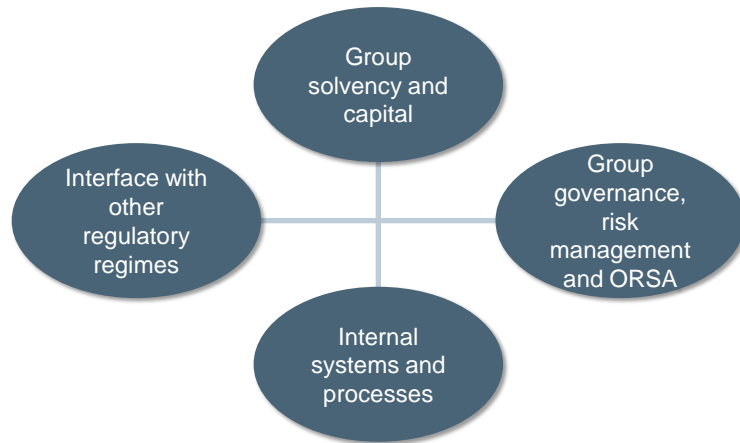




Evolving interest in understanding group risk



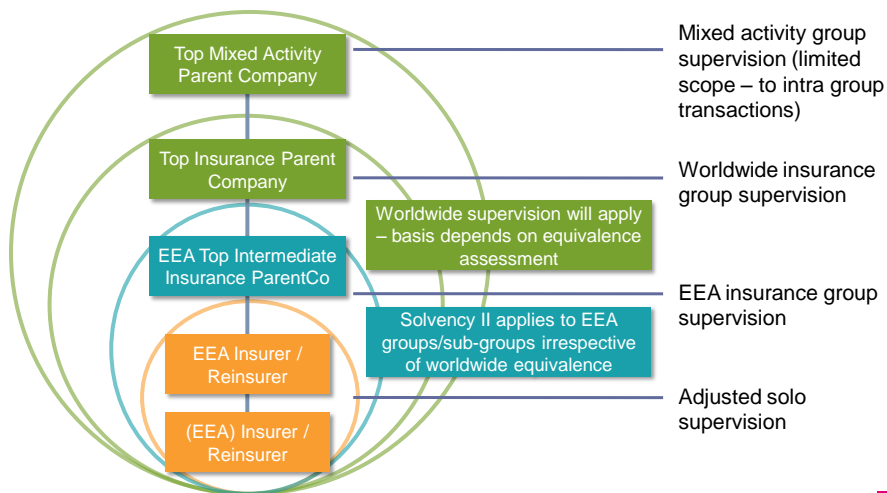
Challenges to group efficiency



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Application of Solvency II groups regime (Article 213)

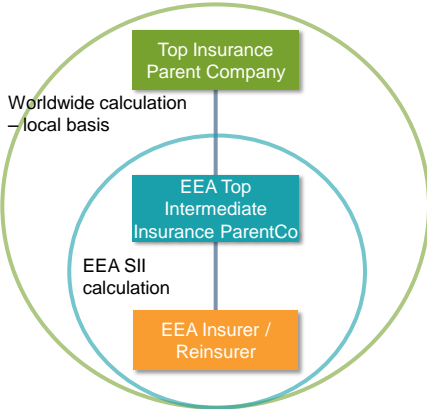


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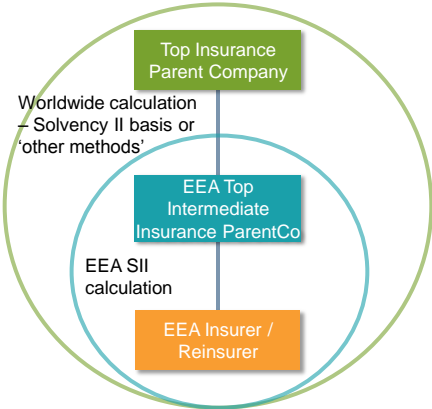
3

