



# Ten Solvency II issues for Asset Managers

We take a look at ten key issues Asset Managers are facing when dealing with the Solvency II regulations for (re)insurers.

Industry Perspectives | March 2015



Solvency II is European legislation that is the responsibility of the insurance industry. However, the impact on Asset Managers is significant. Here we list 10 key issues to consider:



**1.** Asset Managers need to view Solvency II as a long term strategic issue, consider change as Solvency II beds in and investigate the best long term, cost effective solutions as the market develops and matures. Solvency II will develop over time as the European Commission reflects on lessons learned, and this will impact the insurance market further and, consequently, the asset management industry. January 2016 or whatever date you choose is not the end, more likely the beginning of increasing asset / liability and macro data demands by regulators.

**2.** All Asset Managers should analyse Solvency II for their business, regardless of their exposure to insurance clients. It won't be going away and Insurance mandates are a significant sector of the market. Solvency II is likely to be a template for further regulation affecting other client types. Firms with no solution or no knowledge of the requirements and challenges will be strongly disadvantaged in the market.



**3.** Asset Managers have a right to show insurance clients the direct and indirect costs involved in providing their solution for Pillar III and strive to find value to match these costs.

**4.** Asset Managers need to be wary of the vendors' marketing machines. There is a growing volume of noise regarding this subject, generated by a vendor market that sees regulation as a lucrative revenue generator. There is no single solution that must be implemented. Firms need to be able to assess and select the most appropriate solution(s) for them and their clients.



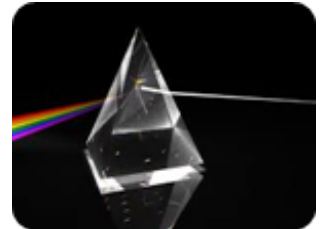
**5.** Asset Managers should be in ongoing dialogue with all their Insurance clients, and be aiming to deliver a standard and consistent service across all of their clients wherever possible. At present there is an irregular adoption of Solvency II across the insurance industry, and if this leads to client specific solutions they may be able to be charged an incremental fee. Timing / Implementation varies by size of Insurance Company. Asset Managers need to be fully aware of the status of all clients and not focus solely on the larger and better prepared firms.

**6.** Asset Managers must make the latest standards the foundation of their solutions as this will ensure a consistent service can be maintained and offered to all insurance clients. As standards further develop Asset Managers need to stay familiar with these and employ them wherever possible.



**7.** The important relationship is between the Asset Managers and their Insurance clients. Third Party Administrators play a key role in the provision of some of this information, but as suppliers to the asset management market they should not be relied upon to drive the service definition and other issues arising.

**8.** Where Insurers hold collective investments, such as UCITS funds, they will be required to report on the underlying assets held by these instruments. In areas, such as fund of funds, this look-through requirement could involve a number of layers. The number of layers is still under discussion with the regulator as materiality is (properly) considered, but it is likely to be one of the major challenges in meeting Solvency II data requirements.



**9.** Solvency II requirements will result in insurance firms revisiting their service agreements. Asset Managers must have a strong and consistent view of how these service agreements can be developed to meet the needs of all parties. Protection and understanding is required to deal with the "data must be accurate, consistent and of good quality" tenet.

**10.** As a result of Solvency II insurance assets under management will grow. Asset managers will play an increasingly critical role in capital management. This creates an opportunity for asset managers to grow their business and their influence within this important market sector.



## North America

Paul Migliore

[paul.migliore@citisoft.com](mailto:paul.migliore@citisoft.com)

1 (617) 428 9582

Tom Secaur

[thomas.secaur@citisoft.com](mailto:thomas.secaur@citisoft.com)

1 (617) 428 9584

Peter O'Toole

[peter.otoole@citisoft.com](mailto:peter.otoole@citisoft.com)

1 (617) 428 9381

David Bates

[david.bates@citisoft.com](mailto:david.bates@citisoft.com)

1 (617) 428 9583

Beth Cavanagh

[beth.cavanagh@citisoft.com](mailto:beth.cavanagh@citisoft.com)

1 (860) 558 4708

## Europe

Jonathan Clark

[jonathan.clark@citisoft.com](mailto:jonathan.clark@citisoft.com)

+44 (0) 207 236 4219

Steve Young

[steve.young@citisoft.com](mailto:steve.young@citisoft.com)

+44 (0) 207 236 0430

Cosmo Wisniewski

[cosmo.wisniewski@citisoft.com](mailto:cosmo.wisniewski@citisoft.com)

+44 (0) 1908 546 187

## Follow Citisoft!



Connect [linkedin.com/company/citisoft](https://www.linkedin.com/company/citisoft)



Visit [citisoft.com/blog](http://citisoft.com/blog)



Follow @Citisoft