



Solvency II – the first 160 days

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Breakfast Briefing 9 June 2016

Solvency II in Ireland



	HQ in Ireland	EU Branch	Non-Solv II
Life	44	11	3
Non-Life	90	32	9
Reinsurance	67		9
Total	201	43	21

8 internal models approved in Ireland
(more in pipeline)

The 2016 agenda

Consultation
on HoAF
Guidance

Consultation
on External
Audit

QRTs

ORSA 2016

EIOPA
stress
testing

SFCR and
RSR

Reviewing
Actuary

CBI open consultations

Guidance on the role of HoAF and the role
of External Audit

HoAF role within Solvency II

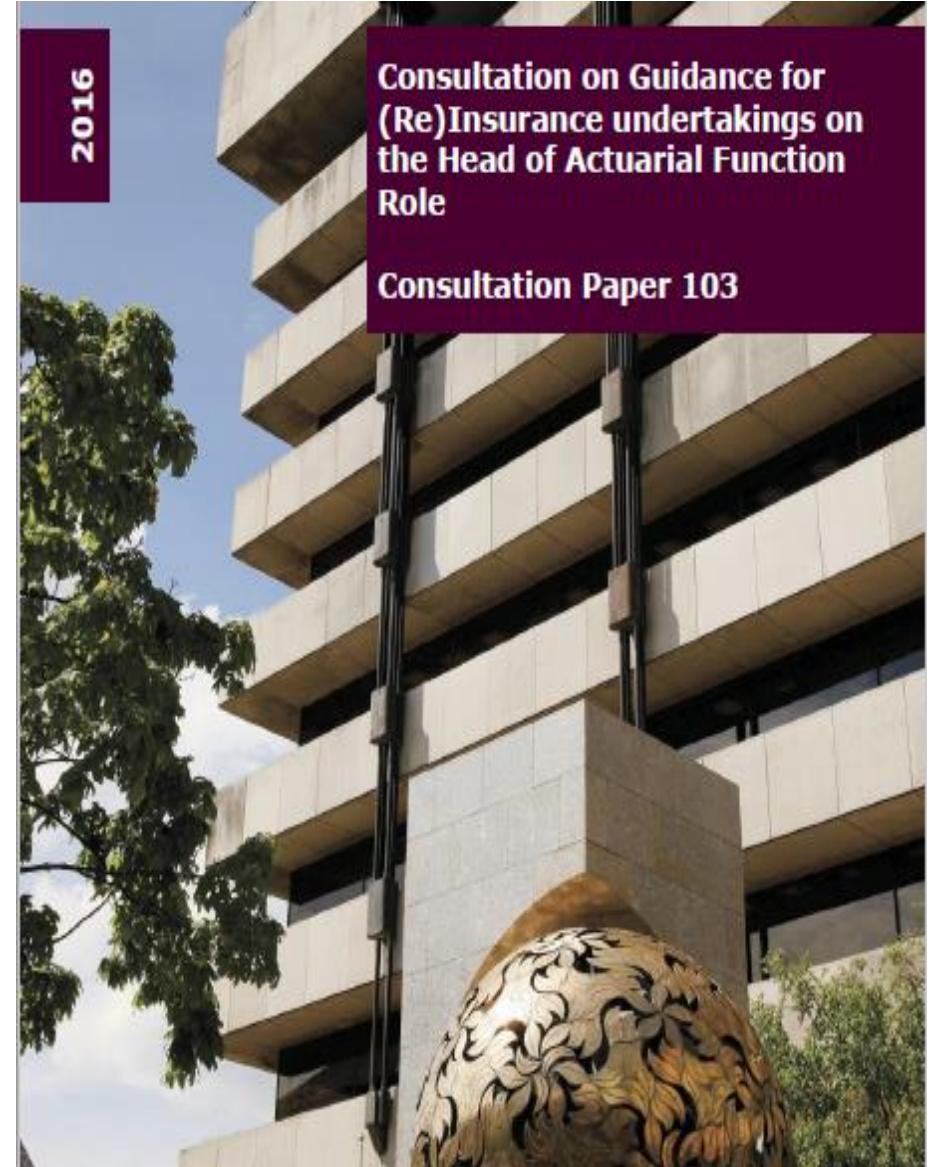
A reminder

- Calculate Technical Provisions
 - Certify Technical Provisions (AOTP) to the CBI
 - Peer Review of AOTPs required periodically
- Opinion on underwriting
 - CBI Guidance under consultation
- Opinion on reinsurance arrangements
 - CBI Guidance under consultation
- Contribute to the Risk Management System
 - Actuarial Opinion on ORSA and SCR
 - CBI Guidance under consultation
- Undertakings need a Reserving Policy (& Committee for non-life)

