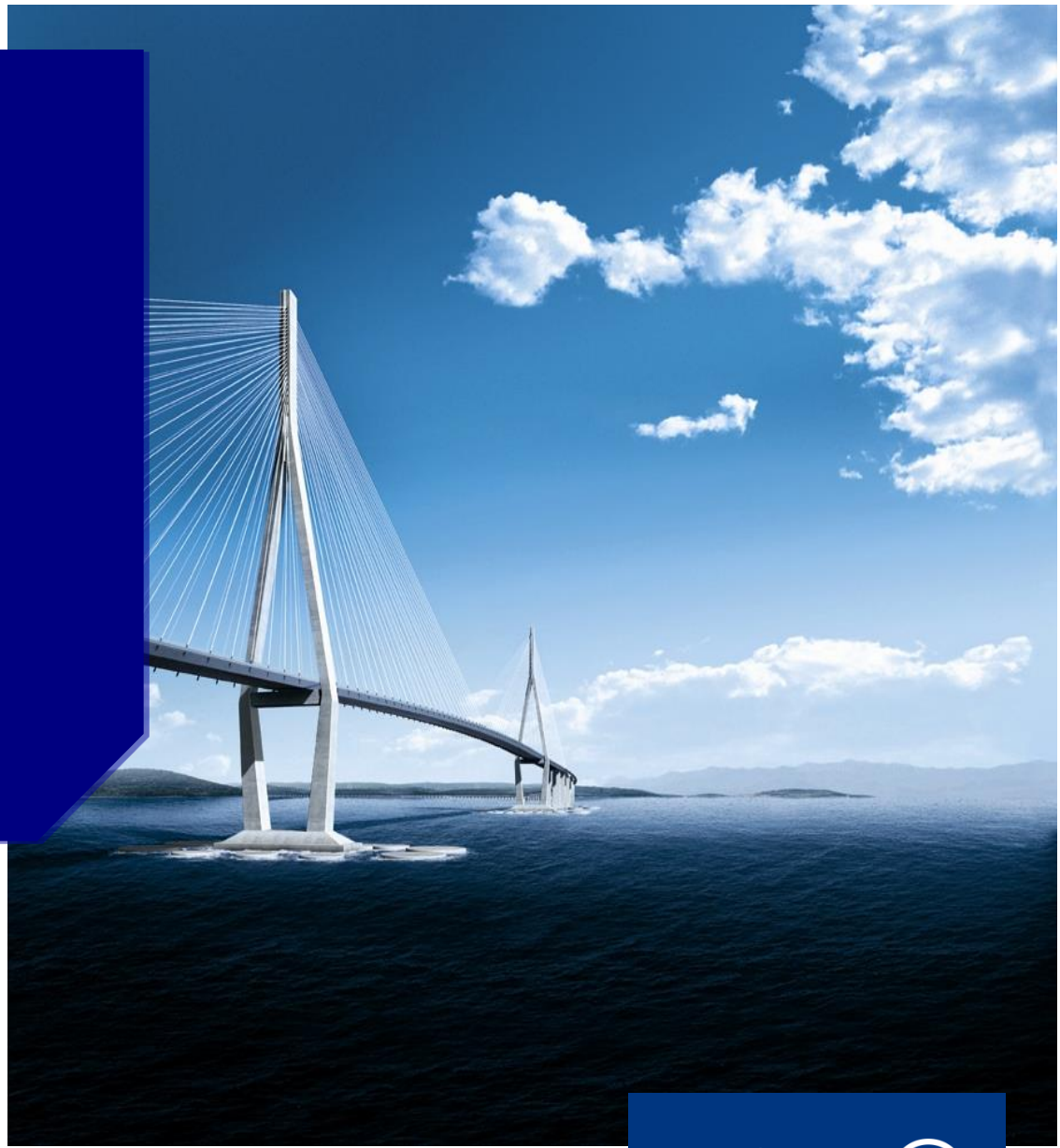


Approach of IA in Allianz Slovenská poisťovňa to Solvency II

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Bratislava / Jun 2015

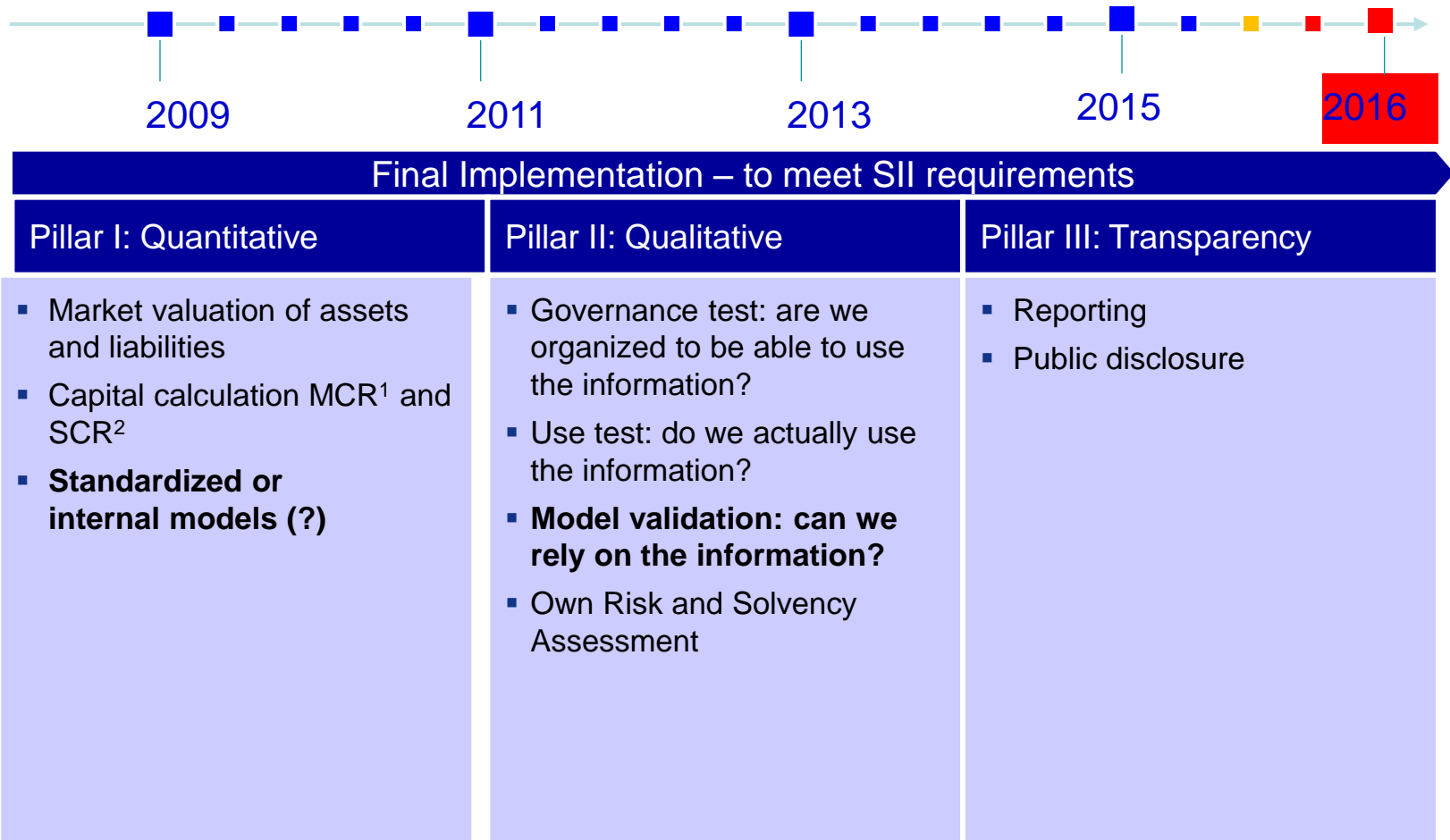


Allianz 

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Solvency II framework



1) MCR = Minimum capital requirement
 2) SCR = Solvency capital requirement

Directive SII – article 124 – Validation Standards requirements

- Regular activity / cycle
- Demonstration of appropriate capital requirements
- Basic scope and using statistical methods to prove reasonableness of applied activities, used data, methods, etc...

