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19 December 2013

Solvency 2 – Priority issues to be addressed in finalising Delegated Acts

Dear Klaus,

Thank you for the recent meetings to discuss the process and timetable for the finalisation of the remaining details of Solvency 2. As we have done in the past, Insurance Europe, CFO Forum, CRO Forum and their respective members, will endeavour to continue to work together in our engagement with you.

As discussed, we are writing to provide you with the list of high level priority areas for the industry. We will provide more detail on the issues in January once we have had the opportunity to consider the detailed requirements that may form part of the revised text amendments to be proposed for the delegated acts. However, this list should provide a steer on the areas where industry is keen to engage with you to help finalise Solvency 2 in time for application on 1 January 2016.

The key priorities for the industry are to ensure that the political agreement reached in Omnibus II is maintained in the detail of regulations within the delegated acts and that the most significant issues are addressed before the launch of Solvency II. The following are high level priority areas based on the text we have previously seen:

- Long Term Guarantee including:
 - Volatility Adjustment design and calibration methodology (including calculation of the reference spread)
 - Matching Adjustment (clarifying potential implementation details)
 - Extrapolation (clarifying application of level 1)
- Credit Risk Adjustment
- SCR calibration
 - Long term investment issues
 - Other SCR calibration issues (including interest rate risk, lapse risk and currency risk)
- Equivalence (including clarification over deduction and aggregation basis and eligibility criteria)
- Valuation issues (including deferred tax & pensions)
- Own Funds (including tiering criteria, grandfathered instruments, definition of Group Own Funds and eligibility of Own Funds in excess of the SCR)
- Contract Boundaries
- Governance (avoiding prescriptive details on roles and responsibilities)

We will look to provide you with detail and information as you finalise the delegated acts in a way that helps to deliver the conclusion of the political agreement on Omnibus II. As the discussion develops, please keep us informed of the current timetable for finalising and agreeing the legislation and any changes so that we can organise ourselves and allocate our resources effectively to support you and your team.

Given the urgency, we should schedule a meeting for January once we have had an opportunity to consider the proposed revisions and any new elements before you meet with the expert group. A small team of representatives from our bodies will be available to meet regularly with you and your staff to provide continuity and keep you informed on key issues and developments from an industry perspective. We look forward to engaging with you and your team constructively to deliver Solvency 2 on 1 January 2016.

Yours sincerely

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Insurance Europe

Gerald Harlin
CFO Forum

David Cole
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