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Swiss Insurance Club

Finanzfunktion aktiv managen

November 2011

Solvency II – Pillar 3

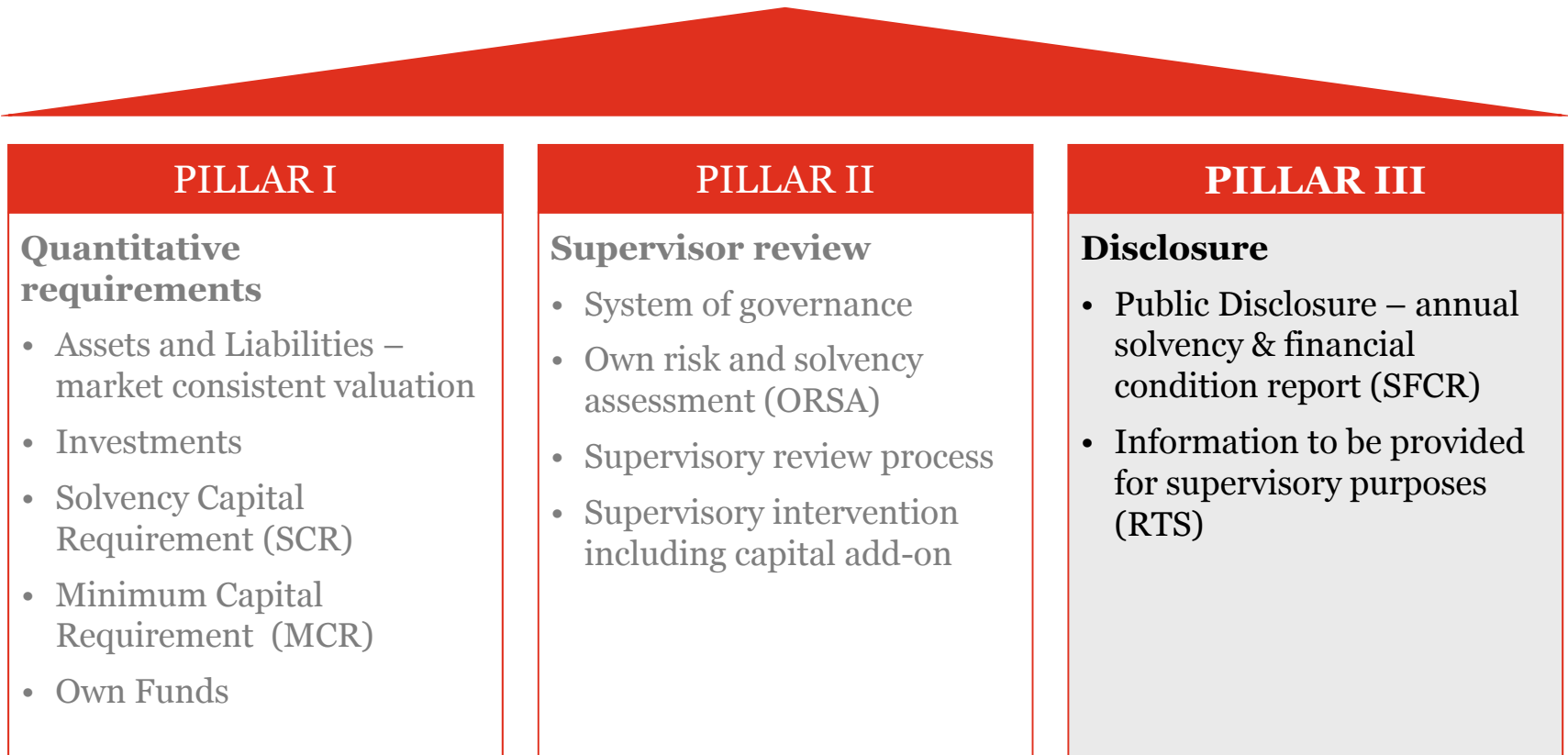
Véronique Manavi-Besson

Swiss Insurance Club

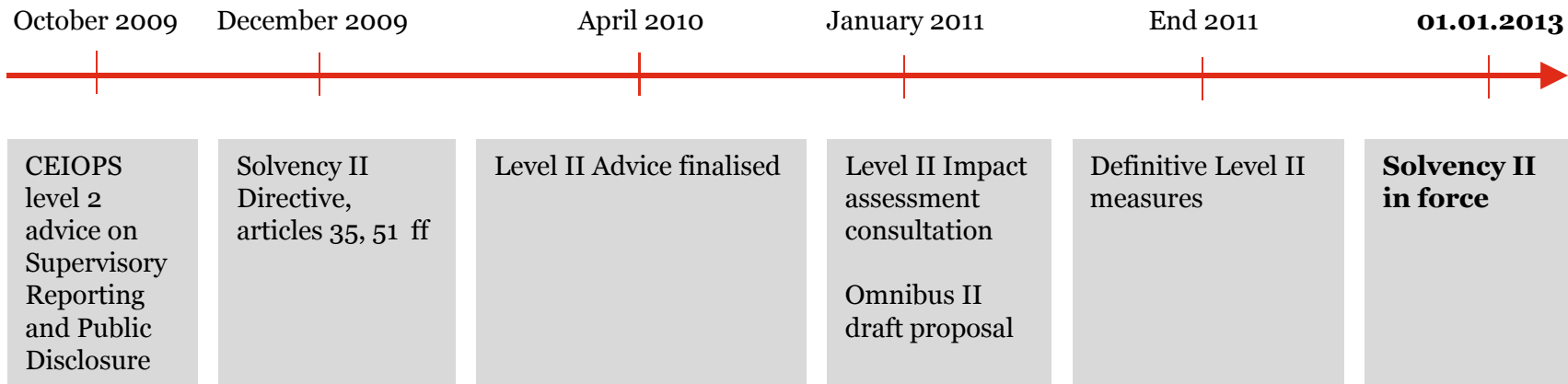
3. November



Solvency II – general framework



Solvency II developments



Disclosure requirements are still in discussion:

- Transitional period (Omnibus II)
- Pillar 3: Content, form and modalities of reporting (Impact assesement)

Pillar 3 – a major challenge

Definitive

Information to be received by the supervisory authority and the public

Regular supervisory reporting and public disclosure at predefined periods

Report to supervisors (RTS) Art. 35(1)