Most Related SII Articles

- Use test (120)
- Statistical quality standards (121)
- Calibration standards (122)
- Profit and loss attribution (123)
- Documentation standards (125)

Pre – application guideline (EIOPA 13/416)

- Requirements for (Chapter 9: Validation)
 - Validation policy, scope and purpose, materiality, quality, governance, roles, independence, tools, data, etc.

Who's responsible and involved ???

*National competent authorities should
form a view... !*

Internal Model Validation

- Validation Concept (governance, strategy, policies, guidelines, etc.)
- Validation Procedures (plan, scope, process types)
- Validation Results & Reporting (IM validation report)

Validation concept

- Set up of governance, strategy, policies
- Scope – quantitative aspects (e.g. calibration, methodology)
 - qualitative aspects (processes, operation and use IM)
- Model Validation Approach
 - Owner activities
 - Independence
 - Suitability...

Validation processes & tools

- Validation Plan
- Initial Validation
- Re – Validation
- Annual Validation
- Ad – hoc Re-validation
- Model Change Validation

Tools – sensitivity analysis, back testing, stress testing, scenario testing, quantitative and qualitative review, P&L attribution...

Results & Reporting

- Set up of „error“ criteria (based on materiality, thresholds, etc.)
- Report templates (Validation report)



ASP Approach to gain experience/learn

We have come a long way since SII directive launch
Now is time to get ready for our FINAL



IA involment

- Perform Internal Reviews due to approve plan and defined **scope**
- Monitoring of remediation activities regarding especially process quality
- Monitoring through other activities (e.g. testing control environment)

Reviews in scope

- Internal Capital Model (Pillar I)
- Operational Risk (Pillar I)
- Own Risk Solvency Assessment (Pillar II)
- Model Validation (?) ...

FIRST STEPS TO PERFORM

- 1. Set up discussion and gain understanding to risk capital process and figures with Risk Capital process owners**
- 2. Obtain an understanding of the sub-entities contributing to the different risk types**
- 3. Find out interfaces and tasks between local OE and group OE**
- 4. Identification of relevant units depends on model ownership and responsibility**
- 5. Discuss main interfaces from different units**
- 6. Find out Risk Capital Taxonomy (feeder systems, interfaces, risk types and categories, etc...)**

**First
Steps**

...

Scoping exercise for Internal Capital Model

- Goal of scoping exercise e.g. for Review of Internal Capital Model - understand the perimeter of the Review thus identifying:
 - - (Sub-)entities and Line of Business/Funds in/out of scope
 - - Risk capital related models in/out of scope
 - - Relevant Processes and Involved Departments

In Scope

- The Review of the Internal Capital Model will touch upon the calculation of Risk Capital (RC) with focus on the following risk categories:
 - Market Risk
 - P&C Insurance Risk (Reserve/Premium Risk for Natural Catastrophe & Non-Cat) and Business Risk
 - Life Insurance Risk and Business Risk
 - Credit Risk (as applicable, see next slides)

Out of Scope

- Operational Risk
- Detailed assessment of the Use-Test
- Market Value Margin
- Own Risk Solvency Assessment

Performed by external partner

- Models, Assumptions, Parameters and Methodology
- Overall Life Module

SII Review Object and Scope

Focus of the Review

Risk Capital Framework & Aggregation	Market Risk	P&C Insurance & Business Risk	Life Insurance & Business Risk	Credit Risk (Data)
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Performance of the Review

Interviews with relevant functions	Review of existing documentation	Further analysis in selected areas
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Gain a comprehensive view of the as-is process, control, governance, and models/ methodology/parameters, and assess current issues in fulfilling SII requirements.

Gain an understanding of planned changes, and remediation of current gaps.

