd's needs to aggregate the entire market's submissions, syndicates and their managing agents will only have three weeks to complete their submissions. With fines of £5,000 per day for late submissions, getting it wrong could be a costly affair.

"It was very specific before," says Lane. "Now you need to reconcile all of this, to do away with silos and you need to have it all reconciled come week three. So all the business processes need to be aligned. This has been the biggest challenge. It's the scope - the people, the processes, the timeline."

SHORT OF TIME

The coming few months are likely to be some of the busiest for Asta. It has two submissions to work on before the year end. First, Eiopa has its quarterly interim reporting test in the third quarter, due in to Lloyd's in November. Arranging for different executives to agree all the relevant figures in prescribed timeframes is itself likely to be a challenge, says Lane.

At the same time, Lloyd's is doing a pillar 3 dry run for the second time in September. The problem is that, in reality, some of the areas that are being worked on are "still not bolted down."

The final guidance will not be released until the end of July, says Lane.

"We need to implement it by September which is when we have a dry run - this will be using a subset of the full set of Eiopa forms. But we are currently working from four-year-old Lloyd's guidance."

The team has been digging into the Eiopa website and looking up new EU guidance and inferring the likely requirements for the September dry run. With these two major and very different projects to deal with and the tight timeframe it has to achieve this, Lane is under no illusions that it will be a busy summer. But he is confident that facing the challenge now will make 2016 much easier.