All information necessary for the purposes of supervision

- Qualitative report
- Quantitative reporting templates

Solvency and financial condition report (SFCR) Art. 50

Publicly disclosed information

- Qualitative report
- Quantitative reporting templates

Art. 35 (2) (a) (ii) and Art. 53(1) – upon occurrence of predefined events

Art. 35 (2) (a) (ii) – during enquiries regarding the situation of an undertaking

Key changes

- Making risk and capital information more relevant and up to date
- Quarterly reporting
- Production and disclosure turnaround from many months to a number of days
- More strategic and forward looking information than current regime
- Ability to assess changes in capital position after a specific event (e.g. acquisition, new product launch or market movement)

Questions that need to be answered

- What are the implications for existing financial consolidation and reporting processes, data and systems?
- How much will it cost to comply and what are the options?
- How does pillar 3 align with pillars 1 and 2 management information requirements?
- Is there benefit in addressing Pillar 3 in parallel with IFRS phase 2 requirements?
- What are the likely implications for the finance function?
- Can this investment be leveraged to transform the effectiveness of the finance function?

Pillar 3 – key requirements

Definitive

Solvency II introduces new reporting to the supervisors and to the public. Below the Solvency II recurring reporting requirements are contrasted with the Swiss reporting requirements

	Solvency II future reporting	Swiss reporting
Supervisor	<p>RTS– at least once in full every 3yrs</p> <ul style="list-style-type: none"> • Private • Forward looking, Strategic • Mainly qualitative • 16 weeks after year end 	<p>FINMA reporting</p> <ul style="list-style-type: none"> • Private • Mainly quantitative • Quarterly / yearly <p>Public reporting</p> <ul style="list-style-type: none"> • Requirements according to CO / SIX • Yearly
Public	<p>SFCR – Annual</p> <ul style="list-style-type: none"> • Public • As at period end • Mainly qualitative • 16 weeks after year end 	
Solo and Group		

Reporting timescales – the practical challenges

In discussion

The required disclosures for quarterly returns is steadily cut from 18 to 16 weeks between 2013/2015

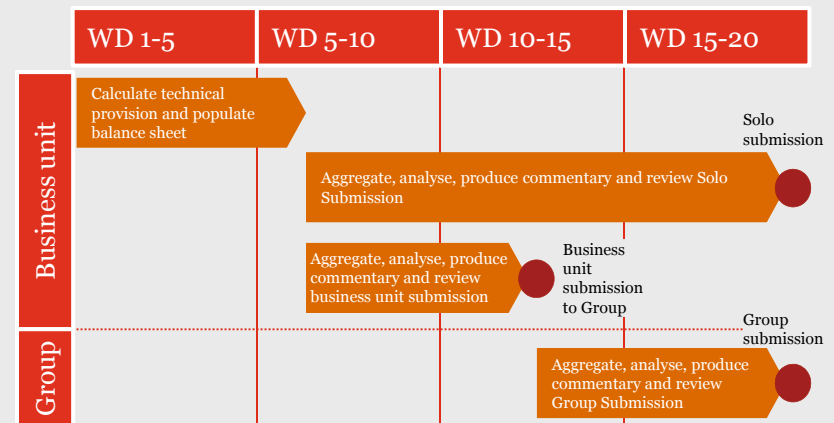
Regulatory submission timescales based on CEIOPS advice

As these timescales highlight, the already exacting timelines will be significantly reduced between 2013 and 2015.













Practical Example - Indicative reporting timelines for Group and Business units


- The indicative reporting timelines show sign-off results for group submission are likely to be required as early as working day (WD) 10.
- As firms will need to allow time for aggregation, analysis, commentary and review, the bulk of inputs to the capital assessment process will be required as early as possible in the process.
- In practice, this is likely to include assets, liabilities and the stresses required for the Solvency Capital Requirement (SCR) calculation.





In more detail – analysis of RTS and SFCR requirements*

Structure / sections definitive
Format, details in discussion

RTS/SFCR Section	Assessed difficulty level	Dependency on SII process	Some of the new areas that will require a strong technical understanding
Business and performance			<ul style="list-style-type: none"> Objectives and strategies Performance from underwriting and investment activities
Systems of governance			<ul style="list-style-type: none"> Additional documentation to capture the governance framework under SII Risk management system, including ORSA
Risk profile			<p>Will need to reflect assessment of risk for internal/standard model, ORSA</p> <ul style="list-style-type: none"> Additional disclosures and quantification of risks such as underwriting, market, operational, liquidity and operational risks Additional quantitative detail on material exposure, concentration, mitigation and sensitivity for main risks
Valuation for Solvency purposes			<ul style="list-style-type: none"> Equivalent of accounting policies on a SII for assets, technical provisions and other liabilities Regulatory balance sheet
Capital management			<p>Depends on completion of the internal/standard model</p> <ul style="list-style-type: none"> Own funds, MCR and SCR Differences between standard formula and any internal models used Non-compliance with MCR and significant non-compliance with SCR

 Low difficulty/ low dependency on SII processes

 Medium difficulty / medium dependency on SII processes















 High difficulty / high dependency on SII processes

* See article 35 / 51 Solvency II & CEIOPS Advice on Supervisory Reporting and Public Disclosure Requirements

