REPORT

Policy Department
Economic and Scientific Policy

SOLVENCY II

WORKSHOP

Brussels, 27 February 2007

IP/A/ECON/WS/2006-23

PE 385.640

This workshop was organised on 27 February 2007 on European Parliament premises in Brussels on behalf of the European Parliament's Economic and Monetary Affairs Committee (ECON).

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PARLAMENTO EUROPEO EVROPSKÝ PARLAMENT EUROPA-PARLAMENTET
EUROPÄISCHES PARLAMENT EUROOPA PARLAMENT ΕΥΡΩΠΑΪΚΟ ΚΟΙΝΟΒΟΥΛΙΟ EUROPEAN PARLIAMENT
PARLEMENT EUROPÉEN PARLAMENTO EUROPEO EIROPAS PARLAMENTS
EUROPOS PARLAMENTAS EURÓPAI PARLAMENT IL-PARLAMENT EWROPEW EUROPEES PARLEMENT
PARLAMENT EUROPEJSKI PARLAMENTO EUROPEU EURÓPSKY PARLAMENT
EVROPSKI PARLAMENT EUROOPAN PARLAMENTTI EUROPAPARLAMENTET

DIRECTORATE-GENERAL INTERNAL POLICIES OF THE UNION
- DIRECTORATE A -
ECONOMIC AND SCIENTIFIC POLICIES

Workshop on SOLVENCY II
Draft Programme

27 February 2007
European Parliament, Brussels, Room ASP 5G3, 9h00-13h00
(interpretation EN, FR, DE - available until 12.30)

9h00 Introduction by Peter Skinner, PSE, Rapporteur on Solvency II (10 min.)

9h15-10h45 Session I - How to reconcile the needs and interests of different industry segments? (Chaired by Pervenche Berès, PSE, ECON Chair, Sub-Session 1 and Peter Skinner, Sub-Subsession II)

- size of undertaking (small vs. big);
- corporate structure (mutual vs. limited company);
- product range (diversified vs. niche);

Sub-Session I.1: SMEs and Mutuals
Guest speakers:
1. Patrick Peugeot (President, AISAM, Hon. President, La Mondiale)
2. Juan Antonio Fernandez (CRO, PELAYO, Mutua de Seguros)
3. Andreas Rauter - (Managing Director UNIQA Finance Service, Austria)

Presentation of 5 minutes per speaker then discussion.

Sub-Session I.2: Panel
Guest panellists:
1. Sue Kean (Director of Risk and Capital, Aviva)
2. Jacques Maire (Senior Vice President, Axa)
3. Paul Caprez (Chief Risk Officer, Generali)
4. Lars Jorgensen (Head of Regulatory Risk and Compliance, Codan, Royal & Sun Alliance)
5. Gabor Kepecs (CEO Eastern Countries Operations of AEGON)
6. Raj Singh - (CRO, Allianz Group)

Presentation of 3 minutes per panellist then discussion.

10h45-11h15 Session II - Reinsurance & risk mitigation under Solvency II (Chaired by Karsten Friedrich Hoppenstedt, EPP-ED, ECON Shadow on Solvency II)

- different instruments for risk mitigation (reinsurance, derivatives & securitisation);
- permissible capital off-sets;
- maturity mismatch and partial cover;
- outside view (Swiss Solvency Test);

Guest speakers:

1. Eberhard Müller (Chief Risk Officer, Hannover Re)
2. Christian Mumenthaler (Chief Risk Officer, Swiss Re)

Presentation of 7 minutes per speaker then discussion.

11h15-12h30 Session III - Supervision & Audit (Chaired by Sharon Bowles, ALDE, ECON Shadow on Solvency II*)*

- work of CEIOPS (QIS II and III (SCR/MCR), calibration and group supervision issues);
- IFRS/Solvency II, fair/market value and asset-liability management;

Guest speakers:

1. Paul Sharma (Chair of CEIOPS working group on non-life issues)
2. Jaroslaw Boguszynski (Director, Insurance Risks Monitoring Department , Polish Financial Supervisory Commission)
3. Samuel Sender/Philippe Foulquier (EDHEC Institute; alternative views on IFRS/Solvency II CEIOPS work)

Presentation of 7 minutes per speaker then discussion.

12h30-13h00 Session IV - Consumer issues (Chaired by Peter Skinner + concluding remarks, *please note: only in English without interpretation*)

- effects on premiums;
- competition issues;
- enhanced policy holder protection?

Guest speakers:

1. Ellen Bramness Arvidsson (Consumer Expert, Swedish Insurance Federation/Sveriges Försäkringsförbund)

Presentation of 10 minutes then discussion.

Session I

How to reconcile the needs and interests of different industry segments?

Session I.1

How to reconcile the needs and interests of different industry segments?

SMEs and Mutuals

Solvency II

Workshop on Solvency II
European Parliament
Subsession I:
SMEs and Mutuals
27 February 2007

This material was used during an oral presentation; it is not a complete record of the discussion. Reproduction may not happen in a derogatory manner

WHO WE ARE?

- AISAM AND ACME ARE JOINTLY REPRESENTING THE MUTUAL AND COOPERATIVE INSURANCE SECTOR
- THERE ARE MORE THAN 7000 SUPERVISED INSURERS IN EUROPE OF WHICH MORE THAN HALF ARE MUTUAL SOCIETIES
- AISAM AND ACME TOGETHER REPRESENT 20% OF THE EUROPEAN INSURANCE MARKET (IN % OF PREMIUMS)
- MUTUAL INSURERS HAVE 3 SPECIFIC CHARACTERISTICS
  - MUTUALS HAVE NO SHARE CAPITAL NOR ACCESS TO IT. THIS HAS IMPLICATIONS FOR THE OWN FUNDS STRUCTURE AND OUR POSITION REGARDING ELIGIBLE ELEMENTS AND THE COST OF THE OVERALL SOLVENCY II PROJECT
  - THERE ARE MANY SMALL PLAYERS ACTIVE IN THE MUTUAL INSURANCE SECTOR
  - THERE ARE MANY HIGHLY SPECIALIZED, BOTH LIFE AND NON-LIFE MUTUAL PLAYERS

Exhibit 2

AGENDA

- **The Solvency II project and its basic philosophy is welcomed by the mutual and cooperative insurance sector**
- **It is a first insurance Lamfalussy directive**
- **We are on track but some unanswered questions remain**

Exhibit 3

WE WELCOME THE SOLVENCY II PROJECT

- **AISAM AND ACME WELCOME THE SOLVENCY II PROJECT AND ITS OVERALL PHILOSOPHY:**
  - **IT SHOULD INCREASE POLICYHOLDER PROTECTION AND ALLOW TO ALIGN SOLVENCY CAPITAL AND ITS SUPERVISION WITH INSURANCE PRACTICES. BUT WILL THE AVERAGE CAPITAL NEEDED BE EQUAL OR INFERIOR TO SOLVENCY ONE ?**
  - **IT IS A PRINCIPLE BASED APPROACH BUT PROPORTIONALITY AND ADEQUACY ARE KEY AND TOO RIGID APPLICATION SHOULD BE AVOIDED:**
    - **PROPORTIONALITY FOR SMALL AND MEDIUM-SIZED INSURERS**
    - **ADEQUACY IS KEY FOR MUTUAL AND SPECIALISED INSURERS**
  - **THE ECONOMIC RISK BASED APPROACH IS CRUCIAL**
  - **STANDARD FORMULA MAY HELP TO HARMONIZE SUPERVISORY OVERSIGHT**
  - **IT AIMS TO CREATE A LEVEL PLAYING FIELD**

Exhibit 4

AGENDA

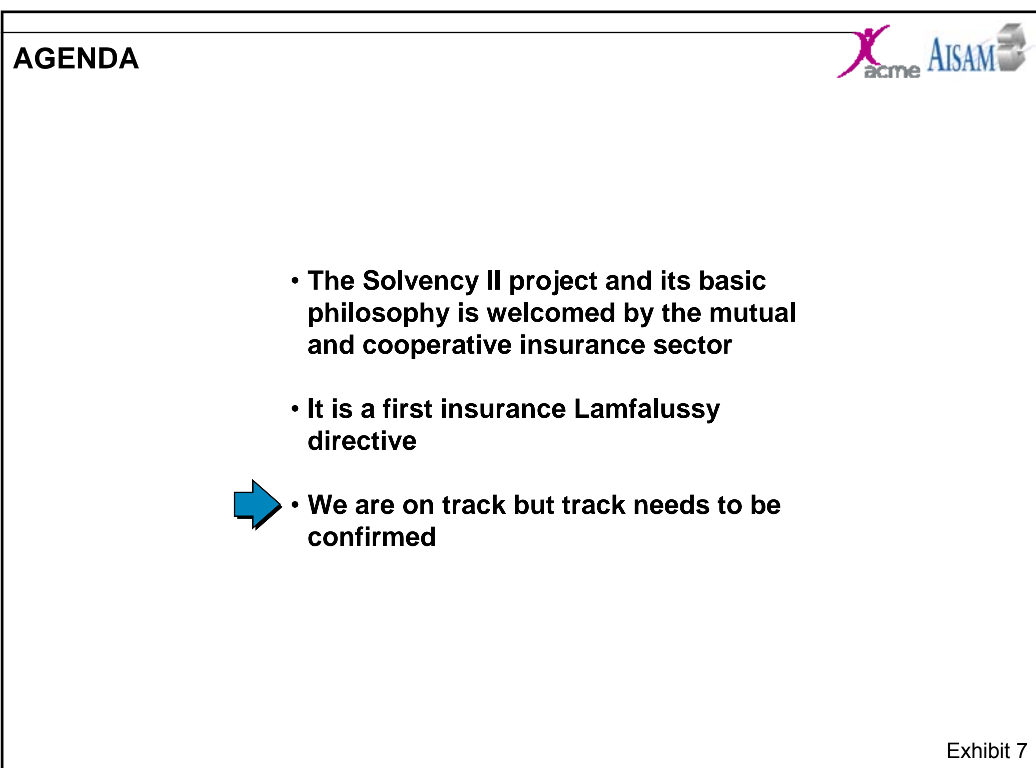
- The Solvency II project and its basic philosophy is welcomed by the mutual and cooperative insurance sector
- It is a first insurance Lamfalussy directive
- We are on track but some unanswered questions remain

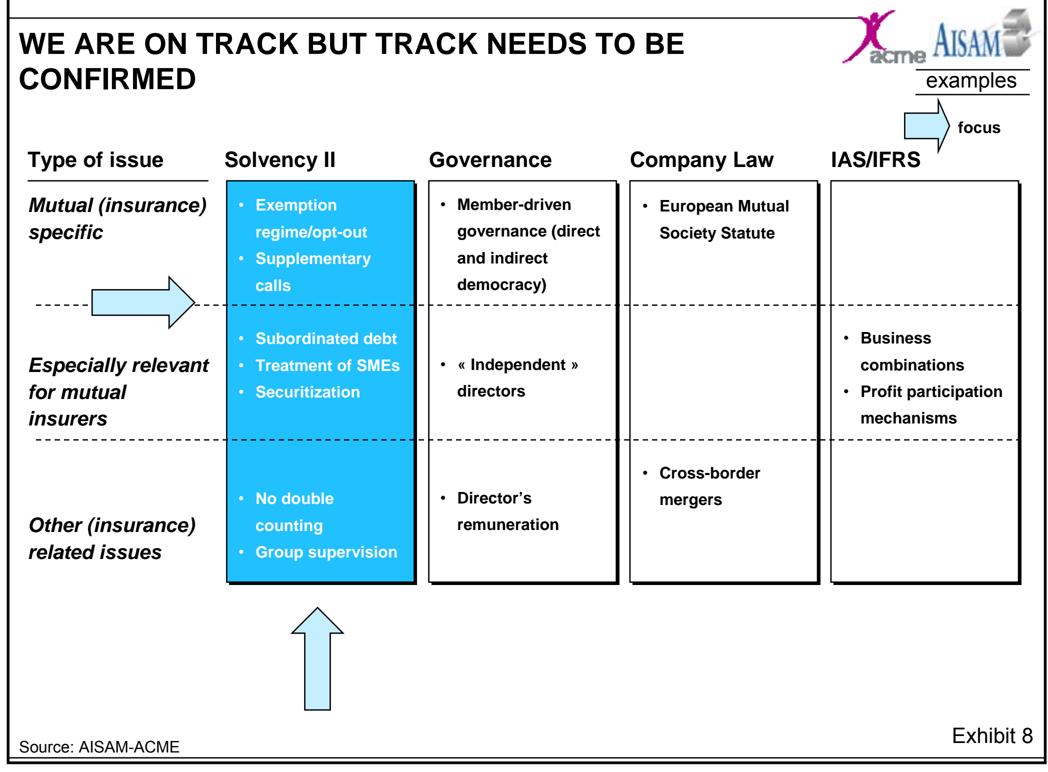
Exhibit 5

IT IS A FIRST LAMFALUSSY DIRECTIVE FOR THE INSURANCE SECTOR

- STRUCTURED INDUSTRY CONSULTATION IS A KEY ELEMENT IN THE LAMFALUSSY PROCESS :
  - INDUSTRY CONCERTATION (CEA, AISAM/ACME, CRO FORUM) FOR ANSWERS TO CONSULTATION PAPERS
  - AISAM AND ACME ARE MEMBERS OF CEIOPS' MARKET PARTICIPANTS PANEL
  - OUR MEMBERS PARTICIPATED IN QIS1 AND QIS2, IN THE CEA-LEAD IMPACT ASSESSMENT STUDY AND ADMINISTRATIVE COSTS STUDY
  - ROAD MAP SCHEME IS VERY TIGHT WITH DRAFT DIRECTIVE FORESEEN IN JULY 2007 AND QIS3 RESULTS IN OCTOBER

Exhibit 6


AGENDA
acme
AISAM
• The Solvency II project and its basic philosophy is welcomed by the mutual and cooperative insurance sector
• It is a first insurance Lamfalussy directive
• We are on track but track needs to be confirmed
Exhibit 7


WE ARE ON TRACK BUT TRACK NEEDS TO BE CONFIRMED
acme
AISAM
examples
focus
Type of issue
Solvency II
Governance
Company Law
IAS/IFRS
Mutual (insurance) specific
Exemption regime/opt-out
Supplementary calls
Member-driven governance (direct and indirect democracy)
European Mutual Society Statute
Especially relevant for mutual insurers
Subordinated debt
Treatment of SMEs
Securitization
« Independent » directors
Business combinations
Profit participation mechanisms
Other (insurance) related issues
No double counting
Group supervision
Director's remuneration
Cross-border mergers
Source: AISAM-ACME
Exhibit 8

WE ARE ON TRACK BUT SOME UNANSWERED QUESTIONS REMAIN

Recognition of specific capital structure
- Adequacy of regulation:
- Mutual specific SCR and MCR components important such as supplementary calls, Genussscheine and Membership accounts
- Relevance of other forms of capital: subordinated debt
- Equalization provisions, deferred taxes and unrealized capital gains also to be recognized as core capital

Treatment of small & medium sized insurers
- Proportionality of regulation in all 3 pillars necessary
- Cost element

Equal competition vs diversification
- Diversification effect not fully possible for mutual insurers due to lack of equivalent group structures

New investment policies vs equities and real estate
- Appropriate treatment of long term investments necessary to allow long tail specialist a proper return

Source: AISAM-ACME

Exhibit 9

WE ARE ON TRACK BUT SOME UNANSWERED QUESTIONS REMAIN

acme AISAM

Better protection for policyholders

Recognition of specific capital structure
- Adequacy of regulation:
- Mutual specific SCR and MCR components important such as supplementary calls, Genussscheine and Membership accounts
- Relevance of other forms of capital: subordinated debt
- Equalization provisions, deferred taxes and ... s also to be recognized as core capit...

