

How IDS Attained Solvency II Readiness TSAM 2015

17.03.2015

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About IDS

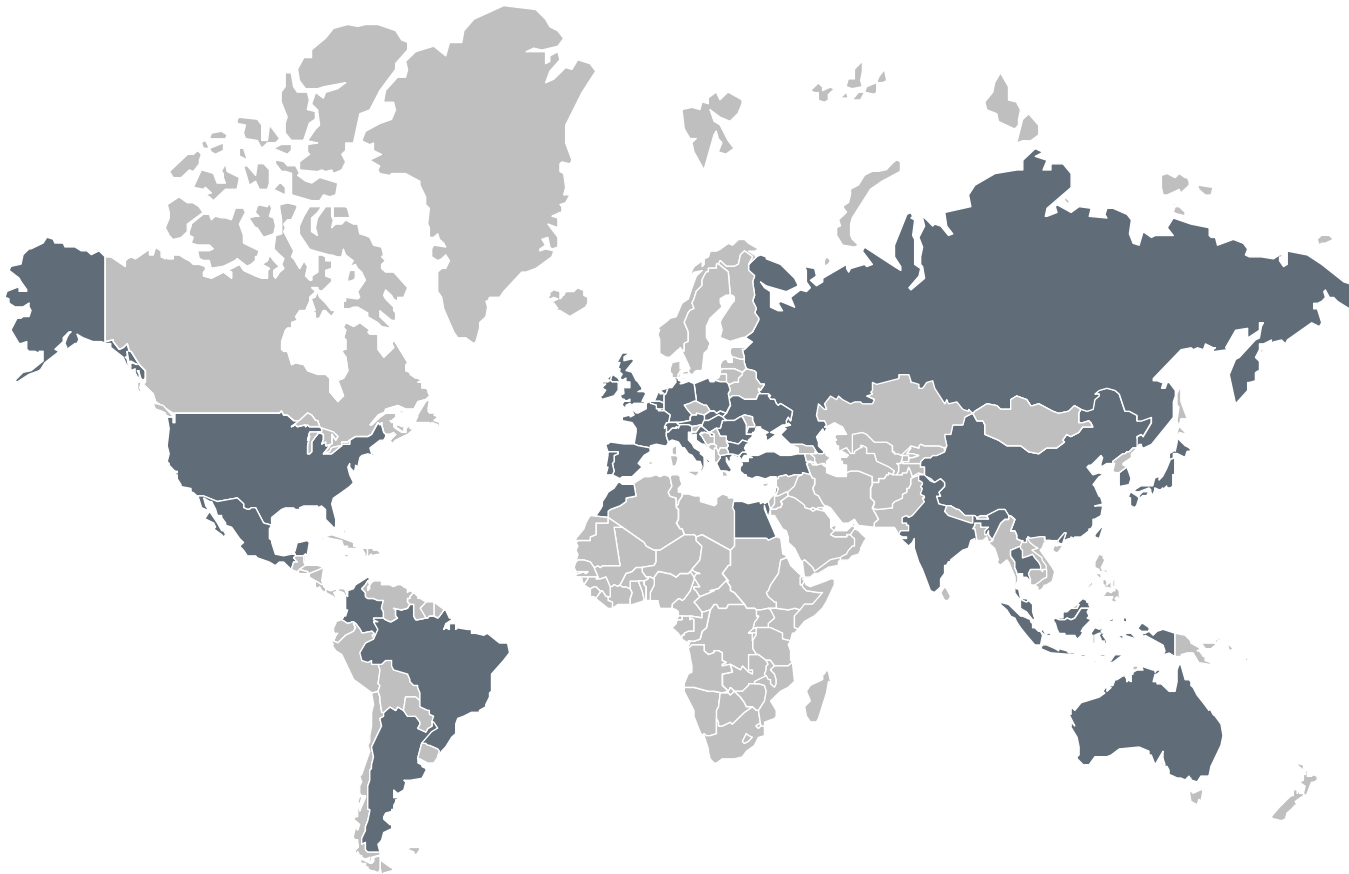
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Solvency II – Current Challenges

3

Solvency II – Our Approach

Global Managed Services Provider



Facts & Figures

100% subsidiary of Allianz SE
established in 2001
330+ employees from 30+ nations

