



# Solvency II update

Mike Claffey

3 November 2016

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# Agenda

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Board of Directors

2

Actuarial Function

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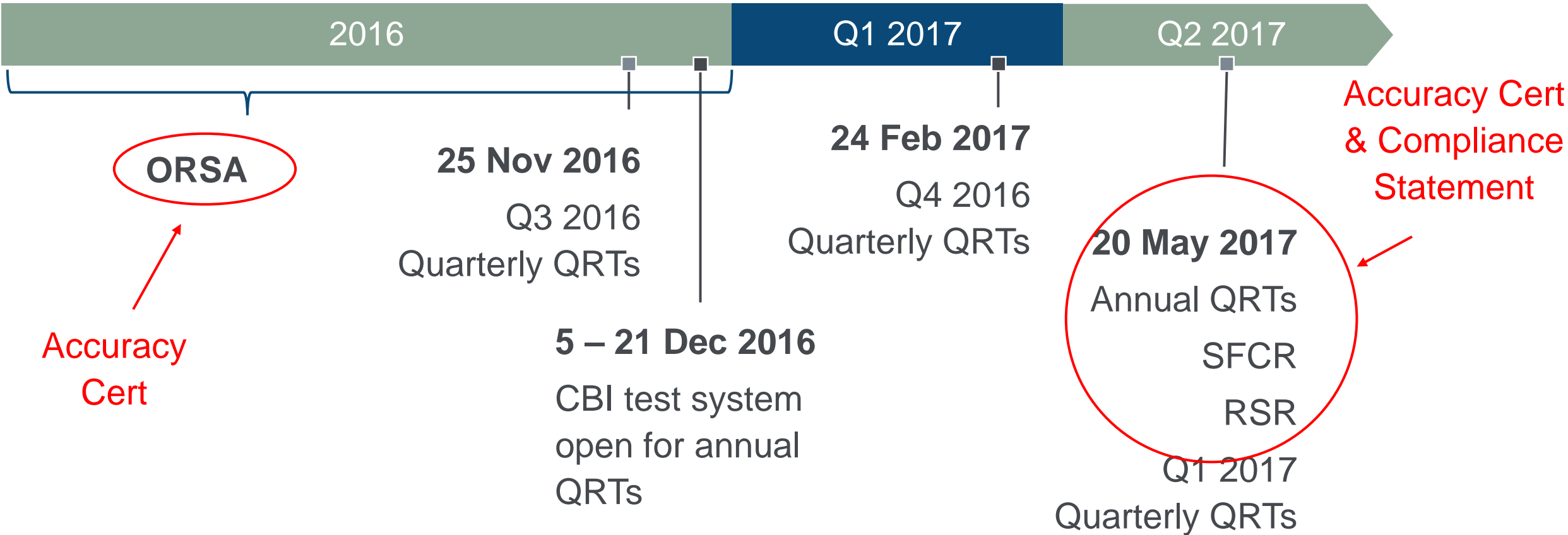
Risk Function

# Board of Directors



- Directors' accuracy certification for QRTs, RSR, and **ORSA (2016)**
- Compliance statement
- Solvency II external audit
- Under Solvency II the Board has ultimate responsibility for... well... everything!

# Timeline: Reporting



# Narrative reporting - RSR and SFCR (& public QRTs)

## RSR & SFCR

Milliman survey of Irish companies indicated that 50% of respondents had not yet started drafting these reports in July 2016

Both reports cover:

