



Solvency II

About JC Applications
Development Ltd:

- Over 20 years experience in providing claims and risk management solutions
- Over 160 clients in the UK, Europe and the US
- Risk management applications:
Enterprise Risk Management
RISK Lite
ACTION Tracker
AUDIT Tracker

Solvency II and ERM

Information and guidance relating to Solvency II abounds on the web with a range of consultants offering advice on how compliance can be best achieved.

This document provides a brief background to the subject but more importantly addresses one specific element; that of using a technology solution to aid the ERM process.

Background

Even prior to the financial crisis, risk management and Solvency II were considered the next big thing for insurers and other organisations regulated by the FSA. Events over the last few years have only emphasised this fact.

Completion date for Solvency II, December 2012, doesn't leave organisations long to have all the strategies in place. One of the major challenges being faced is that of data management. This is borne out by the experiences of the banking industry who faced similar challenges when implementing Basel II. Unfortunately for the banks they focused on risk modelling when in practice it was the inconsistency of data that made it difficult to provide regulators with the required information.

The new EU Solvency II Directive creates a modern risk-based supervisory framework. Under the framework, national regulators must ensure that those they oversee produce accurate and timely information about their business. As with Basel II a "3 pillar" process is in place. The focus of this document is Pillar 2 covering the supervisory process and ERM requirements in particular.

Solution

An enterprise risk management approach enables an organisation to obtain a more strategic and proactive grasp on how it operates and performs against its objectives. This is not new, but it is key part of the second pillar of Solvency II.

The software tools that are used must be flexible enough to support the current risk program as well as future risk and data management requirements, but also be intuitive enough to make the process of embedding ERM throughout the organisation a simple and easy one. There must be a "golden" data source where all information relating to risk can be stored within a single repository.

The JCAD RISK application provides this "golden" data source enabling the tracking, management and monitoring of risk far more simply and effectively than traditional document or spreadsheet based applications. This inevitably leads to increased performance and higher competitiveness. Rather than the laborious trawl to collate data and then turn into useful information, a technological solution will help to monitor and report upon those risks that need to be managed more closely and that are most relevant to management and the organisation as a whole.

JCAD allows you to **RECORD, REVIEW** and **ANALYSE** data whether they be **RISK, PROJECTS** or **OPPORTUNITIES**

JCAD's approach to risk management provides the framework upon which a better understanding of the exposures an organisation faces and provides complete transparency for auditing purposes.



Solvency II

JCAD RISK can easily be;

- customised to match risk framework and terminology in place
- more easily embedded because it is available across the enterprise
- set to mirror the organisational structure in place
- aligned with corporate aims and ambitions as well as KPI's
- provided with a wide range of custom reports
- Priced by bands to more accurately reflect an organisations immediate needs

Through the use of ERM technology an organisation is able to automatically monitor and report upon risks before they become loss events and negatively affect the business. Through the use of the Issue Register, incidents and loss events can be captured, action plans drawn up and potential risks identified. These issues can then be linked to risks and projects to identify the mitigating actions required to elevate any future problems to the business.

Other key features include the assigning of risk ownership within the organisational structure and the continuous monitoring of risk performance over time. It is such tools that aid the development and delivery of the core components of Solvency II, the ORSA.

ORSA

Although only part of Solvency II, development of the Own Risk and Solvency Assessment (ORSA), is really one of the key elements and one that lends itself to technological assistance. In essence, the ORSA represents a company's opinion pertaining to its business risks and the capital required to support these. JCAD technologies support this goal by providing a central database of risk which enables a continuous process of review, supported by meaningful analysis, quality data, and timely, consistent and accurate management information.

Whether your firm is implementing the standard or internal model the JCAD ERM software solution will be able to help you. You will of course still need to undertake statistical risk modelling, monte carlo analysis, for example, but it is the results of such analysis that then needs to be recorded and managed. It is at this point that tools such as JCAD RISK come into their own.

In relation to ERM, JCAD RISK has the ability to ease you through the requirements of Solvency II. It has a proven track record for speedy implementation thus ensuring your organisation meets the timetable for Solvency II.



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