



PRESS RELEASE

Survey of European Insurers Reveals Remaining Challenges to Solvency II Compliance

London, UK – 12 January 2012 -- A significant reliance on third parties for data, sophisticated risk modelling requirements and obtaining sufficiently detailed fund data were among the challenges identified by European insurers in order for them to meet Solvency II requirements, according to new research by BNP Paribas Securities Services and InteDelta.

The survey of European insurance companies measured firms' progress towards delivery of the Solvency II directive's requirements, while identifying particularly challenging areas that threatened compliance.

The study revealed that although insurers are advanced in terms of preparing the directive's quantitative requirements (Pillar I), and have started addressing risk governance (Pillar II), significant work remains to implement and embed those requirements into their businesses.

57% of respondents reported a significant dependence on third-parties for risk modelling and other critical data requirements, while challenges in sourcing data of sufficient granularity for certain funds and products were also reported.

In addition, 60% of insurers were yet to address the directive's disclosure requirements around public and regulatory reporting (Pillar III), anticipating that these will continue to develop. While most perceived Pillar III's requirements to be straightforward, many acknowledged that the scale of input – drawing heavily on data and analysis from Pillars I and II – presented a significant challenge within the deadline.

Key challenges identified in the survey include:

- Risk governance must be extended to include data and analytics provided by third parties
 - 57% of respondents reported high or medium exposure to third-party data providers
 - Adopting dedicated data work streams within their overall Solvency II programmes will build a clear view of critical external dependencies for data sourcing and risk reporting



- Fund managers play a key role in terms of data provision
 - 80% identified affiliated and third-party fund managers as key data dependencies
 - Challenge in securing sufficiently granular data for complex products and fund of funds
 - Increasing requirements for risk modelling and securities services providers
- The need to establish a fully-functioning risk team
 - Ensures risk management is embedded at all levels and day-to-day processes
 - Perceived by respondents as major cultural change but better business management

Commenting on the research, Maxime Gibault, head of insurance companies at BNP Paribas Securities Services said: “While insurers have made a lot of progress towards gathering the quantitative requirements for Solvency II, the industry must now urgently address the directive’s risk management and reporting requirements.

“New data traceability processes, additional data governance and new criteria for mandate reporting were all identified as being of critical importance to insurers. Yet, each of these appears challenging for some insurers that hold assets with third party managers, or those that hold externally-pooled funds requiring look-through reporting.

“What is clear is that insurers must re-engage with their asset managers over Solvency II in order to be compliant by 1 January 2014.”

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