

USP

Undertaking-specific parameters for the standard formula

Since January 1st 2016 insurance companies have to carry out a risk assessment of their portfolio using the Solvency II standard formula. Thereby they have to report an appropriate coverage ratio of the Solvency Capital Requirement [SCR] to the supervision.

However the calibration of the standard formula may lead to difficulties. Often the company's individual risk situation is represented inaccurately, resulting in highly inadequate capital requirements.

As an alternative, a new calibration of certain risk factors based on internal company data may be carried out. Measures of dispersion can be adjusted by undertaking-specific parameters [USP] for 'technical insurance non-life' for premium and reserve risk. For this purpose, the USP need to be approved by the national supervision.

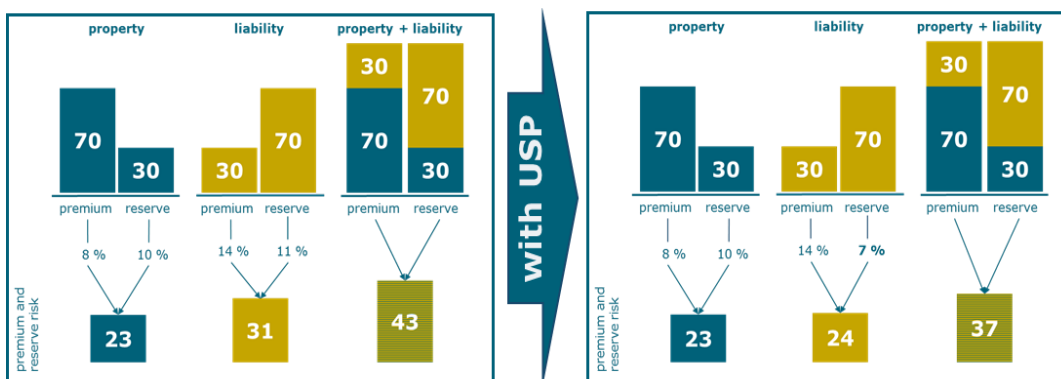
Meyerthole Siems Kohlruss supports insurance companies regarding the implementation and calculation of USP. We also assist in the preparation and validation of the relevant data and support in the approval process.

Advantages

- USP usually reduce the SCR compared to the approach using the standard parameters within the standard formula
- The company's individual risk is represented more accurately
- Expenses for the introduction/approval and usage of USP are significantly lower than for (partial) internal models
- Calibration may be calculated with either gross or net data giving you flexibility in matters of reinsurance
- USP can be used within the own risk and solvency assessment [ORSA] for the assessment of overall solvency needs without prior approval by the national supervision



Example



Reduction of the premium and reserve risk by USP

Our expertise

Meyerthole Siems Kohlruss is an expert in the field of calibration and the approval process of USP. In 2015 MSK has supported a legal expenses insurer who went through the approval process with success.

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