



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

**02 March 2011**

### HEADLINES

Significant industry criticism of Solvency II, principally from German insurers.

Groupe Consultatif is actively involved in urgent work on all of long-term guarantees, non-life SCR standard formula calibration, and catastrophe risk calibration.

“Counterparty default risk” module is still considered burdensome and complex, EIOPA is considering along with industry and stakeholders ways to simplification.

### 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 March.

### Working Group Activities and Progress

Life Pillar I Working Group	<ul style="list-style-type: none"> <li>• WG had a telecon on 23 Feb and looked again at issues on latest draft level 2 : Contract Boundaries, Pillar 1 Equity Dampener</li> <li>• Dylan and Seamus are co-operating on Groupe input to Commission working party on long term guarantee issues</li> <li>• WG is has discussed and welcomed UKAP discount rates project</li> <li>• Next WG Meeting scheduled 23 March.</li> </ul>
Non Life Pillar I Working Group	<ul style="list-style-type: none"> <li>• WG met to address issues relating to: Actuarial Guidelines, Latest draft level 2</li> <li>• WG still actively participating in all Non-Life JWG: Premium risk factors and Reserving Risks. Consensus on recalibration looking difficult because factors emerging from data are higher than those used for QIS 5.</li> <li>• CAT Risk module is still debated. The working group has established a task force to develop proposals.</li> </ul>



## Solvency 2 Project Team Update

Pillar II and III Working Group	<ul style="list-style-type: none"><li>• Series of telecons took place recently to address Pre consultation papers on L3:</li><li>• Issues on Reporting Template were raised.</li><li>• ORSA &amp; Internal Models – interaction being addressed</li><li>• Draft feedback on ORSA and governance</li></ul>
Groups Working Group	<ul style="list-style-type: none"><li>• WG held telecom on 09/02/2011: issues raised were ORSA &amp; governance concerning groups.</li></ul>
Internal models Working Group	<ul style="list-style-type: none"><li>• On going work on Pre-consultation for Solvency II Level 3 on Validation, Use test, Profit &amp; Loss attribution and Calibration approximations.</li></ul>

### **Long-term guarantees:**

A series of meeting were held in Brussels to address issues of Long-terms guarantees notably : EIOPA analysis of investment behaviour, Extrapolation of risk-free rates, illiquidity premium/QIS5 transitional provisions for the discount rate, Valuation and credit risk of bonds and Pillar 1 dampener

### **Monetary Authority of Singapore:**

A delegation of Monetary Authority of Singapore visited UK and had the occasion to meet S2 Manager for a talk on issues relating to Solvency 2

### **Upcoming calls/meetings:**

09 March : Solvency 2 Project team Meeting in Brussels

11 March : EIOPA JWG on non-life calibration meeting in Frankfurt

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