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

Solvency II: Timescales

Draft Framework Directive published 10 July
Solvency II system in operation (31 October 2012)
Results from QIS 3 (November 2007)
QIS 4 (April 2008)
Level II implementing measures (expected around 2010)
Member states to transpose by 2012

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

- **Assets available for SCR/MCR**
- **Market consistent valuation** for hedgeable risks
- **Best estimate**
- **Risk margin**
- **Technical Provisions**
- **Market consistent valuation** for hedgeable risks

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**Topics of discussion with CEIOPS**

- Proposed Framework Directive
- Technical provisions
- QIS 4
- Internal models
Challenges for the actuaries

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

Contact details

Annette Olesen
Director, PricewaterhouseCoopers LLP
e-mail: annette.olesen@uk.pwc.com
phone: +44 (0) 207 213 3394