

What's the value of...

The AFM Investment and Reporting Committee

This note provides an overview of the considerable value that the Investment and Reporting Committee produces for AFM members and other mutual insurers.

The AFM Investment and Reporting Committee was established in 2017, to provide a forum for members and Associates to explore ways to support members' work on regulatory reporting and on managing their investments.

Members of the AFM Investment and Reporting Committee:

Industry

Jane Nelson, The Oddfellows (Chair)
Kathy Byrne, Metfriendly
Rachel Hardy, Foresters Friendly
Andy Morris, Cirencester Friendly

Martin Shaw, AFM

Associate members

Chris Price, Axa IM
Darren Ruane, Investec
Jacqueline Crawley, LGT Vestra
Philip Staunton, OAC
Phil Smith, SDA LLP
Clara Yan, Schroder

The areas the Committee focuses on include:

- To explore common themes and good practice in investment management across the mutual insurance sector.
- To share good practice on the development of investment products in the sector and the consequences of legislative, tax and regulatory change.
- To support members in adopting good practice in regulatory reporting, and lobby for proportionate and effective reporting standards for members.
- To undertake research and project work as appropriate to support good investment management in mutual organisations.
- To comment where appropriate on regulatory consultations and other developments in investment management and strategy.
- To explore other aspects of a mutual's strategy that relate to its investment strategy, such as financial and investment risk management, and audit of investment assets.
- To help support the education and training of other members, via member forums and other communications as appropriate, and by support to other AFM committees.
- To provide a voice for responsible and effective investment management across the mutual insurance sector.

Some of the sources of value achieved include:

- In 2016, in light of new regulatory reporting requirements under Solvency 2 which including detail of the rating of assets in the portfolio, we successfully negotiated with the main rating agencies an approach to licensing use of the data, which means most of our members now save the annual fee of around £5,000 to £10,000.
- The Committee contributed data and knowledge to our lobbying of PRA on their expectation that the Solvency and Financial Conditions Report (SFCR) is externally audited, despite the minimal value this provides to stakeholders of smaller mutuals. With PRA agreeing that the audit is no longer required, members have reported a reduction in their annual audit costs of up to £50,000.
- The Committee continues to explore opportunities for proportionality in Solvency 2, and is undertaking review work on the potential for simplification of asset data.
- The Committee is undertaking a project to explore the consequences for members of regulatory developments on sustainability and the impact of climate change, to support members' work to comply with emerging regulatory requirements.
- The Committee has organised contributions to the AFM Conference, including a panel discussion on alternative investments in 2017 and a focus on sustainable investing in 2018.
- Comparison of data in SFCRs has given new insight into the solvency and profitability of our members, across our main product types.

In summary, the activities of the Committee have provided significant benefits to members of AFM and to smaller insurers in general. The value of including expertise in reporting and in investment management has provided valuable insight and ensured our lobbying has been strengthened. The work of the Committee has emphasised the value that smaller organisations generate by working together on common themes.

The AFM Investment and Reporting Committee continues to provide expertise on behalf of the wider sector, and we encourage more members to actively participate in shaping its future activities.