

Solvency II – Preparatory Phase

FLAOR & Pillar 3

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Milliman Breakfast Briefing
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Survey Results – ORSA / FLAOR

Pillar 2	P2 - Governance	4.0
	P2 - Risk Management System (RMS)	3.6
	P2 - Own Risk and Solvency Assessment (ORSA)	2.7

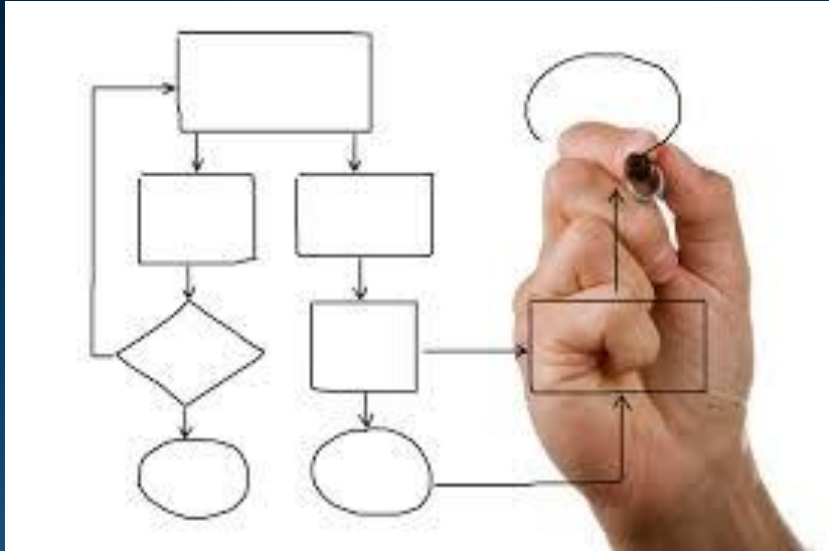
465

99

FLAOR requirements

	Medium High – High	Low – Medium Low
2014	<p>Perform assessment of overall solvency needs.</p> <p>Report using own structured report.</p>	<p>Perform assessment of overall solvency needs.</p> <p>Report using CBI FLAOR tool.</p>
2015	<p>Perform assessment of:</p> <ul style="list-style-type: none"> ▪ Overall solvency needs ▪ Compliance on a continuous basis ▪ Deviation from SCR assumptions <p>Report using own structured report.</p>	<p>Perform assessment of overall solvency needs.</p> <p>Report using CBI FLAOR tool.</p>

FLAOR POLICY



Information on:

- How & how often
- Data quality



Other key areas...

- Scenarios
 - Considered all material risks?
 - Stress test / scenarios / reverse stress test
- Calculation engine
 - Assessment of overall solvency needs
 - Forward-looking perspective
 - Point in time and projected
 - New business
 - Automated?
 - Accuracy vs. 'best efforts'?



