



International Association for the  
Study of Insurance Economics

# Études et Dossiers

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## Études et Dossiers No. 310

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

Brussels, 14 November 2005

&

**Solvency II: Challenging Issues for  
Insurance Industry**

Milan, 23 November 2005

March 2006

Working Paper Series of  
The Geneva Association

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# Solvency and insurance operations - impact and industry initiatives

Raj Singh



## Key requirements of the industry for the Solvency II project

Requirements	Details
<ul style="list-style-type: none"> <li>Consistent solvency framework to be designed for groups and solo entities</li> </ul>	<ul style="list-style-type: none"> <li>Capital requirements for groups to take into account group diversification, intra-group agreements and constraints to capital mobility</li> </ul>
<ul style="list-style-type: none"> <li>Adoption of efficient supervisory structures</li> </ul>	<ul style="list-style-type: none"> <li>Lead supervisor to be responsible for group supervision</li> <li>Need to clearly define the role of local supervisors</li> </ul>
<ul style="list-style-type: none"> <li>Risk adequate solvency must set incentives for enhanced risk management</li> </ul>	<ul style="list-style-type: none"> <li>Incentives for development of internal risk capital models</li> <li>No introduction of excessive prudence into the solvency system</li> <li>Need to consider industry practices</li> </ul>

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**Key requirements of the industry for the Solvency II project (cont'd)**

Requirements	Details
<ul style="list-style-type: none"> <li>▪ <b>Cross-sector consistency of regulation to prevent regulatory arbitrage</b></li> </ul>	<ul style="list-style-type: none"> <li>– Convergence between banking and insurance regulation is supported</li> <li>– No restrictive Basel II approach for insurance solvency regulation</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Consistent enforcement of internationally accepted standards</b></li> </ul>	<ul style="list-style-type: none"> <li>– Solvency II consistent with global IAIS standards</li> <li>– Mutual recognition of regulation which is in compliance with requirements set by global standard setting bodies</li> </ul>

**▶ Maintain strong partnership between regulators and industry to further enhance structured dialogue**

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01/03/2008