



EUROPEAN COMMISSION

Internal Market DG
Director-General

Brussels, 23/12/04 7298
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Subject: Solvency II – Second Wave of Specific Calls for Advice

Dear Henrik,

At the meeting of the Insurance Committee on 1st December 2004, Members discussed and unanimously agreed the second wave of specific calls for advice to CEIOPS. The draft calls for advice had been circulated for consultation in advance of the meeting and have been substantially supported by Member States, industry and other stakeholders. The enclosed final calls for advice have taken account of the comments received.

Background to CEIOPS advice

Technical advice from CEIOPS is requested in the context of the Commission preparing a proposal for a Framework Directive and subsequent implementing measures. CEIOPS' advice is provided without prejudice to the Commission's right of initiative to propose EU legislation, and indeed must respect the institutional framework and balance determined by the Community co-legislators, namely, the European Parliament and the Council.

Given that the target deadline for the preparation of the Framework Directive is mid-2006, the deadlines established for the calls for advice are challenging. The Commission recognises that the first advice of CEIOPS will have to focus on issues particularly relevant to the preparation of the Framework Directive. Many of the topics addressed in the calls for advice will require more in-depth examination at a later date within the scope of the preparation of implementing measures. Consequently, at this stage CEIOPS' advice is not expected to address all technical aspects exhaustively.

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Second wave of specific calls for advice from CEIOPS

CEIOPS has manifestly a crucial role to play in the successful development of the Solvency II project, particularly under a Lamfalussy approach. In order to assist the Commission in the development of the new Solvency II system, the Commission is seeking advice from CEIOPS and other stakeholders. The provision of this advice has been structured through the Framework for Consultation presented in July 2004, setting out the policy guidelines and principles within which CEIOPS should develop its advice, and three waves of specific calls for advice from CEIOPS addressing specific areas of work important for Solvency II. The first wave of calls for advice was sent to CEIOPS in July 2004.

The second wave of advice includes many of the most complex work areas of the Solvency II project:

Request No. Area of Work

7	Technical provisions in life assurance
8	Technical provisions in non-life insurance
9	Safety measures
10	Solvency capital requirement: standard formula (life and non-life)
11	Solvency capital requirement: internal models (life and non-life) and their validation
12	Reinsurance (and other risk mitigation techniques)
13	Quantitative impact study and data related issues
14	Powers of the supervisory authorities
15	Solvency control levels
16	Fit and proper criteria
17	Peer reviews
18	Group and cross-sectoral issues

Third wave of specific calls for advice from CEIOPS

The third wave of calls for advice will address a number of general issues not dealt with specifically in the two first waves. Issues in the third wave of calls will include i.e. pillar III disclosure, SME issues, pro-cyclicality as well as precisions concerning eligible capital for the available solvency margin.

We are preparing the third wave of calls for advice and intend to send them out for consultation in the beginning of February 2005. We will ask Members of the Insurance Committee for comments in written procedure. Immediately, after the consultation of the Members of the Insurance Committee, we will send the calls for advice to CEIOPS.

Reporting and deadline for advice

CEIOPS and the Commission Services have already agreed that regular progress reports should be provided to the Commission at four monthly intervals. Technical advice (under the second wave of specific calls for advice) in relation to the preparation of the Framework Directive should be provided by 31 October 2005. Given the desirability of maintaining flexibility to cater for differing situations, we would propose that the precise format of progress reports be subject to CEIOPS discretion.

After discussions with the CEIOPS Secretariat, I can also confirm that the reporting deadline for the requests No. 4 “Transparency of supervisory action” and No. 5 “Investment management rules” has been changed to 30 June 2005 in order to enable a streamlined treatment of the advice under the first wave of calls.

Solvency II road map and policy debate in the IC

As the Solvency II work is entering into a very active phase with numerous parallel activities, we intend to prepare a new road map document outlining major milestones and discussing certain crucial issues for the project. The document will serve as the basis for a policy debate at the meeting of the Insurance Committee on 23 March 2005.

The road map document will give broad timelines for the Solvency II project and indicate when stakeholders could expect consultative papers. The document will deal with overall project management issues, discuss the issue of setting priorities between different work areas of the project, as well as elaborate on the need for clarifications to certain calls for advice.

I believe it would be useful to have a discussion between my Services and the CEIOPS Bureau and Secretariat at an early stage in the preparation of this document. I understand that this discussion will take place in January 2005.

Transparency

Throughout the discussion between the European Parliament and the Council, great emphasis has been placed on maximum transparency. Therefore, I should also like to suggest that my letter and CEIOPS response be made available on our web sites.

I would appreciate if you could confirm to me your agreement to the above approach. Similarly, should you have any queries on the second wave of specific calls for advice, please let me know.

We look forward to working closely together with CEIOPS in the coming years on the Solvency II project.

Yours sincerely,

(signed)
Alexander SCHAUB

Annexes: Specific calls for advice (Second wave: Request nos. 7-18)

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