

Solvency II: fund competitiveness in a regulated insurance industry



Solvency II obliges insurers to understand the risks embedded on the asset side of their balance sheets, which implies the need for a detailed look-through process. To facilitate this, asset managers will have to provide data to insurance companies, which means new reporting challenges.

Reporting requirements

Insurers' reporting

Driven by QRTs (Quantitative Report Templates) and SCRs (Solvency Capital Requirements) requirements, insurance companies have to process and report data down to position- and instrument-levels with a high level of granularity. As per EIOPA-CP-14-045, investment funds held in the portfolios of insurance companies now have to be considered in detail.

Look-through reporting for asset managers

Driven by the same new requirements, asset managers play a key role by being core actors in providing the relevant and accurate data that allows the actuaries of insurance companies to compute and report accurate figures for regulatory purposes.

To tackle this challenge, various investment management associations have started to identify and define data needs and reporting standards to facilitate this data exchange process – first each association individually, and later together with a consolidated, harmonised, and structured approach.

The so-called “Tripartite Data Exchange Template” (now promoted by the EFAMA but initially set up by Club Ampere, the BVI in Germany, and the Investment Association in the UK) is emerging as a market standard and as the most advanced and comprehensive template available to asset managers today. However, insurance companies can still assert individual requirements, meaning that asset managers have to be prepared and sufficiently flexible in their reporting modules to be able to accommodate specifications.

The purpose of reporting

Besides regulatory reasons, asset managers' reporting can function as a sound marketing element if it facilitates insurance companies' computational efforts to compile information related to Pillar I – SCR driving. Thus, even if not 'mandatory', asset managers might want to implement calculation modules that provide their insurance clients with indicative capital requirements. Going further, complete, reliable, and decision-supporting SCR & QRT information might be the minimum standard for future investment decisions.

Competitive service offering

Delivering the requested key information is putting pressure on fund managers to remain competitive and attractive. The Solvency II requirements are a great opportunity for asset managers to offer insurance companies more competitive services by both supporting them in their reporting process and offering them more suitable investment solutions that minimise capital requirements. Of course, the costs of creating such offerings must also be kept reasonable!

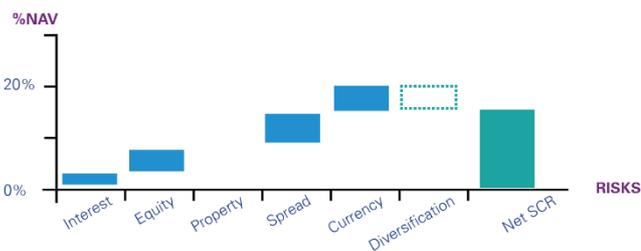


What can asset managers expect from us?

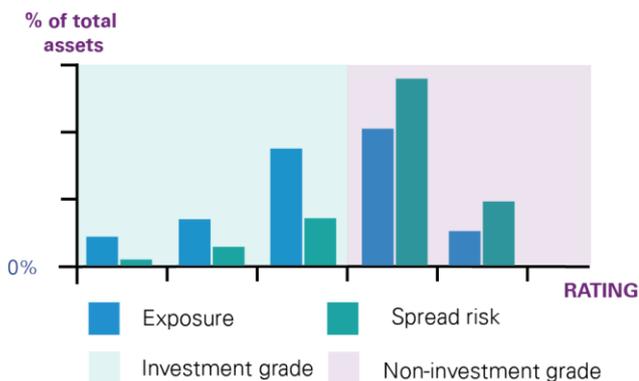
We can take over any and every step of the reporting process, from helping you with the first client contact, to data-crunching and risk-figure-calculation, to the final dissemination of the reports to your investors.

We deliver not only the most up-to-date market standard Tripartite template, but also custom reports for your clients as well as Solvency II factsheets highlighting the key SCR figures that support your clients' investment decision processes.

SCR for market risk module summary



Spread risk breakdown

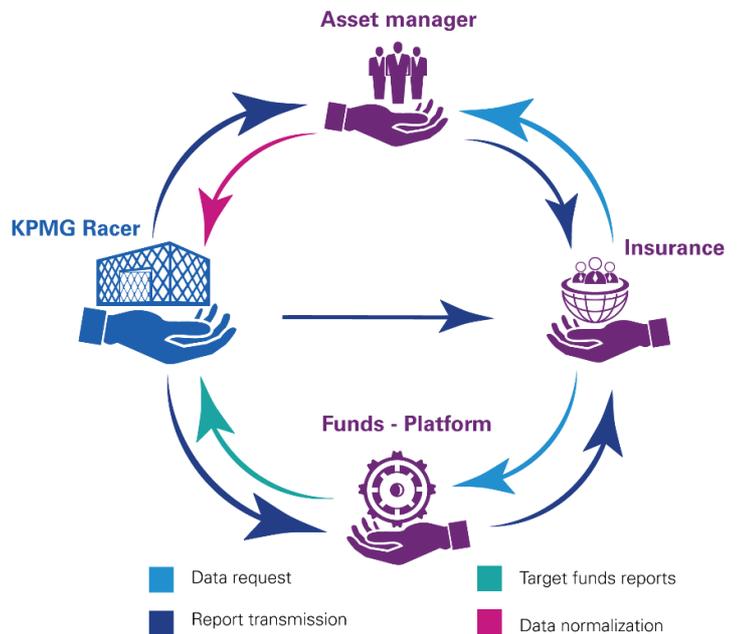


What is the target operating model?

The new Solvency II AM Reporting Module is a component of the KPMG Racer platform. It offers several tailor-made risk, compliance, and reporting services that enable asset managers to tackle their reporting challenges. By capitalising on the data model already in place for risk, CRR, and AIFMD reporting, the Racer integrates new features to facilitate asset managers' reporting processes to insurance companies.

Once your data feed is integrated within our data warehouse, the data enrichment, risk calculation, as well as classification and computation processes will generate standardised reporting templates such as the BVI/Ampere's Tripartite Exchange Template.

Moreover, the Solvency II Reporting Module allows you to configure client-specific reporting templates which might be needed to satisfy specific reporting requirements from insurance companies.



What do you get?

Through its fully comprehensive, in-house-developed Racer platform, KPMG is capturing Solvency II reporting requirements for asset managers in a flexible manner. In particular, we can:

- advise on standardised and established processes, tools, and techniques for data enrichment and classification;
- help you establish an operating model that incorporates monthly or quarterly Solvency II reporting needs;
- Provide a full risk package that includes risk sensitivities/analytics as well as indicative SCR calculations;
- create fully standardised Tripartite as well as custom report configurations;
- assist in the dissemination of the reports (e.g. through fund platforms);
- provide strong regulatory expertise with technical knowledge at a competitive price; and
- help you advise your investors on reporting templates and their impact on fund structuring.



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