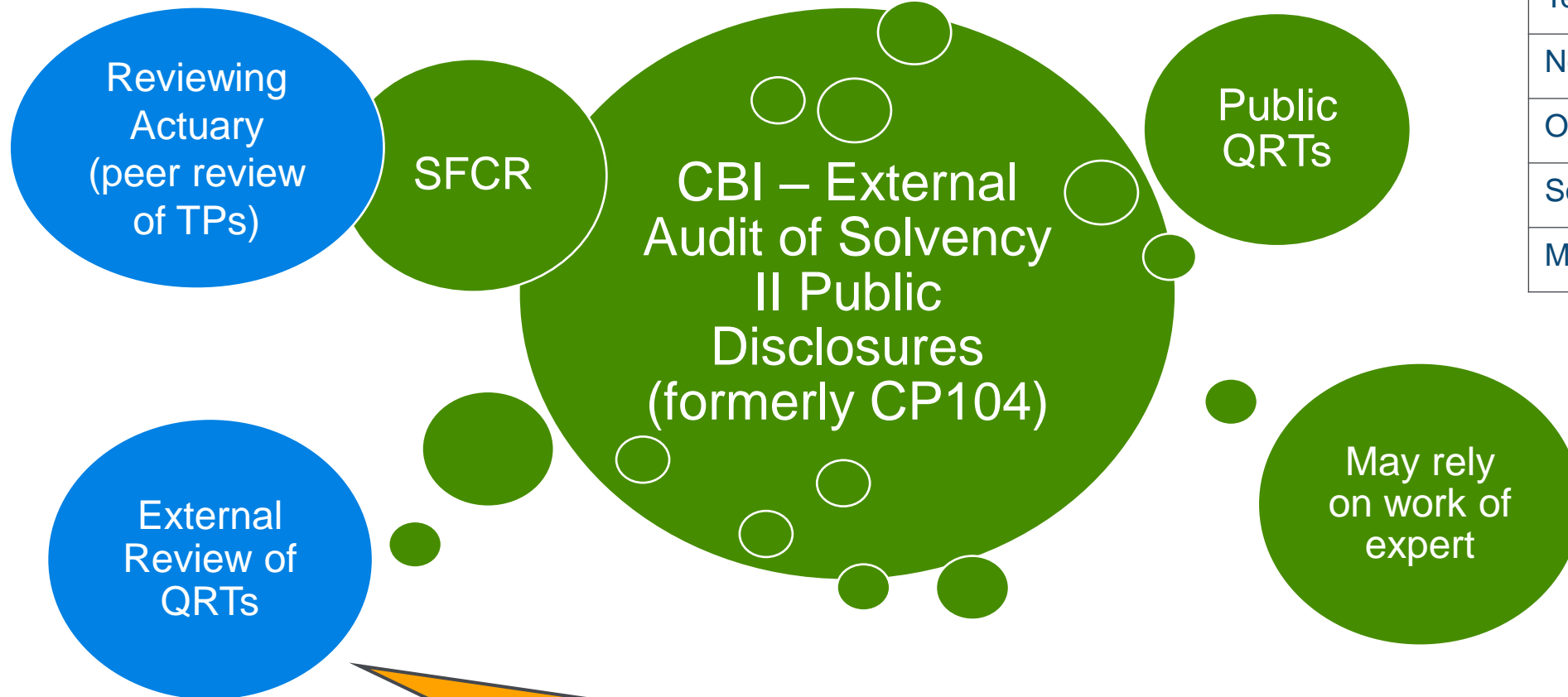
- Business & performance
- System of governance
- Risk profile
- Valuation for solvency purposes
- Capital management