Impact of equivalence on group supervision

Equivalent group supervision Article 261



Absence of equivalence Article 262

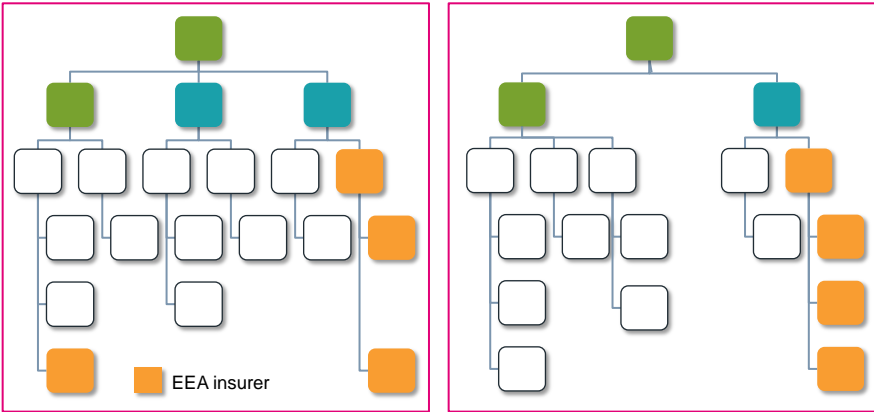


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Minimising regulatory burden: international groups

Manage the size of the Solvency II group

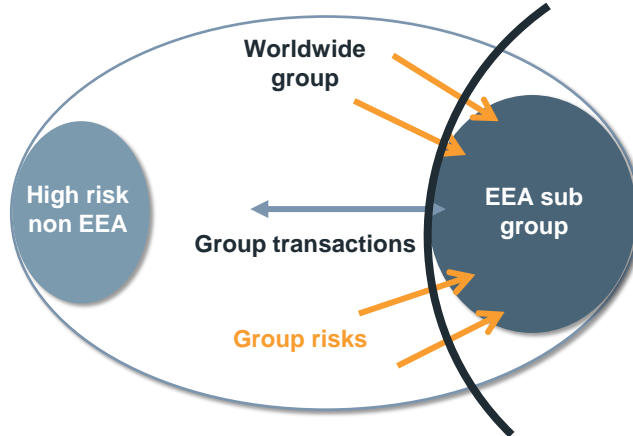


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Minimising regulatory burden : international groups

Minimise dependency of EEA business on rest of group

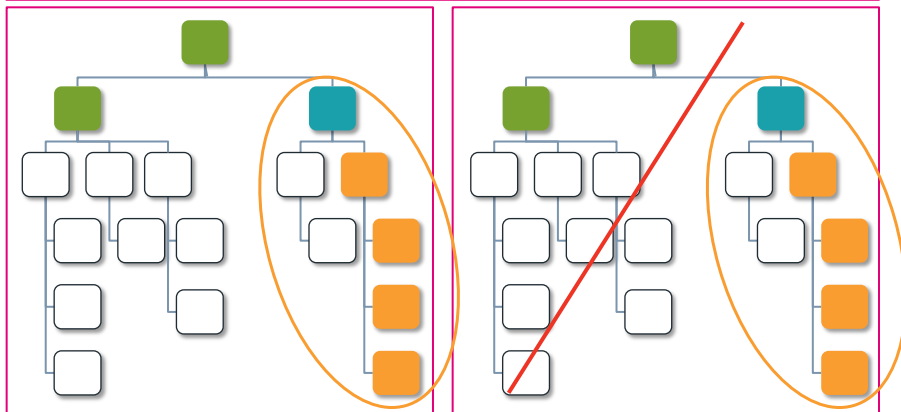


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Minimising regulatory burden : international groups

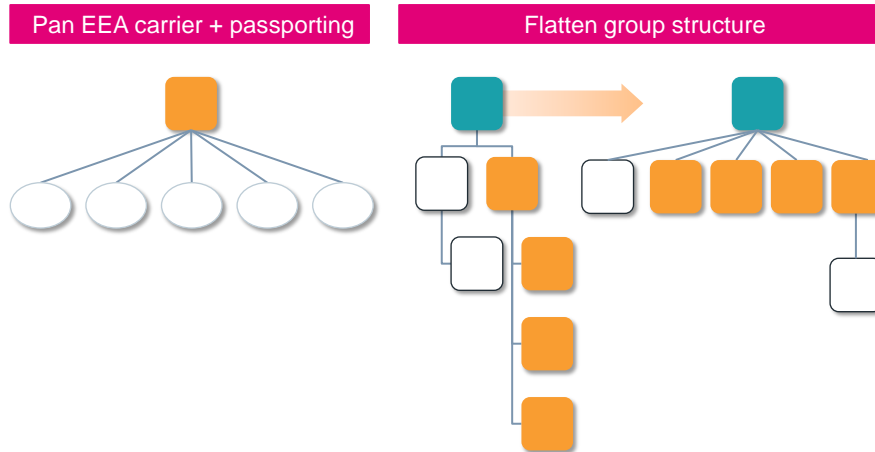
Engage with group supervisor on 'other methods'



