La situazione attuale del progetto Solvency 2

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Dario Focarelli, Chief Economist dell'ANIA, svolge il suo intervento avvalendosi delle proiezioni delle slide che sotto riproduciamo integralmente.

L'aggiornamento sullo 'stato dell'arte' del progetto Solvency 2, con particolare riferimento alla second wave è molto puntuale anche perché Focarelli fa parte del panel degli esperti consulenti che operano nell'ambito del CEIOPS. Il CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors) è composto da 28 paesi europei e raggruppa tutte le autorithy di controllo dell'attività assicurativa dei singoli paesi.

Nelle sue slide Focarelli mette a confronto le posizione del CEIOPS con quella del CEA (Comunité Européen des Assurances) che rappresenta l'industria assicurativa privata europea. Il tema nodale a questo punto delle discussioni pare quello relativo alla valutazioni delle riserve tecniche in correlazione al grado di solvibilità dell'impresa. Un'opinione condivisa da CEIOPS e CEA è che le riserve debbono essere valutate con prudenza, ovvero determinate al costo emergente al momento della loro valutazione secondo criteri prudenziali. Su questo concetto di prudenza tuttavia le opinioni non sono univoche. Da un lato si conviene che la prudenza consiste nel valutare le medie statistiche più elevate (CEA) dall'altro (CEIOPS) si vorrebbe che il valore dei sinistri a riserva fosse pari al run off delle riserve stesse senza costi per l'acquirente. Si può comprendere che fra le due posizioni, pur non radicalmente contrapposte, vi sia comunque una notevole distanza. Ma il problema è ben più acuto se si esaminano i requisiti di solvibilità di un'impresa. Il CEIOPS infatti vorrebbe che, una volta calcolate con la massima prudenza le riserve tecniche, l'MCR (Minimum Capital Risk) delle imprese fosse ben congruo per coprire eventuali 'imprudenze' nella valutazione delle riserve. Il CEA non è d'accordo su questa impostazione che si rivelerebbe in pratica come una duplicazione di prudenza.

Purtuttavia, ricorda Focarelli che proprio in questi giorni le imprese dovranno inoltrare al CEIOPS le loro stime sulle riserve e peraltro nei prossimi convegni si potrà parlare di numeri e non solo di teorie. La domanda volutamente retorica, ma non certo peregrina, è la seguente "se la determinazione del valore delle riserve è stata fatta con una prudenza tale da garantire un run off a costo zero a cosa serve un congruo MCR?". Un'ulteriore contraddizione parrebbe emergere dal desiderio, manifestato dal CEIOPS di regolamentare gli attivi che si contrappongono non solo alle riserve tecniche ma anche al capitale delle imprese. Anche in questo caso la posizione del CEA è piuttosto netta. "Se ho calcolato la riserva in modo prudente e detengo un capitale superiore all'MCR perché non posso investire liberamente?" La questione non è di scarso momento se si considera che in Italia, per fare un esempio, le compagnie non possono investire in hedge fund gli attivi a copertura delle riserve e del margine di solvibilità.

Focarelli passa poi all'esame della definizione dei rischi effettuata dal CEIOPS sulla quale esiste un sostanziale accordo del CEA e chiude il suo intervento accennando a come la riassicurazione svolga la funzione di mitigare i rischi a carico dell'imprese assicurative e di questo il CEIOPS dovrà ovviamente tenere conto. Anche in questo caso, tuttavia, nulla è dato per scontato poiché il CEIOPS per valutare l'impatto delle riserve, ha richiesto alle imprese la loro valorizzazione sia al lordo che al netto della riassicurazione. Il CEA comunque dichiara con fermezza che tutti i calcoli vanno fatti al netto della riassicurazione così come allorquando vi è un trasferimento di rischio al riassicuratore questo rischio non può essere calcolato come se fosse un rischio dell'impresa cedente. Anche in questo caso quindi un deciso no alla duplicazione che pare essere al momento attuale il tema più insidioso per gli assicuratori europei.

**The current stage
of the Solvency II project**
- "second wave" of EU Calls for advice -

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"Assicurazioni nazionali: cambiano le regole del gioco"*
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▲ **Slide 1**

▼ **Slide 2**

Plan of Presentation

· Valuation of Technical Provisions
  ➢ Life
  ➢ Non Life
· Safety Measures
  ➢ MCR & SCR
  ➢ Eligible assets
· The standard formula
  ➢ Risk definition and models
· Reinsurance and risk mitigation
· Conclusions

Valuation of Technical Provisions LIFE

CEIOPS	CEA
The valuation of insurance liabilities should be based on the expected present value of cash flows ('best estimate'), together with an explicit risk margin If the IFRS 4 project does not envisage an explicit risk margin, the excess in insurance liabilities over the best estimate will have to be shown differently, probably as part of the own funds	For solvency purposes, technical provisions should be based on the economic value of liabilities While in theory, a market consistent valuation of such liabilities may include a Market Value Margin, there is currently no widely accepted methodology for calculating this MVM

▲ **Slide 3**

▼ **Slide 4**

Valuation of Technical Provisions LIFE

CEIOPS	CEA
The required risk margin on the expected value is the difference between the expected value and the value needed to achieve a given level of confidence For the confidence level in the technical provisions, CEIOPS recommends testing the 75th and 90th percentile	It is not appropriate to assume that a 75% or 90% confidence level would be appropriate proxies for such a margin Significant concerns that including such (undiversified?) risk margins in the liabilities will lead to a significant level of prudence

