

About Atos Origin

Atos Origin is an international information technology services company. Its business is turning client vision into results through the application of consulting, systems integration and managed operations. The company's annual revenues are EUR 5.4 billion and it employs over 50,000 people in 40 countries. Atos Origin is the Worldwide Information Technology Partner for the Olympic Games and has a client base of international blue-chip companies across all sectors. Atos Origin is quoted on the Paris Euronext Market and trades as Atos Origin, Atos Euronext Market Solutions, Atos Worldline and Atos Consulting.

About Atos Consulting

Atos Consulting, the global consulting practice of Atos Origin, is a leading provider of business, process and technology consulting services. With more than 2,500 staff globally, it focuses on delivering proven, pragmatic solutions to the telecom, manufacturing, financial services and public sectors.

WWW.ATOSCONSULTING.COM

Asia

Eng Hong Lim
enghong.lim@atosorigin.com

France

Christopher Jackson
christopher.jackson@atosorigin.com

Germany

Joachim Miszori
joachim.miszori@atosorigin.com

Netherlands

Jack Hillenga
jack.hillenga@atosorigin.com

Nordics

Olle Claesen
olle.claeson@atos.se

Spain

Julio Blanco Rosa
julio.blanco@atosorigin.com

UK

David Smith
ukconsulting@atosorigin.com

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SOLVENCY II: ENGINEERING VALUE THROUGH BEST PRACTICE »

Solvency II is a comprehensive overhaul of European insurance regulations. The framework directive, issued in July 2007, incorporates all existing European insurance directives and adds substantial new content – all of this extending to over 300 pages. There are two main objectives in Solvency II: first, the protection of the interests of policyholders and beneficiaries through ensuring the financial stability of insurance companies, and, second, setting standards throughout the EU that will create a level playing field for insurance companies.

SOLVENCY II

Under Solvency II, an insurance company will be able to calculate its required capital levels through a standard approach or through an internally developed model, which is subject to supervisory approval. Using an internal model can lead to a reduction of capital levels, hence a reduction in the cost of capital.

The challenges

Solvency II is not expected to be transposed into European law until 2012; however, our experience gained from the wide-ranging and technically complex Basel II regulations for banks indicates that insurers need to initiate change programmes now in order to achieve maximum business benefits and to avoid last minute surprises. Substantial change is likely for many insurers, ranging from new source data systems and business services to support Pillar I quantitative requirements to enhanced governance and new risk management processes. Cross-border insurance groups will face solvency requirements on a group basis, as well as cross-border regulatory direction from a single regulator taking a lead in regulation of group activities.

Extensive amounts of data will be required from a wide range of sources; the data may not yet be available or it may need to be restated e.g. data for historical backtesting of Internal Models for Pillar I capital requirements. In addition, supervisory reporting under Solvency II requires enhanced and in-depth reporting, for which insurers are not ready yet. This is the Solvency II data challenge.

In addition to the quantitative requirements, qualitative requirements also have to be met. To get appropriate risk management strategy, governance, processes and systems in place, insurers need to address the Solvency II process management challenge.

