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**Draft Minutes of the 15th meeting of the
European Insurance and Occupational Pensions Committee**

Brussels, 31 March 2010

Opening and welcome.

The meeting was opened and chaired by Mr Karel VAN HULLE, Head of the Insurance and Pensions Unit in the Internal Market and Services Directorate-General of the European Commission.

1. Agenda.

The draft agenda as proposed by the Commission was adopted without amendments.

2. Minutes of the 14th meeting of the EIOPC held on 26 November 2009.

No requests for changes to, or comments on, the draft minutes were raised and the minutes of the 14th meeting of the EIOPC as tabled by the Commission were adopted.

3. Financial Stability - CEIOPS Stress Testing Exercise.

A CEIOPS representative informed EIOPC members about results of a stress testing launched by CEIOPS on the request of the EU Economic and Financial Committee (EFC) on 12 November 2009. The exercise included 28 large European insurance groups, covering above 60% of premiums of the European insurance market. The aim of the stress test exercise was to evaluate the overall resilience of the insurance sector under several stresses to the economic and financial market environment. Participating insurance groups were asked to calculate the impact of stresses on their solvency ratios under three scenarios: an adverse scenario and two additional severe scenarios (a deep recession and an inflation scenario). The results of CEIOPS' stress test exercise indicate that the large and important European insurance groups would remain resilient even in severe scenarios. In all scenarios, the aggregated level of available capital exceeds the regulatory requirements.

A Member State representative referred to the fact that the stress testing was done under Solvency I. The CEIOPS representative confirmed that there are different accounting and valuations standards and that Solvency II would offer more comparable results.

The Chairman clarified that the next stress testing will be performed after QIS5.

4. Solvency II – Recent Developments, Next Steps.

a) Impact Assessment.

A Commission representative updated EIOPC members on the status of the impact assessment work for Solvency II level 2 implementing measures.

In relation to the on-going impact assessment study being undertaken by Deloitte, it was highlighted that a draft final report was received from Deloitte on 2 March 2010. This report has been circulated to all members of the impact assessment steering committee ahead of a steering committee meeting on 12 April 2010. The Commission will then provide written comments on the draft final report, including any comments received from members of the steering committee, by 16 April 2010. Deloitte will then amend the report before it submits its final report by 2 June 2010.

Several Member States requested clarification on how the Impact Assessment study being undertaken by Deloitte "dovetails" with QIS5 that will be carried out from August to November 2010. The use of QIS4 numbers in the Deloitte study, which are based on end-2007 data, was also questioned in this regard.

The Commission representative clarified that the Commission would need to publish an impact assessment alongside its proposed level 2 implementing measures. The purpose of this impact assessment would be to analyse the relative impacts of the different policy options identified in relation to each policy issue, in order to inform the choice of the policy option. The purpose of the Deloitte impact assessment study is to provide useful input into this work. In contrast, the purpose of QIS5 is to test the actual quantitative impact of the proposed level 2 implementing measures. It was also clarified in response to a question from one Member State that the Deloitte impact assessment study allows for a wider scope than QIS5 and would also include an analysis of social and economic impacts, financial stability impacts and the administrative burden of Solvency II.

Some Member State representatives indicated that they had doubts on the methodology used by Deloitte and questioned whether there would be an opportunity for EIOPC members to provide comments on the Deloitte report. Another Member State also agreed on the importance that EIOPC members were given sufficient opportunity to provide comments.

The Commission representative indicated that the Deloitte report would be tabled for information at the EIOPC meeting in June 2010. It was highlighted, however, that the Deloitte impact assessment would only be one input into the Commission's own impact assessment. The Commission's own impact assessment would also take into account input received from other key stakeholders, namely CEIOPS. Consequently, EIOPC members should provide comments on the Deloitte report that can be then incorporated into the Commission's impact assessment. It was agreed by the Commission and EIOPC members that the impact assessment and QIS5 should complement one another and that their respective roles should be made clear.

b) QIS5.

A Commission representative explained the process for the development of the QIS5 technical specifications. The Commission will receive draft QIS5 technical specifications from CEIOPS on 31 March 2010. The services of the European Commission will update the advice where it is not in line with the Solvency II Directive or where discussions at the Expert Group for Insurance Solvency indicate so. The updated draft QIS5 technical specifications and the draft Call for Advice on QIS5 will be put into consultation with stakeholders, the European Parliament and Member States on 15 April 2010. The consultation will end on 20 May 2010. There is no need for a comprehensive public consultation because the draft QIS5 technical specifications are based on thoroughly consulted CEIOPS advice. Therefore, the consultation will be restricted to the main European stakeholder groups: CEA, AMICE, CRO Forum, CFO Forum, Groupe Consultatif and representatives of the captive industry. The consultation includes a stakeholder meeting on 30 April 2010. QIS5 will also be discussed at the Commission's public hearing on Solvency II on 4 May 2010.

