CASE STUDY

Charting Solvency II Success: Tackling Asset Data Complexity Head-On

CLIENT

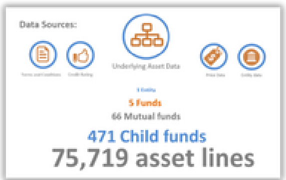
A UK mutual company engaged MBE to address their Solvency II challenges, particularly concerning asset data and fund look-through requirements. The client writes unit-linked saving policies, with-profits and non-linked business, operating as a standard formula company under Solvency II regulations.

CHALLENGES

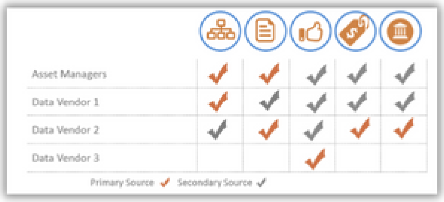
The client faced complexities in understanding risks within their asset portfolio due to the detailed Solvency II reporting requirements. Previous asset-stressing models were primarily spreadsheet-based and lacked the necessary look-through data. Without automation, meeting the Solvency II reporting requirements in terms of timing and content was not possible.

APPROACH

MBE conducted a thorough analysis, revealing the complexity of the client's asset universe and the inadequacy of relying solely on their fund manager for data. The complexity of the problem related to not only the size of the client's universe once full look-through had been carried out, but the breadth of data that would be required. This can be seen in figure 1 below.



However, it was discovered that one data vendor license wouldn't suffice as not all data points required for the asset QRTs and asset stresses were available from a single vendor. This is illustrated in Figure 2 below.



To overcome this problem we implemented an automated, end-to-end solution utilising our proprietary software. This solution integrated data from multiple sources (fund managers, data vendors and internal sources) and then standardised, transformed and stored it. The automated calculation of standard formula asset stresses and integration into existing liability models facilitated compliance with the Solvency II reporting requirements and provided risk Management Information (MI) across the organisation.

RESULTS

- Enhanced Transparency: The solution revealed exposure to 67 different currencies and a broader asset investment spectrum than previously assumed, improving overall transparency.

- Strengthened Risk Framework: The implementation bolstered the client's Risk Framework, providing consistent information throughout the risk management cycle.

- Resource and Cost Savings: The fully automated solution led to significant reductions in resource requirements, production timelines and costs.

AT A GLANCE

Challenges

- Complex Solvency II reporting requirements
- Spreadsheet-based models lacking critical data
- Over-reliance on fund manager for data
- Complexity and breadth of required asset data
- Insufficient data vendor coverage

Outcomes

- Enhanced transparency and strengthened Risk Framework
- Significant resource, time and cost savings
- Improved Solvency II compliance and streamlined risk management

> MBE's solution ensured we met Solvency II compliance. Their expertise ensured a seamless integration of complex asset data and brought transparency to our risk management. Thanks to MBE, we've achieved substantial cost savings and efficiency gains.
>
> Head of Risk