



## Fresh Perspectives of Solvency II

Accredited with 5.5 CPE Hours

Conference Programme

Date: Thursday, 17<sup>th</sup> November 2011

Venue: Westin Dragonara Resort, St Julians - **Pavillion**

<b>08.30</b>	<b>08.50</b>	<b>Welcome Coffee &amp; Registration</b>
08.50	08.55	Introduction - <b>Mr. Melvin Caruana, MIM Chairman</b>
08.55	09.00	Address by conference Chairperson
09.00	09.15	Solvency II in Malta – <b>Hon. Dr. Jason Azzopardi, Parliamentary Secretary for Small Businesses &amp; Land, Ministry of Finance, the Economy &amp; Investment</b>
09.15	09.45	Solvency II from board of directors' perspective – <b>Ms. Juanita Bencini, Partner, Advisory Services Risk Consulting, KPMG</b>  Corporate governance, or lack of it, has been blamed as being one of the causes of the pain banks have gone through in the financial crisis. The demand for better governance has spread to financial services generally and in insurance we find that Solvency II is driving changes in insurance companies from the Board through to the wider organization. For directors, and particularly non-executive directors, this means getting closer to business. This session will look at the increased demands on the Board as a result of Solvency II.
09.45	10.30	Solvency II – A Streamlined supervisory approach or increased regulatory complexity? – <b>Ms. Jacqueline Fenech, Director, Protiviti</b>  Solvency II, the European Commission's project intended to overhaul the EU insurance prudential regulation, will have far-reaching implications for the insurance and re-insurance industry. As a risk-based regime, Solvency II will not only affect the way in which insurers and reinsurers measure their regulatory capital requirements, but it will also have a significant strategic impact on a firm's choice of business model and organisational structure. In addition, Solvency II will have a qualitative impact on the way in which a firm sets up its risk management framework and governance arrangements, while strongly influencing its operational decisions in terms of resourcing, processes, systems and reporting.  <ul style="list-style-type: none"> <li>• What are the benefits arising from Solvency II implementation?</li> <li>• What are the practical challenges posed by Solvency II?</li> <li>• Will the proposed delay in the implementation date to January 2014 prolong the pain for the Insurance industry?</li> </ul>
<b>10.30</b>	<b>10.45</b>	<b>Coffee Break</b>

10.45	11.15	<p><b>System of Governance under Solvency II - Mr. Alfred Parnis, Deputy Director, Insurance and Pensions Supervision Unit, Malta Financial Services Authority</b></p> <p>Solvency II regulates insurance companies according to the risk inbuilt into their business. In this respect, companies must define their own risk profile and demonstrate to the Regulator, shareholders and policyholders that they have in place both sufficient financial resources and the appropriate governance and risk management processes to cover their risks. This approach provides the right incentives for sound risk management practices and enhanced transparency.</p> <p>The governance system must include written and implemented policies which should at least cover risk management, internal control, internal audit and any outsourcing.</p>
11.15	11.45	<p><b>Proportionality: breaking down the Solvency II paradox – Ms. Josianne Briffa, Senior Manager, Risk Consulting Advisory Services, KPMG</b></p> <p>Small firms may rightly be thinking that in their respect Solvency II represents somewhat of a paradox. This is a one-size-fits all piece of regulation that seeks to achieve what may appear to be two conflicting goals: harmonization of the market and freedom of operation within the market. Precisely where this puts the smaller firms is unclear. Against this background, the proportionality principle was introduced and touted to be an underlying concept of the regime. Can it help? The aim of this session is to provide views and generate discussion on this subject.</p>
11.45	12.15	<p><b>Solvency II's Standard Formula - how will it work in practice? – Mr. David Paul, Director, European Actuarial Services, Ernst &amp; Young</b></p> <p>The Standard Formula SCR has been developed, not without some controversy, since 2009 in particular with CEIOPS and then European Commission and then EIOPA visiting and revisiting methodology and calibration. Mr. Paul will share his insights from his membership of the joint group who worked with EIOPA in early 2011 to set the non-life volatilities in the next Level 2 Solvency II draft. He is also a current member of EIOPA's Catastrophe Task Force which has worked on refinements to cat risk capital calculation - with earthquake risk relevant for Malta, for example. Mr. Paul will explore from an insurer's point of view:</p> <ul style="list-style-type: none"> <li>• How to be ready for Standard Formula as part of the operational processes?</li> <li>• Will management / board believe Standard Formula capital is appropriate to their business?</li> <li>• If not - how practical are the alternatives - USP's, partial models?</li> <li>• Linking Standard Formula to Risk Management and ORSA</li> </ul>
12.15	12.45	<p><b>Taking the stress out of stress-testing - Ms. Jacqueline Fenech, Director, Protiviti</b></p> <p>Stress tests are a significant risk management tool especially in relation to the calculation of capital requirements. Stress tests are also key to business decision-making, to ensure that the Board and the senior management team, of insurance firms, undertake appropriate actions to ensure that their firm is not exposed to undue risks. For many insurers, however, stress testing may actually require a cultural change in their risk management practices.</p> <p>Of course, stress-testing is not without its practical challenges. Best practice around stress tests is emerging and evolving – it is fair to say that the insurance market is still relatively young in this area – not to mention the inconsistencies across firms.</p> <p>This presentation will aim to discuss how approaches to stress testing are being formalised; how risk functions are leading and delivering the bulk of the relevant work; and the main challenges hampering stress testing in practice such as lack of guidance and lack of management commitment.</p>

