

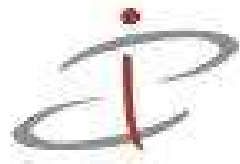
Biedrības
„Latvijas Aktuāru Asociācija”
SEMINĀRS

SOLVENCY II
anatomija

2011.gada 20.aprīlis

J.Bokāns, FAA

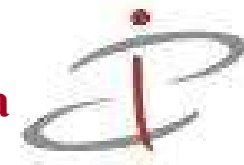
Latvijas Aktuāru Asociācija



Solvency II anatomija

Tēmas:

- Solvency II regulācijas piramīdas uzbūve
- Riska vadības struktūra un tās sasaiste ar riska mērīšanu
- Own Risk and Solvency assessment (ORSA) – Solvency II fokusa punkts
- Pārvaldības (Governance) organizācija
- Ieviešanas plānošana – Gap analysis un Road Map
- ...diskusija



Solvency II vadmotīvs (1)



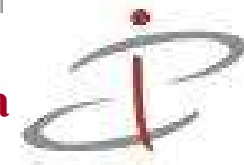
Solvency II

“Solvency II” will introduce economic risk-based solvency requirements across all EU Member States for the first time.

These new solvency requirements will be more risk-sensitive and more sophisticated than in the past, thus enabling a better coverage of the real risks run by any particular insurer.

Read more »

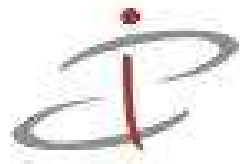
http://ec.europa.eu/internal_market/insurance/solvency/index_en.htm



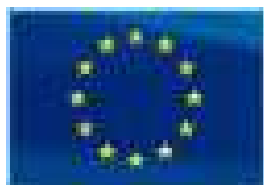
Solvency II vadmotīvs (2)

*Solvency II
is not just about Capital,
it is about Risk Measurement
and Management.*

Thomas Steffen,
Former Chairman of CEIOPS



“Darbojošās personas”



European Commission



European Insurance and Occupational Pensions Authority



European insurance and reinsurance federation



Groupe Consultatif Actuariel Europeen

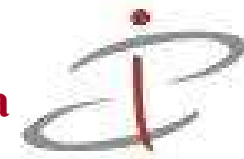


International Association of Insurance Supervisors



INTERNATIONAL ACTUARIAL ASSOCIATION
ASSOCIATION ACTUARIELLE INTERNATIONALE

Latvijas Aktuāru Asociācija



Normatīvā regulācija

Solvency II Directive
Level 1 Framework Directive

*Principles
based...!*

Level 2 Detailed implementing measures

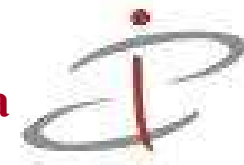
Technical Standards

Level 3 Guidelines

Interpretācijas:

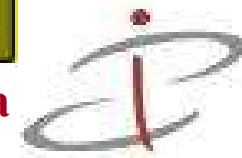
KPMG, PWC, SP, Deloitte, Ernst&Young, ...

Towers Perrin, Oliver Wyman, ...



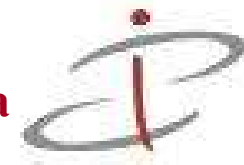
EIOPA's Solvency II Medium Term Work Plan (published 6 January 2011)

	2010		2011			
	July-Sept	Oct-Dec	Jan-Mar	Apr-June	July-Sept	Oct-Dec
QIS5			March 2011: publication of the final QIS5 report			
L2				June 2011: EC proposal for L2 measures		
BTS				EIOPA drafts binding technical standards. End December 2011: Final proposal for BTS to EC		
L3	EIOPA develops L3 guidelines Pre-consultation on L3 guidelines with selected stakeholders (not public)					
Equivalence					Assessment of the 1st wave of third countries	
EIOPA consultation phases	Informal consultation before publication of L2 proposals by EC				Public consultation	



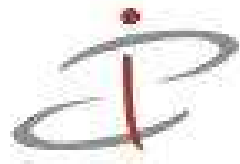
L2 (tas viss jau ir lasāms)

- **EC: Consultation** on Level 2 implementing measures for Solvency II (published Nov 2010; results expected Jun 2011).
- **GC: Response** to Level 2 proposals (Jan 2011)
- **CEA: Comments** on Level 2 Implementing measures (Feb 2011)
- **EC: QIS5 Report** (Mar 2011)