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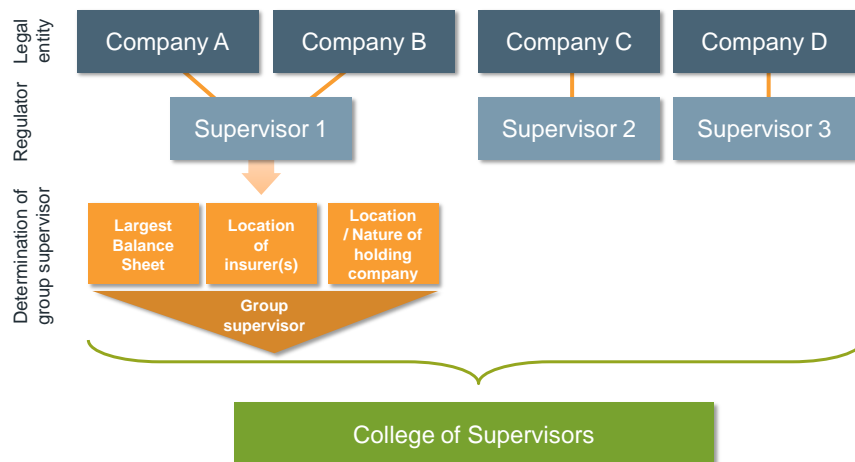
Minimising regulatory burden : EEA groups



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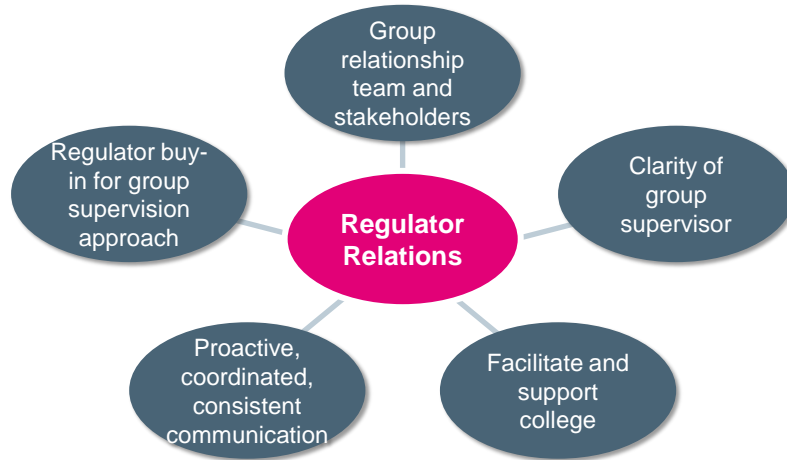
Managing regulatory relationships



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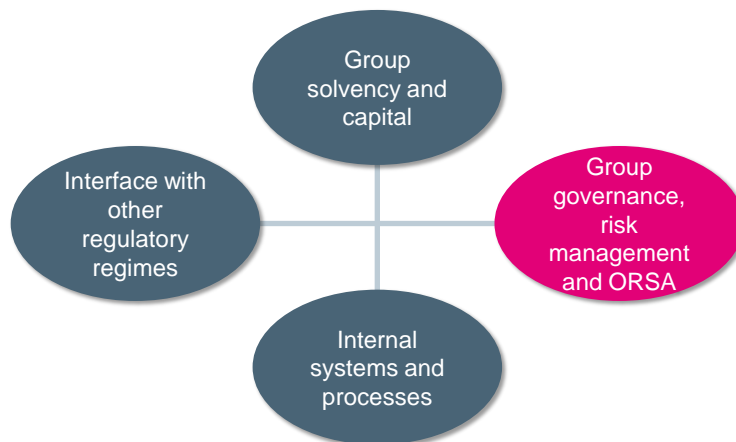
Managing regulatory relationships



