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## El balance económico en Solvencia II

Congreso de AMA

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# Directiva Solvencia II

## Balance económico y capital económico

### Definiciones

**Valor económico/MCEV/IFRS**  
=

Valor de mercado (activos) –  
Valor de mercado/FV (pasivos)

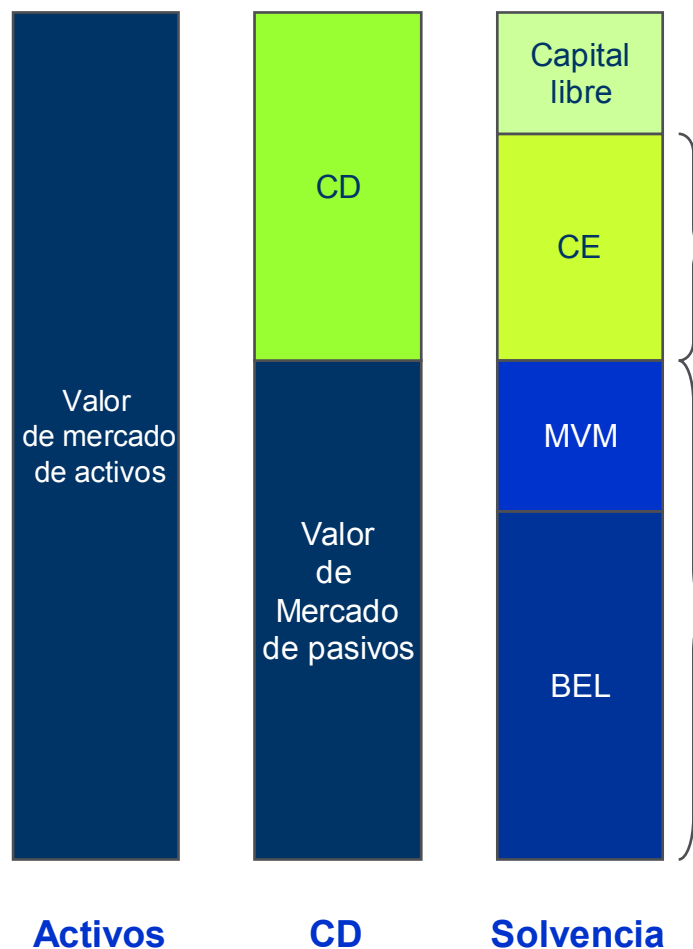
**Capital disponible (CD) =**

Excedente/patrimonio realista

**Capital económico (CE) =**

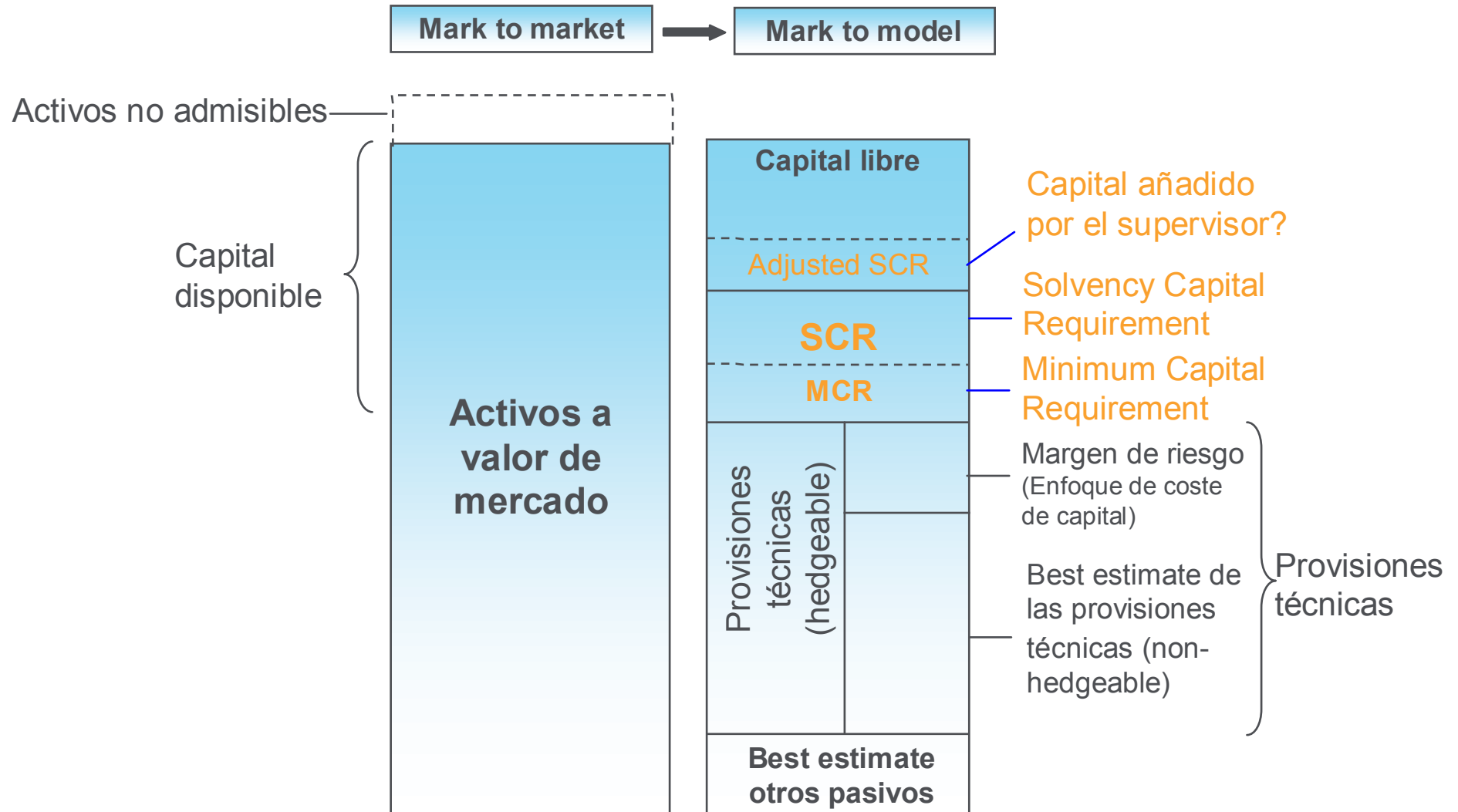
Capital requerido para  
asegurar la solvencia de la  
entidad con un nivel de  
confianza en un intervalo  
temporal de 1 año

