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Solutions for Solvency II



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Financial asset valuations service

The Afi team boasts long and varied experience valuing financial instruments. The financial asset portfolio valuation service it offers spans all manner of instruments from plain vanilla to the most complex structures.

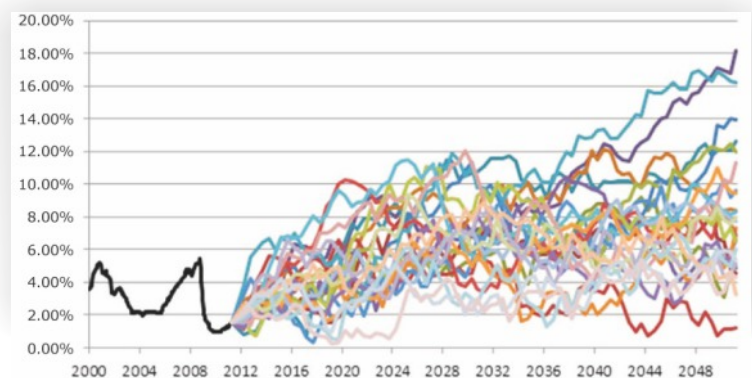
Valuing these instruments at fair value has become considerably more challenging in recent times due to the upheaval in the credit markets and resulting difficulty in reliably estimating the credit spread corresponding to the various instruments. It is precisely in estimating these spreads that Afi can offer its clients significant added value.

Afi complements this service with a series of tools for calculating SCR using the standard formula for risk factors that warrant revaluation of the relevant financial asset portfolios under the various stipulated shock scenarios, essentially interest rate shocks but also exchange rate and equity shocks.

Valuing profit-sharing arrangements, options and guarantees in the life insurance business

Solvency II requires insurance entities to provide their 'best estimate' of the value of their liabilities. One of the biggest challenges intrinsic to this calculation is the valuation ascribed to the options and guarantees forming part of insurance contracts such as surrender options, minimum guaranteed returns and profit sharing arrangements. Valuation of all of these structures requires the use of stochastic scenarios for an entity's most significant financial risk factors (mainly interest rate and inflation).

Interest rate scenario modelling



Development of a Solvency II datamart

Implementation of Solvency II throws up both a challenge and an opportunity. The challenge posed by the requirement to have corporate information better documented and more centralised, traceable, auditable, accurate and complete warrants in many instances the strategic decision to build a datamart that ensures these prerequisites are met, while also enabling the generation of management information integrated with solvency-related data.

Not only must a Solvency II datamart be designed to comply with the requirements associated with the provision of QRTs (quantitative reporting templates), but it must enable construction of a true risk datamart capable of combining an entity's solvency information with existing risk management and business information. This combination will prove invaluable when it comes to complying with the associated Pillar II and III requirements (corporate governance principles).

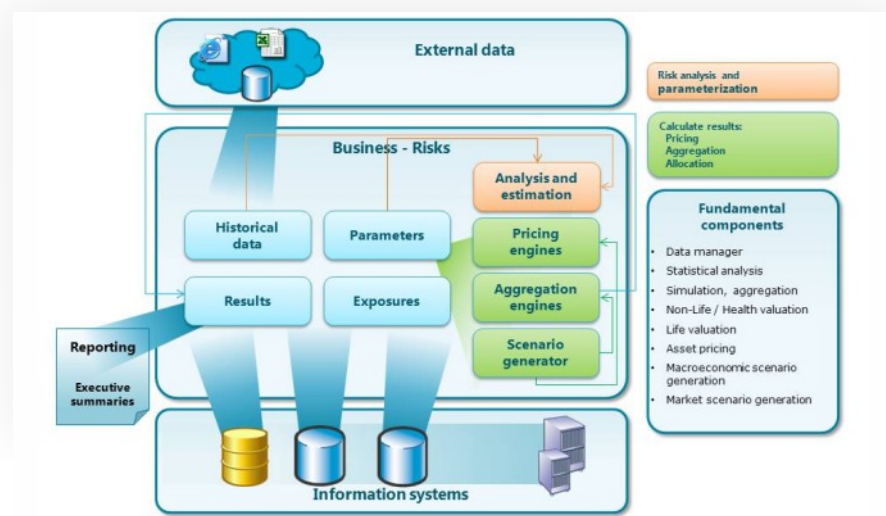
Afi's IT experts have extensive experience designing and implementing these sorts of information systems for both banks and insurers.

Risk Integrator: controlling Solvency II calculation processes

Another major challenge posed by Solvency II is the need to build a stable and robust calculation environment and platform equipped to control the integration of the various sub-processes intervening in the capital calculation process. Experience has shown that the calculation of capital (using both the standard formula and internal models) involves numerous information sources, calculation applications and departments. Against this backdrop, the concept of a control layer to enable the organisation and integration of the various processes takes on particular importance.

The chart below illustrates the wide variety of tasks that can come into play in the SCR calculation process:

IT architecture for a risk measurement environment



In response to this challenge and to support its clients in the management, control, coordination and documentation of all the processes associated with SCR calculation, Afi has developed the **Risk Integrator** tool which enables:

- Central and automated workflow control
- The plug-in of multiple platforms/tools
- Unmanned execution of the entire capital calculation process
- Result traceability/replication
- Back-up of incoming and outgoing data, codes used, etc.
- Minimisation of implementation time and costs
- Minimisation of additional development costs

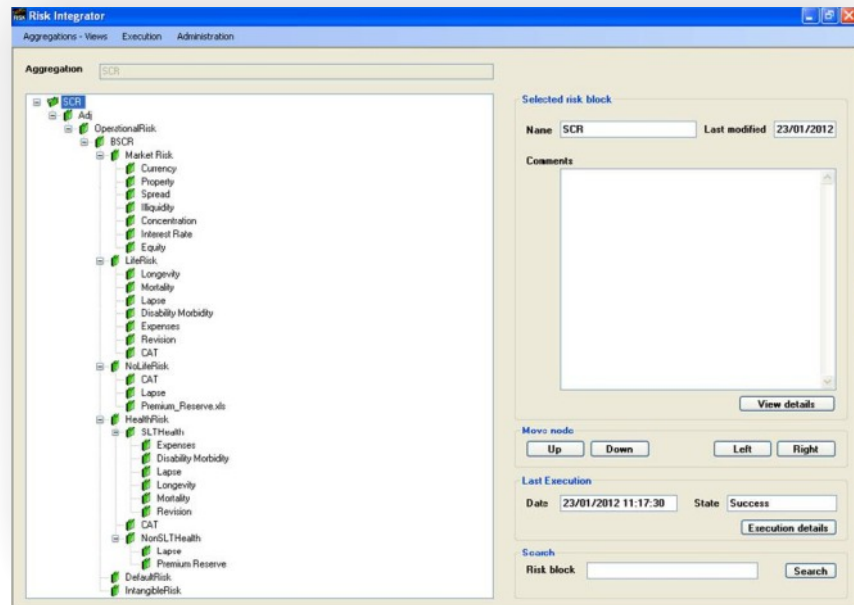


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Moreover, the standard formula SCR calculation tool mentioned at the beginning of this brochure can be built into the Risk Integrator tool.

Risk Integrator up close



Contact

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