Society of Actuaries in Ireland

SAI Working Party
Emerging Solvency II issues for life companies

11.04.2016

Agenda

- Introduction
- European inputs
- Head of Actuarial Function (HoAF) considerations
- Capital considerations
- Ongoing implementation aspects
- Conclusions

Disclaimer:
The material, content and views in the following presentation are those of the presenters.

Working party membership

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European inputs

Approaches to Solvency II

# countries	# responding	Feature
10	17	SII introduced to local legislation
15	19	Ready for reporting
16	19	Will apply volatility adjustments
6	19	Will apply matching adjustments
9	19	Will allow transitional measures
7	19	Will apply SI where not under SII scope

Source: AAE survey September 2015

Approaches to Solvency II (contd.)

- Significant majority of actuarial function holders (AFH) are qualified actuaries; qualification required by law in 3 countries
- Practising certificates in UK and Ireland – nowhere else
- Mainly insourced
- "Appointed actuary" and "external expert" roles to exist alongside actuarial function
- High proportion of CROs are actuaries
- Risk management and actuarial functions – possibility of combination

Source: AAE survey September 2015

Requirements which are additional to SII

	Actuarial certification	Audit requirement
SFCR		Austria, Poland, UK, Ireland(?)
Balance sheet		Germany
Technical Provisions	Germany, Ireland, Luxembourg, Spain	Spain

Notes:

- Audit requirements are still unclear in a number of countries, e.g. France, Ireland, Italy.
- Responses are based on an informal survey, carried out in February 2016, of actuaries working in 11 European countries.

Some concerns about Solvency II

- Ultimate Forward Rate
- Appropriateness of Standard Formula, e.g.
  - risks not covered
  - inconsistent treatment of asset classes
  - appropriateness of calibrations
  - negative interest rates
  - one size fits all approach
- Interaction with other regulatory regimes, e.g. banking and retail asset managers
- Transitional arrangements
- Lack of harmonisation
- Potential for procyclicality
- Difficulty and expense of implementation

Provisions for and actions toward review

- Scheduled review of capital requirements 2018
- EIOPA to submit its advice to the European Commission in 2018. Advice to be based on experience of the first two years of Solvency II application. To assess possible cumulative effects and unintended consequences
- Key principles simplicity and proportionality
- Special attention to:
  - procyclicality,
  - effects on insurance investment behaviour
  - product availability to consumers
  - calibration of different asset classes (including sovereign bonds)
- EIOPA will provide an annual report to the European Council, Parliament and Commission on the implementation of the long term guarantees (LTG) package and on equity risks. Commission to submit report to Parliament on LTG by 1 January 2021.

EIOPA work programme 2016

Strategic priorities

- Transparency, simplicity, accessibility and fairness for consumers
- Sound and prudent regulations
- Quality, efficiency and consistency of supervision
- Manage risks and threats to stability
- Act as modern, competent and professional organisation

Areas of focus (Solvency II) for 2016

- Risk free rate, especially Ultimate Forward Rate
- Stress tests, financial stability reports
- Equity dampener practicalities
- Volatility adjustment process practicability
- Appropriateness of standard formula
- Infrastructure investment
- Resolution and recovery plans
- Guidelines on auditor/supervisor dialogue
- Impact of application of LTG package and measures on equity risk
- Consistency of internal model approvals
- Market, underwriting risk benchmarking studies
- Implementation of transitional measures
- Contribution to ICS

International Capital Standard (ICS)

- Part of ComFrame, applying to all IAIGs and G-SIIs; further consultation due in June 2016
- Basic Capital Requirement (BCR) and Higher Loss Absorbency (HLA) to constitute group-wide capital requirement
- Applying to G-SIIs only
- BCR reporting (confidential) to supervisors started from 2015
- BCR intended to reflect major categories of risk; to be replaced
- Intention to ensure that G-SII status leads to requirement for higher level of regulatory capital
- HLA endorsed by G20 in November 2015; to be reported on confidential basis to group-wide supervisors
- Planned to be fully adopted in 2019
- How to adapt SII to ICS? Actuarial involvement in Europe?