Documentation and reporting

- Documentation
 - Policy
 - Record
 - Internal report
 - Supervisory report



Supervisory Report

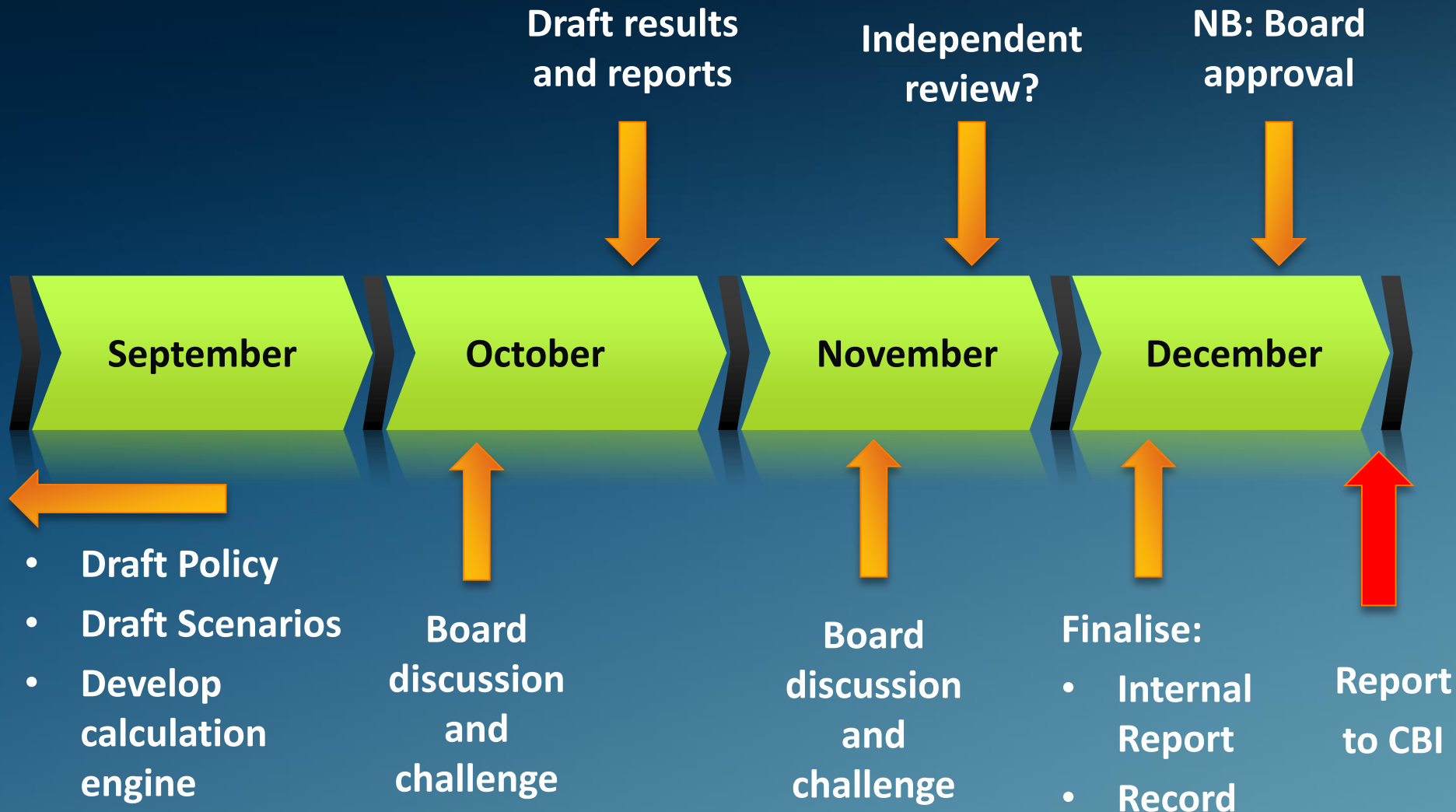
For Low and Medium-Low companies

- What are the conclusions from the FLAOR?
 - Impact on strategic areas?
- Board involvement
 - Steering and challenging
 - Approve the policy, results and conclusions
- Documentation
- Assessment of solvency needs
 - Methodology & assumptions
 - Capital needs by risk

WARNING: The CBI's FLAOR reporting tool should not be taken to be the FLAOR process itself!

Firms should have in place documentation to support their responses!

FLAOR 2014 timeline



Survey Results - Pillar 3

Pillar 3	P3 - Solvency and Financial Condition Report (SFCR)	1.4
	P3- Regular Supervisory Report (RSR)	1.4
	P3 - QRT - Annual solo	1.9
	P3 - QRT- Quarterly solo	2.0

253

428

Pillar 3 requirements

	Medium High – High	Low – Medium Low
2014	Prepare reporting systems	Prepare reporting systems
2015	<ul style="list-style-type: none"> • Submit end 2014 annual QRTs and narrative information • Submit Q3 quarterly QRTs • Solo and Group • Narrative on: <ul style="list-style-type: none"> • General governance • Fit & proper • Risk Management System • Own Funds • Valuation... 	Prepare reporting systems

Pillar 3 timeline

End 2014 Solvency I



2015 Q1

2015 Q2

2015 Q3

2015 Q4



End 2014 Solvency II

End 2015 Solvency II
transitional information



Q1



Q3 2015 Solvency II

Q3



2016 Q1

2016 Q2

2016 Q3

2016 Q4



End 2015 Solvency I



Q2

Pillar 3 challenges

- Data
 - Level of detail
 - New requirements
- Process automation
- Group reporting requirements
- Consider IFRS4 Phase 2

Automated reporting

- Produces the QRTs
- Robust IT platform
- Easy to use
- Audit trail & reconciliations
- Reduced operational risk
- XBRL tagging
- Workflow management
- Solvency II expertise
- SCR & MCR calculations?
- Capital projections for ORSA?

VEGATM

Sourcing Data

Automation

Preparatory phase

