



Preparing for Solvency II

ACORD/LOMA Conference
Las Vegas, Nevada
May 15, 2008

Morag Fullilove, Consultant
Group of North American Insurance Enterprises



What is GNAIE?

- GNAIE is an industry organization of US, Bermudian and Canadian based insurers.
- The mission of the GNAIE is to assist standard setters and regulators:
 - To support high quality insurance accounting standards that are useful, understandable, comparable and reliable; that preserve the insurance industry's level-playing field access to global capital markets; and that provide good disclosure to the insurance industry's diverse constituencies;
 - To support high quality insurance solvency standards that provide useful and effective statutory solvency measures to protect the interests of policyholders and other stakeholders while encouraging competitive insurance markets; and
 - To enhance cooperation, education and communication regarding insurance accounting and solvency among the insurance industry's standards setters, regulators, and diverse constituencies.

GNAIE Members



Travelers



Genworth Financial 

Prudential  Financial



PartnerRe





Change in Approach to Solvency

- Capital requirements based on risk exposure – including market and operational risk
- Links capital requirements to actual company business practices
- Economic valuation of assets/liabilities
- Increased public disclosure

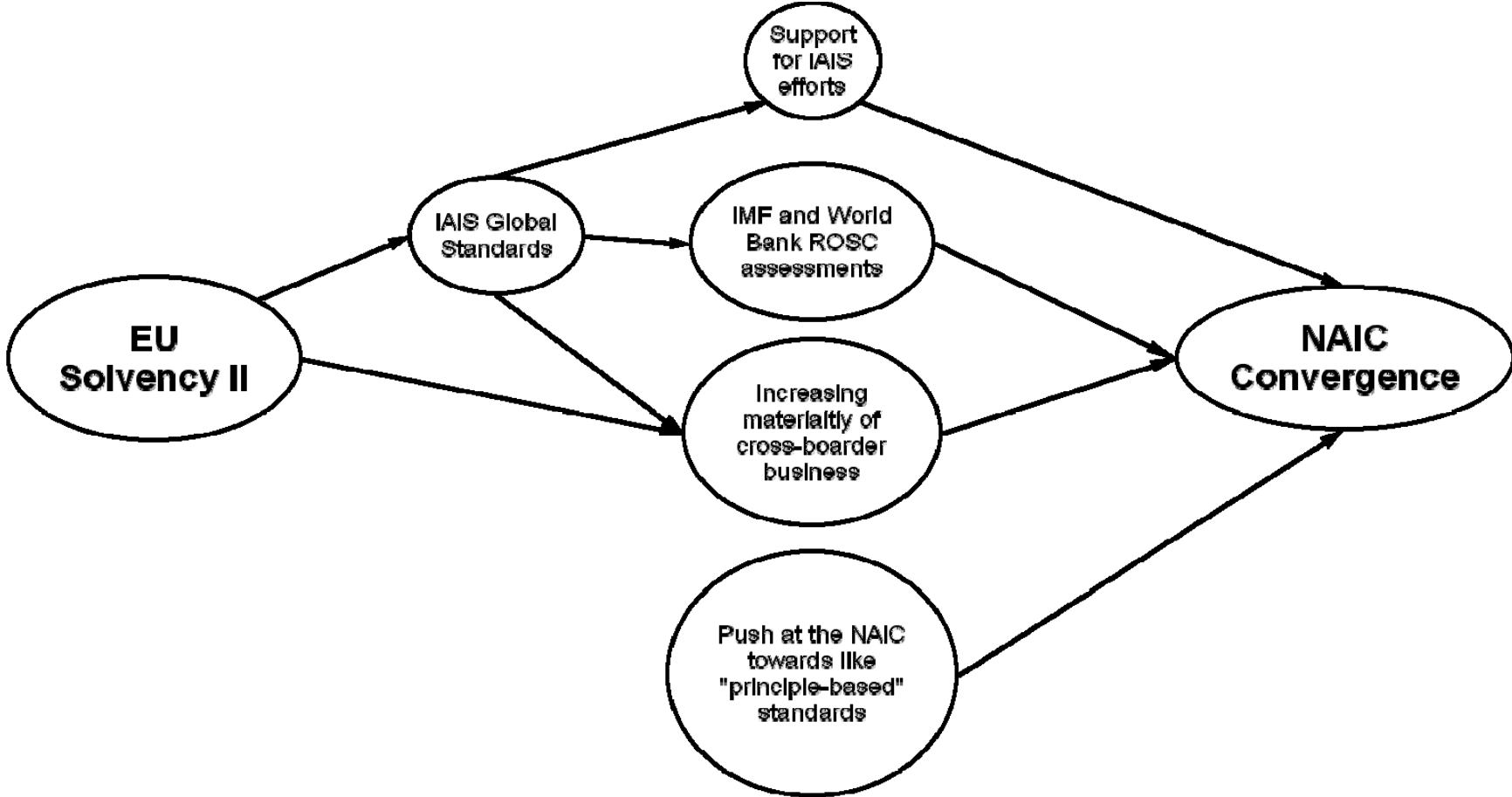


Change in Approach to Supervision

- Risk-focused regulation
- Group-wide regulation
- Global regulation
- Integrated regulation with other financial services
- Based on financial reporting accounting



The Link...





