

## GIRO Convention

23-26 September 2008  
Hilton Sorrento Palace

Solvency II - Update from the CEA

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### The Framework Directive provides the potential for a major step forward in EU insurance regulation

- The proposed text incorporates a range of features, which the industry has for a long time strongly advocated
  - Use of a risk-based economic approach
  - Market-consistent approach for valuing assets and technical provisions
  - Recognition of diversification
  - Transparency
- The Framework Directive is a major step forward in the supervision of groups

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### Where do we stand in the process of the adoption of the Level 1 text?

- We are hopeful that an agreement on the Framework Directive can be achieved during the French presidency
- The industry is actively engaged in helping to facilitate the discussions on the outstanding level 1 issues
- We consider it essential that we preserve the integrity of the key proposals to ensure that Solvency II will deliver a truly modern and sound risk-based regime of supervision

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**For the development of Level 2 it is essential that QIS4 is a success**

- The QIS4 consultation process for the first time organised by the EC was welcomed and helped in addressing issues ahead of the its launch
  - Treatment of future premiums and future taxes
  - Treatment of participations
  
- Preliminary findings on QIS4 innovations and objectives
  - Proportionality
  - Groups
  - MCR

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**Level 1, QIS4 and Level 2 Non-Life outstanding issues**

- Valuation Assumptions
  - Best Estimates and proxies
  - Future Premiums and recognition of P/L cycles
  - The CoC approach and the CoC rate
  
- The SCRnl
  - The use of entity specific parameters
  - U/Wnl risk module calibration still outstanding
  - Cat risk and Non-Prop. reinsurance
  
- The MCR

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