

## **Objectives and timetable for Solvency II**

One of the main goals of Solvency II is to ensure the protection of policyholders by giving insurers incentives for proper risk management.

The European Parliament approved the Solvency II framework directive on April 22, 2009, and had planned to introduce all the associated regulations in time to make the regime effective from October 31, 2012.

This plan was substantially changed to accommodate the discussion with all involved parties on a number of sensitive issues surrounding the supervision and enforcement systems within the European insurance market, and the introduction of new rules for the valuation of insurance liabilities and the associated capital requirements (see Chapter 1). These included an approach to the selection of discount rates and the treatment of long-term guarantees.

The most important change on the supervision and enforcement systems has been the creation of the European Insurance and Occupational Pensions Authority (EIOPA). This authority was established on January 1, 2011, and will be charged with the coordination of all supervisory and enforcement activities within the EU internal market under the Solvency II regime. EIOPA is “an independent advisory body to the European Parliament, the Council of the European Union and the European Commission”, and will work with the national supervisors in each of the member states of the EU. This creates the European System of Financial Supervision (ESFS) that is “an integrated network of national and European supervisory authorities that provides the necessary links between the macro and micro prudential levels, leaving day-to-day supervision to the

national level”.

Solvency II regulations use a three-pillar approach to the solvency position of insurance companies, with each pillar governing a different aspect of the solvency position of insurance companies.