Timing

- Early adopters: Canada, Japan, Bermuda, Australia
- Solvency II implementation - 2012
- International accounting standards for insurance contracts - 2012 or later
- FASB/ IASB Convergence - 2013 (five years)



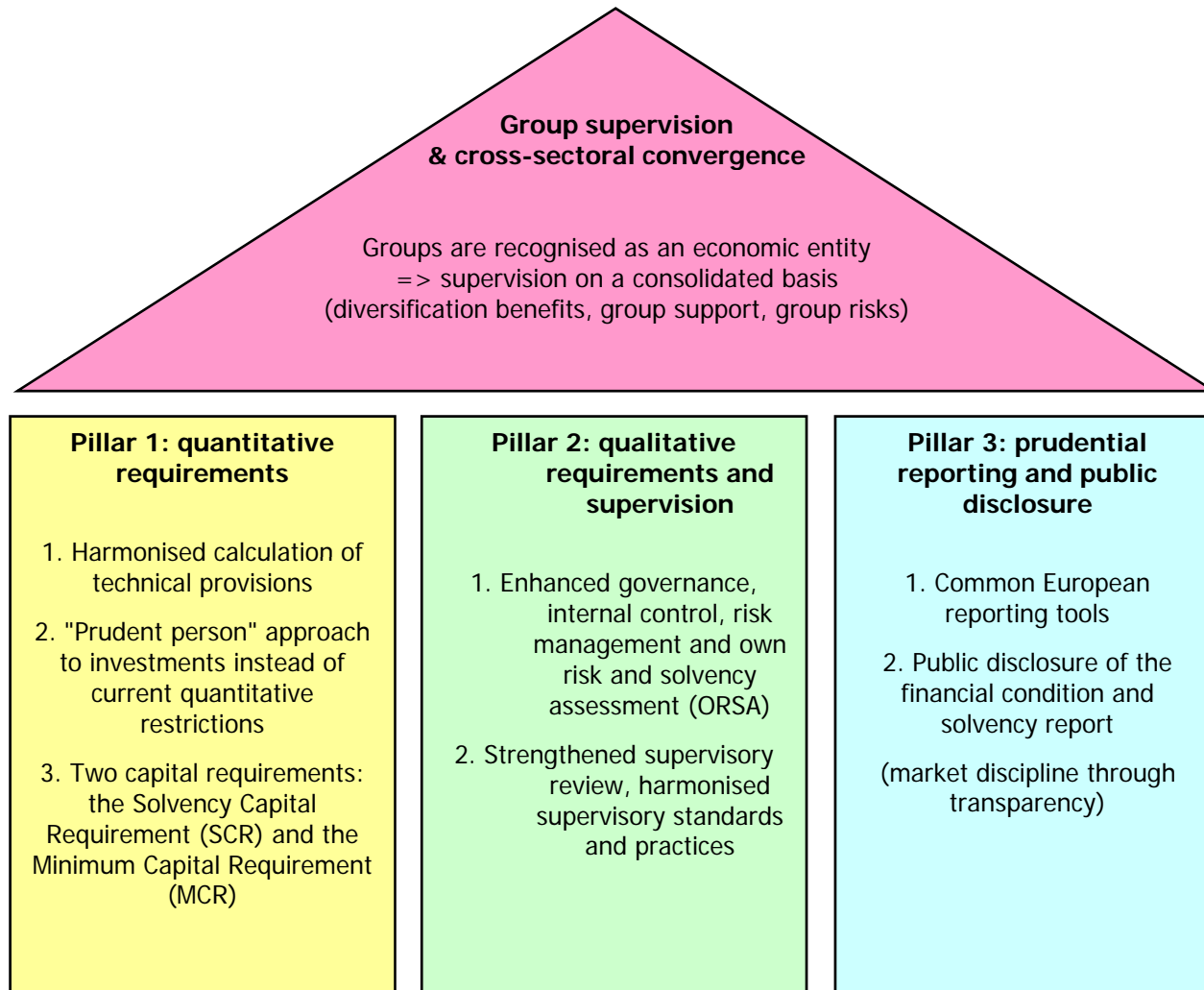
Three Pillars of Solvency II

Pillar One: Financial Requirements

Pillar Two: Management and Supervision

Pillar Three: Reporting and Disclosure

Solvency II: 3 pillars and a roof



Source: European Commission



Pillar One

- Sets capital requirements through formula or based on internal models “in use”
- Testing now through quantitative impact studies (QIS)
- Timely and updated valuations
- Economic focused



Pillar Two

- Levels of supervisory intervention
- Review and approval of internal models
- Validation of data, procedures, benchmarking
- Consistent and comparable data
- Corporate governance



Pillar Three

- Harmonized supervisory reporting
- Public Disclosure
 - Capital requirements
 - Risk information
 - Financial information
- Market as part of the supervisory process



Key Data Management Issues

- Quality and integrity of data
- Efficiency of data collection and management
- Timeliness of data processing
- Consistency of data across platforms
- Integration of all aspects of company operations
- Linkage of insurance and accounting data

Contact Us

- For more information please turn to www.gnaie.net or www.insuranceaccounting.org
- *Headquarters:*
Douglas Wm. Barnert, Executive Director
40 Exchange Place, New York, NY 10005 USA
Telephone: +1-212-480-0808
Email: doug.barnert@gnaie.net or
morag@fulliloveconsulting.com