



## Groupe Consultatif Solvency 2 Project – Monthly Report for Insurance Committee

**01 June 2011**

### HEADLINES

- The Groupe's Summer School, on Own Risk Models for Solvency Assessment, was held in Lisbon on 25-27 May 2011. The event was hosted by the Instituto dos Actuários Portugueses and featured an important presentation on ORSA by EIOPA chair Gabriel Bernardino.
- Groupe Officers met EIOPA in Frankfurt on 19 May. A constructive discussion centred on actuarial techniques and ways to enhance contribution around wider S2 issues.
- The Groupe was represented at the second meeting of the EIOPA Insurance and Reinsurance Stakeholder Group meeting on 31 May which discussed, *inter alia*, Solvency II issues including treatment of contracts with long-term guarantees, recognition of future premiums, non-life and catastrophe calibration, and transitional measures.

### 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 the 1 June.

### Working Group Activities and Progress

Life Pillar I Working Group	<ul style="list-style-type: none"> <li>▪ Working group is engaged with:</li> <li>▪ Long-term guarantees working group – good progress on equity dampener and on calibration of standard formula shocks together with some progress on term structure extrapolation. However proposals for various forms of adjustment to basic swap curves appear confused.</li> <li>▪ EIOPA working group on future premiums – we are contributing but reserving our position on any ‘conclusions’.</li> </ul>
Non Life Pillar I Working Group	<ul style="list-style-type: none"> <li>▪ Next face to face meeting scheduled to be in Rome end of June. Actuarial Guidelines is main agenda item and ideally a life WG member should be present.</li> <li>▪ CAT task force has substantially finalised its input to Level 2 built around a wider technical consensus</li> </ul>



## Solvency 2 Project Team Update

	<ul style="list-style-type: none"> <li>▪ JWG – EIOPA and stakeholders - will shortly make recommendations on the non-life premium and reserve risks. Recognition of factors giving rise to data heterogeneity is an issue.</li> </ul>
Pillar II and III Working Group	<ul style="list-style-type: none"> <li>▪ Continued involvement around IFRS &amp; S2 issues.</li> <li>▪ Awaiting Further L3 consultation Papers.</li> </ul>
Groups Working Group	<ul style="list-style-type: none"> <li>▪ Awaiting further L3 consultation papers</li> </ul>
Internal models Working Group	<ul style="list-style-type: none"> <li>▪ Awaiting further L3 consultation papers</li> </ul>

### **EIOPA Insurance and Reinsurance Stakeholder Group:**

Solvency II was the only substantive issue discussed, with the implications of the gender directive and EIOPA's broader consumer protection role held over until the next meeting which is scheduled for 1 September (and will be a full day meeting).

Karel van Hulle noted his intention to publish hopefully final Level 2 text in October (subject to change by the legislators). Discussion of binding technical standards with EIOPA was under way. Omnibus II was the subject of discussion with the Hungarian presidency and was expected to be reported by Rapporteur Balz around end-June.

Discussion was under 4 headings:

Long-term guarantees: Denmark advanced the argument for market-consistency of provisions which proved surprisingly controversial.

EPIFP: The progress of the current EIOPA task force was reviewed.

NL Calibration and Catastrophe: The work of the joint working group on calibration was explained. Comment included actuarial perception of the difficulties of applying sound methods to heterogeneous data. All were agreed that the final decision would rest with the Commission. The Commission asked that if EIOPA and industry were putting forward different proposals (possibly reflecting different interpretations of the data) they should be able to explain the differences.

Transitionals: There was agreement on the need for these and little discussion of the detail.



## Other developments

The opinion of the European Economic and Social Committee on Omnibus II is at <http://eescopinions.eesc.europa.eu/eescopiniondocument.aspx?language=EN&docnr=0796&year=2011>

The Commission summary of responses to its Level 2 consultation (including discussion relating to the actuarial function) is at [http://ec.europa.eu/internal\\_market/consultations/docs/2010/solvency-2/feedback\\_summary\\_en.pdf](http://ec.europa.eu/internal_market/consultations/docs/2010/solvency-2/feedback_summary_en.pdf)

## Upcoming calls/meetings:

14 June: Groupe Consultatif Meeting with Commission

01 September: IRSG Meeting (full day)

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