Treatment of small & medium sized ins...
- Propo...
- C...

Equal competi... diversif...
- ... ossible for mutual insurers due to lack ... structures

New investment policies vs equities and real estate
- Appropriate treatment of long term investments necessary to allow long tail specialist a proper return

Source: AISAM-ACME

Exhibit 10

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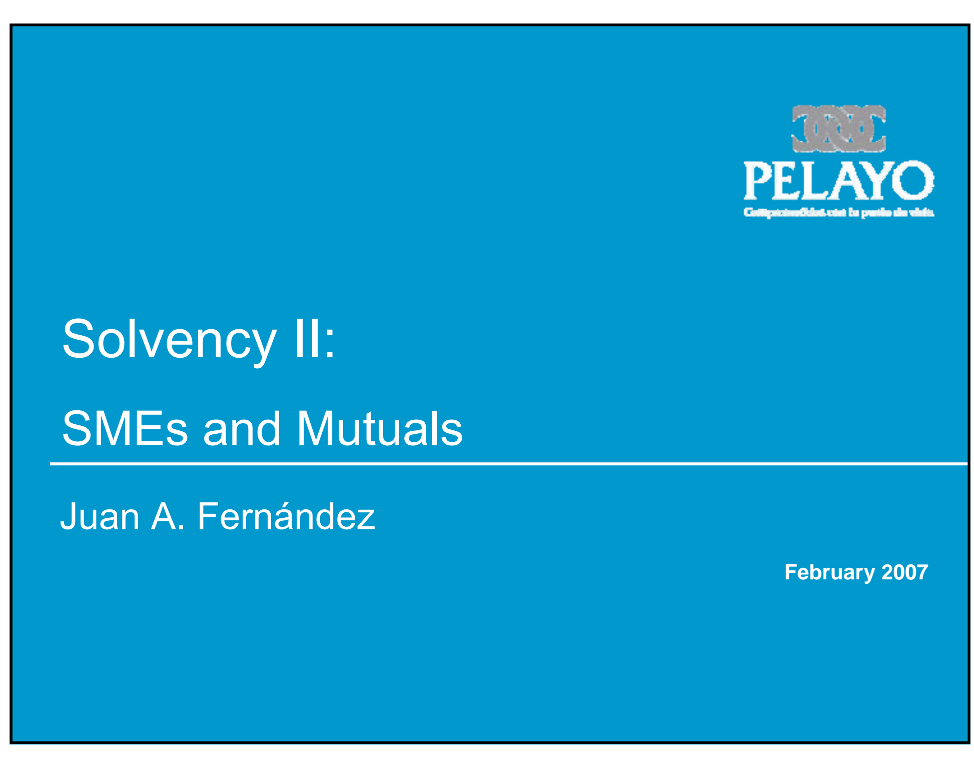
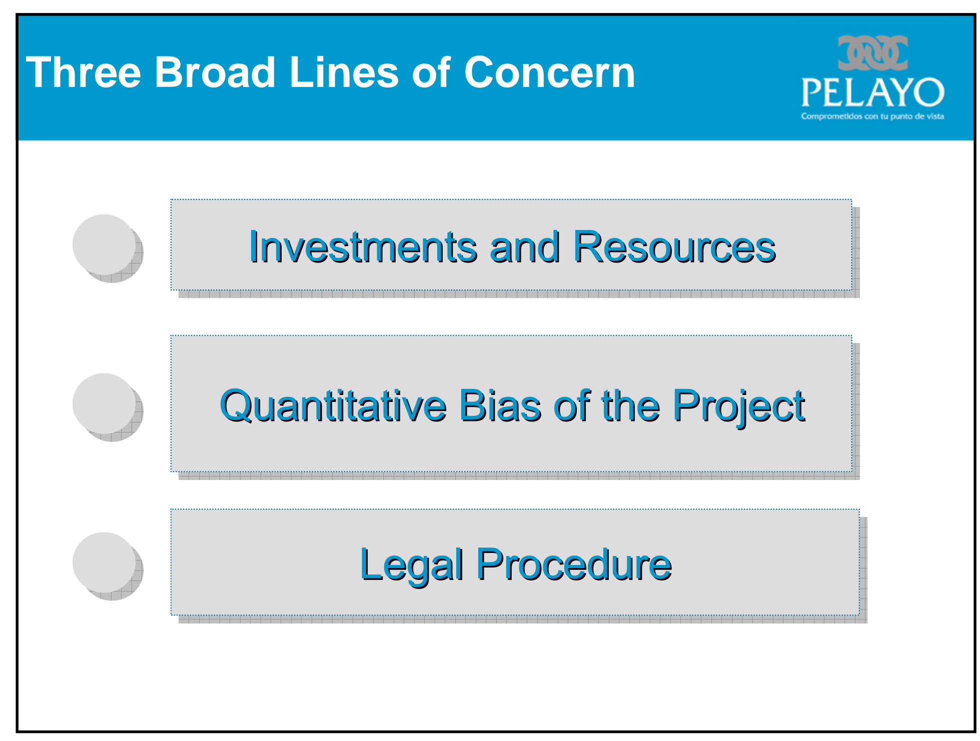
  l.lowet@aisam.org
  www.aisam.org

See also: www.insurance-mutuals.org

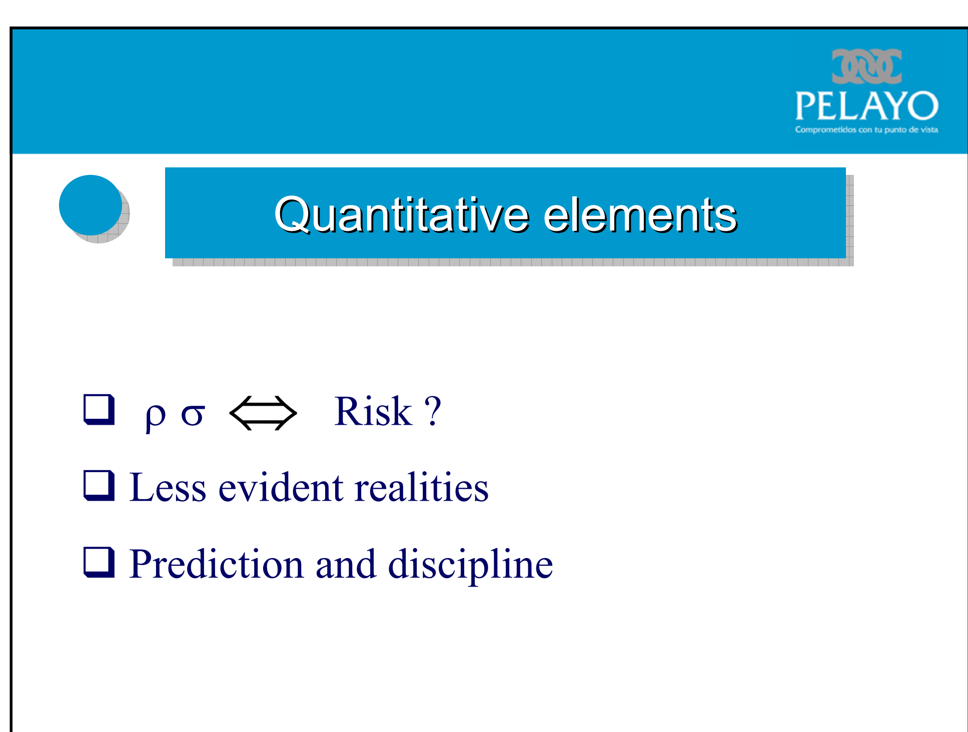
Exhibit 11

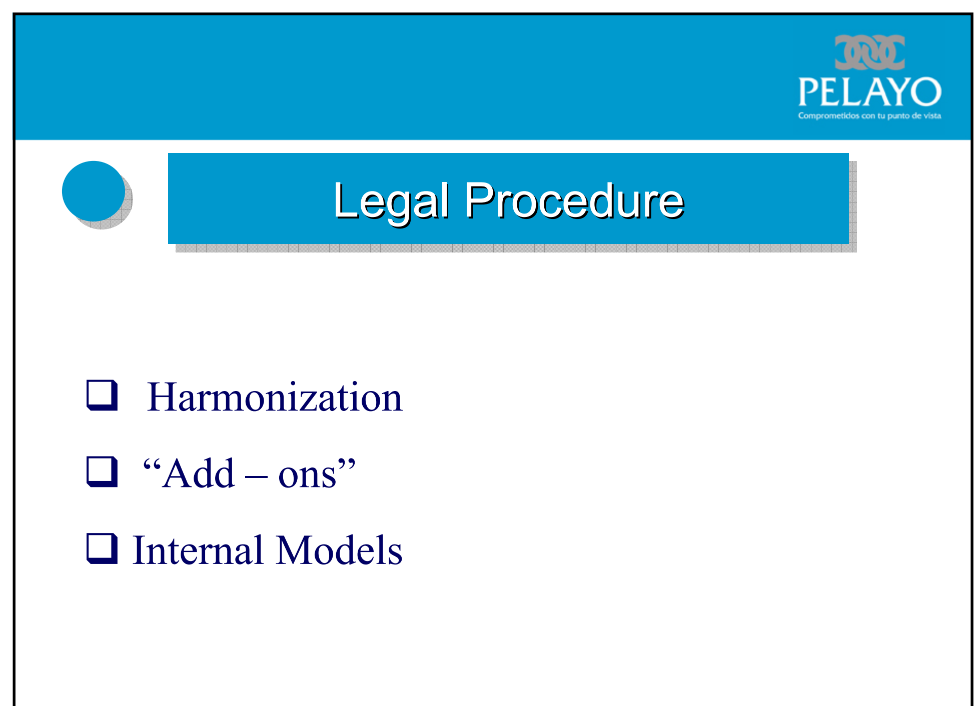
Exhibit 12

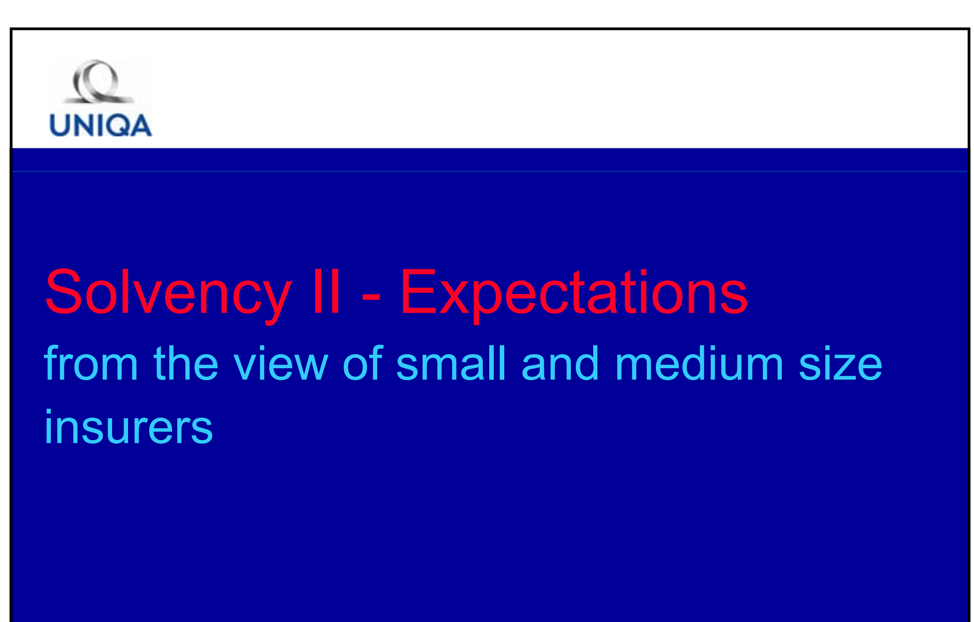

PELAYO
Solvency II:
SMEs and Mutuals
Juan A. Fernández
February 2007

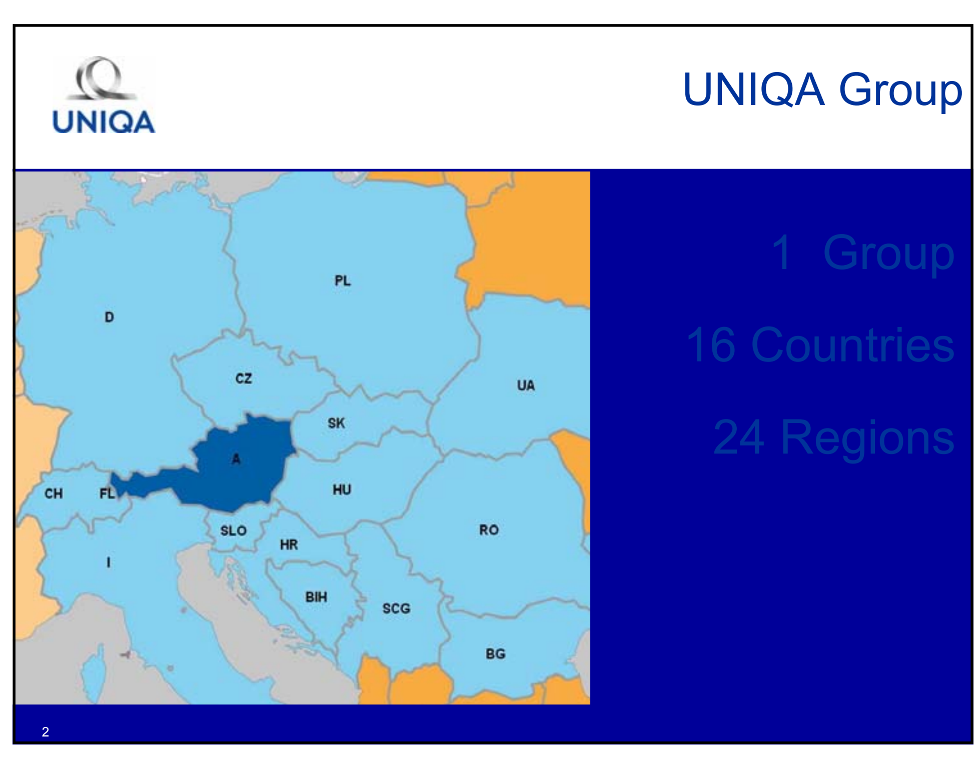

Three Broad Lines of Concern
PELAYO
Comprometidos con tu punto de vista
Investments and Resources
Quantitative Bias of the Project
Legal Procedure