In more detail – analysis of quantitative reporting templates*

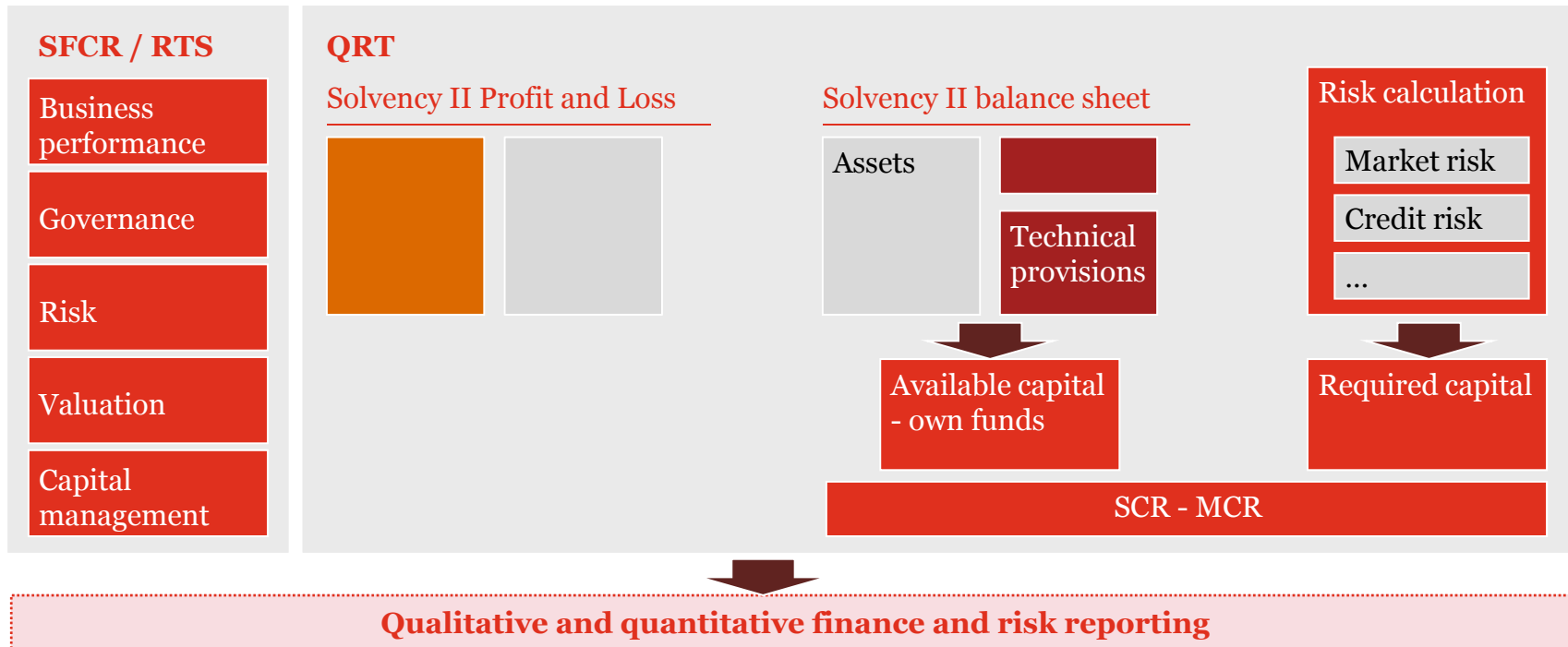
In discussion

43 (solo) templates (or QRT) to be completed for quantitative disclosure requirements .
Group templates are still outstanding.

Section	No of templates	Assessed difficulty level	Dependency on SII process	Some areas that the new regulations will require additional commentary and a strong technical understanding
Balance Sheet, P&L	3			<ul style="list-style-type: none"> Quarterly preparation of SII valuations for assets and liabilities Premiums, claims and technical provisions on a SII basis Cash flows
Assets (investments)	5			<ul style="list-style-type: none"> Detailed investment information than currently required - e.g. List of all investments, securities lending, derivatives
SCR, MCR, Own funds	11			<ul style="list-style-type: none"> Information on contribution to SCR by various risks Risk profile by areas such as own funds and reinsurance, including capital management and assessment of undertakings with an approved internal model
Technical provisions (Life)	6			<ul style="list-style-type: none"> Best estimate by line of business and location/country of risk
Technical provisions (Non-Life)	12			<ul style="list-style-type: none"> 10 yr salvage and subrogation triangles Several schedules require details by line of business, currency and country
Variation & risk analysis	4			<ul style="list-style-type: none"> Change in own funds Risk & loss profiles
Reinsurance	2			<ul style="list-style-type: none"> Share reinsurers, outgoing reinsurance program

* Based on CEIOPS Advice, appendix D

Solvency II: integrated risk and finance reporting



Challenges

- Availability of data
- Data quality and consistency:
 - SFCR & RTS vs QRT
 - qualitative vs quantitative reporting
 - financial vs risk reporting
- Data & reporting governance

Glossary

SII

Solvency II

RTS / RSR

Report to supervisors

SFCR

Solvency and financial condition report

QRT

Quantitative Reporting Templates

SCR

Solvency Capital Requirement

MCR

Minimum Capital Requirement

ORSA

Own Risk and Solvency Assessment

CO

Code of obligation

SIX

SIX Swiss Exchange

Finance Transformation

Michele Ferrari &
Marc Lehmann

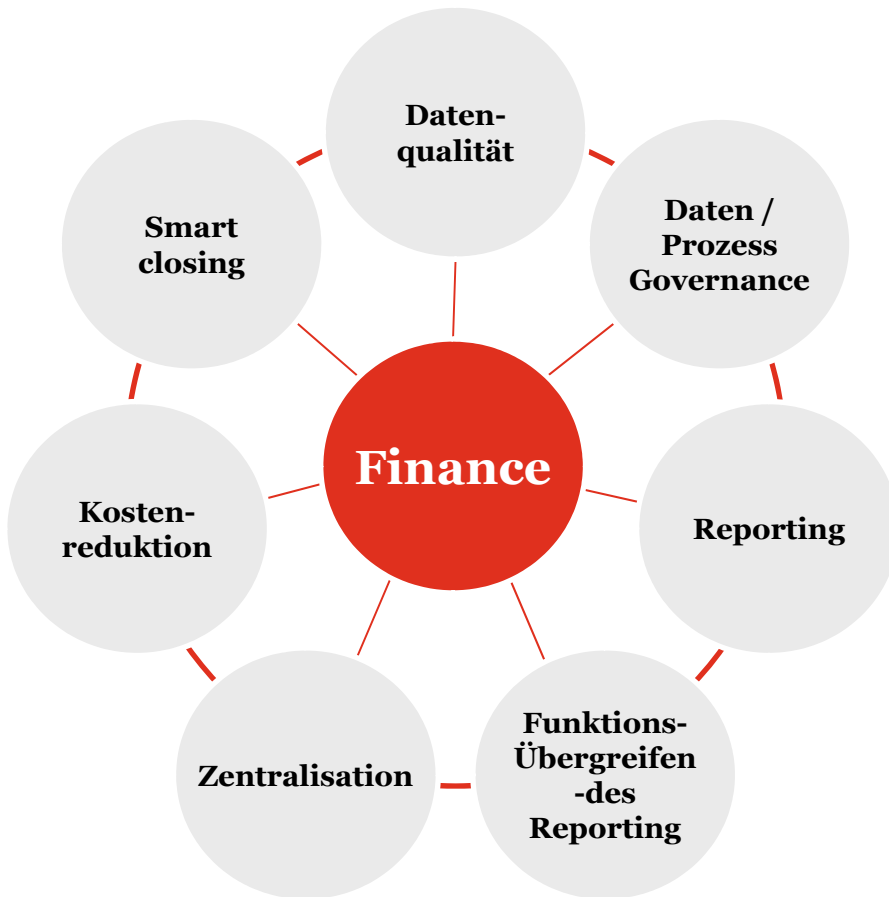
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Finance: Risiken, Themen und Trends...

