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Preparation for SA QIS 2

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SAM Workshop
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Agenda



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- **SA QIS 2 Introduction**
- **Technical Provisions**
- **Solvency Capital Requirement (SCR)**
- **Ring Fenced Funds**
- **Groups**

SA QIS 1 Recap



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- **Conducted in 2011**
- **Good participation – 95 submissions representing more than 90% of industry**
- **Conducted on a best efforts basis**
- **Specific areas identified for further testing**

Timeline for SA QIS 2



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Deliverable	Date
Publishing of draft SA QIS 2 technical specification for comment	31 May 2012
Final date for submission of comments	22 June 2012
Publication of final SA QIS 2 technical specification	13 July 2012
Submission of results for solo calculations	15 October 2012
Submission of results for group calculations	5 November 2012
SA QIS 2 report published	31 January 2013

SA QIS 2 material



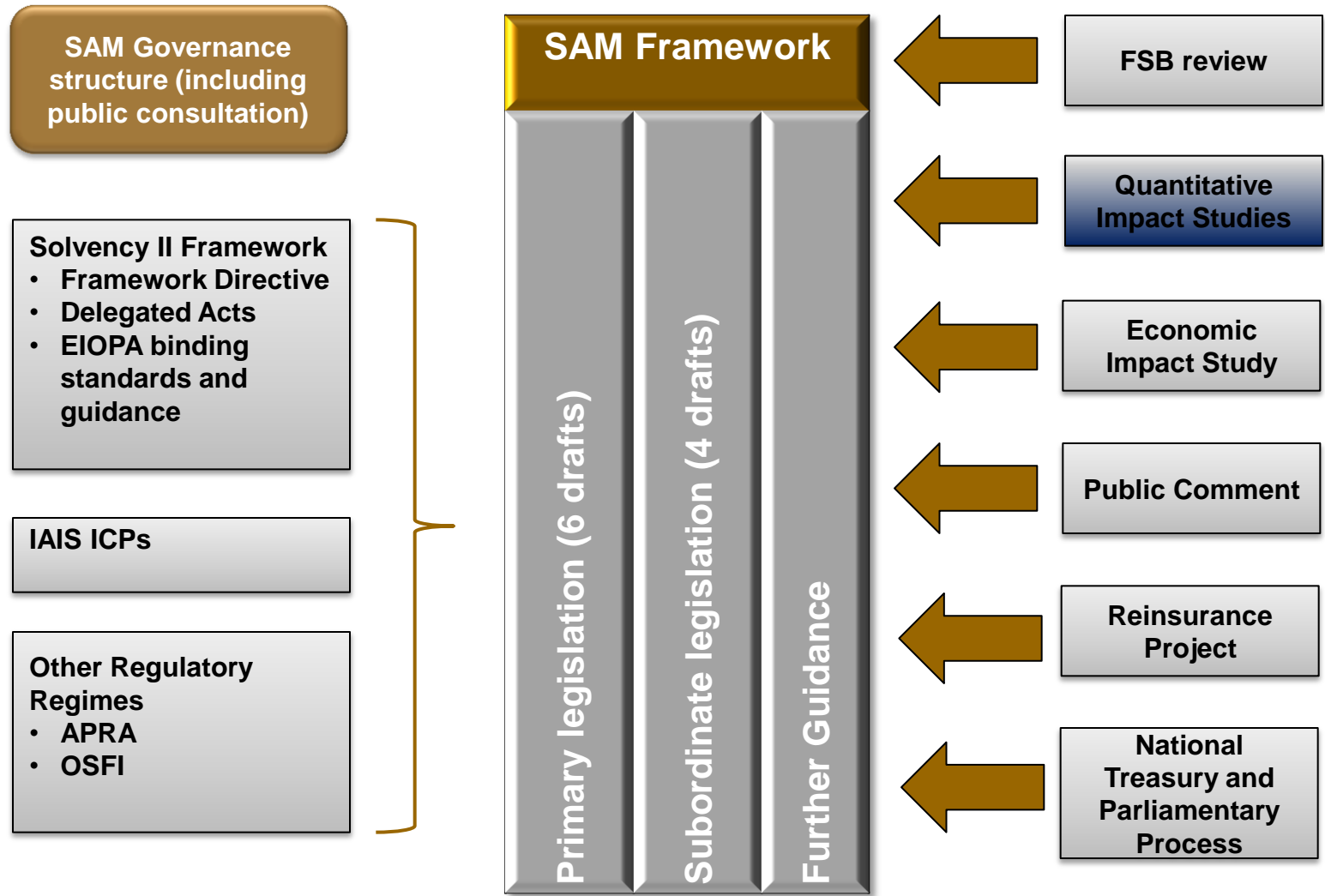
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- **Technical specification**
 - Track changes from SA QIS 1
 - Clean version
- **Qualitative Questionnaire**
 - Word document
 - Spreadsheet
- **SA QIS 2 spreadsheet**
 - Solo
 - Groups
- **Further annexes and helper tabs**

Why is SA QIS 2 important?



