



## **Groupe Consultatif Solvency II Project – Monthly Report for Insurance Committee**

**10 December 2008**

### **Introduction**

This report provides an update on the progress of the Solvency II project. This follows a monthly teleconference call of the project team on 2 December 2008.

### **Meetings and events to date**

On 19 November Seamus Creedon attended the CEIOPS conference, at which the financial crisis was a significant theme (see <http://www.ceiops.eu/content/view/27/31/#conf07>). During this meeting IAIS indicated a definite intention to revise its capital adequacy standards to introduce a buffer intended to reduce procyclicality.

Along with the Groupe's Officers, Seamus attended a meeting with Karel van Hulle and his staff at the European Commission on 2 December. Some of the items discussed are shown below:

- There is an indication that ECOFIN will pass the French proposal. France is strongly in support of dropping the proposal for group support in return for adopting a duration based equity stress. They are aiming for a rapid Council/Parliament/Commission dialog in order to reach agreement in principle before Christmas with a plenary session to be held early in 2009.
- There is a concern that the Groups working group within CEIOPS is currently divided on the topic of group support. It is likely that it will require further input from Groupe Consultatif on a range of issues.
- The European Commission has invited tenders from consultants to conduct an impact assessment in relation to Level 2/Level 3 measures. It has invited the Groupe to comment on the brief for this.
- The requirement for professional standards in Article 47 was dropped at the request of Germany's GDV. There is concern from smaller German companies operating primarily in the non-life sector over the high cost of running an actuarial function. The Groupe will explore possibilities for the reinstatement of the reference to professional standards.

### **CEIOPS Work Plan**

- The work groups have produced papers during November 2008 which fulfil some of the requests in the letter of 18 September 2008 from FREG. The project team will also aim to prepare a response to FREG to indicate the status of Groupe Consultatif in terms of fulfilling the requests.



- The coordination group on Non-Life Coordination Group will start preparing the text for proxies / simplifications for the Best Estimate in non-life for the implementing measure of level 2 (Lamfalussy process). On 27/28 November Olaf Ermert and Rolf Stölting (the co-chairs of the Coordination Group) are chairing the first CEIOPS seminar on the Best Estimate in Non-life.
- In addition, further specific requests have been made of the Pillar I Life group, and the Groups group. Further details are provided below:

### Working Group Activities and Progress

<p>Life Pillar I Working Group</p>	<ul style="list-style-type: none"> <li>• The group has produced papers in response to requests from CEIOPS (primarily Jernej Merhar, the leader of the CEIOPS technical provisions sub-group). One covers the topic of management actions for participating business. This has currently been circulated for comments from the group and from Seamus Creedon.</li> <li>• The group has produced a short paper in response to a CEIOPS request for advice on a decision tree for the treatment of future premiums.</li> <li>• The group will work on a paper on the on the choice and quality of assumptions during December 2008.</li> </ul>
<p>Non-Life Pillar I Working Group</p>	<ul style="list-style-type: none"> <li>• The interim report "Valuation of best estimates under Solvency II for non-life insurance" has now been released</li> <li>• The report was presented to the CEIOPS/ GC coordination group on 7 November by AO and SR (French representative on the working group). The paper was well received generating an interesting and constructive discussion</li> <li>• The working group is now on the request from CEIOPS preparing a country comparison of best estimate current practices across Europe</li> <li>• The group will hold a face to face meeting on 4 December 2008</li> <li>• The focus of the meeting will be the questions from FREG on QIS4 non-life issues (the best estimate questions have already been addressed)</li> </ul>



## Solvency 2 Project Team Update

Pillar II and III Working Group	<ul style="list-style-type: none"> <li>• The group is progressing on a paper on the actuarial report. It has made some modifications after carrying out a comparison to the ICAAP report in the banking sector.</li> <li>• The group has formulated a response to CEIOPS's Issues Paper on Implementing Measures in the System of Governance. This will shortly be released to the project team and later to the insurance committee for comment. Responses to CEIOPS are due by the 12th of January.</li> </ul>
Groups Working Group	<ul style="list-style-type: none"> <li>• Henk van Broekhoven met with the "groups" CEIOPS on transferability. The chair of the CEIOPS work group has asked a number of questions. This will be communicated more formally shortly..</li> </ul>
Internal models Working Group	<ul style="list-style-type: none"> <li>• HansPeter was part of a panel at the CEIOPS Seminar on Internal Models in Trieste on 5 November.</li> <li>• The working group held a face-to-face meeting in Hanover on 13/14 November, where a first part of the draft paper on internal models was finalised. (Additional topics are planned as annexes.)</li> <li>• The working group has released a paper on internal models to CEIOPS IMEG and the project team for comment. It is expected that CEIOPS will post questions on this before year's end.</li> </ul>

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