Head of Actuarial Function (HoAF) considerations

Head of Actuarial Function (HoAF) considerations

Requirements of HoAF can be considered in two parts:

Solvency II Regulations	CBI's Domestic Actuarial Regime
• Article 48 of Directive • Article 272 of Delegated Acts Summary of key responsibilities: • Technical Provisions • Opinion on underwriting policy • Opinion on reinsurance arrangements • Contribution to Risk Management System Required to report to the Board on tasks of Actuarial Function annually	Additional requirements for HoAFs: • Actuarial Report on Technical Provisions to Board (AR TPs) • Actuarial Opinion on Technical Provisions to CBI (AO TPs) • Peer Review by Reviewing Actuary • Opinion on ORSA • Reserving policy • Additional responsibilities for Life HoAFs Possible to combine AR TPs with Actuarial Function Report required under Solvency II

Timelines

- Appointed Actuary responsible for certifying closing YE 2015 SI TPs
- HoAF responsible for SII TPs for Day 1 (1^{st} Jan 2016) and quarterly thereafter
- All Solvency II requirements apply in 2016
  - HoAF required to produce report on tasks of AF <u>during</u> 2016 (no fixed date)
  - ESAP2 may be used as a guide (not binding)
- Some elements of the Domestic Actuarial Regime apply in 2016
  - e.g. Opinion on ORSA, Reserving Policy
- Others will only apply from first year-end after 30^{th} June 2016
  - Actuarial Report on Technical Provisions to Board (AR TPs)
  - Actuarial Opinion on Technical Provision to CBI (AO TPs)
  - Peer Review by Reviewing Actuary

Additional HoAF responsibilities

- Number of additional responsibilities of the HoAF for life companies:
  - Monitoring compliance with policyholder disclosures requirements
  - Advise on declaration of bonuses for with-profits business
  - Reporting to Board on PRE issues
  - Opining on how discretionary elements of policy conditions have been applied
- Advising on transfer from the Life Assurance fund?
- Previously the responsibility of the Appointed Actuary
- Responsibilities transfer to HoAF from 1st January 2016

Checklist for 2016 and 2017

Requirement	2016	2017
Actuarial Function Report	✓	✓
Actuarial Report on Technical Provisions (AR TPs) – Board	✗	✓
Actuarial Opinion on Technical Provisions (AO TPs) – CBI	✗	✓
Opinion on ORSA to Board	✓	✓
Peer Review Report by Reviewing Actuary	✗	✓
Monitoring policyholder disclosures	✓	✓
Advising on bonuses declarations on with-profits business	✓	✓
Reporting to the Board on PRE issues	✓	✓
Advising on transfers from Life Assurance Fund	✓	✓
Reserving policy	✓	✓

Note: Assuming 31st December year-end

Day 1 Reporting

- Due to be submitted on 20th May 2016
  - QRTs (Balance Sheet, Own Funds, SCR, MCR)
  - Narrative report reconciling Solvency I to opening SII Balance Sheet

- Additional CBI template for Day 1 reporting
  - Solvency I Balance Sheet (in QRT format)
  - SI to SII Balance Sheet reconciliation (with narrative explanation)
  - Detailed walkthrough of SI to SII Technical Provisions

Additional CBI (Day 1) template

Detailed walkthrough of TP changes
Solvency I TPs
Methodological Prudence
Contract Boundary
Assumptions: Lapse
Assumptions: Demographic
Assumptions: Economic
Assumptions: Discount Rate
Assumptions: Expenses
Risk Margin
Asset Revaluation
Matching Adjustment
Volatility Adjustment
Transitional measures
Other
Solvency II TPs

- Split by country
- Split by line of business
- Gross and net of reinsurance
- Significant number of model runs required (order matters!)
- Reconciliation back to Balance Sheet

Actuarial Guidance from CBI

- Expected in the coming months
  - No formal consultation
- Addressed to Head of Actuarial Function
- Expected to cover the following areas:
  - Opinion on Underwriting Policy
  - Opinion on Reinsurance Arrangements
  - Contribution to the Risk Management System

ASPs to be reviewed for Solvency II

Code	Title
ASP LA-1	Appointed Actuaries and life assurance business
ASP LA-2	Actuarial financial condition reports
ASP LA-3	Additional guidance for Appointed Actuaries on valuation of life assurance business
ASP LA-4	Additional guidance for Appointed Actuaries on policyholders' reasonable expectations
ASP LA-5	The prudential supervision outside the Republic of Ireland of life assurance business
ASP LA-6	Transfer of long-term business of an authorised insurance company – role of the independent actuary
ASP LA-7	The role of actuaries in relation to financial statements of insurers and insurance groups writing life assurance business and their relationship with auditors
ASP LA-8	Life assurance product information
ASP LA-9	Life assurance remuneration information
ASP LA-10	Life assurance company takeovers
ASP LA-11	Statements of actuarial opinion on Life Reinsurance Business
ASP LA-12	Life Reinsurance Business: Actuarial Reports