Regions

78% EMEA
13% Asia
9% Americas

Industry

54% Asset Managers
25% Insurance Companies
8% Banks
13% Other Sectors

Segmentation

58% Allianz Group
42% Third Party

Highlights of IDS Solvency II Solution

- Natural disposition to providing reg. reporting services – UCITS, VaG, GroMikV & SolvV (CRR / CRD IV)
- First mover advantage in implementing asset data supply to Allianz internal model (top 5 global P&C insurer and top 5 global active asset manager)
- One of the industry's first CIC maps derived from existing security master (2011)
- Implemented industrial-grade SCR calculation engine (2012)
- Established specialist team to support internal and external SII processes (2013)
- Advanced asset data (QRT) output for trans-European funds (2013)
- Achieved full prototype readiness and production for internal dry-runs (2013/14)

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Industry Update Q1 2015

- Insurers expecting completion of dry-run by September 2015: Wide variation in spectrum of readiness
- Asset Managers to complete submission by June 2015: still seeking assistance and at starting line with data sourcing, technical implementation, interpretation and data delivery
- Data quality inconsistencies between asset manager and insurer, even for traded investments
- Custom reporting requirements evolving around SII, beyond tripartite template, Lloyds template, QRT ECB+ template/s
- Granularity (incl. look-through) remains a challenge
- Timeliness of data provision particularly for illiquid investments
- Provision of data in collateral accounts remains an issue for SII and liquidity reporting

Industry Update Q1 2015

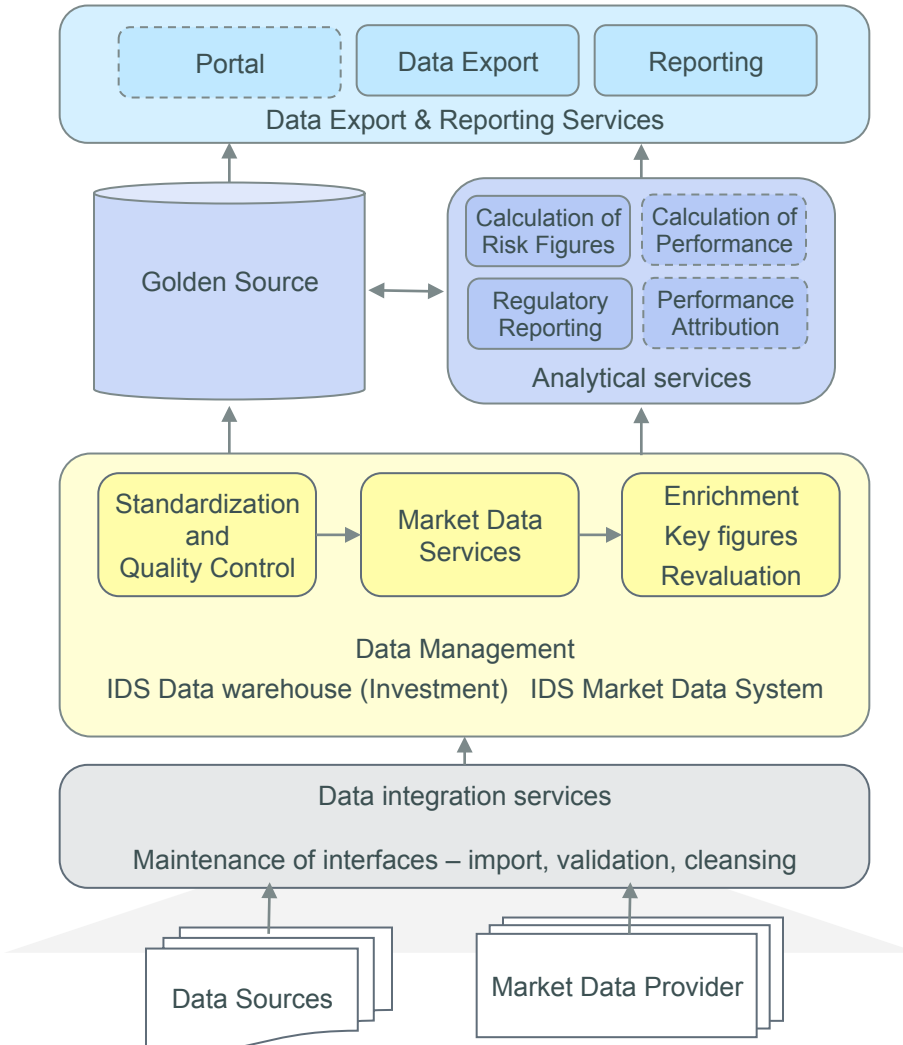
- ECB add-ons uncertainty especially with ESA2010
- Market data dilemma on fees
- Awaiting clarification on EIOPA's consultation paper on GL & ITS which was issued in December 2014, comment due Q1 2015
- Closely monitoring industry developments