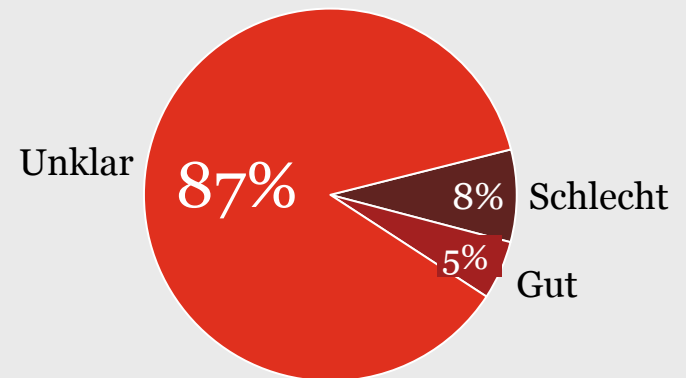
... denen Versicherungen ausgesetzt sind:



Regulierungen stehen zuoberst auf der Agenda

Kapital und Investment-Performance immer noch an der Spitze

“Wie gut denken Sie ist die Industrie vorbereitet, um die von Ihnen identifizierten Risiken zu bewältigen?”



Source: Insurance Banana Skins 2011

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3. November 2011

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Trends und Erfahrungen aus einer globalen Perspektive

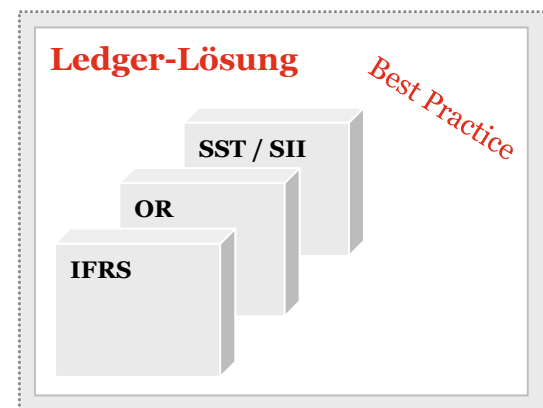
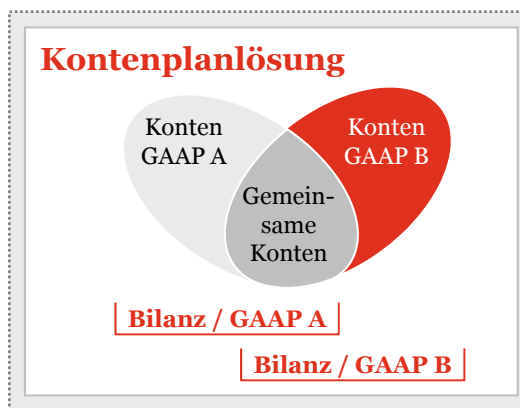
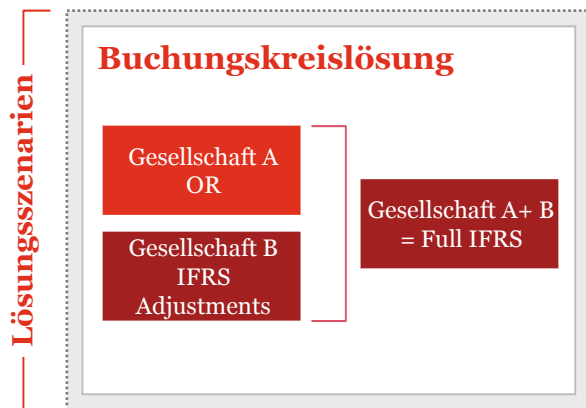


Trends und Erfahrungen aus einer globalen Perspektive



Zentralisierte / Harmonisierte Finanzfunktion

Evolution der Multi-GAAP Lösung



- Charakteristika**
- Abbildung der GAAP-Unterschiede über verschiedene Organisationseinheiten
 - Delta-Buchungsverfahren (Full- vs. Delta-Approach)
 - Die volle Sicht auf IFRS für eine Gesellschaft erreicht man nur über den Zusammenzug von zwei Organisationseinheiten

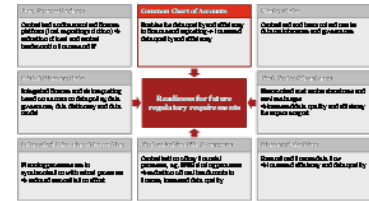
- Abbildung der GAAP-Spezifika über eigene Konten-Intervalle
- Führt zu hoher Anzahl Konten
- Höherer Verwaltungsaufwand
- Gesamtsicht über ein GAAP erhält man nur über Auswertung des GAAP-spezifischen und gemeinsamen Konten

- Jeder Rechnungslegungsstandard wird durch separates Ledger abgebildet (full value)
- Bewertungsunterschiede werden ledgerspezifisch gebucht
- Gute Datenqualität
- Ermöglicht die Parallelisierung der Abschlussprozesse