PELAYO
Investments and Resources
❑Significant and proportional requirement
❑Legally Oriented
❑Business Oriented


PELAYO
Quantitative elements
❑ ρ σ ⇔ Risk ?
❑ Less evident realities
❑ Prediction and discipline


PELAYO
Legal Procedure
Harmonization
"Add – ons"
Internal Models


UNIQA
Solvency II - Expectations
from the view of small and medium size insurers
Brussels, Feb. 27, 2007


UNIQA
UNIQA Group
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HU
SLO
HR
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BIH
SCG
BG
1 Group
16 Countries
24 Regions
2

Topics

- Comparability of Solvency Regimes
- SCR / MCR
- Lead Supervisor Concept
- Admission of Internal Models
- Diversification/Attributable Capital
- Transitional Provisions / Implementation Guidance

3

Comparability of Solvency Regimes

- Same kind of risks should be backed-up with similar amounts of solvency capital, irrespectively if part of a banking product or an insurance product.

➔ same level playing field!

- Tests and comparison have to be applied
- Pension Funds should also be addressed in the near future regarding adequate solvency requirements

4

SCR / MCR

- Minimum Capital Requirement (MCR) should be easy to calculate and comparable throughout the industry.
- Solvency Capital Requirement (SCR) should be addressed by internal models accounting for diversification benefits, risk mitigation and management rules committed.

5

Lead Supervisor Concept

- Insurance Groups should have a single “lead supervisor”. Internal models on a group level should be approved by the Lead supervisor.
- Concept should develop step by step (relief on a group level in the country of residence, sharing information with local supervisors).
- Nevertheless limited intervention or even derogation towards the local supervisory authorities. No local relief should be granted on the basis of information from Lead Supervisors in the first years.

6

Admission of Internal Models

- Solvency-Incentives for internal models should not be too extensive compared to the application of the standard model
- We doubt that full transparency for the supervisors can be reached to guarantee comparability of internal models and the standard model
- We agree on a calibration of internal models based on an annualized 0,5% default probability. Nevertheless it might be to challenging for some smaller insurers which calls in transitional provisions again

7

Diversification/Attributable Capital

- We agree, that an insurance group should assess diversification effects specific to the group by a consolidated view on the risk working in several subsidiaries.
- We only would like to point out, that the question of the Group's ability to allocate capital where locally needed is depending on:

1. the commitment/probability of the Group to act in future according to these needs and
2. the agreed relief of excess capital by the local supervisor when needed in another country/subsidiary

8

Diversification/Attributable Capital

- Local business should have the same capital requirements irrespectively if subsidiary or local player
- Diversification of risk on a global basis only makes sense, when the mobility of capital is proven on a short term basis

9

Transitional Provisions / Implementation Guidance

- Transitional provisions without kicking smaller local insurance companies out of business
- MCR orientation close to existing Solvency I as starting point
- IFRS 4 phase II: Space to be left for a harmonized interpretation of insurance liabilities and own funds

10

UNIQA
Thank you for
listening !
11

Session I.2

How to reconcile the needs and interests of different industry segments?

Panel

Solvency II represents an opportunity for a fairer approach

- If solvency II is successful it will
  - encourage good risk management
  - provide customer protection at an acceptable price
  - foster efficient capital markets
- Implementation will require a different approach – focus on the promises given to customers rather than fitting to a prescriptive set of rules
- A principles based economic approach can be proportionate to the risk involved
- Supervision of Groups requires a coherent approach

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Key issues for the success of Solvency II

- A level playing field for the industry and between financial sectors across Europe
- Capital requirements should give right behavioural incentives whether an internal model or a standard approach is used
- Optimal capital allocation which recognizes diversification benefits:
  - realistic assessment of capital required through a total balance sheet approach
  - recognition of good risk management benefits
- 21st century supervision – focus on achieving the right outcomes rather than rule compliance

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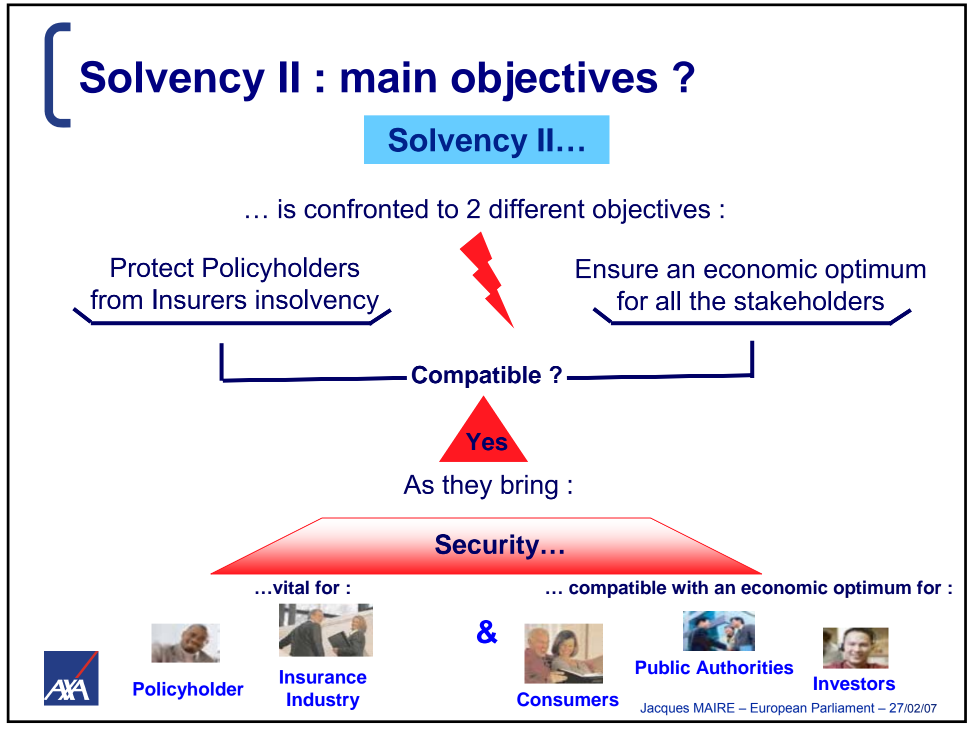
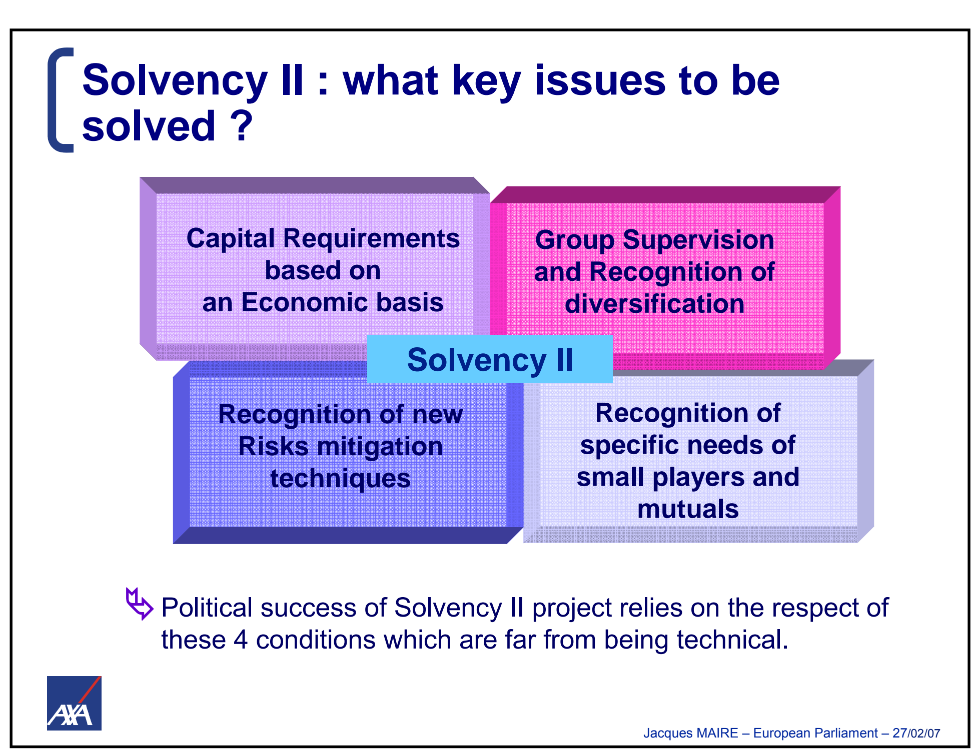
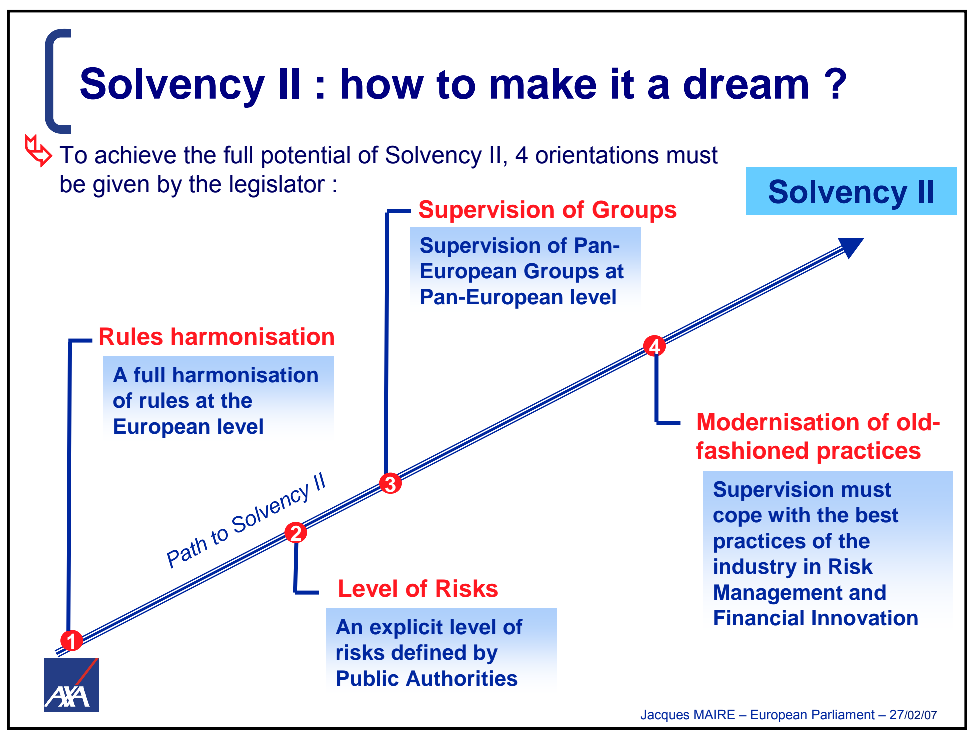
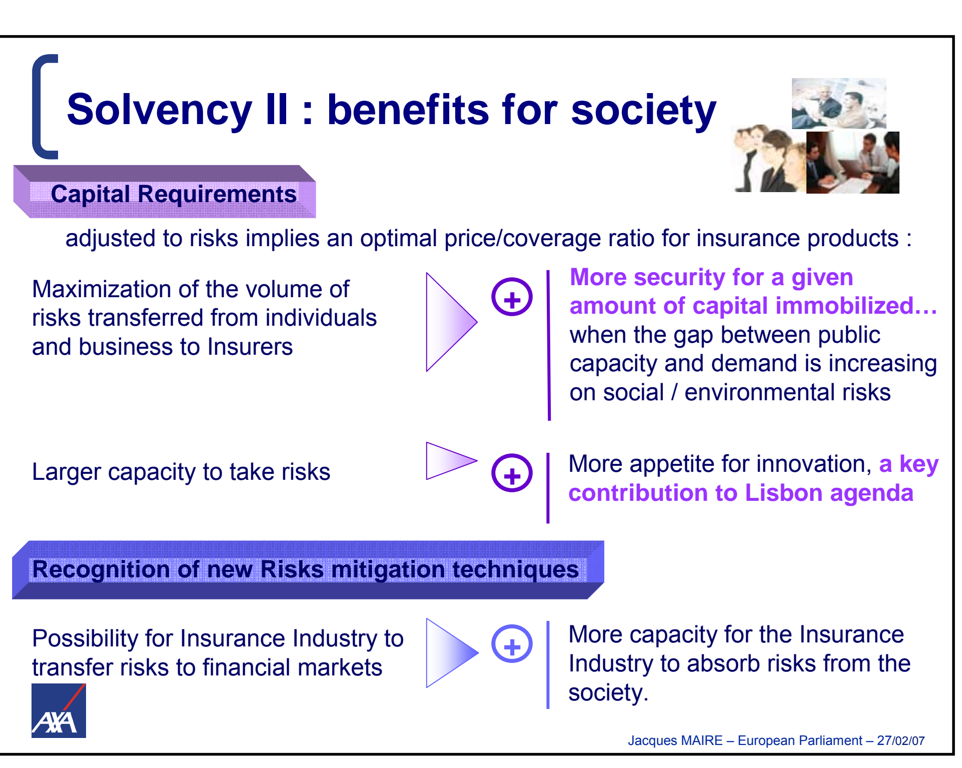
Be Life Confident

