

Preparation of Solvency II Regulation in Malta – A Walkthrough

PKF Malta

Presentation outline

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- Introduction
- Structure of the sample
- Solvency II Systems
- Forward Looking Assessment of Own Risks (FLAOR)
- Impact on Business Profile
- Pillar II
- Pillar III
- Management and Personnel
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- Concluding Remarks

Study Timeline

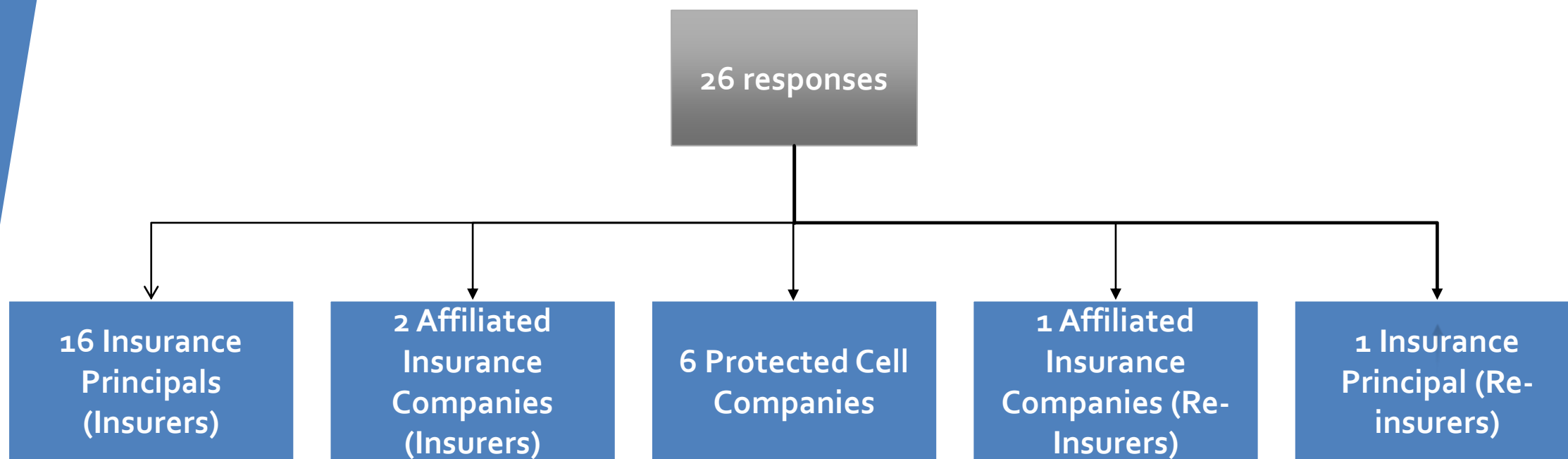


- February 2015 - Discussions with regards to the survey
- March 2015 – Survey design and consultation process
- April 2015 – Insurance firms were notified; responses collected
- May 2015 – Analysis of results; Presentation of results

