



Groupe Consultatif Solvency 2 Project – Monthly Report for Insurance Committee

3 August 2009

Introduction

This report provides an update on the progress of the Solvency 2 project. This follows the monthly teleconference call of the project team on 3 August.

Meetings and events to date

Thanks to the hospitality of the Federation of Finnish Financial Services, there was the opportunity for stakeholders to discuss informally the progress of Solvency 2 with both Commission and CEIOPS in July. Key themes were an industry concern that CEIOPS draft Level 2 advice is departing from the economic balance sheet concept (in an overly prudent direction), and a concern on the part of the Commission that IFRS is moving away from market-consistent concepts.

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. The intention is that the paper should be able to be issued externally following the Lille meeting in late September.

UK ABI

The UK Association of British Insurers is publicly keen that the Groupe should take an active role in relation to discount rate issues, and particularly the argument that the liquidity characteristics of liabilities should have a bearing on the discount rate. We have indicated only that we want to be helpful to CEIOPS in this regard.

QIS5

There may be 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.

Conference speakers

We have been asked to provide a speaker for a couple of upcoming conferences. Michael Lucas will provide details and anyone interested should respond to him.



Working Group Activities and Progress

Life Pillar I Working Group	<ul style="list-style-type: none"> • Responding to consultation papers. Expecting to begin collating group member comments w/c 10 August • Canvassing opinions on possible solutions to lack of long discount rate benchmarks
Non Life Pillar I Working Group	<ul style="list-style-type: none"> • Responding to consultation papers (discussing on 10 August)
Pillar II and III Working Group	<ul style="list-style-type: none"> • Responding to consultation papers (meeting on 19 August) • Will also be reviewing CP59 • Need to follow up with CEIOPS on ORSA case study in autumn
Groups Working Group	<ul style="list-style-type: none"> • Responding to consultation papers 37A, 60, 61, and 62. • Has responded to specific questions put by CEIOPS
Internal models Working Group	<ul style="list-style-type: none"> • Responding to consultation papers (meeting on 18 August) • 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	<ul style="list-style-type: none"> • 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



Solvency 2 Project Team Update

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	Procedure to be followed for the approval of a group internal model	11 Sept 09, 4 pm CET
Addendum		
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	Remuneration issues	11 Sept 09, 4 pm CET
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:

- Potential call late August to discuss progress with CP responses (TBC)
- 3rd September 9.00 (CET) - next Group Consultatif SII Project team conference call
- 8th September – Group Consultatif team meeting – London, Canary Wharf

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