

European **a**ctuarial **a**cademy

developing actuaries



EAA Course on **Solvency II**

The Basics

5th – 8th October 2010 | Cologne / Germany

Capital, Reporting and Governance

5th – 7th April 2011 | Cologne / Germany

Calculations and Modelling

May 2011 | Cologne / Germany



organised by the EAA - European Actuarial Academy GmbH

1. Introduction

As an actuary you daily apply methods and models. Data is being analysed, interpreted and a conclusion on the risks will follow. But the financial crisis has revealed the wide gap between mathematical models of risk and the reality of uncertainty. 'Too many people were good at math but ignorant of history' wrote David Brooks in the New York Times. As actuaries try to quantify the risk in their reserves, we must not make the same mistake.

'Essentially, all models are wrong, but some are useful'¹. Just how useful to the solvency and sound management of the business is the crux of whether supervisors are likely to approve an internal capital model under Solvency II. In particular, rather than coming up with reams of extraneous technical detail about the operation of the model, applicants first need to be able to prove that the model analysis is actually understood, trusted and used in the running of the business.

How can models add value to the business planning and how can you use models in practice? Next to this, Solvency II is more than just models. That is why we will also discuss reporting and governance in this seminar. With respect to reporting we will deal with Solvency II reporting, but also the new exposure draft IFRS for insurance contracts. According to this exposure draft there are more differences between IFRS and Solvency II than we would have hoped.

¹ Attributed to statistical model pioneer, Professor George E. P. Box

Pillar II is also an important aspect within Solvency II. Most insurance companies do not focus on this subject. However, also actuaries have an important role within this pillar, with subjects such as ORSA, model validation and model governance. These subjects tighter with general governance and risk management principles will also be treated during this seminar.

2. Participants

Certifying actuaries, actuaries and risk managers working in the insurance industry in Europe are invited to attend the seminar. The seminar is limited to 20 participants.

The invoice will be issued only to entrepreneurs.

3. Purpose and Nature

The seminar is limited to 20 participants. This small group size ensures an efficient and comfortable working atmosphere.

The reactions to the seminar “The Basics” were enthusiastic: On a scale 1=excellent to 5=insufficient, the participants rated the seminar with 1.43 and the speakers with 1.5! The speakers confirm this and state that in the seminar ‘The Basics’, the stage was set by discovering the basics of Solvency II. This applies as well to pillar one (quantitative requirements) as to pillar two and three. There was ample room for discussion between the participants and lecturers. The different background of all persons added to the flavour, and made the experience both from a professional and social point of view very pleasant.

The seminars can be booked as a whole series or individually. The participation in the seminar “The Basics” is not a prerequisite for the seminars “Capital, Reporting and Governance” and “Calculations and Modelling”.

The seminar “Capital, Reporting and Governance” is suited for professionals who are working in the insurance industry that are directly or indirectly involved in issues with regard to solvency issues, risk management, actuarial reporting and actuarial valuations. The focus of the course is on capital, reporting and governance. Accountants and other finance professionals that are interested in in-depth knowledge of Solvency II requirements are also welcome to attend.

4. Lecturers

Jan-Huug Lobregt is a senior manager and actuary at PwC and leading the Dutch actuarial practice advising insurance companies. Jan-Huug’s projects are related to Solvency II, IFRS 4 ED, and risk management with insurance companies. Jan-Huug works within the larger insurance companies in the Netherlands and participates within PwC’s international Solvency II development team.

5. Language

The language of the seminar / exam will be English.

6. Preliminary Programme

Tuesday, 5th April 2011

09.50 - 10.00	Registration
10.00-10.05	Introduction & welcome and opening of day 1
10.05-10.30	Status of Solvency II in insurance companies
10.30-11.00	Capital management & steering for value
11.00-11.15	Coffee Break
11.15 -12.30	Capital management & Steering for Value
12.30-13.30	Lunch
13.30-15.00	ORSA in practice
15.00-15.15	Coffee Break
15.15-16.00	ORSA in practice
16.00-16.15	Break
16.15-17.30	IFRS ED Insurance contracts

Wednesday, 6th April 2011

09.00-10.15	IFRS ED Insurance contracts & Solvency II Case
10.15-10.30	Coffee Break
10.30-12.30	Model validation & model governance
12.30-13.30	Lunch
13.30-15.00	Model validation & model governance
15.00-15.15	Coffee Break
15.15-17.00	Governance and risk management under Solvency II
17.00	concluding remarks, closing of seminar

Thursday, 7th April 2011

09.00-11.00	Exam (optional)
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Day 1

To start the day we will first give a short introduction of where insurance companies are with respect to the implementation of Solvency II. Then we will dive into the deep immediately by discussing the core principle of Solvency II, i.e. steering for value. This is steering of risk and profit on the same time. During this course we will discuss the key principles of steering for value, i.e. Risk appetite, risk diversification, risk budgeting, risk strategy, risk limits, business management and the interaction of Group and business units.

