Groupe Consultatif Solvency 2 Project – Monthly Report for Insurance Committee

9 July 2009

Introduction

This report provides an update on the progress of the Solvency 2 project. This follows the monthly teleconference calls of the project team on 2 July.

Meetings and events to date

There was a stakeholders meeting in Brussels with member state EIOPC representatives on 6 July attended by Seamus Creedon and Mark Chaplin. The major part of the meeting consisted of exchanges between CEIOPS and industry and professional representatives on controversial issues.

Actuarial standards

Groupe Consultatif is working on a paper on Actuarial Standards that can be used as a basis for discussion with CEIOPS. It appears that the authorities and industry are open to discussion of the issue at this point.

QIS5

There is an opportunity for Groupe Consultatif to contribute to the development of QIS5 which is currently being discussed..Most important in the near-term will be to comment on current consultations having regard to clarity in the context of smaller undertakings and/or in less developed markets.

Impact assessment

Deloitte is the contractor to the Commission on this, which will focus on the implications for the market of options in relation to five main issues:

- Definition of 'risk-free' discount rate
- Calibration of risk margins
- Tiering and allowability of own funds
- Pillar 2 dampener detail
- Pillar 3 disclosures to supervisors and public

Working Group Activities and Progress

Life Pillar I Working Group	• Responding to consultation papers • Canvassing opinions on possible solutions to lack of long discount rate benchmarks
Non Life Pillar I Working Group	• Responding to consultation papers
Pillar II and III Working Group	• Responding to consultation papers • Need to follow up with CEIOPS on ORSA case study
Groups Working Group	• Responding to consultation papers • Has responded to specific questions put by CEIOPS
Internal models Working Group	• Responding to consultation papers • Active engagement with CEIOPS on integration of partial models with standard formula and on frequency of calculation of SCR where practical guidance is required.
Joint co-ordination group	• Output used as basis for CP45 • Work continuing re QIS 5

Consultative Paper response deadlines:

CP No.	CP Title	Response deadline/status
26	TP - Methods and statistical techniques for calculating the best estimate	Submitted
27	TP – Segmentation	Submitted
28	SCR Standard Formula -Counterparty default risk	Submitted
29	Own Funds - Criteria for supervisory approval of ancillary own funds	Submitted
30	TP -Treatment of Future Premiums	Submitted
31	SCR Standard Formula - Allowance of financial mitigation techniques	Submitted
32	TP - Assumptions about Future management actions	Submitted
33	Advice on System of Governance	Submitted
34	Transparency and Accountability	Did not respond
35	Valuation of Assets and “Other Liabilities”	Submitted
36	Special Purpose Vehicles	Did not respond
37	Procedure to be followed for the approval of an internal model	Submitted
38	Budapest Protocol	Did not respond
-	Review of the Financial Conglomerates Directive	28-Aug
37 Addendum	Procedure to be followed for the approval of a group internal model	11 Sept 09, 4 pm CET

39	**Technical provisions Actuarial and statistical methodologies to calculate the best estimate**	11 Sept 09, 4 pm CET
40	**Technical Provisions - Risk Free Interest Rate**	11 Sept 09, 4 pm CET
41	Technical Provisions - Calculation as a whole	11 Sept 09, 4 pm CET
42	Risk Margin	11 Sept 09, 4 pm CET
43	Technical Provisions - Standards for Data Quality	11 Sept 09, 4 pm CET
44	Technical Provisions - Counterparty Default Adjustment	11 Sept 09, 4 pm CET
45	Technical Provisions - Simplifications	11 Sept 09, 4 pm CET
46	Own Funds - Classification and Eligibility	11 Sept 09, 4 pm CET
47	SCR Standard Formula - Market Risk	11 Sept 09, 4 pm CET
48	SCR Standard Formula - Non-life Underwriting Risk	11 Sept 09, 4 pm CET
49	SCR Standard Formula - Life Underwriting Risk	11 Sept 09, 4 pm CET
50	SCR Standard Formula - Health Underwriting Risk	11 Sept 09, 4 pm CET
51	SCR Standard Formula - Counterparty Default Risk	11 Sept 09, 4 pm CET
52	SCR Standard Formula - Reinsurance Mitigation	11 Sept 09, 4 pm CET
53	**SCR Standard Formula - Operational Risk**	11 Sept 09, 4 pm CET
54	**SCR Standard Formula - Loss Absorbing Capacity of Technical Provisions**	11 Sept 09, 4 pm CET
55	SCR Standard Formula - MCR calculation	11 Sept 09, 4 pm CET
56	**Tests and Standards for Internal Model Approval**	11 Sept 09, 4 pm CET
57	**Capital add-on**	11 Sept 09, 4 pm CET
58	**Supervisory Reporting and Disclosure**	11 Sept 09, 4 pm CET
59	*not yet released*	
60	Group Solvency Assessment	11 Sept 09, 4 pm CET
61	Intra-group Transactions	11 Sept 09, 4 pm CET
62	Cooperation and Colleges of Supervisors	11 Sept 09, 4 pm CET

(those highlighted in **bold** are regarded as those to which it is particularly important that a considered actuarial response is offered)

Upcoming calls/meetings:

3 August 9.00 (EST) - next Group Consultatif SII Project team conference call

8 September – Group Consultatif team meeting – London, Canary Wharf

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