Capital requerido para proteger  
a sus tomadores y deudores



# Balance económico y capital económico

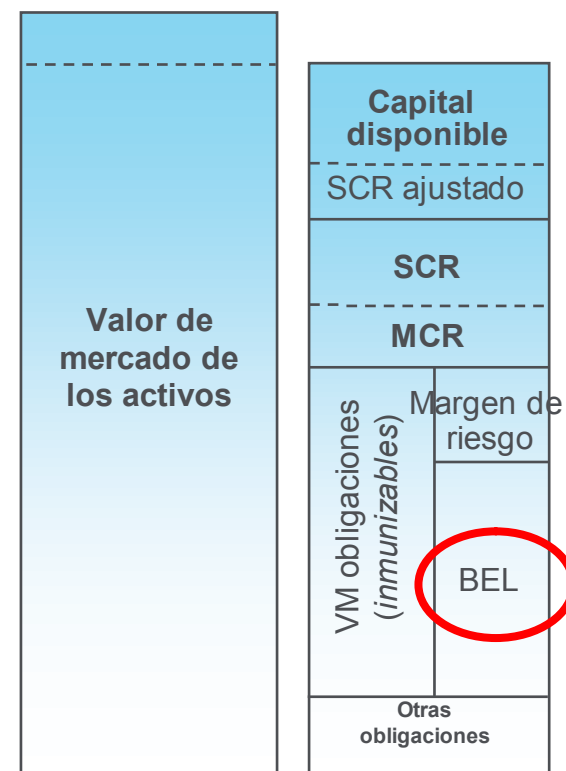
## Balance realista/económico



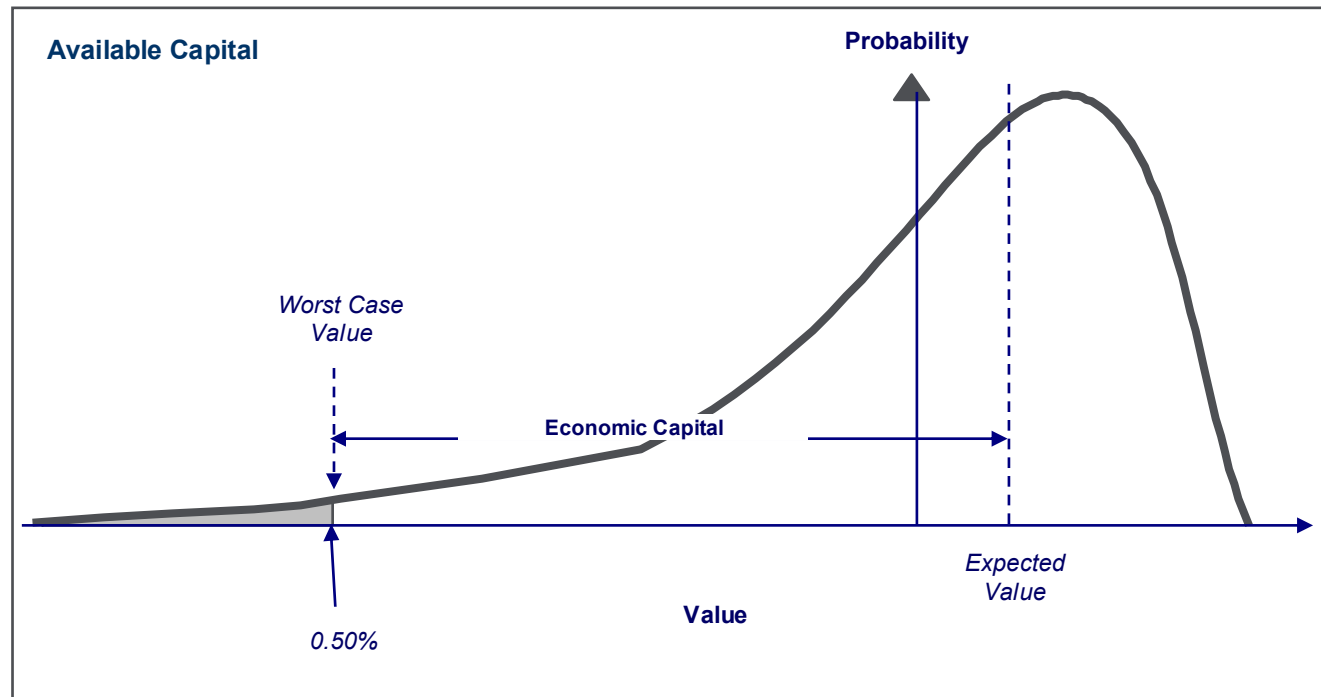
# Directiva Solvencia II

## *Best Estimate* de las obligaciones (BEL)

- Riesgos inmunizables (con cobertura en el mercado) valorados consistentemente en el mercado
- Riesgos no inmunizables (sin cobertura en el mercado) valorados al *best estimate* más el margen de riesgo
- La participación en beneficios se incluye generalmente como una obligación
- Tasa de descuento basada en la curva *swap* o bonos del gobierno
- Cálculo estocástico de opciones o garantías