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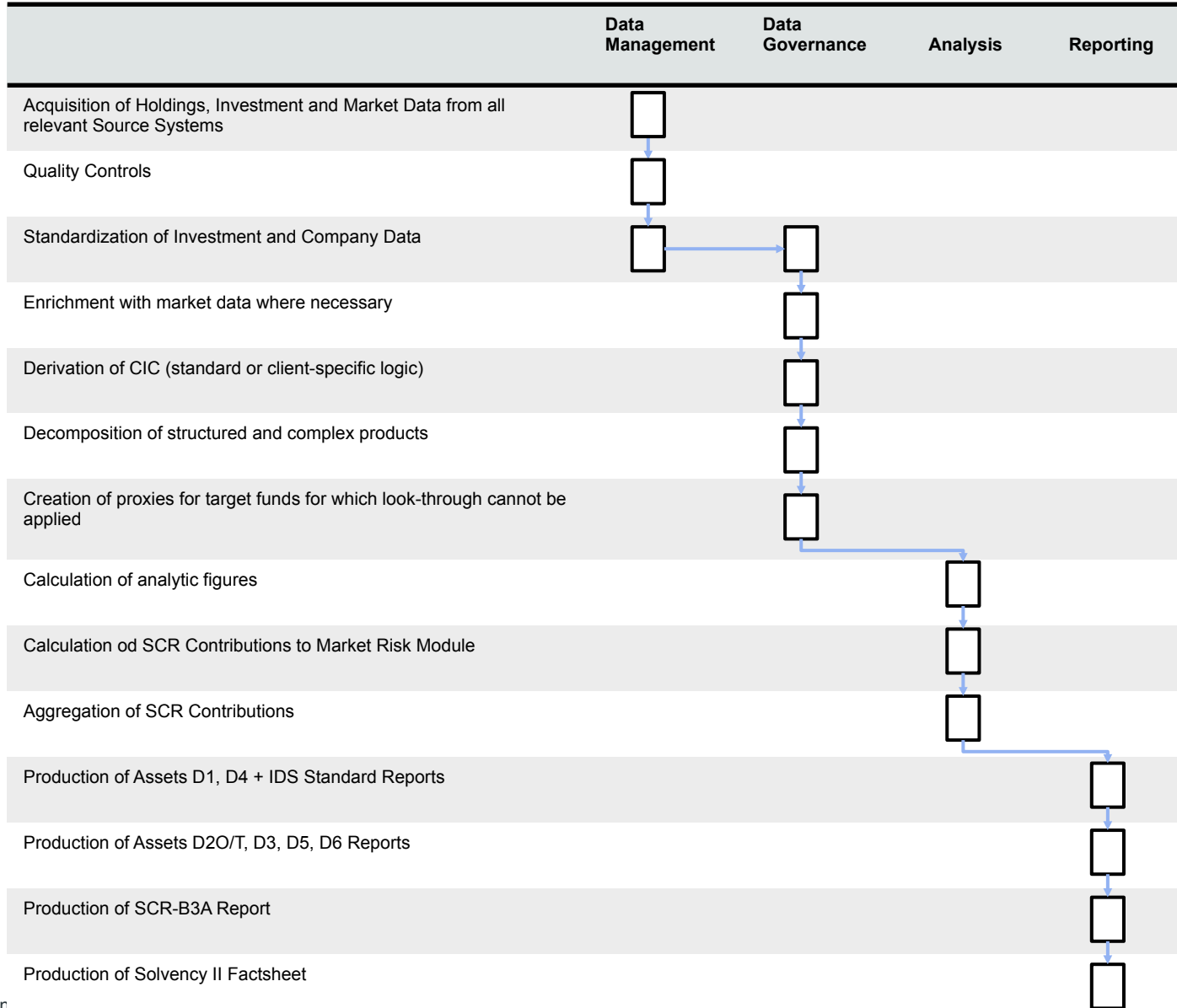
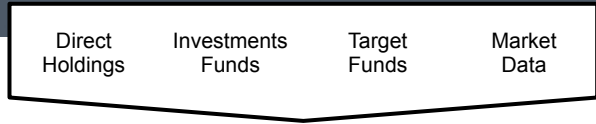
IDS Solvency II Services - Managed Services Platform



