

SOLVENCY II: 'THE BEGINNING OF THE END'

PROTIVITI INSURANCE BREAKFAST CLUB
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Isaac Alfon, Director

T: +44 77 66 725 315

E: isaac.alfon@crescendo-erm.com

Blog: <http://crescendo-erm.blogspot.co.uk/>



CONTENT

- Is this the 'end' point we expected?
- What 'end' point are you planning for?
- Is it really the 'beginning of the end'?

IS THIS THE END POINT WE EXPECTED?

- Starting point for UK industry: ICA regime
 - Realistic valuations / risk sensitive / firms' self assessment of capital needs / regulatory dialogue
- Solvency 2 aims?
 - Alignment of regulatory and supervisory approaches
 - Integration of risk and capital management
 - End the layering of EU and UK requirements
- But then there was a financial and an economic crisis ...
 - Internal models?
 - More prescriptive requirements?
 - More power to EIOPA / EU supervisors?

WHAT END POINT ARE YOU PLANNING TO?

- Articulated in existing implementation plans
 - Internal model / partial internal model / undertaking specific parameters ...
- But given regulatory uncertainties, are contingency plans in place?
 - Is there a vision for an alternative?
 - What would be the capital implications?
 - What would be the trigger?

IS IT REALLY THE 'BEGINNING OF THE END'?

- *“This is not the end. It is not even the beginning of the end. But it is, perhaps, **the end of the beginning**”*
- The end-point in BAU?
 - *“The own-risk and solvency assessment shall be an integral part of the business strategy and shall be taken into account on an ongoing basis in the strategic decisions of the undertaking.”*
- From implementation to BAU:
 - Roles and responsibilities across the 3 LOD
 - ‘Cycle’ approach to risk management
 - Project management disciplines for BAU
 - Appropriate resource

SUMMARY

... the end ...

- Solvency 2 may not be far from its aims although it does feel more different because of the financial crisis
- Insurers face a number of regulatory approvals and should actively engage in contingency planning

... and the beginning ...

- The real challenge starts after Solvency 2 implementation: new / improved tools must be used effectively to integrate risk and capital management in a BAU environment