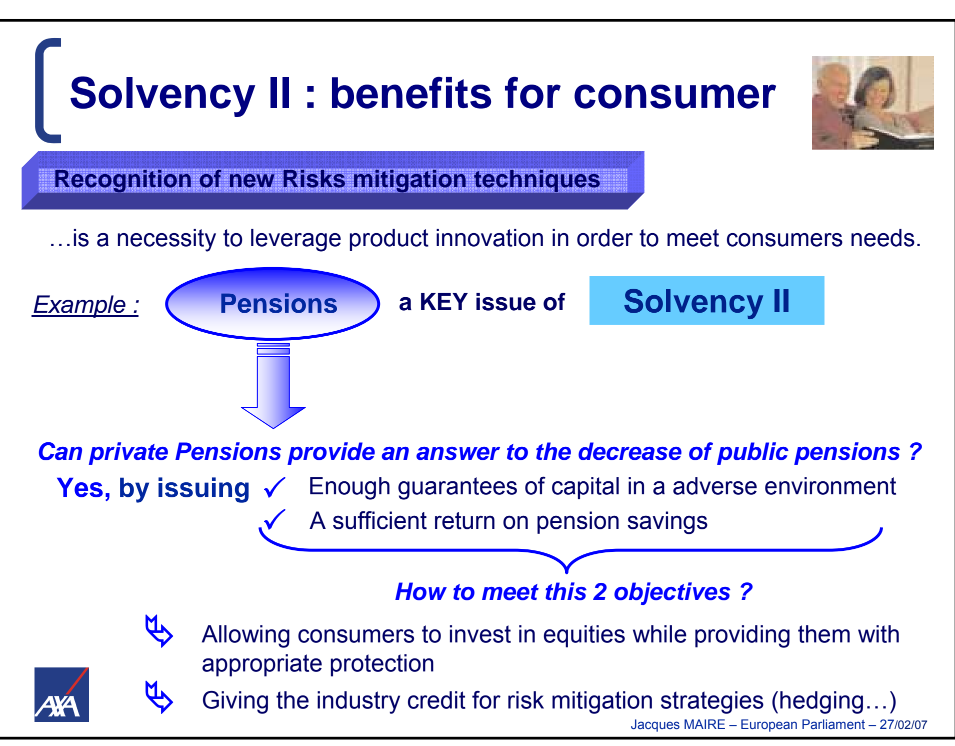
Jacques MAIRE – European Parliament – 27/02/07

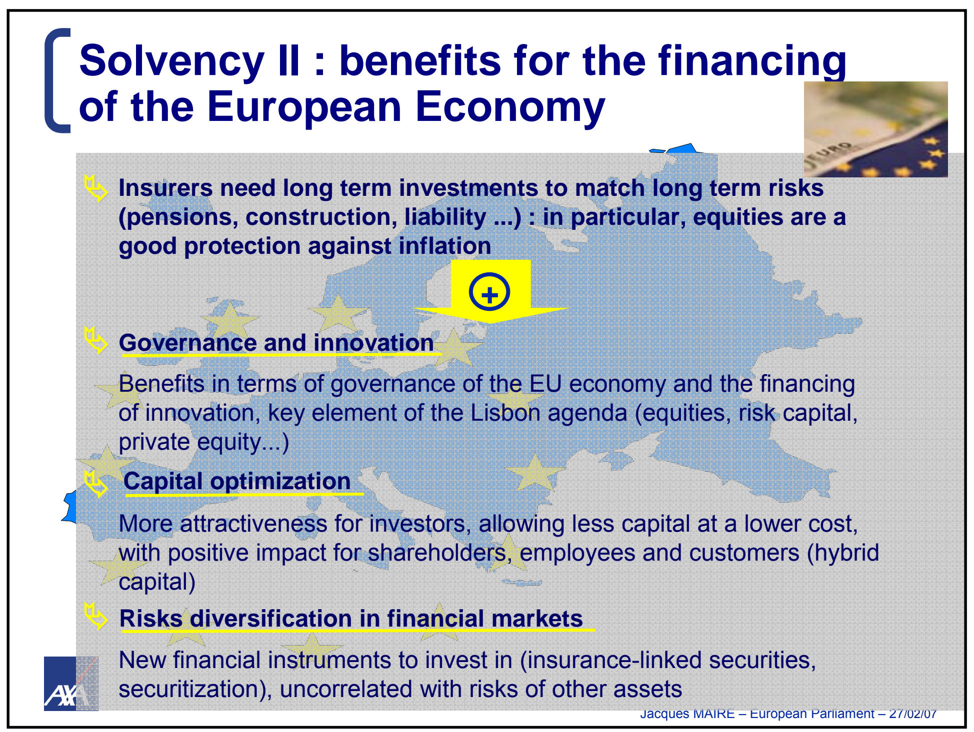

Solvency II : main objectives ?
Solvency II…
… is confronted to 2 different objectives :
Protect Policyholders from Insurers insolvency
Ensure an economic optimum for all the stakeholders
Compatible ?
Yes
As they bring :
Security…
…vital for :
… compatible with an economic optimum for :
Policyholder
Insurance Industry
&
Consumers
Public Authorities
Investors
Jacques MAIRE – European Parliament – 27/02/07


Solvency II : what key issues to be solved ?
Capital Requirements based on an Economic basis
Group Supervision and Recognition of diversification
Solvency II
Recognition of new Risks mitigation techniques
Recognition of specific needs of small players and mutuals
Political success of Solvency II project relies on the respect of these 4 conditions which are far from being technical.
Jacques MAIRE – European Parliament – 27/02/07

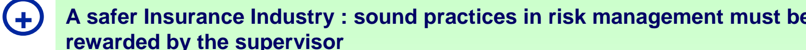

Solvency II : how to make it a dream ?
To achieve the full potential of Solvency II, 4 orientations must be given by the legislator :
Solvency II
Supervision of Groups
Supervision of Pan-European Groups at Pan-European level
Rules harmonisation
A full harmonisation of rules at the European level
Modernisation of old-fashioned practices
Supervision must cope with the best practices of the industry in Risk Management and Financial Innovation
Path to Solvency II
Level of Risks
An explicit level of risks defined by Public Authorities
Jacques MAIRE – European Parliament – 27/02/07


Solvency II : benefits for society
Capital Requirements
adjusted to risks implies an optimal price/coverage ratio for insurance products :
Maximization of the volume of risks transferred from individuals and business to Insurers
More security for a given amount of capital immobilized… when the gap between public capacity and demand is increasing on social / environmental risks
Larger capacity to take risks
More appetite for innovation, a key contribution to Lisbon agenda
Recognition of new Risks mitigation techniques
Possibility for Insurance Industry to transfer risks to financial markets
More capacity for the Insurance Industry to absorb risks from the society.
Jacques MAIRE – European Parliament – 27/02/07


Solvency II : benefits for consumer
Recognition of new Risks mitigation techniques
…is a necessity to leverage product innovation in order to meet consumers needs.
Example :
Pensions
a KEY issue of
Solvency II
Can private Pensions provide an answer to the decrease of public pensions ?
Yes, by issuing
Enough guarantees of capital in a adverse environment
A sufficient return on pension savings
How to meet this 2 objectives ?
Allowing consumers to invest in equities while providing them with appropriate protection
Giving the industry credit for risk mitigation strategies (hedging…)
Jacques MAIRE – European Parliament – 27/02/07


Solvency II : benefits for the financing of the European Economy
Insurers need long term investments to match long term risks (pensions, construction, liability ...) : in particular, equities are a good protection against inflation
Governance and innovation
Benefits in terms of governance of the EU economy and the financing of innovation, key element of the Lisbon agenda (equities, risk capital, private equity...)
Capital optimization
More attractiveness for investors, allowing less capital at a lower cost, with positive impact for shareholders, employees and customers (hybrid capital)
Risks diversification in financial markets
New financial instruments to invest in (insurance-linked securities, securitization), uncorrelated with risks of other assets
Jacques MAIRE – European Parliament – 27/02/07

Solvency II : benefits for the Insurance Industry



- A safer Insurance Industry : sound practices in risk management must be rewarded by the supervisor
- A possibility to take full advantage of the single market :
  - ✓ Unified regulation allowing economies of scale
  - ✓ Larger domestic market, comparable as the US, allowing a spreading risks on a larger scale: less risks and less costs
- A competitive advantage compared to the US and Japan : there are not so many opportunities to gain global leadership in Europe

Warning !

Needs of the mutual sector have to be taken into account if we want to maintain a competitive diversity in Europe

Jacques MAIRE – European Parliament – 27/02/07

Solvency II : the nightmare scenario

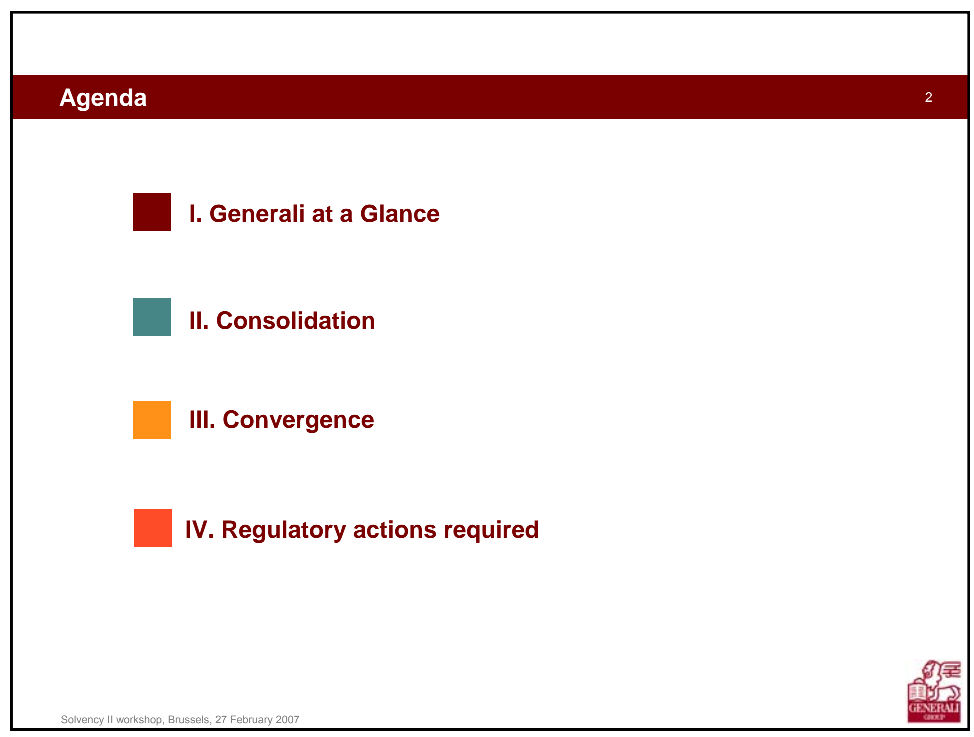
If this opportunity is missed, consequences of uneconomic supervision are heavy :

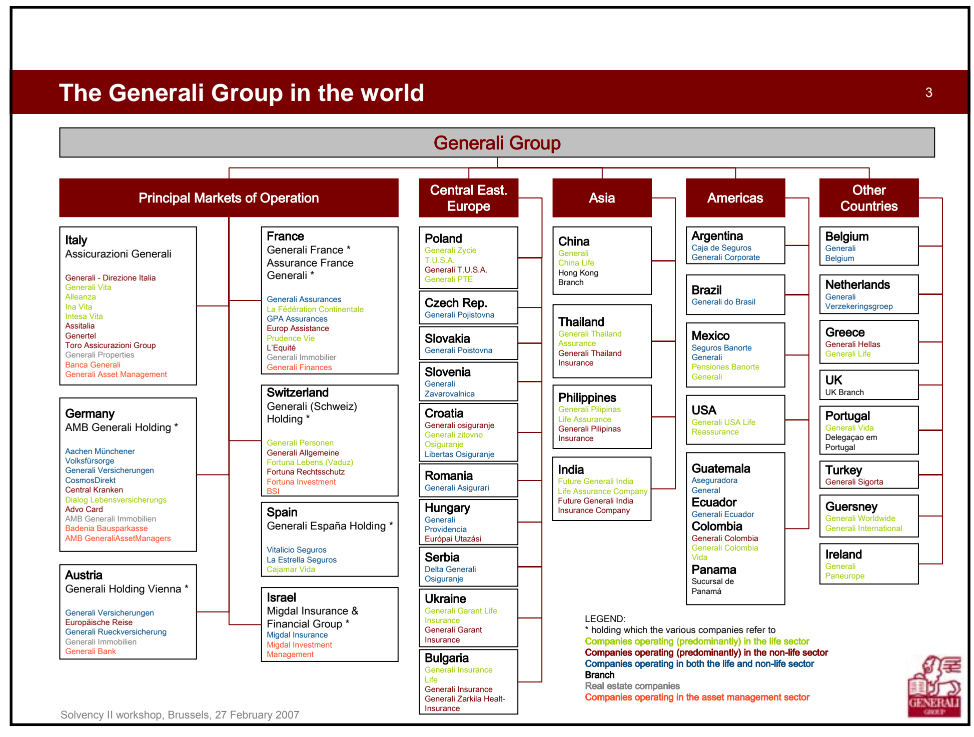
- ✓ less guarantees in insurance products
- ✓ excess of pressure on productivity is a job-killer
- ✓ no innovation
- ✓ concentration of insurers
- ✓ massive release of equities : who will be the buyers ?
- ✓ investment of european insurers in other regions
- ✓ individuals confronted to growing risks with shortage of coverage (e.g. ageing, long term care...)