Capital considerations

Agenda

- $\boxed{\text{Assessing standard formula appropriateness}}$
- Assessing ‘own solvency needs’

Background

- Most Irish firms using the Standard Formula
  – Over 200 firms subject to Solvency II
  – Only 13 of which are using an Internal Model
- SF designed for an "average" EU insurer
  – By definition, not perfect for any firm
- Only becoming an issue for many firms this year
  – Requirement for High/Med-High last year; now everyone

Requirement to test appropriateness

- Article 45 of Directive re ORSA
  - ORSA needs to cover *“the significance with which the risk profile … deviates from the assumptions underlying the Solvency Capital Requirement … calculated with the standard formula …”*

  - ORSA also needs to cover *“overall solvency needs taking into account the specific risk profile”*

Potential problems with SF

1. Risks not covered by SF
2. Differences in firms' risk profiles
3. Inappropriate SF design/calibration

- However #3 is outside scope of requirement to review appropriateness of SF to individual firms
  - Picked up under assessment of 'Own Solvency Needs' instead

CBI feedback to-date

- Feedback on 2014 FLAORs
  - "In general the significance of the deviations of the risk profile from the assumptions underlying the SCR was not appropriately assessed … The level of reliance on the standard formula or an internal model was very high; therefore the assessment of how the risk profile deviates from the assumptions underlying the calculation of the required capital is an important aspect and should be fully discussed in the FLAOR reports in 2015."
- Feedback on 2015 FLAORs
  - "Risk profile deviation explanation is improved"
- Plans for 2016
  - Will include "Detailed reviews of the ORSA documents, including Own Solvency Need assessments and the appropriateness of the standard formula, where relevant."

Requirement to assess risk profile deviations

- Companies need to assess whether there are material deviations in their risk profile compared to the assumptions underlying the SF
- Requires consideration of differences arising due to risks that are not considered, or risks that are underestimated or overestimated
- Process:
  - Initial qualitative analysis of risk profile deviations
  - Where deviations are significant, a quantitative assessment is needed
- What is 'significant'?
  - 'True' SCR is more than 10% higher (unless mitigating circumstances or accepted counter-arguments)
  - 'True' SCR is more than 15% higher (irrespective of any mitigating circumstances or counter-arguments)

Process in more detail

- Assessment process ‘expected to’ include:
  - Analysis of the risk profile and an assessment of the reasons why the SF is appropriate
    - Including a ranking of risks
  - Analysis of the sensitivity of the SF to changes in the risk profile
    - Including the influence of reinsurance arrangements, diversification effects and the effects of other risk mitigation techniques
  - Sensitivity analysis of the SCR to key parameters
  - Justification of any simplifications used
  - Explanation of how the SF is used in decision making

Comments on process

- EIOPA Paper 14-322 sets out assumptions underlying the SF
  - First step requires reference to this paper
  - However, the amount of work required based on this document is open-ended
  - My view: The effort should be proportionate to the materiality of the risk and also tailored to the scale of the company

Risks not covered by SF

- EIOPA acknowledges not all risks explicitly captured in SF
  - Inflation, Reputational, Liquidity, Contagion, Political / Legal
- CBI's PRISM approach mentions others
  - Governance, Strategy / Business Model, Conduct
- There are other specific examples
  - Default/spread risk on government bonds
  - Market volatility risk for business with investment guarantees
  - Longevity risk for defined benefit pensions schemes
- Also regulatory risks
  - Risk of changes from LTG Review (2021)
  - Risk of other changes to SF (2018 Review)
- Capital not always the most appropriate mitigant

Possible areas of differences in risk profile

- In the UK the PRA has mentioned some specific examples which it thinks would need review. For life insurers, these include:
  - Longevity risk from deferred annuities or impaired life annuities
  - Equity exposure where concentrated in relatively few/unusual assets
  - Credit-risky assets that are not well reflected by the standard formula
  - Operational risk, particularly where heavy reliance on outsourcing and/or large range of legacy systems

- Also, SF calibration assumes that the liabilities are well diversified in terms of applying the underwriting risk stresses

- Diversification
  - Need to consider appropriateness of SF correlations if SCR stems mainly from a small number of risk modules

