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# Études et Dossiers

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**Solvency II: Strategic Stakes for  
the Insurance Industry**

Brussels, 14 November 2005

&

**Solvency II: Challenging Issues for  
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## **Speech on solvency and insurance regulation - developments and impact**

*by Gérard de La Martinière, CEA President*

Heads of States and Governments agreed in 2000 to make the EU "the most competitive and dynamic knowledge-driven economy by 2010" under the Lisbon Agenda. In 2003, the "Sapir" report concluded that "growth must become Europe's number one economic priority", which was again confirmed by Member States during their March 2005 re-launch of the Lisbon Strategy. We, the insurance and reinsurance industries, are firmly committed to contribute to that objective. As such and in the context of today's discussions, we strongly believe that by delivering an economic approach to the allocation of capital, Solvency II will be fully in line with the ambitious Lisbon agenda. Furthermore, we strongly support that very Lisbon agenda's ambition to see growth opportunities stemming from the integration of financial services. In that context, Solvency II should represent a significant factor of such integration. This necessarily implies the application of requirement at group level and the adaptation of supervision to reflect their pan-European activities.

Indeed, Solvency II aims at providing the European Union with a unique modern tool for the supervision of insurance and reinsurance companies. That tool seeks the optimal financial protection in the context of a true single market. In doing so, the objective is to achieve the optimal allocation of capital, not only at the level of individual companies, but also at the level of the business sector, amongst players competing in a free market. That, of course, is only achievable through a pure risk-based system based on an economic approach. Indeed, the purpose is optimal and not maximal allocation of capital, which could be the consequence of a mixed model blending risk-based elements with arbitrary prudence levels, thus resembling the current Solvency I requirements.

The stakes are significant and have to be put into the context of the ambitious Lisbon agenda. An optimal capital allocation means an optimal consumer protection as well as a better integration of the market, a reduction of costs and therefore an increase in the competitiveness of the European insurance and reinsurance industries.

For Europe, a major economy facing fierce competition within internationalising markets, this represents a unique opportunity to give its companies a solid stepping stone to expand their operations.

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