World

- **IAIS:** Insurance Core Principles (ICPs) ready for adoption at the October 2011 General Meeting:
 - ICP 16 Enterprise Risk Management, standards and guidance material
 - CP 17 Capital Adequacy, standards and guidance material
- **IAA:** generic (actuarial technical) standards Working group

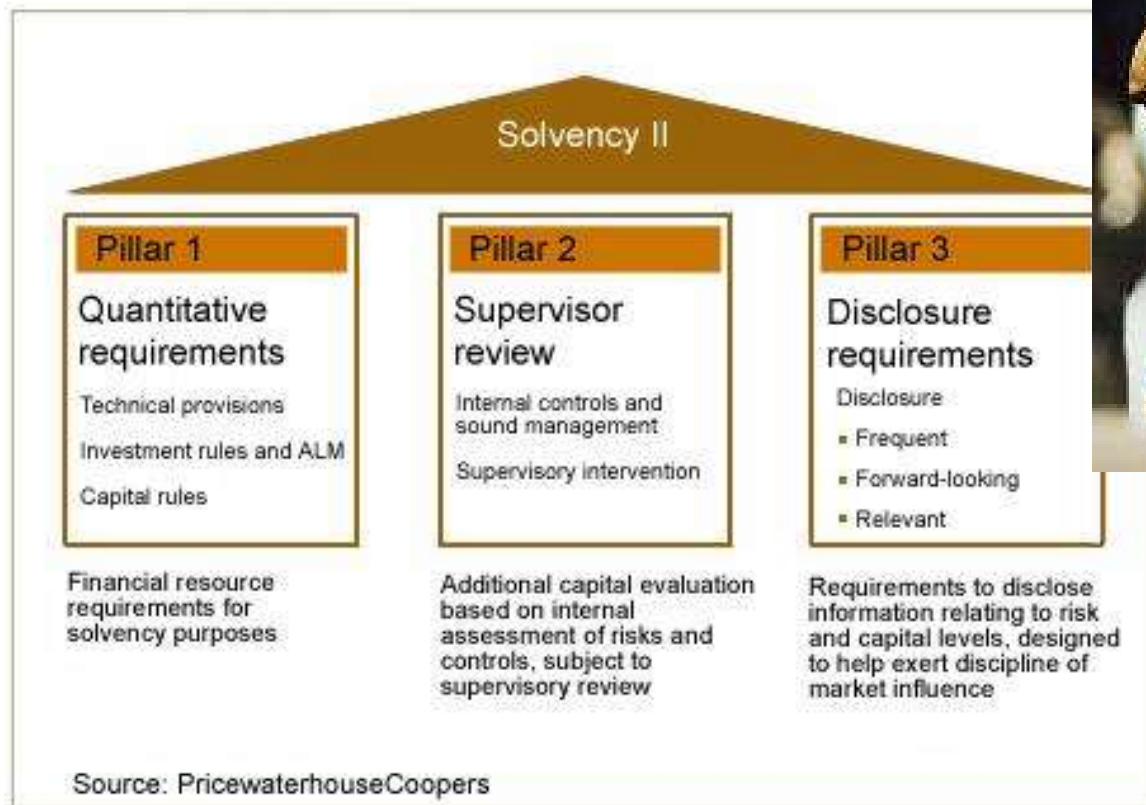
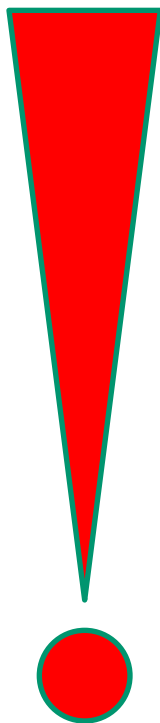


ARHITEKTŪRA

“Three Pillars”

Solvency II is based on a three pillar approach which is similar to the banking sector (**Basle 2**) but adapted for insurance.

