



## Implementation of Stochastic Calculations for IDD Product Compliance “Value for Money”

Ivo Krastev, Vienna-Life



### Please briefly describe the initiative.

We have developed an inhouse stochastic Monte-Carlo simulation to evaluate “value for money” of unit linked life insurance products in line with EIOPA’s and local supervisor authorities requirements. The tool is based on historical market development and provides quantitative evidence to ensure that our UL products meet regulatory standards and are ready for market approval.

### What were the benefits?

- Ensures product compliance with financial supervisory regulations, such as EIOPA’s “value for money” approach.
- Provides robust quantitative probability of the performance of UL insurance in comparison to the expected inflation through minimum of 50,000 random values within predefined distribution. The distribution is based on historical market data.
- The model can be used also for profitability analysis from point of view of the company.
- Reduces time and effort needed for regulatory approval processes.

### Who were the main stakeholders involved?

- Management board
- Sales department
- Actuary department
- Local Financial Market Authority

### What were the major learnings and challenges you had to overcome?

Regulatory Alignment: Ensuring full compliance with EIOPA’s “value for money” requirements posed a challenge due to evolving regulatory interpretations. Close collaboration with the local financial market authority provided valuable insights into aligning calculations with supervisory standards.



## Going forward, what are your plans to further develop the project?

Going forward, we plan to further develop this initiative into a fully operational tool, the Vienna-Life Produkt Tester, to streamline and standardise compliance and profitability assessments. This next step will enhance its usability, scalability, and efficiency.

We are already collaborating with Donau Versicherung within the Group to share knowledge and expertise. This cooperation ensures consistent compliance and strengthens the Group's overall capabilities in meeting regulatory requirements.

Additionally, we are participating in the VIG Xelerate programme to accelerate the development, refinement, and potential scaling of the project across other companies within the Group. This initiative presents an opportunity to leverage the tool's benefits for broader adoption, enhancing regulatory alignment, efficiency, and innovation across the organisation.

*We are excited about the progress of this initiative and welcome anyone who is interested in collaborating with us. Whether it's sharing expertise, exploring new use cases, or further developing the tool or similar tools together. Let's work together to ensure compliance, efficiency, and common approach to this new topic across VIG companies.*

**Ivo Krastev**

✉ [i.krastev@vienna-life.li](mailto:i.krastev@vienna-life.li)

☎ +423 789 70 53