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**Groupe Consultatif Actuariel Européen
Feasibility of a standardized approach for non-life technical provisions in the
framework of the Solvency II project**

Dear Rolf,

Thank you for your letter of 11 August 2006 in which you offer to provide advice and assistance on the feasibility of a standardized approach for non-life technical provisions.

In your letter you outline that given the current situation in some companies across Europe, there is a need to develop practical solutions for a proxy approach to be adopted by those non-life undertakings which either do not have the actuarial knowledge or do not have sufficient statistical data to carry out proper actuarial calculations. You suggest the establishment of expert groups at national level in order to work out suggestions on these issues.

Let me first of all remind us of the importance to calculate a reliable best estimate being a cornerstone of the common CEIOPS position on technical provisions. I understood that the Groupe Consultatif is willing to advise us on those actuarial methods producing a best estimate of sufficient quality. On the other hand I share your observation that some companies yet fail to calculate such best estimates. Given that actuarial associations as well as supervisors should undertake any effort and appeal to the industry to start collecting data and improving expertise as early as possible before the official start of Solvency II. I would appreciate if we both could agree on that approach.

For an interim phase of some years I also see a need to find practical solutions especially for smaller firms. CEIOPS has discussed your proposal and I am pleased to

inform you that Germany, France and the UK have already set up national sub-groups to define workable proxies.

Furthermore in your letter, you offer that the GC Steering Group helps CEIOPS to coordinate the results. Although these national groups are considered independent both of CEIOPS and of the Groupe Consultatif, we are aware that the proxies need to reach a harmonized result in order to be useful at European level.

CEIOPS is pleased to accept your offer and, in order to optimize the efficiency of the process, we suggest that this coordination be done by a small coordination group under a co-presidency CEIOPS-GC. On CEIOPS side a non-life actuary closely working with the pillar 1 WG should be responsible for the coordination process. The group could start by suggesting lines of work and a realistic timetable 2007 for the national groups so that work is conducted along consistent lines. Once the national groups have defined the proposals for proxies of the best estimate, this coordination group could study whether the results obtained by applying these proxies are harmonized, given the different legal frameworks in which they operate. Once it is cleared this is the case, if further Member States are interested in using the proxies, this coordination group could work with local experts to see under what conditions the proxies are applicable, given their legal and cultural background.

Best regards,



Henrik

(Chairman)