

## Solvency II pillars challenges

### Pillar I - Solvency capital requirement (SCR) / Capital modelling (internal models)

#### Pillar I challenges

- Developing economic capital models and other tools to assist with embedding risk and capital management
- Enhancing risk based capital allocation and pricing tools in line with risk based management expectations
- Understanding the drivers of capital required under Solvency II SCR risk models (standard vs. internal)
- Developing an integrated modelling capability to set risk appetite tolerance and limits
- Enhancing data environment to support risk based capital models

### Pillar II - Risk management and governance requirement

#### Pillar II challenges

- Redesigning the target operating model across Risk, Actuarial, Finance, Compliance and Audit
- Implementing policies and procedures to meet the ORSA test
- Enhancing the approach to assessing the diversification benefit across products and business units
- Enhancing and integrating the existing control environment
- Developing an ERM strategy in line with Solvency II requirements and establishing a process for setting a risk appetite framework and the forward looking assessment of own risks based on the ORSA principles

### Pillar III - Risk management and capital disclosure

#### Pillar III challenges

- Understanding the disclosure requirements, educating key stakeholders on the potential impacts and developing a strategy for disclosure
- Designing the reports to be disclosed to regulators, analysts, rating agencies and shareholders
- Developing the process and systems to produce external (public and regulatory) and internal reporting
- Designing and maintaining an effective data management system that allows risk calculations to be carried out in a timely manner