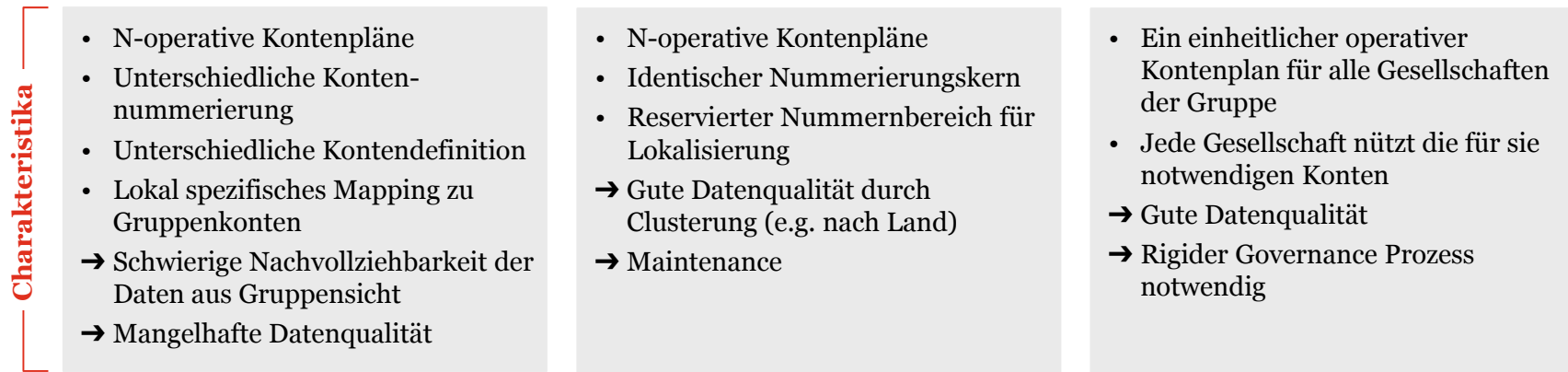
Trends und Erfahrungen aus einer globalen Perspektive



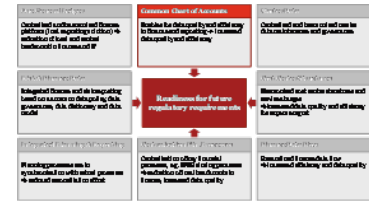
Gemeinsamer operativer Kontenplan



Kontenplan-Evolution



Gemeinsamer operativer Kontenplan



Dimensionen

Lösungsszenarien

Thin Ledger

- Relevante Dimensionen im Hauptbuch
- Weitere Dimensionen nur im Reporting
- Performantes Hauptbuch



Circa 8 – 12 Dimensionen (standard + kundenspezifisch)

Thick Ledger

- “Alle” Dimensionen im Hauptbuch
- Belastetes Hauptbuch (Volumen, Performance)
- Bedarf für komplexe Validierungen



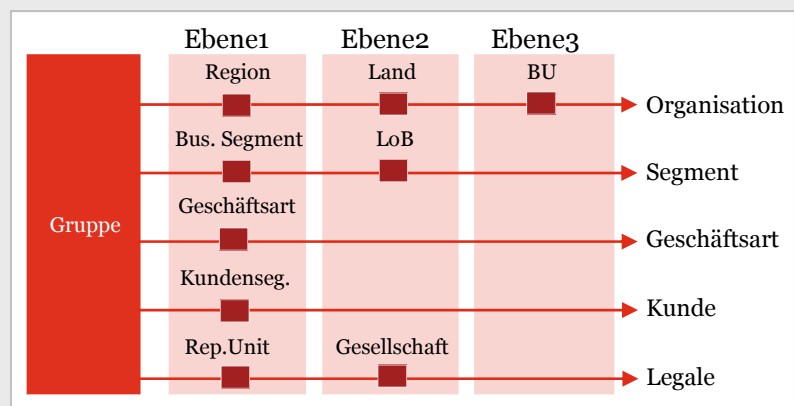
Circa 12– 24 Dimensionen (standard + kundenspezifisch)

