The fifth quantitative impact study on Solvency II

CEA Workshop on QIS5

Warsaw, 5 October 2010

European Commission
Internal Market & Services DG

Objectives

➢ Provide information on quantitative impact

➢ Check appropriateness of QIS5 technical specifications

➢ Preparation of undertakings and supervisors

➢ Starting point for dialogue between supervisors and undertakings

Participation

➢ Ideally **all** insurers, reinsurers and groups should participate in QIS5

➢ At least 60% of insurers and reinsurers

➢ At least 75% of European groups

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QIS5 technical specifications

QIS 5 IS A TEST

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QIS5 technical specifications

Technical provisions

➢ Risk-free interest rates

➢ Allowance for diversification in the risk margin

➢ Contract boundary

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QIS5 technical specifications

SCR market risk

➢ Calibration lowered

➢ Volatility shocks deleted

➢ Special treatment for participations

➢ Introduction of illiquidity premium risk

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QIS5 technical specifications

SCR underwriting risks

➢ Premium and reserve risk

- Calibration lowered

- Geographical diversification

- Non-proportional reinsurance

- Credibility factors for USP increased

➢ Calibration of longevity and disability risk lowered

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QIS5 technical specifications

SCR operational risk

➢ Calibration lowered

➢ Requirement for increasing TP deleted

SCR intangible asset risk

➢ Calibration lowered

SCR risk mitigation

➢ Allowance for rolling hedges

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QIS5 technical specifications

Own funds

➢ Expected profits in future premiums (EPIFP) in Tier 1

➢ Winding-up gap in Tier 1

➢ Treatment of participations

➢ Certain intangible assets in Tier 1

QIS5 technical specifications

➢ Double calculations:

  ➢ Interest rate transitional

  ➢ Internal models

  ➢ SCR: LAC of TP and DT

  ➢ Groups

➢ Additional information:

  ➢ Illiquidity premium

  ➢ Risk margin in the context of a group

  ➢ Participations

  ➢ EPIFP

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QIS5 technical specifications

➢ National guidance

➢ Translations of the QIS5 technical specifications

➢ Errata

➢ Q&A procedure

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