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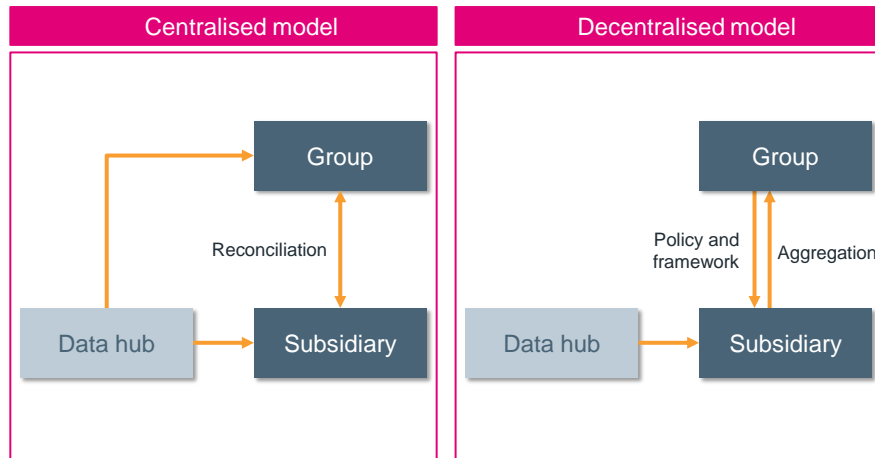
Challenges to group efficiency



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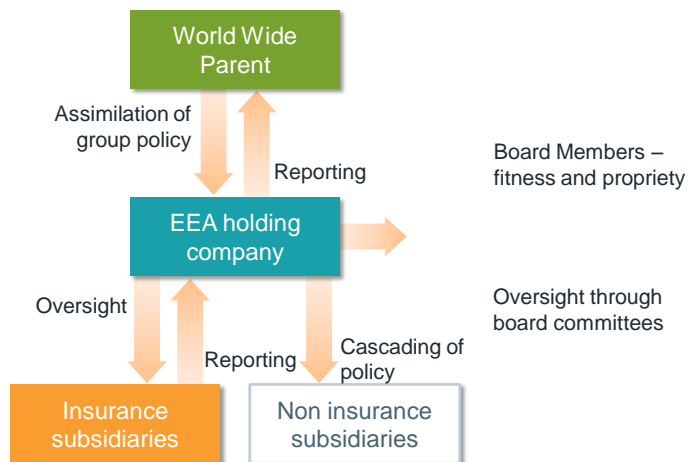
Basic approach – centralised or decentralised model



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12

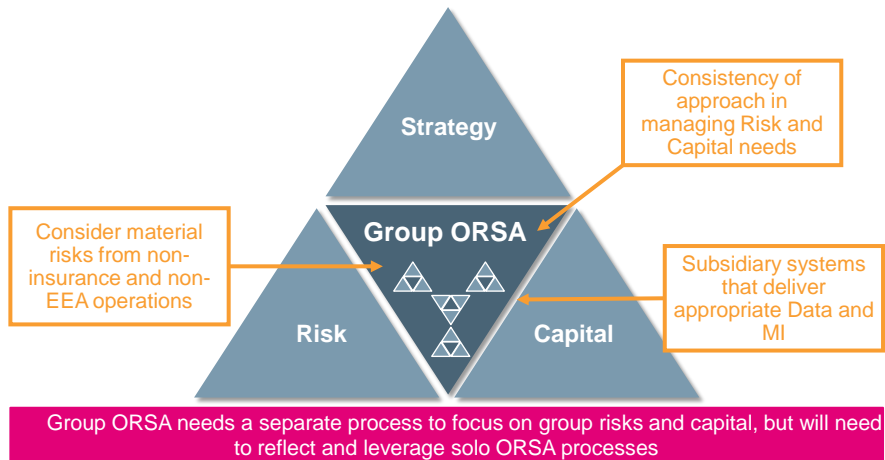
Understanding the role of the holding company