# Capital económico



# Balance económico y capital económico

1. Calculate base balance sheet

Base	€m
Assets	1200
Liabilities	1000
Surplus	200

2. Recalculate base balance sheet in scenarios or apply factors to get capital for each risk

Equity down	€m
Assets	1000
Liabilities	840
Surplus	160

Matrix C

	Eq	Int.	Prop.	Cred	Conc	Life	N Life	Op
Equity	1.0	-0.2	0.5	0.5	0.7	0.0	-0.5	0.6
Int.	-0.2	1.0	-0.1	0.3	0.0	0.0	0.1	-0.1
Prop	0.5	-0.1	1.0	0.2	0.5	0.0	0.0	0.2
Credit	0.5	0.3	0.2	1.0	0.0	0.0	0.0	0.2
Conc	0.7	0.0	0.5	0.0	1.0	0.0	-0.4	0.5
Life	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0
N Life	-0.5	0.1	0.0	0.0	-0.4	0.0	1.0	0.0
Op	0.6	-0.1	0.2	0.2	0.5	0.0	0.0	1.0

3. Apply aggregation formula

$$SCR = (A^T \times C \times A)^{0,5}$$

$$SCR = \sqrt{\sum A_i^2 + \sum \rho_{ij} A_i A_j} < 100$$

	Capital
Equity	40
Interest	10
Property	5
Credit	5
Concentration	10
Life	5
Non Life	10
Operational	15
<b>Total</b>	<b>100</b>

Vector A



- Valoración de activos

# Hipótesis de valoración

## ■ Activos

- A valor de mercado (mark to market). Si no existe, se usa mark to model (TS.I.A.2)
- Punto de partida: IFRS con ajustes. Por ejemplo, inmuebles a valor de mercado. Ver TS.I.B.7.
- Accionistas por desembolsos no exigidos: valor nulo (pero está en Tier 2)
- Inmovilizado inmaterial: valor nulo en general. (TS.I.A.5)
- Fondos de inversión: “look through” si es posible.
- Empresas asociadas: depende si son cotizadas, no cotizadas adquiridas recientemente, no cotizadas no recientes (valoradas con flujos o DEC).
- Ajustes por periodificación, intereses devengados: si el valor de mercado de la renta fija ya incluye cupón corrido esta partida tendrá valor nulo.



## ■ Provisiones técnicas

# Hipótesis de valoración

- Provisiones técnicas
  - Best estimate
  - Margen de riesgo
  - Provisiones técnicas de vida
  - Provisiones técnicas no vida

## Hipótesis de valoración: *Best estimate*

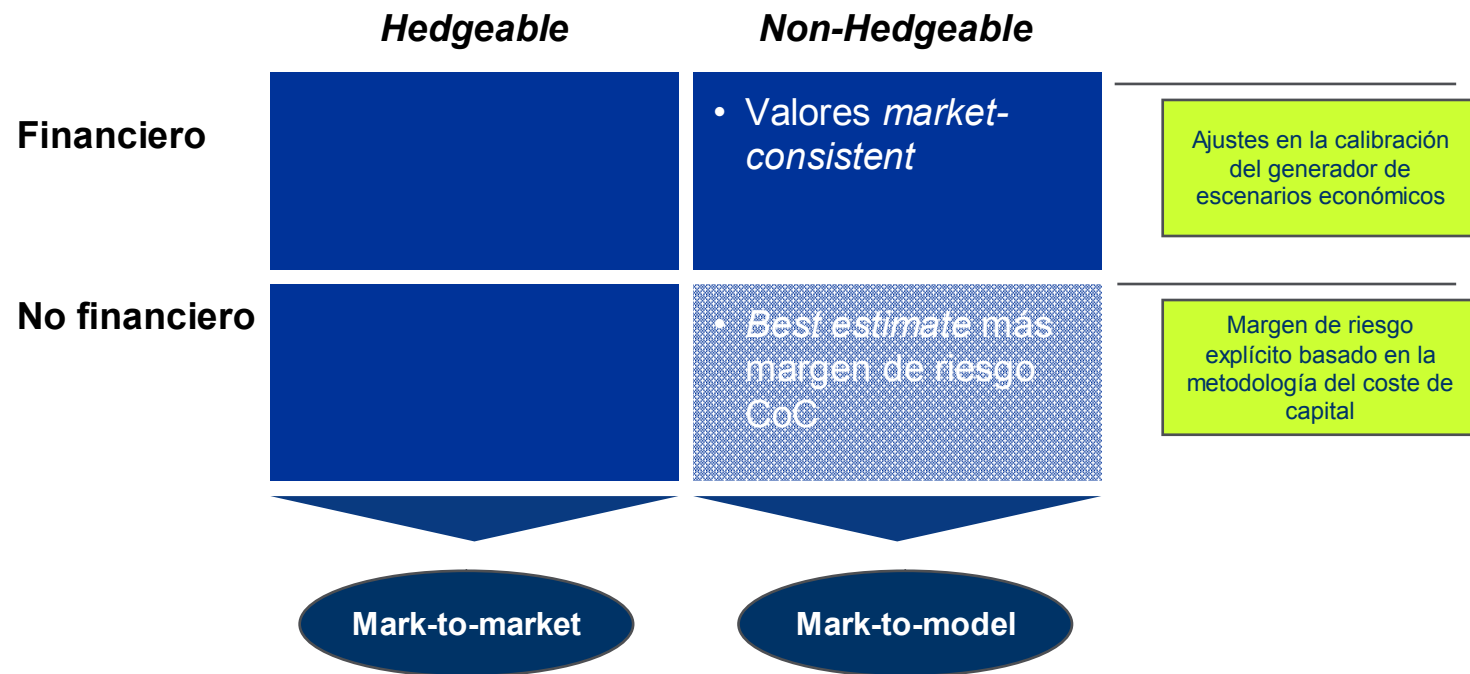
- La *best estimate liability* (BEL) equivale al valor actual esperado de los flujos de caja futuros (TS.II.B.2)
- Las hipótesis deben ser realistas (TS.II.B.7) y tener en cuenta las tendencias esperadas; tales como cambios demográficos, tecnológicos, inflación,...