SFCR is a public document

Significantly more detail in RSR

Lots could be done pre year end

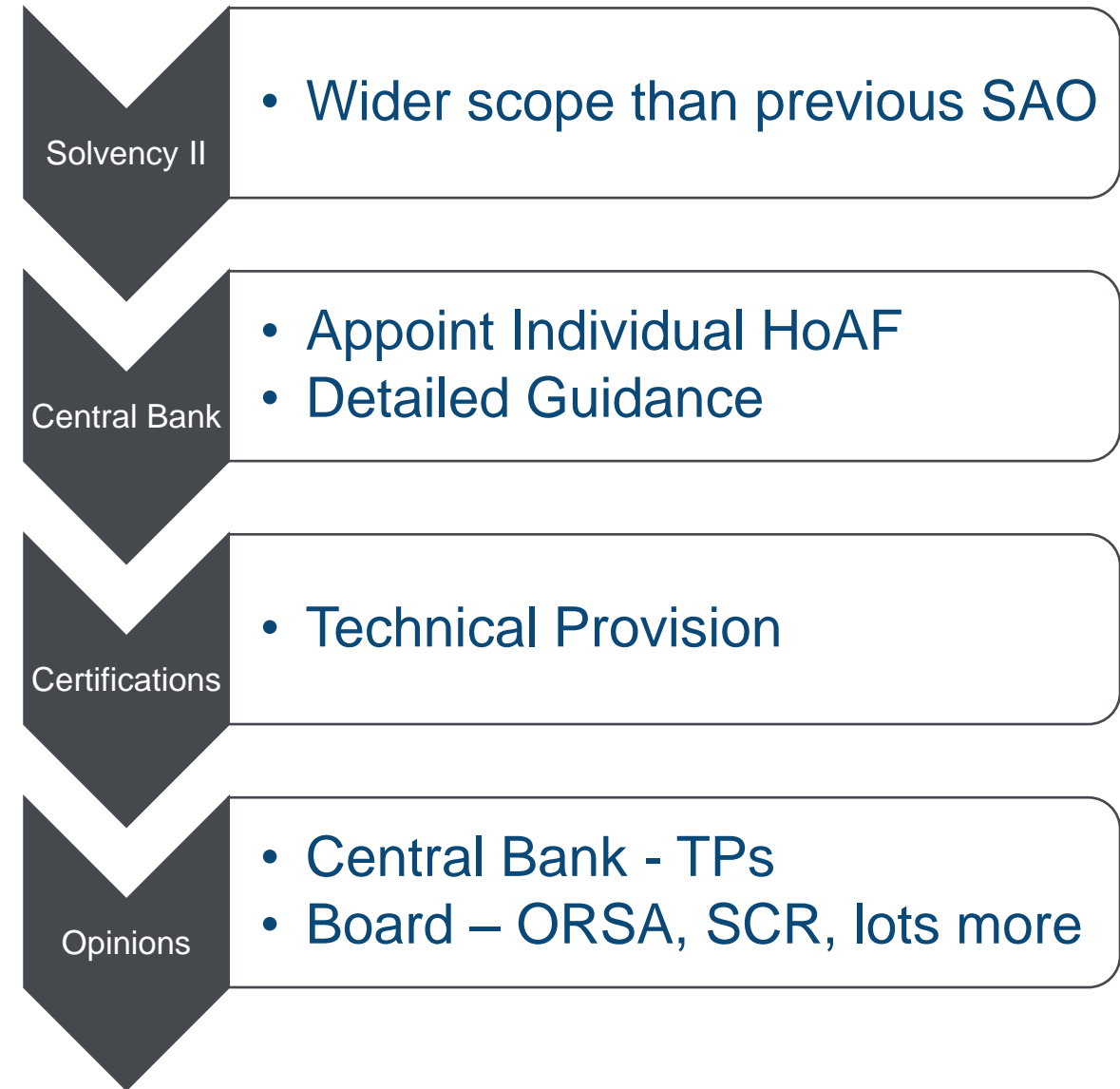
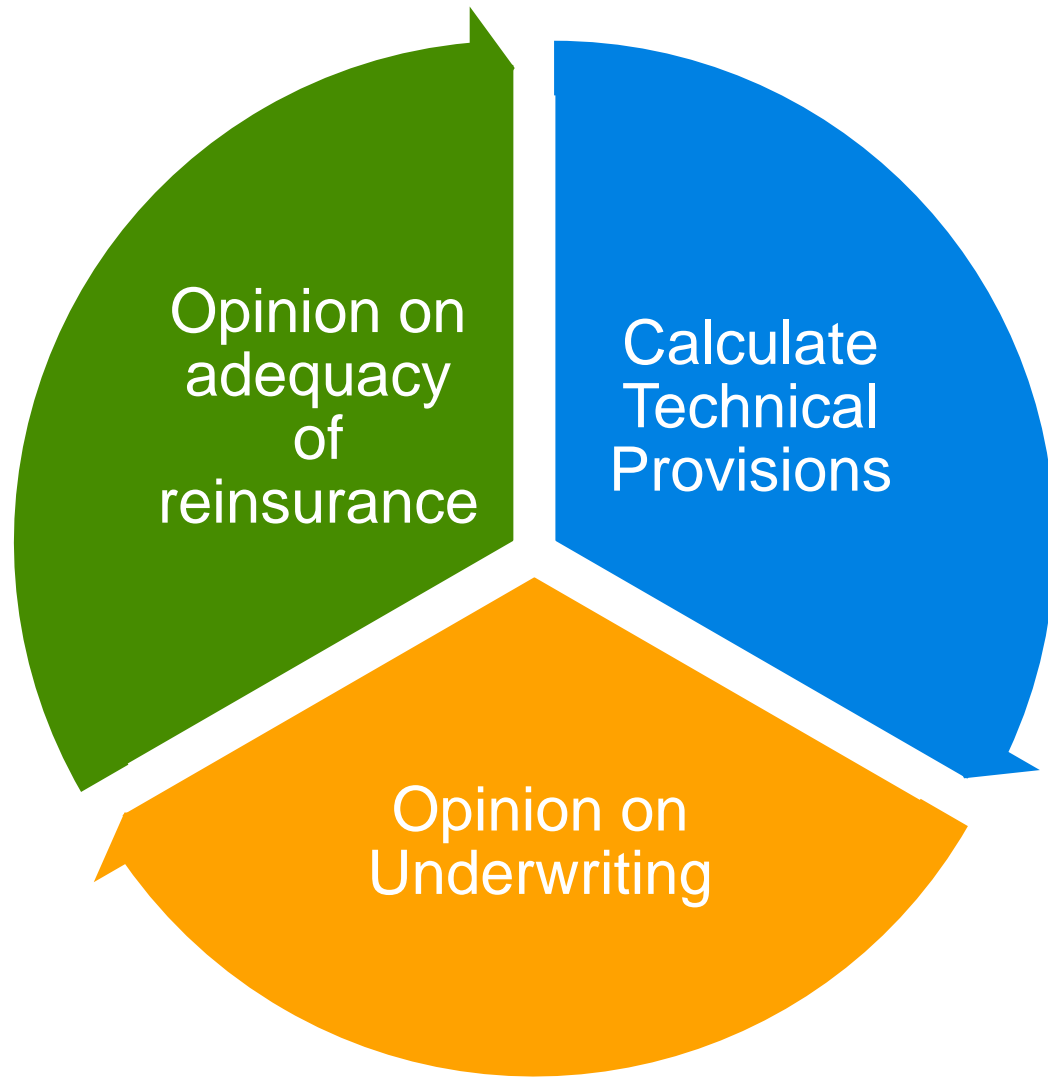
# Solvency II External Audit