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13

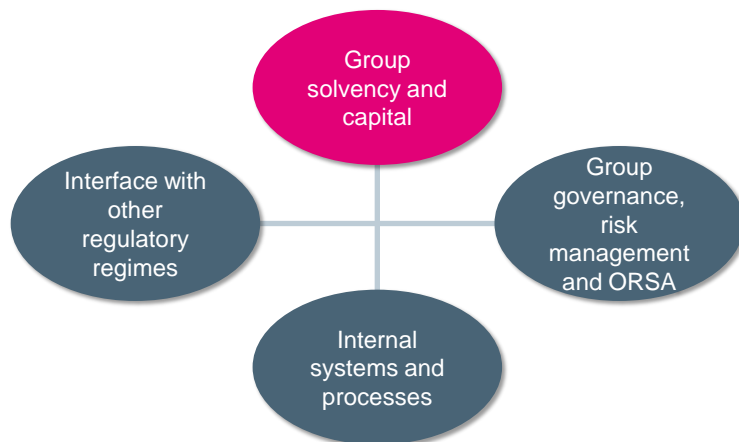
Interaction of group and solo ORSA



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14

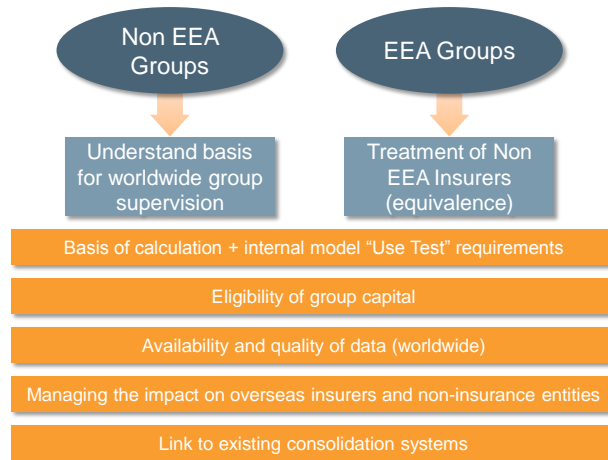
Challenges to group efficiency



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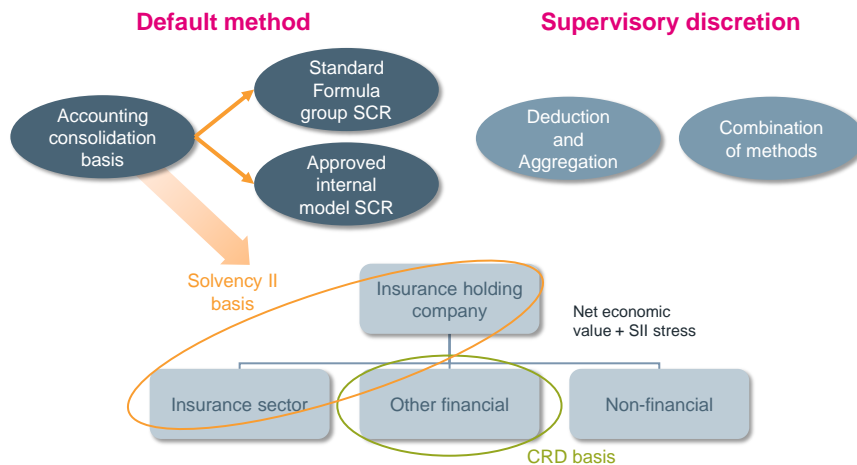
Group solvency challenges



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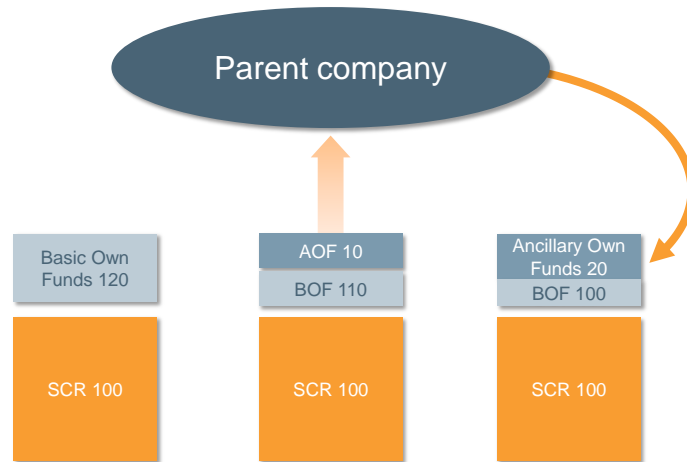
Group solvency calculation



