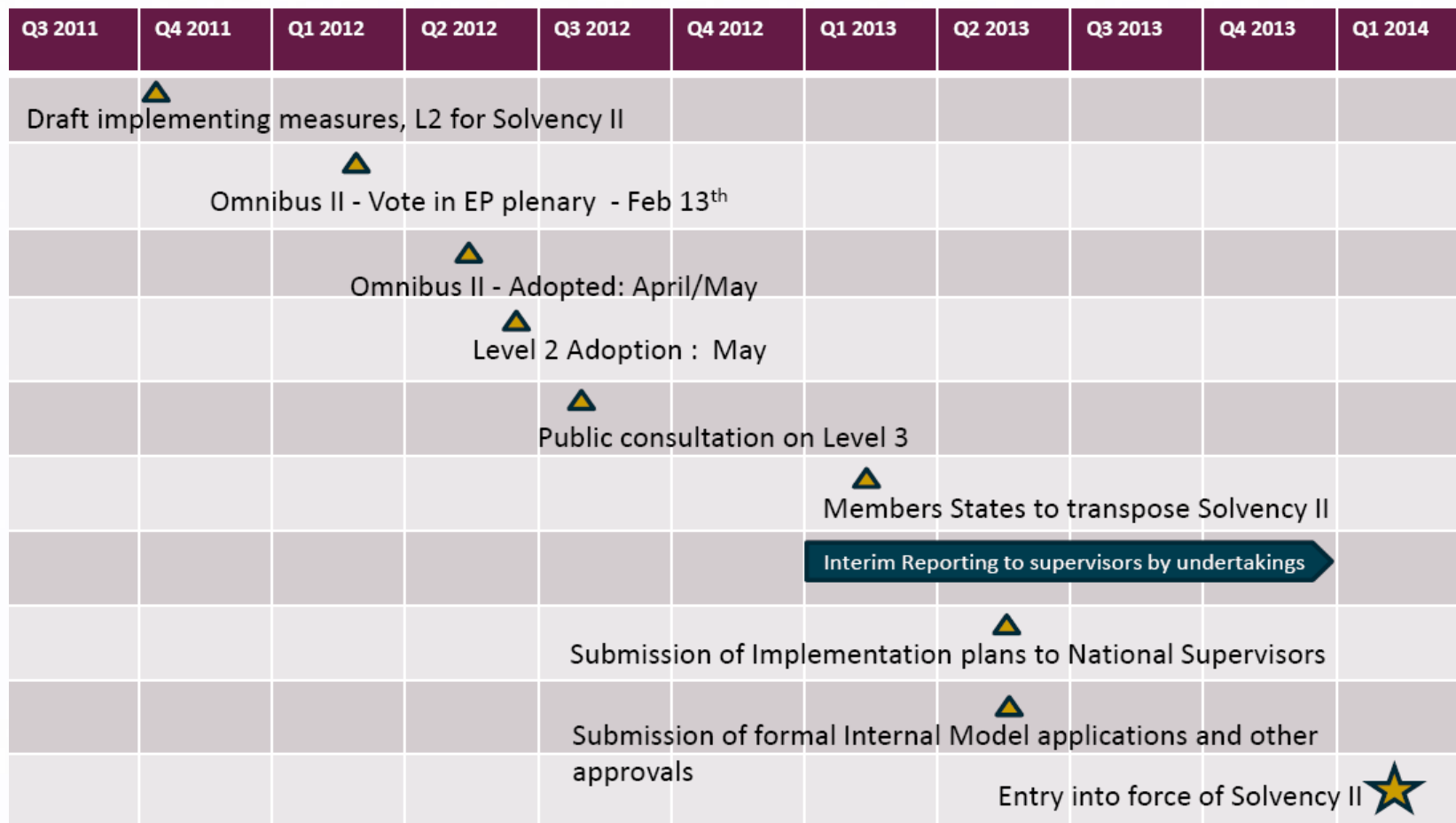


# What you need to get done in 2012 or your project is doomed to failure

Presented by  
Dermot Corry

14 March 2012

# European timetable – CBI view in November



Source: CBI Forum 29 November 2011

# Threats to implementation

- Deferral of European Parliament vote to July
- On-going discussion on Discount Rate/Matching Premium and Counter Cyclical Premium. Also debate on sovereign risk
- Preference from some countries to see it delayed
- But best estimate is probably that something will come into operation in January 2014 – FSA and CBI directing companies to work on this basis