Jacques MAIRE – European Parliament – 27/02/07

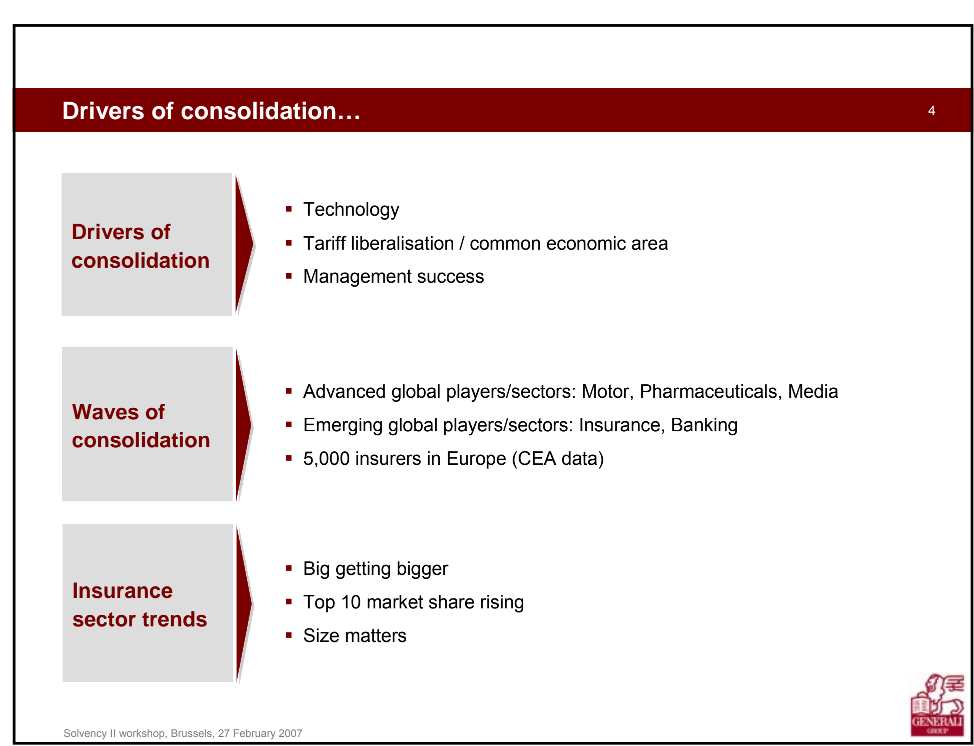
Solvency II : insurance could be a new area for EU ambitions
Solvency II…
can be a decisive step towards a European Insurance market,
will reveal the growing need to manage actively risks at the European level, and provide new solutions for :
- consumers (e.g. guarantee funds)
- public authorities (e.g. private-public partnership in catastrophic risks),
can pave the way to get Europeans closer to Europe by providing them more security and solidarity
AXA
Jacques MAIRE – European Parliament – 27/02/07

Generali Group
Session I - How to reconcile the needs and interests of different industry segments?
Solvency II workshop, European Parliament
27 February, 2007

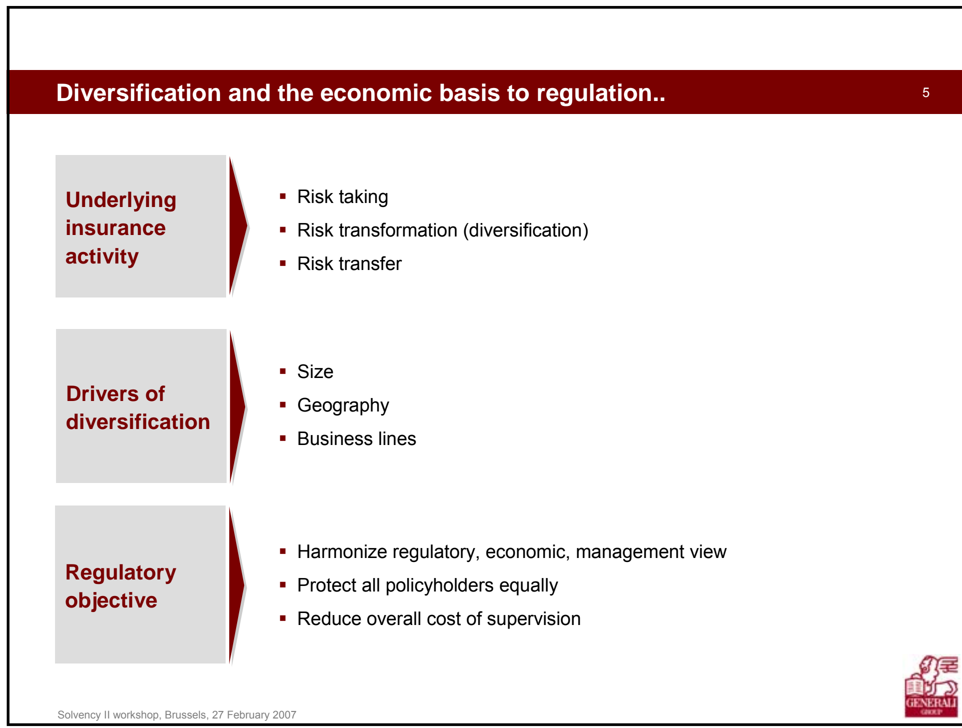

Agenda
2
I. Generali at a Glance
II. Consolidation
III. Convergence
IV. Regulatory actions required
Solvency II workshop, Brussels, 27 February 2007

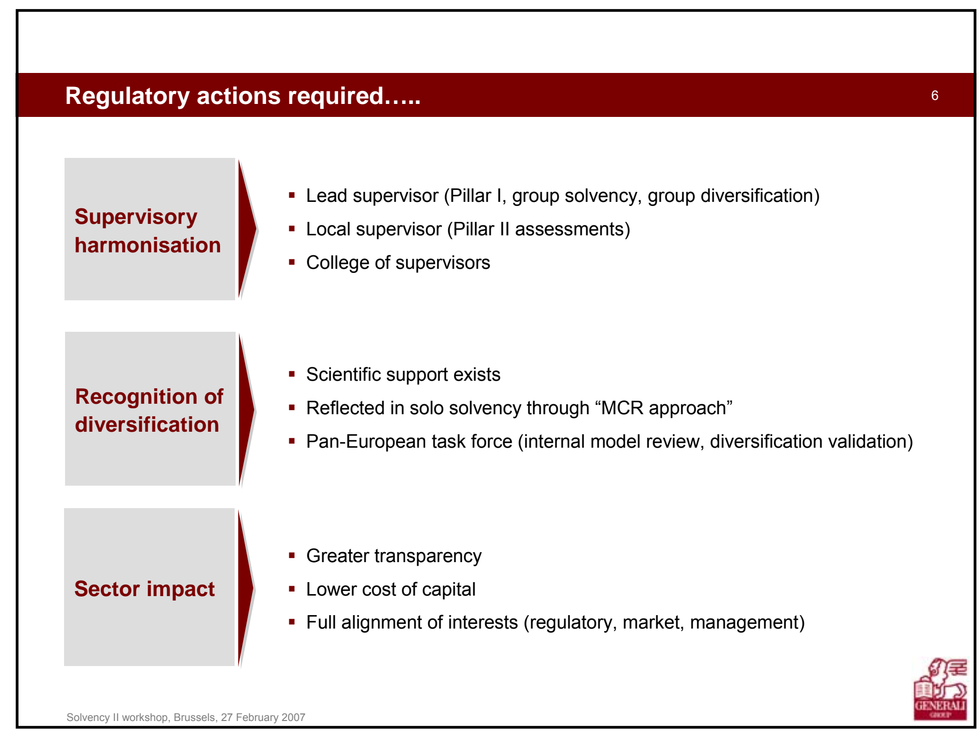


The Generali Group in the world
3
Generali Group
Principal Markets of Operation
Central East. Europe
Asia
Americas
Other Countries
Italy
Assicurazioni Generali
Generali - Direzione Italia
Generali Vita
Alleanza
Ina Vita
Intesa Vita
Assitalia
Genertel
Toro Assicurazioni Group
Generali Properties
Banca Generali
Generali Asset Management
Germany
AMB Generali Holding *
Aachen Münchener
Volksfürsorge
Generali Versicherungen
CosmosDirekt
Central Kranken
Dialog Lebensversicherungs
Advo Card
AMB Generali Immobilien
Badenia Bausparkasse
AMB GeneraliAssetManagers
Austria
Generali Holding Vienna *
Generali Versicherungen
Europäische Reise
Generali Rueckversicherung
Generali Immobilien
Generali Bank
France
Generali France *
Assurance France Generali *
Generali Assurances
La Fédération Continentale
GPA Assurances
Europ Assistance
Prudence Vie
L'Equité
Generali Immobilier
Generali Finances
Switzerland
Generali (Schweiz) Holding *
Generali Personen
Generali Allgemeine
Fortuna Lebens (Vaduz)
Fortuna Rechtsschutz
Fortuna Investment
BSI
Spain
Generali España Holding *
Vitalicio Seguros
La Estrella Seguros
Cajamar Vida
Israel
Migdal Insurance & Financial Group *
Migdal Insurance
Migdal Investment Management
Poland
Generali Zycie
T.U.S.A.
Generali T.U.S.A.
Generali PTE
Czech Rep.
Generali Pojistovna
Slovakia
Generali Poistovna
Slovenia
Generali Zavarovalnica
Croatia
Generali osiguranje
Generali zivotno Osiguranje
Libertas Osiguranje
Romania
Generali Asigurari
Hungary
Generali Providencia
Európai Utazási
Serbia
Delta Generali Osiguranje
Ukraine
Generali Garant Life Insurance
Generali Garant Insurance
Bulgaria
Generali Insurance Life
Generali Insurance
Generali Zarkila Healt-Insurance
China
Generali China Life
Hong Kong Branch
Thailand
Generali Thailand Assurance
Generali Thailand Insurance
Philippines
Generali Pilipinas Life Assurance
Generali Pilipinas Insurance
India
Future Generali India Life Assurance Company
Future Generali India Insurance Company
Argentina
Caja de Seguros
Generali Corporate
Brazil
Generali do Brasil
Mexico
Seguros Banorte Generali
Pensiones Banorte Generali
USA
Generali USA Life Reassurance
Guatemala
Aseguradora General
Ecuador
Generali Ecuador
Colombia
Generali Colombia
Generali Colombia Vida
Panama
Sucursal de Panamá
Belgium
Generali Belgium
Netherlands
Generali Verzekeringsgroep
Greece
Generali Hellas
Generali Life
UK
UK Branch
Portugal
Generali Vida
Delegaçao em Portugal
Turkey
Generali Sigorta
Guersney
Generali Worldwide
Generali International
Ireland
Generali Paneurope
LEGEND:
* holding which the various companies refer to
Companies operating (predominantly) in the life sector
Companies operating (predominantly) in the non-life sector
Companies operating in both the life and non-life sector
Branch
Real estate companies
Companies operating in the asset management sector
GENERALI GROUP
Solvency II workshop, Brussels, 27 February 2007



Drivers of consolidation…
4
Drivers of consolidation
Technology
Tariff liberalisation / common economic area
Management success
Waves of consolidation
Advanced global players/sectors: Motor, Pharmaceuticals, Media
Emerging global players/sectors: Insurance, Banking
5,000 insurers in Europe (CEA data)
Insurance sector trends
Big getting bigger
Top 10 market share rising
Size matters
GENERALI GROUP
Solvency II workshop, Brussels, 27 February 2007


Diversification and the economic basis to regulation..
5
Underlying insurance activity
Risk taking
Risk transformation (diversification)
Risk transfer
Drivers of diversification
Size
Geography
Business lines
Regulatory objective
Harmonize regulatory, economic, management view
Protect all policyholders equally
Reduce overall cost of supervision
Solvency II workshop, Brussels, 27 February 2007
GENERALI


Regulatory actions required…..
6
Supervisory harmonisation
Lead supervisor (Pillar I, group solvency, group diversification)
Local supervisor (Pillar II assessments)
College of supervisors
Recognition of diversification
Scientific support exists
Reflected in solo solvency through “MCR approach”
Pan-European task force (internal model review, diversification validation)
Sector impact
Greater transparency
Lower cost of capital
Full alignment of interests (regulatory, market, management)
Solvency II workshop, Brussels, 27 February 2007
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Part of The Royal & SunAlliance Insurance Group plc

European Parliament Solvency II Workshop

27 February 2007

Lars Jørgensen

Main Speaking Points for Lars Jørgensen

- Solvency Assessment
  - Capital requirements should reflect the true risks facing a company
  - A level playing field is essential
- Risk Management
  - Qualitative standards on risk management should be principles based
- Group Supervisory Model
  - Primary role for the home state/lead supervisor in assessing Group SCR
  - Models to be assessed by Group supervisor; any capital add-on to be at group level
  - Co-operation between supervisors is essential

European Parliament - Solvency II Workshop 18 April 2007

Main Speaking Points for Lars Jørgensen

Codan/Royal & SunAlliance is currently drafting a position paper

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Head of Regulatory Risk & Compliance
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European Parliament - Solvency II Workshop 18 April 2007

Key ambitions of Solvency II supported by the European Industry

- Solvency II shall maintain **strong and effective policyholder protection** by **aligning regulation on the true risk profile** of an insurance company
- The new framework shall introduce a holistic approach to risk management based on **three complementary Pillars** and increase the **insurance industry's transparency** for all stakeholders
- Increase in competition with more deeply integrated insurance markets will **provide fair prices for EU consumers**
- Increase in the global competitiveness of EU insurers shall also enable **EU insurers to compete more effectively in global insurance markets**

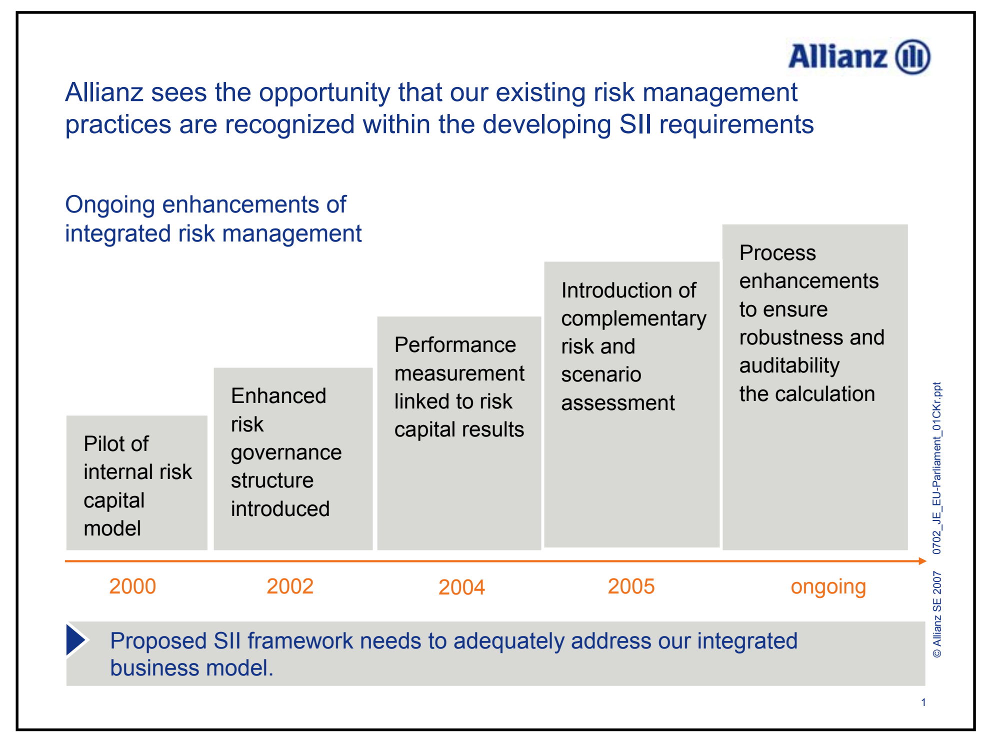
How to reconcile the needs and interests of different industry segments?

