

Solvency II – Quantitative Impact Study 3 results – summary

QIS3 took place between April and July 07, results released Nov 07

Key headlines

- No extra capital required in the European insurance market as a whole.
- Redistribution of capital is expected within the market
- It is estimated that in the EU 16% of undertakings would have to raise capital to meet their new Solvency Capital Requirement (20% in the UK)
- Internal model results showed a significant capital saving.

QIS3 participation

- There was *increased participation across Europe*, with almost twice as many firms taking part as in the previous QIS 2 study
- Most countries were covered with a market share by premium above 60%
- It generally took 1-3 person-months for firms to complete the survey
- Small firms in particular found participation a large burden, especially in terms of senior management time

QIS3 results – how they have been received

- General enthusiasm for Solvency II with the move towards market consistent valuation and a forward looking risk sensitive solvency system. Importance of principles based regulation emphasised by both the European Commission and a number of key stakeholders
- The QIS 3 study and feedback provided by the industry has also underlined the fact that further challenges lie ahead as calibration of the new solvency regime is further refined

QIS3 European results

- The QIS 3 result shows that *the regime does not require extra capital* in the European insurance market as a whole. However, *redistribution of capital is expected* within the market as a consequence of the introduction of a risk oriented system, where capital requirements will be in line with the risk undertaken and the way these are managed & controlled
 - 30% of undertakings would see their available surplus increase by more than 50%
 - 34% of undertakings would see their available surplus decrease by more than 50%
 - It is estimated that 16% of undertakings would have to raise capital to meet their new Solvency Capital Requirement,
- *Non-life insurers submitting calculations based on internal models saw an average reduction in capital requirement of 25%. Life insurers using internal models have seen a corresponding average reduction of 15%.*
- The overall solvency margin generally reduced for most undertakings compared to the current Solvency I regime.
- The structure of the Minimum Capital Requirement has been an area of contention, and QIS 3 has provided more debate around this. The industry has discussed the pros and cons of the "compact" versus "modular" approaches
- QIS 3 was the first study to consider the impact on groups - only a few groups participated, so the findings are mainly qualitative rather than quantitative

QIS4

- Based on the current EU timetable, QIS 4 (starting in April 2008) will be the last opportunity to lobby before the Level 1 legislation (the principles underpinning Solvency II) will be finalised