With respect to ORSA we will discuss ORSA process, qualitative reporting, quantitative reporting, QIS 5 and ORSA and the use of the ORSA in practice. We will also discuss how to set up an ORSA report and the ORSA approach of several insurance companies.

In the reporting session we will discuss the impact of the implementation of IFRS 4. Last July the new exposure draft was introduced. We all would have hoped that IFRS and Solvency II regulation would be in line with each other. Unfortunately this is not the case. We will discuss the IFRS 4 regulation and after that explain the differences with Solvency II. We will close this topic with a practical case.

Day 2

Model validation tool, a practical example, how to use the tool in model validation. The tool shows what to validate and the status of the validation. A lot of insurance companies are already working

on model validation under Solvency II. We talk you through their experiences. Next to that we discuss Model validation Policy, the model validation process and model governance requirements

Practical guidance on the likely challenges arising from the Solvency II **Governance** requirements and how these might be addressed. Governance means that an **administrative or management body** of the (re)insurance undertaking has the ultimate responsibility for the undertaking's compliance with the Solvency II Directive. Insurance and reinsurance undertakings should have in place an **effective system of governance** which provides for sound and prudent management of the business. All persons who effectively run the undertaking or have other key functions must meet 'fit and proper' requirements: Firms shall have in place an **effective risk management system** comprising strategies, processes and reporting procedures necessary to **monitor, manage and report**, on a continuous basis the risks they face.

Practical guidance on the likely challenges arising from the Solvency II **Risk Management** requirements and how these might be addressed. We will discuss the 'Risk Management System' - strategies, processes and reporting procedures necessary to monitor, manage and report risk on a continuous basis. We will do this for both quantitative and qualitative risks. Risk management should be well integrated into the organisational structure, which means that all have their responsibilities in the organisation. Therefore we also discuss the risk Management Function - structured in such a way as to facilitate the implementation of the risk management system.

7. Fees & Registration

Please register as soon as possible because of the expected demand. The seminars can be booked as a whole series or individually. If there are more persons interested than places available, we will give priority to the registrations having been first to arrive. Please send your registration as soon as possible by using our online registration form (www.actuarial-academy.com).

Your registration is binding. Cancellation is only possibly up to 4 weeks before the first day of event. If you cancel at a later date, the full seminar is due. You may appoint someone who takes your place, but must notify us in advance. EAA has the right to cancel the event if the minimum number of participants is not reached.

Please always give your invoice number when you effect payment. Bank charges are to be borne by the participant. We will send you an invoice, please allow a few days for handling.

Capital, Reporting and Governance – early-bird ends on 18th February 2011

Early-bird fee for seminar: 870.00 € + 19 % VAT (165.30 €) = 1035.30 €

Regular fee for seminar: 970.00 € + 19 % VAT (184.30 €) = 1154.30 €

Early-bird fee for exam: 250.00 € + 19 % VAT (47.50 €) = 297.50 €

Regular fee for exam: 300.00 € + 19 % VAT (57.00 €) = 357.00 €

The seminar fee includes participation, seminar material, coffee breaks and lunches. Accommodation, breakfast and dinner are not included.

The exam fee includes participation and water during the exam. Accommodation, breakfast and further catering are not included.

8. Accommodation

The seminars will take place at the office of the German Association of Actuaries, Hohenstaufenring 47 – 51, 50674 Cologne, Germany.

Accommodation: We reserved allotments in the following hotels which are in walking distance:

Mauritius Hotel & Therme, Mauritiuskirchplatz 3 – 11, 50676 Cologne, Germany

Tel. +49 (0) 22 1 - 924 13 – 0

info@mauritius-ht.de

94 € per night plus breakfast

Ibis Köln Centrum, Neue Weyerstr. 4, 50676 Cologne, Germany

Tel. +49 (0) 221 – 2096-0

H1449@accor.com

74 € per night incl. breakfast

Please note that additionally, a city tax of 5 % will be charged by the hotels.

These prices are valid for bookings out of our allotments “EAA” up to 3rd March (IBIS) and 8th March 2011 (Mauritius Hotel). Please book your accommodation directly with the hotel and note the hotel’s cancellation policy. The reference is “EAA”; the number of rooms is limited.

9. Accreditation for CPD Points

The following CPD points or hours are granted by the individual actuarial associations:

Austria: 12 points

Czechia: 2-3 points (individual accreditation)

Germany: 12 hours

Netherlands: approx. 11 points (individual accreditation)

No responsibility is taken for the correctness of this information.