Work to be done

- Demonstrating SF appropriateness is not a trivial exercise
  - May entail a significant level of work (depending on the nature of the company's business)
  - Need to clearly document the review – process and outcome
  - How robust can the analysis be? What is a 'true' 1-in-200 test for your firm?
- Needs to be covered in ORSA process
  - May be documented in ORSA report or separate report
  - Requirement for HoAF to 'peer review' CROs work?
- Assessing the submissions will potentially consume a significant amount of the regulators' resources
  - Could lead to inconsistency across the EU if different regulators have materially different expectations as to the contents
- Understanding the regulator's expectations is critical
  - To ensure that the level of work undertaken is adequate, but not excessive

Then what happens?

- If SF inappropriate, ORSA review likely to lead to discussions with regulator
  - Threshold of 'inappropriateness' for regulatory action is in 10%+ range
- First option is for firm to change its risk profile
  - But this is generally not easily done without changing the business strategy
- Undertaking Specific Parameters (USPs) may help to address the issue
  - But won't help life companies, since USPs only apply to non-life risks
- Regulator may apply a capital add-on to the SCR
  - See Art. 282 and 283 of the Delegated Regulation
  - Add-on will be publicly disclosed
  - Alternatively, possible that the supervisor may require companies to maintain a higher solvency coverage ratio without explicitly imposing a capital add-on
- Ultimately a full or partial internal model implementation may be required
  - Capital add-ons only supposed to be a temporary fix

Agenda

- Assessing standard formula appropriateness
- Assessing ‘own solvency needs’

Potential problems with SF

1. Risks not covered by SF
2. Differences in firms' risk profiles
3. $\boxed{\text{Inappropriate SF design/calibration}}$

Issues with SF calibration/design

- Issues with some market risk stress calibrations
  - Interest rates
  - F/x rates
  - Property
- Equity risk transitional
  - Starts out at 22% rising to 39% over transitional period
- Concentration risk
  - Line of business: BEL coming from one product/territory
  - Non-financial assets e.g. Italian tax pre-payment
- Calibration of lapse, mortality, morbidity, expense risks appropriate to all firms?

Wider ‘own solvency needs’ considerations

- Wider than just a review of the SF
- In addition, need to consider extent to which the calculation of own solvency needs should use a different approach to that used in the technical provisions and SF SCR calculations
- For example, issues with TP calculations
  - UFR
  - Other adjustments to yield curve (MA, VA, transitionals)
  - Contract Boundaries

Summary

- Requirement to assess SF appropriateness
  - Relatively narrow focus
  - May require significant work
  - Will lead to discussions with supervisor if found to be materially inappropriate
- Requirement to assess overall own solvency needs
  - Wider focus (only touched on in this presentation)
  - Includes allowing for issues with design and/or calibration of SF
  - Also includes allowing for issues beyond the SF SCR e.g. issues with calculation of TPs etc.
- Both aspects will now receive greater scrutiny from the CBI

Ongoing implementation aspects

Ongoing implementation aspects

Agenda

- SII external audit
- Update on SII implications for accounting and MCEV / EEV
- Update on SII implications for tax

SII external audit – European level

- No European level requirement under SII for external audit of the Pillar 3 public or private disclosure

- EIOPA:

  "believes that to ensure high quality public disclosure for Solvency II purposes, external audit of that information can … be a powerful tool. In order to make best use of external audit in the context of the SFCR, EIOPA is of the view that at individual and group level, the main elements of the SFCR (**balance sheet, own funds and capital requirements**) of all insurance and reinsurance undertakings could fall within the scope of an external audit"

- In absence of a European level requirement, European countries have taken different approaches to external audit

  – Irish subsidiaries have been caught by parent company requirements

SII external audit – example 2016 plans

Country	Planned for 2016?	Scope
Austria	Yes	SFCR (Balance sheet, OF, MCR, SCR) Evaluation of effectiveness of internal control system, risk management system and internal audit
Belgium	Yes	All QRT's, narrative reporting
France	Yes	Balance sheet, OF, MCR, SCR
Germany	2016	Balance sheet, MCR, SCR
Greece	Yes	Balance sheet, OF, MCR, SCR
Ireland	Yes (CP pending)	SFCR (Balance sheet, OF, SCR for standard formula)
Italy	Under discussion	Under discussion
Netherlands	Yes	Procedures around Day 1 QRTs, specific aspects of governance, reporting, IT / Data and internal controls
Poland	Under discussion	SFCR
Spain	No	
UK	Yes (CP period closed)	SFCR (Balance sheet, OF, SCR for standard formula)

Warning: the above are based the results of an informal survey from late 2015!

