



Solvency II – The Reporting Challenge

Standard Formula & Supervisory Reporting



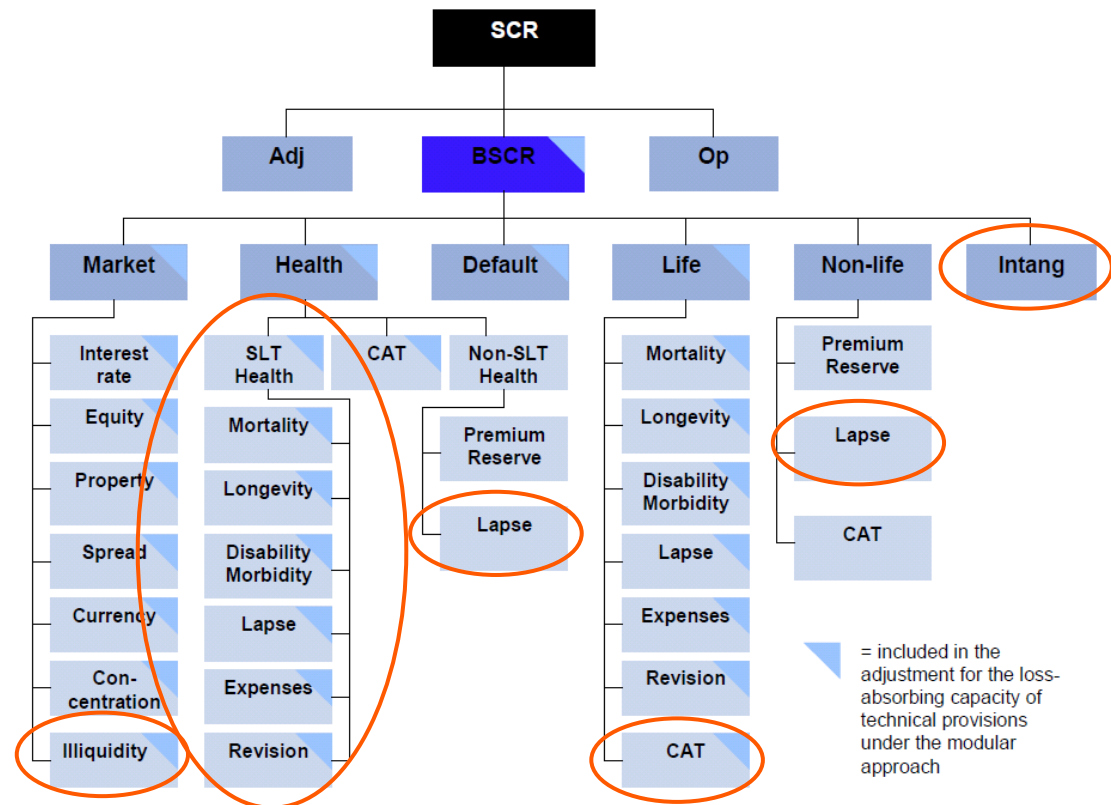
→ Agenda

- **Pillar 1 – Requirements of the standard formula and lessons learnt from the QIS 5**
- Pillar 3 – Pre consultation shows that reporting will be a big challenge for insurance companies
- Technical requirements – from the raw data to reporting
- Conclusion & outlook

→ Significant changes in QIS 5

Significant changes...

- **Lapse risk** for health and non-life risk modules.
- **Health** risk module has been redesigned.
- New market risk sub-module for **illiquidity premium**.
- Single equivalent scenario.





Key findings from QIS 5 as reported by the German Regulator* - Feb 2011



The **target participation** from the EU commission of over 60% of individual insurance companies was significantly exceeded with **almost 70%** (clear increase over QIS 4 (33% participation rate)).



Best estimate valuation – introduction of the **illiquidity premium**.



Late publication of QIS 5 spreadsheet and high **update frequency rate** (the final edited version that still contained errors was finally published at the start of October 2010) and **inadequate documentation** affect the results.



Different interpretation of technical specifications by insurers **reduce the comparability** of results.