# CBI View (March 2012)

- Solvency II will be transposed by Member States by 1 January 2013
- During 2013, there will be certain requirements for undertakings to report to supervisors on their progress towards full Solvency II implementation
- Undertakings will also be able to submit formal requests to national supervisors for specific approvals
- The specific requirements for undertakings in 2013 will be outlined when Omnibus II is finalised
- Solvency II comes in to full effect for all undertakings on 1 January 2014

# Time is getting tight!



# Pillar 1 key activities this year



Assumptions

Data Quality

Documentation

Internal Model Approval

Industrialise production

Verification

# Assumptions

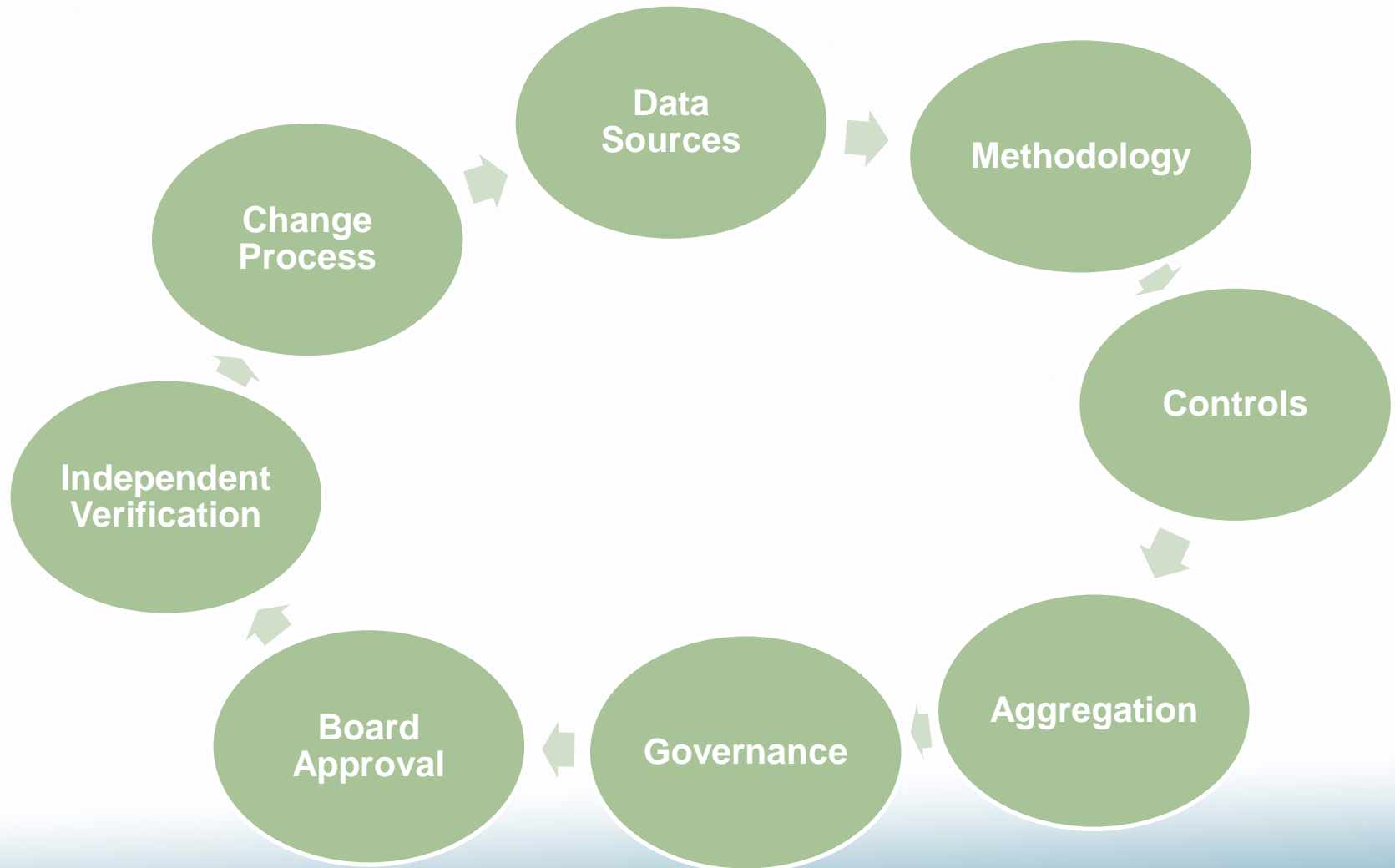
- Formal process to determine best estimate – no margin for prudence in the BEL
- Define data requirements for determining assumptions
- Document source of data
- Document shortcomings in data
- Board approval process
- Process for changes to/review of assumptions