12.45	14.15	<b>Lunch</b>
14.15	14.45	<p>Guernsey's stance on Solvency II – why no to equivalence? – <b>Mr. Ian Morris, Partner &amp; Head of Insurance, BWCI Group</b></p> <p>Solvency II is having an impact beyond Europe. All jurisdictions outside the EU need to consider the impact of the new rules and what their response may be. Solvency II has the means to recognise other territories as equivalent and there may be benefits in gaining such recognition. This session will consider why Guernsey has publicly stated that it will not at this stage seek this recognition and what the perceived benefits of this approach are and the limitations. There are consequences for EU entities in dealing with equivalent and non equivalent jurisdictions and these should be understood and these will be considered.</p>
14.45	15.15	<p>Practical thoughts to achieve Solvency II compliance, learn from the experiences of others - <b>Mr. Brian Morrissey, Director, Actuarial, KPMG Dublin</b></p> <p>The objective of this presentation is to share Brian's experience of the progress companies are making with their Solvency II implementation plans. He will highlight things companies have done well and things that have not gone well. The companies he has been involved with include subsidiaries of EU Groups, subsidiaries of non EU groups (from both equivalent and non equivalent jurisdictions) and Groups domiciled in Ireland – companies are making use of both internal and standard models and undertaking specific parameters. The areas to be explored include:</p> <ul style="list-style-type: none"> <li>• Identifying the end state in terms of level of compliance</li> <li>• Interpreting proportionality across Pillar I and II</li> <li>• The value of effective project management</li> <li>• Leveraging off support from other entities in an insurance group</li> <li>• Clarity on capital requirements and immediate actions</li> <li>• Developing and embedding risk in companies</li> <li>• Tackling the business issues</li> </ul> <p>With the Solvency II implementation date to be deferred until 1 January 2014, there is still time for companies to take on board the learnings from other Solvency II implementation plans.</p>
15.15	16.15	<p>How does Solvency II impact on different businesses? – <b>Mr. David Paul, Director, European Actuarial Services, Ernst &amp; Young</b></p> <p>With some review of what has been discussed during the day Mr. Paul will look at how firms are affected differently by Solvency II depending on their characteristics:</p> <ul style="list-style-type: none"> <li>• Type: captive, direct-writer or reinsurer</li> <li>• Size: small, medium or large</li> <li>• Product diversity: mono-line, multi-line geographical diversity (or not) of customers, business domicile and / or risk exposures risk appetite, low or high tolerance for risk-taking</li> </ul> <p>This overview of Solvency II impact will be expanded on in a panel discussion.</p>
16.15	16.30	Conclusion by <b>Mr. Melvin Caruana, MIM Chairman</b> & Conference Chairperson