Some **calculations are still too complex** (especially the risk margin).
Further simplification would be very useful.



Single Equivalent Scenario is no alternative to modular approach.



QIS 5 is only a snapshot – a volatility of results is to be expected due to varying parameters at different times.

* Published by the GDV, February 2011



Steria's experiences from over 40 SOLVARA QIS 5 projects

Key success factors from Steria's experience



Early definition of changes in data requirements for the standard formula have been essential for our customers.



Technical support of setting up the **Solvency II balance sheet** – differences between local GAAP, IFRS and Solvency II proved to be an obstacle.



Defining and monitoring the process and responsibilities of calculating the standard formula.

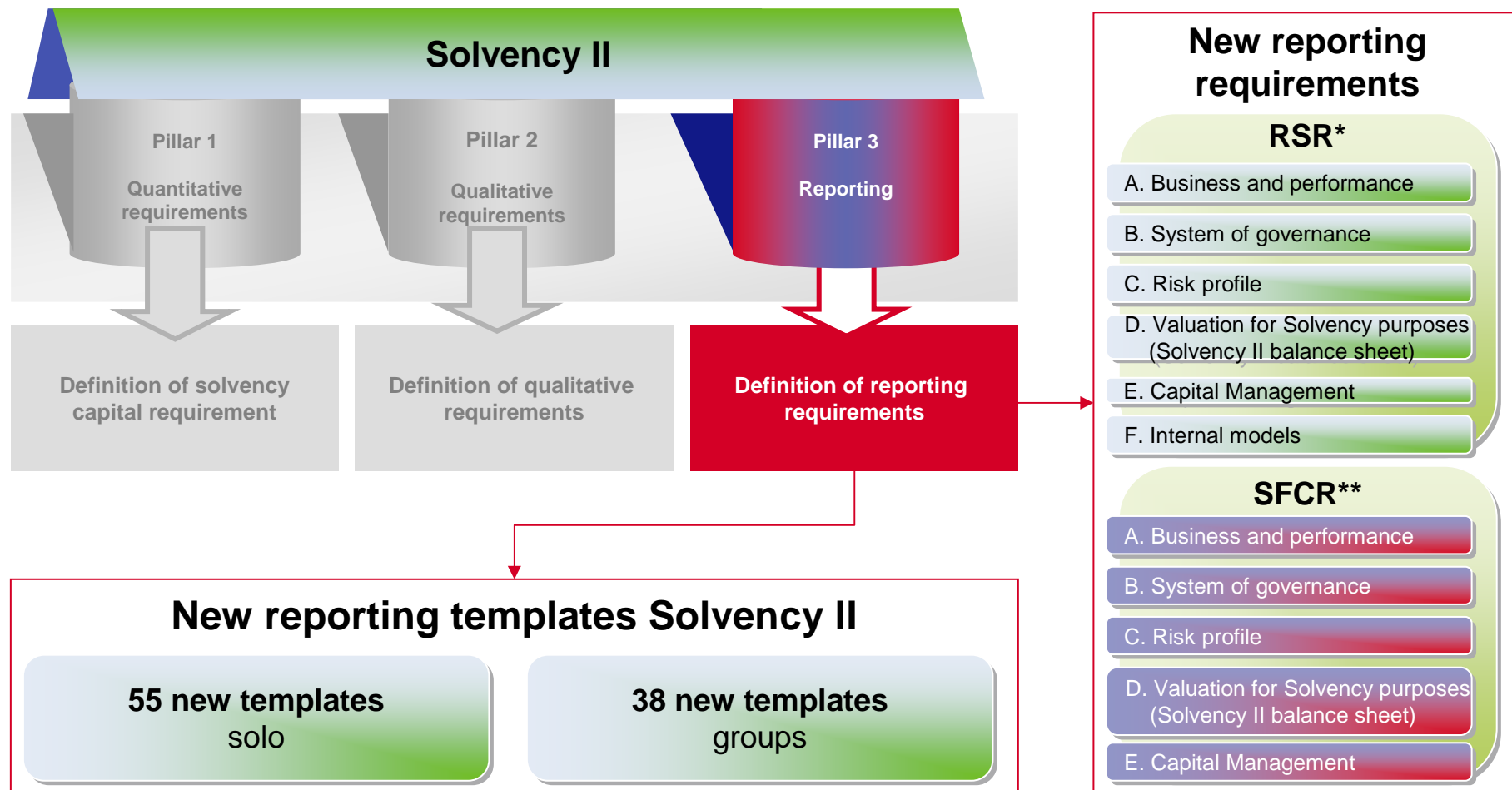


Detailed documentation of the methods in addition to the technical specifications provided guidance to use the methods properly.

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→ Solvency II – New reporting requirements



* RSR = Regular Supervisory Reporting

**SFCR = Solvency and Financial Condition Report



Reporting requirements & deadlines: 1st set of reporting templates due Q1 2013

	SFCR	RSR	Templates
Frequency / reporting time period	<ul style="list-style-type: none">• Annually (31st Dec 2013)	<ul style="list-style-type: none">• Annually (31st Dec 2013)	<ul style="list-style-type: none">• Annually (31st Dec. 2013)• Quarterly (31st Mar. 2013) (core information)
Deadline	<ul style="list-style-type: none">• 3-4 months after end of financial year	<ul style="list-style-type: none">• 3-4 months after end of financial year	<ul style="list-style-type: none">• 3-4 months after end of financial year (annual)• 8 weeks after end of quarter (quarter)
Format	<ul style="list-style-type: none">• EIOPA-requirements (structure)	<ul style="list-style-type: none">• EIOPA-requirements (structure)	<ul style="list-style-type: none">• Standard Templates (XML, XBRL?)
Management approval required?	Yes	Yes	Yes



Pre consultation of supervisory reporting: Issues of frequent criticism

The **findings of the pre-consultations reporting templates** conducted by EIOPA in order to generate information on the level of preparation of insurers concerning the supervisory reporting were:



The **level of detail required** for reporting requirements results in **high expenditure** for insurance companies.



Less compliance between the **QIS spreadsheets** and **reporting templates** make assessing the expenditure more difficult.



Another balance sheet must be completed (reconciliation accounts are difficult, structure of balance sheets cannot be compared with local GAAP or IFRS).



Quarterly reporting will require lots of resources.



Furthermore it has **not been decided what format will be used** for the supervisory reporting!



