

# opportunity

for insurers with Solvency II  
controlling risk and growing your business



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# Rising to the challenge

For those that are willing to embrace it, Solvency II represents a significant opportunity to enhance business performance and acquire a competitive advantage.

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The opportunity, however, requires changes to the insurer's operating model, the way the insurer is governed, the way that data is used, the processes it uses, and the way its people think and behave.

Well-informed decisions are required, because the gains could be vital.

Solvency II presents an insurer with a number of key challenges, including:

- ▶ Embedding a culture of risk-based decision making to generate greater value for all stakeholders
- ▶ Gathering more detailed, accurate and timely information about the risk sensitivity of their portfolio, and aligning IT infrastructure to cope with these new demands
- ▶ Complying with transactional feeds for capital requirements calculations and risk reporting. Legacy systems and feeds from finance systems are not generally sufficient for Solvency II compliance
- ▶ Deciding on the level of change the organization is prepared to take on, based on ambition and financial benefits
- ▶ Extending compliance beyond actuaries, to involve risk, IT and finance. Solvency II must be setup as a multi disciplinary program
- ▶ Having governance and controls in place to measure, monitor and manage progress and dependencies, both internally and externally.

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**“With hindsight we’ll see that the successful decisions were about more than mere compliance - that there were some bold yet educated calls on investment.”**



# To merely comply, or to fly?

The key to Solvency II is that it requires insurers to take into account the “interlock” between different types of risk. Interlock potentially allows an insurer to offset one type of risk with another, resulting in a reduction in the capital required.

Taken to its extreme, if the capital offset is recognized at the same time as key business decisions, then a positive capital impact could be incorporated into the pricing, achieving real competitive advantage.

## Deciding on your level of change

To take advantage of this opportunity afforded by Solvency II, companies should anchor their compliance program into a future vision that considers all aspects of a firm’s operating model. Solvency II should be a journey to 2013 and beyond.

Atos provides an end-to-end service that offers insight, expertise and practical tools to those prepared to seize the opportunity. We understand the dependencies between the various processes, systems, people and external forces an organization deals with. Solvency II will impact upon many areas of an organization, from finance, to risk, to IT, to customer services. We advocate a holistic approach to aligning initiatives with the overall Solvency II objectives.

However far your vision takes you, we have tools and solutions that have been tested in interventions such as BASEL II, Sarbanes-Oxley and LAUTRO.

We can apply these to help you digest the implications of Solvency II, to communicate and report with all stakeholders, and to build a practical approach to managing both content and processes.

## Assistance for every aspect of change

Solvency II has three Pillars which require compliance: Quantitative requirements, Qualitative governance, and Reporting.

For each of these we have used seven key TOM levers to assess the impact of Solvency II on your organization. From choosing the right IT to taking your staff with you, Atos guides you on the issues as they affect you.

**Our Solvency II approach looks across the pillars in terms of people, processes and systems**

	<b>Pillar 1 Quantative</b>	<b>Pillar 2 Qualitative</b>	<b>Pillar 3 markets / reporting</b>
<b>Processes and KPIs</b>	<ul style="list-style-type: none"> <li>Use sound actuarial processes and expert judgement; benchmark results of internal capital model with standardized approach</li> </ul>	<ul style="list-style-type: none"> <li>Establish own risk and solvency assessment process</li> <li>Develop robust risk management processes</li> <li>Develop use test process</li> </ul>	<ul style="list-style-type: none"> <li>Ensure business processes are in place to ensure adequate disclosure and reporting</li> </ul>
<b>IT and Infrastructure</b>	<ul style="list-style-type: none"> <li>Ensure data is accurate, complete and appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Develop management information infrastructure to support all aspects of business including risk management</li> </ul>	<ul style="list-style-type: none"> <li>Ensure management information infrastructure adequate to support disclosure and reporting</li> </ul>
<b>Financials</b>	<ul style="list-style-type: none"> <li>Calculate capital requirements which meet SCR and MCR tests</li> <li>Select internal, standard or hybrid model as appropriate for the organisation</li> </ul>	<ul style="list-style-type: none"> <li>Ensure risk management process includes appropriate information to calculate add-on factors for operational risk</li> </ul>	<ul style="list-style-type: none"> <li>Ensure production of Solvency and Financial Condition report - annual public disclosure</li> </ul>
<b>Customers and markets</b>	<ul style="list-style-type: none"> <li>Use capital model to determine which customers / markets to focus on</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that inputs to risk management process adequately reflect scale and scope of customer relationships and industry sectors where firm is doing business</li> </ul>	<ul style="list-style-type: none"> <li>Ensure public disclosure is appropriately tailored for customers and markets</li> </ul>
<b>Organization and governance</b>	<ul style="list-style-type: none"> <li>Provide effective Actuarial Function</li> </ul>	<ul style="list-style-type: none"> <li>Ensure effective internal audit function</li> <li>Provide independent risk management function</li> </ul>	<ul style="list-style-type: none"> <li>Ensure internal audit to and review of disclosure reports</li> <li>Ensure sufficient staff and resources to support public disclosure requirements</li> </ul>
<b>People and skills</b>	<ul style="list-style-type: none"> <li>Ensure actuaries have appropriate knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the business</li> </ul>	<ul style="list-style-type: none"> <li>Ensure staff are fit (qualifications and knowledge) and proper (good repute and integrity)</li> <li>Create a risk management culture to safeguard risk management processes</li> </ul>	<ul style="list-style-type: none"> <li>Ensure openness of culture and communication to support public disclosure requirements - avoid 'hiding' issues which could cause nasty surprises</li> </ul>
<b>Suppliers and partnerships</b>	<ul style="list-style-type: none"> <li>Ensure appropriate governance of quantitative work, if outsourced</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that outsourcing of any operation does not impair quality of governance, risk management and service delivery to customers</li> </ul>	<ul style="list-style-type: none"> <li>Ensure appropriate governance of disclosure-related work, for instance PR firms</li> </ul>

