

Introduction by the Chair of the Public Hearing

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Public Hearing "Harmonisation of solvency rules applicable to Institutions for Occupational Retirement Provision (IORPs) covered by article 17 of the IORP Directive and IORPs operating on a cross-border basis"

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Check against delivery

Good morning Ladies and Gentlemen,

We have just heard why pensions are important and what we are expecting from today.

I will cover two topics:

- Provide an overview of the 60 responses that we received on our consultation launched in September 2008.
- Outline the plan for today's debates.

1. Overview of the responses to the consultation

Let me first recall that Solvency II has become a reality in Europe. This is excellent news for insurers! Is that also true for IORPs? As you know, recital 95b of the Solvency II Directive mentions that the "Commission, supported by CEIOPS, should develop a proper system of solvency rules for pension provision, whilst fully reflecting the essential distinctiveness of insurance and, therefore, should not prejudge the application of the Solvency II rules to be imposed upon them."

The consultation and today's Public Hearing will provide a major input for developing such a system. I look forward to today's debate on the topic. I would certainly encourage you to be proactive rather than reactive.

Work on the examination of solvency rules for IORPs has already started in 2007, shortly after having taken the decision to scope out IORPs from the Solvency II Directive. The Solvency Subcommittee of CEIOPS has delivered an impressive piece of work in a short period of time. This work was summarised in a survey published in March 2008. The CEIOPS survey has been a solid basis from which the Commission Services could launch the consultation in September last year.

We have received 60 replies to our consultation. They were all posted onto the Commission's website in March. Let me thank you for your active participation.

We also released a summary of these responses in the form of a feedback statement. I will provide you with some preliminary read-outs on main trends.

I will make six points.

First, there was a broad consensus that the overall objective of solvency rules for IORPs should be to "guarantee a high degree of security for future pensioners, at a reasonable cost for the sponsoring undertakings". At the same time, many respondents suggested that this objective should be considered valid in general for all IORPs, and not only for IORPs subject to Article 17.

Second, respondents generally supported the four principles underpinning the prudential framework for IORPs. You will remember that CEIOPS had proposed that supervision should be forward-looking and risk-based, market-consistent, transparent and proportionate. Quite a few respondents, however, expressed strong reservations about market-consistent valuation of assets and liabilities, in particular if that means following international accounting rules. A number of respondents put forward a fifth principle: they suggested that the

supervisory framework for IORPs should also adequately address procyclicality.

Third, regarding technical provisions, many respondents expressed some support for further harmonisation at the EU level. This would considerably facilitate the comparison of the level of pension benefits across countries. Some respondents quickly added, however, that such harmonisation would need to be principles based rather than rules based.

Fourth, it will not come as a surprise that there was considerably less agreement as to whether there should be further harmonisation of regulatory own funds. While some respondents pointed to the benefits, other respondents pointed to the challenge that the IORP Directive needs to cater for a high degree of diversity in the way in which occupational pensions are delivered. Where pension funds are used the degree of involvement by the sponsoring employer differs and in some Member States the insurance sector is instrumental in supplying occupational pension products.

Fifth, the consultation has provided little concrete evidence of an unlevel playing field between pension funds and insurance undertakings. Many respondents actually questioned that pension funds and insurance undertakings compete in the same market. Accordingly, with the exception of the insurance industry, respondents generally believed that Solvency II should not apply directly to IORPs.

Sixth, the majority of the respondents suggested that if a harmonised solvency regime for IORPs was to be developed it should be tailored to the specificities of IORPs. Some respondents suggested that the products offered by IORPs and life assurance undertakings are similar but that the institutional environment in which they operate is different. Hence, although there was no broad consensus, a

number of respondents suggested that the Solvency II approach could be taken as a general starting point, while making the necessary adjustments.

2. Outline the plan for today

I am sure that many of you will also disagree with the six points that I have just outlined. This is exactly what we are here for today. Obviously, I do not want to pre-empt today's discussion. My points are meant to be mainly thought-provoking in order to stimulate a constructive and interactive debate.

We have structured today's programme around four panels.

- In the first panel we will consider the prevailing solvency rules for IORPs. Although particular attention will be paid to IORPs subject to Article 17 of the IORP Directive and IORPs operating on a cross-border basis, other IORPs may also be considered. The panel will also seek to establish what lessons we should be learning from the financial crisis.
- The second panel will add a cross-sectoral perspective. Here we will turn our attention to one of the most debated and most controversial topic, which is the question of level playing field between IORPs and insurance undertakings.
- In the third panel we will move to the heart of the matter. The main question here is whether or not solvency rules should be harmonised within the EU. Given the complexity of the issue, this panel will be of a more technical nature.
- In the fourth and final panel, we will move to a number of broader issues. Many respondents have raised issues other than those raised directly in the consultation document itself. I think it is important to use today's event to briefly consider these issues too.

I look forward to an interactive and constructive debate about these issues today.

With these words I pass the floor to David Wright, who has kindly accepted to chair the first panel.