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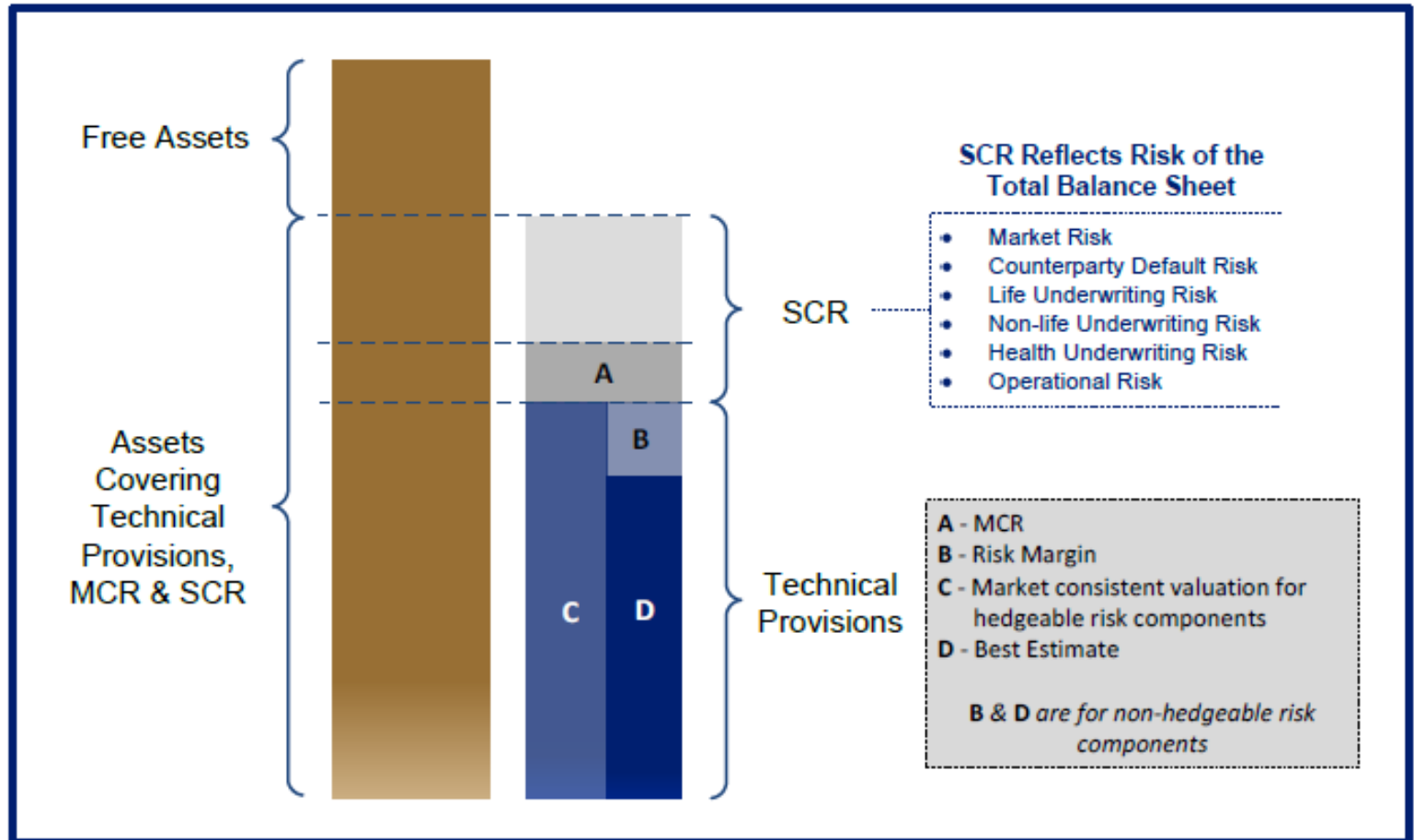


SA QIS 2 is not the final implementation, but assists in developing the framework

