Today we will start with a really interesting speech. Adapting to Solvency Speech by Mr Sam Woods, Executive Director of Insurance Supervision of the Bank of England, to the Association of British Insurers, London It is a great pleasure to speak to you today. I plan to give another speech in a few months time, focused on the history of insurance regulation and supervision here in the UK. But today I will talk about my immediate priority, which is getting Solvency II over the line for go-live on 1 January 2016. The industry has made a tremendous effort to make the transition a successful one. The circumstances have been difficult, with a delay to political agreement on important aspects of the new regime compressing the time that the industry has had to prepare. The delay has also added to the costs of implementation. However, the time has not been wasted and firms have used it to make important improvements to their Own Risk and Solvency Assessments, as well as their internal model applications. Today I want to make sure that investors and insurance firms understand the approach the Bank of England will take to capital under Solvency II. First, I would like to bust two myths: - the idea that there is some kind of plan within the Bank to use Solvency II to increase required capital across the insurance sector; and - a suspicion that we will somehow keep the current ICAS regime alive after 1 January 2016, rather than embracing the new regime. Second, I want to make it absolutely clear that we will give firms plenty of time to adjust to the new regime, and that those firms who wish to make use of transitional measures will be given the freedom to do so. Myth-busting I have heard from some a concern that we will use Solvency II to increase levels of capitalisation across the sector, or that we are seeking to load the sector with more capital now so that it is baked into the new regime once operational. Let me state very simply: there is no such plan within the Bank of England. The reason for this is also simple: we think that our current regime secures an appropriate level of capitalisation for the insurance sector and puts us in a good position to make the shift to Solvency II. The ICAS regime was introduced in 2004 as a response to the stock market falls and subsequent problems faced by UK firms in the early part of the decade. It is based on sound principles, such as market-consistent valuation of the balance sheet and a risk-sensitive approach to determining capital - many of which are embedded within Solvency II. The success of these principles was demonstrated by the resilience of the sector during 2008 But Solvency II moves beyond our current regime. So although there has been no change in our view of the type of risks that firms are exposed to, and we do not intend to use Solvency II to increase the aggregate level of required capital across the industry, this is not the same as saying that the surplus capital positions of individual firms will not change with the arrival of Solvency II. It is a different regime, with a different shape to ICAS. Firms will therefore see movements in their regulatory capital positions. For some firms these positions will be tighter, for others looser. This brings me to the second myth: that we intend to re-create the ICAS regime under the guise of Solvency II. Let me be clear: Solvency II will be the foundation of our supervisory approach and we will fully embrace the change that accompanies it. Although Solvency II incorporates many of the features of ICAS, the shape of the new regime is different. The EU is moving to a harmonised, risk-based, transparent, and going concern regime. This means some significant changes to the shape of the balance sheet and our assessment of financial resources.

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On 27 September , EIOPA published its final preparatory guidelines after guidelines by 28 February and annually thereafter to EIOPA. understanding of the Solvency II requirements at the present time, the . The forward looking assessment is completed after sign/off by the Board and needs. After reading this guide, we hope your answer to our question will be an For a clear understanding of the relevant sources of the Solvency II regime, we distinguish The framework Solvency II Directive is further detailed, among other things, by rules guidelines is scheduled for publication in July 2. PRA approach to Solvency II. Paul Turnbull. 20 November in response to feedback received after publication of SS2/14 requesting Differences in contract boundaries as between the financial statements and However this presumption can be rebutted where supported by credible explanation.