

## **Main Conclusions of the CEIOPS Conference 2007**

CEIOPS' third annual Conference took place in Frankfurt on 20 November 2007. Over 350 delegates from across Europe attended.

They were greeted by CEIOPS' Chair, Thomas Steffen, and by the Lord Mayor of the City of Frankfurt, Petra Roth.

The Chair opened the main Programme with a summary of CEIOPS' considerable efforts and achievements in the few years since it was founded, and the challenges it now faced. He emphasised that while advice on the Solvency II project for the proposed new EU insurance regulatory framework remained CEIOPS' most demanding task, its many other work-streams would continue to receive dedicated attention, including occupational pensions, cross-border and cross-sectoral issues. He confirmed CEIOPS' awareness of the heavy burdens it faced and was optimistic on rising to expectations.

The Programme opened with two Keynote Speeches held by Carlos Costa Pina, the Portuguese Secretary of State for Treasury and Finance, and by Johnny Åkerholm, Chairman of the IIMG (Inter-Institutional Monitoring Group for Financial Services) on CEIOPS' progress and future challenges in conjunction with the assessment of the Lamfalussy Model.

Carlos Costa Pina underlined the success of the Lamfalussy process in achieving a greater level of cooperation between supervisors and increased transparency in the regulatory debate. He acknowledged CEIOPS' contribution to the EU law making process, and more particularly to the Solvency II Framework Directive. Further challenges to meet will include implementing Level 1 and Level 2 proposals, enhancing Level 3 activities and the cooperation with the two other Level 3 Committees, CEBS (Committee of European Banking Supervisors) and CESR (Committee of European Securities Regulators).

Among the areas for improvement, Johnny Åkerholm mentioned a possible rationalisation of the consultation process, to prevent excessive consultation and to process stakeholders' input more efficiently. He warned against too detailed Level 1 principles and implementing measures. In the national transposition of the legislation, practical problems should be adequately addressed and the level of harmonisation that is being pursued should be clearly spelled out. He finally addressed the institutional structure of the Level 3 Committees and the usefulness of the qualified majority voting procedure in clearly defined matters, supplemented

by the possibility for Member States to “comply or explain” when the Committee has taken a decision.

Three Panel discussions followed, with high-level Speakers addressing some of CEIOPS’ most important issues.

The first panel discussed the Solvency II project and the results of the latest quantitative impact assessment exercise (QIS3). Klaas Knot (Member of CEIOPS’ Managing Board) announced the publication of the QIS3 report, and invited participants to take their personal copy at the Conference. Panellists expressed their general support for the risk based economic approach of Solvency II. At the same time, they addressed some critical issues that could be improved in the next exercise. Among the messages were the need for a downward revision of the calibration of the non-life underwriting risk, the need for guidance in the calculation of the best estimate and the use of proxies and the importance of the use of risk mitigating instruments in the calculation of the solvency capital requirement. The panellists agreed that QIS4 will be an important exercise for testing the group supervision proposal, and more specifically the diversification benefits should be carefully defined and analysed. The design of the MCR also raised the interest of participants and different points of view on the choice of the approach for the calculation of the MCR were expressed.

The second panel, led by Ms Ingrid Bonde, Director General of the Swedish supervisory Authority, discussed the future challenges and priorities of the Solvency II project. As a starting point and with reference to the Swedish Authority being a single regulator for the whole national financial market, she said that Solvency II should learn from the implementation of the CRD and the MIFID Directives. Solvency II will be in a position to achieve better regulation on the basis of a principle-based regime. But as she quite frankly put it: “It is just like bringing up children, you do not make the same mistakes as your parents, but you do make new mistakes with your own children”. The panel, which ranged from a rating agency to a consumer advocate and the European Commission, agreed on the need for convergence from an industry perspective as well as a consumer perspective. It was however stressed that convergence should take into account social and cultural differences with regard to consumer needs. Karel Van Hulle, representing the European Commission and in answer to questions, was confident that the new regime would not be obsolete at its introduction and that the framework would be able to cope with financial innovation.

The third panel, led by Tony Hobman, Chairman of CEIOPS Occupational Pensions Committee (OPC), looked at the supervisory framework for EU occupational

pensions, the basis of which is the IORP Directive adopted in 2005. The OPC's review of its implementation, to be finalized in early 2008, points to a broadly successful Directive, although there is also evidence of the lack of experience in certain areas as well as a need for further work if the reality is to be aligned with the Directive's objectives. A number of ambitious initiatives for both the European Commission and CEIOPS were announced for 2008 with delivery in 2009. These include the Commission's review of the Directive focusing on the effectiveness of cross-border provisions, as well as a preparatory work, to be carried out by the newly created OPC Solvency subcommittee chaired by Aerdt Houben of DNB, for the future development of an appropriate, risk based solvency system for IORPs. The Solvency II Directive does not apply to IORPs.

The Programme finished with an address by Commissioner Charlie McCreevy. He acknowledged CEIOPS' achievements and the importance of numerous issues discussed at the Conference. He referred to the publication that day of the Commission's Communication on the Review of the Lamfalussy process and summarised its main views. Commissioner McCreevy then commented on the Solvency II project, the good progress made, CEIOPS' outstanding contribution, and that he sensed a willingness to achieve. He made clear that industry and stakeholders' views were welcome, to help the co-legislators. The Commissioner finally commented on the IORP Directive, its purpose and two main objectives. He stated that the Commission had decided to initiate a review of the Directive in 2008, and in that context, to include examining the challenges brought by Solvency II. Commissioner McCreevy concluded with the overall aims of boosting the competitiveness of the EU insurance industry, which would be better for consumers, the boldness needed to get Solvency II right, and to look to the future and not to the past.

Thomas Steffen then spoke to close the Programme. After thanking the Commissioner and all participants, he re-stated CEIOPS' confidence to fulfil its commitments. He stressed CEIOPS' keenness to deliver as a Level 3 Committee, both as the only such Committee with two financial sectors, and on joint three Level 3 work together with the other two Committees. Supervisory cooperation and convergence were said to remain CEIOPS' priority, as reflected in the Solvency II project and CEIOPS' other supervisory initiatives. Comments at the Conference would be taken into account in planning CEIOPS' work progress. The Chair announced that CEIOPS planned to hold its next annual Conference in November 2008.

The full Conference 2007 Program and available written statements and speeches are published on [www.ceiops.org](http://www.ceiops.org) under 'Press Room / Speeches and Articles' (<http://www.ceiops.org/content/view/27/31>).