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Layout & Distribution: Valéria Kozakova & Bernadette Curty

Insurance sector views on solvency II

Thomas Schubert

Gesamtverband der Deutschen Versicherungswirtschaft e.V.

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Dr. Thomas Schubert

Geneva, 4 November 2004



Gesamtverband der Deutschen Versicherungswirtschaft e.V.

Timetable in European project "Solvency II" was published by the EU-Commission in summer 2004

1999 Start of the project	2003 End of phase I Start of phase II	today	2005 Draft proposal for a Framework Directive	2008 European Solvency II Directive	Implemen- tation in national law	2010?? Commen- cement of Solvency II
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➤ Next steps:

- Mandates for CEIOPS in autumn 2004
- Progress reports of the CEIOPS-Groups "Pillar I Life", "Pillar I Non-Life" and "Pillar II" in December 2004
- Draft proposal for a Framework Directive in 2005

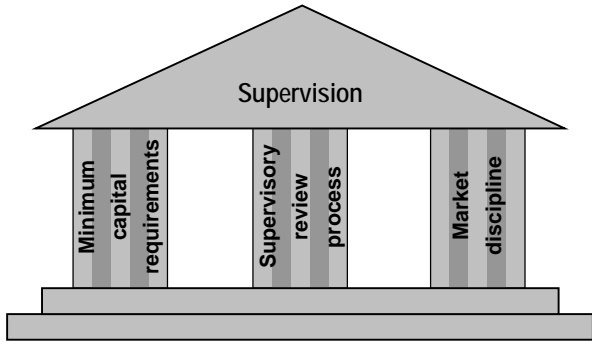

DIE DEUTSCHEN VERSICHERER

06.04.2005 12:14


Gesamtverband der Deutschen Versicherungswirtschaft e.V.

The European supervisory system for financial services providers is undergoing a fundamental and wide-ranging change

➤ Phase I - Framework: The focus of supervision is shifting from a quantitative, enumerating approach to a qualitative assessment (finished 2003)



The diagram shows a temple structure representing supervision. The roof is labeled "Supervision". It is supported by three pillars: "Minimum capital requirements", "Supervisory review process", and "Market discipline". The entire structure sits on a multi-tiered base.


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The new risk-based capital requirements and qualitative rules are particularized now

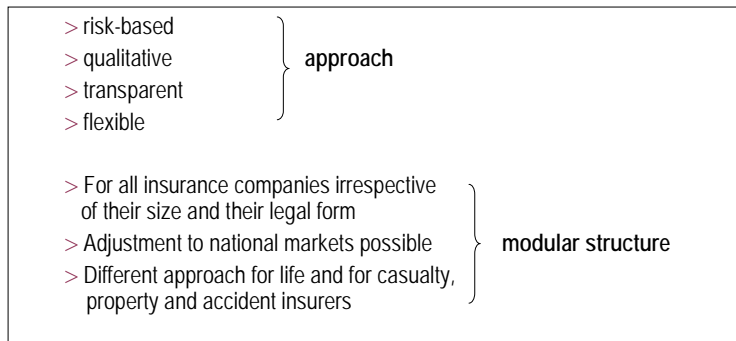
- **Phase II - Specification:** The new rules will formulate in the following process (will finished in 2008):
 - EU-Commission: Framework Directive (till the end of 2005)
 - CEIOPS-working groups:
 - Three waves of specific calls for advice from CEIOPS
 - Pillar II
 - Pillar I: Life and Non-Life
 - Pillar III and cross-sectoral issues
 - First specific call for advice for Pillar II (summer 2004)
 - In-depth testing of the new regulation system in the practice of insurers in the different European countries
 - European legislation and translation into national law

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The GDV started the development of a risk-based standard approach in 1997

- Aims and characteristics of the GDV standard approach:



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The German insurance industry takes a positive stand on "Solvency II" and is actively accompanying the project

But (generally) . . .

- Regulations for the banking sector should not be applied to insurers without scrutinizing them
- The own funds to be held available should be limited to what is necessary in terms of risk
- The standard approach should not make excessive demands even on smaller companies
- Internal models should be authorized simultaneous with the standard approach
- Homogeneous interpretation of qualitative rules should be ensured across Europe
- Requirements for external reporting should be coordinated in an active way
- The Lamfalussy procedure should be a transparent process integrating the know how of the insurance industry early and actively on the working level

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But (details i.e.) . . .

- Technical provisions: The harmonization of the technical provision on a common level of prudence should be basically compatible to the future national accounting system
- Asset management: Generally any quantitative investment regulations are incompatible with a qualitative, risk-oriented supervisory system along the lines of "Solvency II"
- ALM: The inclusion of ALM aspects in a standard model in Pillar I should be very simple. Advanced stochastic approach are a topic for internal models
- Solvency control levels: These different levels and the supervisory power of intervention should be clearly defined. The supervisory process has to be transparent
- Minimum solvency margin: The minimum capital should defined as an absolute figure

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For any further particulars I will be pleased to be at your disposal:

Dr. Thomas Schubert
Head of Business Administration Institute
Gesamtverband der Deutschen Versicherungswirtschaft e.V.
(German Insurance Association)
Friedrichstraße 191
10117 Berlin
Tel.: 030 / 2020-5470
Email: T.Schubert@gdv.org

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