Table of Contents

Introduction
General Outline of the Book
Organizations
A Selection of Solvency Readings

Solvency: What Is It? In the 18th Century What Does Solvency Mean?

PAST AND PRESENT: A HISTORICAL REVIEW AND DIFFERENT APPROACHES TO

SOLVENCY

The European Union: Solvency 0 and Accounting

The Works of Campagne

Other Steps toward the First Directives

The Non-Life Directives (First, Second, and Third)
The Life Directives (First, Second, and Third)

Calculating the Solvency Margin for Non-Life Insurance

Business

The Insurance Accounting Directive (IAD)

The European Union: Solvency I

The Müller Report

Comments from Groupe Consultatif

The Solvency I Directives

Calculating the Solvency Margin for Non-Life Insurance

Business

Steps toward Solvency II:

Bank for International Settlements (BIS): The New Basel Capital

Accord

IASB: Toward a New Accounting System IAIS: Insurance Principles and Guidelines

IAA: A Global Framework for Solvency Assessment

EU: Solvency II - Phase I

Steps toward Solvency II: 2

Australia Canada Denmark Finland

The Netherlands

Singapore Sweden Switzerland

U.K.

U.S. Some Other Systems Summary of Different Systems

PRESENT: MODELING A STANDARD APPROACH

The Fundamental Ideas A Model for the Solvency Assessment Level of Capital Requirements Risks and Diversification Risk Measures

Valuations Fair Value: Introduction Purposes of Valuation Best Estimate of Insurance

Liability and Technical Provisions Fair Value

Dependencies, Baseline, and Benchmark Models Risk Measures Assume Normality Assume Nonnormality Correlations between Risks: Different Levels of Conservatism Parameters in a Factor-Based Model

One Example of Risk Categories and Diversification Insurance Risk Market Risk Credit Risk Operational Risk Liquidity Risk Dependency

A Proposal for a Standard Approach: From Formula to Spreadsheet The Insurance Risk, CIR Market Risk, CMR Credit Risk, CCR Operational Risk, COR The Total Factor-Based Model A Spreadsheet Approach Parameter Estimates An Example

PART C PRESENT AND FUTURE: EU SOLVENCY II - PHASE 2: GROUPS AND INTERNAL MODELING IN BRIEF

The European Union: Reinsurance, Insurance Groups, and Financial Conglomerates Reinsurance Insurance Groups and Financial Conglomerates

The European Union: Solvency II - Phase II Recommendations for the First Pillar Recommendations for the Second Pillar Recommendations for the Third Pillar General Considerations The First Wave of Requests (Pillar II) The Second Wave of Requests Will Include the Following Issues (Pillar I) The Third Wave of Requests Will Include the Following Issues (Pillar III) A Brief Summary

Further Steps Internal Models and Risk Management Forecasting the Future and Risk Management

APPENDICES
Appendix A
A Proposal for a Standard Approach: One Step
toward Application
Insurance Risk
Market Risk
Credit Risk
Operational Risk

Appendix B Insurance Classes Non-Life Classes Life Classes

Appendix C From the Non-Life Directives Solvency 0 Solvency I

Appendix D From the Life Directives Solvency 0 Solvency I

Appendix E

IAIS: Insurance Principles, Standards, and Guidelines Principles Standards Guidances

Appendix F

From the Proposed Reinsurance Directive

Chapter 3: Rules Relating to the Solvency Margin and to the Guarantee

Fund

Appendix G

Annex I and Annex II in the Insurance Group

Directive

Annex I: Calculation of the Adjusted Solvency of Insurance

Undertakings

Annex II: Supplementary Supervision for Insurance Undertakings That

Are Subsidiaries of an Insurance Holding Company, a Reinsurance Undertaking or a Non-

Member-Country Insurance Undertaking

Appendix H

From the Financial Conglomerates Directive Amendments to the Non-Life Directive Made (EEC, 1973)

Amendments to the Life Directive (EEC, 1979)

Amendments to the Insurance Group Directive (COM, 1998)

Annex I: Capital Adequacy

Appendix I

Prudent Person Rule

Article 18: Investment Rules