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PRESS RELEASE

Solvency II: One step closer toward a stronger European insurance industry

Brussels – The Chief Risk Officers' Forum welcomes the European Parliament and the Council's recent decisions to approve the proposed Solvency II directive. The Forum strongly believes the directive represents an important step toward implementing an advanced supervisory and solvency framework which will help strengthen the European insurance industry. The Forum now urges the European Commission to introduce clear and effective implementing measures that will deliver the directive's basic principles.

Solvency II, the CRO Forum believes, provides the basis for a more modern, transparent approach to regulation and supervision. The Forum believes the directive will encourage sound risk management practices, based on straightforward economic principles. Properly applied, the Forum believes the new directive will bring considerable benefits to policyholders, regulators and shareholders in the EU insurance industry. These benefits include:

- Improved protection for policyholders and other beneficiaries by adopting a truly dynamic risk based approach to solvency requirements;
- Greater integration in the EU insurance market via the consistent application of the new system across the EU;
- Increased competition at a level recognising risks appropriately among insurance providers by ensuring a level playing field;
- More advanced and more effective industry regulation by aligning regulatory and management views in that the industry should be run on a sound economic basis;
- A more transparent system for all stakeholders in ensuring a consistently high standard for both public and supervisory reporting.

As the development of Solvency II represents a unique opportunity to make great progress on this front, the CRO Forum has spent a tremendous amount of time in the last 4 years trying to ensure the framework is developed along the following core principles adopted by all members of the CRO Forum:

The Chief Risk Officer Forum ('CRO Forum') is comprised of the Chief Risk Officers of major insurance companies and financial conglomerates. It was formed in 2004 to work on key relevant risk issues for advanced practitioners, and is focused on developing and promoting industry best practices in risk management.

Full members: Aegon; AIG; Allianz; Aviva; AXA; Eureko; Fortis; Generali; Groupama; Hannover Re; ING; Munich Re; Prudential; Swiss Re; Zurich

Associate members: HBOS; IAG; ManuLife; Old Mutual; RSA; Unipol

- A supervisory and solvency framework should be developed based on a set of sound principles that will encourage and promote best risk management practices, ensure a level playing field and provide strong protection for policyholders;
- Both sides of the balance sheet should be valued on a consistent and objective basis, this basis being market consistent valuation and capital requirements should be based on stresses of the market consistent balance sheet;
- Company management should be encouraged to manage their risks in line with management strategy and as a result recognition of all forms of risk mitigation in the solvency assessment is needed;
- Concentration of risk should be discouraged and as a consequence diversification from all sources should be encouraged and recognised in the solvency assessment;
- Regulation and supervision should be effective in having a holistic view of the company and adapts to the form of the undertaking (solo or group entity);
- Consistent and meaningful public and supervisory disclosure should be adopted in order to ensure transparency and encourage a level playing field.

Formed in 2004, the CRO Forum brings together senior risk officers from among the largest European insurance and reinsurance companies. Our primary objective is to strengthen risk management in the insurance and reinsurance industry globally. We believe that Solvency II is a key in this regard and wanted to take this opportunity to once again express our support and reiterate our position principles.

Signed by

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Jim Webber	CRO Aviva
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