

USP

Undertaking-specific parameters for the standard formula

Since January 1st 2016 insurance companies have been obliged to determine their risk situation using the standard formula and to submit an appropriate coverage ratio to the supervising national authority.

However, calibrating the standard formula with market data may lead to an inaccurate representation of the individual risk situation of the company, resulting in grossly inaccurate capital requirements.

One way to map the company's own risk situation more accurately is to recalibrate certain risk factors on the basis of internal company data. In the area of "non-life underwriting", for example, the risk factors for premium and reserve risk can be individually adjusted using undertaking-specific parameters [USP]. However, this requires the USP to be approved by the supervising national authority.

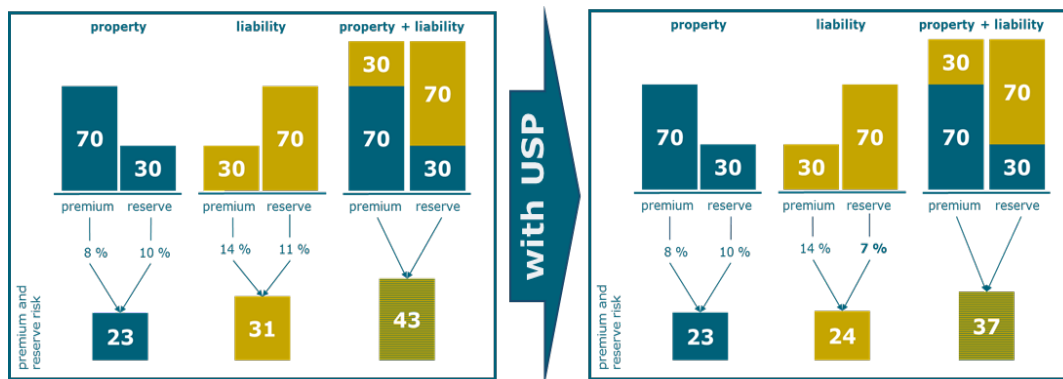
Meyerthole Siems Kohlruss advises insurance companies on the implementation and calculation of USPs and supports the preparation and validation of the data used for this purpose as well as the certification process.

Your advantages

- › USPs generally deliver a reduction in the solvency capital requirement compared to the standard approach
- › The company's own risk profile is being mapped more accurately
- › The cost of implementation/approval and use of USPs is significantly lower than for (partially) internal models.
- › Adequate mapping of reinsurance is possible, as calibration can be carried out on both gross and net data
- › USP can be used to determine the overall solvency needs of the company within the own risk and solvency assessment [ORSA] without prior approval from the supervising national authority.



Example



Reduction of premium and reserve risk through USP

Our expertise

Meyerthole Siems Kohlruss has several years of experience and expertise in the calibration and approval process for USPs. The company has successfully supported several clients in different business areas in the application process with the regulatory authorities.

Meyerthole Siems Kohlruss

Meyerthole Siems Kohlruss was founded in Cologne in 1998 as the first German actuarial consultancy and supports insurance companies in strategic decisions and operational processes. The focus is on data pools, pricing, telematics, cyber, sustainability, balance sheet valuations, reinsurance, Solvency II and IORP II.

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