



Groupe Consultatif Solvency 2 Project – Monthly Report for Insurance Committee

2 February 2010

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 2 February.

Working Group Activities and Progress

Life Pillar I Working Group	<ul style="list-style-type: none">• A conference call is scheduled for Thursday, 4 February to discuss the next steps. These are likely to concentrate on Level 3 issues and technical standards.
Non Life Pillar I Working Group	<ul style="list-style-type: none">• Considering date for their next meeting depending on dates of new information from CEIOPS. Noted that underwriting risk SCR standard formula calibration remains under review by CEIOPS.
Pillar II and III Working Group	<ul style="list-style-type: none">• Gearing up to respond around the involvement of the actuarial function in the ORSA.
Groups Working Group	<ul style="list-style-type: none">• Response to CP78 drafted – comments invited from wider team.
Internal models Working Group	<ul style="list-style-type: none">• Liaising directly with CEIOPS re intended consultations on Level 3 guidance.

Overview points

Level 2 measures and QIS 5 technical specification are principal near-term milestones.

QIS 5

It was noted that CEIOPS has established a task force to address the development of specification, although to the best of our knowledge this is internal only.



QIS 5 Beta

UK FSA asked some life and non-life firms to take part in a QIS5 Beta exercise. This involved recalibrating the QIS4 spreadsheet to the latest available calibrations. Data was submitted up to 8 January and it seems unlikely the results will be communicated publicly.

Impact analysis

Deloitte's consultation paper on Solvency II Impact Analysis is now available.

Level 2 Implementing Measures

Group Consultatif is expected to be consulted over the draft Level 2 measures, particularly around Technical Provisions.

Discount rate Task Force

There was a meeting on 22 January. The date for the report being published has been pushed back (was going to be 31 January). The final meeting of this group will be on Thursday (4 February). Some further work may be required to translate agreed principles into workable practice.

A number of issues still outstanding:

- Decide whether swap curve is appropriate and if so how to incorporate an adjustment for credit risk
- Do historic analysis on liquidity premium formula over last 50 years to see how frequently liquidity premium would be material
- Whether liquidity premium should apply to part of the term structure or for the entire term structure (linked to techniques for extrapolation)
- Agreement on how it should apply to different products

Quantitative reporting Groupe has been invited to a stakeholders' meeting to discuss the organisation of 'field-testing' by CEIOPS of Solvency 2 quantitative reporting templates. Involvement will be led by our Pillar 5 working group with Pillar 1 groups also involved in support.

Third wave of consultations

The final guidance on the majority of the third wave of CPs has been issued by CEIOPS. CP78 response has been circulated in draft form so please feed in any comments.

Chair of CEIOPS FinReq

It was noted that Olaf Ermert is replacing Pauline de Chatillon as chair of FinReq.



Solvency 2 Project Team Update

Upcoming calls/meetings:

3 March 09.00 (CET) - next Group Consultatif SII Project team conference call

2 March – CEIOPS Consultative Panel

23 March – Group Consultatif project team meeting – London, Canary Wharf

31 March – Groupe delegation meets CEIOPS in Frankfurt

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