Solvency II:

Enforcing Stricter Standards in European Insurance

Solvency II is designed to consolidate regulations for insurance firms across the EU into a single standard, but firms need to be ready for a shift in how it applies to their operations.

What do firms need to know about **Solvency II**?

Solvency II brought in tighter controls around capital and risk management, all designed to make the European insurance industry more robust and transparent.

The two primary aims of the standard are to:

1. **Consolidate regulations for insurance firms across the EU**
2. **Ensure adequate levels of consumer protection**

The largest initiative of its kind, Solvency II makes it easier to conduct business between EU member states. It also provides greater protection for, and improved confidence among, policyholders.

Solvency II is often referred to as 'Basel for insurers' as it mirrors the Basel II requirements that unite banking regulations across the EU.

What are the challenges of **Solvency II** compliance?

Solvency II requires firms to measure their assets and liabilities consistently across the European market against risk-sensitive capital requirements that are far stricter than other regulatory regimes in place for insurance firms worldwide.

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Its framework consists of three key pillars:

1) Qualitative Requirements - setting out a firm's minimum solvency capital requirements with an internal model based on the risks faced by that firm

2) Quantitative Requirements - outlining the regulations for evaluating the adequacy of governance and risk management systems and processes

3) Disclosure Requirements - ensuring transparency and and enhancing market discipline

To meet these requirements, firms have had to make assessments in three areas:

- Where they are placed in the new competitive European landscape
- Whether the capital they hold is adequate
- Whether they make valuations based on the standard formula or adopt an authorised internal model

Ultimately, firms have to ensure that controls are in place to maintain the necessary solvency margin. This has led to a rethink of the systems and processes needed to maintain and demonstrate compliance.

How Millennium Consulting can help with **Solvency II**

Working to achieve Solvency II compliance does not end after the implementation phase. The 2020 review of the framework will see changes to regulations arriving from 2021, forcing firms to adapt further.

Businesses need to build their systems infrastructure around the ability to deliver compliance now and in the future. This means being able to handle huge volumes of data at high speed, bringing together information from disparate sources held in different forms. It is more of a shift in mindset than a quick technical fix - and the experienced Millennium Consulting practitioners can help you make that journey.

We also work in partnership with a wide variety of technology vendors to supply solutions that overcome the challenges associated with Solvency II and simplify insurance reporting.

Contact us to find out more about how we can help you deliver Solvency II compliance:
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