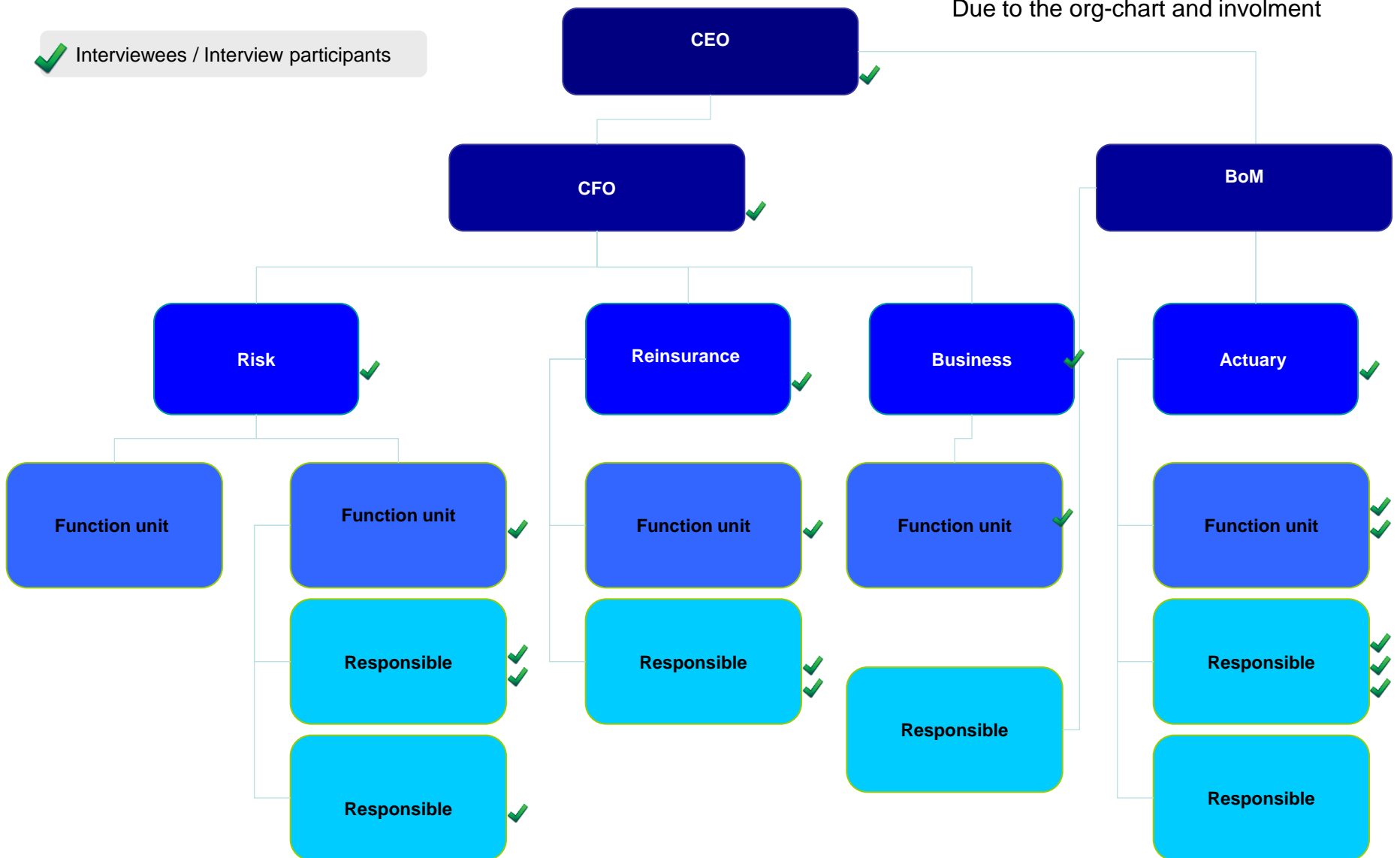
Assess process design and execution, and discuss possible areas for improvement.

Enable feedback to Group for improvement at Group level.

Involved units (sample)

✓ Interviewees / Interview participants

Due to the org-chart and involment



Next steps

- Operational Risk (Pillar I) - *done*
- Own Risk Solvency Assessment (Pillar II) – *partially done*
- IM Validation (according to request)
- etc....

Goal: „Support right decisions!“

To cover process of Risk Capital in:

- Reasonable detail and Frequency

To gain assurance and demonstrate IM:

- Appropriateness and
- Suitability

IA Involment

- Internal Reviews/Validation
- „Keep in Touch“ (ongoing monitoring)
- Other activities (e.g. testing of controls)

Questions ?