Charakteristika

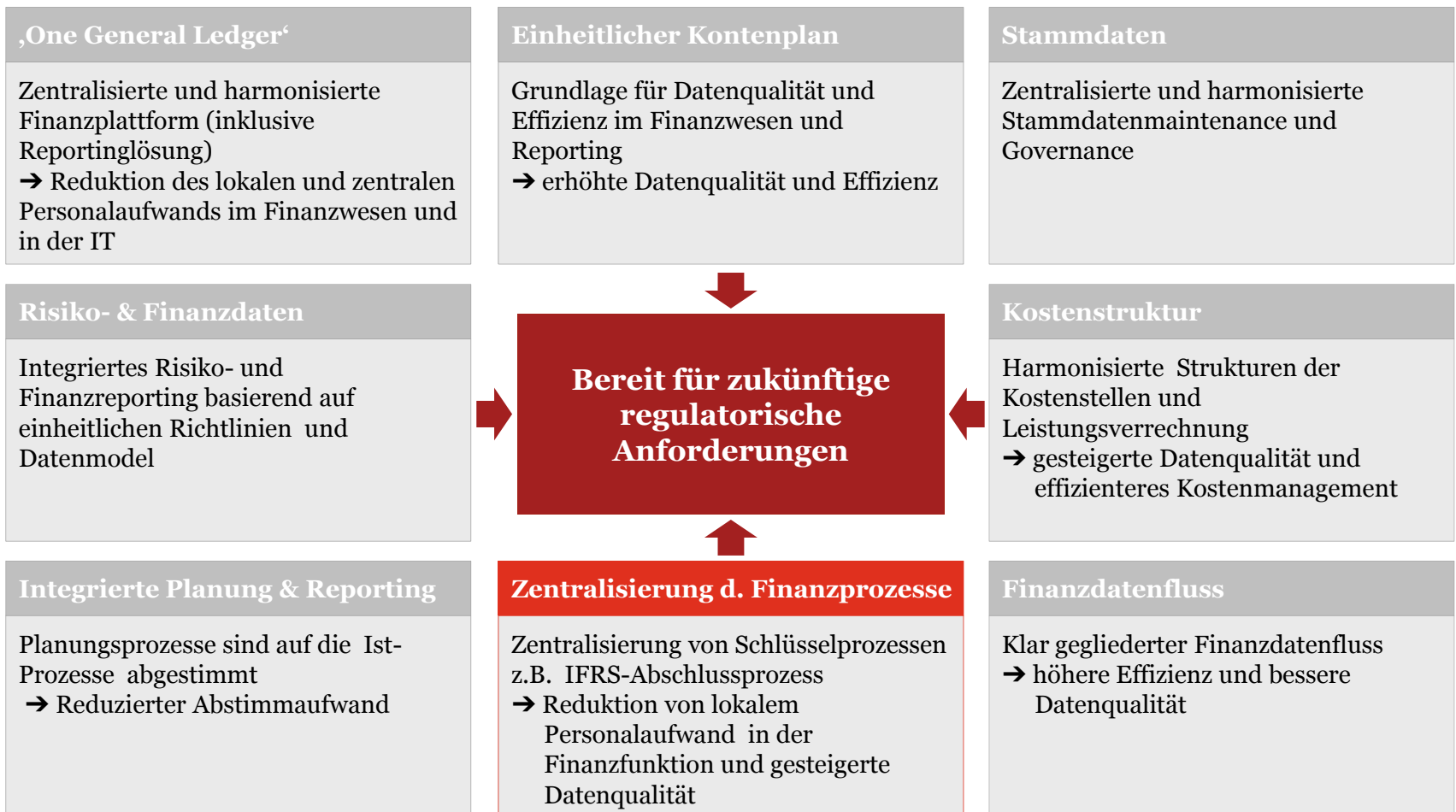
Dimensionen des finanziellen Reportings

Top-Down Vorgehen

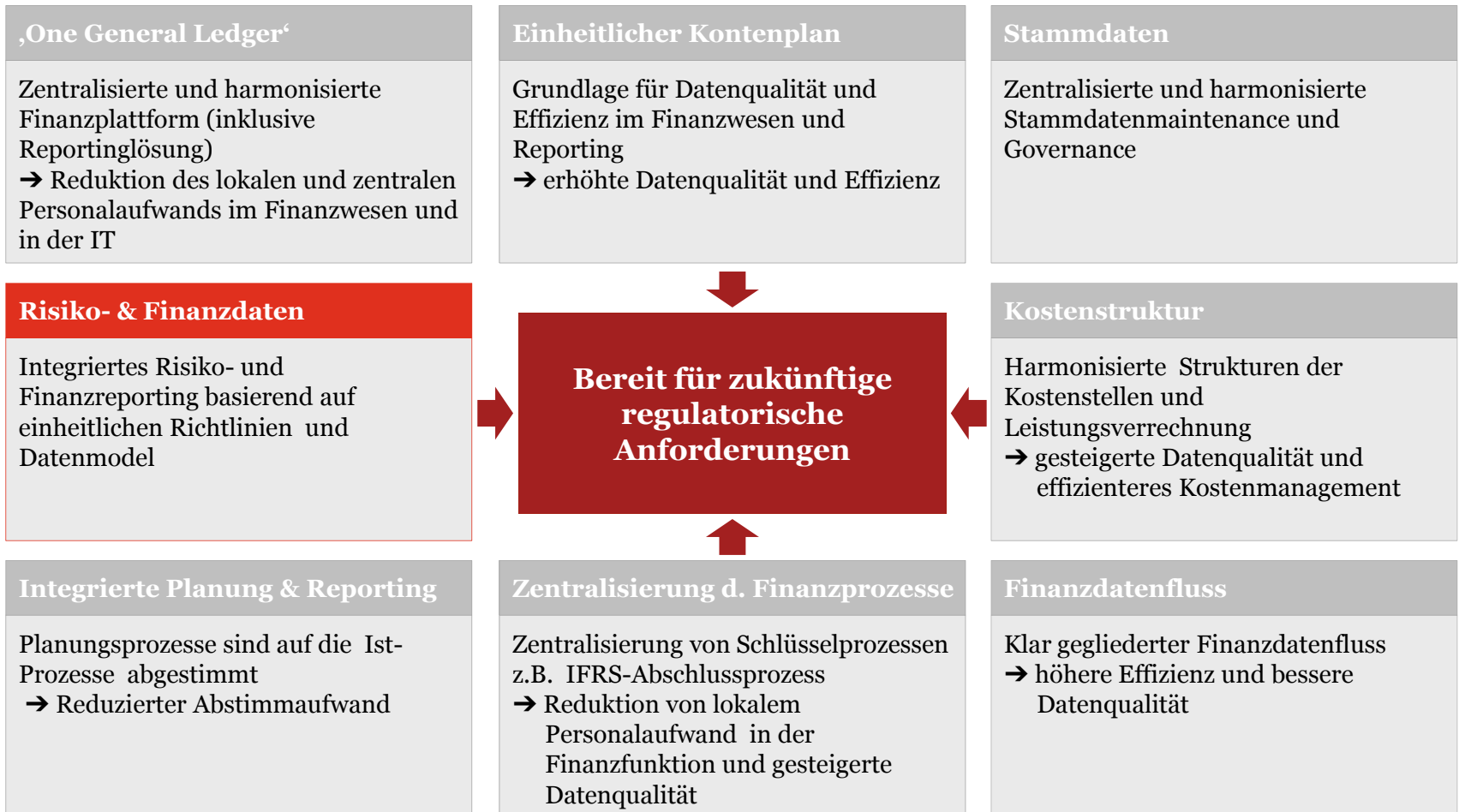
- Die Definition der Dimensionen beginnen in der Gruppe und müssen auf die Vorsysteme heruntergebrochen werden
- Eine einheitliche Definition sowie ein Verständnis der Reporting-Anforderungen von der Gruppen-Ebene hin zur operativen Ebene ist wichtig



Trends und Erfahrungen aus einer globalen Perspektive

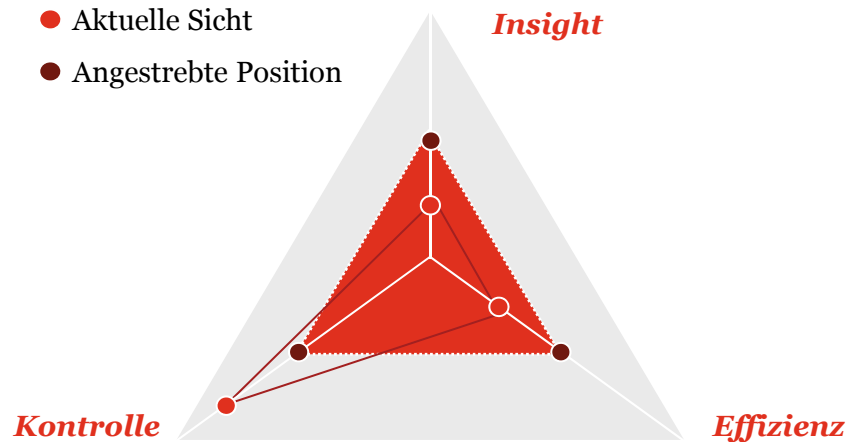


Trends und Erfahrungen aus einer globalen Perspektive



Implikationen für die Rolle der Finanzfunktion

Solvency II als Beschleuniger der Finanzfunktions-Transformation



Charakteristika

Kontrolle

- Vergangenheit: Kontrolle / Compliance stand zuoberst auf den Agendas der CFO's
- Zukunft: nachhaltiges, effizientes und fokussiertes Risikomanagement,
- Flexibilität der Finanzfunktion für künftige regulatorische Veränderungen
- Transparenz

