



## Achieve Solvency II Compliance with SAS®

Getting a head start on compliance to gain a competitive advantage

### Overview

Solvency II is a fundamental review of the capital adequacy regime for the European insurance industry. The fundamental purpose of this legislation is to protect policyholders and prevent a financial crisis in the European insurance industry by requiring insurers to implement sound economic risk management practices.

Solvency II replaces the current prudential regulation (i.e., Solvency I) with risk-based capital requirements based on the economic value of the total balance sheet. This will ensure financial soundness of insurance companies to not only protect policyholders' interest but also increase competition in the EU insurance market. In addition, Solvency II also should make it easier for firms to do business across the EU as the current patchwork of varying local standards will be replaced by more harmonized requirements.

SAS, recognized as one of the leading vendors for enterprise risk management solutions in the financial services industry, can help you get a step ahead of the competition by preparing now for Solvency II compliance using our proven data integration, powerful advanced analytics and flexible reporting software.



### Challenges

- **Executive-level understanding of risk.** Executives must understand what major risks the insurer is facing and how those risks are being managed.
- **Data availability and quality.** Due to volume and complexity, data organization and planning are typically 60 percent to 80 percent of a risk project's cost.
- **Operational integration.** Solvency II risk systems must be an integral part of an insurer's daily management apparatus.
- **System accuracy and control.** Insurance companies must "re-create" results to regulators and demonstrate control over system security, change management capabilities and audit trails.
- **Multiple jurisdictions.** Different languages, currencies and group supervision can present problems.

## How SAS® Can Help

No other vendor offers the comprehensive, end-to-end risk management capabilities that you get with SAS:

- **Solvency II-ready platform.** SAS provides a single, integrated risk framework that can be customized to meet your requirements – from data extraction through to analysis and reporting.
- **Insurance data model.** SAS provides a comprehensive data repository that includes hundreds of predefined data transformation routines. The insurance-specific data model has been designed and will evolve based on EU requirements, starting with QIS4 through to the EU standard model for Solvency II.
- **Solvency II compliance.** The SAS solution provides a robust risk analytics framework that calculates MCR and SCR for both standard and internal model approaches.
- **Disclosure and governance.** Flexible reporting capabilities and complete transparency help ensure that even nonexperts can view, validate and audit every step of the analysis quickly and easily.
- **Beyond Solvency II – Enterprise Risk Management.** The SAS solution supports the implementation of economic and rating agency capital models on a single platform. It supports integration of risk management with strategic planning activities like ALM, pricing and reinsurance optimization. This enables you to gain a competitive advantage.

## Why Start Now?

Currently, the timeline for Solvency II compliance is 2013, although the final requirements have yet to be completed. It is clear, however, that the complex requirements will require a great deal of time and attention. Early, thorough and careful preparation will put you at a great advantage as you prepare for Solvency II compliance in 2013.

Our extensive experience with risk management projects has proven that the continuous gathering and storage of high-quality data, through transparent, fully documented and auditable processes, constitutes approximately 80 percent of the task at hand.

By beginning now, you gain competitive advantage by ensuring that you are ready for statistical analysis the moment it becomes known what calculations and outputs are expected from the new legislation and regulations.

### About SAS

SAS is the leader in business analytics software and services, and the largest independent vendor in the business intelligence market. Through innovative solutions delivered within an integrated framework, SAS helps customers at more than 45,000 sites improve performance and deliver value by making better decisions faster. Since 1976 SAS has been giving customers around the world THE POWER TO KNOW®.

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## Solvency II Explained

All insurers conducting business in the EU must comply with this legislation. Solvency II asks for a structured three-pillar approach to risk management:

- **Pillar I – Quantitative Requirements**

How much capital should an insurer maintain? Solvency II provides guidelines to determine the Solvency Capital Requirements (SCR) and Minimum Capital Requirements (MCR). Insurers can base these calculations on either the EU standard model approach or their own internal models that will have to be approved by their regulators.

- **Pillar II – Qualitative Requirements**

Pillar II establishes requirements regarding the governance and risk management of insurers, as well as for their effective supervision. Insurance companies must proactively manage and integrate the risks determined under Pillar I into their operational processes.

- **Pillar III – Disclosure & Transparency**

Pillar III deals with the manner in which insurers report risks to regulators, policyholders and rating agencies. All insurers will be required to publish an annual report on their solvency and financial conditions.



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