- Solvency II should provide a **common standard of protection to all consumers** regardless of the insurers' legal form, size and location
- The broad industry supports a framework applicable for all where **risks and capital requirements go hand in hand**

The principles of an economic framework cope with the needs and interests of the industry segments but care will be needed for their implementation:

- Solvency II shall be **principle-based**, building **on a true economic approach** and also develop **a proportionate approach** to supervision with appropriate treatment both for small companies and large, cross-border groups
- A **harmonised approach** to supervision across all EU markets is necessary as it would ensure creation of a level playing field for all insurers

Raj Singh, Chief Risk Officer Allianz SE
Solvency II: Opportunities and Challenges
European Parliament: Workshop on Solvency II,
Brussels, Belgium, February 27, 2007
Allianz


Allianz
Allianz sees the opportunity that our existing risk management practices are recognized within the developing SII requirements
Ongoing enhancements of integrated risk management
Pilot of internal risk capital model
Enhanced risk governance structure introduced
Performance measurement linked to risk capital results
Introduction of complementary risk and scenario assessment
Process enhancements to ensure robustness and auditability the calculation
2000
2002
2004
2005
ongoing
Proposed SII framework needs to adequately address our integrated business model.
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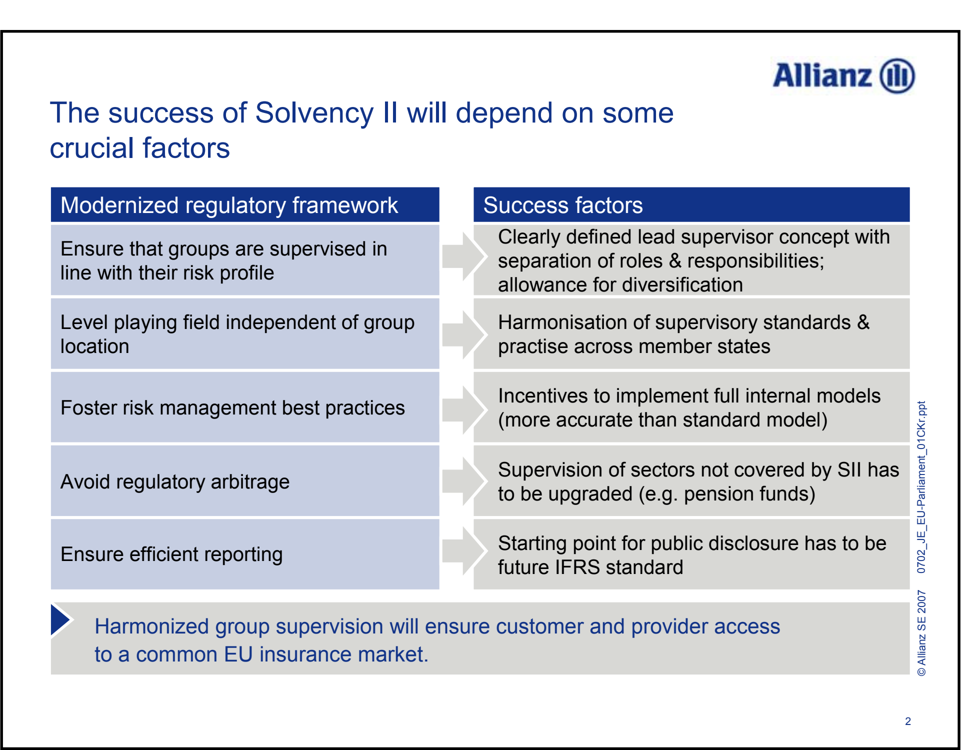

Presented by:

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Chief Risk Officer
Group Risk
Tel.: +49 89 3800 17784
mail: raj.singh@allianz.com

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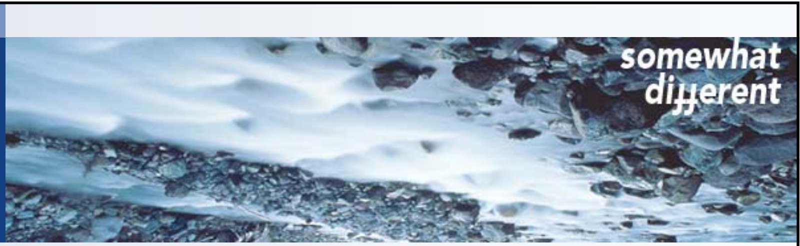
3

Session II

Reinsurance and risk mitigation under Solvency II



Solvency II

Some issues from a reinsurer

Eberhard Müller
Chief Risk Officer & Chief Actuary

Brussels, 27th February, 2007

hannover re

League table (premium)

HANNOVER RE AMONG THE TOP REINSURERS IN THE WORLD

(2005 figures in million USD[1])

Rank	Group	Country	GWP	NPW
1	Munich Re	D	26,482	22,606
2	Swiss Re	CH	23,151	21,229
3	Berkshire Hathaway[2)]	USA	12,486	11,646
4	Hannover Re	D	11,452	9,166
5	Lloyd's[3)]	GB	9,053	6,568
6	GE Global Ins. Holdings[4)]	USA	8,565	6,697
7	XL Re	BDA	5,686	5,013
8	London Re	CDN	4,243	3,730
9	RGA Re	USA	4,222	3,867
10	Everest Re	BDA	4,109	3,972
11	Transatlantic Re	USA	3,888	3,466
12	Partner Re	BDA	3,665	3,616
13	Korean Re	ROK	2,975	2,068
14	SCOR	F	2,851	2,692
15	Odyssey Re	USA	2,627	2,302

Top 15 more than USD 106 bn net premium, worldwide > USD 165 bn

1) Source: A.M. Best
2) GenRe Group; Berkshire Hathaway Re Group (National Indemnity)
3) 64 syndicates (as of Jul 2006)
4) ERC, GE Re, GE Frankona Group

hannover re

1

REINSURANCE IS TRULY INTERNATIONAL...

...but 4 of top five are European

(2005 figures in million USD[1])

Rank	Group	Country	GWP	NPW
1	Munich Re	D	26,482	22,606
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Top 15 : Total EU USD 41 bn, Total Europe USD 62 bn

1) Source: A.M. Best
2) GenRe Group; Berkshire Hathaway Re Group (National Indemnity)
3) 64 syndicates (as of Jul 2006)
4) ERC, GE Re, GE Frankona Group

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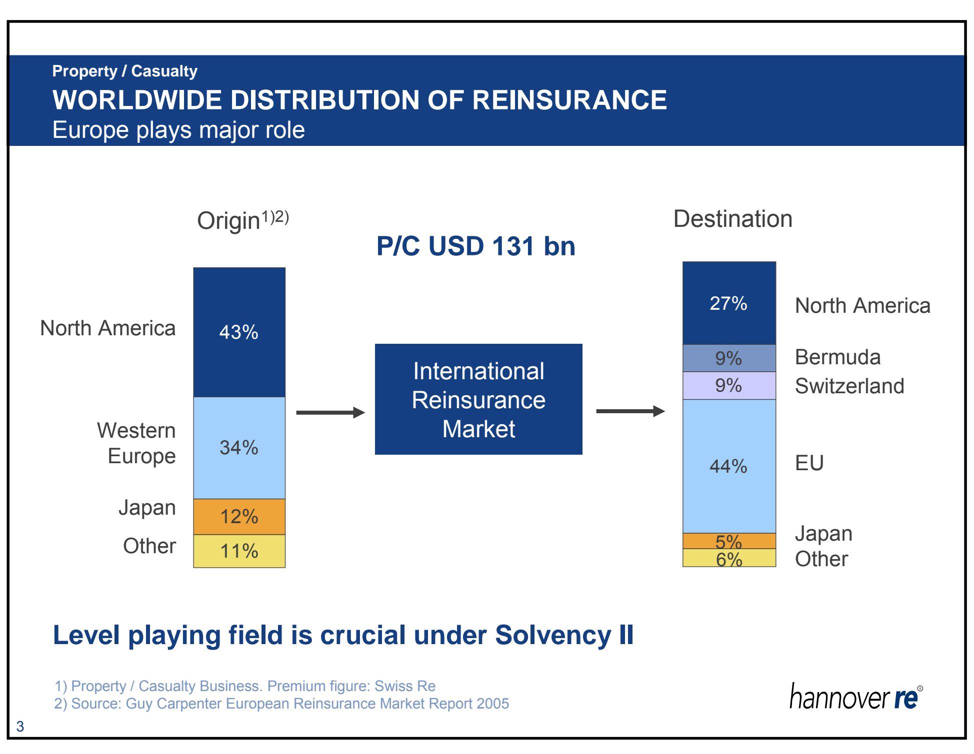

Solvency II prerequisite

STRICTLY REQUIRED: ECONOMIC VIEW

Capital requirements for reinsurers and their clients must reflect business reality

- → Reinsurers fully support risk capital schemes based on economic principles
- → Major economic contribution of reinsurers: Worldwide diversification
  - Capital intense peak exposures can be mitigated through worldwide spread
  - Diversification benefits go to direct insurers the same way as insureds benefit from diversification efforts of their direct insurers (principle of insurance)
- → Risk based solvency schemes therefore must reflect
  - Diversification achieved by reinsurers for their capital requirements
  - Capital relief for direct insurers achieved through reinsurance schemes
- → No artificial "barriers" for international business
  - Same risks should be treated with same capital requirements
  - Total Group approach
  - Available premium from all business segments = first layer of protection !

Reinsurer and their clients look for "fair treatment"

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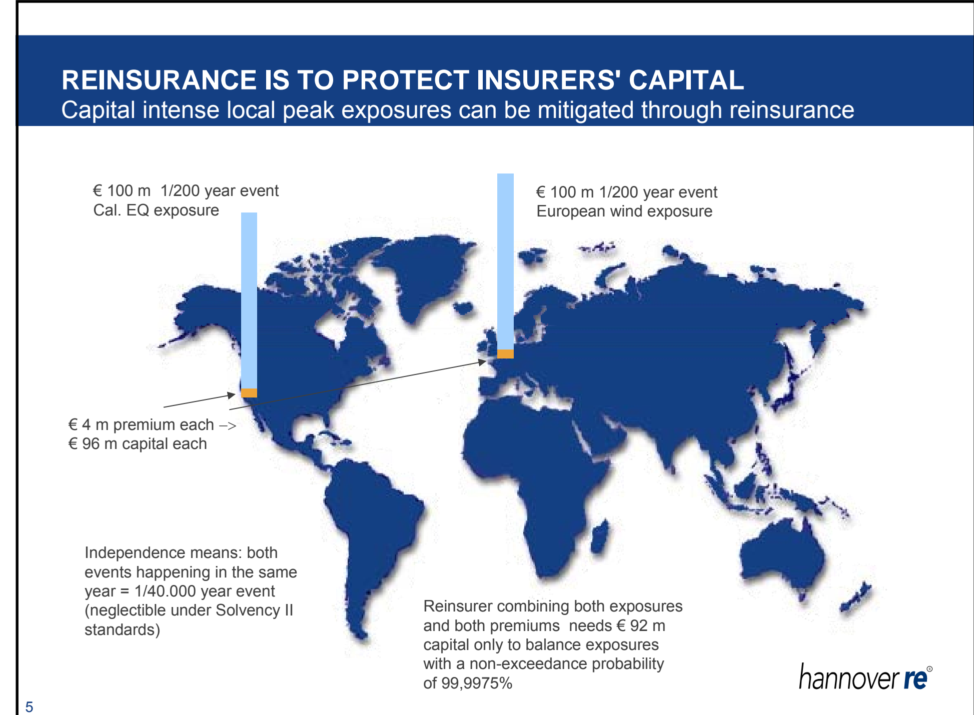
4

REINSURANCE IS TO PROTECT INSURERS' CAPITAL

Capital intense local peak exposures can be mitigated through reinsurance



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5

DIVERSIFICATION REALLY MATTERS
Especially for international operations like reinsurers

- Several types of diversification must be considered [1)]
  - Within risk types (e.g. insurance risk from lines of business) (Level 1)
  - Across risk types (e. g. between insurance risk and asset risk) (Level 2)
  - Across entities (Level 3)
  - Across regulatory jurisdictions / geographies (Level 4)
- Credit must be given wherever effective management of diversification can be demonstrated and stress tested
  - Simple factor models normally fail
  - Full or partial use of internal models (esp. for nat.cat.) will help
  - "Double counting of risk" must be avoided
- For practical purposes a lead supervisor concept is necessary

Risks are anything but linear!