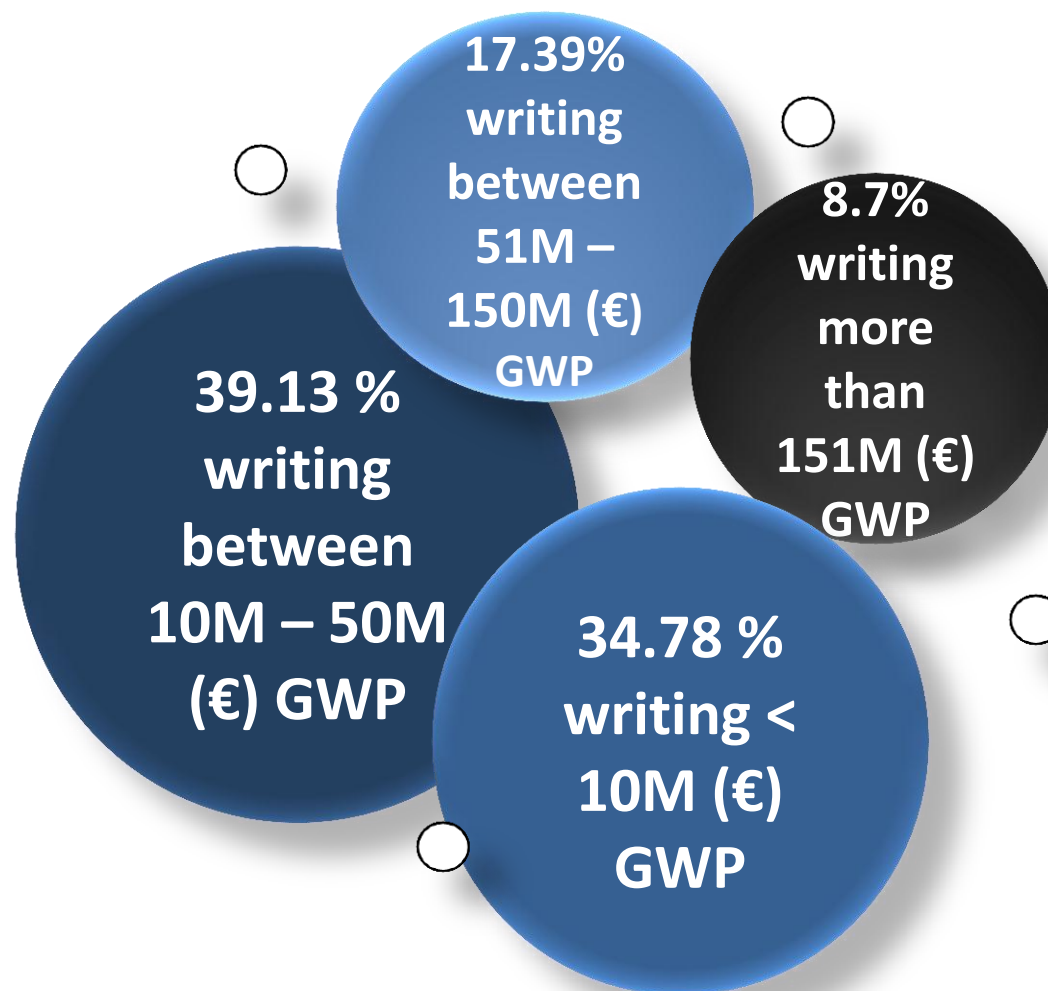
Structure of the Sample

- Target Population (58 firms)
 - Insurance Principals (Insurers & Re-insurers)
 - Affiliated Insurance Companies (Insurers & Re-insurers)
 - Protected Cell Companies (PCCs)
- 45 % response rate (Individual Firm)
- 71% response rate (firms/ insurance managers)

