Solvency II

Solvency II is a EU directive that introduces a harmonized EU wide insurance regulation. It codifies the criteria to calculate the capital needed to run the business and cover risks

It involves **28 countries**

It will enter into force starting from **January 2016**

Protecting the interests of the **policy holders**

Defining a level playing field enhancing the **competitiveness** in the insurance sector

Valuation and Assessment

Covers all quantitative requirements including valuation of assets, liabilities and capital requirements

Assesses if firms are adequately capitalized

Governance

Aims to improve the standards of risk management and governance

Includes the Own Risk and Solvency Assessment (ORSA), where firms assess their own risks based on forward looking risk profiles and capital resources

Disclosure

Aims for more and transparent disclosure

Private disclosure to regulator including quarterly

Public disclosure on solvency and financial position

$$\textbf{Solvency II Ratio} = \frac{\text{Available Own Funds}}{\text{Solvency Capital Requirement}}$$

If it is **lower than 100%**, the authority will demand the company **to restore its solvibility**

196% Generali Group **Economic Solvency ratio** as at 30 September 2015