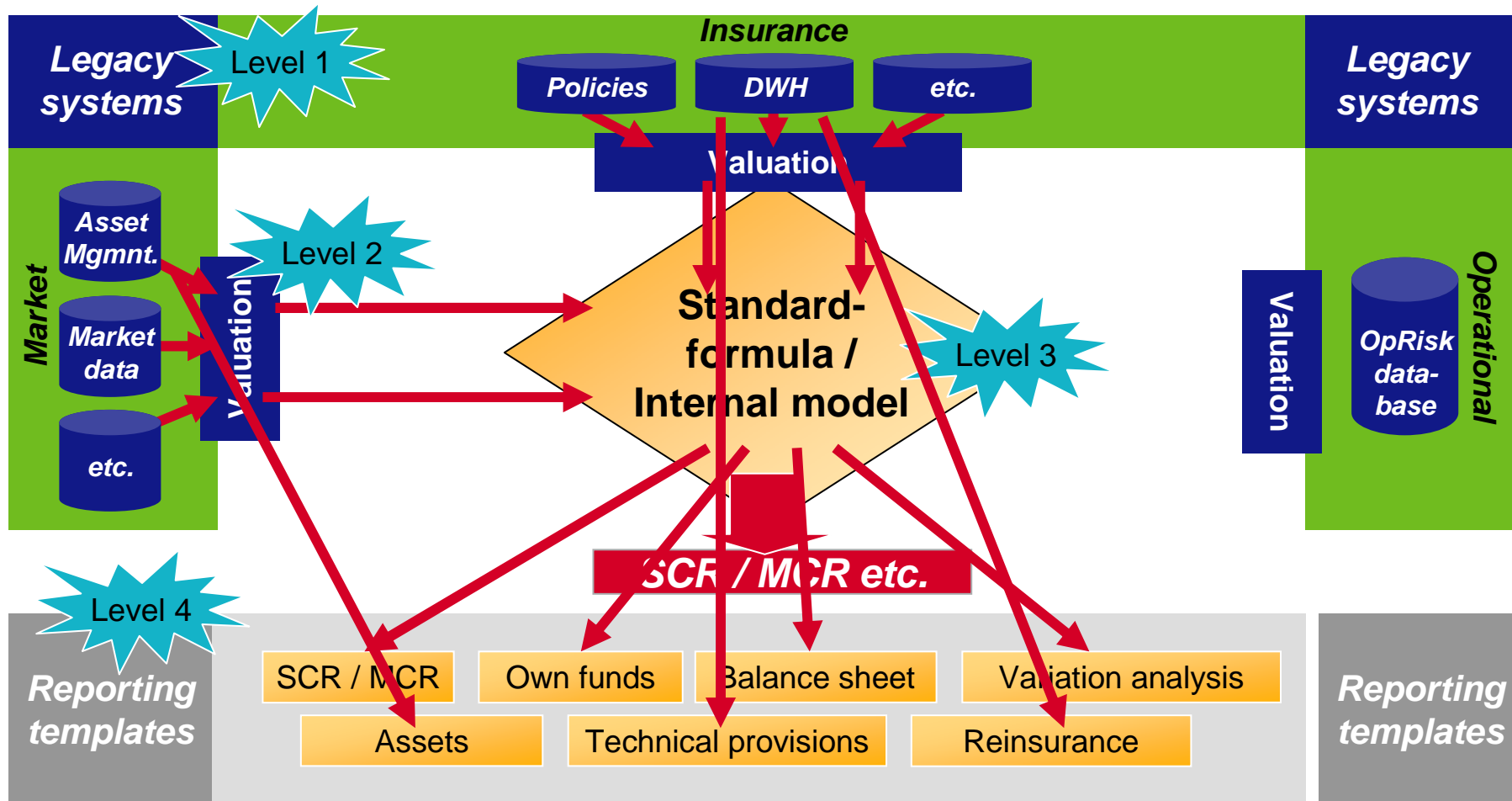
vs.



