

Draft Press release

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FERMA: “A CAUTIOUS WELCOME FOR SOLVENCY II”

The Federation of European Risk Management Associations (FERMA) welcomes the vote of the European Parliament approving the Solvency II Directive, the new supervisory regime for EU insurance companies.

FERMA believes that Solvency II will improve security for corporate insurance buyers throughout the European Union. At the same time, FERMA does have its reservations on the impact Solvency II could have on the insurance market in general, once the provisions of the Directive take effect.

The President of FERMA, Marie-Gemma Dequae, says, “FERMA believes that Solvency II will strengthen the financial health of the European insurance industry, however the new capital requirements could have an adverse effect on the price of insurance products and the availability of capacity, in particular for long-tail liability risks and catastrophic risks.”

Peter Den Dekker, Board Member of FERMA responsible for European Affairs, adds that FERMA is concerned that large insurers with more diversified portfolios will have a competitive advantage on the smaller and medium sized insurers, including mutuals and niche insurers. This could lead to a reduced number of insurers, reduced competition, increased insurance costs and an inability to respond to the insurability of emerging risks.

He says, “We will continue to closely follow the Level 2 implementing discussions and the developments in the insurance market as the provisions of Solvency II take effect.”

FERMA is pleased that the principle of proportionality for captive insurance companies is recognized, so that their regulatory regime under Solvency II will reflect their more limited role and potential effect on consumers than other commercial insurance businesses.

The draft Solvency II Directive initially envisaged the same treatment for all types of insurance and reinsurance companies. It was FERMA which brought the captive issue to the attention of the European Commission in 2007, and worked closely with national supervisors through the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and the European Parliament Rapporteur to get an appropriate regulatory regime. Some details of the requirements for captives are still under discussion, in particular the development of simplified calculations on their solvency capital requirement. In this respect, FERMA is encouraged by the Commission’s formal statement to both Parliament and Council that it will promote calculations which will not be unduly burdensome for captives.

CEIOPS will issue various sets of advice on Solvency II as part of the Level 2 implementing measures in the course of this year. FERMA will represent the views of its members, professional risk and insurance managers, in the consultation process that will follow.

The implications of Solvency II for risk and insurance managers will also be discussed at the FERMA Forum in Prague from 5-8 October. The programme is available on the FERMA website at www.ferma.eu.

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The national risk management associations of 16 countries form the Federation of European Risk Management Associations – FERMA. It represents over 5,000 individual members and a wide range of business sectors from manufacturing to financial services, charities and health organisations as well as local government organisations. Member associations are from the following countries: Belgium (BELRIM), Bulgaria (BRIMA), Czech Republic (ASPAR CR), Denmark (DARIM), Finland (FinnRiMa), France (AMRAE), Germany (Bfv & DVS), Italy (ANRA), Netherlands (NARIM), Poland (POLRISK) Portugal (APOGERIS), Russia (RusRisk), Spain (AGERS), Sweden (SWERMA), Switzerland (SIRM) and United Kingdom (AIRMIC).

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Mission Statement

FERMA exists to support its members by coordinating and enhancing awareness and effective use of risk management, insurance and risk financing in Europe

Strategic Objectives

- 1. To coordinate, promote and support the development and application of risk management in Europe*
- 2. To be recognized as a significant stakeholder in the decision making process at the European level on Risk Management and Insurance issues*