http://ec.europa.eu/internal_market/insurance/solvency/architecture_en.htm

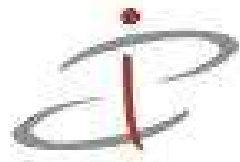


ANATOMIJA

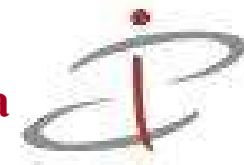
Solvency II piramīda



SOLVENCY II PYRAMID



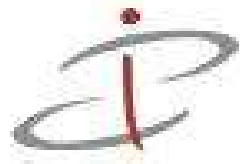
RISKA VADĪBAS (KONTROLES) STRUKTŪRA



ATSLĒGAS VĀRDI

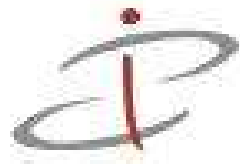
Risk Management is about

- **To define: Risk Profile**
- **To align with stakeholders:
Risk Appetite and Risk Tolerance**
- **To keep: risks & losses to within
Insurer Risk Tolerance**



Risk Appetite / Tolerance

- **Risk appetite** requires a company to consider its overall philosophy to risk taking and the expectations of shareholders; is often expressed in qualitative terms
- **Risk tolerance** requires a company to consider in quantitative terms exactly how much of its capital it is willing to lose as well as its' tolerance around earnings volatility or other value metrics
- **Risk limits** require a company to consider at a more granular level how much risk individual managers should be allowed to take





Stakeholder expectations

Risk Appetite/
Tolerance
Statement

Limits Framework

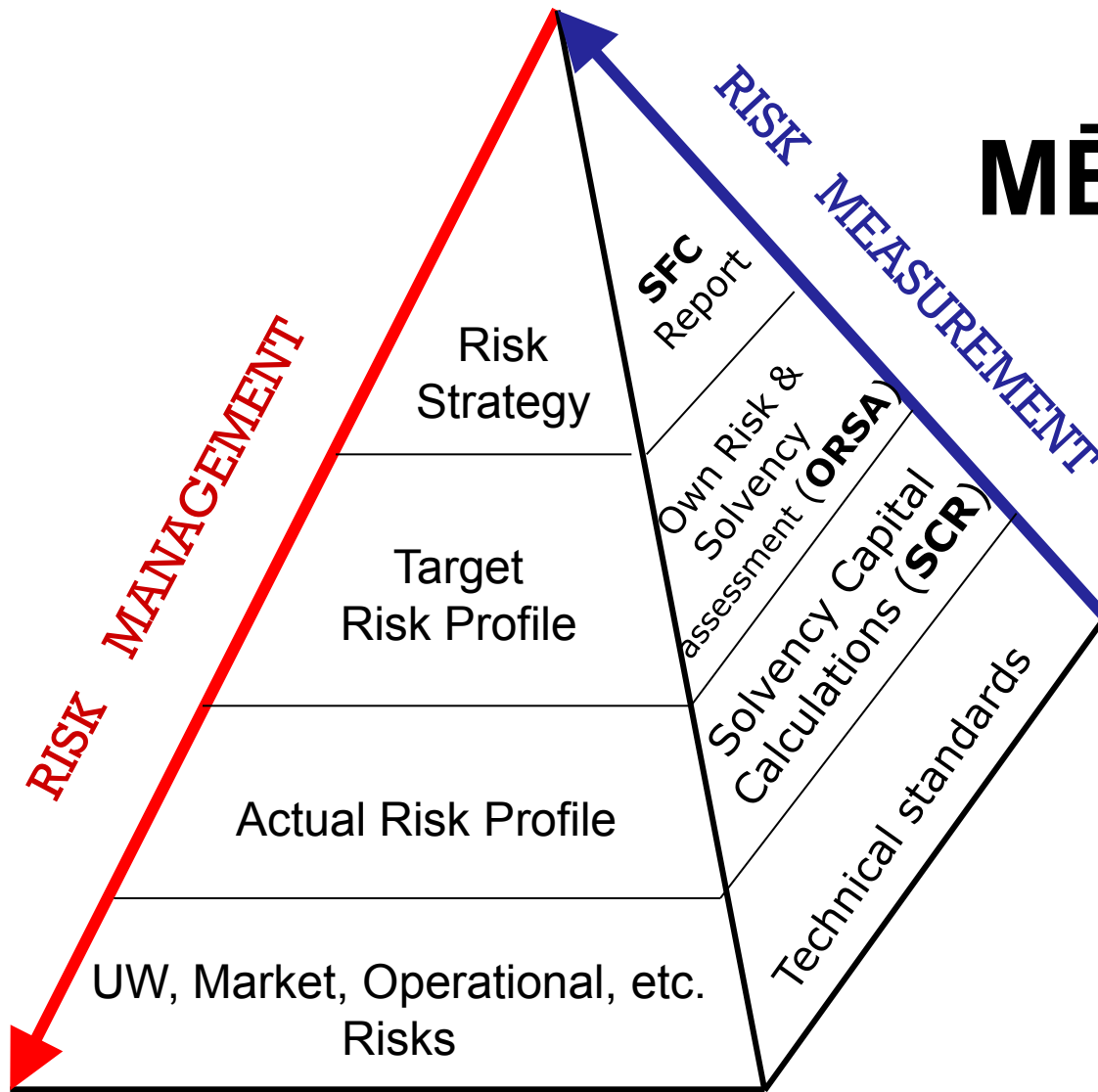
Underwriting, Investment,
Claims handling, etc
Policies