Effizienz

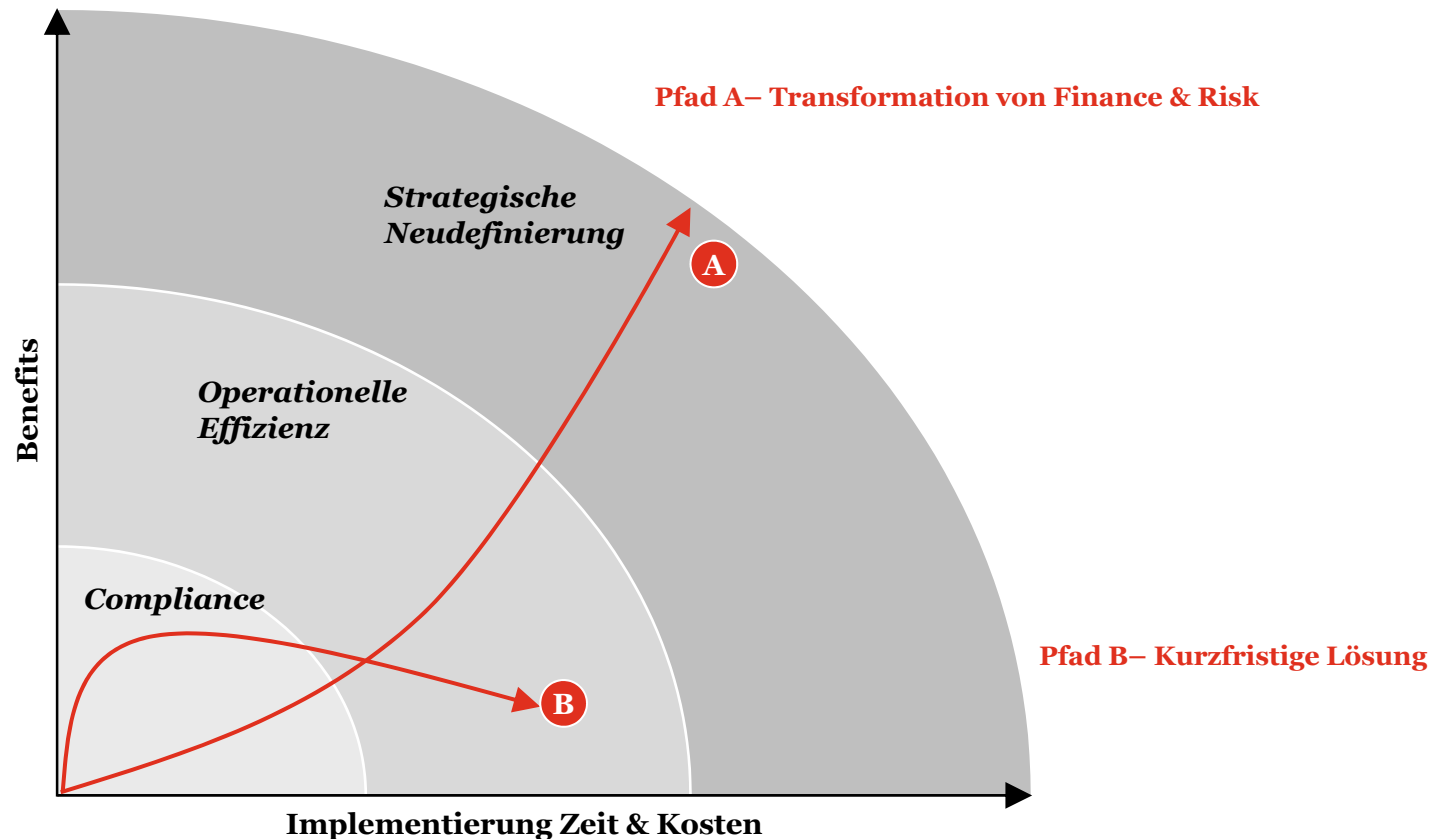
- Harmonisierung / Standardisierung von Prozessen und Systemen
- Vereinfachte Datenflüsse, Informationen und Analysen sowie Einsichten für SII Pillar 3
- Transfer von Ressourcen in Pillar 3-Analysen

Insight

- Zentrales Element der Finanzfunktions-Vision
- Rechtzeitiges, genaues und sachbezogenes Performance-Reporting gemäss Pillar 3 Metrics
- Bessere Geschäftsentscheide durch Pillar 3-Reporting

