

QIS 5 hot topics

Solvency II Breakfast briefing

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What is expected?

Participation rates

- CEIOPS & European Commission
 - . Solo undertakings . at least 60% participation (25% targeted for QIS4)
 - . Groups . at least 75% participation (60% targeted for QIS4)
 - . Request for smaller undertakings to participate more actively than before

- Central Bank (Financial Regulator)
 - . 100% participation . **ALL** legal entities
 - . Ireland has
 - . 69 life companies,
 - . 119 reinsurance & SPV companies
 - . 157 non-life and captives

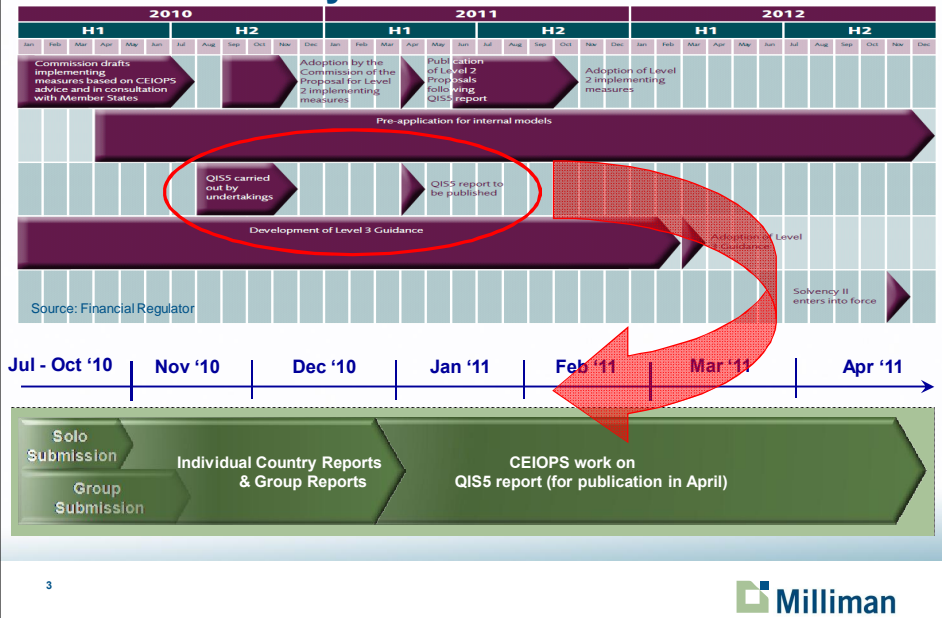
Effort

- As if %or real+
- ÷ better than %best efforts+÷

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QIS5 & Solvency II Timelines



Resources available to you

CEIOPS

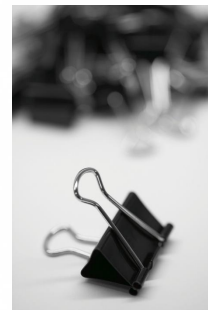
- . Technical specification & supporting documentation
- . Submission spreadsheet & completion manual
- . Qualitative questionnaire
- . Simplifications & Helper spreadsheets
- . QIS5 for beginners+
- . National guidance
- . Centralised databases (for Groups)
- . Q&A
- . Training and workshops

Central Bank (Financial Regulator)

- . Workshops and Q&A

Society of Actuaries

- . Q&A Forum



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Keeping up to date on QIS 5 changes

- QIS5 technical specification
 - . Final specification published on 6th July
 - . Followed by errata containing a number of corrections (11th August & 27th September)
- QIS5 spreadsheet
 - . Originally published on 24th August
 - . Five updates since then (to 6th October)
- Q&A document
 - . Originally published 29th July
 - . Regularly updated since then (now 100+ pages)
- Workshops
 - . CEIOPS: 25th . 26th August
 - . Central Bank (Financial Regulator): 8th . 14th September



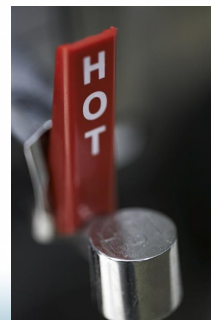
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Some hot topics

Best estimate & Risk margin

- Contract boundaries
 - . Regular premium with reviewable charges
- Illiquidity premium (and transitional measures)
 - . Appropriateness
 - . Economic Scenario Generators
 - . What about transitional measures?
- Deferred tax assets/liabilities
 - . Impact of latest IFRS Phase II proposals
- Risk margin calculation
 - . Ability to project (Hierarchy of simplifications)
 - . What is unavoidable market risk?



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Some hot topics

SCR & Own Funds

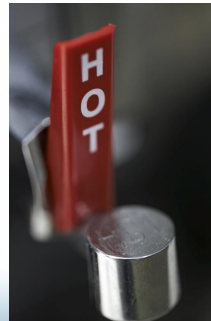
- Operational risk
 - Unit linked business

- How to value assets in shock scenarios
 - e.g. Irish Government bonds

- SCR shock simplifications
 - Applicability (subject to proportionality)

- Treatment of new business in standard formula
 - Life and non-life approaches

- Own funds
 - Winding-up gap
 - EPIFP



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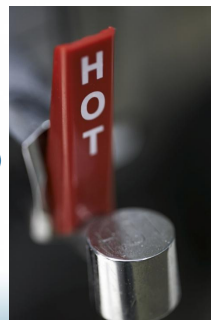
Some (more) hot topics

Other issues

- Loss absorbing capacity of technical provisions & deferred taxes
 - Construction of single equivalent scenario

- Defined Pension Scheme liabilities
 - Include or exclude?

- On a practical level ..
 - Look-through (and aggregation of exposures)
 - Segmentation
 - Policy level determination of SCR shocks (e.g. lapse shock)
 - Loss-given-default
 - ..



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What QIS5 means for your business

- For now
 - . How to achieve better than %best efforts+?
 - . Log of practical issues
 - . Beware of future changes to Solvency II standard formula specifications
 - . Other risks not adequately captured by standard formula . risk of capital add-ons?
 - . Pillar I gap analysis (including analysis of modelling developments required)

- Looking ahead
 - . What are you doing on product pricing?
 - . Strategic review
 - ~ Product lines
 - ~ Corporate structure (if head office in third country)
 - . Examine if need to revisit reinsurance arrangements
 - ~ Are they still necessary post Solvency II?
 - ~ Commutation considerations
 - ~ Equivalence (CP82)

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Ability of Industry to shape the agenda

- Some areas where feedback has led to change
 - . Volatility shocks
 - . Illiquidity premium
 - . Health module
 - . Expenses for start-ups
 - . ð .

- QIS5 . Still not too late
 - . Specific data request for non-life and non SLT Health

- QIS6?
 - . %Short and restricted+according to CEIOPS

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