SII external audit – Irish proposal

- CBI notified intent last September; outlined proposal in March:
  - annual external audit to give reasonable assurance opinion
  - opinion is on elements of SFCR (QRTs and qualitative elements) relevant to the balance sheet, own funds, MCR and SCR
  - all (re)insurance undertakings in scope
  - group solvency calculations in scope for groups headquartered in Ireland
  - internal models out of scope
  - work on the opening balances under SII will be required
- Consultation paper expected in May, with view to finalising requirements in September
- Implementation for reporting periods ending on or after 31 December 2016 (first SFCR)

Irish proposal – what might be in the CP?

- PRA issued CP43/15 in November 2015, consultation closed in February
- Some observations from PRA CP:
  - PRA plans earlier implementation date of 30 June 2016
  - Specifies which QRTs in scope
  - Specifies SFCR narrative elements in scope, i.e. "Valuation for solvency purposes" and "Capital management"
  - Scope appears consistent at a high level with CBI March newsletter but will to wait to see if differences in CBI CP
  - PRA proposes that relevant items subject to external audit "whenever SCFR is published"
  - PRA will review approach at the latest by the time IFRS 4.2 is implemented

Public QRTs in scope in PRA CP

QRT	Description	PRA CP
S.02.01.02	**Balance sheet**	✓
S.05.01.02	Premiums, claims and expenses by line of business	✗
S.05.02.01	Premiums, claims and expenses by country	✗
S.12.01.01	**Life and Health SLT Technical Provisions**	✓
S.17.01.02	**Non-Life Technical Provisions**	✓
S.19.01.21	Non-life insurance claims	✗
S.22.01.21	**Impact of long term guarantees and transitional measures (MCR)**	✓
S.22.01.22	**Impact of long term guarantees and transitional measures (SCR)**	✓
S.23.01.01	**Own funds**	✓
S.23.01.02	**Own funds**	✓
S.25.01.21	**SCR - for undertakings on Standard Formula**	✓
S.25.01.22	**SCR - for groups on Standard Formula**	✓
S.25.02.21	SCR - for undertakings using the Standard Formula and PIM	✗
S.25.02.22	SCR - for groups using the Standard Formula and PIM	✗
S.25.03.21	SCR - for undertakings on Full Internal Model	✗
S.25.03.22	SCR - for groups on Full Internal Model	✗
S.28.01.01	**MCR - Only life or only non-life insurance or reinsurance activity**	✓
S.28.02.01	**MCR - Both life and non-life insurance activity**	✓
S.32.01.22	**Undertakings in the scope of the group**	✓

SII external audit – some considerations

- Requirements to be determined
  - Scope (QRTs, narrative, SF for PIMs, etc)
  - Coordination with (periodic) peer review requirements?
  - Audit requirements for non 31 December year-ends during 2016?

- Planning
  - Engage with CBI consultation when CP is issued
  - Ensure data, models, processes, controls, reports etc are audit-ready
  - Engage with external auditor early and front end (e.g. opening position) where possible to limit surprises

- PRA November Director's update noted areas for improvement based on FY14 Solvency II balance sheet review:
  - Equity release mortgages
  - Risk margin methodology
  - Calculation of the transitional deduction for technical provisions
  - Reinsurance counterparty credit risk

Update on SII implications for accounting

- Insurance and with-DPF classified contracts – no change required in accounting following SII
- Question as to if and how companies opt to align (where permitted) insurance accounting with SII valuation
- Some insurers had been considering alignment with SII pre year-end 2015, most opted to postpone such valuation changes
  - Greater benefit to align bases post year-end (e.g. SNST12, S.39.01)
- IASB has completed technical decisions in respect of IFRS 4.2 – final standard now due end 2016 with earliest effective date 2020 (date to be finalised by IASB)
- Increased disclosures in respect of SII in 2015 group accounts
- Disclosures changes expected for 2016 local accounts to reflect SII (e.g. capital position statement, risk disclosures)