1) Source: CRO Forum: A framework for incorporating diversification in the solvency assessment of insurers

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6

KEY SOLVENCY II ASPECTS: SCR/MCR* CALCULATION
From an international reinsurers' standpoint

- Total Group approach
  - Available income is the "first line of defence"
    - Full premiums incl. expected risk margins and profits
    - Investment Income
  - SCR/MCR requirements should attach beyond full income (operating ratios > 100)
- Appropriate recognition of mitigation instruments without restrictions
  - Reinsurance / retrocession
  - Securitisations / Risk swaps
  - Asset liability management (ALM) and capital market instruments (e. g. hedging)
- Sticking to the selected risk measure!
  - If a 1/200 probability over a one year time horizon guides the SCR it should be the guiding measure for the combination of all risks group wide!
  - "Adding up" various 1/200 approaches does not work

"Economic approach" rules out "prudency on prudency"

* SCR (Solvency Capital Requirement), MCR (Minimum Capital Requirement)

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7

KEY SOLVENCY II ASPECTS: ELIGIBLE CAPITAL
From an international reinsurers' standpoint

- Full recognition of available capital
  - No artificial restrictions and/or haircuts
  - Risks should be reflected within SCR/MCR* calculation rather than arbitrary rules applied to certain balance sheet positions
  - Full recognition of hybrid capital
  - Full recognition of "soft capital" (e. g. in reserves), where it can be demonstrated and stress tested
- Harmonised valuation principles
  - Market values wherever existing
  - Fair values according to market valuation principles (e.g. Cost of Capital approach) where necessary
- Full recognition of any expected profits that are not considered within SCR/MCR calculation

Double counting of risk must be avoided

* SCR (Solvency Capital Requirement), MCR (Minimum Capital Requirement)

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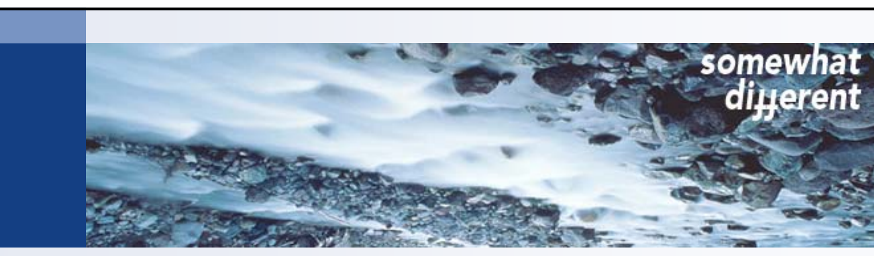


Thank you for your attention!

hannover re

Swiss Re

Solvency II

Dr. Christian Mumenthaler
CRO and Member of EB
Swiss Re Group

Swiss Re

About Swiss Re

- Founded 1863
- Largest world wide reinsurer with about EUR 100 bn of investments
- European offices in Amstelveen, London, Madrid, Milan, Munich, Paris, Rome, Warzaw with about 3000 employees
- About EUR 8 bn premiums written in the EU
- 46% of Swiss Re's business is in Europe

Swiss Re is "European" and strongly supporting the European insurance market

Dr. Christian Mumenthaler
CRO and Member of EB
Swiss Re Group

Slide 2

Solvency II …

Swiss Re

- … is the creation of the **most advanced solvency regime in the world**
- … will **solve issues** of Solvency I
- … will finally **recognize economic realities**
- … is strongly **supported by leading (re)insurers**
- … is a very ambitious **change management project**

Like all large change management projects, it will encounter some resistance on it's way and will require **courage and determination** to be implemented!

Dr. Christian Mumenthaler
CRO and Member of EB
Swiss Re Group

Slide 3

What can we learn from the Swiss Solvency Test?

Swiss Re

- The Swiss Solvency Test (SST) project was launched in 2003 as a precursor to Solvency II
  - principles and risk based
  - fully economic approach
  - forcing all insurers to have an internal model
- Field tests with 6 insurers in 2005, with 45 insurers in 2006
- Strong initial negative feeling from industry turned overwhelmingly positive after field tests
  - companies admitted having learned a lot
  - workload less than anticipated

The SST lead to a strong increase of risk understanding and constitutes a competitive advantage

Dr. Christian Mumenthaler
CRO and Member of EB
Swiss Re Group

Slide 4

Workload estimated by companies to comply with SST

Swiss Re

Feedback from companies on workload to create or update their internal model and to write report for SST (in PM=Person Months):

	Initally for Fieldtest	Subsequently
Small Companies	1-2 PM	< 1 PM
Small to Mid-Sized Companies	2 - 3 PM	< 2 PM
Mid-Sized Companies	9 - 15 PM	4 - 8 PM
Large Companies, Groups	12 - 24 PM	< 12 PM

Implementing Solvency II does not put a large burden on small companies!

Dr. Christian Mumenthaler
CRO and Member of EB
Swiss Re Group

Slide 5

Keeping Solvency I is not an option

Swiss Re

- Solvency I reflects risks extremely poorly and is the reason for some company failures and near-failures in the past
  - in particular inexistant measure of asset-liability management
  - financial market options embedded in many Life products not recognized
- SST shows that Solvency I is a useless measure for the true risk:

Zero correlation between Solvency I and SST results for Non-Life companies!

Solvency I capital adequacy

Solvency II (SST) capital adequacy

Source: Swiss Regulator, Results of Field Test

Dr. Christian Mumenthaler
CRO and Member of EB
Swiss Re Group

Slide 6

Top 3 issues from a Swiss Re perspective

Swiss Re

- Appropriate **recognition of risk mitigation** through reinsurance transactions and securitizations
- Group supervision and diversification:
  The supplementary supervision of groups should rely on consolidated data. Risk **diversification** within an individual entity as well as among jurisdictions should be **fully recognized** and artificial rules restricting mobility should be eliminated.
- Investment policy:
  Asset risks should be measured on a risk-based, economic approach taking into account ALM. There should be **no quantitative investment restrictions** for insurers using internal models and sound risk management procedures.

Dr. Christian Mumenthaler
CRO and Member of EB
Swiss Re Group

Slide 7

Session III

Supervision and Audit

Solvency II – Supervision & Audit

Paul Sharma
Chair of CEIOPS working group on non-life issues

Solvency II – Supervision & Audit

Jaroslaw Boguszynski
Director, Insurance Risks Monitoring Department
Komisja Nadzoru Finansowego
(Polish Financial Supervision Authority)

The Impact of IFRS and Solvency II on Asset-Liability Management and Asset Management in Insurance Companies

Philippe Foulquier,
Director of the EDHEC Financial Analysis
and Accounting Research Centre
and Professor of Finance and Accounting,
EDHEC Business School

Samuel Sender,
Research Associate with the EDHEC Risk and
Asset Management Research Centre

27 February 2007

European Parliament
Brussels

Conceptual framework biased from the outset

Solvency II foundations: Basel II

<u>The banking issues...</u>

Basel II: reinforce the solidity and stability of the international banking system and reduce the sources of competition inequality within the banking sector

Banking risks: transformation and liquidity risks

=> Short-term risk

<u>... differ from the insurance issues</u>

Solvency II: Ensure policyholders are protected against the risk of bankruptcy in all insurance companies => focus on all risks faced by insurance companies vs. individual risks as with Basel II

Specific liabilities in the case of insurance companies: long-term, ALM, non-replicable

=> Long-term risk

Conceptual framework biased from the outset

Solvency II foundations: Basel II => execution risks

- **Limits of a short-term Solvency II ratio that does not include the robustness of ALM Models (LT)...**

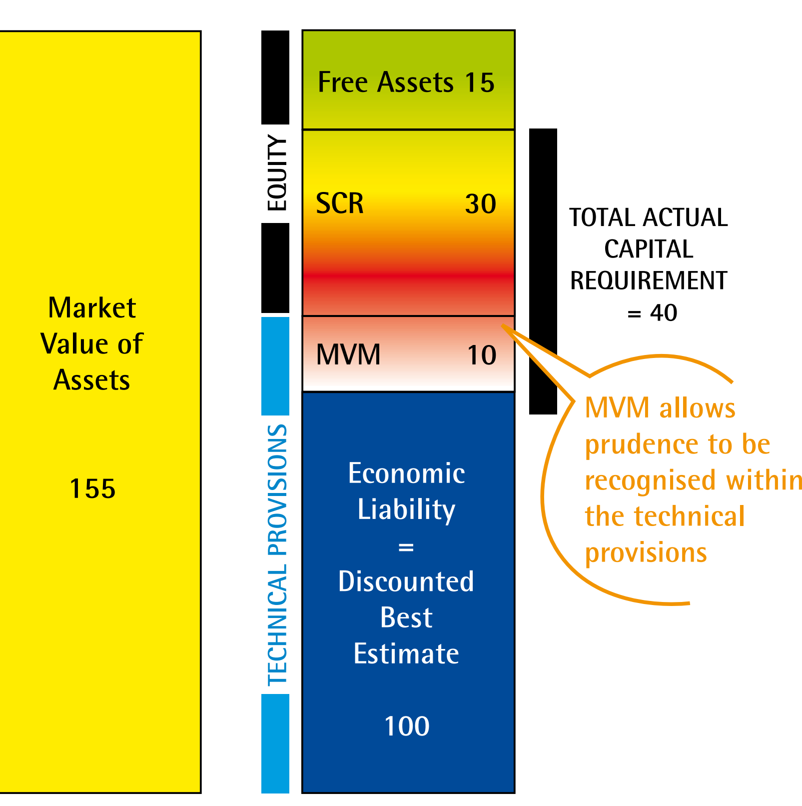
... and is too dependent on accounting variables, albeit at "fair value"

- Evaluation of non-replicable liabilities is inconsistent with the **75th percentile** method

- **Market Value Margin**

=> Hazardous treatment: danger that financial risk will be double-counted

=> Too demanding in terms of capital



Conceptual framework biased from the outset

Solvency II foundations: Basel II => substantial execution risks

- Calibration of stock volatility might fully discourage the holding of this asset, which would complicate long-term asset-liability management
- Inflation risk is not considered replicable
  => this penalises those who manage it - dissuasive
- Inadequate calibration of default risk for bonds results in excessive capital requirements
- "Nat Cat":
  - Risk of double counting
  - Geographical diversification must be better taken into consideration
- A certain lack of guidelines from CEIOPS adversely affects comparability
- Solutions do exist (see EDHEC study references at the end of this presentation)

IFRS and Solvency II: implementation that is at odds with initial objectives

Highly praiseworthy objectives...

- An improved perception of all companies, notably with regard to the risks they take
- Encouragement under the IFRS to better identify, measure and control financial market, credit, underwriting and operational risks
- Extension under Solvency II of scope, modelling, evaluation and management (particularly through the inclusion of extreme risks)

... but highly flawed implementation

- IFRS and SII: at odds with initial objectives
- IFRS: accounting volatility that is incommensurable with the economic reality, and ineffective and unnecessarily complicated measures to compensate for the asset-liability mismatch that is a result of the IASB deficiency (liabilities remaining at historical cost)
- IFRS and Solvency II standards that almost go so far as to discourage risk management practices (dynamic management, hedging, etc.)

27 February 2007 - European Parliament - Brussels

IFRS and Solvency II: implementation that is at odds with initial objectives

ALM example: liability management using bonds and derivatives

Swap transaction in the design of liability-hedging portfolios

- An insurance company enters a swap
- Will pay a single zero-coupon payment based on:
  - a breakeven rate assumed to be 2.9%
  - an attempt to protect future liability cash flow (EUR55.76m in real terms to be paid in 20 years) against interest and inflation risks
- Interest rate in 2006: 4.51%
- **A few months later: new assumption**
  - inflation rate expectation: 2.9% in 2026 (versus an expected 2%)
  - and during this period, interest rate increases from 4.51% to 5%

IFRS and Solvency II: implementation that is at odds with initial objectives

ALM example: liability management using bonds and derivatives

- **Economic impact:**
  - Change in asset value (ZC + swap) = change in liability value
    => perfect asset-liability matching

- **Accounting impact:**
  - Change in swap value **through the P&L**: EUR6m losses
  - Change in ZC value **through equity**: EUR3.7m losses
    => impact on the solvency margin
  - Change in liabilities (**at cost**): EUR0m

=> Asset-liability mismatch, therefore artificial volatility in income statement

IFRS and Solvency II: implementation that is at odds with initial objectives

ALM example: liability management using bonds and derivatives

- **Accounting impact on shareholders' equity**
  - With hedging: **-24%** Without hedging: **-9%**

  in a more favourable interest rate environment (lower present value of liabilities)!

- Purely accounting-based **artificial volatility** of shareholders' equity has no bearing on real exposure to risks

  => Considerable pressure on the **solvency ratio**

- The IFRS limit the financial management of liability hedging over several decades to a scenario where assets must be immediately liquid for each accounting report

IFRS and Solvency II: implementation that is at odds with initial objectives

Asset Management example: dynamic management to minimise the VaR and CVaR

Comparison between two strategies (from January 1993 to December 2005)

- **"Buy-and-hold" strategy**

  For a direct investment in the global index DJ Eurostoxx

- **Optimal allocation strategy**

  Optimal allocation in the different sector indices that make up the DJ Eurostoxx index with a view to minimising volatility and extreme risks

IFRS and Solvency II: implementation that is at odds with initial objectives

Asset Management example: dynamic management to minimise the VaR and CVaR

Analysis from a financial point of view

- Frequent transactions to match the reference portfolio

=> Dynamic allocation strategy is superior to "buy-and-hold" in terms of reducing volatility and extreme risks measured by the VaR and CVaR

Comparison between the financial performances of each strategy

From Jan 1993 through Dec 2005	Average Return	Maximum Drawdown	Volatility	Weekly 5% VaR	Weekly 5% CVaR
DJ Euro Stoxx (Buy and Hold Strategy) AFS category	11.62% (*)	62.99%	19.13%	4.86%	7.10%
PF MinCVaR Optimal Allocation Strategy Fair Value Through Profit or Loss category	13.82%	48.33%	16.76%	3.81%	6.39%

(*) if we assume that at the end of the period, the equity portfolio is sold.