$$\begin{aligned}\partial \bar{\theta}^{\text{MT}}(\xi) &= \frac{\partial}{\partial \theta} \int_{R_+} T(x) f(x, \theta) dx = \int_{R_+} \frac{\partial}{\partial \theta} T(x) f(x, \theta) dx, \\ \frac{\partial}{\partial a} \ln f_{a, \sigma^2}(\xi_1) &= \frac{(\xi_1 - a)}{\sigma^2} f_{a, \sigma^2}(\xi_1) = \frac{1}{\sqrt{2\pi\sigma^2}} \left| \frac{\partial}{\partial a} \right| \ln f_{a, \sigma^2}(\xi_1), \\ \int_{R_+} T(x) \cdot \frac{\partial}{\partial \theta} f(x, \theta) dx &= M \left(T(\xi) \cdot \frac{\partial}{\partial \theta} \ln L(\xi, \theta) \right) \int_{R_+}^{\xi}, \\ \int_{R_+} T(x) \cdot \left(\frac{\partial}{\partial \theta} \ln L(x, \theta) \right) \cdot f(x, \theta) dx &= \int_{R_+} T(x) \left(\frac{\partial}{\partial \theta} \frac{f(x, \theta)}{L(x, \theta)} \right) dx, \\ \frac{\partial}{\partial \theta} \text{MT}(\xi) &= \frac{\partial}{\partial \theta} \int_{R_+} T(x) f(x, \theta) dx = \int_{R_+} \frac{\partial}{\partial \theta} T(x) f(x, \theta) dx, \\ 1 - \exp \left[-\frac{(\xi_1 - a)^2}{2\sigma^2} \right] &\quad \frac{\partial}{\partial a} \ln f_{a, \sigma^2}(\xi_1) \cdot \frac{\partial}{\partial a}.\end{aligned}$$

Guidance on the HoAF role (1/2)

- Consultation until 12 August (12 weeks)
- Adds more detail to the “Domestic Actuarial Regime” that introduced the role of the HoAF
- Covers opinions on underwriting policy, reinsurance arrangements and contribution to the risk management system
- Aims to ensure the Board is “fully informed”
- **Underwriting** opinion – 17 issues to consider
- **Reinsurance** opinion – 21 issues to consider, plus stress testing (can use ORSA)



