

# Solvency II – more delays expected from the FSA



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While the implementation of the EU's Solvency II Directive has already been delayed until January 1, 2014 (as was confirmed by a directive adopted by the European Commission on September 12), the UK's Financial Services Authority (FSA) believes achieving this date is becoming "increasingly remote".

Speaking at the all-party parliamentary group on insurance and financial services (APPGIFS) Julian Adams, the FSA's director of insurance supervision, suggested further delay is inevitable, given the European timetable and the scope and nature of the issues remaining to be resolved.

This view appears to be gathering momentum, notably following the September 14 statement by Gabriel Bernardino, chairman of Eiopa, when he said the existing target for the implementation date "is becoming more challenging".

Delays with Solvency II are the norm for the insurance industry. The European parliament has yet again delayed its vote, now scheduled for November 20, and it is still not yet clear if agreement will be reached by this date.

When asked when the industry would get certainty on this point, Adams admitted the FSA does not know how long any delay might be at present. However, he added he expects to be in a position to give an update some time before the European parliament vote.

One contributor to the ongoing delay is issues challenging the European insurance industry that arise from the eurozone crisis, which are causing difficulties in some member states and rendering much of the text no longer workable.

The UK has always been ahead of much of Europe in its preparations for Solvency II, predominately because its existing regulatory regime is much closer to Solvency II's requirements than many European models.

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UK industry can progress without certainty as to what the legislation will actually say. It is a very frustrating position for the UK when it has invested a considerable amount of time and money to be ready for the implementation only for it to be delayed every time that date looms, causing more costs to be incurred.

The delay also creates difficulties with decisions in relation to potential restructurings and is having an impact on transactions. This is hugely undesirable. The lack of resource at the FSA does not help, which is partly as a result of the amount of time it has to spend implementing measures where the goal posts are being constantly moved back.

While the FSA has mooted the idea of a "soft" launch of Solvency II, by definition this cannot happen until there is more certainty in Europe. It was suggested at the APPGIFS meeting this soft launch could allow insurers to use their Solvency II models, perhaps with a capital add-on, to comply with the existing individual capital assessment requirements.

The only thing that is certain is Europe needs to decide how it wants to proceed and quickly. In parallel, the FSA should be doing everything it can to get this message across to give the industry the certainty it needs. ■

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