



**Markt/2525/05**

## **NOTE TO THE MEMBERS OF THE EIOPC**

### **Update on the Solvency II impact assessment**

#### **The purpose of this note is:**

To update the EIOPC on the planning of the work for assessing the impact of Solvency II including the creation of an Inter-service Steering Group and the publication of a document considering the structure, timing and organisation of the impact assessment work (MARKT 2519/05). The note also sets out further work and consultation that the Commission Services consider necessary. It includes finally an updated indicative timetable which, in particular, foresees holding a public hearing in June 2006 as part of the consultation process.

#### **Questions to the Members of the EIOPC:**

***Question 1: Do you have any comments or questions on the further work proposed?***

***Question 2: Do you have any comments or questions on the proposed consultation strategy?***

## **Background**

The Solvency II Directive proposal must be accompanied by an impact assessment report. It should provide a general introduction to the area, the need for legislative action and outline the objectives of the work and the various options available to meet these objectives. It should provide qualitative as well as quantitative assessments of the various options. It should furthermore include stakeholders' comments and should show how these have been taken into account in the preparation of the proposal. Responsibility for the overall impact assessment rests with the Commission, although results from Quantitative Impact Study (QIS) exercises run by the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) will be a key input in assessing the quantitative impact of the proposal.

In line with its own guidelines on impact assessments, the Commission Services propose to set up an Inter-service Steering Group (ISG), given the cross-cutting nature of the Solvency II project, to oversee future work. The ISG is designed to "provide specialized input" and "bring a wider perspective to the process". This ISG will be chaired by the Insurance and Pensions Unit and invitations to participate to this group will be issued to the following Directorates General: SANCO, ENTR, ECFIN, EMPL, COMP, JLS and SEC GEN. It is foreseen that the ISG will meet three times in December 2005, June 2006 and March 2007.

The recasting of existing directives will not form part of the impact assessment unless there are substantive changes made to the existing directives .

## **Publication of MARKT 2519/05**

The Commission Services have published a document entitled "The Impact Assessment of the Solvency II Level 1 Directive: Considerations on function and possible structure; Timing and organisation of work" (MARKT 2519/05) on its web-site. The published version of the paper is identical to the version sent to the European Insurance and Occupational Pensions Committee (EIOPC) and CEIOPS for comment on 1st August 2005. Member States were given 6 weeks to provide feedback.

The Commission Services received comments from six Member States - DE, DK, FR, SE, UK and PL. Four of the six Member States felt that the 60th percentile of technical provisions should be tested in addition to the 75th and 90th percentiles as part of QIS1. This comment was passed on to CEIOPS by the Commission Services. CEIOPS has now decided to invite firms, if they so choose, to provide information regarding the 60% as well as the 75% and 90% as part of QIS1.

MARKT 2519/05 sets out the structure of the impact assessment report and a roadmap – the roadmap envisages that a first draft of the impact assessment report will be delivered in October 2006 (final draft February 2007).

## **Further Work**

On the basis of the work already done and in particular the extensive consultation already carried out with Member States, insurance supervisors, the insurance industry and other stakeholders, a number of working assumptions have been made in the most recent Framework for Consultation. These will be tested further and may be modified in the event that further testing indicates that the choices made are sub-optimal.

The Commission Services consider that, in order to help finalise policy decisions and to ensure that co-legislators will have a complete and balanced picture of the impact of the proposed directive, five specific additional pieces of work need to be conducted. While the first of these pieces of work will be conducted by CEIOPS, the four others will be directly organized by the Commission Services, in close contact with Member States, CEIOPS, the insurance industry and other stakeholders.

The first and most important of these is the Quantitative Impact Studies being conducted by CEIOPS, which will provide valuable information regarding all policy options related to the calculation of technical provisions and solvency requirements.

The second piece of work required relates to assessing the likely macro-economic effects of the introduction of Solvency II including the impact on financial stability.

The third useful piece of work would be to look at the wider impact of the various options on insurance-specific aspects, such as insurance markets and products and supervisory authorities. This work should include an assessment of the impact on SMEs.

The fourth piece of work needed relates to how the impacts of the proposal will be monitored and evaluated after implementation.

Finally, the Commission Services believe it would also be valuable to conduct a market failure analysis as part of the problem definition work.

***Question: Do you have any comments or questions on the further work proposed?***

### **Further Consultation**

In addition the Commission Services recognise that further consultation would be useful once CEIOPS' answers to all three waves of calls for advice have been finalised and we have a clearer picture of the overall system.

The Commission Services therefore propose to organise a public hearing in June 2006. Its purpose is to provide Member States, insurance supervisors, the industry and other stakeholders with an opportunity to discuss the overall Solvency II project, once CEIOPS' have finalised their answers to all three calls for advice and the results of the first QIS exercise are available.

In preparation for the public hearing, the Commission Services will send out a questionnaire to a representative sample of stakeholders regarding the qualitative impacts of the Solvency II proposals.

The Commission Services will also undertake a number of interviews with concerned parties including consumers, industry representatives, academics and think tanks as part of the preparation of the Impact Assessment report.

***Questions: Do you have any comments or questions on the proposed consultation strategy?***

## Indicative timetable

The table below is based on the revised July 2005 version of the Solvency II roadmap. It has been updated to include three meetings of the ISG and the Public Hearing proposed in this note.

<i>Date</i>	<i>EIOPC</i>	<i>CEIOPS</i>	<i>Solvency Working Group</i>	<i>Internal EU COM</i>	<i>External stakeholders</i>
October 2005		Launch QIS1		Publish IA roadmap	
November 2005	Mtg – discuss IA			Paper for EIOPC	
December 2005				1 <sup>st</sup> ISG meeting	
February 2006		QIS1 Results	IA Working Paper		
April 2006	Mtg – discuss IA	COM Dialogue			
May 2006		Launch QIS2	IA Elements Paper		
June 2006				2 <sup>nd</sup> ISG meeting	Public Hearing
July 2006	Mtg – discuss IA				
September 2006					
October 2006		Results QIS2	IA First Draft		
November 2006	Mtg – discuss IA	COM Dialogue			
December 2006			IA Second Draft		
February 2007	IA Final Draft				
March 2007				3 <sup>rd</sup> ISG meeting	
May 2007	Mtg – discuss IA				
July 2007	Directive proposal ready for adoption by the Commission.				

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