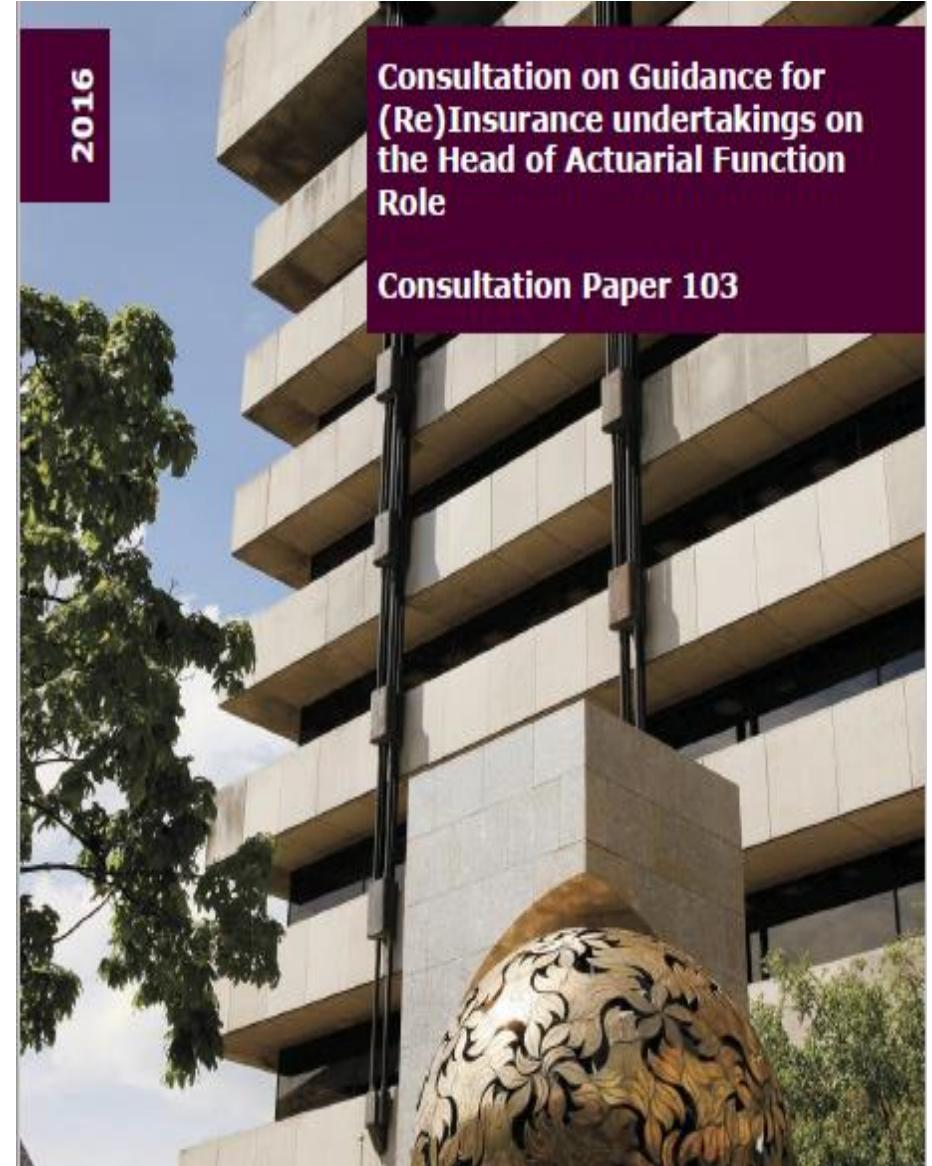
Guidance on the HoAF role (2/2)

SCR assessment

- Written perspective on the SCR calculation
- Review assessment of the appropriateness of the Standard Formula or Internal Model
- Consistency of underwriting policy, TPs and reinsurance

