# Prudential Supervision

**At the initiative of EIOPA and BaFin, the issue of prudential supervision has recently been given significant emphasis in the supervisory practices governing property and casualty insurance. Specifically, the supervisory authority has indicated that it will conduct a critical review of advanced price differentiation practices, premium adjustments/price walking, and discounts.**

### Dimensions of prudential supervision

Meyerthole Siems Kohlruss (MSK) supports clients in assessing and preparing for these emerging regulatory expectations. We translate supervisory statements, that tend to be ambiguous, into concrete, actuarially sound and pragmatic review concepts. Our support covers initial gap analyses, action plans, development of appropriate guidelines as well as provision of expert opinions for discussions with BaFin.

## Independent Review of the Prudential Requirements

- **Risk-Based Calculation:** Establishing robust methods and metrics for measuring fairness and the appropriateness of profits (e.g., by quantifying volatility and capital requirements)
- **Discounting Framework:** Documentation of the risk-based allocation of individual discount components and the total discount, including the development of a discount taxonomy
- **Governance / Product Approval:** Supplementing the POG (Product Oversight and Governance) framework with quantitative guardrails and steering metrics to ensure long-term compliance with conduct of business rules
- **Price Walking:** Beyond simply examining loss ratios by policy age—classification of the company's own premium adjustment clause in terms of market conformity, transparency, and actuarial adequacy
- **Claims Processing:** Quantitative evidence of prompt settlement upon receipt of complete information – for data pool members, including quantitative market benchmarking

## Support Options provided by MSK

- **Technical Methodology Workshops:** Within the scope of a workshop, prudential supervision requirements are outlined, and potential compliance approaches are discussed
- **Audit of Current Practices:** We conduct n in-depth analysis of your current pricing and monitoring processes and assess their adequacy
- **Development of an Action Plan:** In the event of identified deviations, we collaborate with you to develop a concrete action plan to adjust processes appropriately or to formulate justifications for your current approach.
- **Preparation of a Formal Expert Opinion:** Combining our actuarial expertise, market insight, and regulatory knowledge, we prepare an expert opinion to serve as a robust basis for discussions with the supervisory authority.

## About Meyerthole Siems Kohlruss (MSK)

Founded in 1998, Meyerthole Siems Kohlruss (MSK) is a Cologne-based actuarial consulting firm advising insurance companies, Managing General Agents and industrial corporations. With a client base of more than 100 organizations, MSK has established itself as one of the leading actuarial consultancies in the German-speaking region.
For legal matters, we collaborate with specialized law firms.

## Schedule a meeting with your designated contacts


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