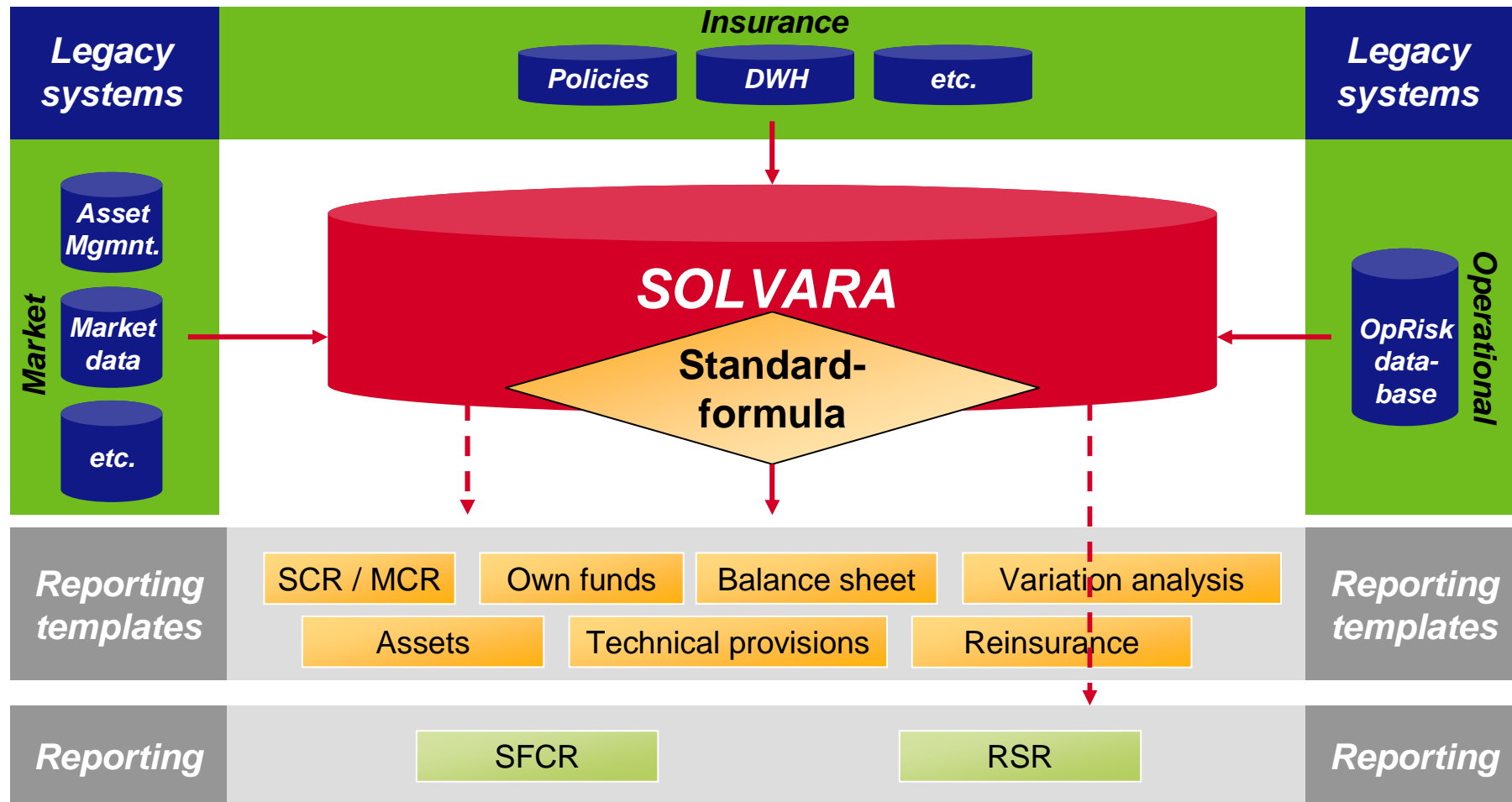
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→ Solvency II – from raw data to reporting



→ Solvency II – a structured approach





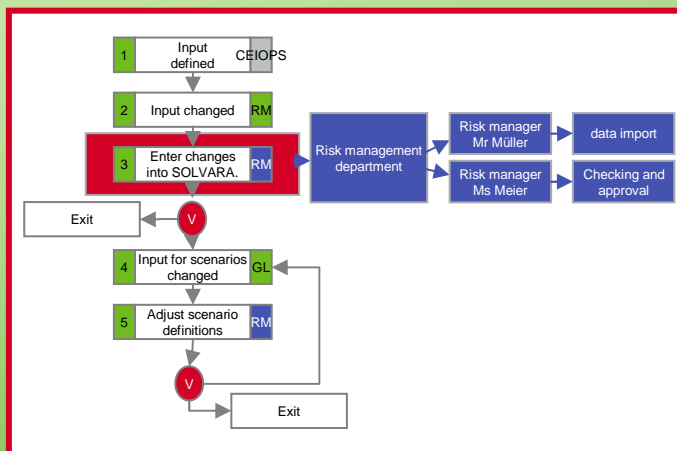
Solvency II define high compliance requirements for IT systems

Many departments are involved in the Solvency II reporting.



Complex co-ordination

Stringent quality requirements with transparency at every process level.



Consistency and traceability is essential

➔ The system has to control ...