# Data

- Data must be “appropriate, complete and accurate”
- Policy data and data supporting assumptions
- Develop a Data Dictionary – IT, Data Warehouse etc
- Formal processes incl. Data Policy
- Granularity of data, incl. historical data
- Known errors – document limitations and remedies
- Common issues
  - Detailed asset data for stresses
  - Expenses – especially for new/closed companies or those with development projects
  - Formal source of economic data – e.g. Expense inflation



# Pillar 1 Documentation



# Industrialise Everything

- 14 week turn-around for Solvency II results
- Including 14 weeks for initial balance sheet at start 2014
- Timelines will be shorter for subsidiaries
- Many runs needed for base case and all of the stresses
- Cannot afford to have errors
- Requires strongly controlled systems with change controls
- Areas to watch
  - Consolidation/Aggregation
  - Need for dry runs to get to a smooth process

# Verification

- Will external review of Pillar 1 requirements be required?
- If not how will appropriate “four eyes principle” be demonstrated with internal review?
- How to involve the board in the review
- Particular importance for internal models
- Verify assumptions, data, methodology, results
- Tactical verifications:
  - E.g. Verify that deterministic calculations are appropriate rather than probability weighted, P&L Attribution etc.

# Pillar 2



# Risk Management System

## Strategy

- Objectives and principles
- Risk tolerance limits (risk appetite)
- Allocation of responsibilities

## Written Policies

- Define and categorise material risks and tolerances limits by type
- Facilitate control mechanisms

