

Supervisory practice and internal procedures after the introduction of Solvency regulatory regimes (SST, Solvency II)

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Implementation of the SST and Solvency II was a multi-year journey

- Zurich has began its Solvency II implementation in 2009 and went live in 2016
- Collaborative efforts between European subsidiaries and Corporate Center in Switzerland defined the success factor
- Zurich has established governance, processes and control framework on local and central levels
- Zurich has developed the required IT system for modelling and reporting
- Responsibility for Solvency II compliance reside with Legal Entities' management and the board

Internal Model has evolved from “R&D” to well controlled and governed process

from

...

to

Understanding risk profile

Mathematical modelling

Risk parameterization

Internal use only

Governance to assure robust processes:

- Methodology changes
- Model production
- IT implementation

Control framework to assure:

- Data quality
- Reporting accuracy

Model approval process requires:

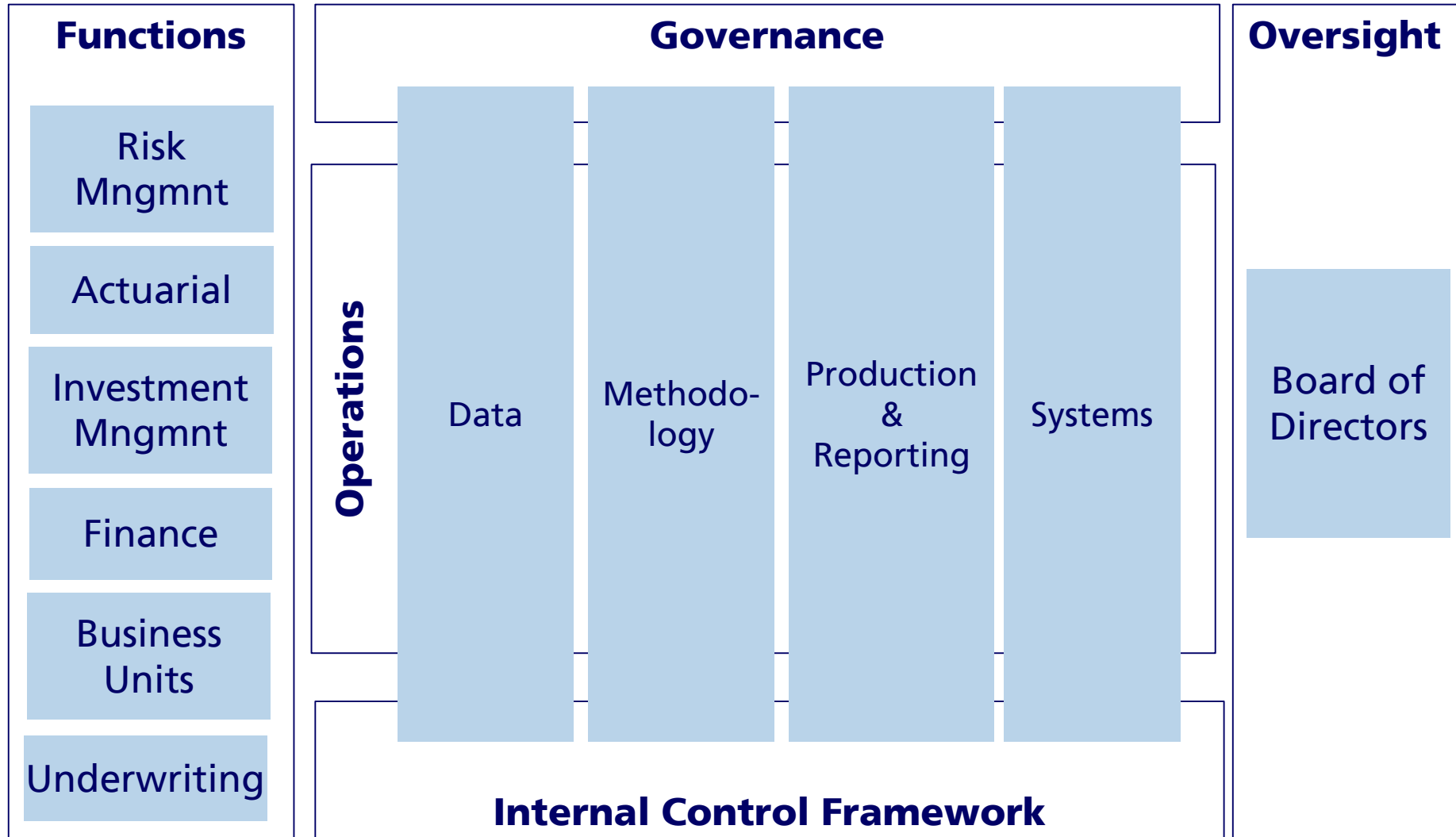
- Excessive model documentation
- Justification of assumptions, expert judgment, model simplifications
- Model validation & Stress testing