Example SII disclosures 2015

Company	Total Own Funds	Total SCR	Trans. allowance on TP	Solvency coverage ratio	Internal model (IM) / standard formula (SF)
Allianz	Not reported	Not reported	Not reported	Not reported	IM
AEGON	Not reported	Not reported	Not reported	~160%	Partial IM
Aviva	£21.8bn	Not reported	Not reported	180%	Partial IM
AXA	Not reported	Not reported	Not reported	205% [201%]	IM
Direct Line	£2,471m	£1,676m	Not reported	147%	SF (used in interim until PIM approved)
Generali	Not reported	Not reported	Not reported	202% [186%] (economic solvency ratio calculated using SII full IM)	IM (so far only the PIM has been approved)
Hannover Re	€12,614m [€12,444m]	€5,126m [€4,353m]	Not reported	246%	IM
LBG	Not reported	Not reported	Not reported	148% (before allowing for dividends)	IM
L&G	£13.5bn	£8.0bn	Not reported	169%	IM
Munich Re	€40.7bn [€38.2bn]	€13.5bn [€13.8bn]	Not reported	302% [277%]	IM
NN Group	€13,341m	€5,587m	Not reported	239%	Partial IM
Old Mutual	£6.0bn	£4.4bn	Not reported	135%	Standard formula
Prudential	£20.1 bn	£10.4 bn	Not reported	193%	IM
RSA	£2.9bn	£2.0bn	£0.8bn	143%	IM
Standard Life	£5.5bn	£3.4bn	Not reported	162%	IM
Swiss Re	Not reported	Not reported	Not reported	Not reported	IM
ZIG	Not reported	Not reported	Not reported	Not reported	IM

[] = prior period figures

Some figures disclosed at YE15 are from Q3’15

Warning: indicative only!

Update on SII implications for MCEV, EEV

- **CFO Forum issued guidance in October 2015**
  - Allowance for SII not required to comply with CFO Forum MCEV or EEV requirements for reporting periods ending before 30 June 2016
  - Recognises that some members are expected to move towards SII methods in EV reporting, e.g. in relation to the reference rate
  - Will revisit MCEV and EEV Principles for reporting periods ending in 2016 and later
- **Market practice for year-end 2015**
  - Continuation of previous approach, e.g. based on Solvency I reserves, use of liquidity premium in setting discount rates
  - Most already allowed for SII SCR in determining encumbered capital and many have aligned CRNHR with SII
- **Considerations for 2016 onwards**
  - Technical choices will depend on CFO Forum guidance and group instructions
  - Timing and extent of modelling, process, controls and reporting changes required
  - Impact on MCEV result, prior year comparatives in first year of change?

Update on SII implications for tax

Changes in accounting basis in 2016 due to implementing SII

- Previous question as to tax treatment on transition to SII
- No agreement made with Revenue (nor proposal going from Insurance Ireland to Revenue) on spreading transitional losses if accounting basis was changed in 2016 due to move to SII
- Companies will have to approach Revenue themselves

Update on SII implications for tax

I-E “old-basis” business

Valuation

- Legislative basis for life assurance fund following SII maintained by 1989 Insurance Act
- SII valuation applicable to distributable surplus (for insurers subject to SII)
- Changes in valuation may be significant

Disclosure

- Form 28 equivalent does not exist in SII – practical issue of disclosure post SI
- Insurance Ireland considered possible disclosure approaches under SII
  - agreed to include the surplus transfer in the ARTP and the audited financial statements; and
  - sending a proposed ebrief to Revenue

Summary challenges

- SII external audit is another reason to streamline reporting bases
- Streamlining of bases increasingly beneficial but limited by ability to align insurance accounting valuation with SII
  - will undertakings opt to make alignments for year-end 2016?
  - if now matching on SII basis, but still using SI based figures in accounts, then may result in increased P&L volatility
- Need to continue to manage uncertainty
  - finalised external audit requirements due September 2016
  - Revenue adoption of proposed ebrief?
- Challenge to explain numbers across different metrics
  - requirements for additional MIS, reconciliations, disclosures
  - existing product MI vs SII cost of capital (portfolio vs product level)
  - what basis are you managing your business on?

Don’t underestimate the effort required!

Conclusions

Wider challenges arising from implementation

- Complexity of framework
- Assessing SF appropriateness and own solvency needs
- Requirements of HoAF
- Ongoing uncertainty, e.g.:
  - CBI guidance
  - Actuarial roles
  - External audit
- Different interpretation / implementation across borders
- EIOPA review underway
- Accounting, MI and tax implications

….and all the business challenges!