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Life on the other side

CILA 16th May 2012

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Key stakeholders in the SII process from an FSA perspective



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Who developed what?

- Level 1 - Framework Directive.
 - European Commission adopted the formal proposal, European Council and Parliament adopted the legislative act (2009)
 - To be amended as a result of Omnibus II (Trialogue discussions – European Commission, Council and Parliament)
 - To be Transposed into National Legislation
- Level 2 – Implementing Acts
 - CEIOPS Consultation Papers and CEIOPS Final Advice
 - European Commission Draft Implementing Measures
 - Subject to scrutiny by European Parliament and Council of Ministers
 - Public Consultation
- Level 2 – Delegated Acts e.g. Technical Standards
 - EIOPA
 - Approved by Commission
 - Public Consultation
- QIS Exercises – Conducted by EIOPA on behalf of European Commission
- Level 3 – Recommendations and Guidelines
 - EIOPA
 - Public Consultation
 - Comply or Explain

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Potential challenges for FSA

- Policy still being negotiated including the Supervisory Review Process being developed by EIOPA, but SII to be implemented soon
- Timing of implementation is uncertain
- Wide range of stakeholders involved with differing objectives
- Enabling a smooth transition to Solvency II
- Embedding Solvency II in the FSA while Solvency I still in force
- Timing and Content of Communication to key stakeholders
- Misinformation in the market place
- Meeting the requirements set out in the Directive
- Financial Regulatory restructuring
- EIOPA
- Fine balance between National and European interests

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Potential challenges for firms

- Policy still being negotiated but to be implemented soon
- Timing of implementation is uncertain
- Balancing with key business activities and other reporting measures
- Enabling a smooth transition to Solvency II
- Embedding Solvency II in firms while Solvency I still in force
- Timing and Content of Communication to key stakeholders
- Misinformation in the market place
- Meeting the requirements set out in the Directive – including documenting and evidencing compliance with no precedent
- Processes, Modelling and Reporting
- IMAP Process
- New rules may impact strategy
- Lobbying and shaping policy - Some draft rules are disliked or difficult to interpret

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Frequently voiced concerns

- Uncertainty in timing and content
- Receiving information early enough from FSA as policy develops
- Communication from the FSA around work plans - firms require clarity at an early stage about exactly what the FSA want to discuss in their meetings with supervisors
- Consistency of standards within the FSA to the degree of justification required to demonstrate that methodologies meet requirements
- Where to prioritise efforts on the IMAP submission
- Time to fix issues - As the time table becomes tighter there is a risk that there will only be time for the review and that if issues are found it would be too late to make the necessary adjustments before 1/1/14
- Effective working of colleges and consistency of approach to implementation across Europe

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Positive ways forward for firms

- Identify what is certain - there is a lot that is certain and a lot of guidance already provided
- Push ahead with trial runs including reporting – make sure the processes are working effectively and you understand the outputs
- Make working assumptions where necessary
- Deal with uncertainty – plan your contingencies
- Proactively engage with the FSA on SII – the firm is ultimately responsible for demonstrating compliance with SII. Discuss the thorny issues now to get reassurance or to have time to amend plans
- Monitor SII developments closely

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Key sources of information on SII

- FSA Supervisors
- SII Mailbox – e.g. policy/interpretation queries
- Industry Standing Group and Expert Groups
- Events
- Speeches
- Publications
- FSA Website including new Q&A – Policy and Implementation
- ABI or industry association
- Websites, Twitter – proceed with caution

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How implementation could be improved

- Could the FSA be more transparent and pass on what they know sooner?
(With appropriate caveats, highlighted risks and uncertainties)
 - Consistent information from a central source
 - Firms Less reliant on rumours or on their own interpretations
- Could firms share potential issues relating to implementation with the FSA sooner?
 - Opportunity to shape policy, but requires commitment of time and resource
 - Directly to supervisors or through targeted forums for firms with similar issues
- Could the FSA move quicker to develop and communicate policy on the UK specifics issues?
 - The CP 11/22 Transposition of SII mention Surplus Funds in the context of With-Profits business
 - Defined benefit pension fund treatment affects many UK firms

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How implementation could be improved (continued)

- Could the FSA be clearer on whether further guidance on policy issues will be issued and when?
 - For example, 27 Feb IMAP conference mentioned LTG package and SII equivalence as key areas of uncertainty
 - European Wide – Contract Boundaries, LTG – Matching Adjustment, Counter Cyclical Premium
 - Appreciate that the need for transitionals is difficult to determine until we know what we are transitioning to
- Could the firms be more specific with the FSA about what information they need regarding the IMAP submission and application and could the FSA be clearer on exactly what is needed?
 - IMAP implementation
 - Is there scope for improving the consistency in messaging throughout the FSA
- Could firms and the FSA co-operate better on workplanning and determining shared priorities?
 - For example reasonable look ahead for firms to prepare for meetings
 - Shared priorities built on a risk based approach

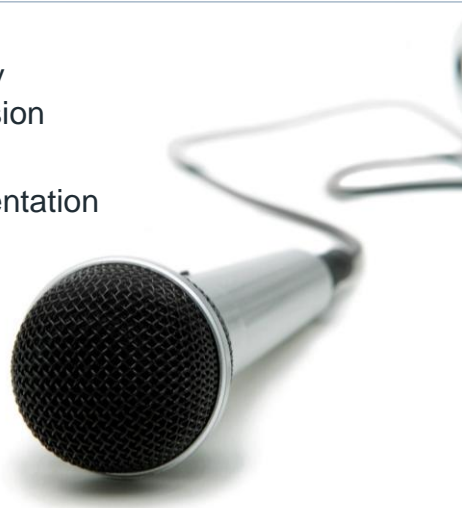
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Questions or comments?

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