Management awareness and use of results

- Up to Board of Directors level
- Use Test for Internal Models
- Public disclosure

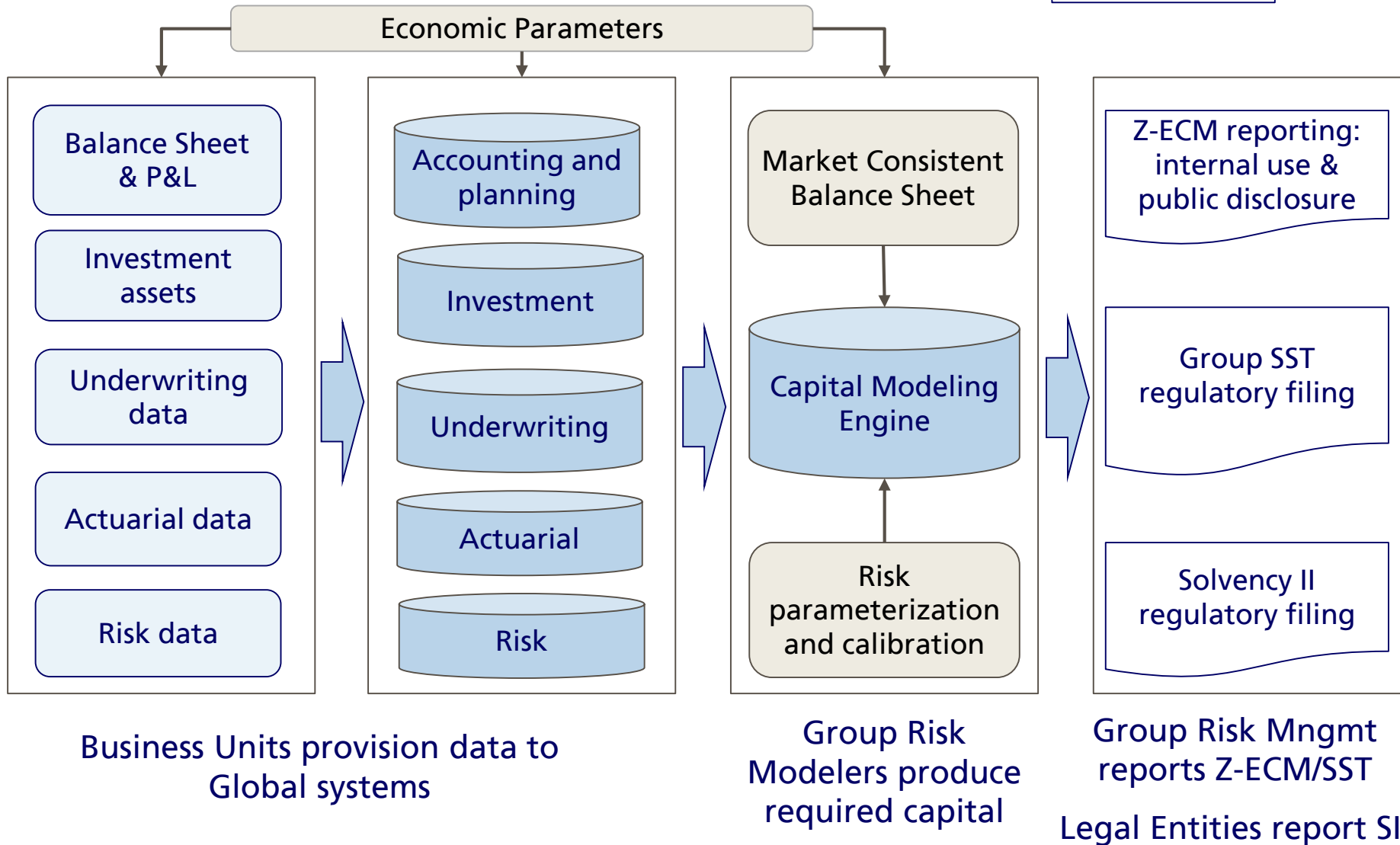
Heavy data collection in Solvency II

Zurich established solid Governance across all elements of Solvency requirements

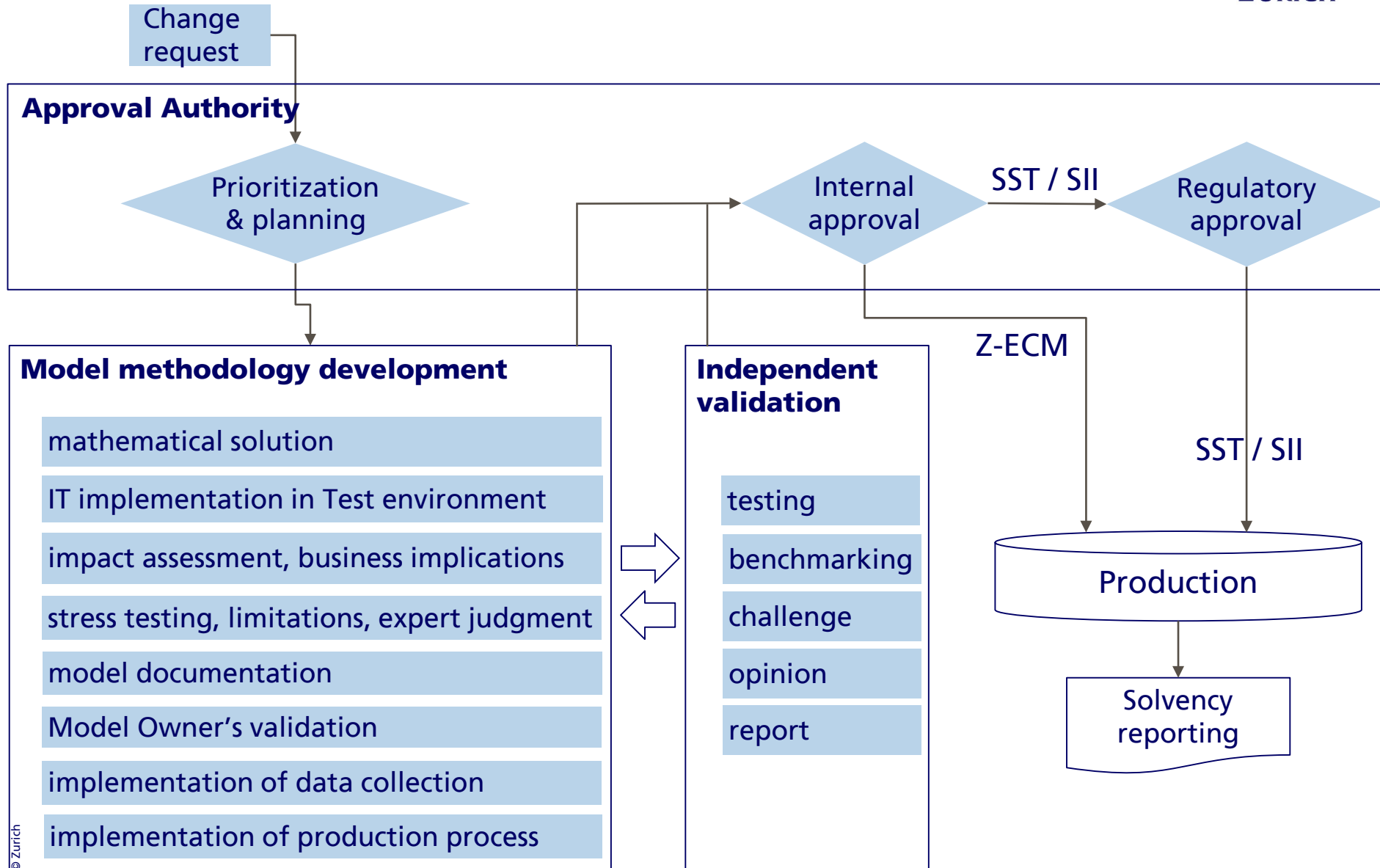


Solvency reporting is a complex process across the Group

-illustrative-



Zurich has well established Model change process



FINMA was the first mover to the risk-based supervision



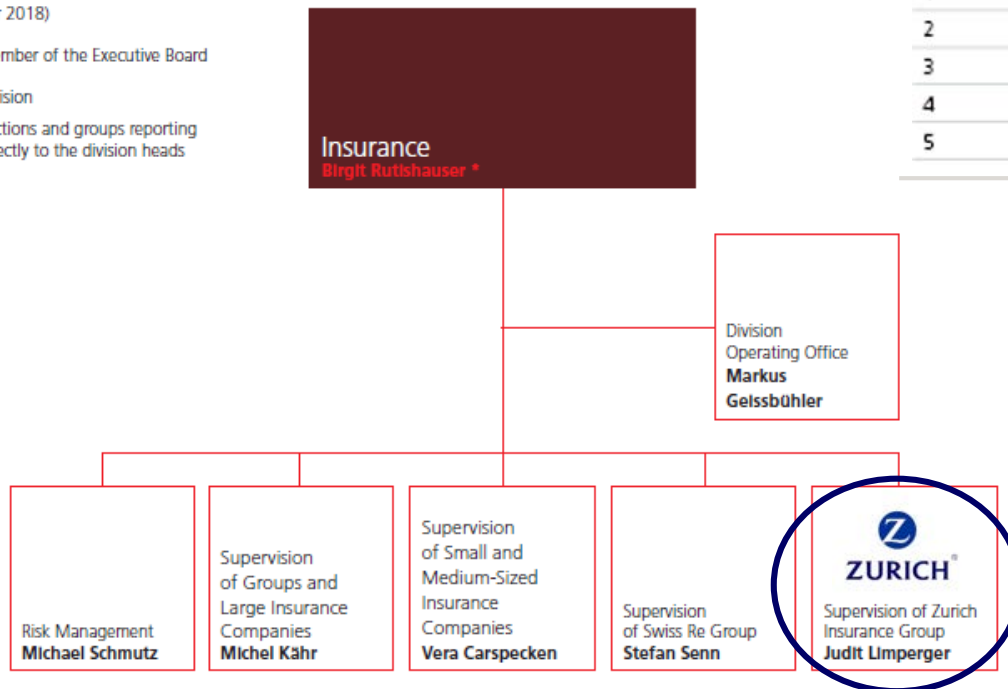
Supervision in the insurance sector

FINMA adopts a principle-based, risk-oriented approach to its supervision of insurance companies. The greater the risk potential of an insurance company, the more intensive the supervision.

(1 December 2018)

* Member of the Executive Board

■ Division
□ Sections and groups reporting directly to the division heads



Category	Criteria (CHF in billions)	Number of institutions	
		2017	2016
1	-	-	-
2	Total assets > 50bn or complexity	5	5
3	Total assets > 1bn or complexity	38	37
4	Total assets > 0.1bn or complexity	56	60
5	Total assets < 0.1bn or complexity	105	105

source: www.finma.ch

Zurich has on-going dialog with FINMA

FINMA collects extensive financial and solvency **reporting data on annual basis**. Groups (including Zurich) and conglomerates supply additional reporting semi-annually.

