Bank of England
Threadneedle Street
London
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29 September 2021

## AFM Response to PRA CP1/21, review of Solvency 2- reporting

1. I am writing in response to this consultation paper, on behalf of the Association of Financial Mutuals. The objectives we seek from our response are to:

    - Comment on the proposals, and their consequences for AFM members and their customers.

About AFM and its members

2. The Association of Financial Mutuals (AFM) represents insurance and healthcare providers that are owned by their customers, or which are established to serve a defined community (on a not for profit basis). Between them, mutual insurers manage the savings, pensions, protection and healthcare needs of over 30 million people in the UK and Ireland, collect annual premium income of £19.6 billion, and employ nearly 30,000 staff[1].

3. The nature of their ownership and the consequently lower prices, higher returns or better service that typically results, make mutuals accessible and attractive to consumers, and have been recognised by Parliament as worthy of continued support and promotion. In particular, FCA and PRA are required to analyse whether new rules impose any significantly different consequences for mutual businesses[2] and to take account of corporate diversity[3].

[1] ICMIF, https://www.icmif.org/publications/market-insights/market-insights-uk-2016
[2] Financial Services Act 2012, section 138 K: http://www.legislation.gov.uk/ukpga/2012/21/section/24/enacted
[3] http://www.legislation.gov.uk/ukpga/2016/14/section/20/enacted

AFM comments on the proposals

4. We are pleased to see PRA taking up quickly the Treasury recommendations for simplifying reporting. In our response to the call for evidence, we put forward some suggestions on current reporting requirements. We note that PRA is adopting a two-phase approach to reviewing requirements: for items not covered in this paper, such as our proposals on the use of the RSR, we encourage PRA to widen the scope of the subsequent consultation.

5. Any simplification of reporting is welcome, particularly where there has been limited use by supervisors of the information previously. For the most part, AFM members already take advantage of the modification for quarterly reporting for cat 4 and 5 firms, so many of the proposals in the consultation will have no immediate effect.

6. In addition, many of our members do not need to complete all of the templates covered in paragraph 2.2 that are now deemed superfluous, or else the template is automatically populated by current reporting packages: so there will be limited savings as a result, and little or no additional costs to removing, or producing minor modifications to, templates.

7. One exception may be the S.29.01 to S.29.04 templates, which PRA has earmarked for removal in March 2022: these can be burdensome, and we suggest they are removed with immediate effect, to avoid another and unnecessary cycle of production.

8. Previously, we have suggested to PRA, and in our response to Treasury, that it would be helpful if the exemption to quarterly reporting were granted on a permanent basis rather than by rolling modification. Given the extension of the exemption, the opportunity to remove the risk of that a modification might in future be withdrawn, would be very welcome.

9. We would welcome the opportunity to discuss further the issues raised by our response.

Yours sincerely,

Martin Shaw
Chief Executive
Association of Financial Mutuals