Our approach

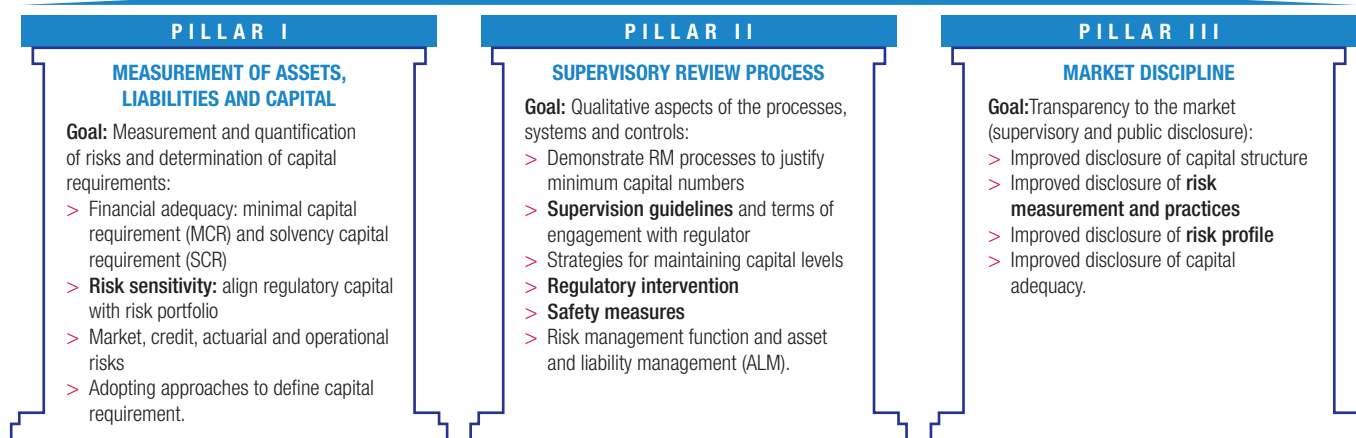
Atos Consulting provides end-to-end assistance in addressing the **challenges** of Solvency II, including overall strategy definition and planning, solution design and the alignment and implementation of processes, business services and data systems.

To address the **data challenge**, Atos Consulting recommends the use of a methodology, such as Enterprise Architecture, to align a Solvency II business strategy to the business services, IT infrastructure and source data required to gain a competitive advantage under the new rules. Quality issues are a key part of the challenge; without reliable data, insurers will not be able to gain approval from regulators to use internal risk models, and they may be less able to price and manage their products when using a standardised risk approach.

Our experience can help to guide insurers on the pace of change; we have found that constructing a pilot programme for a specific division or business line can more quickly deliver benefits and serve as a model for change in other parts of an organisation. This enables insurers to gain advantage from their current and new investments in IT for future developments, reducing total spending for the Solvency II data challenge and increasing the ability to integrate Solvency II principles into strategic, tactical and operational decision-making.

	ALIGNMENT WITH STRATEGY	QUALITY	ADDED VALUE
DATA	Create/strengthen source data systems to meet business requirements	Back-testing to support internal models	Pilot programs make best use of IT spend
PROCESS	Choose the right methodology (EA, MSP, P2)	Robust governance and risk management	Lessons learned from previous crises

SOLVENCY II CHALLENGES AND EXAMPLE SOLUTIONS



SIMILAR TO BASEL II, SOLVENCY II CONSISTS OF A THREE PILLAR STRUCTURE



ATOS CONSULTING HAS EXTENSIVE EXPERIENCE IN BUILDING 'BEST IN CLASS' RISK AND COMPLIANCE FUNCTIONS INCLUDING STRATEGY DEFINITION, GOVERNANCE, PROCESSES AND SYSTEMS IN ORDER TO EFFECTIVELY DESIGN AND IMPLEMENT THE SUPERVISORY REQUIREMENTS OF SOLVENCY II >>

In addition to data, insurers also need to address **process management** challenges. The Framework Directive sets out the importance of robust governance as a pre-requisite for an efficient solvency regime. As we can see from the recent turmoil in the sub-prime mortgage market and the impact on the leaders in the banking market, merely writing policies about what firms should do does not ensure that a firm's governance process will succeed in preventing risky behaviour. Effective governance means assigning personal responsibility to directors and senior managers as they lead change efforts.

Client benefits

- > Stronger competitive position through better decision making on pricing and capacity made possible by re-allocating capital among operating companies within a group framework
- > Enhanced data capture and management improves the quality and predictive power of internal models for optimising risks and enabling greater transparency of reporting
- > Avoiding surprises through more effective and strengthened governance and risk management regime.

Why Atos Consulting?

Atos Consulting, the global consulting practice of Atos Origin, is a leading provider of business, process and technology consulting services. With more than 2,500 staff globally, it focuses on working with clients in the financial services, telecom, manufacturing and public sectors. We are a market leader in risk management, regulatory compliance and business process transformation for the Financial Sector.

Next steps

For further information please visit www.atosconsulting.com or email ukconsulting@atosorigin.com