FINMA hosts **supervisory college** for companies under its supervision annually. For Zurich, this is a management board level meeting and a platform for a regulatory dialog.

FINMA practices **on-site reviews** to assess compliance with Governance, Internal Control System, SST methodology reviews, etc.

SST requirement conclude **early warning** reporting requirement for special events which could drop a company's SST ratio by more than 20%.

FINMA uses the following tools in its insurance supervisory activities across all branches of the insurance sector:

- Swiss Solvency Test (SST)
- Tied assets and investment guidelines
- Monitoring of technical provisions
- Periodic data and information collection
- Governance assessment
- Intensive supervision

source: www.finma.ch

Zurich has an on-going dialog with FINMA via monthly calls & communications.

During SST IMAP the regulator was involved early in the discussion of the model development.

Solvency has profound impact on the insurance product proposition

Economic valuation of Life insurance liabilities, in particular of traditional guaranteed product, results in heavy capital requirements for the business.

Life insurers transfer their guaranteed traditional policy business to 3rd parties.

GENERALI COMPLETES THE SALE OF GENERALI LEBEN

30 APRIL 2019 - 17:50

Trieste/Munich – Generali announces that today it completed the sale of 89.9% of the shares of Generali Leben to Viridium Gruppe and the establishment of an industrial partnership with Viridium in the German insurance market, aimed at managing life insurance closed book portfolios.

Terms and conditions of the transaction are in line with the [announcement](#) of the sale published in July 2018 with a total evaluation for 100% of Generali Leben of €1 billion. In addition, €882 million of loans have been reimbursed to Generali Group.

source: www.generali.com

AXA to transform its Swiss group life business, creating additional value for its customers and shareholders

APR 10, 2018 | PUBLISHED AT 7:00 AM CEST

- AXA to transform its in-force Swiss Group Life business to a semi-autonomous model (*)
- Creating prospects of higher pensions on retirement for existing customers
- Transfer of ca. 31 billion CHF (*) of reserves to occupational benefits foundations (*) by the end of 2018, including ca. 3.5 billion CHF (*) of excess reserves to enable a sustainable risk carrying capacity of the foundations

source: www.axa.com

Life insurers move away from guaranteed products to Unit-Linked, Hybrid and Protection business.