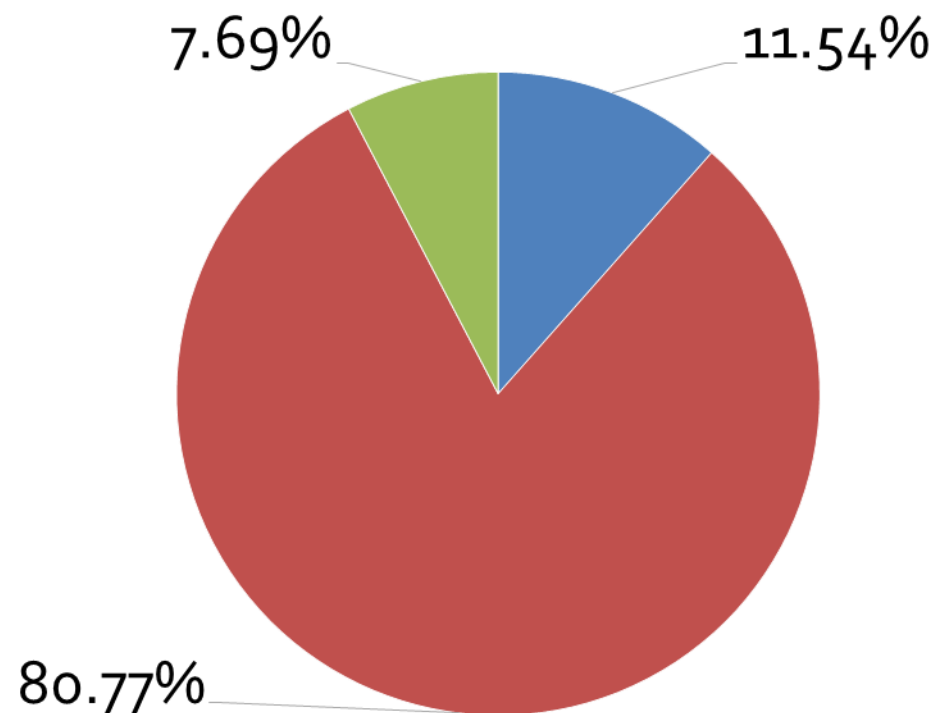
Structure of the Sample



Structure of the Sample according to Gross Written Premium



Structure of the Sample according to business written

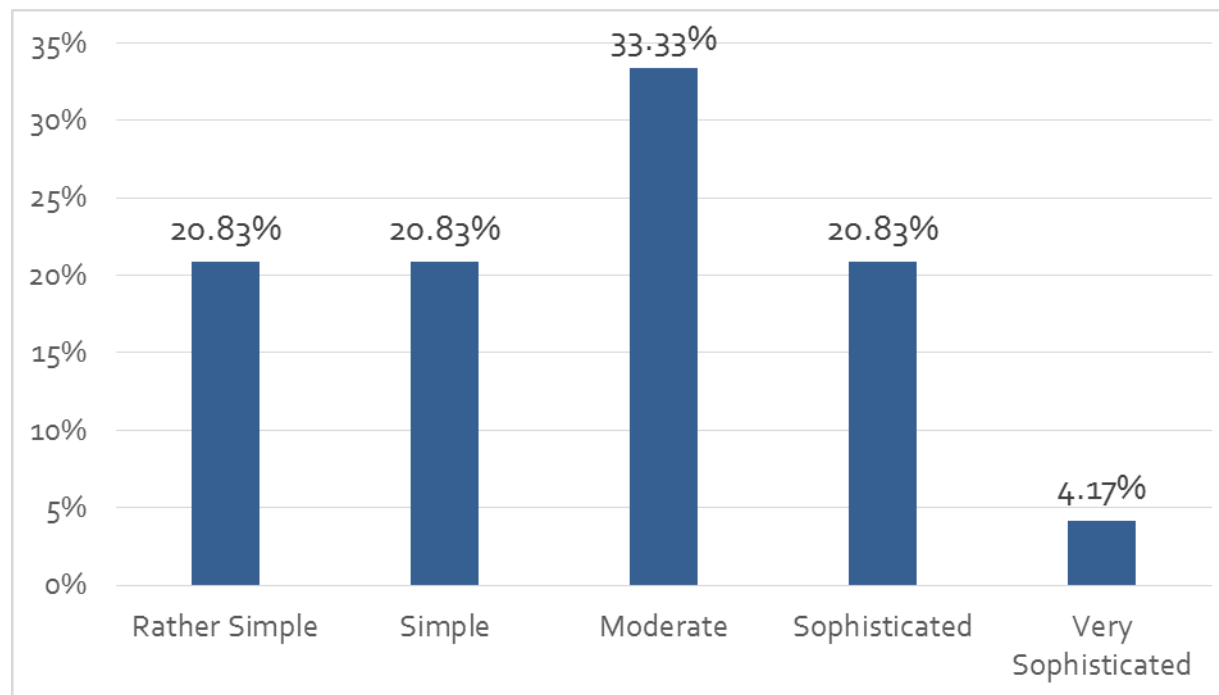


■ General & Long Term Business ■ General Business ■ Long Term Business

Solvency II Systems

- 79.17% are utilising the Standard Model without Undertaking Specific Parameters.
- 20.83% are utilising the Standard Model with Undertaking Specific Parameters.
- What could potentially be the reasons why none of the firms are using a Partial Internal Model or Full Internal Model?