## Hipótesis de valoración: *Best estimate*

- Los flujos deben descontarse a una tasa de descuento libre de riesgo (euroswap), facilitada por CEIOPS (TS.II.B.11)
- Los flujos deben incluir una estimación de todos los gastos futuros necesarios para liquidar las obligaciones (TS.II.B.15)
  - con previsión de futuros incrementos de coste
  - sin incluir efectos de futuras economías de escala
- La BEL debe calcularse bruta de reaseguro. El valor de las obligaciones del reaseguro cedido figurará separadamente en el activo del balance bajo el epígrafe “Recuperables de contratos de reaseguro y SPV”. Se ajustará para que refleje las pérdidas previstas por incumplimiento de contraparte, insolvencia, contencioso u otro motivo. (TS.II.B.21)

# Hipótesis de valoración: Margen de riesgo

- Obligaciones, en función tipo de riesgo



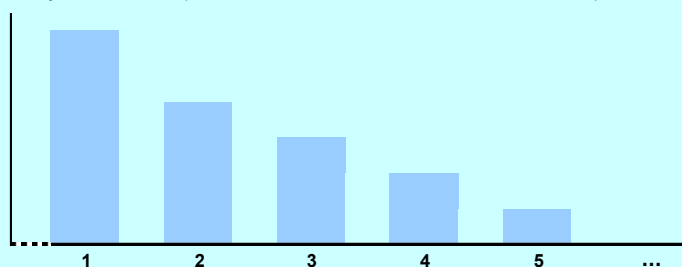
# Margen de riesgo- Método del coste de capital

- La metodología requerida es CoC (*cost of capital*) (TS.II.C.1)
- Se requiere su cálculo a partir de la fórmula estándar (TS.II.C.4)
- MR's derivados de modelos internos pueden comunicarse de manera opcional y complementaria (TS.II.C.5)
- El cálculo con la fórmula estándar debe ser neto de reaseguro.

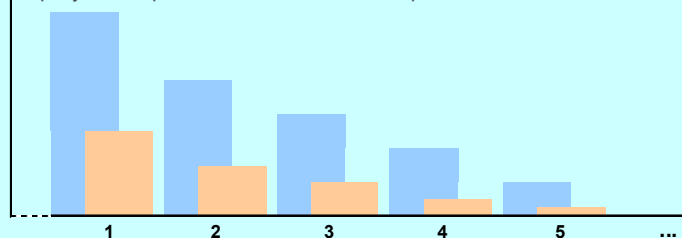
# Margen de riesgo- Método del coste de capital

## Pasos para calcular el Margen de Riesgo bajo un enfoque de Coste de Capital

**1** Proyectar el SCR para años futuros hasta la extinción de los pasivos de cartera actuales



**2** Determinar el coste de las participaciones futuras de los SCR, multiplicando el SCR proyectado por el factor de coste de capital



**3** Descontar el coste de la participaciones futuras en los SCR a una tasa libre de riesgo para obtener el margen de riesgo del Coste de Capital (RM)

$$RM = \sum_{i=1}^n CoC \_ factor \times SCR_i \times v^i$$

Paso 1: proyectar el SCR para años futuros hasta la extinción de los pasivos de cartera actuales

Paso 2: estimación del coste de mantener futuros SCR's multiplicando cada futuro SCR por el factor de CoC (6%)

Paso 3: descontar las cuantías calculadas en el paso previo a una tasa libre de riesgo para obtener el margen de riesgo (RM)

# Margen de riesgo- Método del coste de capital

- ¿cómo se proyecta el SCR?
  - Se tiene en cuenta los siguientes riesgos: operacional, suscripción, contraparte de reaseguro.
  - Se proyecta el SCR de dichos riesgos separadamente para cada segmento (vida) o ramo (no vida).
  - Agregación de los riesgos usando las correlaciones de la fórmula estándar.
  - Sin efecto de diversificación entre los segmentos.
  - Existen varias simplificaciones para vida y no vida.



- Provisiones técnicas de vida

# Hipótesis de valoración: *Provisiones técnicas de vida*

- Segmentación 1º nivel, para la presentación de resultados (TS.II.D.3)
  - Contratos con participación en beneficios (“PB”).
  - Contratos donde el tomador asume el riesgo de inversión.
  - Otros contratos sin PB.
  - Reaseguro aceptado.
- Segmentación 2º nivel (a efectos de calcular el Margen de Riesgo)
  - Riesgo de fallecimiento.
  - Riesgo de longevidad.
  - Riesgo de incapacidad.
  - Ahorro.

# Hipótesis de valoración: *Provisiones técnicas de vida*

## ■ BEL

- Componentes: Mortalidad, incapacidad, caídas, opciones, gastos (TS.II.D.6)
- Sin mínimo de valor de rescate. (I.1.79)
- Póliza por póliza en general. (I.1.81)
- Valoración del valor temporal de las opciones y garantías, consistente con el mercado. (TS.II.D.8)
- Comportamiento de los tomadores
- Acciones de la dirección: por ejemplo asset mix, realización de plusvalías para efectos de minimizar la PB, etc.
- Negocio con PB: Separar el BEL entre (TS:II.D.22)
  - Importes garantizados y asignado por PB
  - PB futuras contractuales o legales
  - PB discrecional futura adicional al contractual/legal p.e. por factores de mercado

