



MARKT/2514/05-EN

June 2005

NOTE TO THE MEMBERS OF EIOPC

**Subject: Policy issues for Solvency II
Amendments to the Framework for Consultation**

1. INTRODUCTION

The Framework for Consultation was discussed in the Insurance Committee (IC) at the June 2004 meeting. It was envisaged that the document could function as a dynamic reference document for the development of the new insurance solvency system, Solvency II. If the document were to be revised, the Commission would consult the IC.

At the December 2004 meeting, the IC was informed of the Commission's intention to reflect on some issues that would require further policy guidance. CEIOPS in particular requested that the number of possible solutions to some of the Calls for Advice be narrowed down. A draft amended Framework for Consultation was discussed at the April 2005 meeting. In addition to the comments from Member States, stakeholders were also consulted. Annexed to this note is the amended Framework for Consultation.

2. AMENDED FRAMEWORK FOR CONSULTATION

The annexed amended Framework for Consultation reflects the comments made by Member States and other stakeholders. The objective now is to assess whether the comments made in the last meeting have been properly reflected in the Annex. It is not the intention to re-open the debate.

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At the last meeting several Member States commented that Solvency II should not lead to an increase in the level of capital in the system, but only to an increase of the level of regulatory capital. The Commission Services take the view that it is too early to make any definitive statements on the impact of the new capital requirements on the overall level of capital. One of the objectives of Solvency II is to have a risk oriented solvency requirement, based on IASB compatible accounts. Companies will have the possibility to influence the impact and reduce their capital requirement, if they manage their risks well. The Impact Assessment and the Quantitative Impact Studies will provide more detail on the exact effect. Therefore, this issue is included in future work.

3. NEXT STEPS

After the meeting of the EIOPC, the Annex to this note (Framework for Consultation) will be finalised and sent to CEIOPS.