Advantage of the IDS-Service-Platform

- The entire data management, analytics and reporting infrastructure is in place and productive
- The only implementation effort: set-up of an interface
- Scalable and extendible Service
- One data source for all regulatory and client-specific Solvency II reports
- Use of synergies due to centralized data management

IDS Solvency II Process



Market Risk Module is the most important SCR Contributor

Solvency Capital Requirements - SCR								
BSCR						Adj.	OpRisk	
Market risk	Health	Non-life	Life	Default	Intangibles			
Interest Rate	Up-/Down shift Interest Rates							
Equity	Down shift equities							
Property	Down shift properties							
Spread	Rating-dependent Factor x Duration							
Currency	Up-/Down shift Currencies							
Concentration	Rating-dependent Factor							

Correlation matrix	Interest rates	Equities	Property	Spread	Currencies	Concentration
Interest rates	1					
Equities	0 oder 0,5	1				
Property	0 oder 0,5	0,75	1			
Spread	0 oder 0,5	0,75	0,5	1		
Currencies	0,25	0,25	0,25	0,25	1	
Concentration	0	0	0	0	0	1

Market Risk Contributions to the SCR are calculated by dedicated Stress Scenarios (1 of 2)

Interest Rate Stress

- Up and Down scenarios
- Defined shifts of the risk-free IR structures
- Re-evaluation of all holdings with shifted IR structures
- SCR Contribution: Maximum loss from the two scenarios

Equity Stress

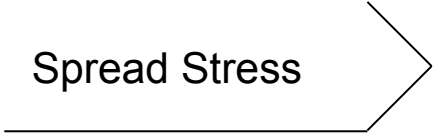
- Down scenario only
- 39% resp. 49% basic shock dependent on zone of issue (EEA/OECD or „other equity“)
- Re-evaluation of all holdings after instantaneous shock
- SCR Contribution: Correlation of the two shock types
- Netting of short positions: only possible if part of an accepted hedge strategy
- Any investment for which the main risk factors cannot be identified to be treated as „other equity“

Currency Stress

- Two scenarios: 25% up or down shift of all currencies relative to the reporting currency
- SCR contribution for each currency is the maximum loss from the two scenarios
- Hedging strategies must comply with EIOPA specifications

Market Risk Contributions to the SCR are calculated by dedicated Stress Scenarios (2 of 2)

Spread Stress



- Up and Down scenarios
- Three sub-categories: Bonds, Credit Derivatives, Structured Products
- Dominant SCR Contribution for a fixed-income portfolio
- Bonds: Loss proportional to rating and duration – dependent factor x modified duration
- Structured Products: Loss proportional to rating and duration – dependent factor x modified duration. In most cases investments with rating A and worth will produce 100% SCR. Very detailed understanding of CDO / ABS / MBS structure required!
- Credit Derivatives: Spread widening and narrowing scenarios.
- Re-evaluation of positions after instantaneous shock. SCR Contribution: Maximum loss from the two scenarios. Hedging strategies must comply with EIOPA specifications

Property Stress

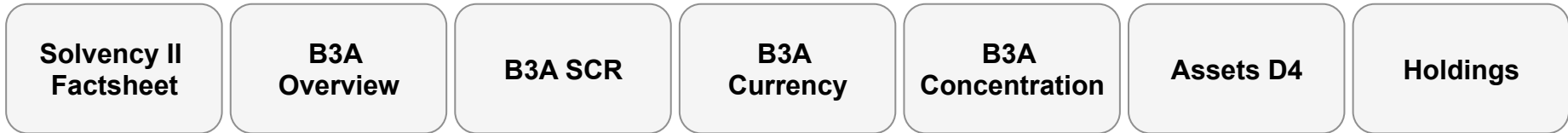


- Down scenario only
- 22% basic shock on property values
- REITs do not qualify as property (→ Equity shock of 39 or 49%)