Defines playing field for Business

Latvijas Aktuāru Asociācija



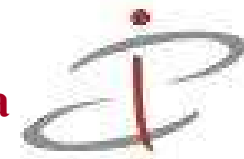
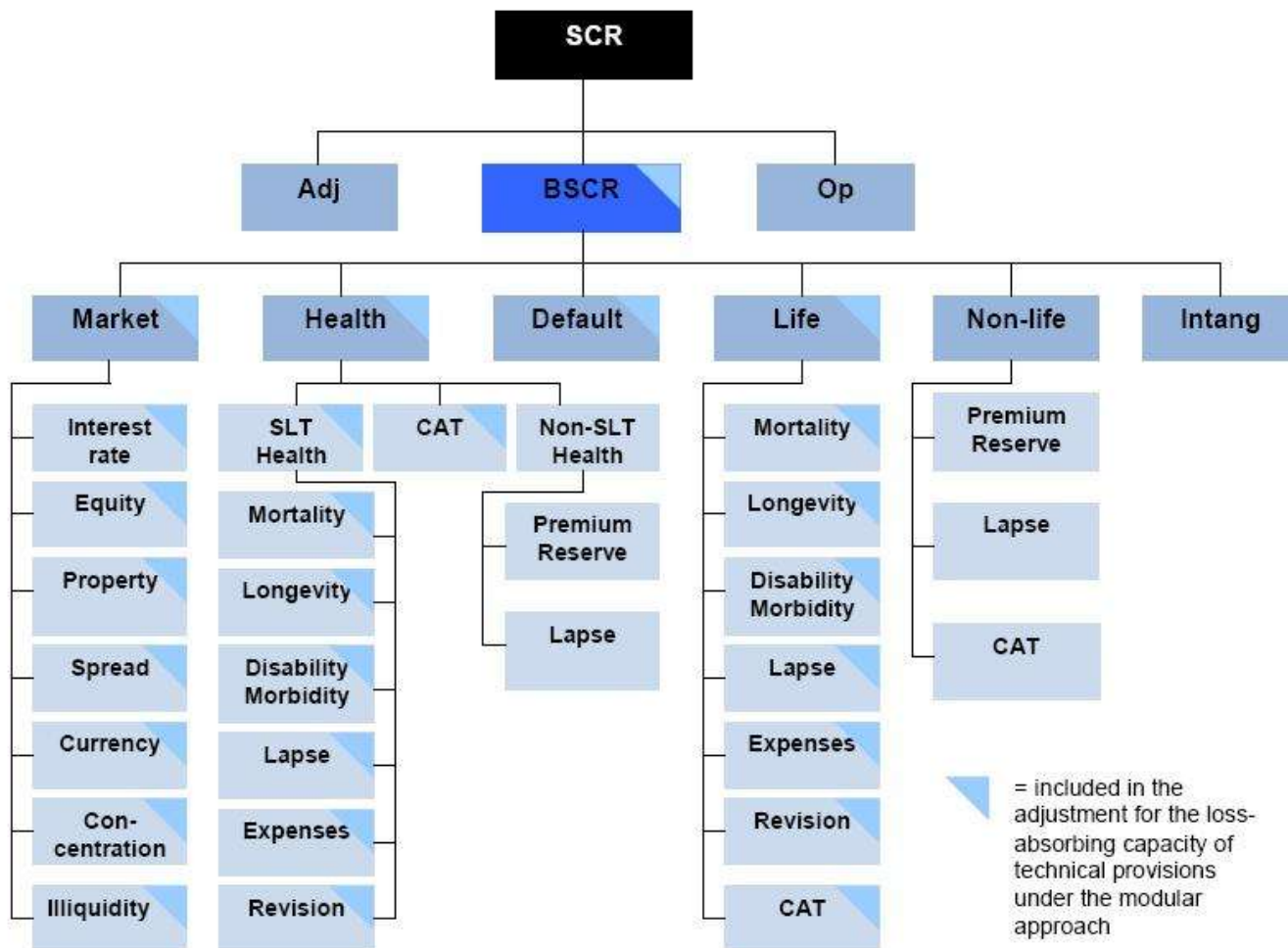
RISKA MĒRĪŠANA



