

Brussels, 22 April 2009

'Solvency II': European Parliament approval of proposed Directive brings modern insurance regulation nearer

The European Commission has welcomed the European Parliament's approval of the proposed Directive on the taking-up and pursuit of the business of Insurance and Reinsurance, also known as the Solvency II Directive. Solvency II is a ground-breaking revision of EU insurance and reinsurance law designed to improve consumer protection, modernise supervision, deepen market integration and increase the competitiveness of European insurers. Under the new system, insurers and reinsurers would be required to take account of all types of risk to which they are exposed and to manage those risks more effectively and with increased transparency. In addition, insurance groups would have a dedicated 'group supervisor' that would enable better monitoring of the group as a whole. Intensive negotiations between the Parliament, the Council and the Commission over the recent months have prepared the ground for swift adoption by the EU's Council of Ministers, to which the text as approved by the Parliament will now return.

Commission President José Manuel Barroso said: *"By approving the Commission's proposal, the European Parliament has contributed to lasting economic recovery. An integrated and competitive insurance sector, supervised consistently across borders, is essential for every consumer and every business in Europe. Solvency II will help protect policy holders from bad practice. It will help shield our economies against a repeat of the disastrous excessive risk taking by financial institutions, including certain insurance operators, that has contributed to the global crisis. It will be good for insurers and reinsurers themselves, by giving them new opportunities and helping restore confidence."*

Internal Market and Services Commissioner Charlie McCreevy said: *"I am very grateful to the European Parliament for its contribution to bringing about a new, modern risk-based solvency regime that will deepen integration of the EU insurance market, enhance policyholder protection and increase the competitiveness of EU insurers. We need Solvency II more than ever as a first response to the present financial crisis. We need regulation that requires companies to properly manage their risks; that increases transparency; and that ensures that supervisory authorities cooperate and coordinate their activities more effectively.. However I considered the group support regime to have been one of the most innovative aspects of the proposal and a key element in the modernisation of the supervisory arrangements for cross-border insurance and reinsurance companies. I personally regret that it is not now part of the package. I hope however that this will be rectified in due course "*

The proposed Solvency II Directive (see [IP/07/1060](#)) is a framework Directive, which confines itself to setting out the principles to which the new system would be subject. On a large number of issues, more detailed implementing measures will be set down by the Commission, following consultations with market participants and Member States, under the scrutiny of the European Parliament. The Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) will continue to play an important role in the further implementation of Solvency II.

On group supervision, the text as approved by Parliament contains a number of significant improvements as compared to the current system for insurance groups supervision, even though it does not go as far as introducing the group support regime as initially proposed by the Commission. The introduction of a review clause specifically mentioning this regime will however enable the Commission to come back to this issue when progress in a number of other areas, connected to the recommendations of the de Larosière report, will have been made and will have brought about a more favourable environment for further reforms on cross-border co-operation between home and host supervisors.

Solvency II is part of the Commission's Better Regulation strategy and its firm commitment to simplify the regulatory environment and cut red tape. It will mean replacing 14 existing directives with a single directive. The Commission aims to have the new system in operation in 2012.

More information is available at:

http://ec.europa.eu/internal_market/insurance/solvency/index_en.htm