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17

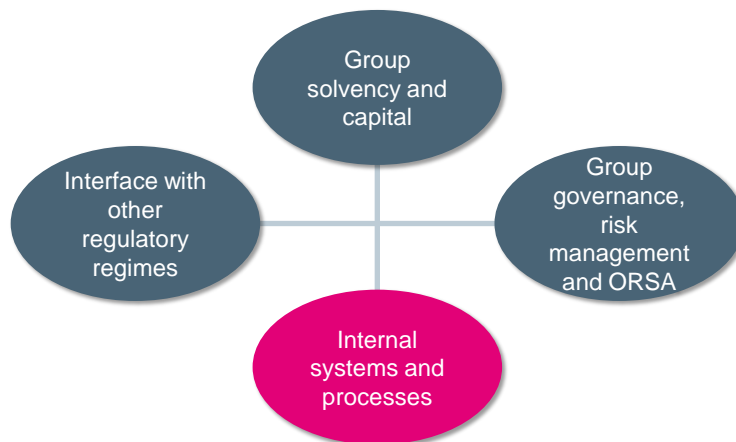
Can capital be used more efficiently?



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18

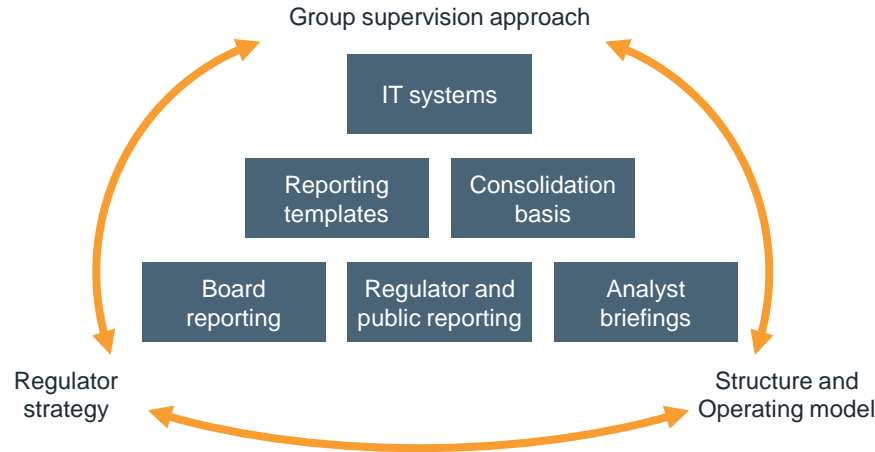
Challenges to group efficiency



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19

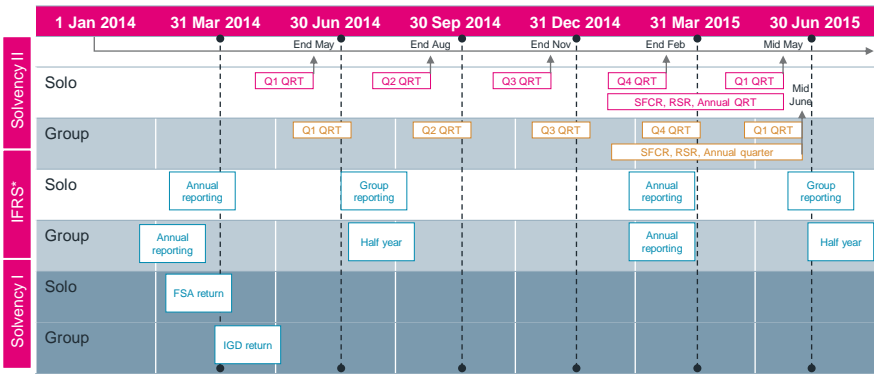
Many systems affected – these relate solely to reporting



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Can these systems meet the group disclosure timetable?



