

Michel Barnier

Member of the European Commission responsible for the Internal Market and Services

**Opening address: Getting
implementation of Solvency 2 right**

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

Public hearing on Solvency 2

Brussels, 4 May 2010

Ladies and Gentlemen,

It is my pleasure to welcome you to this public hearing on the Solvency 2 Directive.

The fact that so many of you are here indicates your interest in the Commission's work on Solvency 2. This interest is mutual.

The Commission looks forward to your views on Solvency 2. We need input from those that work in this field every day. We are not going to define the new prudential framework for this essential sector for all Europeans without hearing from the key players.

I therefore have high expectations that this conference will feed usefully into our work drawing up measures to implement Solvency 2.

I am also counting on your contributions to the next impact study – QIS5, as you experts would call it. Participation in this exercise should be as broad and deep as possible in order to optimise the fine-tuning and calibration of the system.

This is a call to all insurers, because the roll-out of Solvency 2 is now imminent. The quality of our dialogue will determine the definition of the precise parameters of this essential text.

For this exercise to succeed, I believe that we should return to a basic question which will be the starting point for my speech.

1 – Why change the rules in the insurance sector?

- **In the first place, it is not about adding rules.**

I am not in favour of regulation for the sake of regulation. I am in favour of better regulation.

I will also refuse changes made in haste, simply in order to be able to say that we have responded to the crisis. In any case, the crisis did not arise in the insurance sector, even if some of its operators may have been affected, particularly outside Europe.

We did not wait for the crisis to propose Solvency 2. We have been working on this text for ten years.

- **The aim is to establish rules to make the European insurance sector more solid and more competitive internationally.**

With Solvency 2 we are preparing the most significant regulatory changes in the insurance sector in 30 years. However, our aims must remain simple.

The first objective is quite simply to strengthen the solidity of insurers and the security of those insured, and thus the stability of the European financial system.

The second is to establish more consistent and comprehensible standards in a more European framework:

- With Solvency 2 we are codifying 14 directives into a single unified text, promoting the consistency of the information that insurers have to provide;
- We are also contributing to the establishment, at European level, of a common culture of risk management at the very heart of the insurance undertakings.

In doing so, we fully recognise the specific nature of each insurance market in Europe.

Third objective: Contribute to the modernisation of the European insurance sector and to its competitiveness.

The Solvency 2 Directive should enable us to propose an internationally recognised standard, based on rigorous economic principles and leaving no room for regulatory loopholes.

In this regard, Solvency 2 has already led to significant progress in the discussions on insurance regulation at global level.

2 - Drawing up new rules

- **We will not do this without having listened to all stakeholders.**

That is why today is so important. It forms part of an ongoing process of consultation and dialogue.

- From the beginning, all draft texts from the Commission and CEIOPS have been made public and widely distributed in order to elicit comments and reactions.
 - At each stage of the project, there have been detailed consultations. A number of public hearings have been organised by the Commission, the ECON Committee of the European Parliament and CEIOPS;
 - Insurers and reinsurers were also invited to take part in the impact study prepared for the Framework Directive. This will also be the case for proposals for implementing measures.
- **We must take into account the situation of European insurance undertakings before implementing Solvency 2.**

Specifically, I believe it worthwhile to time the date of entry into force of Solvency 2 to coincide with the usual end of the financial year.

As very few insurers end their financial year on 31 October, I wish to propose deferring the date of entry into force of the Directive from 31 October 2012 to 31 December 2012 to bring it into line with the date on which the accounts of most European insurance undertakings are closed.

I will take the opportunity provided by the Omnibus 2 Directive to introduce this change.

3 – Finally, the fifth quantitative impact study will be used for the final calibration.

- **Let us beware of jumping to conclusions.**

We will soon be changing the rules, and I already hear some telling me that they will no longer be able to play along.

The rules have not yet finalised, and I am already being told that the system is poorly calibrated and will cost too much in terms of capital.

I hear these messages. But I believe we must keep a sense of perspective.

Have all the parameters already been set? No, and we await the results of QIS5 for the final fine-tuning.

- **We do not seek excessive prudence, but necessary and sufficient prudence.**

Solvency 2 should enable the insurance industry not only to better protect those insured but also to be more competitive.

The final calibration will reflect the high level of confidence in the solvency of insurers, set out in the Directive itself.

For all that, we do not expect the entire European insurance industry to increase their capital by virtue of the changeover to Solvency 2.

Let us therefore await the final results of QIS5 in order to do the final adjustment, but let us not give up at this point of time.

The best way to give your opinion on the calibration of Solvency 2 is to take part in QIS5.

Conclusion

In concluding, please allow me to thank you once again for being here.

You will understand my conviction: in order to succeed in implementing the Solvency 2 system it is essential to take account of all opinions expressed.

It is also time to bring the process to an end.

I know that I can count on your contributions, and also on your support in achieving this objective.
