

Solvency II: An Interactive Briefing

Duration: 3 hours

Method of Delivery: Zoom

Aim

Solvency II brings more demanding capital adequacy and aligns it with wider enterprise risk management. It will have far-reaching consequences for all insurers. Originally proposed in 2003, in the wake of the Sharma report into insurer failures, full implementation across Europe didn't take place until 2016. No longer part of the EU, the UK still follows Solvency II but is proposing changes to the capital rules. Nevertheless the principles of risk-based capital management, underpinned by effective governance, will remain.

This is a high-level introductory briefing for staff in insurance companies who have not yet been involved but who need to understand how it affects the business models, decision making, reporting and day to day activity.

Objectives

By the end of the briefing, you will be able to:

- explain the background to Solvency II and its objectives
- describe its principal components
- demonstrate the application of Solvency II using a simple insurance balance sheet
- explain the principal risk classes
- suggest the operational issues created by different business models
- appreciate the current approaches being adopted across the industry
- explore the implications of a greater focus on risk based capital management

Content

- Solvency II: purpose, objectives, rationale and responsibilities
- principles: a balance sheet approach to risk based capital allocation
- key Components: the 3 pillar structure, Solvency Capital Requirement (SCR), Minimum Capital Requirement (MCR), capital tiers and admissible assets, Own Risk Solvency Assessment (ORSA), the concept of Value-at-Risk (VaR), standard formula v internal models
- risks: key financial risk classes and identifying, categorising and quantifying other operational risks.
- Impact on systems of governance and reporting

Leader: John Constable

Since 1991 John has been in insurance, with an insurer and a broker, where he was Head of People Development. He now runs regulatory, risk, financial and business skills, and governance training. Earlier in his career he worked for a failed insurer, so brings personal experience to Solvency II! He authors the Corporate Governance chapter in the Reuters Insurance Practitioners Guide and has published articles on financial crime, learning and development strategies, operational risk management, change management and of course Solvency II.