

Breaking News

Latest proposals indicate full Solvency II implementation to be delayed by one year

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What is the issue?

In recent days there has been much comment on the implementation plans for Solvency II. Some reports have indicated that there may be a delay in the implementation of Solvency II from its planned 1 January 2013 implementation date. Other comment has indicated that Solvency II will go live on the originally planned date but that this would be a 'soft launch' with substantial transitional arrangements.

A significant development is that on 21 June 2011 the European Council published the latest *Presidency Compromise* of the Omnibus II Directive. The Omnibus II Directive (see previous PwC *Breaking News* publication) is the Directive which, once approved by the European Council and European Parliament, will set Solvency II's implementation date.

This latest draft of Omnibus II indicates that the implementation of the full requirements of Solvency II will be delayed until **1 January 2014**, a year later than was envisaged in the original Omnibus II proposals. Insurers will, however, have an obligation to submit implementation plans to their supervisors by mid 2013. Whilst this is still a working draft, and subject to change, the publication of this draft by the European Council would appear to be a clear indication of how negotiations are progressing.

Key messages

Implementation date

The Presidency Compromise now proposes that Solvency II's requirements will come into force from **1 January 2014**.

What happens in 2013?

Under the latest proposals Solvency II's legal requirements will need to be transposed into national law by 31 March 2013.

The elements of the directive regarding supervisory approvals (e.g. use of internal models, ancillary own funds, use of undertaking specific parameters in the standard formula SCR) will apply from 1 July 2013 but any approvals granted cannot take effect before 1 January 2014. This means that insurers will be able to receive formal regulatory approval in respect of these items in the second half of 2013 prior to the new rules going live.

Supervisors shall by **1 July 2013** require insurers to provide an implementation plan providing evidence of the progress made towards the application of Solvency II. The content of these plans is not specified but could reasonably be expected to contain detailed information demonstrating readiness to comply with all of Solvency II's requirements.

Under the proposals the current, Solvency I, directives will not be repealed until 1 January 2014 and so, during 2013, the current capital and solvency requirements would continue to apply.

Am I affected?

Insurers that fall under the scope of the Solvency II Directive will be affected by the proposed amendment to the effective date.

What do I need to do?

Insurers might wish to consider the impact of the potential delay on their Solvency II implementation plans. In considering the potential impact of these proposals it is important to bear in mind that the current Presidency Compromise is a working draft and still subject to further negotiation and change.

If these proposals are taken forward insurers will still need to evidence how they are moving forward towards Solvency II compliance by submission of formal implementation plans by mid-2013.

Contacts

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