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

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
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 its launch
- Treatment of future premiums and future taxes
- Treatment of participations
- Preliminary findings on QIS4 innovations and objectives
  - Proportionality
  - Groups
  - MCR

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