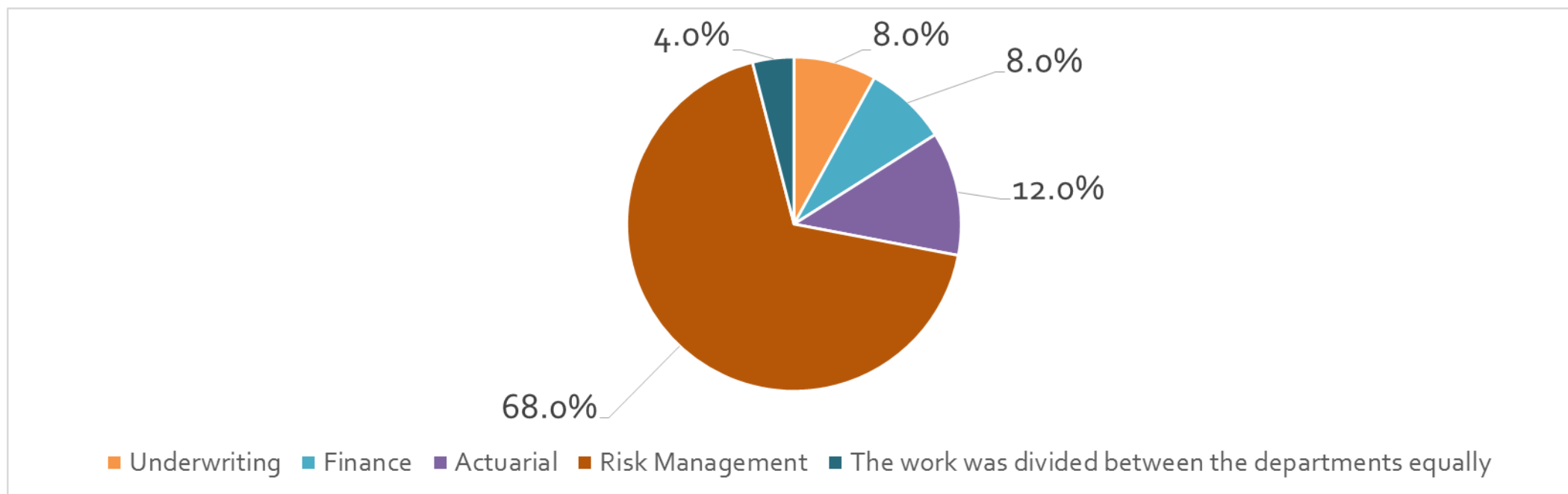
Forward Looking Assessment of Own Risks



Forward Looking Assessment of Own Risks

- All firms with the exception of 4% will be carrying out the FLAOR Annually.
- What scenarios would trigger a FLAOR outside regular time scales.
 - 66.67% -> setting up new lines of business or cell(s).
 - 33.33% -> change in amount of claims or material shift in the GWP.
 - 20.83% -> material shift in the business model.
 - 8.33% -> in case of reverse scenarios.