# Taking control

By applying the seven levers of the TOM across the three pillars, we are able to facilitate a high level discussion on the range of processes you will need to follow for compliance.

We have found success in managing these processes using two powerful tools:

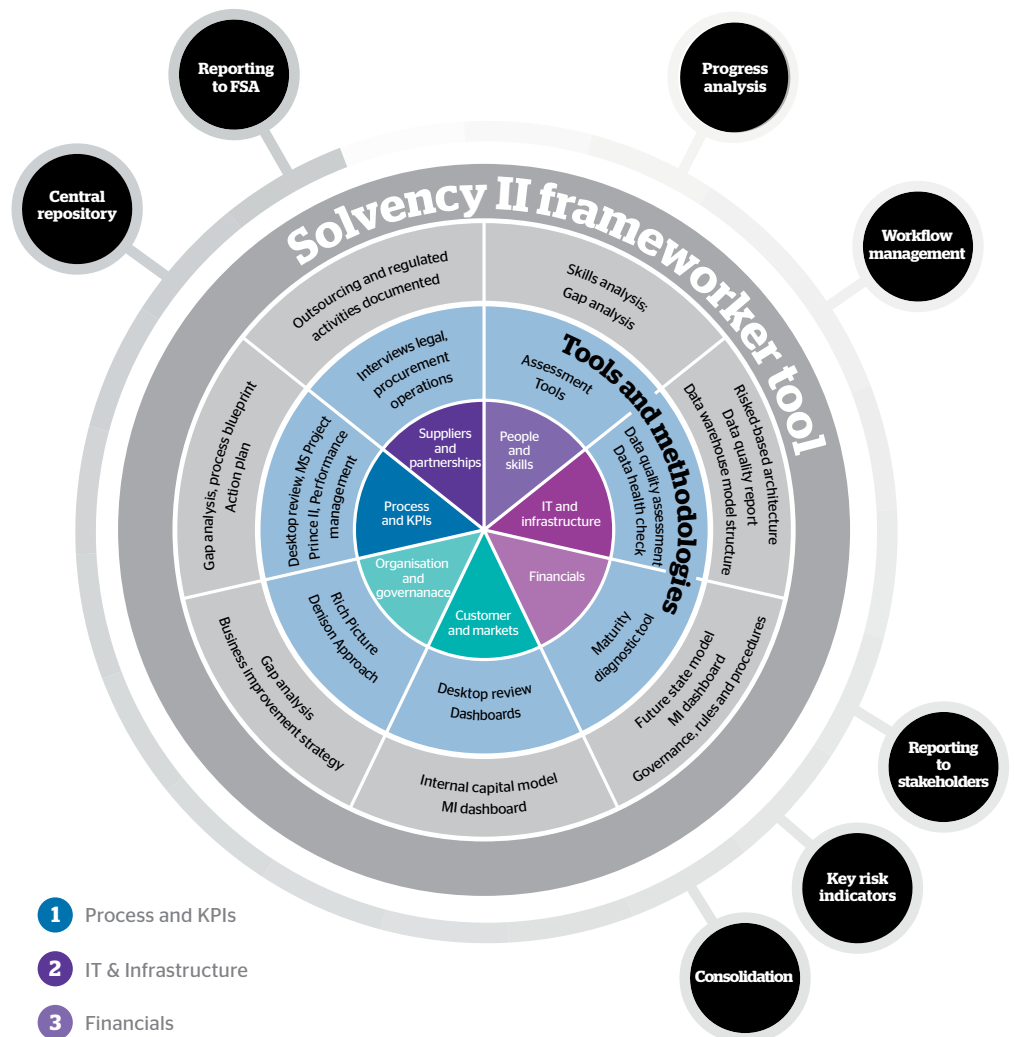
## The Atos frameworker tool

We've positioned 100 statements within the seven TOM levers. Your responses to these allow our frameworker tool to perform a gap analysis to gain more a detailed understanding of how far your organization is from its desired end state. It produces a Red Amber Green overview for each of the seven TOM levers, with the ability to drill down to statement level.

## The management dashboard

Comprehensive, versatile and responsive, our Management Dashboard lets you manage exceptions, consolidate data and monitor results. By sitting on top of multiple data sources, it lets you stay ahead of key risk indicators and project milestones, using standard reporting formats to enable multi dimensional analysis and drill downs.