The services of the European Commission will process the comments received during the consultation and finalise the QIS5 technical specifications and will submit them to the EIOPC meeting on 30 June 2010. The Commission will issue the Call for Advice on QIS5 with the QIS5 technical specifications as an annex on 1 July 2010.

The Commission representative described a draft Call for Advice that asks CEIOPS to run QIS between August and November 2010 and to publish a report on the results in April 2011. The process set out in the Call for Advice is similar to the previous QIS. The Commission representative highlighted two major changes. Firstly, the participation objectives are higher (Paragraphs 8 to 11 of the draft Call for Advice). At least 60% of the solo undertakings and 75% of the European groups are requested to participate. In QIS4 the benchmarks were 25% and 60% respectively. Secondly, the requirements on national guidance are stricter than in QIS4 (Paragraph 12 of the draft Call for Advice). CEIOPS is required to check the consistency of

national guidance with the Solvency II Directive and the QIS5 technical specifications before it is issued.

Several Member States asked for a more ambitious participation objective. Ideally all undertakings should participate in QIS5. Some Member States also underlined the importance of national guidance and translations of the QIS5 technical specifications.

The Commission representative clarified that translations of the QIS5 technical specifications are not considered to be national guidance and should not be subject to the requirements for national guidance.

A representative of one Member State suggested adding to the list of objectives of QIS5 in Paragraph 7 of the draft Call for Advice that the exercise should be a starting point for an ongoing dialogue between supervisors and insurers and re-insurers in preparation for the new supervisory system.

The CEIOPS representative informed EIOPC members that the technical specifications were approved at the CEIOPS members meeting on 29 March 2010. She also explained that CEIOPS is preparing a number of training seminars for supervisors and industry that will carry out QIS5. With regard to the issue of national guidance, CEIOPS has identified areas and specifications where national guidance will be needed. She mentioned that different interpretations of technical specifications must be avoided. She also stated that the technical specifications will be submitted to the Commission and will also be shared with EIOPC members to ensure transparency on the process and the developments that the technical specifications will undergo before and after the consultation.

The Chairman clarified that the solvency balance sheet means the economic balance sheet which is produced under Solvency II. The Chairman then concluded that the services of the European Commission will take comments of Member States into account when the draft Call for Advice is updated and before it goes into consultation.

c) Timing of Discussions on the Level 2 Implementing Measures.

A Commission representative presented the current status of discussions on the Level 2 implementing measures. As announced at the last EIOPC meeting, the Insurance Solvency Expert Group holds two days meeting per month since January 2010. In February and March 2010, there were 3 days of meetings. This allowed discussions over all items that were originally planned. 21 draft implementing measures were discussed at least once, 8 twice. A few topics remain to be covered, i.e. adjustment for ring-fences funds, SCR standard formula, MCR, groups with centralised risk management, partial internal models, approval of group internal models, and equivalence. Discussions will continue at this pace until summer 2010. Next meeting dates are 19-20 April 2010; 7 May 2010; 20-21 May 2010; 14 June 2010; and 28-29 June 2010.

In replying to questions by representatives of two Member States, the Chairman stated that a decision with regard to forms of legal instruments (a Regulation and/or a Directive) would be taken at a later stage, once discussions on the substance with regard to the implementing measures are advanced. The Chairman explained that it is not still clear whether Article 290 or 291 TFEU should be used as a legal basis for the implementing measures. The Chairman also mentioned that there will be transitional measures in the Level 2 implementing measures. In order to do so, the Solvency II Directive will have to be amended, most suitably, through the forthcoming Omnibus II Directive. The Chairman, therefore, requested Member States to inform the services of the European Commission as soon as possible of the areas where they would see a need for such transitional measures.

The Chairman also informed EIOPC members that a Public Hearing on Level 2 implementing measures for Solvency II will be held on 4 May 2010.

5. Update on EC Plans for a Revision of the IMD and State of Play of the PRIPs' Initiative.

A Commission representative informed EIOPC members that the legislative proposal revising the current IMD has been postponed to 2011.

The Commission representative then provided an update on the main aims with regard to the revision of the IMD. In this respect he referred to the letter of Director-General Jörgen Holmquist sent to CEIOPS on 27 January 2010 requesting technical advice on several priority areas of the IMD revision.

The Commission representative highlighted the need to introduce a level playing field for all actors involved in the sales of insurance products. This is particularly relevant to the sales through insurance companies and their employees. The level playing field needs to be considered also as regards potentially diverging requirements for various categories of insurance intermediaries, e.g. agents and brokers. He also mentioned considerations of the services of the European Commission to tackle remuneration in the IMD2, in order to provide fundamental orientations for Member States and harmonize diverging national practices in this area. At this stage the focus is given to the content of the future regulation of distribution activities in the insurance sector and not to the preferred legislative choices (a Lamfalussy Directive or a simple amendment).