Note: (a) This covers local GAAP used for local filings where different to IFRS

Combined solo/group filing means solo timeline applies

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21

Existing challenges in the current regime

Insurance industry has always struggled to articulate the value in its business

- Complexity of accounting
- Industry specific jargon
- Different accounting basis to show different qualities – profitability, growth, financial strength
- Lack of consistency between companies
- Variety of risk disclosures
- Non-GAAP measures

Resulting in

- Suppressed share prices
- Higher cost of capital

Is Solvency II the solution or does it add to the tangle?

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22

Currently more questions than answers

In theory, Solvency II should provide clarity

- Improved comparability of insurers
- Economic balance sheet a better reflection of appraisal value?
- Increased transparency of risk appetite and management
- Standardised capital requirements

But at the moment there is investor uncertainty

- Implementation timeline
- Final requirements
- Transitional arrangements
- Internal models
- Lack of understanding of business impact
- Increased volatility in returns?

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23

Different conclusions may still be drawn from the same information ...

"A stress test of Europe's biggest insurance companies finds them to be "robust" despite exposure to Greek debt"

Source: BBC News 4 July 2011

"Concerns have grown about the financial strength of European insurers as analysts and others look more closely at the results."

Source: FT 5 July 2011

"Stress-tests prompt Italian and Spanish insurer downgrades."

Source: Actuary 14 December 2011

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24

... and own assessments may still be performed

Deutsche Bank (4 July 2011): European Insurers Stress test conclusions

Figure 3: European Insurers – Estimated SCR position under Adverse scenario

	Euro bn
Capital requirement, MCR (Reported by EIOPA)	152
Estimated Capital requirement, SCR assuming MCR = 34% SCR	447
Available capital, MCR basis (Reported by EIOPA)	577
Available capital, SCR basis (Estimated)	604
Surplus capital	157
Cost of 'Adverse Scenario'	-150
Surplus post-adverse scenario	7

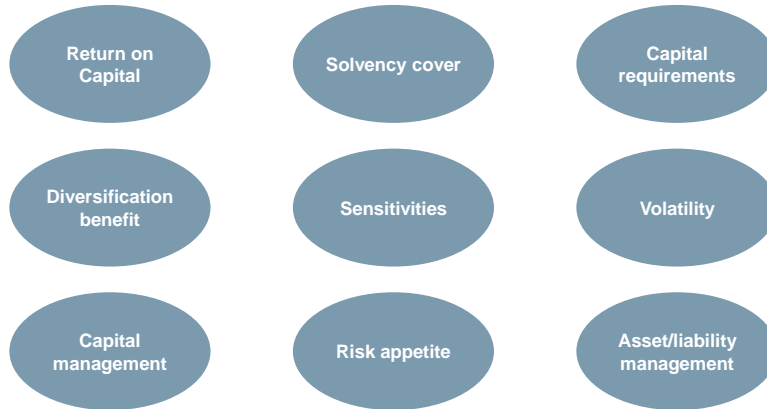
Source: Deutsche Bank estimates, EIOPA

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25

So what might analysts be interested in?

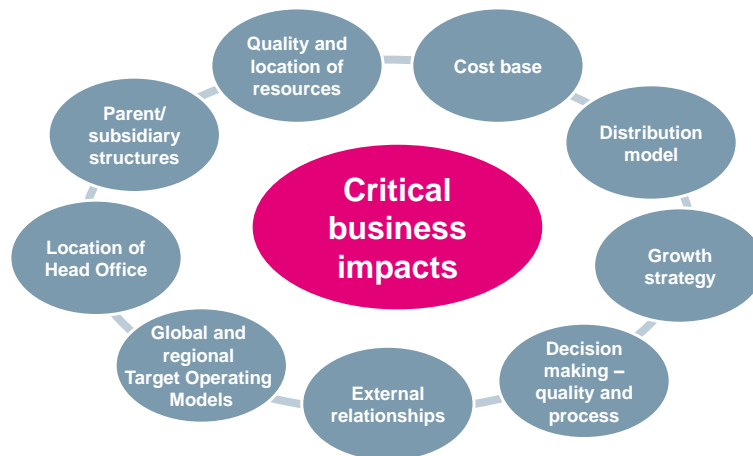
Amongst others ...



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26

Groups supervision impacts are transformational for groups



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27

Thank you

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