SOLVENCY II PYRAMID



SCR



ORSA (1)

The ORSA is a **key part of Solvency II.**

In a nutshell, it is an insurer's **own assessment** of the **capital** required for it to run its business, **reflecting** the company's **risk profile and tolerances.**

In many cases, the ORSA is likely to produce a different result to the SCR.



ORSA (2)

- ORSA must cover ALL material risks

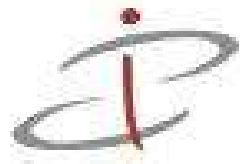
Risku katalogs! (SCR riski + likviditātes, reputācijas, stratēģijas,)

- Assessment of the overall capital needs as relates to future business plans, approved Risk Appetite and Tolerance

Stress testing



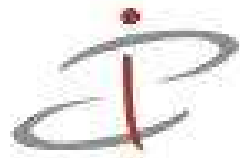
- Indication of the Risk changes which would trigger a revision and reassessment of the ORSA



Target Risk Profile ↔ ORSA

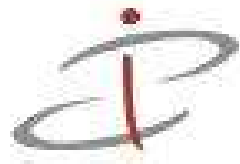


SOLVENCY II PYRAMID



Solvency and Financial Condition Report (SFCR) **public!**

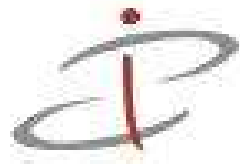
- (a) **description of the business and the performance**
- (b) **description of the system of governance and an assessment of its adequacy for the risk profile;**
- (c) a description, separately for each category of risk, of the **risk exposure, concentration, mitigation and sensitivity;**
- (d) a description, separately for assets, technical provisions, and other liabilities, of the **bases and methods used for their valuation;**
- (e) a description of the **capital management.**



Governance (1)

Solvency II Directive: Section 2:
“SYSTEM OF GOVERNANCE”:

1. Fit & Proper requirements for Key persons
2. Risk management function
3. Actuarial Function
4. Compliance Function
5. Internal Audit



Governance (2)

Governance structure: Overall responsibility for risk management resides at Board level.

The requirements of ORSA lead to a clear separation of responsibilities within the **risk management framework:**

- Business operations. Responsible for managing risk in line with appetite and limits, performing asset-liability modelling, managing capital, operational risks and reinsurance.
- **Risk management function. Independent of operations. Responsible for monitoring and reporting risk profile, designing and assessing the effectiveness of risk management systems, and control of the internal model.**
- Internal audit. Independent of operations. Responsible for evaluating internal controls and governance, and for assessing compliance with internal strategy, policy and processes.