Forward Looking Assessment of Own Risks



Impact on Business Profile of Solvency II

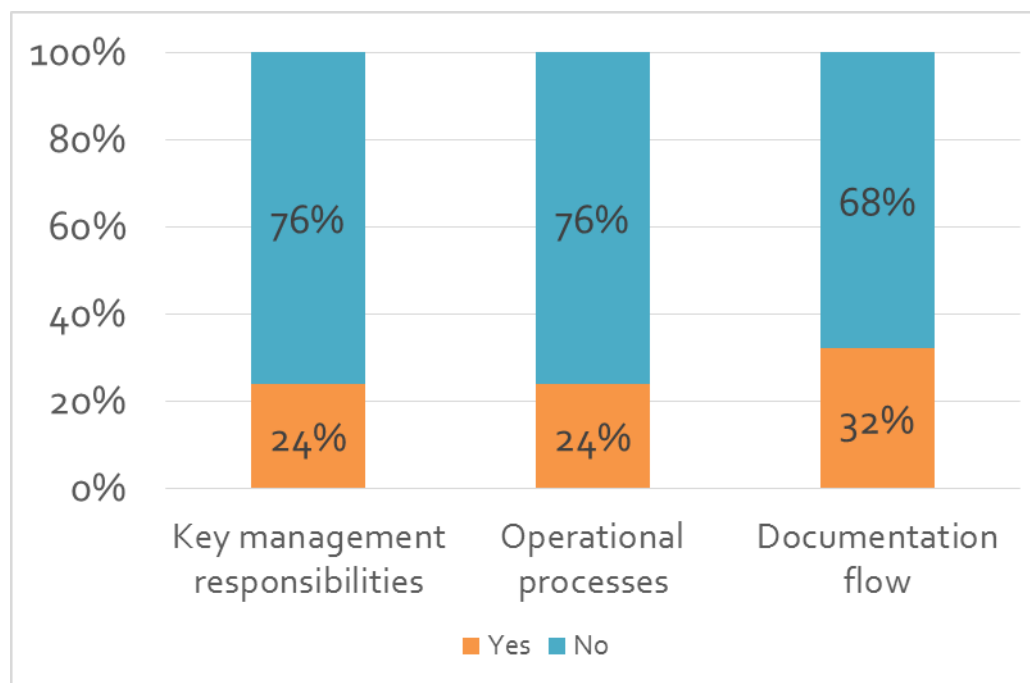
- Any changes when it comes to re-insurance?
- Changes in premium written
 - 92% remarked premium prices will remain the same.
- Was the Solvency II an opportunity or nuisance?
 - 3.85% will stop writing business as a result of costs incurred by the Solvency II regulation.
 - From the perspective of re-insurance companies.

Pillar II

- Changes in view of organization, documentation and management
 - 64% of the firms had to implement material changes in view of the risk management function.
 - 36% ranked the changes as material ones when it comes to the change implemented in view of the Internal Control Systems.
- 32% of the firms had to change or set up formally the risk management function within the organizational structured such that it now has a direct line to the AMSB.
- Costs:
 - 48% of respondents founds costs related to Pillar II to be material.
 - 24% categorized the costs as low.

