

# Special Interest Group Solvency II

Findings of Survey 1  
Use Test and Value Drivers  
November 2009

# Conclusions – Use Test

- The majority of organisations see ‘Use Test’ as work in progress
- Many are seeking advice or evaluating options to respond
- Key ‘Uses’ include:
  - Capital allocation and management
  - Catastrophe risk assessment / aggregates
  - Reinsurance purchase
  - Business strategy setting
  - Investment Management
  - Product development / Pricing

# Conclusions – Benefits (1)

- Most organisations see Solvency II as an opportunity to improve their business
- The major threats are however:
  - Diversion of resources from income-generating activities
  - Creating level-playing field or reducing competitive advantage
- Basel II has proved a limited learning opportunity except for those insurance companies who form part of wider financial services group
  - Easier to learn own lessons than gain insights from other organisations?

# Conclusions – Benefits (2)

- Benefits case for Solvency II includes:
  - Increased transparency for key stakeholders
  - Regulatory compliance
  - Improve use/allocation of capital
  - Better informed decision making
- Most organisations are seeking to quantify the benefits in financial terms, although this is ongoing
- A means of tracking delivery of benefits has generally been identified as needed but not put in place as yet

# Survey demographics

- ❑ 31 responses from SIG members, risk professionals in the insurance industry
- ❑ Representing small to mid-size insurers (mainly staff levels 500-5000) and £200m to £1bn premium
- ❑ Vast majority of organisations are UK or Caribbean/US headquartered
- ❑ Majority had core ERM teams of 2-5 professionals

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