

ROADMAP

Title of the initiative: Insurance - **Solvency II (Directive 2009/138/EC) Level 2/implementing measures**

Type of initiative (CWP/Catalogue/Comitology): CWP/ Comitology

Lead DG: MARKT/H2

Expected date of adoption of the initiative (month/year): end 2010

Date of modification

Version No: 1

Initial IA screening & planning of further work

A. Context and problem definition

(i) What is the political context of the initiative? These are the Level 2 measures to implement the Solvency II Level 1 Framework Directive. (ii) How does this initiative relate to past and possible future initiatives, and to other EU policies?

This question has already been addressed during the development of the Level I Framework Directive.

What are the main problems identified?

These have already been identified in the Impact Assessment carried out for the Level 1 Framework Directive¹. The problem definition remains the same for the Level 2 Impact Assessment.

Who is affected?

Insurers and reinsurers are directly affected; supervisors and policyholders will be indirectly affected.

(i) Is EU action justified on grounds of subsidiarity? (ii) Why can the objectives of the proposed action not be achieved sufficiently by Member States (necessity test)? (iii)

As a result of this, can objectives be better achieved by action by the Community (test of EU Value Added)? This question has already been addressed during the development of the Level 1 Framework Directive

B. Objectives of EU initiative

What are the main policy objectives?

The main policy objectives are those already identified in the Level 1 Framework Directive. In summary, Solvency II aims at deepening the integration of the EU insurance market, enhancing the protection of policyholders and beneficiaries, improving the international competitiveness of EU insurers and reinsurers and promoting Better Regulation.

Do the objectives imply developing EU policy in new areas or in areas of strategic importance?

These are Level 2 measures in the Lamfalussy process, which develop the principles set out in the Level 1 Framework Directive on the taking-up and pursuit of the business of Insurance and Reinsurance.

C. Options

¹ http://ec.europa.eu/internal_market/insurance/docs/solvency/impactassess/final-report_en.pdf

(i) What are the policy options? (ii) What legislative or 'soft law' instruments could be considered?

(iii) Would any legislative initiatives go beyond routine up-date of existing legislation?

The policy options for the Level 1 Framework Directive have already been analysed and evaluated in the Impact Assessment for the Level 1 Framework Directive. A total of 17 policy issues have been identified in relation to the Level 2 implementing measures. These are split into high level, low level and other issues. The Level 1 Framework Directive requires Level 2 implementing measures to be introduced in relation to each of these issues. The policy options in relation to these issues are set out in Version 3 of the List of Policy Issues and Options for the Level 2 Impact Assessment of Solvency II².

Does the action proposed in the options cut across several policy areas or impact on action taken/planned by other Commission departments?

The policy issue relating to the choice of the risk-free interest rate curve for discounting technical provisions may be relevant to the work being done by other Commission departments on Pensions including in DG (EMPL) and DG (SANCO), as the choice of the discount rate can have a significant impact on life insurers who provide retirement products. Representatives from these departments participate in the inter-service Steering Committee.

Explain how the options respect the proportionality principle

The Level 1 Framework Directive requires the Commission to ensure that Level 2 implementing measures take into account the principle of proportionality, thus ensuring the proportionate application of Solvency II, in particular to small insurance undertakings.

D. Initial assessment of impacts

What are the significant impacts likely to result from each policy option (cf. list of impacts in the Impact Assessment Guidelines pages 32-37), even if these impacts would materialise only after subsequent Commission initiatives?

The analysis of the impacts that will result from the choice of policy options on the Level 2 implementing measure issues is ongoing. However, the Level 1 Impact Assessment concluded that Solvency II would enhance policyholder protection and increase competitiveness across the European insurance industry. This increased competition is expected to put downward pressure on many insurance prices, and increase the choice for policyholders by encouraging product innovation.

Could the options have impacts on the EU-Budget (above 5 Mio €) and/or should the IA also serve as the ex-ante evaluation, required by the Financial Regulation?

The Level 2 implementing measures are not anticipated to impact on the EU-Budget, as this was not one of the conclusions drawn in the Level 1 Impact Assessment. Any ex-ante evaluation should be carried out on the basis of the Level 1 Impact Assessment.

Could the options have significant impacts on (i) simplification, (ii) administrative burden or on (iii) relations with third countries?

Two of the policy issues are related to supervisory reporting and public disclosure. The assessment of the administrative burden in relation to the reporting requirements is ongoing and the Commission is currently examining the administrative burden of a number of different policy options. The remaining policy options are not considered relevant to either simplification or relations with third countries.

²http://ec.europa.eu/internal_market/insurance/docs/solvency/solvency2/list_of_policy_issues_ia_ver3_en.pdf

E. Planning of further impact assessment work

When will the impact assessment work start?

The impact assessment work started at the end of 2008 and is continuing.

(i) What information and data are already available? (ii) Will this impact assessment build on already existing impact assessment work or evaluations carried out? (iii) What further information needs to be gathered? (iv) How will this be done (e.g. internally or by an external contractor) and by when?

(v) What type and level of analysis will be carried out (cf. principle of proportionate analysis)?

The Level 1 Impact Assessment is available via the Commission's website. The Level 2 Impact Assessment will build on the Level 1 Impact Assessment and will examine the relative impacts of the different policy options for the Level 2 implementing measures. As part of its final technical advice on Level 2 implementing measures the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) has provided its analysis of the impacts of the policy issues identified. This analysis is available through CEIOPS website. The Commission has engaged Deloitte to carry out an independent Level 2 impact assessment study. The final report from Deloitte will be provided to the Commission Services later this year. The Deloitte study will include a multi-dimensional analysis in relation to the high level issues, where the impact of a range of different possible combinations of policy options will be analysed and compared. The Deloitte study, together with input provided by CEIOPS, will inform the main impact assessment report that the Commission will produce and publish at the same time that it publishes its proposal for Level 2 implementing measures.

Which stakeholders & experts have been/will be consulted, how and at what stage?

Two steering committees have been set up to gather input from stakeholders and experts and to inform them of developments in relation to the Level 2 Impact Assessment. Firstly, the Steering Committee for the Solvency II Impact Assessment External Study, which includes representatives from insurance industry associations, CEIOPS and a representative for the actuarial profession. Secondly, the inter-service Steering Group includes representatives from a number of Commission departments. The Commission intends to consult stakeholders more widely on the Level 2 policy issues later this year.