**Control via
configurable workflows**

**Illustration of all
relevant process steps**

**Integration of all people
& organisational units**

**Import investment
data**

**Checking and
approval**

**Traceability of all
process steps**

**Asset
management**



Accounting



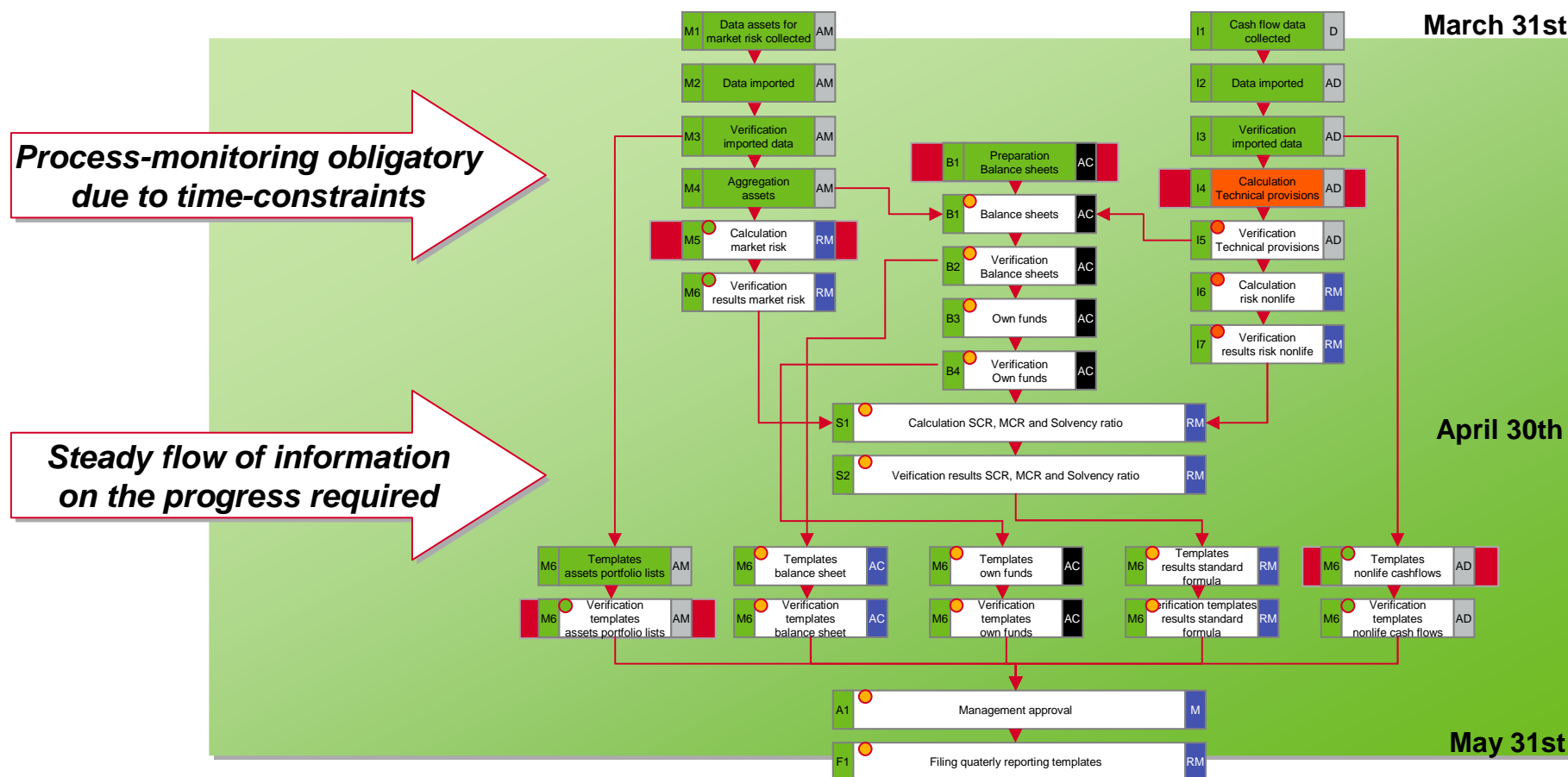
IT / Software

P01 - Übergreifende Parameter - SCR

Parameter	Einheit	Standardwert	Q1	Q2	Q3	Q4	Q5
1. Q1	Standardwert	1.00	1.00	1.00	1.00	1.00	1.00
2. Q2	Standardwert	1.00	1.00	1.00	1.00	1.00	1.00
3. Q3	Standardwert	1.00	1.00	1.00	1.00	1.00	1.00
4. Q4	Standardwert	1.00	1.00	1.00	1.00	1.00	1.00
5. Q5	Standardwert	1.00	1.00	1.00	1.00	1.00	1.00



.... and monitor the reporting process



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Solvency II supervisory reporting will be time-consuming



Coping with changes in the requirements on a regular basis – the 2013 version of Solvency II will be just another step ...