# Hipótesis de valoración: *Provisiones técnicas de vida*

## ■ BEL

- Unit linked: Proyección de flujos (TS.II.D.35)
- Primas futuras de contratos en curso a incluir (TS.II.B.33 a 35 y respuestas de la comisión):
  - Primas periódicas
  - Opciones y garantías

TAR: proyectar primas futuras



- Provisiones técnicas no vida

# Hipótesis de valoración: *Provisiones técnicas no vida*

## ■ Segmentación por ramos (TS.II.E.1)

- Accident and health (workers compensation)
- Accident and health (health insurance)
- Accident and health (others not included under first two item)
- Motor, third party liability
- Motor, other classes
- Marine, aviation and transport
- Fire and other property damage
- Third party liability
- Credit and suretyship
- Legal expenses
- Assistance
- Miscellaneous

## Hipótesis de valoración: *Provisiones técnicas no vida*

- Reaseguro proporcional, debe tratarse como seguro directo (TS.II.E.2)
- Reaseguro aceptado no proporcional se clasifica en 3 categorías:
  - property
  - casualty
  - marine, aviation and transport

## Hipótesis de valoración: *Provisiones técnicas no vida*

- Se pide el uso de métodos estadísticos compatibles con “actuarial best practice” lo que, para lo provisión de siniestros, supone el uso de triángulos de *run-off* (TS.II.E.10) y especificar el método utilizado (TS.II.E.11)
- Si se utiliza una valoración “caso a caso” debe explicarse el porqué (TS.II.E.12)
- La provisión de primas sustituye a PPNC y PRC (TS.II.E.14)