Milliman review of Irish companies indicated that 70% of respondents intend to get some form of external review of QRTs

Balance Sheet
Technical Provisions Life
Technical Provisions Non-Life
Non-Life Insurance claims
Own Funds
Solvency Capital Requirement
Minimum Capital Requirement

# Head of Actuarial Function



# CRO



- Some ideas for your 2016 ORSA
  - CBI cross industry guidance on information technology & cyber risk
  - Brexit
  - CBI communications
    - ✓ FLAOR feedback – generic & specific
    - ✓ CBI thematic reviews 2016 – pricing, underwriting, claims handling
    - ✓ CBI thematic reviews 2017 – commercial lines, strategy, stress testing
    - ✓ CBI thematic reviews 2017 (less complex companies) – risk management, risk appetite, outsourcing



**“When Merrill Lynch CEO John Thain brought his team to see me that Spring, there was an awkward moment when it became clear he didn’t know the name of his chief risk officer, who was sitting right next to him.”**

“Stress Test: Reflections on Financial Crises” by Timothy Geithner, former U.S. Secretary of the Treasury

# What are the potential issues?

## Reserves

- Determining best estimate – where is the actuary’s “cave”?
- Deferred tax complications

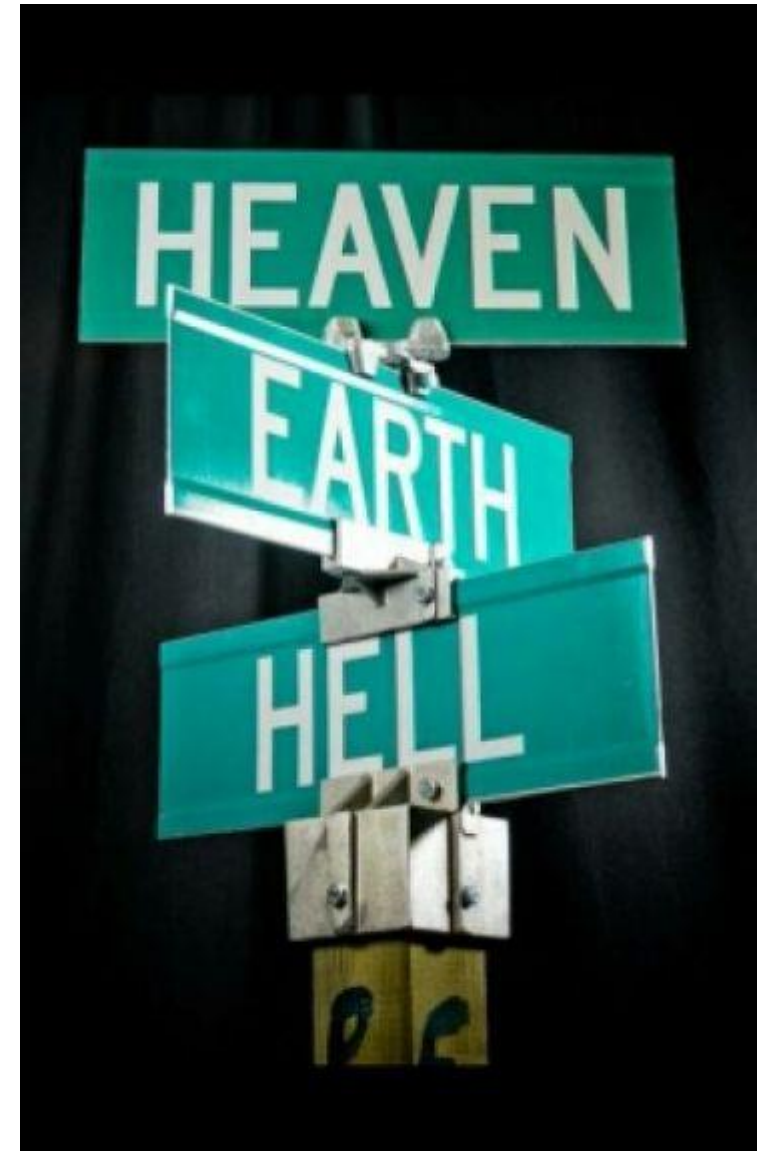
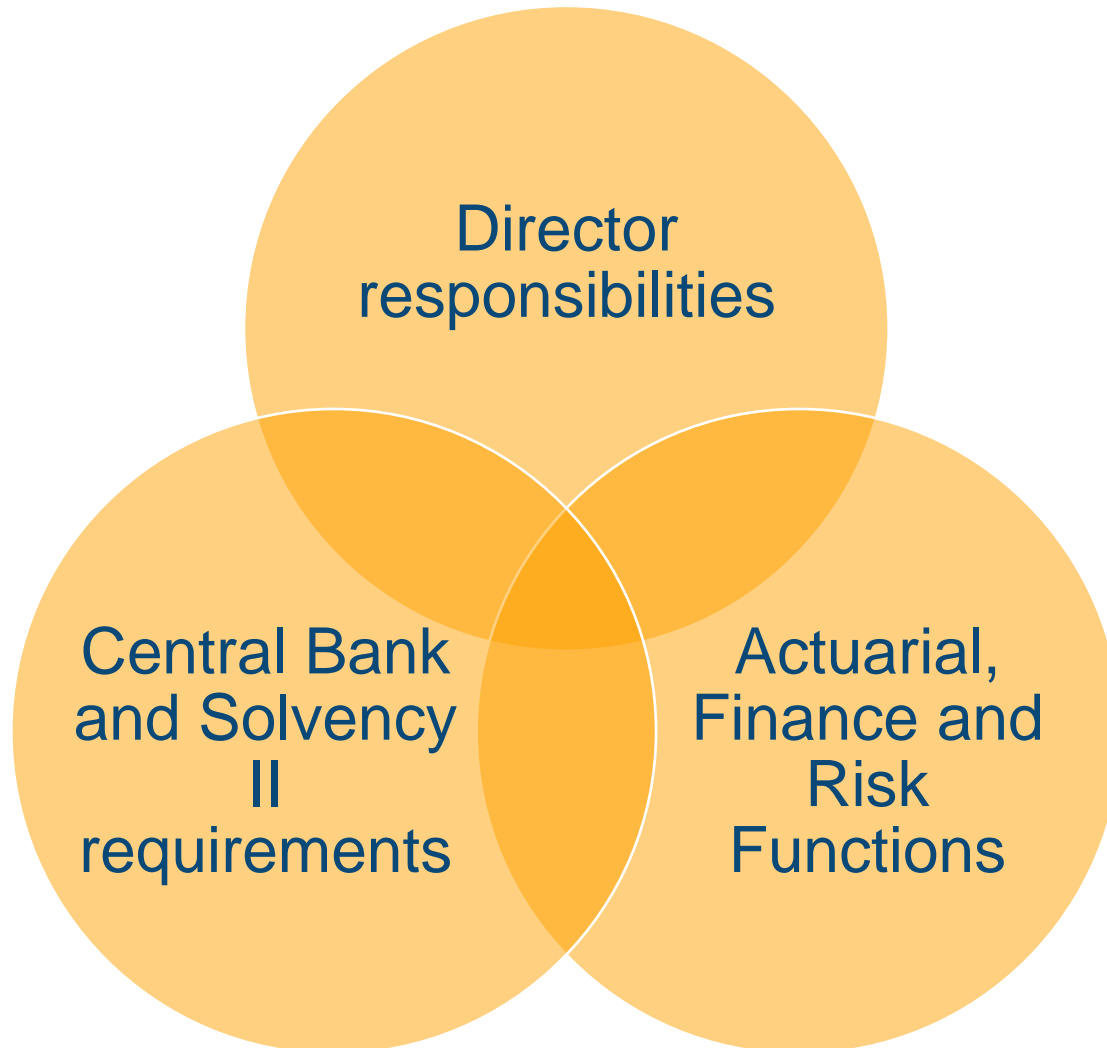
## Capital

- Is your SCR too high? How about USPs, Partial Internal Models?
- Are your Own Funds too low? How about ancillary own funds, management actions?
- Is your SCR level and coverage volatile?
- Can you show the Standard Formula is “appropriate”?

## Strategy

- Determining appropriate shocks for the ORSA
- Managing your assets

# In summary





These slides are for general information/educational purposes only. Action should not be taken solely on the basis of the information set out herein without obtaining specific advice from a qualified adviser.

# Thank you

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3 November 2016



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