

**The Actuarial Profession**  
making financial sense of the future

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**Colleges in operation -  
reflections on the approaches of different  
regulators**

11-14 October 2011

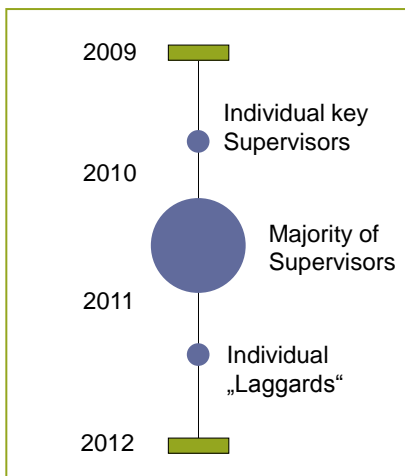
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## **College of Supervisors and group-wide IMAP requires active co-operation and co-ordination between Supervisors – however, this is hampered by practical issues**

- Role of Supervisors prior to Solvency II largely focused on protection of local policyholder
- This was further complicated by the changing/unclear Solvency II requirements/framework with respect to Supervisor co-ordination...
- ...and aggravated by the impact of the Financial Market Crisis on individual markets...
- ...resulting in limited co-ordination between Supervisors with respect to the pre-application process and the College of Supervisors (one country one vote)
- In addition, the establishment of EIOPA further complicated the situation (escalation option from College)

## 1. Timing of pre-application process quite different depending on individual Supervisor

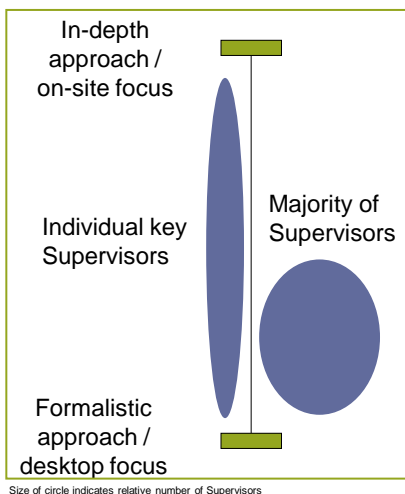
Timing of pre-application start



- Key Supervisors started the Internal Model pre-application process already in late 2009 – BaFin taking the co-ordination role for the Group pre-application while others focused on local companies
- Majority of Supervisors „hopped onto the Group pre-application train“ in 2010 and subsequently started their local processes
- Individual „laggards“ have started to contact our local companies only very recently/or not yet and were typically not present during the Group pre-application process

## 2. Review approach very different between Supervisors

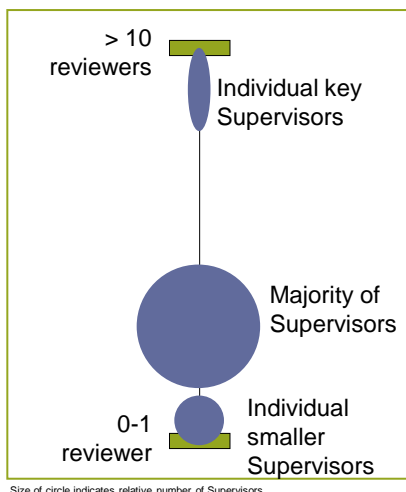
Review approach



- Review approach largely depending on available resources and skill-set of individual Supervisor
- Key Supervisors with a combination of on-site reviews and desktop focus
- Some Supervisors very restrictive regarding model implementation after year-end 2011 despite ongoing S II calibration discussions as well as different framework under S II IMAP (there is no prior „cut-off“ data for model improvements)

## 4. Stark contrast in scale of resources between Supervisors

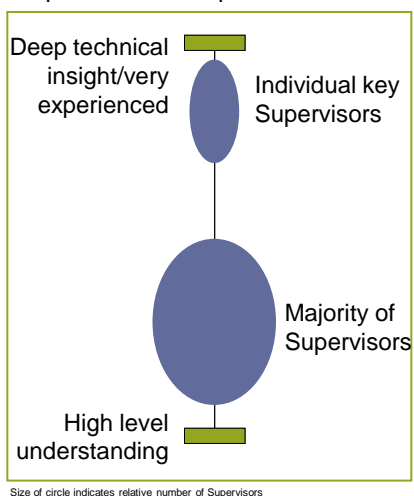
### Resources for Reviews



- Only few European Supervisors are able to provide significant resources for pre-application process
- Especially expert resources are very scarce
- Majority of Supervisors is approaching our companies with 2-4 dedicated staff

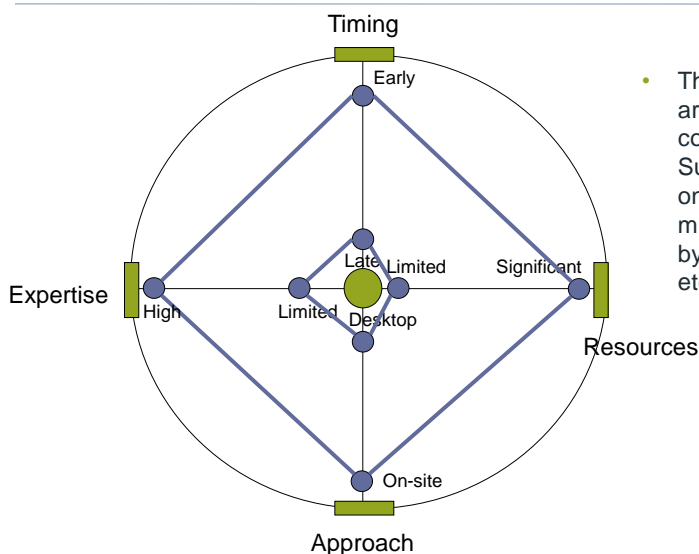
## 4. Varying experience and technical expertise between Supervisors

### Experience and Expertise



- Especially dedicated technical experts for Internal Models as well as senior experts with relevant experience regarding Pillar II seem to be very scarce
- However, from an undertaking's point of view- especially for a principles based approach like S II - relevant experience and expertise of Supervisors is a key prerequisite for an efficient and effective pre-application process

## Significant differences between Supervisors in all dimensions



- The shown profiles are not necessarily consistent – e. g. Supervisors with an on-site approach might be challenged by limited resources etc.

## Implications of Financial Crisis

- The Financial Crisis resulted in a few Supervisors changing their regulation approach significantly
- In combination with the new and evolving Solvency II requirements...
- ...this resulted in a partially erratic and unpredictable approach to Supervision in individual markets...
- ...with potential adverse implications for the Group process due to the set-up of the College of Supervisors (need for agreement otherwise escalation option to EIOPA)

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## Further issues/challenges

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- Relevant language for IMAP
- Exact IMAP scope / documents required
- Exact role of EIOPA going forward
- Role of College for ongoing Model approval

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## Questions or comments?

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