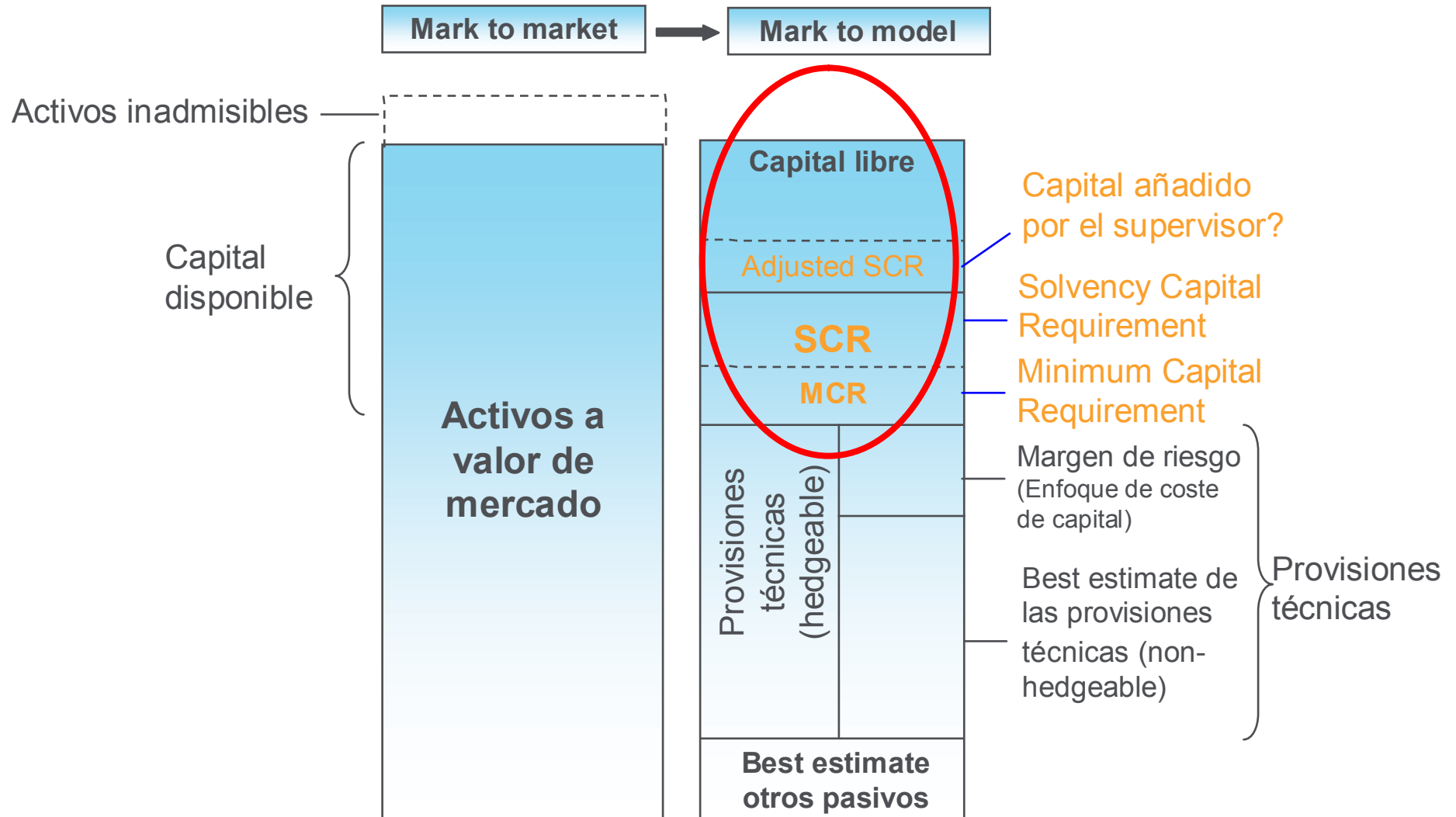


- Impuestos diferidos



- Capital disponible

# Capital disponible



# Balance económico en QIS4

## Annex 1: IFRS - Accounting / Solvency adjustments for the valuation of assets and other liabilities under QIS 4

### Assets

Balance sheet item	Applicable IFRS	Current approach under IFRS/Insurance Contracts DP		Recommended treatment and solvency adjustment for QIS 4
		Definition	Treatment	
<b>INTANGIBLE ASSETS</b>				
<b>Goodwill on acquisitions</b>	IFRS 3.51	IFRS 3.51 Goodwill acquired in a business combination	IFRS 3.51 Goodwill is recognised by the acquirer as an asset from the acquisition date, initially measured as the excess of the cost of the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.	Goodwill should be valued at nil for solvency purposes. Nevertheless, in order to quantify the issue, participants are requested, for information only, to provide, when possible, the treatment under IFRS 3 and IFRS 4 (that is considered an acceptable proxy for valuation on an economic value basis).
	IFRS 4.31-32	IFRS 4.31,32 Expanded presentation for insurance contract acquired in a business combination or transfer (tentative decision in the DP)	After recognition: at cost less any impairment loss (54)	
	Insurance DP Phase II (167)	IFRS 3.51 Goodwill acquired in a business combination	<p>If the acquirer's interest exceeds the cost of the business combination, the acquirer shall reassess identification and measurement done and recognise immediately in profit or loss any excess remaining after that reassessment (56)</p> <p>IFRS 4.31-32/ DP (167) Intangible assets representing the difference between the fair value of the liability (insurance rights acquired and insurance obligations assumed) and the value of the liability according to insurer's accounting policy.</p> <p>Subsequent measurement consistent with measurement of the related insurance liability.</p> <p>For contracts acquired in portfolio transfer, the Board's preliminary view is that the difference between the exit value and the consideration received should be recognised as income or expense (DP 172)</p>	

# Balance económico en QIS4

Balance sheet item	Applicable IFRS	Current approach under IFRS/Insurance Contracts DP		Recommended treatment and solvency adjustment for QIS 4
		Definition	Treatment	
<b>INTANGIBLE ASSETS</b>				
<b>Intangible assets</b>		<p>IAS 38.8,10-17An intangible asset can be identified only if it is either:</p> <ul style="list-style-type: none"> <li>- capable of being separated from the entity; or arises from contractual or</li> <li>- other legal rights.</li> </ul> <p>Recognised if, and only if:</p> <p>(a) it is probable that the expected future economic benefits will flow to the entity; and</p> <p>(b) the cost of the asset can be measured reliably. Cannot be fair valued if:</p> <p>(a) it is not separable; or</p> <p>(b) it is separable, but there is no history or evidence of exchange transactions for the same or similar assets, and otherwise estimating fair value would be dependent on immeasurable variables.</p>	<p>Initially at cost (paras. 24-64)</p> <p>Subsequent measurement either:</p> <ul style="list-style-type: none"> <li>• cost model (74) i.e. cost less any accumulated amortisation and any accumulated impairment losses</li> <li>• revaluation model (75) i.e. fair value less any amortisation and impairment</li> </ul>	<p>Intangible assets should be valued at nil for solvency purposes.</p> <p>Nevertheless, in order to quantify the issue, participants are requested, for information only, to provide, when possible, the treatment under IAS 38, to the extent that the revaluation option and not the cost model is used (such a treatment is considered an acceptable proxy for valuation on an economic value basis).</p>

# Balance económico en QIS4

Balance sheet item	Applicable IFRS	Current approach under IFRS/Insurance Contracts DP		Recommended treatment and solvency adjustment for QIS 4
		Definition	Treatment	
<b>TANGIBLE ASSETS</b>				
<b>Property, plant and equipment</b>	IAS 16	<p>Tangible items that:</p> <ul style="list-style-type: none"> <li>(a) are held for use in the production or supply of goods or services; and</li> <li>(b) are expected to be used during more than one period.</li> </ul> <p>Recognised if, and only if:</p> <ul style="list-style-type: none"> <li>(a) it is probable that future economic benefits associated with the item will flow to the entity; and</li> <li>(b) the cost of the item can be measured reliably</li> </ul> <p>(IAS 16.6,7,37)</p>	<p>IAS 16.15. Initially at cost IAS 16.29,30,31 – Subsequent measurement either:</p> <ul style="list-style-type: none"> <li>- cost model: cost less any depreciation and impairment loss;</li> <li>- revaluation model: fair value at date of revaluation less any depreciation or impairment</li> </ul>	<p>The treatment under the IAS 16 revaluation model is considered an acceptable proxy for valuation on an economic value basis if the valuation available is recent. If the value available is not recent and differs materially from that which would be determined using fair value at the balance sheet date, an economic value should be determined. If a different valuation basis is used, full explanation must be provided.</p>
<b>Inventories</b>	IAS 2	<p>Assets that are:</p> <ul style="list-style-type: none"> <li>(a) held for sale in the ordinary course of business;</li> <li>(b) in the process of production for such sale; or</li> <li>(c) in the form of materials or supplies to be consumed in the production process or in the rendering of services. (IAS 2.6)</li> </ul>	<p>IAS 2.9. At the lower of cost and net realisable value.</p>	<p>The treatment under IAS 2, to the extent that the net realizable value and not cost is used, is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided.</p>

# Balance económico en QIS4

Balance sheet item	Applicable IFRS	Current approach under IFRS/Insurance Contracts DP		Recommended treatment and solvency adjustment for QIS 4
		Definition	Treatment	
<b>TANGIBLE ASSETS</b>				
<b>Finance Leases (lessees)</b>	IAS 17	IAS 17.4.8 Classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.	IAS 17.20 Initially at the lower of fair value or the present value of the minimum lease payment.	The treatment under IAS 17, to the extent that fair value and not the present value of the minimum lease payment is used, is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided.