Reporting Requirements according to Solvency II

	Description	Investment Funds	Directly held investments
SCR – B3A	Solvency Capital Requirements – Market Risk	✓	✓
Tri-Partite Data Exchange Template	European standard format for target funds data exchange	(✓)	
D1	Summary of Assets	✓ (single line)	✓ (look-through)
D2O	Derivatives: open positions	-	✓
D2T	Derivatives: closed positions	-	✓ (transactions)
D3	Return on investment by asset class	✓ (single line)	✓
D4	Collective investment undertakings - look-through approach	✓ (CIC!)	✓
D5	Security lending and repos	-	✓
D6	Collaterals	-	✓

IDS Solvency II Reporting for Investment Funds: Reports and Content



- ✓ All SCR contributions by risk category
- ✓ Currency overview
- ✓ Aggregated SCR (indicative number)
- ✓ Compact overview of key Solvency II figures

- ✓ Cover page

- ✓ SCR Values for aggregation over all investment funds

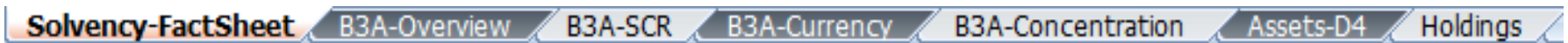
- ✓ SCR Values for aggregation over all currencies

- ✓ SCR Values for aggregation over all company groups

- ✓ Assets D4 (S.06.03) Report per Investment fund for aggregation over all funds

- ✓ Overview of all holdings in the fund
- ✓ CIC
- ✓ Most relevant key figures

... and where you can find it in our reporting package:



IDS Solvency II Factsheet: Structure and Content (1 of 3)

Solvency II Fact Sheet

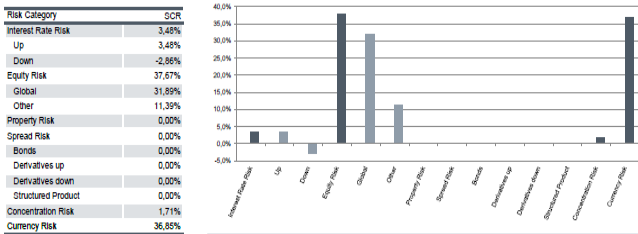
ABC

Date as at 30.04.2014

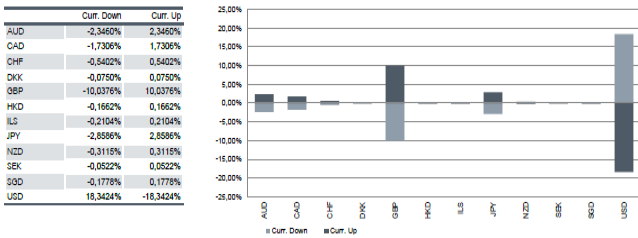
Key Information

Fund :
 Comment :
 NAV: 100.000.000,00 EUR SCR (abs): 56.312.433,42 EUR
 SCR: 56,31 %

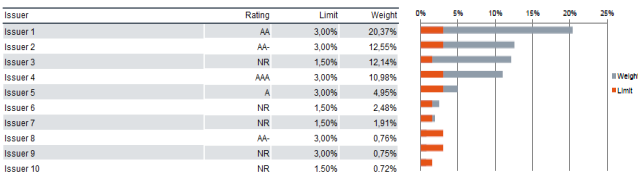
SCR Breakdown by Risk Category



Currency Risk



Concentration Risk



ABC

Date as at 30.04.2014

Key Information

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 NAV: 100.000.000,00 EUR

SCR Breakdown by Risk Category

Risk Category	SCR
Interest Rate Risk	3,48%
Up	3,48%
Down	-2,86%
Equity Risk	37,67%
Global	31,89%
Other	11,39%
Property Risk	0,00%
Spread Risk	0,00%
Bonds	0,00%
Derivatives up	0,00%
Derivatives down	0,00%
Structured Product	0,00%
Concentration Risk	1,71%
Currency Risk	36,85%

IDS Solvency II Factsheet: Structure and Content (2 of 3)

