Solvency II & the Quantitative Impact Studies

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Why is Solvency II Important?

• Within the Project, studies of the insurance market are taken to evaluate if and to what extent new solvency requirements are needed.

• On this basis, a new EU directive should be developed and translated into national law.
• Shall improve the current solvency requirements in the EU.
• The Solvency II project has a much wider scope and includes a review of the overall financial position of an insurance undertaking - not just limited to the solvency margin requirement which is the balance sheets.
• It aims to ensure adequate policyholder protection in all EU Member States
• But it also brings improvements for the insurance companies themselves
• New technical provisions, risk transfer techniques and improved financial reporting
• Establish a system which is less risky than the current but realizable for every insurance company – better competitiveness.

• Take into account current developments in insurance, risk management, finance techniques, international financial reporting and prudential standards, etc.
Scope of the Solvency II Project 4/5

• Increased focus on the supervisory review process

• Supervisors will have much better and appropriate tools and powers to judge the solvency of insurance and reinsurance undertakings

• Closer relation between the way companies manage themselves and the way they are regulated
• Harmonize regulations between EU countries

• Member States should no longer need to introduce additional requirements, because everything should be covered by the directive

• Improve the competitiveness of EU insurers, both within the EU insurance market and internationally
Quantitative Impact Studies (QIS)

- In Spring 2005: Preliminary Field Study Limited participation
- QIS 1 in October 2005: Focus on technical provisions
- QIS 2 in Spring 2006 Technical provisions, MCR and SCR
- QIS 3 in Spring 07: Group SCR / solo, SCR, Available capital, Revised MCR, Calibration
- QIS 4 April-July 2008: Follow-up of QIS 3; Simplifications, Groups, Internal models, Own funds
- Adoption of Framework in April 2009?
- Adoption of implementation measures in 2010
- Solvency II in Force 2012/2013
Conclusion

• Combination of a quantitative-and qualitative risk management should lead to value-and risk based management approach

• Creation of sustainable security-and growth effects

• Implementation of an open and transparent risk culture

• Establishing of a formal and methodical foundation

• All-embracing -Solvency II compatible -risk management will result in a competitive advantage
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