With regard to PRIPs, the Commission representative mentioned that the Commission will come forward with concrete proposals in 2011. He referred to the contribution of CEIOPS and emphasized the complexity of several work streams of PRIPs, such as that of scope. He stated that the services of the European Commission prefer the 3L3 dimension of further work and the establishment of a specialized CEIOPS, CESR and CEBS 3L3 Task Force on PRIPs. The 3L3 dimension has the best chance to reflect on cross-sectoral solutions of future PRIPs legislation, such as comparative factors in the pre-contractual phase or division of responsibilities within the distribution channels regarding suitability and accuracy of information for policyholders.

A representative of one Member State asked as to whether remuneration would also be considered in the text of the IMD2.

The Chairman pointed out that the aim is not price regulation but more transparency as well as clarified relations as far as intermediation is concerned. The Chairman also explained that an amendment to the IMD would require a detailed Impact Assessment.

The CEIOPS representative briefly referred to an on-going work of CEIOPS on PRIPS and the pensions area.

A representative of another Member State expressed the view that PRIPS creates an artificial distinction between standard and 'packaged' retail insurance products. She also pointed out that the expected outcome of the 3L3 contribution should be critically construed.

The Chairman added that the legislative changes in MiFID, being the benchmark for the future conduct of business rules for all PRIPs, have been postponed until 2011.

6. State of Preparations towards White Paper on Insurance Guarantee Schemes.

The Chairman informed EIOPC members that the European Commission's Impact Assessment Board refused the Impact Assessment on IGS. The services of the European Commission will re-submit the Impact Assessment together with the White Paper in the second half of 2010.

Representatives of two Member States pointed out that winding-up regime in banking and insurance differ. The Chairman stated that the question of insolvency in insurance will, however, not be subject to the White Paper.

7. Update on Pensions Issues.

A Commission representative provided an update about the forthcoming Green Paper on pensions. The financial and economic crisis has accelerated the challenge of ensuring adequate and sustainable pensions in an ageing economy and has emphasised that more must be done to improve the efficiency and safety of pension schemes. President Barroso called for a European approach to pension systems in September 2009. The Green Paper recognises the mutually reinforcing links between pensions and the Europe 2020 strategy for smart, sustainable and inclusive growth.

The Commission representative underlined that the Green Paper does not question Member States' prerogatives in pensions and it does not suggest that there is one 'ideal' one-size-fits-all pension system design. The Green Paper takes an integrated approach across economic, social and financial market policies. It is being prepared jointly by DG EMPL, DG ECFIN and DG MARKT. The target publication date for the Green Paper is June 2010. In this context MARKT intends to initiate a review of the IORP Directive.

8. Any Other Business.

a) Methodology for the Review of the Minimum Amounts referred to in Article 9(1) of Directive 2009/103/EC (Motor Insurance Directive) (*markt.h.2(2010)90319*).

A Commission representative informed EIOPC members about the Proposed Methodology for the Review of the Minimum Amounts referred to in Article 9(1) of the Motor Insurance Directive 2009/103/EC. The Proposed Methodology duplicates the methodology for the annual review of the minimum guarantee fund (life, non-life and reinsurance) and the premium and claims indices (non-life), as required under Article 30 of the Life Assurance Directive 2002/83/EC, Article 1(3) of the Solvency I Non-life Insurance Directive 2002/13/EC and Article 41 of the Reinsurance Directive 2005/68/EC.

According to Article 9(1)(3) of the Motor Insurance Directive, Member States which wish to avail themselves of a transitional period must inform the Commission thereof. In addition, the Member States must indicate the duration of the transitional period. The review does obviously not apply in cases of an unlimited liability. The Commission representative stated that a list of Member States with and without transitional period will be annexed to the Proposed Methodology.

The Chair suggested a written procedure for the adoption of the Proposed Methodology according to Article 9 of the Rules of Procedure for the European Insurance and Occupational Pensions Committee of June 2005 (*Markt/2515/05*) which would take place in May/June 2010, otherwise the Methodology will be submitted for an approval by EIOPC in its meeting in June 2010.

b) Recent Holocaust Insurance Bill in the US.

A Commission representative informed EIOPC members that a Bill on Holocaust Insurance was tabled in February 2010 in the House of Representatives, solely by Representative Ros-Lethinen. The Bill would allow wide ranging in opening litigations at State level, with the possibility of reopening previously rejected suits and nullifying executive agreements of the US Government as well as the US Supreme Court's Garamendi judgement of 2003. The Bill seeks to enshrine State law causes of action and the requirement under State law to disclose insurance policies (life, dowry, education, property or other insurance policy) which were issued to a policyholder

domiciled in any area occupied or controlled by Germany between 30 January 1933 and 31 December 1945.

The Chairman stated that DG MARKT and the EC Delegation in Washington DC will of course closely monitor developments relating to this file.

A representative of the Czech Republic informed EIOPC members about the establishment of a private institute unifying all efforts for compensation of Jewish persons in the Czech Republic.

Next meeting

No further points being raised, the Chairman closed the meeting.

The Chairman announced a tentative schedule for the 16th EIOPC meeting being in the week of 30 June 2010.