Fit for Global Thinking

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The WBG approach

- The WBG is supporting developing countries and emerging markets to develop roadmaps towards risk-based supervision using Solvency II approach.

- We are supporting countries to implement these roadmaps through advisory services and technical assistance.
Solvency II: 3 pillars and a roof

<table>
<thead>
<tr>
<th>Pillar 1: quantitative requirements</th>
<th>Pillar 2: qualitative requirements and supervision</th>
<th>Pillar 3: prudential reporting and public disclosure</th>
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<tbody>
<tr>
<td>1. Harmonised calculation of technical provisions</td>
<td>1. Enhanced governance, internal control, risk management and own risk and solvency assessment (ORSA)</td>
<td>1. Common supervisory reporting</td>
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<td>2. &quot;Prudent person&quot; approach to investments instead of current quantitative restrictions</td>
<td>2. Strengthened supervisory review, harmonised supervisory standards and practices</td>
<td>2. Public disclosure of the financial condition and solvency report (market discipline through transparency)</td>
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<td>3. Two capital requirements: the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR)</td>
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Group supervision & cross-sectoral convergence

Groups are recognised as an economic entity => supervision on a consolidated basis (diversification benefits, group risks)
ARGENTINA

**Pillar 1: quantitative requirements**
- A guideline (including formula and calculation methodology) on solvency capital requirement and minimum capital requirement, to adapt the capital required to the risks faced by insurers.

**Pillar 2: qualitative requirements and supervision**
- Strengthened supervisory review, through on-site
- **A Road Map along with a detailed action plan** for moving from a quantitative, compliance-based approach, to a risk-based approach to regulation and supervision

**Pillar 3: prudential reporting and public disclosure**
- Enhance the transparency of the insurance sector (market discipline) through enhanced disclosure requirements.

Improve group supervision
Pillar 1: quantitative requirements

A guideline (including formula and calculation methodology) on solvency capital requirement and minimum capital requirement, to adapt the capital required to the risks faced by insurers.

Pillar 2: qualitative requirements and supervision

A white paper with road map describing long-term recommendations regarding ways to reach more risk-based capital regime either through implementing Solvency II or another “equivalent” regime.

Pillar 3: prudential reporting and public disclosure

Manual on regulatory/supervisory reporting (all information necessary for the purposes of supervision, at minimum review of system of governance, technical provisions, capital requirements, investment, etc.)

Manual on solvency and financial condition reporting
THAILAND

**Pillar 1: quantitative requirements**
- Review and upgrade the RBC framework, focusing on operational and group risk;
- Develop a standard model to quantify operational risk for insurance companies;

**Pillar 2: qualitative requirements and supervision**
- Enhance on-site inspection and Early Warning System;
- Develop a standard model for ALM, ERM and review stress test practice;
- Strengthen Risk Based Supervision;

**Pillar 3: prudential reporting and public disclosure**
TURKEY

Strengthen group supervision

**Pillar 1: quantitative requirements**
Assess the existing solvency regime focusing mainly on RBC taking Solvency II approach as a basis, provide recommendations to improve Turkey’s capital regime and develop new risk evaluation methods.

**Pillar 2: qualitative requirements and supervision**
Upgrade supervisory review process and develop guidelines where need be, to reflect risks more accurately by harmonizing the rules at EU level;
Develop a road map on a) dynamic solvency regime b) principals & technical aspects of quantitative requirements of Solvency II;

**Pillar 3: prudential reporting and public disclosure**
Conclusion

Regulators/Supervisors

- We need a system designed to create incentives for sound risk management
- The supervisory architecture (for the highest policyholders protection)
  - Solvency should be highest priority
  - RBC
  - Data quality and transparency
  - Consistent accounting and actuarial valuation

Insurers

- Strengthen their risk management capabilities
- Create sustainable products
- Remain competitive in the global market place