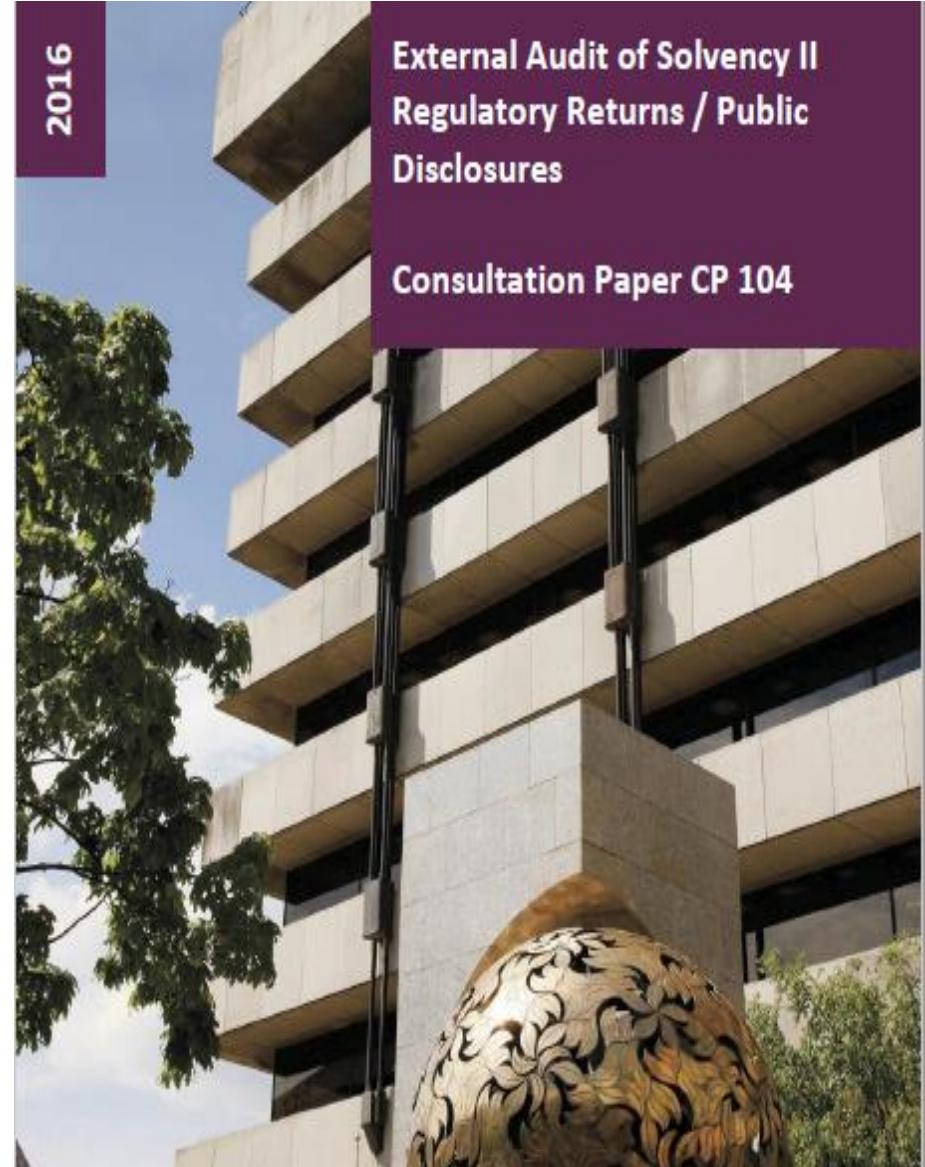
ORSA process

- Assess range of risks, stresses and scenario tests considered
- Consider material limitations, projection term, SCR projection method, overall solvency needs, ORSA relative to business plan



External Audit under Solvency II

- Consultation until 29 July (8 weeks)
- Effective from year end 2016 (opening balances 2016 in scope)
- “**reasonable assurance opinion on the elements of the SFCR relevant to the balance sheet, own funds and capital requirements**”
- Standard Formula SCR in scope (Internal Model components out of scope)
- Format of audit report to be developed with CAI and CBI
- Audit opinion to the CBI within 20 weeks (reducing to 14 weeks by 2020)



Proposed scope of Solvency II external audit

- Intended that the incumbent auditor would undertake audit of Solvency II regulatory returns and public disclosures
- No mention how this interacts with the Head of Actuarial Function and/or the Reviewing Actuary introduced by the Domestic Actuarial Regime
- But auditors can use and rely on the work of an “actuarial expert”



Pillar 3

Reporting

Pillar III Reporting Timeline



Pillar III – experience so far

Main challenges outlined below:

1

Asset details (identifiers, LEIs, ratings)

2

Asset look-through

3

Different asset classification for NSTs/ECB add-ons

4

XBRL validations (not all in place for Q1)

5

Day 1 Opening Balance Sheet reconciliation

Next steps:

- Automation of calculations and submission
- Audit trails, documentation, capturing key judgements
- Getting ready for Annual QRTs – level of detail, extra analysis

Contents of SFCR/RSR (due May 2017)

Preparing for year end 2016

The SFCR is a public narrative report covering these headings in significant detail:

A

Business & Performance

B

System of Governance

C

Risk Profile

D

Valuation for Solvency Purposes

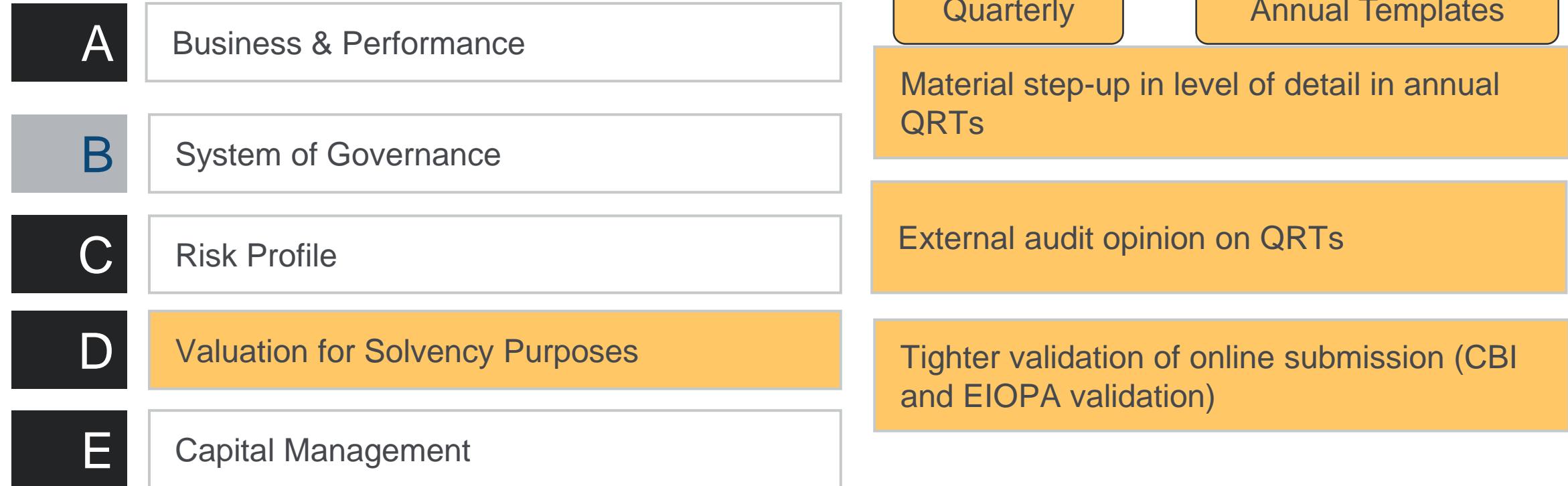
E

Capital Management

Contents of SFCR/RSR (due May 2017)

Preparing for year end 2016

The SFCR is a public narrative report covering these headings in significant detail:



Other issues

EIOPA and CBI activities

EIOPA stress testing 2016



EIOPA-BOS-16-109
1 June 2016

Scenarios:

Insurance Stress Test 2016
Technical specifications

- “LY” - prolonged low yield environment (UFR down from 4.2% to 2%)
- “DH” - double-hit scenario encompassing both low risk free rates and higher risk premium (“market stress” on all bonds, property and equities)

Deadlines:

- 15 July 2016 – local submission to CBI

Scope:

- 75% coverage needed in Ireland (excluding health and unit-linked)
- As a subsidiary, you may be excluded from CBI submission if your EU parent is preparing a submission
- We understand companies in scope have now been contacted

“It is evident that more firms are finding their ORSA process to be useful, and to be allied to their long-term business planning.”

Sylvia Cronin, Director of Insurance Supervision
European Insurance Forum 16 March 2016

FLAOR 2015 – CBI feedback

May 2016

Also mentioned:

- Appropriateness of Standard Formula (also on 2016 agenda for CBI)
- Board involvement
- SCR and Own Funds projections – are they reliable?
- Not very stressful stress tests

Overall Solvency Needs

Continuous compliance
(in the future)

Report structure

Time lags

Summary

What you should do now

- Contribute to the CBI consultation process
 - Society of Actuaries meeting Monday 20 June (CBI presenting)
- Start your SFCR / RSR template soon
- Prepare for year end QRTs
- Include CBI feedback in your ORSA 2016
- Reviewing Actuary may be required, should you consider earlier commencement?
- Plan how you will improve speed and reliability of calculations – the increasing need for automation and external review



This presentation is for general information purposes only. Action should not be taken solely on the basis of the information set out herein without taking specific advice.

Thank you

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