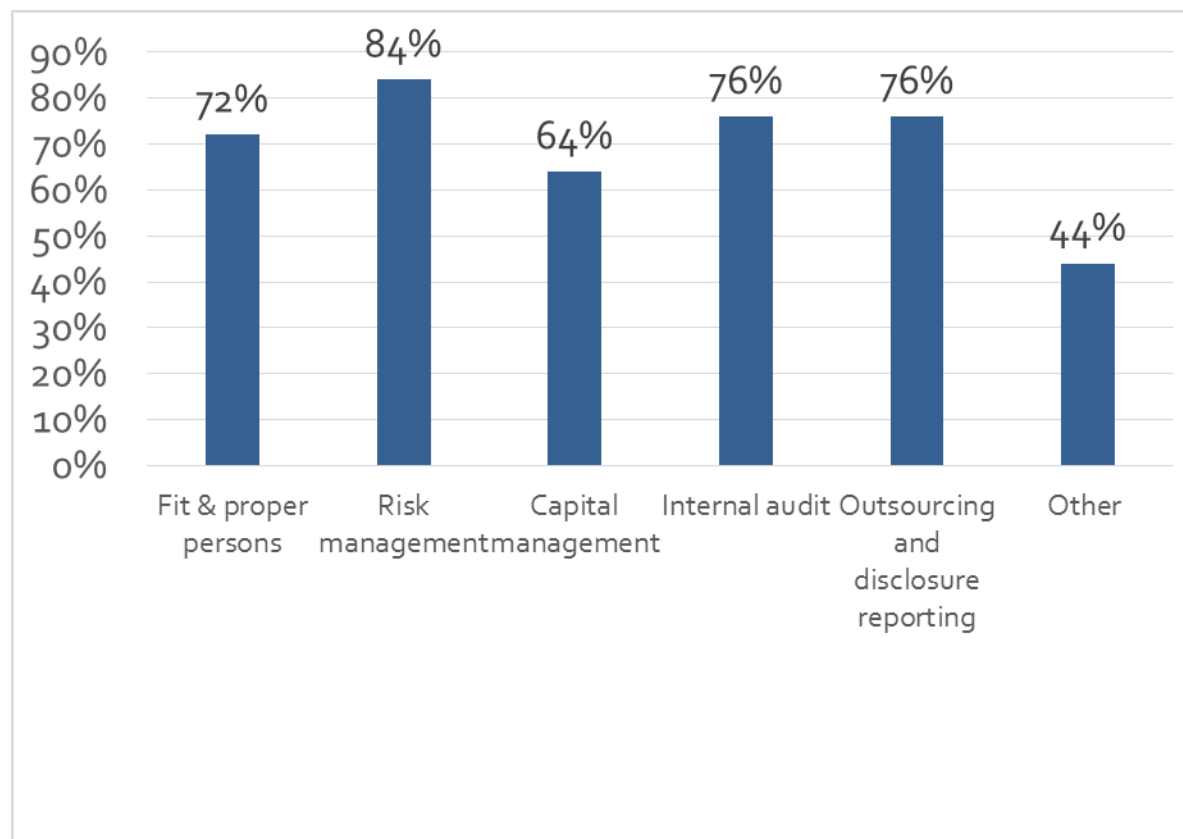
Pillar II

- The two person requirement and Pillar II



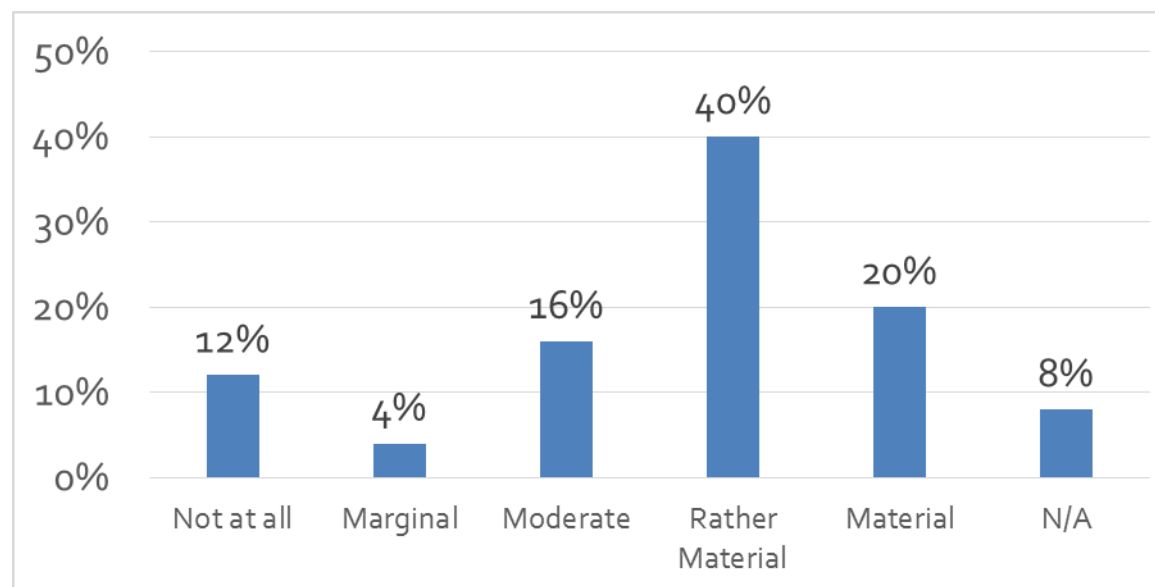
Pillar II

- AMSB written policies that had to be set up as a result of Solvency II.