## Processes and Procedures

- Identify, evaluate, manage, and monitor
- Include stress and scenario tests

## Reporting and Feedback

- Ensure continuous risk monitoring
- Assess effectiveness of RMS and modify

# Required Written Policies

Underwriting  
and Reserving

Asset Liability  
Management

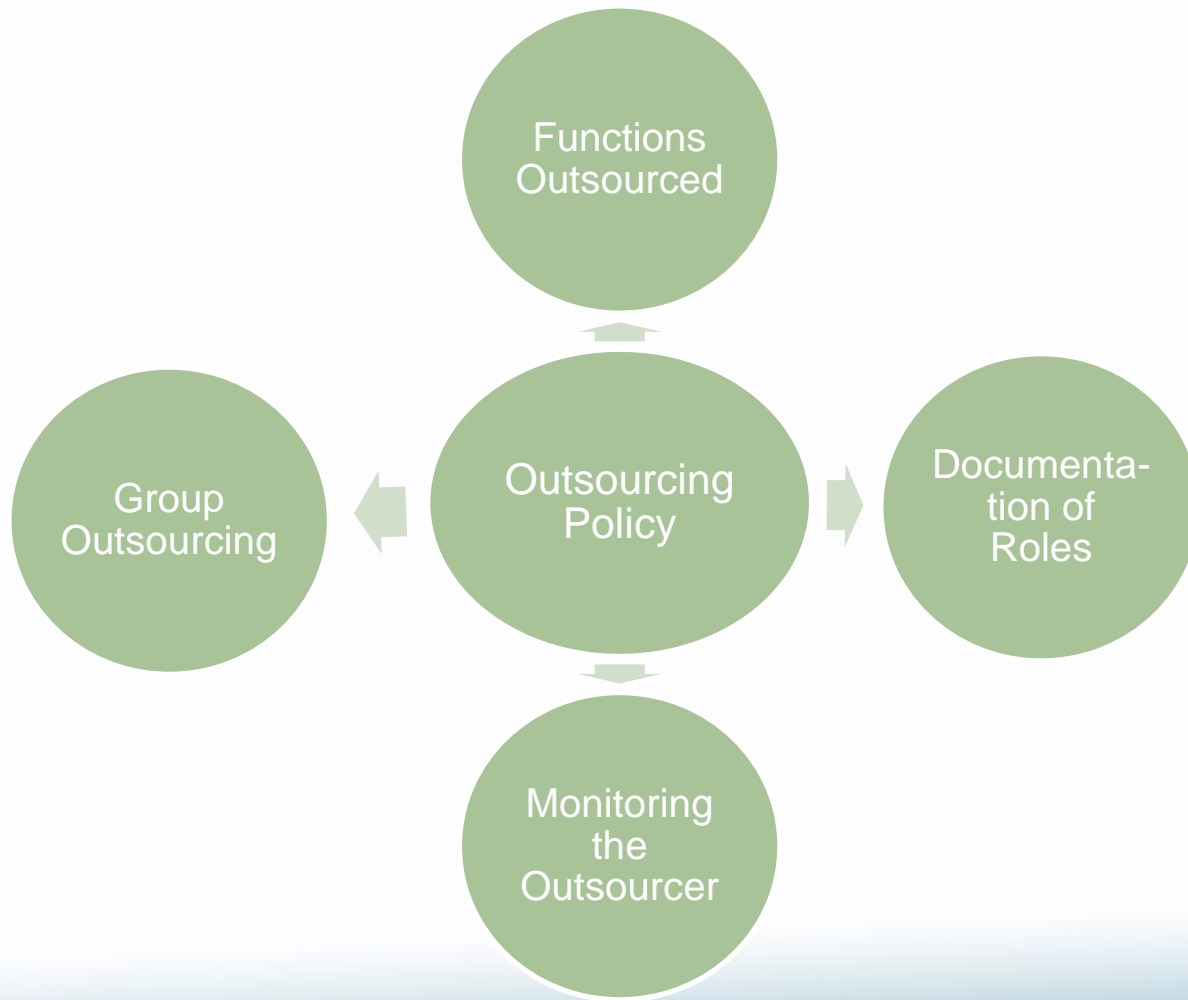
Investment  
(Derivatives)

Liquidity and  
Concentration

Operational  
Risk  
Management

Reinsurance  
and Risk  
Mitigation

# Outsourcing



# ORSA

- Covered in detail at our last briefing

[http://milliman.ie/documents/Milliman\\_1st\\_December\\_2011\\_-\\_Solvency\\_II\\_ORSA.pdf](http://milliman.ie/documents/Milliman_1st_December_2011_-_Solvency_II_ORSA.pdf)

- Dry run required this year
- Detailed systems work to project the SCR – some companies may deal with this in 2012 as part of FCR
- Documentation of the Risk Management System, Risk Management policies, Risk Appetite etc.
- Begin work on the ORSA report



# Pillar 3



- Public Solvency and Financial Condition Report (SFCR)
- Private Regular Supervisory Report (RSR)
- Need to work on templates
- Special attention to Quantitative Reporting Templates (QRT)
- Covered in detail at the last briefing

[http://milliman.ie/documents/Milliman\\_1st\\_December\\_2011\\_-\\_Solvency\\_II\\_Reporting.pdf](http://milliman.ie/documents/Milliman_1st_December_2011_-_Solvency_II_Reporting.pdf)

# Some key Pillar 3 issues

- Gathering the required info – e.g. Asset info
- Documented processes
- Collation and production of QRT
- Aggregation of Solvency II information
- Approval by board
- Level of detail on technical provisions and SCR
- Linkage with Group
- Explanation of differences between Solvency 1 and Solvency 2 for year 1 report

# Summary

- Lots of work to be done
- Focus now needs to move to the detail
- Assumptions
- Detailed calcs and controls
- Documentation
- Risk Management system incl. processes
- ORSA
- QRTs

# Questions?