Solvency II Fact Sheet

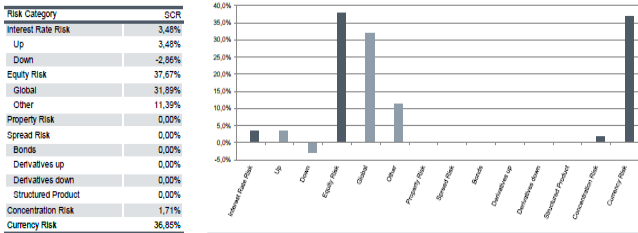
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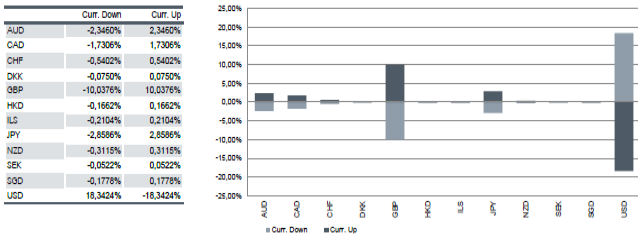
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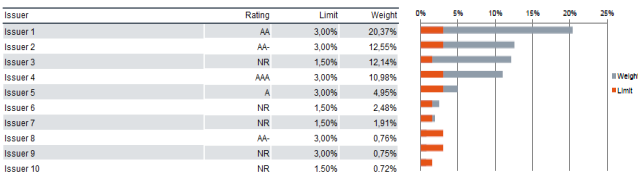
Currency Risk



Currency Risk

	Curr. Down	Curr. Up
AUD	-2,3460%	2,3460%
CAD	-1,7306%	1,7306%
CHF	-0,5402%	0,5402%
DKK	-0,0750%	0,0750%
GBP	-10,0376%	10,0376%
HKD	-0,1662%	0,1662%
ILS	-0,2104%	0,2104%
JPY	-2,8586%	2,8586%
NZD	-0,3115%	0,3115%
SEK	-0,0522%	0,0522%
SGD	-0,1778%	0,1778%
USD	18,3424%	-18,3424%

Concentration Risk



IDS Solvency II Factsheet: Structure and Content (3 of 3)

Solvency II Fact Sheet

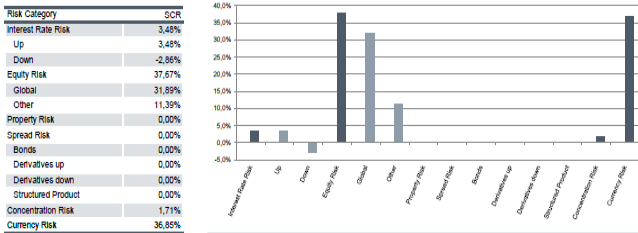
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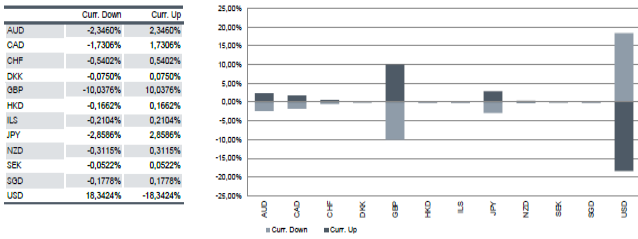
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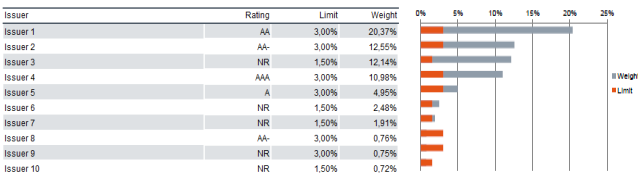
SCR Breakdown by Risk Category



Currency Risk



Concentration Risk



Issuer	Rating	Limit	Weight
Issuer 1	AA	3,00%	20,37%
Issuer 2	AA-	3,00%	12,55%
Issuer 3	NR	1,50%	12,14%
Issuer 4	AAA	3,00%	10,98%
Issuer 5	A	3,00%	4,95%
Issuer 6	NR	1,50%	2,48%
Issuer 7	NR	1,50%	1,91%
Issuer 8	AA-	3,00%	0,76%
Issuer 9	NR	3,00%	0,75%
Issuer 10	NR	1,50%	0,72%

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