

Solvency II – What's in store for 2015

Andrew Kay
Milliman Breakfast Briefing
11 February 2015

Latest developments...

- Regulatory changes
 - Level 1: Directive ✓
 - Level 2: Delegated Acts ✓



Level 2.5 - ITS

Wave 1

Wave 2

Level 3: Guidelines

Wave 1

Wave 2

- Discount rate consultation

Solvency II Readiness

Solvency II Readiness Assessment Tool

Summary-Full Solvency II		Average Results from First Survey	Average Results from Second Survey	Change
Pillar 1	P1 - Assets and Liabilities	3.8	3.7	↓ -0.1
	P1 - Technical Provisions	3.0	3.7	↑ 0.7
	P1 - Data Quality	3.1	3.0	↓ -0.1
	P1 - Assumptions	3.6	3.7	↑ 0.1
	P1 - Own Funds	3.4	3.9	↑ 0.5
	P1 - Capital Requirements	3.6	3.6	→ 0.0
	Pillar 2	P2 - Governance	4.0	4.2
	P2 - Risk Management System (RMS)	3.6	3.9	↑ 0.3
	P2 - Own Risk and Solvency Assessment (ORSA)	2.7	3.4	↑ 0.7
Pillar 3	P3 - Solvency and Financial Condition Report (SFCR)	1.4	1.6	↑ 0.2
	P3- Regular Supervisory Report (RSR)	1.4	1.6	↑ 0.2
	P3 - QRT - Annual Solo	1.9	2.1	↑ 0.2
	P3 - QRT- Quarterly Solo	2.0	2.1	↑ 0.1
Other	O - Strategic Considerations	3.1	3.7	↑ 0.6

Solvency II priorities for 2015...



CEO, CRO, AF,
CFO, Board...



CEO

1. Organisational

- Functions & responsibilities
- Systems, processes, policies ...
- Link to Group?



2. Impact on strategy

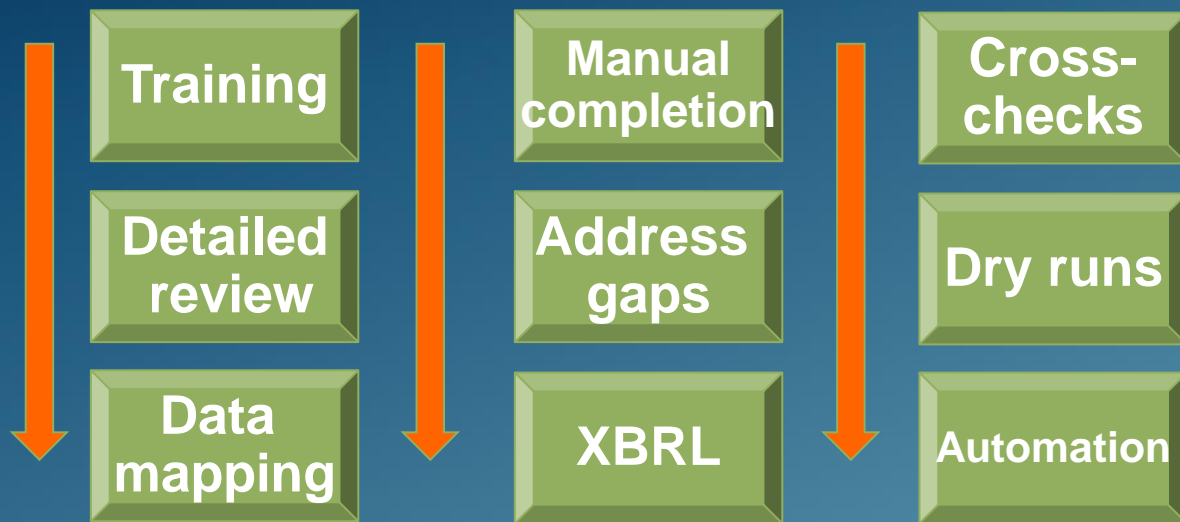
- Capital optimisation
 - Product design and mix
 - Margins & RoC
 - Investment policy & hedging
 - Reinsurance



CFO

Pillar 3 reporting

1. Preparatory phase reporting
2. Development of full SFCR & RSR and QRTs
3. Reporting timetable – Solvency I, Preparatory Phase, Solvency II - Day 1, ongoing, Group reporting...



CFO

Capital management

1. Volatility of SII capital
 - Investment policy
 - Reinsurance
2. Capital Management Policy & Capital Management Plan
3. Impact on dividend policy?



CRO

1. ORSA / FLAOR
2. Impact on Risk Management System
 - Strategy, processes, reporting
 - Ongoing solvency monitoring
 - Is the RMS embedded in the business?
3. Structure of risk and actuarial teams
4. Internal model / USPs
 - Application, Validation, Use Test



Directors - responsibilities

The Board has the ultimate responsibility for compliance with the laws, regulations and administrative provisions adopted pursuant to this Directive.

- Appropriate systems and structures and controls
- Approve written policies
- Approve SFCR and RSR
- Review reports from control functions
- Ensure the Internal Model remains appropriate and operates properly



Are we on track for full Solvency II compliance?

Directors – key questions

1. Are all of the governance structures in place / updated?
2. Is independent validation needed?
 - Technical Provisions, Internal Model, USPs, ORSA, risk management...
3. Are all risks identified / managed / mitigated?
4. ORSA process – used to steer business / set strategy?
5. What is the right level of capital?
6. Impact on strategy?



Solvency II

- **VEGA**
- **Readiness
Assessment Tool**



ROAD TO SUCCESS
NEXT EXIT ➤