

The Actuarial Profession

making financial sense of the future

Solvency II – European Update

Annette Olesen

34TH ANNUAL GIRO CONVENTION

CELTIC MANOR RESORT, NEWPORT, WALES

Solvency II: EU taking global lead in insurance regulation

‘This is an ambitious proposal that will completely overhaul the way we ensure the financial soundness of our insurers. We are setting a world-leading standard that requires insurers to focus on managing all the risks they face and enables them to operate much more efficiently’

Internal Market and Services Commissioner Charlie McCreevy

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Solvency II: Timescales

Draft Framework Directive published 10 July

Level I Directive adopted (expected 2009/2010)

Solvency II system in operation (31 October 2012)

2007

2008

2009

2010

2011

2012

Results from QIS 3 (November 2007)

QIS 4 (April 2008)

Level II implementing measures (expected around 2010)

Member states to transpose into law

Source: PricewaterhouseCoopers Whitepaper, August 2007; copies will be available shortly at www.pwc.com/solvency2

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Key themes confirmed in the Directive

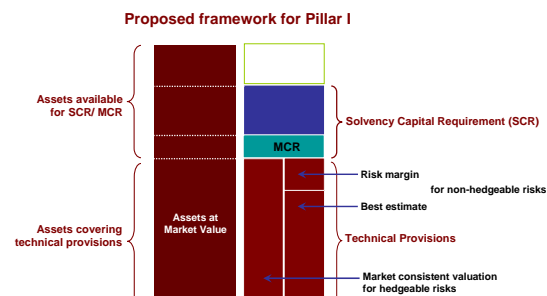
- **Three pillar** approach to supervision
- Based on **market consistent valuation** for assets & liabilities
- **Risk sensitive forward looking solvency** capital requirement
- Link to **Enterprise Risk Management (ORSA)**
- Use of **internal models**
- Emphasis on **Public Disclosures**

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Solvency II – The confirmed quantitative requirements



Source: PricewaterhouseCoopers Countdown to Solvency II, May 2007; copies available at www.pwc.com/solvency2

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Groupe Consultatif Topics of discussion with CEIOPS

- Proposed Framework Directive
- Technical provisions
- QIS 4
- Internal models

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Challenges for the actuaries

- Role of the actuarial function
- Preparation for approval of internal model
- Strategic use of the model
- Communication
- Capital allocation

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