IFRS and Solvency II: implementation that is at odds with initial objectives

Asset Management example: dynamic management to minimise the VaR and CVaR

Analysis from an accounting point of view - IFRS

- Recognition of the unrealised capital gain variations in the income statement (HTT) in the case of the dynamic allocation strategy
- And directly in the balance sheet (AFS) in the case of "buy-and-hold"

Conclusion on dynamic allocation

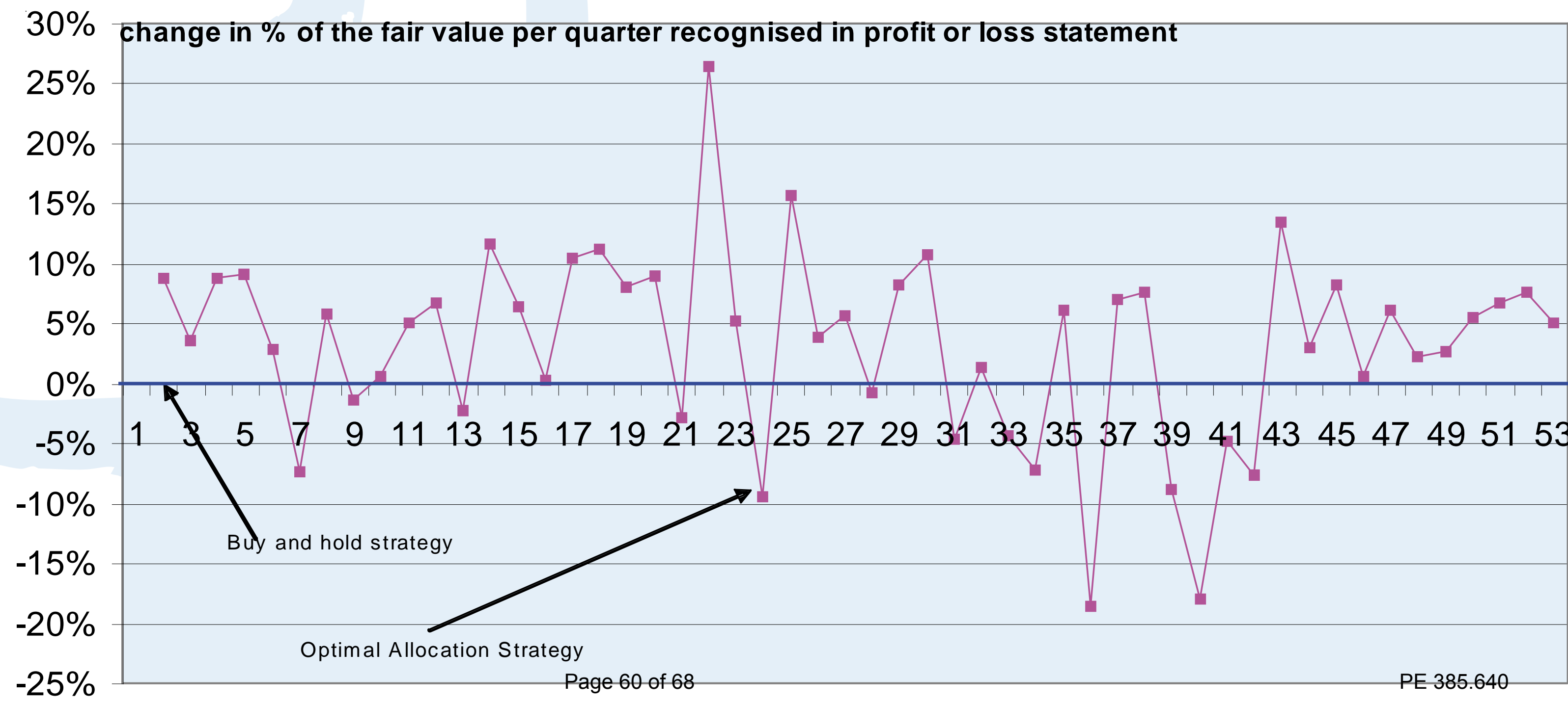
- Efficient strategy in financial terms (min VaR and CVaR)
- Positive impact on the solvency margin
- Heavily penalised however by the accounting volatility in the income statement

IFRS and Solvency II: implementation that is at odds with initial objectives

Comparison of the impact on the profit or loss statement according to the two strategies

From Jan 1993 through Dec 2005	Average Return	Maximum Drawdown	Volatility	Weekly 5% VaR	Weekly 5% CVaR
DJ Euro Stoxx (Buy and Hold Strategy) AFS category	11.62% (*)	0%	0%	0%	0%
PF MinCVaR Optimal Allocation Strategy Fair Value Through Profit or Loss category	13.82%	48.33%	16.76%	3.81%	6.39%

(*) if we assume that at the end of the period, the equity portfolio is sold.

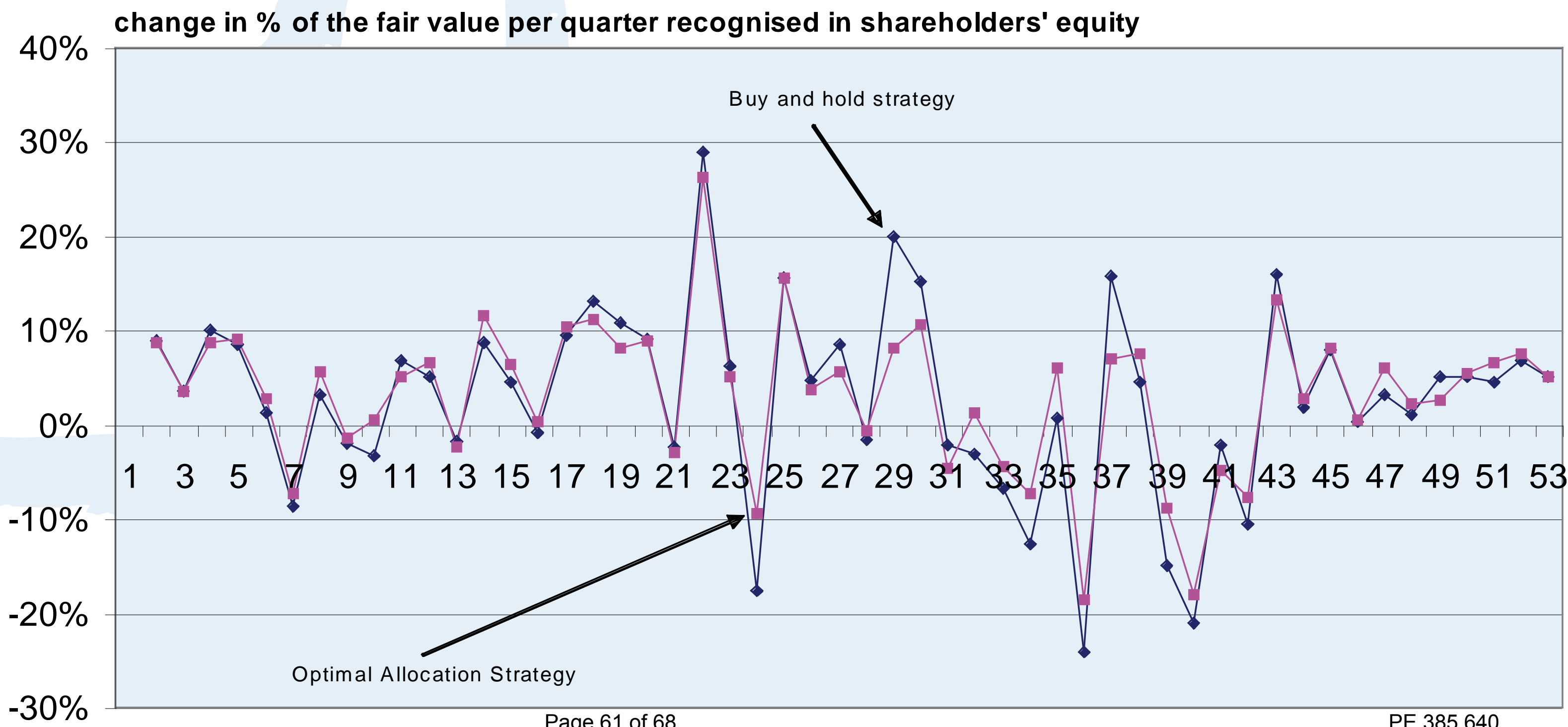


IFRS and Solvency II: implementation that is at odds with initial objectives

Comparison of the impact on shareholder's equity according to the two strategies

From Jan 1993 through Dec 2005	Average Return	Maximum Drawdown	Volatility	Weekly 5% VaR	Weekly 5% CVaR
DJ Euro Stoxx (Buy and Hold Strategy) AFS category	11.62% (*)	62.99%	19.13%	4.86%	7.10%
PF MinCVaR Optimal Allocation Strategy Fair Value Through Profit or Loss category	13.82%	48.33%	16.76%	3.81%	6.39%

(*) if we assume that at the end of the period, the equity portfolio is sold.



Conclusion

The IFRS and Solvency II objectives are pertinent ...

An improved perception of companies, notably with regard to the risks they take

The idea to use "fair value" to measure the value of assets and liabilities by including all risk factors appears to be a significant step forward for financial management

... but the solutions proposed are inadequate

The solutions for the transition put forward by the IFRS are complex, arbitrary and ultimately less transparent

They increase the volatility of accounts by considerably penalising optimal risk management, asset management and ALM practices

This goes against the objectives initially put forward by the IFRS to promote efficient risk management

27 February 2007 - European Parliament - Brussels

Conclusion

Solvency II: EDHEC regrets the approach chosen by CEIOPS in the QIS 2 and CP20

Not only does the modelling of the Solvency II standard formula not take account of the state of the art in optimal management of risk and insurance capital...

... but, left as it is, it could lead more to opportunistic arbitrage than to adequate risk management, asset allocation and ALM practices.

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Session IV

Consumer Issues

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EU Parliament
Economic and Monetary Committee
27th February 2007

Solvency II - just what the doctor ordered?

Chairman, honourable Committee members.
I would first of all like to thank you for the opportunity to speak with you today, and to highlight the development of Solvency II from a consumer point of view.

I will touch upon possible effects of the new system on competition and effects on premiums, but above all I will focus on the solvency system main objective – that of consumer protection. You have raised the question whether the new system will enhance consumer protection? I will try to give some answers to this question – but I will also touch upon why it's not an easy question to answer.

I am employed by the Swedish insurance industry. The Swedish Insurance Federation has worked with consumer issues for a long time. We have set up and supported various bodies to facilitate information and protection for consumers. One of these bodies is the Swedish Consumers Insurance Bureau which provides advice – free of charge – to numerous consumers in various insurance matters.[1]

Because of this, I have accepted the challenge of speaking to you today from the consumer point of view.

The *insurance industry* does not need a solvency system. Insurance was marketed long before any solvency system was put in place, and will survive as long as there are is a need to decrease one's risk by sharing it.

The capital market does not need a solvency system to monitor the insurance companies. Insurance companies will give the market the information it needs in order to invest in insurance companies.

So who needs a solvency system – consumers do. There are a number of factual reasons for this. The first is the informational advantage the insurance company has when it comes to pricing of risk. The second is the informational advantage the company has when it comes to assessing its own capacity to fulfil its obligations. The third is the advantage in expertise insurance companies possess – which really is the sum of the two former elements.

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[1] Approx 12 000 personal contacts each year, web-based guidance is added to this.

I addition to this, many insurance companies are not subjected to the discipline of the capital market – since they are mutuals or at least not registered on any stock exchange – getting their risk capital from the insured.

The solvency system was thus put in place to protect consumer interests.

The solvency system has developed towards a relatively crude capital regulation. Today it is the centrepiece of government regulation because it can affect risk-taking by insurance companies and their owners and constitutes a buffer to absorb unexpected losses. And it has been very successful. Insurance insolvencies are rare, and when they occur, they tend to be an effect of operational failure rather than excessive financial and underwriting risk. The expert forum of financial services users have stated that it "considers that the overwhelmingly vast majority of users are not conscious of the possibility that their insurer may fail".

A system virtually preventing insolvencies may seem a blessing, but to me it raises some questions. How do we know that the calibration of the consumer protection system is right? It is reasonable to assume that the cost of capital for the solvency margin is borne by consumers. Do consumers actually pay for costs in addition to this that are not visible – through reduced returns on capital, facilitated by lack of transparency and comparability in the insurance sector? I would venture to say that the answer to both questions is yes.

And the reason for this is the construction of the solvency system. Today's solvency system has little or nothing to do with the actual running of the insurance business. Thus the system and the supervisory tools connected to it become administrative burdens for the companies. The only way forward in this respect is to develop a more risk-based solvency system. There are a number of reasons for this:

- The risk-based capital requirement brings together the incentive structures in the risk taking of the company and public interest, i.e. the consumers.
- Prudential supervision can focus on compliance, compliance with company internal rules for risk taking. Rules that the company forms for itself to support its business ideas.
- The measurement of risk must rely on realistic valuation of assets and liabilities, as will future reporting. This increases transparency. I will get back to this.
- Consumers will still carry the cost of consumer protection – but the cost will be limited to the actual net risk exposure left in the company when all diversification and matching efforts are accounted for. The cost will therefore reflect the risk consumers as a group is facing. This cost will be priced in the capital market.

So what are the effects of such a cost-efficient consumer protection system on competition in the internal market? First it is important to underline that we do not have an internal market – yet – in insurance services. Business

insurance is often conducted cross border, but household insurance tends to be national or regional. The reasons for this are many.

One reason is the diverging implementation of the insurance directives throughout the Union. Competitive forces have a hard time when there are regulatory fences between the different markets. Competitive pressure within the one marketplace has been weakened by lack of transparency.

So I believe that the Solvency II will increase competition in a number of ways, but that this depends on harmonised implementation of the new rules throughout the Union, and depends on supervisory practices being as harmonised as possible in the internal market.

Another aspect of competition is whether Solvency II will make entry into the marketplace more difficult. The advantage of the system in this respect is that the system requires the same skills as the company needs to control its risks and thus conduct sound insurance business.

Another aspect of competitive pressure is the effect on premiums. The argument about inefficient and expensive consumer protection leads me to believe that once the new system is in place it will have a positive impact on premiums. This effect is enhanced by the fact that it is reasonable to expect increased competitive pressure in the market.

Both the European Commission and the expert forum of financial services users have been concerned with effects for small and medium sized companies. From a consumer point of view, access to insurance is important, but it should be insurance that carries the same efficient consumer protection across the board. Thus it is important that all insurance undertakings have access to risk-based solvency and the risk-control tools embedded in the system.

Summing up I want to underline that the development of a risk-based solvency system is first and foremost to the benefit of the consumer. The individual consumer may not yet understand it, but it is important that the legislator does. Solvency is nothing but consumer protection and a risk based solvency system increases efficiency and reduce costs for this protection once the system is up and going.

Provided that the directive is implemented throughout the Union in a harmonised way Solvency II will increase competitive pressures. This will in turn facilitate product development and price competition both, safeguarding a downward pressure on premiums.

A risk based solvency system is a win-win situation for all parties. It gives insurance companies the chance of focusing on internal processes and risk management – i.e. the production of insurance business. It gives consumer protection at a given level at a reasonable price. It is, in fact, just what the doctor ordered!

Thank you!