Once the Management Dashboard is created it will refresh dynamically as the underlying data is updated.



- 1 Process and KPIs
- 2 IT & Infrastructure
- 3 Financials
- 4 Customer and Markets
- 5 Organization and Governance
- 6 Suppliers and Partnerships
- 7 People and Skills

**“Retail banking now realizes that it mistakenly treated Basel II as a compliance operation, when it should have been an opportunity to make radical change to their business and information systems.”**

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# Managing content - making information work for you

Managing content requires powerful tools and refined skills, to rebuild processes, take care of the human element, contain large amounts of data, and to make sure your information is robust.

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## Operating model: design

The Solvency II requirements cover a range of existing processes, such as actuarial, risk and finance, and new processes concerning ORSA (Own Risk and Solvency Assessment) and decision making. When you're designing the new business processes required for Solvency II, for risk, finance and MI functions, Atos will make them work for your aims and culture. The services available include:

- ▶ Mapping processes using standard methodology (IDEFO and flowcharts)
- ▶ Applying Lean principles where no current processes exist (e.g. ORSA)
- ▶ Defining and agreeing a prioritized action plan to transition from your current to your desired state, founded on a detailed financial business case
- ▶ Developing a system and infrastructure blueprint
- ▶ Designing financial and risk management processes linked to your organization's responsibilities (RACI).

## Operating model: implementation

Our research shows that fewer than half of large-scale projects succeed. This is usually because organizations fail to address 'people' issues, with only 14% of projects floundering as a result of technical issues.

We can help you manage behavioral change and embed a risk-focused culture, by:

- ▶ Assessing your culture, using methodologies such as Denison
- ▶ Understanding how changes will affect employees
- ▶ Addressing your reporting processes to facilitate disclosure requirements and respond to your information needs
- ▶ Ensuring an open culture which engages stakeholders.

## Risk Business Architecture (RBA)

Solvency II will demand IT heavy lifting, especially with data management, cleansing, integration and distribution. Atos Risk Business Architecture lets you address these complex demands by using a centrally maintained risk repository.

Applying RBA reduces your reconciliation requirements and improves the accuracy and reliability of your reporting. The result is:

- ▶ Visibility - one version of the truth for risk and financial information
- ▶ Integration - a single source of data for enterprise-wide processing and control
- ▶ Control - a secure, reliable, scalable and flexible architecture, to manage risk and internal controls consistently and accurately
- ▶ Efficiency - the lowest cost for improving your business processes.

## Information lifecycle management

CEIOPS guidance requires the data for Solvency II to be accurate, appropriate and complete. This challenges insurers, since most current management systems are inappropriate. Our approach is to manage the information through its complete life cycle, including:

- ▶ Analyzing which end points create events that change risk
- ▶ Maintaining the lineage of all data elements to their source
- ▶ Business level descriptions of all data elements in models and reports.

Solvency II requires a central database for storage of evidence e.g. plans, results of audits and reviews, and notes. Atos has developed a set of Solvency II templates for Microsoft's SharePoint, an "out of the box" answer for Solvency II program managers, using our expertise in Electronic Content Management (ECM) to support the programmes "green" RAG status.

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# Choose growth

Atos' end-to-end solutions will allow you to assess the implications of Solvency II, and provide you with methodologies to measure and manage your progress - against both compliance and your strategies for growth.

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We consider the interdependencies between your processes, technology and people, and employ our experience in data warehousing, data cleansing and data quality assessment to implement your Solvency II program cost-effectively - realizing efficiencies through better management of risk and infrastructure.

Atos offers you a dynamic combination of innovative ideas, experienced experts, independent choices about IT, and proven thought leadership throughout your transformational journey.

## Making it easy

Achieving compliance with Atos offers valuable benefits:

- ▶ Proportionate approach resulting in minimal intervention - no 'gold plating'
  - ▶ Web based tools to carry you from the 'what' to the 'how'
  - ▶ Unbiased selection of IT vendors and products
  - ▶ End to end 'design, build, operate' solution, reducing dependencies and handover points
- ▶ Pragmatic management dashboards to bring information together in a consistent and efficient manner
  - ▶ Reduced cost of compliance through streamlining and automation
  - ▶ Visible compliance with Solvency II through a central repository of documentation
  - ▶ Professional support when populating the Solvency II Frameworker.

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**“Our tried and tested approach to the implementation of regulatory and financial reporting won't just keep you compliant - it'll provide a solid platform for competitive advantage.”**

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# About Atos

Atos is an international information technology services company with annual revenues of EUR 8.7 billion and 78,500 employees in 42 countries. Serving a global client base, it delivers hi-tech transactional services, consulting, systems integration and managed services. Atos is focused on business technology that powers progress and helps organizations to create their firm of the future. It is the Worldwide Information Technology Partner for the Olympic Games and is quoted on the Paris Eurolist Market. Atos operates under the brands Atos, Atos Consulting, Atos Worldline and Atos Worldgrid.

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