# Balance económico en QIS4

Balance sheet item	Applicable IFRS	Current approach under IFRS/Insurance Contracts DP		Recommended treatment and solvency adjustment for QIS 4
		Definition	Treatment	
<b>INVESTMENTS</b>				
<b>Investment Property</b>	IAS 40- Investment Property	IAS 40.5 Property held to earn rentals or for capital appreciation or both.	IAS 40.20 Initially at cost; then either fair value model or cost model (30).	The treatment under IAS 40, to the extent that fair value is used and not a cost model, is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided.
<b>Participants in subsidiaries, associates and joint ventures</b>	IAS 27 and IAS 28	Definitions in IAS 27, IAS 28 and IAS 31	IAS 27, IAS 28 IAS 31. In the separate accounts of the holding company, investments in subsidiaries, associates and JVs can be accounted for either: - at cost, or; - in accordance with IAS 39.  IAS 28 (if IAS 27 is not applied to an investment in an associate): application of the equity method.	Where a fair value treatment under IAS 39 is applied, this is considered an acceptable proxy for valuation on an economic value basis <sup>[1]</sup> .  <sup>[1]</sup> Please note that for the purpose of calculating the solo SCR of a parent (re)insurance company, a specific valuation is taken into account, where participants apply the optional "look-through" approach set out in annex SCR 1 – TS.XVII.C.
<b>Held-to-maturity investments</b>	IAS 39	SEE IAS 39, paragraph 9	Amortised cost	These assets should be revalued to fair value in accordance with the guidance provided in IAS 39. If a different valuation basis is used, full explanation must be provided.
<b>Loans and receivables</b>	IAS 39	SEE IAS 39, paragraph 9	Amortised cost	These assets should be revalued to fair value in accordance with the guidance provided in IAS 39. If a different valuation basis is used, full explanation must be provided.

[1] Please note that for the purpose of calculating the solo SCR of a parent (re)insurance company, a specific valuation is taken into account, where participants apply the optional "look-through" approach set out in annex SCR 1 – TS.XVII.C.

# Balance económico en QIS4

Balance sheet item	Applicable IFRS	Current approach under IFRS/Insurance Contracts DP		Recommended treatment and solvency adjustment for QIS 4
		Definition	Treatment	
<b>INVESTMENTS</b>				
<b>Available-for-sale financial assets</b>	IAS 39	SEE IAS 39, paragraph 9	Fair value with valuation adjustment through equity	The treatment under IAS 39 is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided.
<b>Financial assets at fair value through profit or loss</b>	IAS 39	SEE IAS 39, paragraph 9	Fair value with valuation adjustment through profit and loss account	The treatment under IAS 39 is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided.
<b>OTHER ASSETS</b>				
<b>Non-current assets held for sale or discontinued operations</b>	IFRS	IFRS 5.6 Assets whose carrying amount will be recovered principally through a sale transaction	IFRS 5.15 Lower of carrying amount and fair value less costs to sell	The treatment under IFRS 5, to the extent that fair value and not the carrying amount is used, is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided.
<b>Deferred tax assets</b>	IAS 12	Income taxes include all domestic and foreign taxes based on taxable profits and withholding taxes payable by a group entity	A deferred tax asset of unused tax losses/credits can be recognized to the extent it is probable that future taxable profit will be available for offset. Deferred tax assets cannot be discounted and are measured at the tax rates expected to apply when the asset is realized. Deferred tax assets must be reviewed at each B/S date.	The treatment under IAS 12 is an acceptable proxy for valuation on an economic value basis. Participants are not required to include in their solvency balance-sheet a deferred tax item specifically related to the change in value of technical provisions arising from the move from Solvency I to Solvency II. However, in line with the economic approach underpinning Solvency II, all expected future cash-out and -in flows related to taxes applicable under the fiscal regime currently in force in each country should be recognized in the solvency balance-sheet. In particular, to the extent that a deferred tax item currently appears on the accounting balance-sheet in relation to technical provisions, this should be included in the QIS4 balance sheet.

# Balance económico en QIS4

Balance sheet item	Applicable IFRS	Current approach under IFRS/Insurance Contracts DP		Recommended treatment and solvency adjustment for QIS 4
		Definition	Treatment	
<b>INVESTMENTS</b>				
<b>OTHER ASSETS</b>				
<b>Current tax assets</b>	IAS 12	Income taxes include all domestic and foreign taxes based on taxable profits and withholding taxes payable by a group entity	Current tax assets are measured at the amount expected to be recovered.	The treatment under IAS 12 is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided.
<b>Cash and cash equivalents</b>	IAS 7, IAS 39	Cash comprises cash on hand and demand deposits	Not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.	The treatment under IAS 7 and IAS 39 is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be given.
<b>IMPAIRMENT</b>	IAS 36, IAS 39	Impairment of assets		IAS 36 and IAS 39 to be applied where relevant.

# Balance económico en QIS4

## Other liabilities

Balance sheet item	Applicable IFRS	Current approach under IFRS/Insurance Contracts DP		Recommended treatment and solvency adjustment for QIS 4
		Definition	Treatment	
<b>PROVISIONS</b>	IAS 37	<p>A provision is a liability of uncertain timing or amount. A <u>provision</u> should be recognized when, and only when:</p> <p>(a) an entity has a present obligation (legal or constructive) as a result of a past event;</p> <p>(b) it is probable (ie more likely than not) that an outflow of resources will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.</p>	<p>The amount recognized is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.</p> <p>The best estimate is the amount an entity would rationally pay to settle the obligation or to transfer it to a third party at the balance sheet date.</p>	The treatment under IAS 37 is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided.
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Liabilities at fair value through profit or loss</b>	IAS 39	Only recognized when an entity becomes a party to the contractual provisions of the instrument.	Fair value with valuation adjustments through profit and loss account.	The treatment under IAS 39 is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided.

