



Groupe Consultatif Solvency 2 Project – Monthly Report for Insurance Committee

5 January 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 5 January.

Working Group Activities and Progress

<p>Life Pillar I Working Group</p>	<ul style="list-style-type: none"> • Have been looking at illiquidity premium and the discount rate from a German perspective. This has included liaison with CRO/CFO Forums and GDV. • Prospective tasks will include input to QIS 5 technical specification and, as may be required, to draft Level 2 measures. • ‘Future premiums’ controversy is understood to have been settled between Commission and CEIOPS – not entirely clear how or on what basis although draft Level 2 measures should clarify.
<p>Non Life Pillar I Working Group</p>	<ul style="list-style-type: none"> • Not in active mode following third wave responses. • Prospective tasks will include input to QIS 5 technical specification and, as may be required, to draft Level 2 measures. • Not aware of progress of industry / CEIOPS taskforce re catastrophe scenarios.
<p>Pillar II and III Working Group</p>	<ul style="list-style-type: none"> • Have had discussions with CEIOPS on the ORSA. • CEIOPS has asked for input in relation to the role of the actuarial function in relation to ORSA. We have agreed to respond with a range upwards from a minimum (recognising that actuarial function will not necessarily be discharged by a person qualified as an actuary).. • Input to Commission on Level 2 measures in



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	relation to actuarial function being drafted by Groupe Officers.
Groups Working Group	<ul style="list-style-type: none"> • Working on CP78 and will circulate something this month ready for the deadline of the 5th February. (Degrees of) equivalence likely to be a very important issue. • HvB attending stakeholder meeting on recognition of equivalence in January. • Are producing a paper on fungibility/transferability
Internal models Working Group	<ul style="list-style-type: none"> • Attended a meeting on L3 guidance on Internal Model Pre-Application. A CEIOPS consultation paper on this should be released late January. • Whether partial model integration remains controversial will likely depend on CEIOPS approach to Level 3.

Overview points

How Commission and CEIOPS will resolve their approach to QIS5 is not clear, but ultimately former will drive. Input from Groupe likely to be needed March/April.

Review of Level 2 draft texts – where required – will follow allocation of requests for advice within project team. ***(Note: it will be helpful if all recipients of this report share with project team any draft Level 2 measures which come to their attention.)***

Meetings and events to date

There was a meeting with CEIOPS on 17 December in which Actuarial Standards were discussed. It seems likely that the Groupe should focus on technical standards and appropriate processes for continuing satisfaction of fitness/propriety requirements.

Impact analysis

Noted that informal comments on draft report by Deloitte have been shared with the Commission.



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Discount rate

There is a meeting in Luxemburg on 12 January and a meeting in Frankfurt on 22 January to discuss the discount rate. Likely to be difficult to satisfy Commission's timetable expectation.

Third wave of consultations

The final 'third wave' batch of consultations were responded to on the 11 December. Groupe Consultatif did not respond to CP67 and CP79. The deadline for CP78 is 5 February and Groupe Consultatif will be responding to this CP.

Upcoming calls/meetings:

2 February 9.00 (CET) - next Group Consultatif SII Project team conference call

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

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