SAM Balance Sheet



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Technical Provisions



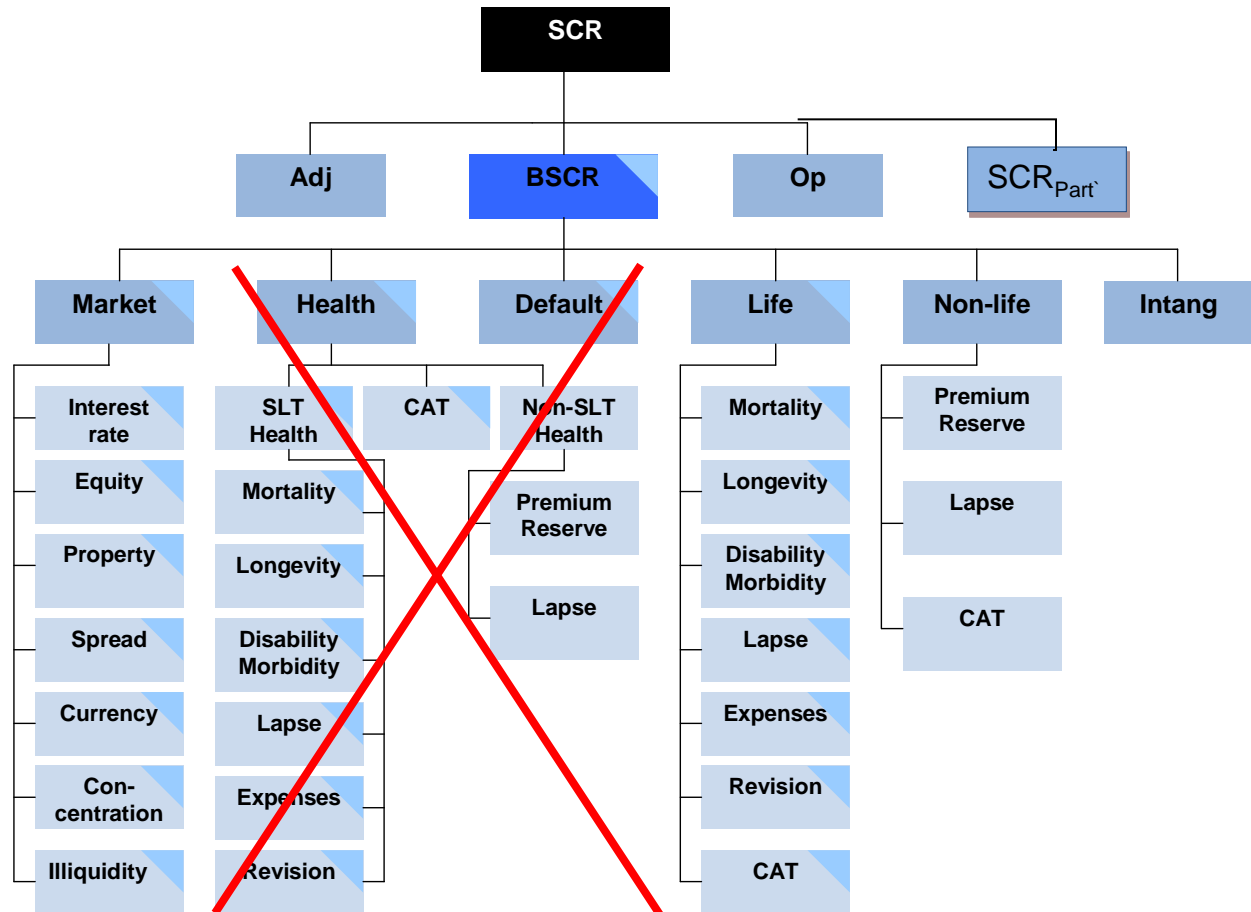
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- **Contract Boundaries**
 - Further guidance given by product type
 - Specific consideration for investment without guarantees
 - Knock-on impact on SCR calculation
- **Liquidity Premium**
 - Only available on certain types of products
 - Matching premium approach

SCR – Structure



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SCR – Market Risk



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- **Interest Rate Risk**
 - **Component analysis v SA QIS 1 approach**
- **Equity Risk**
 - **Revised countercyclical adjustment**
 - **Stress on strategic participation**
- **Spread and Default Risk**
 - **Approach dependent on liquidity of asset**

SCR – Life Underwriting Risk



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- **Lapse Risk**

- **Applied at policy grouping level**
- **Increase in parameters for mass lapse event and unit linked policies**
- **Interaction with expenses**
- **Interaction with market risk**

- **Health Risk**

- **Included in life underwriting risk**

SCR – Non-life Underwriting Risk



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- **Reserve and Premium Risk**
 - **New parameters based on EIOPA updated approach**
 - **Further work required to base parameters on South African experience**
- **Catastrophe Risk**
 - **Adjustment to scenarios used for both man-made and natural catastrophes**
- **Undertaking Specific Parameters**

Ring Fenced Funds



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- **Application**
 - **Cells**
 - **Profit participating funds**
- **Requires separate SCR for each ring fenced fund**
- **Applies to operational ring fenced funds**

Groups



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Name	Approach	SA subsidiaries	Non-SA subsidiaries
"Current"	Deduction & Aggregation	Current rules	Local rules
SAM Alternative 1	Deduction & Aggregation	SA QIS 2	Local rules
SAM Alternative 2	Deduction & Aggregation	SA QIS 2	SA QIS 2 (using simplifications)
SAM Alternative 3	Deduction & Aggregation	SA QIS 2	Local rules
SAM Alternative 4	Accounting Consolidation	SA QIS 2	SA QIS 2
SAM Alternative 5	Combination	SA QIS 2	SA QIS 2 / Local rules



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Questions