Slide 5

Slide 6

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Slide 8

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The standard formula

CEIOPS	CEA
The SCR should deliver a level of capital that enables an insurance undertaking to absorb significant unforeseen losses and gives reasonable assurance to policyholders that payments will be made as they fall due	Support a 1 in 200 calibration for the capital requirements where the total capital requirement (TCR) is based on the amount required to meet the economic liability under a VaR measure applied over a one-year time horizon
the SCR might be calibrated with a 99.5% confidence level the SCR should be based on a time horizon of one year	If the technical provisions include a level of prudence then the SCR is the difference between the TCR and the prudence

▼ Slide 10

The standard formula

Annex: The Total Capital Requirement and Prudence within the Technical Provisions

Note: Diagram is not to scale.

The economic liability is defined as follows:

- Liabilities including financial risk (e.g. embedded options and guarantees) should be included in a manner consistent with the capital markets' valuation of such risks.
- Liabilities, including non-financial risks (e.g. claims, mortality etc.) should be valued based on discounted best estimates.

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The standard formula

CEIOPS (risk definition)	CEA
underwriting risk: specific insurance risk arising from the underwriting of insurance contracts, associated with both the perils covered and the processes followed in the conduct of the business; **market risk**: risk arising from the level or volatility of the market prices of financial instruments; **credit risk**: the risk of default and change in the credit quality of the issuers of securities, counterparties (notably reinsurers) and intermediaries to whom an undertaking has an exposure; **operational risk**: risk of loss resulting from inadequate or failed internal processes, people, systems or from external events	Broadly in agreement with the risk classification described

The standard formula

CEIOPS (method)	CEA
underwriting risk: factor-based approach as the base model, supplemented with simple scenario techniques to take account of the impact of low-frequency, high-impact events **market risk**: the main components of market risk (interest rate risk, equity risk, property risk and currency risk) should be addressed in an ALM perspective. An adequate theoretical basis might be prespecified stress tests / what-if analyses **credit risk**: factor-based approach to model credit risk as the base model, with supplements for concentrated exposures **operational risk**: multiple factor-based approach	In order for the standard approach to work sufficiently well across the industry, it shall have two levels of sophistication (a factor based approach and a more sophisticated approach, i.e. the use of scenarios) For maximum harmonisation, the standard factors and scenarios should be precisely defined and described in the legislation at a European level

The standard formula

CEIOPS (diversification)	CEA
Further analysis is required to assess whether linear correlation, together with a simplified form of tail correlation, may be a suitable technique to aggregate capital requirements for different risks	Risk mitigation and diversification benefits are fundamental to insurance operations and must be reflected in both the standard approach and internal model SCR. The extent to which these can be reflected in the standard approach will depend on its functional form

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Slide 13 ▶

Reinsurance and risk mitigation

CEIOPS (reserves)	CEA
Allowing for a consistent evaluation of reinsurance recoveries in the articulation of gross and net provisions is not an easy task and will require further analysis As a working hypothesis, it is assumed that the numerical value of assets minus liabilities is the same, whether calculated net or gross of reinsurance	Risk mitigation techniques should include both traditional and non-traditional forms of risk transfer on both assets and liabilities regardless of the legal or accounting form The technical provisions should be calculated net of the impact of risk mitigation as this is the closest to the true economic position Gross position will also need to be disclosed for reporting and Pillar 2 purposes

Reinsurance and risk mitigation

CEIOPS (SCR)	CEA
It is essential that the determination of the SCR (by application of the SCR standard formula or otherwise) allow for the impact on an undertaking's risk profile of risk mitigation (reinsurance) Some forms of risk mitigation would require in-depth (case-by-case) analysis of their impact on an insurance undertaking's capital needs. In practice, this may rule out automatic allowance for their effect in the standard formula	The SCR must allow for the effect of risk mitigation techniques whether it is calculated using the standard approach or an internal model Special consideration is required on how best to allow for non proportionate reinsurance in the standard approach For approved internal models full credit should be provided for the impact of risk mitigation on capital requirements

Reinsurance and risk mitigation

CEIOPS (programmes)	CEA
The SCR needs to allow for risks associated with the renewability of an undertaking's reinsurance programmes and for changes which may occur during the time horizon of the SCR The SCR might be developed on the assumption that an undertaking will renew on unchanged terms. Scenario-based approaches could potentially include different assumptions	Reinsurance renewability should be of lesser concern in cases where the reinsurance terms are guaranteed to apply for the lifetime of the insurance policy results changes in the cost of risk mitigation could be passed on to the underlying policyholders

Conclusions

CEA strongly support:

•CEIOPS' commitment to a risk based approach

•Recognition that Pillar 1 requirements should be viewed in the context of the additional Pillars 2 and 3 processes

•Recognition that internal models should play a role

•Recognition that risk mitigation and diversification effects need to be incorporated

•Recognition that there is a key role for the lead supervisor in the supervision of insurance groups

Conclusions

CEA's concerns:

•the risk of an inappropriate compromise resulting in a mixed model (part economic risk based approach and part arbitrary measures)

•an overly prudent approach will lead to inappropriately high capital requirements and double counting of risks

•failure to allow for all forms of diversification

•insufficient focus on issues specific to insurance groups