

# SOLVENCY II CONSULTING SERVICES

As insurers and reinsurers and their subsidiaries continue preparation for Solvency II, focus must shift toward ensuring that strategies sustain and optimize global competitive capabilities, and that implementation within subsidiaries is, and remains in harmony with those strategies.

FTI Consulting Global Insurance Services group helps clients address these imperatives by assessing critical Solvency II “post-gap-analysis” strategies and implementation initiatives, including project management, governance changes, risk and controls environment, capital management, functional processes and controls, data quality and controls, data collection, modeling and analysis, and compliance and reporting.

## REPRESENTATIVE SOLVENCY II SERVICES AND ENGAGEMENTS

Clients rely on our team of insurance experts to assess, advise, and develop solutions to meet a broad range of critical needs.

- Board of Director Reports and Disclosures
- Business Process Analysis and Design
- Ceded Reinsurance Assessments
- Claims Liability and Damage Analysis
- Commutations and Policy Buyouts
- Compliance Services
- Contract Disputes and Analysis
- Design and Benchmarking of Internal Actuarial Departments
- Financing and Capital Formation
- Loss Reserve Analysis and Practices
- Mergers and Acquisitions Support
- Profitability and Strategic Reviews
- Rating and Pricing Assessments
- Regulatory Reporting, Pricing and Disputes
- Risk Assessment and Management
- Segmentation and Benchmarking: Markets, Products, Customers

## LEVERAGING SOLVENCY II (SII)

Most of the effected parent and subsidiary organizations of (re)insurers have moved from an SII gap analysis to an SII implementation that includes the Internal Model pre-application process as well as plans to embed SII “culture” into the business. However, these plans need to be aggregated and reviewed holistically in order to ensure that the collective impact of all subsidiaries is in line with parent strategies and objectives and that results can be leveraged throughout the organization.

FTI Consulting believes that organizations should implement optimizing projects and perform operational testing to ensure that strategies and objectives are being achieved and embraced at the appropriate level within the organization. FTI Consulting also believes that implementation of SII should not be viewed as a regulatory exercise, but instead as a way to strengthen the organization’s risk quantification, governance, management and disclosure processes while contributing to the organization’s risk adjusted return.

These considerations need to address both current and future requirements, taking into account the dynamic nature of regulations, the marketplace and business needs.

FTI Consulting has the C-suite, SII experience and technical depth in these critical functions to help ensure that the aggregation of plans will operate as desired.

## GOVERNANCE

Corporate governance today is more than just managing the boardroom. Successful governance requires proactive and credible involvement in the financial and operational drivers of the business, with heavy reliance on processes, controls and actionable information.

We are experienced at assessing and remediating governance risk, improving the integrity and business value of information flowing between management and the board as well assessing the process controls, financial functions and various quantitative models, methods and data such as those in use for capital management, pricing, and reserving.

## PROCESS OPTIMIZATION

Experience shows that processes degrade or become stale over time due to changes in business requirements, systems, personnel, and organizational structure. Implementation of SII creates the opportunity to assess and optimize functional processes to ensure they meet the needs of the subsidiary and the parent in this new regulatory environment.

As experienced insurance experts, our team is equipped to assess functional processes across the enterprise, modifying and fine tuning them to meet subsidiary and parent objectives.

## MODEL INTEGRITY AND MODEL USE

Having an internal model is just the first step in the internal model pre-application process. (Re)insurers must also successfully demonstrate and pass the "Use test."

There are a variety of models in use within (re)insurance organizations, from desktop spreadsheets to enterprise-wide risk scenario modeling platforms. To ensure that subsidiaries and the parent are in alignment on all capital and risk modeling, each model must be tested and validated, with results integrated into an aggregated view that satisfies parent strategies and objectives.

The internal model use test is a critical component of the SII implementation. Management must be able to demonstrate that the internal model is not only robust and credible but that the internal model is being used and that it is integrated into the day-to-day running of the business.

Our cross-disciplinary team of experts—actuarial, financial, risk and technology—are able to help clients perform model validation, and recommend and assist in the consolidation, use and/or implementation of new or upgraded models.

## ENHANCED RISK MANAGEMENT AND INTERNAL AUDIT FUNCTIONS

Compliance under SII will be closely monitored by regulators to ensure that requirements are being met and that regulatory objectives are being achieved. Compliance requires a highly disciplined approach to implementing and ensuring that strong risk management with a stronger risk controls environment are in place and that an effective internal audit and risk management function exists.

Our team of insurance experts includes former auditors and risk managers with the experience to assess and establish the necessary controls environment and audit mechanisms that are required in today's environment.

## INFORMATION SYSTEMS AND DATA INTEGRITY

Effective financial, risk and operational management are heavily dependent on information systems and the integrity of data for decision-making. Data must be accurate, complete, relevant and timely.

FTI Consulting is a leading provider of data technology and services, with a team of professionals with deep knowledge of the specialized requirements of the insurance industry. We can quickly and effectively assess and recommend solutions to improve information systems and achieve data integrity requirements.

## REPORTING

The various initiatives toward global harmonization of financial reporting and capital requirements regulations requires a thorough understanding of local and international regulations, combined with the technical skills and business acumen to assess and develop appropriate implementation strategies.

Our Global Insurance Services group includes experts in GAAP/STAT and the requirements for transitioning to and accommodating the requirements of SII, as well as International Financial Reporting Standards, European Embedded Value requirements. Our transitioning services include any technical and organizational issues related to re-engineering processes, models, and accounting and reporting systems.

## LEGAL/REGULATORY

The volatile economic environment has spawned increased legal/regulatory activity, including investigations and dispute resolution through arbitration, litigation, or alternative settlement approaches. Assessing the risks of these actions and helping clients navigate through potential issues within the context of SII requires a variety of actuarial, financial, operational, and technology skills.

FTI Consulting Global Insurance Services group has an unparalleled track record in successfully assisting clients with legal/regulatory matters of this nature.

## ADDITIONAL SERVICES: GLOBAL INSURANCE SERVICES GROUP

Other specialized services delivered by our Global Insurance Services group are described in the following brochures.

- Actuarial Consulting
- Claims Consulting
- Enterprise Performance Improvement
- Enterprise Risk Solutions and Technology
- ESI Readiness, Management and Compliance

- Information Quality Improvement
- Intellectual Property Services
- Litigation Support and Expert Testimony
- Transaction Advisory Services

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<http://www.fticonsulting.com/industries/insurance.aspx>



Critical thinking at the critical time™

### About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. With more than 3,700 employees located in 22 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring. The company generated \$1.4 billion in revenues during fiscal year 2010. More information can be found at [www.fticonsulting.com](http://www.fticonsulting.com).