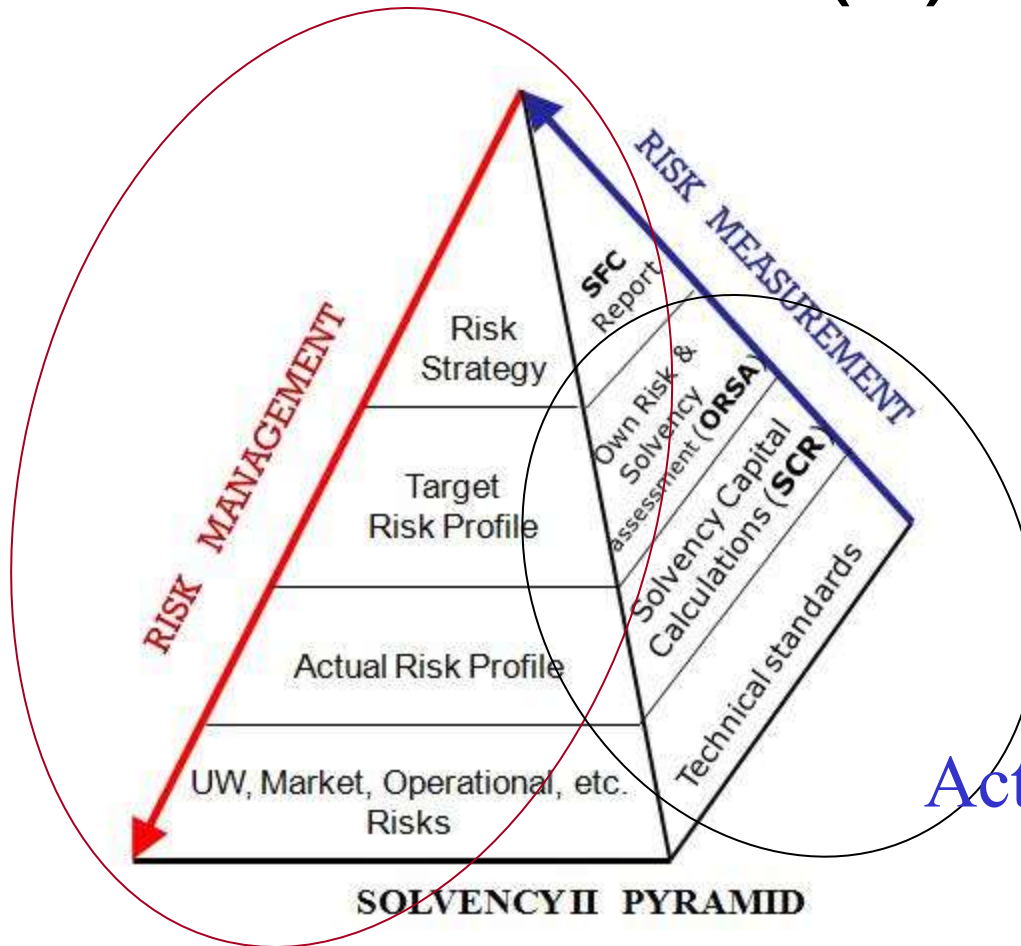


Governance (3)

- Insurance undertakings shall have **written policies** in relation to at least risk management, internal control, internal audit.
- They shall be subject to prior **approval** by management body and shall be **reviewed at least annually**.
- Governance system shall include an adequate transparent **organisational structure** with a clear allocation and appropriate segregation of responsibilities and an effective **management information system**.

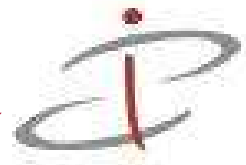


Governance (4)



Actuarial Function

Risk Management Function



Ieviešanas plānošana

In addition to gap analysis, vision and ambition setting should be the starting point for a Solvency II readiness programme



- Define vision and ambition for Solvency II implementation

Interpretatori

Deloitte

KPMG

PWC

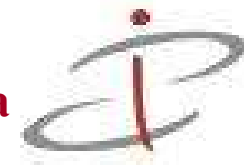
Ernst & Young

....

Towers Watson

Oliver Wyman

...



LABĀ ZIŅA

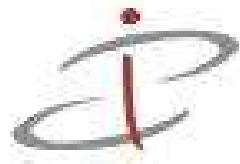
Proportionality principle

CEA: Solvency II - Making it workable for all (Jan 2011)

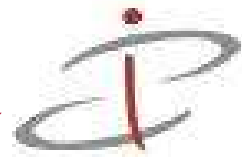
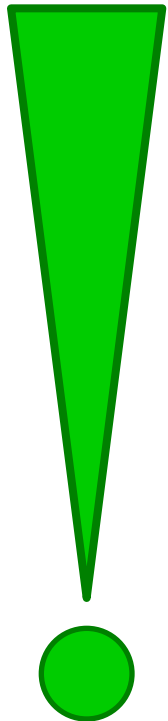
CEA is concerned that the current proposals for the future Solvency II regulatory regime are too burdensome, too complex and therefore too expensive for companies to comply with.

CEA propose:

- **Reducing the complexity** of the default approach
- **Applying the proportionality principle** more appropriately



...Solvency II anatomija





LATVIJAS AKTUĀRU
ASOCIĀCIJA