

Insurers call for more debate on Solvency II

## CEIOPS seeks views on the proportionality of solvency rules

By Sarah Veysey

[BRUSSELS, Belgium]—The fourth quantitative impact study on the proposed Solvency II directive will examine closely the principle of proportionality in the draft directive, which could affect capital requirements for captive insurance companies, experts say.

Captive owners, as well as small insurance companies, should lobby to ensure that their circumstances are recognized by the draft directive, they add.

The Committee of European Insurance and Occupational Pensions Supervisors' study will, among other things, gather responses from interested parties on the principle of proportional treatment for certain entities under the Solvency II risk-based capital rules which are slated for introduction in 2011.

At a public hearing on the draft directive in Brussels late last month, the principle of proportionality was one of the topics discussed.

The Comité Européen des Assurances, which represents insurance companies in Europe, said it welcomed the adoption of the proportionality principle in the proposed directive.

"This ensures that companies

with the same risk profile are required to meet the same requirements and, at the same time, ensures that small-and-medium-sized enterprises are not faced with burdensome requirements that are not relevant for them," it said in a statement.

The Brussels-based association said it would continue to encourage small insurers to participate in consultation on the draft directive.

Risk management associations have been studying the potential effect of the directive on captive insurance companies. The London-based Association of Risk and Insurance Managers, for example, has been working on a position paper on the possible impact of the directive on captives. (BIE Jan.28, page 3).

### Recognition

Captive owners should work to ensure that they are given explicit recognition within the directive, advised Guy Soussan, a partner at the Brussels, Belgium-based branch of law firm Steptoe & Johnson LLP.

"It is vital that QIS 4 amends the current framework in such a way that it reflects the different risk profile of a captive entity compared to other

insurance carriers," he noted.

In addition to the issue of proportional treatment, the minimum and solvency capital requirement calculations were another topic of discussion



Charlie McCreevy.



Gérard de la Martinière.

at the hearing.

European insurers called for more debate on the calculation of the minimum capital requirement.

The CEA and the Amsterdam, Netherlands-based Chief Risk Officer Forum, a group of risk officers from large insurance companies, have jointly written to European Commissioner for the Internal Market and Services, Charlie McCreevy, in a bid to reach a compromise solution on the calculation of the minimum capital requirement.

The letter was sent to the Commissioner just before last month's public hearing.

After the hearing, CEA President Gérard de la Martinière said in a statement that further discussion was required on certain areas of the draft directive, in particular the calculation of the minimum capital requirement and solvency capital requirement.

### Risk profile

"CEA believes particular attention should be given to the calculation of the minimum capital requirement. The MCR should be appropriately linked to the solvency capital requirement so that they both reflect the true risk profile of the undertaking," the Brussels-based association said in a statement.

"CEA also believes that a risk-based economic approach is an essential prerequisite for the success of Solvency II," it added.

In the joint letter to Mr. McCreevy, the CEA suggests that the MCR be calculated as a percentage of the SCR figure calculated annually by the company and reviewed and approved by the supervisor. The CRO supports this approach, according to the letter.