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Executive Forum on Solvency II

“Solvency II and the Expanding Frontiers of Risk” was the theme of an Executive Forum held in Paris by Business Insurance Europe (BIE) with the support of the Malta Financial Services Authority (MFSA).

The workshop for risk managers focused on technical and practical issues related to changes in the legal, regulatory and competitive environment in Europe. Participating alongside MFSA were representatives of the Federation of European Risk Management Associations (FERMA), the Association Pour Le Management Des Risques Et Des Assurances De L-Entreprise (AMRAE) and the European Captive Insurance and Reinsurance Owners' Association (ECIROA). A presentation by Prof. Bannister on the growth opportunities in Malta's insurance sector preceded the proceedings.



Speakers at the forum, from left: Thierry van Santen, Gerard Lancner, Adrian Ladbury, Marisa Attard, Guenter Droese and Yann Le Pallec.

During a panel discussion about the implications of Solvency II for captives, Thierry van Santen, who was representing FERMA, and Gunther Droese, interim Chairman of ECIROA, both emphasized that risk managers should become involved in the Solvency II process to ensure that the needs of the captive industry are recognized when the proposed risk-based capital regime is enacted.

Marisa Attard, Insurance Business Director, MFSA, participating on the same panel, expressed the view that ‘we need Solvency II not only for the protection of policy holders as the main objective, but also for financial stability’. Dr Attard also said that this should not be taken to mean that captives will not disappear from the market. The framework directive gives a message that all parties (risk managers, captive owners and regulators) need to work together. She also mentioned that the principle of proportionality which is currently being discussed is a big development from last year.

Yann Le Pallec, managing director and head of insurance ratings in Europe, Middle East and Africa for Standard & Poor's Corp., mentioned that adoption of capital rules under Solvency II by the current October 2012 deadline was now under threat. Mr Le Pallec noted some ‘misunderstandings’ over the implementation of Solvency II. The proposed capital regime was intended to improve the competitive standing of Europe's insurers compared with overseas carriers, rather than increase policyholder protection, he said. Mr Le Pallec also mentioned ‘Consolidation is happening, and is well advanced, but it still has a long way to go’, he predicted. ‘The number of European insurers is high, but it is likely that Solvency II will force consolidation’.

Speaking at the Forum, Praveen Sharma, senior vice president and practice leader at Marsh Inc.'s regulatory and tax consulting unit, said that the financial crisis and greater cross-border cooperation between insurance supervisors and tax authorities have already led to scrutiny of insurance compliance. Mr Sharma mentioned that he has already seen an increase in audits carried out by tax and regulatory authorities. He added that if companies cannot achieve 100% compliance they should prioritize their efforts in areas with the highest regulation and enforcement or with the highest compliance.

The Forum provided an opportunity for an in-depth discussion on Solvency II and its impact on insurance companies, captives and their customers, as well as an outlook on the the future of the European and global insurance sector.