ACORD Solvency II Roundtable
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**Legislative Process - Lamfalussy**

**Level 1:** Framework Directive (Council and Parliament)

**Level 2:** Implementing Measures (Commission)

**Level 3:** Convergent implementation assisted by close co-operation between national authorities

**Level 4:** Rigorous enforcement of Community legislation by the Commission
Solvency II Structure

Group supervision & cross-sectoral convergence

Groups are recognised as an economic entity => supervision on a consolidated basis (diversification benefits, group risks)

Pillar 1: quantitative requirements
1. Harmonised calculation of technical provisions
2. "Prudent person" approach to investments instead of current quantitative restrictions
3. Two capital requirements: the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR)

Pillar 2: qualitative requirements and supervision
1. Enhanced governance, internal control, risk management and own risk and solvency assessment (ORSA)
2. Strengthened supervisory review, harmonised supervisory standards and practices

Pillar 3: prudential reporting and public disclosure
1. Common European reporting tools
2. Public disclosure of the financial condition and solvency report (market discipline through transparency)
Pillar III: Disclosure & Reporting

- Through the imposition of targeted disclosures, Pillar III aims at better achieving the regulatory objectives through market discipline
- More freedom for firms to run themselves is combined with new disclosure requirements, such as on breaches of the SCR and the MCR
- Harmonised supervisory reporting and disclosure of a financial condition and solvency reporting
- Power & discretion to supervisors; need to earn trust of stakeholders: disclosure of capital add-on’s (option for transition to 2017)
Solvency II Timetable for 2006-2012

- **2006**: Directive Development
- **2007**: Directive Adoption
- **2009**: Implementation

**CEIOPS work on technical advice necessary for implementing measures / supervisory convergence / preparation for implementation / training & development**

- **Introduction**: July 2007
- **Publication**: December 2009
- **Effective date**: 31 Dec 31 2012

**Commission preparatory work on possible implementing measures**

**Adoption of Implementing measures**

- **QIS 2**
- **QIS 3**
- **QIS 4**
- **QIS 5**
Consultation on Data Reporting

• Issues Papers – November 2007 & August 2008
  – Call for harmonised reporting

• Level II Consultation Paper 43 – October 2009
  – Concerns raised regarding granularity, data quality, verification, adjustments, proportionality

• Level II Consultation Paper 58 – October 2009
  – Concerns raised about frequency of reporting, quantity of data, specific data for individual Member States, proportionality

• Level III - Consultation on Reporting Templates – May-July 2010
  – Key stakeholder groups being consulted
Other Influential Factors

• Convergence with other level III committees
  – XBRL

• Data on Systemic Risks
  – Who to collect?

• Review of the NAIC data base
  – IMF review “world class”

• OECD and IAIS data requests
  – Macro-prudential issues
Current Status

• Report to Supervisors (RTS)
  – Private
  – Necessary for Pillar I and Pillar II

• Solvency and Financial Condition Report (SFCR)
  – Public
  – Support market transparency
  – Quantitative and qualitative
  – Group report an option