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Layout & Distribution: Valéria Kozakova

Paving the Way for a European Model of Insurer's Solvency

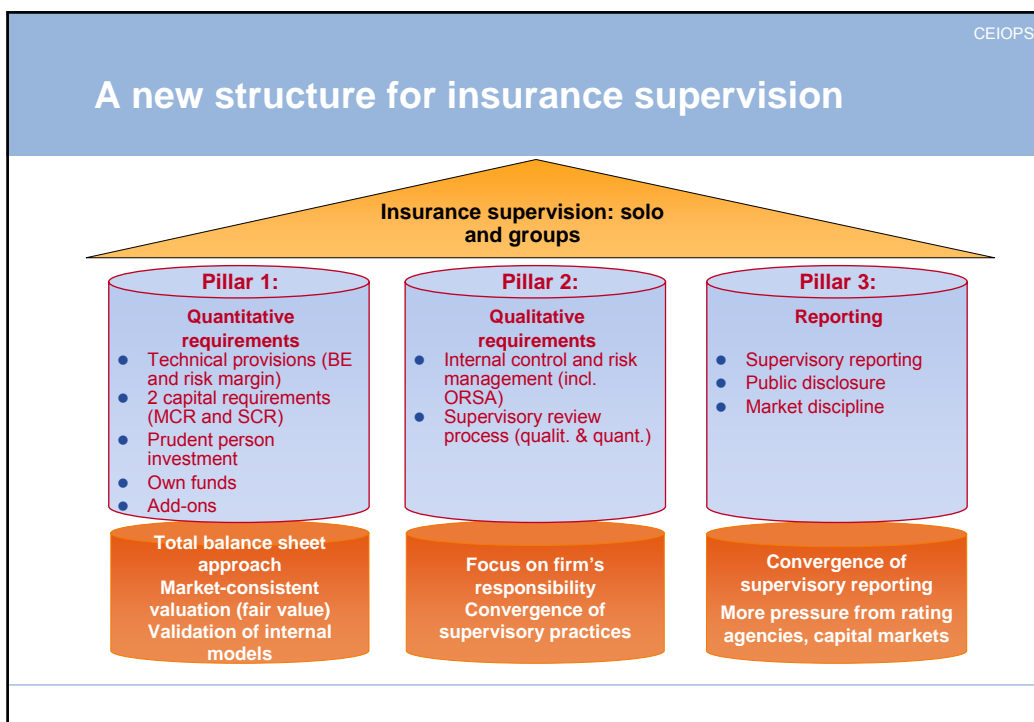
Pamela Schuermans

Insurers' solvency in a new environment: Solvency II

CEIOPS

- Risk oriented approach
- Improved harmonization (trade-off with recognition of market diversities)
- Enhanced risk sensitiveness (trade-off with overall practicability of implementation)
- Incentive for internal risk management
- Streamlined group supervision
- Compatibility with IASB
- Comparability with banking rules

- Enhanced policyholder protection in the single market
- Competitive European market



CEIOPS

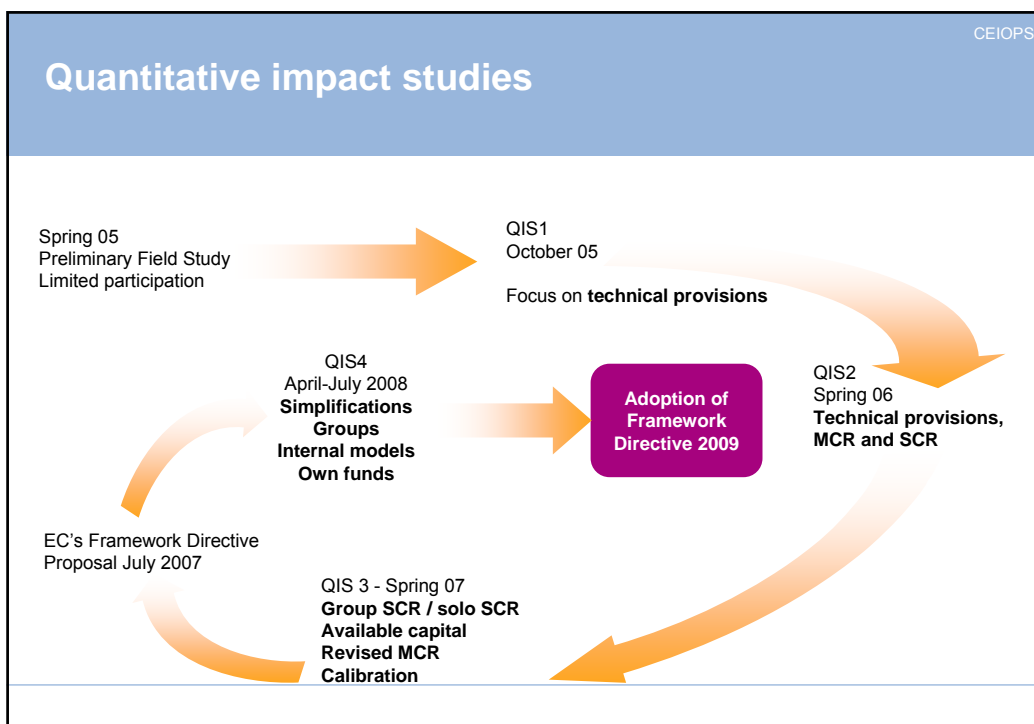
Impact of the new framework

- CEIOPS impact assessment
 - Report on the impact of Solvency II on the supervisory authorities
 - Quantitative impact studies

July 2007

Publication of the Directive Proposal

EC impact assessment



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Impact on insurers: Quantitative impact

- Offsetting developments in provisions and capital requirements (QIS3)
 - Solvency ratio decreased on average, but this in part represents a move from the provisions to the capital requirement (removal of implicit prudence in technical provisions, more risks taken into account)
- No increase in capital at EU level; redistribution
- Prudent person principle: no asset eligibility criteria and no quantitative limits for investments
- Use of undertaking-specific parameters => (Partial) **Internal models**
- **QIS4 launched 1 April: Simplifications, Groups, Internal models, Own funds**

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Impact on insurers: Qualitative impact

- Proportionality: nature, scale and complexity of the risks
 - Simplifications and proxies, reporting and disclosure

- Group supervision
 - New regime of group support
 - Appointment of group supervisor, prerogatives

- Risk management: ORSA

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Impact on supervisors

- Third quarter 2006: Only a minority of supervisors prepared to supervise according to the SII framework and future implementing measures
- Change of tools
 - Technical, quantitative issues (IMs, Standard formula)
 - Internal control and risk management
 - Changes in reporting requirements
- Change in human resources
- Proportionality also applies to supervisory action!

Regulatory shock?

- **Benefits of the Lamfalussy procedure**
 - Principles, implementation and guidance
 - Consultation & transparency
- **Participation to the QIS** (supervisors and industry!)
- **Tools for enhancing convergence in day-to-day practices**
 - Training for supervisors
 - Exchange of staff
 - Peer pressure, mediation
- **Cooperation between supervisors**
(CoCo; colleges of supervisors)

Towards a safe landing!

