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Solvency II – what it means for health insurers and their customers

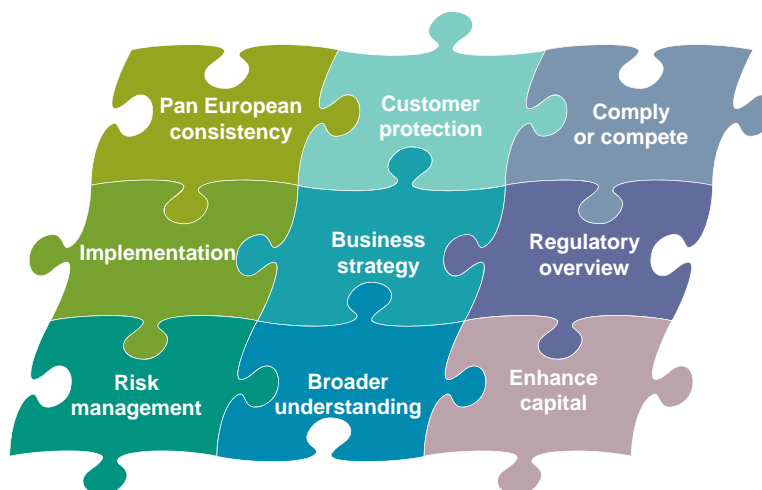
Kuen Chik and James Rowlands
KPMG

1st May 2012

Agenda

- Introduction to Solvency II
- What does it mean for Healthcare Insurers?
- What does it mean for customers?
- How are companies responding?
- Wrap up and questions

Overview



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2

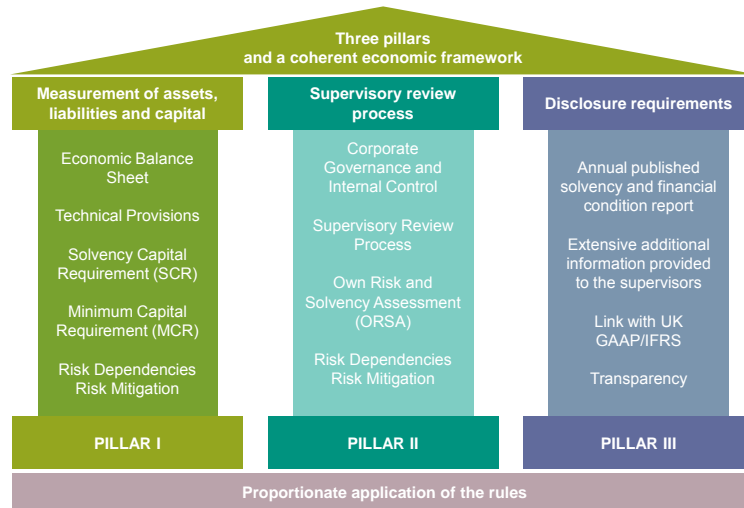

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Introduction to Solvency II

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3

The Three Pillars



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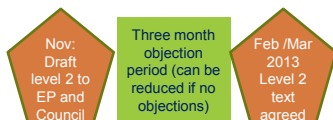
4

