



Insurers' investments activities – new challenges for the supervisory institutions

October 20-22, 2010, Warsaw

The increasing role of complex financial instruments in insurance and reinsurance undertakings' portfolios was one of the reasons for introducing a more principle-based approach to investment risk in Solvency II (SII) project. The SII project introduces the approach based on the risk, which is actually faced by insurance and reinsurance undertakings in their activity. As the supervisory system should not limit the development of financial markets, the SII project encourages a prudent investment policy through a higher capital charge for a more risky business instead of quantitative limits and strict rules. It means that the capital requirements aim at reflecting the quality of undertakings' investment policy.

However, in order not to be waiting passively for the entry of the SII regulations into force, the financial supervision is already moving step by step from a compliance assessment towards a risk-focused supervision. This process requires new tasks to be taken by supervisors in order to properly identify, assess and monitor the risk undertakings are exposed to, as well as to assess the risk management in each supervised undertaking. The aim of the seminar "Insurers' investments activities – new challenges for the supervisory institutions" is to present the methodology adopted by the Polish Financial Supervision Authority (KNF) with respect to this subject and to create a discussion forum offering the possibility for supervisors from European countries to share experience and develop the supervisory framework.

The issues planned to be brought up during the presentations and case studies are based on the KNF's practical experience and standards concerning supervision of investment risks. In order to enrich the quality of the seminar we have invited lecturers from domestic insurance companies and audit firms.

In particular, the seminar will cover issues regarding:

- regulation of insurers' investments in financial instruments from the legal perspective (focusing on the legal limitations imposed on insurers under the current solvency regime and the difference between the current approach and the upcoming solvency regime),
- organization of the investment process as a key element of successful investment activity,
- construction of the investment portfolios,
- management models for investment activities,



- evaluation of the effectiveness and efficiency of the investment policy from the insurance stakeholders' perspective (including the supervisory authority),
- supervision of structured products and assets covering gross technical provisions resulting from insurance structured products,
- supervisory approaches to the concentration risk (provisions concerning the diversification of assets, the proper level of the available own funds (“capital add-on”) in case of concentration),
- the approach to the investment risk identification, assessment, management and mitigation in insurance undertakings (from 3 different perspectives: undertakings, auditors and supervisors). The supervisors' perspective will be supplemented by practical examples on how to carry out stress tests for main risk factors in investment risk, i.e. equity risk and interest rate risk.
- methods to measure investment risks and thereby the calculation of capital requirements according to Solvency II approach.



Insurers' investments activities – new challenges for the supervisory institutions

October 20-22, 2010, Warsaw

Agenda of the Seminar

Day One

Wednesday, October 20, 2010

Moderator: Ms. Anna Wawrzyniecka, Deputy Director, Insurance Financial Supervision Department, Insurance and Pension Supervision, KNF – Polish Financial Supervision Authority, Poland

9:00 – 9:30

Registration

9.30 – 09.45

Official opening of the seminar by Mr. Adam Płociński, Chairman of the TIFS Initiative, Managing Director of the Financial Market Development and Cross-sector Policy, KNF – Polish Financial Supervision Authority, Poland

09:45 – 11: 15

Legal limitations of insurers' investments. Quantitative vs. qualitative approach

Lecturer: Mr. Robert Lasocki, System Integrity Supervision Department, Insurance and Pension Supervision, KNF – Polish Financial Supervision Authority, Poland

11:15 – 11:30

Coffee break

11:30 – 12:15

Measurement of investments – the method of investment risk management

Lecturer: Ms. Barbara Tomaszewska, Standards and Procedures Inspection Department, KNF – Polish Financial Supervision Authority, Poland

12:15 – 13:00

Investment decision making process and local operations of insurance companies

Lecturer: Mr. Marcin Majerowski, Standards and Procedures Inspection Department, KNF – Polish Financial Supervision Authority, Poland

13:00 – 14:00

Lunch



14:00 – 15:30

Insurance structured product

Lecturer: Mr. Tomasz Filak, Insurance Financial Supervision Department, Insurance and Pension Supervision, KNF – Polish Financial Supervision Authority, Poland

15:30 – 15:45

Coffee break

15:45 – 17:15

Case study 1 – Concentration of the bank deposits in one entity

Lecturer: Ms. Edwina Urbańska, Insurance Financial Supervision Department, Insurance and Pension Supervision, KNF – Polish Financial Supervision Authority, Poland

17:15 – 17:30

Closing remarks

18:30 – 21:00

Social Program

Day Two

Thursday, October 21, 2010

Moderator: Mr. Mariusz Smetek, Director of Risks Monitoring Department, Insurance and Pension Supervision, KNF-Polish Financial Supervision Authority, Poland

9:00 – 9:15

Opening of day two of the seminar

9:15 – 10:45

Practical aspects of market risk management

Lecturer: Mr. Arkadiusz Stachecki, Chief Risk Officer, PZU Group, Poland

10:45 – 11:00

Coffee break

11.00 – 12.30

The assessment of investment strategies

Lecturer: Mr. Adam Fornalik, Partner, Ernst&Young, Poland

Mr. Janusz Miszczak, Manager, Ernst&Young, Poland

12.30 – 13.30

Lunch



13:30 – 15:15

Risk assessment of insurers' investments from the supervisors' perspective

Lecturer: Mr. Grzegorz Szymański, Risks Monitoring Department, Insurance and Pension Supervision, KNF – Polish Financial Supervision Authority, Poland

15:15 – 15:30

Closing remarks

16:30 – 18:30

Sightseeing tour

Day Three

Friday, October 22, 2010

Moderator: Ms. Katarzyna Chrzanowska, Manager, Solvency II Working Team, Insurance and Pension Supervision, KNF-Polish Financial Supervision Authority, Poland

9:00 – 9:15

Opening of day three of the seminar

9:15 – 10:45

Measurement of investments risk according to Solvency Capital Requirement standard formula in Solvency II project

Lecturer: Ms. Agnieszka Groniowska, International Cooperation Department, Financial Market Development and Cross-sector Policy, KNF – Polish Financial Supervision Authority, Poland

10:45 – 11:00

Coffee break

11:00 – 12:30

Case study 2 – Stress tests for equity risk and interest rate risk

Lecturer: Mr. Grzegorz Szymański, Risks Monitoring Department, Insurance and Pension Supervision, KNF – Polish Financial Supervision Authority, Poland

12:30 – 13:00

Panel discussion

13:00 – 13:15

Closing of the seminar by Ms. Dagmara Wieczorek-Bartczak, Managing Director of the Insurance and Pension Supervision, KNF – Polish Financial Supervision Authority, Poland

13:15 – 14:15

Lunch