

Capital and Risk Management

Operating in an active market characterized by a growing regulatory environment with the reform of the Solvency regime and increasing risks arising from financial market volatility, insurers are facing various challenges with multiples complexity levels.

Our dedicated experts, combining strong technical skills with an awareness of the last regulatory updates and a deep knowledge on the insurance and pension industries regularly assist our insurance clients in the development of sound risk management systems, allowing them to respond to economic environment changes and develop preventive strategies.

Our services include

Solvency II assistance

In the context of solvency II, our support covers the three pillars, namely:

- Solvency capital modelling (standard formula or internal model),
- Assistance in the update of the Own Risk & Solvency Assessment (ORSA)
- Critical review of the governance system
- Assistance in the completion of the quantitative report template (QRT)
- Assistance in the preparation of the narrative reportings (RSR/SFCR)
- Operational support

For each pillar, our approach first consists in a gap analysis, aiming to identify the potential weaknesses of the client's existing model. Based on the highlighted key findings, we propose corrective or enhancing implementing measures completely tailored to your size and business specificities. Then, our team of project managers and technical experts are highly skilled to provide assistance in the project planning and effective implementation phase.

Risk assessments

We assist our clients in:

- Defining a cartography of the risks surrounding the insurance undertaking's business (financial, actuarial, operational, underwriting, etc.) which constitutes the risk identification process
- Developing tailored approaches or models for the qualitative or quantitative risk assessment and the definition of appropriate mitigation measures
- Defining a risk appetite policy consistent with your business strategy and solvency ratio objectives

Asset liability management models

Our services extend from a one-off ALM analysis to a full diagnostic and development of an ALM model, including the modelling of an assets and liabilities portfolio. Moreover, our team is also qualified to help clients in the definition of a strategic asset allocation or target asset allocation.



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Actuarial and Modelling

Insurance portfolio valuation usually requires sophisticated cash flow projection models, which sometimes involve stochastic methods for modelling insurance products or assets with various levels of complexity.

Our highly skilled experts, displaying a deep knowledge of actuarial standards and insurance product features, are able to develop projection models in various actuarial tools.

Our services include

Product development and pricing

- Product design
- Development of profit-testing model
- Benchmarking of product: identifying the differences between your undertaking and the market and indicating necessary steps for product modification to stay competitive
- Benchmarking of pricing levels against the market
- Modelling of new products in your actuarial software (provision calculations, premiums)

Undertaking/Portfolio valuations

- Embedded value review, modelling, or validation
- Life settlement portfolio review or validation

Liabilities valuation

- Mathematical provisions valuation or review
- Valuation or review of the outstanding claims provision and IBNR
- Sensitivity analysis of liabilities to parameters that affect the liability estimates
- Liability adequacy testing (LAT analysis)
- Pension provision review or valuation (IAS19)
- Establishing and benchmarking various actuarial parameters

Solvency capital requirement calculation

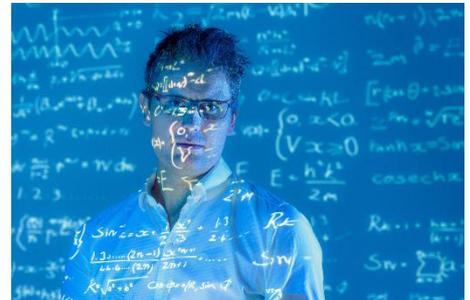
- Standard formula
- Internal model developments

Reinsurance

- Development of an optimal reinsurance strategy aimed at minimizing risks and maximizing the effectiveness of capital use
- Optimization of existing reinsurance programs

Strengthening the actuarial department

- Training courses for the undertaking's actuarial team
- Actuarial support
- Seminars on hot topics



Deloitte Luxembourg is the only large consulting firm to have acquired the "Professionnels du Secteur d'Assurance" license by the Commissariat aux Assurances.

Strategic advice

Financial markets are becoming increasingly dynamic with the significant number of entities subject to internal reorganization and group restructuring, as well as the growing level of mergers and acquisitions transactions. In this challenging environment, insurers may regularly review their short- and long-term strategies in order to assure their competitiveness and reactivity to market structural changes.

With a sound experience in terms of strategy and operations, and a good knowledge of both local insurance market and key players, we advise various multinational insurers on entering the Luxembourg insurance market and the transaction process (seller or buyer side).

Our services include

M&A assistance

- Embedded value calculation, analysis, and review
- Targeting the best opportunities for future growth and profitability
- Actuarial support of M&A deals including valuations of sales targets and preparation of due diligence reports
- Projection of liabilities and costs based on different scenarios of the undertaking's activity and actuarial assumptions
- Support to both buyers and sellers
- Post M&A-related services

Market penetration

- Market analysis
- Comparative location analysis

Group restructurings

- Target business model review
- Regulatory assistance
- Operational effectiveness assessment

Strategy and operations

- Application of data mining and predictive modelling techniques for supporting strategic and tactical decisions
- Developing or improving the actuarial control cycle
- Improving profitability through enhancements to key operational areas: risk selection process, pricing, claim handling process, underwriting process, policyholder retention



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Governance and Regulatory compliance

By continuously satisfying the local regulatory requirements and promptly adapting their organization and systems to comply with potential regulatory evolutions, insurance undertakings are able to manage their compliance and regulatory risks.

Our industry experts, given their close relationship with the regulator, are particularly qualified to assist you for any regulatory action or recurring request.

Our services include

Regulatory and accounting advice:

We put our experience and knowledge of the local regulation and market practices at your disposal to help you in every potential issue you may face to satisfy local rules and accounting treatments (pensions plans migrations, technical provisions, internal policies, etc.)

Regulatory reporting (Actuarial report, SCR)

We can assist you in the preparation or the review of the actuarial report and for the yearly SCR valuation regulatory request (Best estimates, SCR, Solvency II Balance sheet, own funds classification)

Request for approval:

- In case of a new insurance or reinsurance undertaking setup, we can assist you in the preparation of the application file and business plans, and insure the coordination and communication with the regulator.
- In case of a new product notification or new business development, we can assist you in the preparation or review of the technical note and the business plan.



Managing the constant evolution of the regulatory framework is a major challenge for insurance undertakings.

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