

The Actuarial Profession

making financial sense of the future

Solvency II

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32nd ANNUAL GIRO CONVENTION

The Imperial Hotel, Blackpool

Solvency II is important!

And it's now!

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Time scales

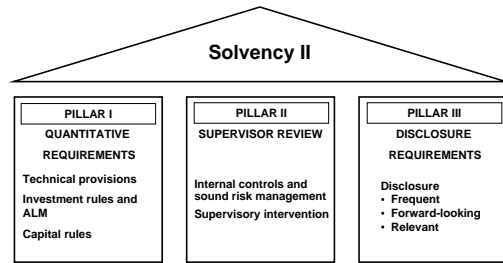
The diagram shows a horizontal timeline from 2005 to 2010. Above the timeline, a box labeled 'Framework Directive Published' has an arrow pointing to 2007, and a box labeled 'Full Implementation' has an arrow pointing to 2010. Below the timeline, a box labeled '3 waves of EC Call for Advice' is positioned under 2005, and a box labeled 'Quantitative Impact Studies' is positioned under 2006.

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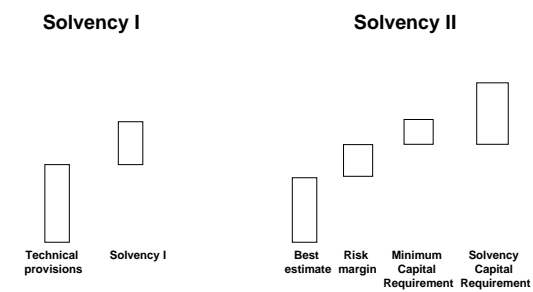
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The Three Pillar Approach



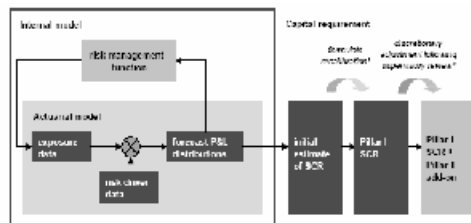
The Acton of Pensions
Modeling the future of the future

From Solvency I to Solvency II



The Acton of Pensions
Modeling the future of the future

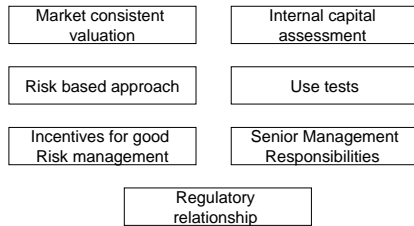
The Solvency II solvency capital process



Source: CEIOPS CP7

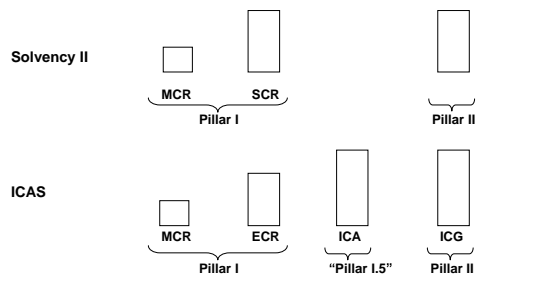
The Acton of Pensions
Modeling the future of the future

Key themes



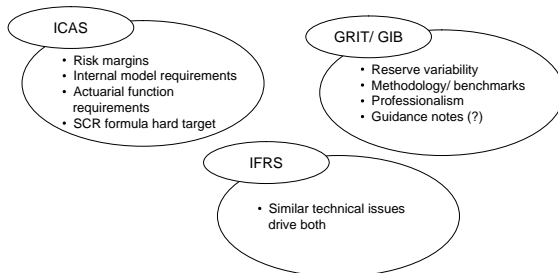
The Act of 2009
Making Technical Provisions of the Act

Solvency II compared to the ICAS framework



The Act of 2009
Making Technical Provisions of the Act

Key links to UK profession's current focus areas..



The Act of 2009
Making Technical Provisions of the Act

Key issues for Solvency II

- No current consistency across Europe in best estimates
- Harmonisation in approach to risk margin
- From UK perspective –
 - Similar framework to ICAS
 - Differs in some respects e.g. components, potential solvency formula

The Act of Parliament
making the provisions of the Act

Key areas of discussion

- Rules vs principles based
 - A) Portfolio invariant; B) Percentile world
- Role of risk margin (and link to capital)
- Diversification allowance
- Group issues including movement of capital
- Treatment of reinsurance/ allowance for wider risk mitigation
- Challenges across Europe
- QIS

The Act of Parliament
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Challenges for actuaries include..

- Identification of risk margins in reserves
- Identification of the appropriate methods
- Disclosure requirements and reports on actuarial work and judgements
- Guidelines and rules for internal models to be acceptable
- Approaches to allowance for outwards reinsurance
- Define capital requirement given risk of the business
- Requirements for the actuarial function

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What should you do?

2005 2006 2007 2008 2009 2010

- Option 1 Listen to 1-2 talks per year and wait ..
- Option 2 Get engaged in the debates/ the profession/ consultation CEIOPS/ QIS
- Option 3 Consider implications for your company

The Act of Parliament
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Further information

Websites

- www.ceiops.org
- www.gcactuaries.org
- www.iaisweb.org
- www.caa.assur.org

Wanting to get involved:

- UK profession –
Contact Kathryn Morgan
or Peter Stirling

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Contact details - presenter

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