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Dear Jörgen,

Thank you for your letter of the 12<sup>th</sup> of June, where you provide CEIOPS with further guidance regarding the Solvency II project.

Let me start by congratulating the Commission for the successful outcome of the Solvency II Framework Directive. Indeed, as you rightly mention, the main lesson to be taken out of the crisis for Insurance is that Solvency II as a modern risk-oriented regime is needed, the sooner the better. At the same time, we share your view that there is plenty to be done under the Solvency II project, and I wanted to confirm that, as we have in the past, CEIOPS stands ready to further contribute and is very willing to do so.

Our work regarding Solvency II is a significant part of current and upcoming tasks for the years 2009 and 2010. You will agree that we have to find the best way to organise work and draft efficient processes. CEIOPS will stay in close contact with the Commission in doing so. At the same time I would like to remind us of additional tasks now given to CEIOPS including Insurance Guarantee Schemes, Packaged Retail Investment Products, inter alia. Furthermore, as you know, during the upcoming months Level 3 Committees will be subject to a significant transformation process, as we have to adapt to the changes deriving from the de Larosière Report and consequent Commission's work and are willing to do so. You know how supportive we have been of this whole process, and we will make sure that all the changes demanded are done in due time.

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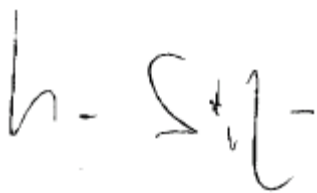
All these new tasks are without alternative and we are again strongly committed to contribute. However new work streams absorb capacities and we will have to reallocate our limited resources in the CEIOPS secretariat. In this sense I recall the Council letter dated 11 March 2009 approving our Work Programme and encouraging us to set priorities, if needed in the current challenging circumstances. The sum of technical and organisational work implies that we need to prioritise our work in order to continue with the high quality of our deliverables.

In my conclusion, this should have some implications regarding the structuring of our Solvency II advice to Commission on Level 2 and the Level 3 work, being the first a clear priority. Of course we well understand the Commission demand to get a full picture for both levels at the same time and we will draft Level 3 as best and as early as we can. However please accept that due to the current challenging times we also have to steer our Level 3 work in such a way that we produce in due and realistic time those deliverables we deem most appropriate to make Solvency II a success.

I would like to finalize with two additional remarks: The first one is linked with the idea of transparency of our work, and implies a clear willingness to further foster ongoing official and unofficial dialogue with both industry and Commission within and outside Solvency II. The second one refers to QIS 5, where both Commission and CEIOPS share the aim of having a high level of participation by the industry. However I find necessary to say that we again need to be realistic. Expecting a full participation rate with more than 5000 European insurers involved is very ambitious. I suggest we very closely cooperate with the industry to achieve, if not a full, but a tremendous participation rate, which anyway we will go far beyond the outcome of any past QIS initiative in the Banking sector.

Looking forward to further cooperate in the future,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'h. Steffen'.

Thomas Steffen  
CEIOPS Chair