Identifying the **effects of changes** in the standard formula on the capital requirements early is essential.

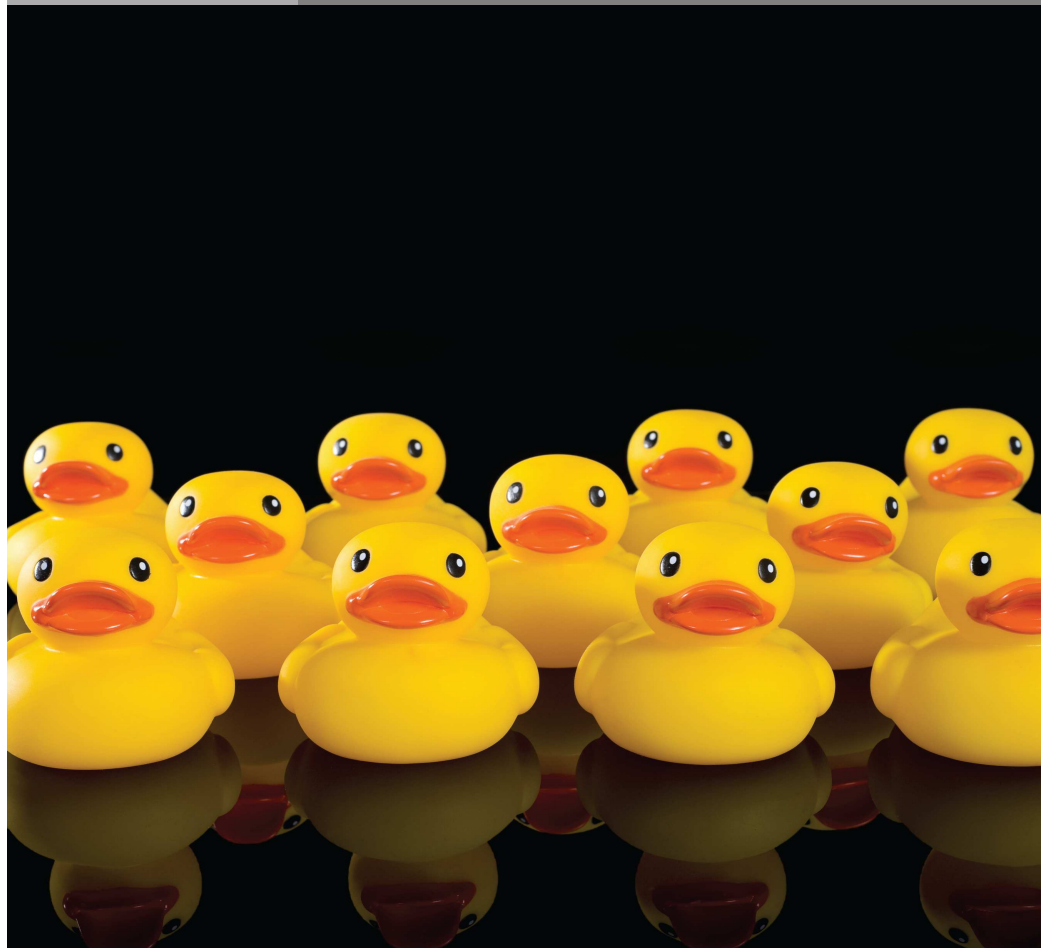
Fulfilment of compliance requirements (transparency, traceability etc.) is increasingly important under Solvency II.

Regular repetition of quarterly reporting requires an efficient and automated approach.

Monitoring and controlling the reporting process ...



ARE YOUR SOLVENCY II DUCKS IN A ROW?



THANK YOU