Timeline

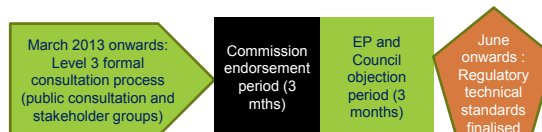
Level 1: Omnibus 2 amendments



Level 2: Commission led



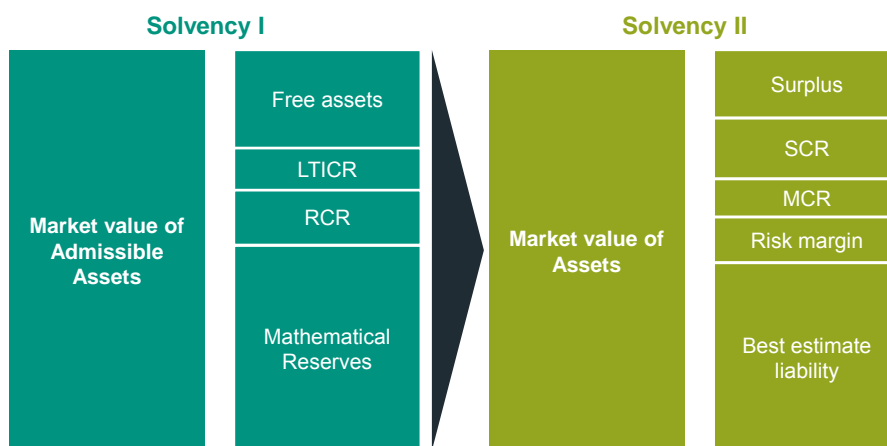
Level 3: EIOPA led



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5

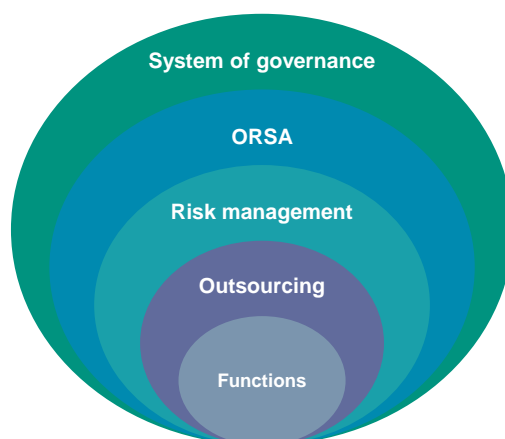
Basics – Pillar I



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6

Basics – Pillar II

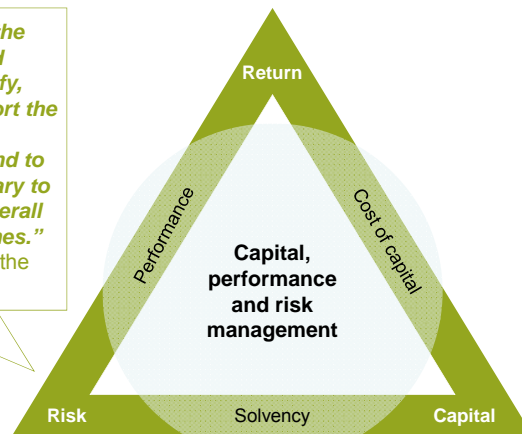


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7

Definition of the ORSA

"The ORSA can be defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short and long term risks an undertaking faces or may face and to determine the own funds necessary to ensure that the undertaking's overall solvency needs are met at all times."
 ORSA (CEIOPS Issues Paper on the ORSA)



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8

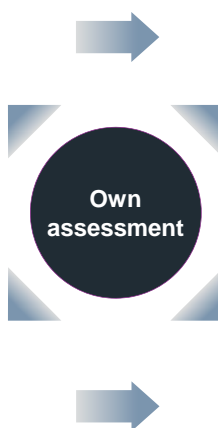
ORSA

Evaluating the past and present

- Technical provisions
- Regulatory capital
- Overall solvency needs/valuation
- SCR deviations

Process Design

- Standard formula/internal model
- Integration – multi-disciplinary requirement
- Frequency – metrics



Looking to the future

- Risk profile
- Solvency projections
- Strategy link
- Stress tests

Application

- Proportionality
- Valuation
- Independent challenge/management review
- ORSA Report/ORSA Policy
- Decision-making

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9

Basics – Pillar III

Private reporting to supervisors

Regular Supervisory Report (RSR)

- Annually – full RSR or material changes
- Full RSR (provisionally) every 3 years.

Quantitative Reporting Templates (QRT)

- Annually
- Quarterly, primarily to support the MCR calculation.

Public disclosures

Solvency and Financial Condition Report (SFCR)

- Annually – full SFCR (including extracts from QRT).

What does it mean for Healthcare insurers?

Strategic issues



Risk appetite

Business opportunities

Risk / capital efficiency

Diversification

Stakeholders

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12

Operational issues



Implementation practicalities

Reporting timelines

Small teams

Expertise

BAU Process

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13

So, what does this mean for the board?



Information need
for sign off?

What's
changing?

Value for money
spent?

How is my
business
affected?

Who is
responsible?

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14


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What does this mean for customers?

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What does this mean for customers

Will I have to pay more?

Will my cover change?

Will the choice of products change?

Security of my provider?

Will I still be able to get cover?



*A question for Firms:
Will this result in an improved customer journey?*

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16

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How companies are responding

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Large Insurers – Healthcare part of group

SF vs. IM

Company
Structure

Reinsurance

Diversification
benefits



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18

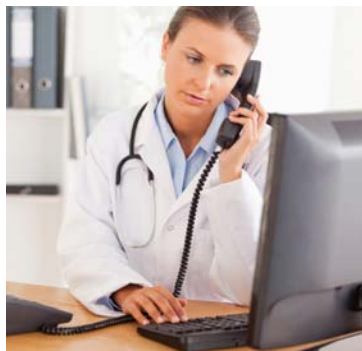
Small Healthcare Insurers

Proportionality

Implementation

Governance

Reporting



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19

Cashplans

Proportionality

Governance and
committees

Data

Legacy business



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20

Questions or comments?



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21

- Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.
- The views expressed in this presentation are those of the presenters.

Presenter's details



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