P&C businesses appear to be less effected.

Solvency regulatory reporting requirements are excessive

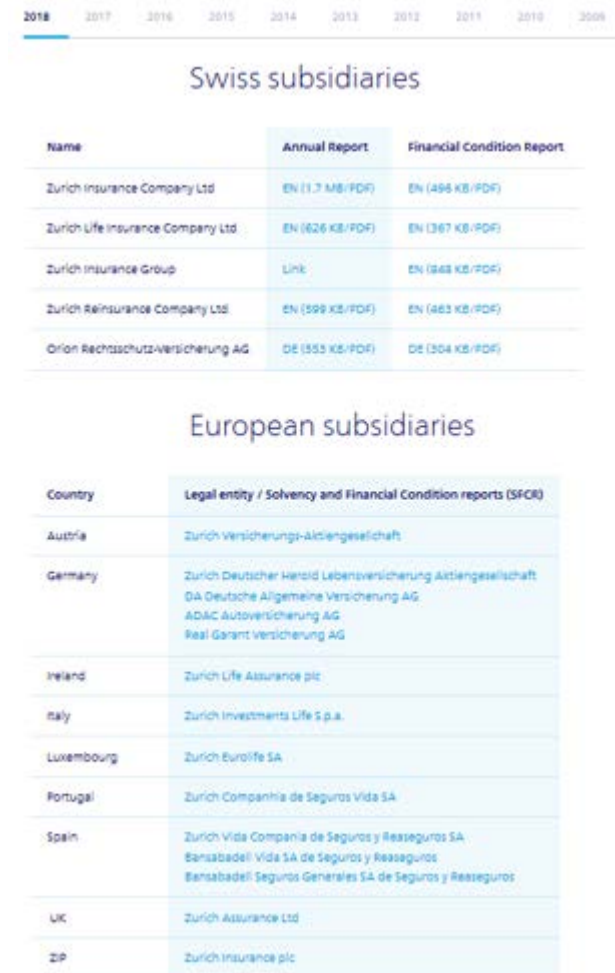
Solvency II reporting

- Quantitative Reporting Templates (quarterly & annually)
- Own Risk and Solvency Assessment (annually)
- Solvency and Financial Condition Reports (public, annually)
- National specific templates (quarterly)
- Internal Model reporting (varies by country)

Swiss Solvency Test reporting (annual)

- SST narrative report
- Predefined templates
- Financial Condition Report (public)
- Own Risk and Solvency Assessment

Every **Legal Entity** subject to the regulation has to comply with these requirements.



The screenshot shows a navigation bar with years from 2018 to 2009. Below it, there are two sections: 'Swiss subsidiaries' and 'European subsidiaries'. Each section contains a table with columns for Name, Annual Report, and Financial Condition Report.

Name	Annual Report	Financial Condition Report
Zurich Insurance Company Ltd	EN (1.7 MB/PDF)	EN (496 KB/PDF)
Zurich Life Insurance Company Ltd	EN (626 KB/PDF)	EN (367 KB/PDF)
Zurich Insurance Group	LINE	EN (848 KB/PDF)
Zurich Reinsurance Company Ltd	EN (599 KB/PDF)	EN (463 KB/PDF)
Orion Rechtsschutz-Versicherung AG	DE (353 KB/PDF)	DE (304 KB/PDF)

Country	Legal entity / Solvency and Financial Condition reports (SFCR)
Austria	Zurich Versicherungs-Aktiengesellschaft
Germany	Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft DA Deutsche Allgemeine Versicherung AG ADAC Autoversicherung AG Real Garant Versicherung AG
Ireland	Zurich Life Assurance plc
Italy	Zurich Investments Life S.p.a.
Luxembourg	Zurich EuroLife SA
Portugal	Zurich Companhia de Seguros Vida SA
Spain	Zurich Vida Compania de Seguros y Reaseguros SA Bansabadell Vida SA de Seguros y Reaseguros Bansabadell Seguros Generales SA de Seguros y Reaseguros
UK	Zurich Assurance Ltd
ZIP	Zurich Insurance plc

Thank you

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