# Balance económico en QIS4

Balance sheet item	Applicable IFRS	Current approach under IFRS/Insurance Contracts DP		Recommended treatment and solvency adjustment for QIS 4
		Definition	Treatment	
<b>Other financial liabilities and amounts payable</b>		Only recognized when an entity becomes a party to the contractual provisions of the instrument.	<p>On initial recognition, financial liabilities are measured at fair value plus, for financial liabilities not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, measured at amortized cost using the effective interest method, except for:</p> <ul style="list-style-type: none"> <li>(a) financial liabilities at fair value through profit or loss;</li> <li>(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition;</li> <li>(c) financial guarantee contracts - measured at the higher of: <ul style="list-style-type: none"> <li>(i) the amount determined in accordance with IAS 37; and</li> <li>(ii) the amount initially recognized less, when appropriate, cumulative amortization.</li> </ul> </li> <li>(d) commitments to provide a loan at a below-market interest rate - measured at the higher of: <ul style="list-style-type: none"> <li>(i) the amount determined in accordance with IAS 37; and</li> <li>(ii) the amount initially recognized less any cumulative amortization.</li> </ul> </li> </ul>	All financial liabilities should be valued at fair value in accordance with the guidance provided in IAS 39 with no adjustment, where applicable, for own credit standing. If a different valuation basis is used, full explanation must be provided.

# Balance económico en QIS4

Balance sheet item	Applicable IFRS	Current approach under IFRS/Insurance Contracts DP		Recommended treatment and solvency adjustment for QIS 4
		Definition	Treatment	
<b>OTHER LIABILITIES</b>				
<b>Deferred tax liabilities</b>	IAS 12	Income taxes include all domestic and foreign taxes based on taxable profits and withholding taxes payable by a group entity.	<p>Deferred tax liabilities cannot be discounted and are measured at the tax rates expected to apply when the liability is settled.</p> <p>Deferred tax liabilities must be reviewed at each B/S date</p>	The treatment under IAS 12 is an acceptable proxy for valuation on an economic value basis. Participants are not required to include in their solvency balance-sheet a deferred tax item specifically related to the change in value of technical provisions arising from the move from Solvency I to Solvency II. However, in line with the economic approach underpinning Solvency II, all expected future cash-out and -in flows related to taxes applicable under the fiscal regime currently in force in each country should be recognized in the solvency balance-sheet. In particular, to the extent that a deferred tax item currently appears on the accounting balance-sheet in relation to technical provisions, this should be included in the QIS4 balance sheet.
<b>Current tax liabilities</b>	IAS 12	Income taxes include all domestic and foreign taxes based on taxable profits and withholding taxes payable by a group entity.	<p>Unpaid tax for current and prior periods is recognised as a liability.</p> <p>Current tax liabilities are measured at the amount expected to be paid.</p>	The treatment under IAS 12 is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided.

# Balance económico en QIS4

Balance sheet item	Applicable IFRS	Current approach under IFRS/Insurance Contracts DP		Recommended treatment and solvency adjustment for QIS 4
		Definition	Treatment	
<b>EMPLOYEE BENEFITS</b>				
<b>Short-term employee benefits</b>	IAS 19	Employee benefits falling due within 12 months after the period in which employee services were rendered.	Recognise undiscounted amount expected to be paid as a liability (accrued expense), after deducting any amount already paid.	The treatment under IAS 19 is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided.
<b>Post employment benefits (incl. pension commitments)<sup>[1]</sup></b>	IAS 19	Employee benefits other than termination benefits payable after completion of employment. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans.	<p><b>(i) Defined contribution plan:</b></p> <p>Recognize the contribution payable:</p> <p><b>a)</b> as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the balance sheet date, that excess should be recognized as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund; and</p> <p><b>b)</b> as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.</p> <p><b>(ii) Accounting for defined benefit plans involves:</b></p> <p><b>(a)</b> making a reliable actuarial estimate of the benefit employees have earned in current and prior periods.</p> <p><b>(b)</b> discounting that benefit using the Projected Unit Credit Method to determine the PV of the defined benefit obligation and the current service cost.</p> <p><b>(c)</b> determining the fair value of any plan assets.</p> <p><b>(d)</b> determining the total amount of actuarial gains and losses to be recognized.</p>	The treatment under IAS 19 is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided. Firms are also encouraged to provide feedback on whether they consider IAS 19 to be a good proxy for valuation of pension liabilities (or assets) on an economic value basis and to suggest ways in which an economic valuation might be more properly achieved.

[1] Please note that such pension commitments should be excluded from the "Net Asset Value" when performing the SCR calculation in accordance with sections 3 and 4 of the QIS4 specifications (TS.VI to TS.XIV).

# Balance económico en QIS4

Balance sheet item	Applicable IFRS	Current approach under IFRS/Insurance Contracts DP		Recommended treatment and solvency adjustment for QIS 4
		Definition	Treatment	
<b>EMPLOYEE BENEFITS</b>				
<b>Other long term employee benefits</b>	IAS 19	Other employee benefits not falling due within 12 months after the end of the period in which employee services were rendered.	Simpler method of accounting - actuarial gains and losses and past service costs are recognized immediately.	The treatment under IAS 19 is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided.
<b>Termination benefits</b>	IAS 19	Benefits payable as a result of either: (a) an entity's decision to terminate an employee's employment or (b) an employee's decision to accept voluntary redundancy	Recognise termination benefits as a liability and an expense only when, demonstrably committed to either: (a) terminate employment; or (b) provide termination benefits. Discount termination benefits falling due more than 12 months after the balance sheet date. For voluntary redundancy, measurement of termination benefits is based on number of employees expected to accept offer.	The treatment under IAS 19 is considered an acceptable proxy for valuation on an economic value basis. If a different valuation basis is used, full explanation must be provided.

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## El balance económico en Solvencia II

Congreso de AMA

**Manuel de la Rosa**  
**Octubre de 2009**