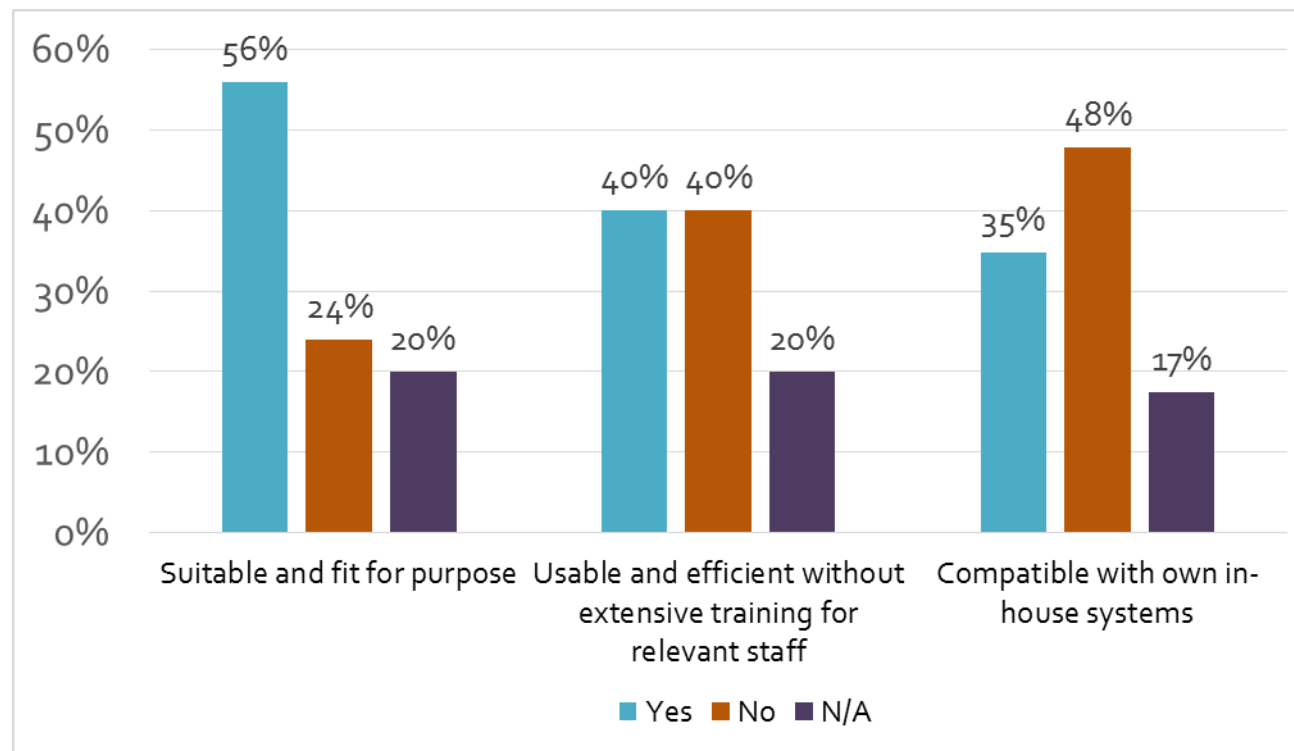
Pillar III

- Quarterly and annual reporting of certain information to the MFSA.
 - 52% have already been advised that they must submit both annual and quarterly information.
 - 12% are still waiting to be advised by the MFSA.
- The interim supervisory reporting requirements side by side with existing reporting requirements. Was it a burden?



Pillar III

- The Solvency and Financial Condition Report (SFCR). What are the views?
- The Quantitative Reporting Templates:

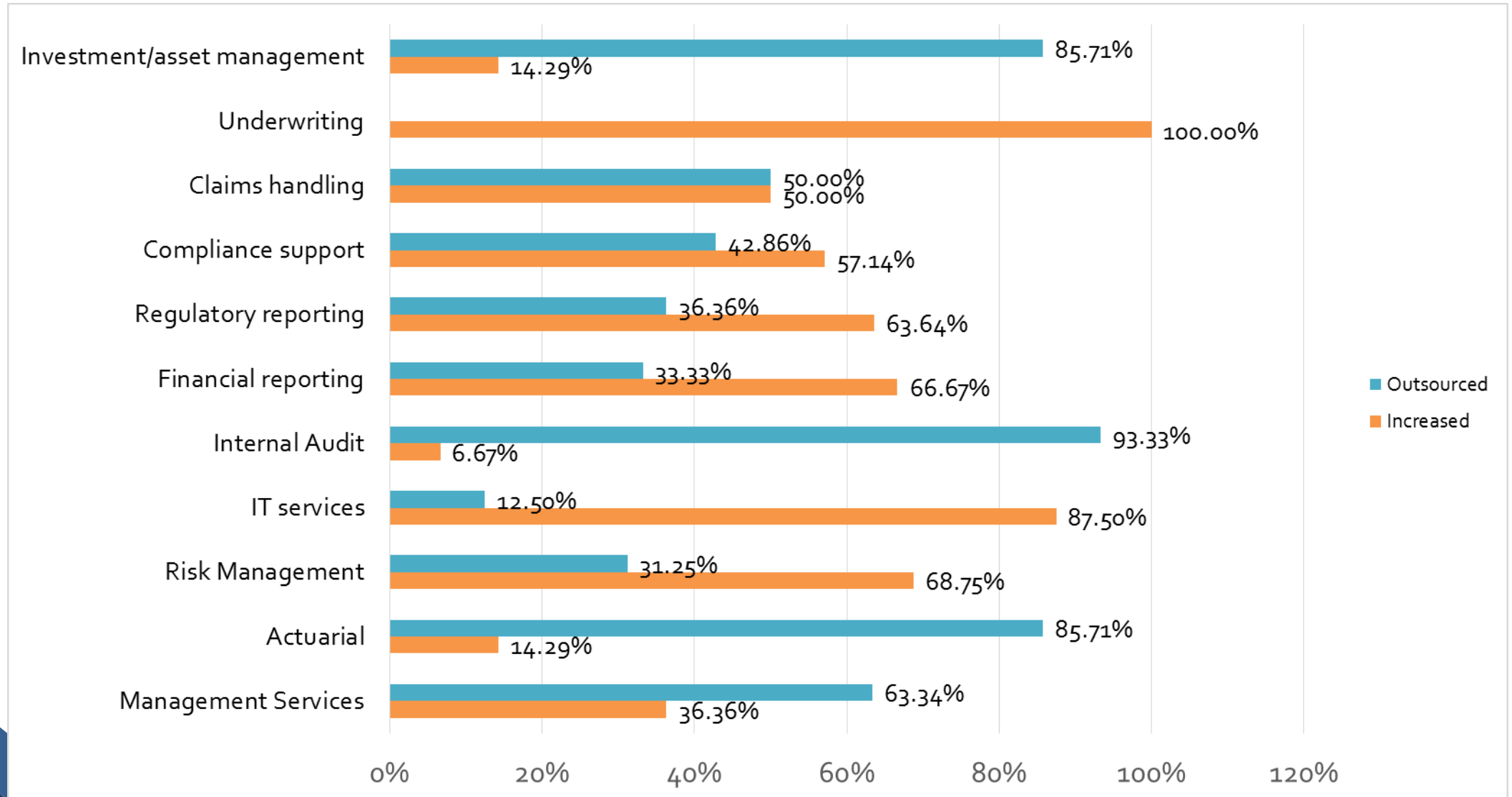


Pillar III



- Pillar III costs
 - 44% expect costs related to Pillar III to be material.
 - 32% expect costs related to Pillar III to be low.

Management and Personnel



Pillar III

- Staffing Costs
 - 56% ranked their costs on the lower end
 - 28% ranked their costs as material

The MFSA as a regulator

- 92% found the MFSA to be extremely helpful with regards to Solvency II matters.
- 80% found them to be very approachable.
- 64% found them to have a high level of Solvency II related knowledge.

Concluding remark

- Solvency II Vs. Solvency I in maintaining the Solvency and Financial Security of Insurers or Re-insurers.
 - 91.67% consider Solvency II as an improvement.

Thank you for your attention and cooperation.
Any questions?

For more information on the Solvency II Survey
kindly contact us during the Finance Malta Annual
Conference or email us on info@pkfmalta.com