Optionen für Risk & Finance Transformation für Solvency II

Roadmap zur Compliance



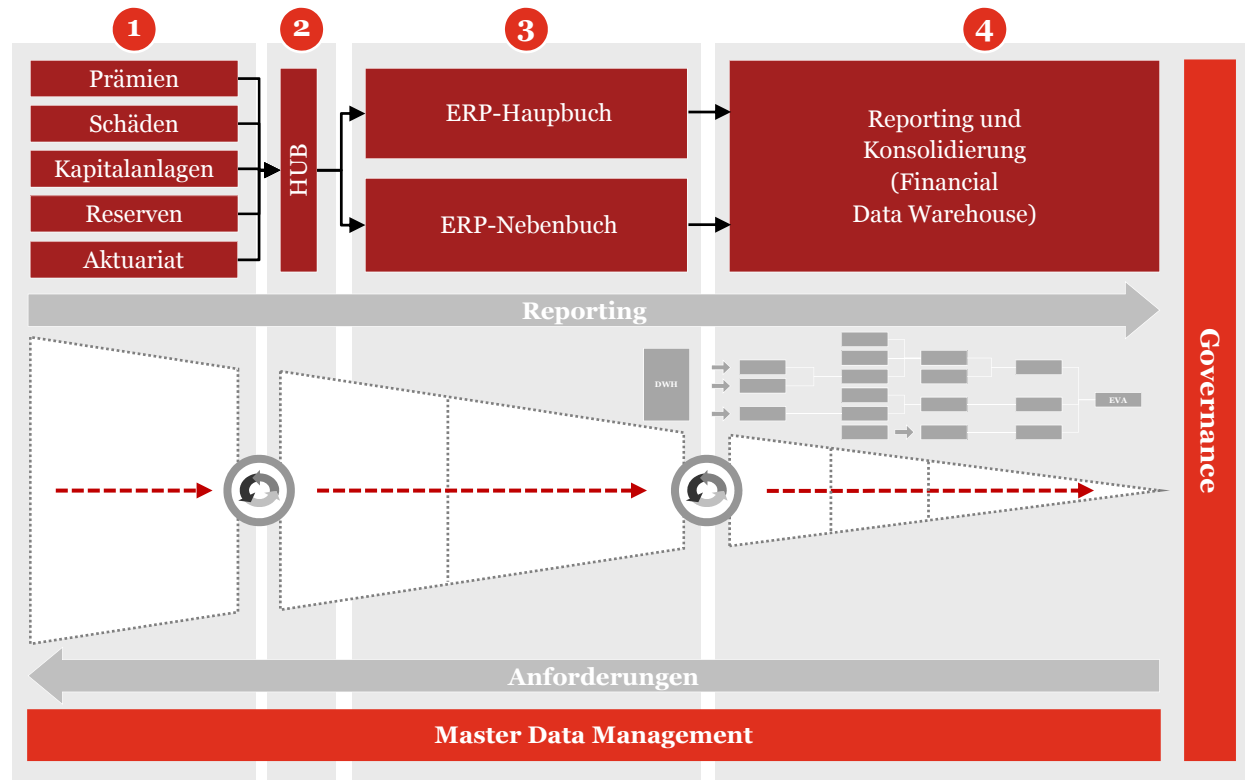
Solvency II: die Anknüpfungspunkte

1) Vorsysteme - Impact Analyse :

- Welche Anpassungen müssen vorgenommen werden
- Rechtzeitig mit der Analyse beginnen und Erkenntnissen sofort spezifizieren
- Erstellung eines Massnahmen-Katalogs

2) Interface - Impact Analyse :

- Anpassung/Redesign der bestehenden Schnittstelle(n)
- Multi-GAAP / Multi-Valuation fähige Verbuchung
- Einheitliche Datenverarbeitung mittels Finance-HUB – „Single point of entry“



3) Finanzbuchhaltung - Impact Analyse :

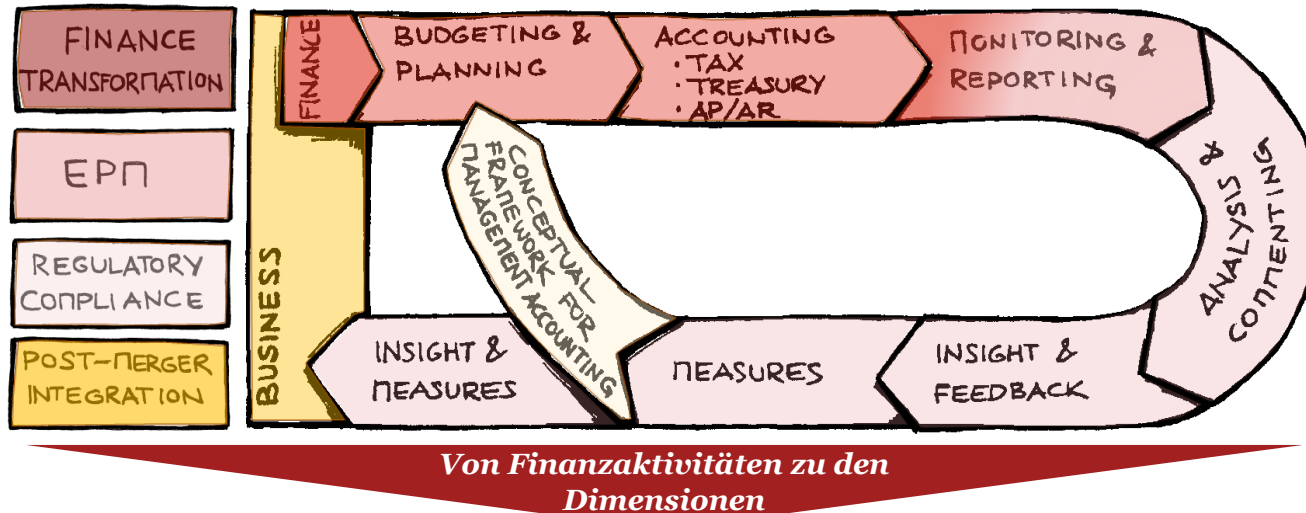
- Welche Daten sind buchungsrelevant
- Werden Bewertungsunterschiede in einem separaten Buch mitgeführt, und wenn ja mit welchem Detail (Dimensionen)
- System unterstützte Abschlussprozesse -> Reduktion der Abstimmprozesse / Erhöhung der Datenqualität -> **Automatisierung**

4) Reporting und Konsolidierung- Impact Analyse :

- Definition der geeigneten Reporting Tools, Standards und Formate (z.B. XBRL)
- Anpassung der Daten-Modelle
- Erweiterung des Regulatorischen und Management Reportings

Lösungsansätze für Versicherungsunternehmen

...umfassend und fokussiert



- Organisation
- Finanzvision
- System-Management
- Daten-Management
- People-Management

Kontrolle

- Treasury: Banken- & Finanzmanagement
- Prozesskontrolle & Compliance
- Interner Audit

Einsichten

- Budgetierung & Prognose
- Management Reporting
- Unternehmensanalyse

Effizienz

- Unternehmens- & Finanz-Reporting
- Debitoren- & Kreditoren-Management
- Hauptbuchhaltung

Kontakte



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