

## Portfolio strategy under Solvency II

Now is a good time to consider ways to improve capital efficiency

Solvency II is an opportunity to consider ways of improving efficiency in the use of insurance capital. Expected increases to regulatory capital will need financing. Pricing and reserving will need to become even more focused for companies to remain competitive. Now is a good time for companies to identify those lines of business that are driving capital increases and consider the options where business is not adding measurable value.

### Why use Mazars?

Our team of qualified professional advisers has practical experience of developing and managing businesses in the insurance market. This commercial experience enables us to understand what clients are looking to achieve and to tailor our professional advice accordingly.

We have many years practical experience in planning and executing exit strategies and offer support to clients who wish to consider their options as Solvency II approaches.

We have access to one of the largest multi-disciplinary teams in the UK and Ireland.

### Mazars independent insurance model

Under Solvency II companies will need to show that they understand the impact of transactions on the capital position of the company. Financial modelling will be a key tool in achieving this. It provides a measurable estimate of the value of alternative strategies. Yet it should not require over-complex and expensive models.

Mazars has developed its own independent insurance model specifically to meet the needs of clients who are considering their options under Solvency II. Our practical experience enables us to model the measurable values of management actions under various scenarios. This model is mathematically sound whilst being focused on the key issues. This helps us to work closely with clients to meet their individual requirements.

The Mazars team has been modelling the solvency of insurance companies and other risk taking entities such as Lloyd's syndicates and mutuals for over 20 years. We have worked closely with boards and regulatory bodies on solvency issues.

### Part VII transfers

As Solvency II approaches, many companies are considering Part VII transfers to achieve more efficient capital structures. They can be a very successful way of improving the use of capital. Mazars can provide support to analyse and value alternative Part VII transfer strategies.

Administering a transfer requires the skills and coordination of a multi-disciplinary team. Mazars manages each project and facilitates the key steps in the process. Working with our legal partners we offer the full range of services to deliver a successful transfer.

### Schemes of arrangement

Schemes require increasing levels of involvement of policyholders and regulators. Expert advice is important to deliver a successful outcome. Our team is one of the most experienced in the UK and Ireland, services include planning and valuation, independent adjudicator and expert and independent vote assessor. We are also able to Chair creditor meetings.

## Commutations

In a recent survey, 60% of respondents indicated that a strategic commutation programme would be the most frequently used exit mechanism during 2009. We expect this to continue into the Solvency II regime as companies continually strive to be more efficient in their use of capital.

Mazars are some of the most experienced advisers on commutations in the market. Our team has led the planning and negotiation of over \$1bn of commutation deals across the globe including USA, Europe and the Far East.

We help the management team within our client organisations to design and deliver an effective commutation strategy. We see each commutation as a unique project from cradle to grave and are involved in each stage of the process. Key stages include 'selling' the concept to the target, collecting and verifying data, preparing for negotiation, the negotiation itself and then closure.

Where appropriate Mazars works with claims handlers and lawyers to evaluate individual exposures and provide a range of outcomes. This supports the management team to make commercial decisions as to price targets.

## Sale or purchase

Selling or buying a portfolio requires detailed analysis of the impact on the solvency of the whole business. We use our practical experience and financial models to measure the impact on solvency and capital requirements. This is increasingly important as we move toward Solvency II.

### Contact us

For more information on how we can help with the challenges for portfolio strategy and Solvency II, please contact one of our partners:

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