



# CEIOPS

Committee of European  
Insurance and Occupational  
Pensions Supervisors

ANNUAL REPORT 2009  
AND WORK PROGRAMME 2010

# TABLE OF CONTENTS

1	Foreword from the Chairman .....	6
2	Message from the Secretary General.....	8
3	CEIOPS overview.....	10
	★ Introduction.....	10
	★ Managing Board.....	11
	★ Members Meetings.....	12
	★ CEIOPS Consultative Panel.....	14
	★ CEIOPS permanent committees and expert groups .....	15
	★ CEIOPS Secretariat .....	16
4	Accountability, transparency and consultation .....	18
	★ Introduction.....	18
	★ CEIOPS Consultative Panel.....	18
	★ CEIOPS public consultations.....	19
	★ CEIOPS conference.....	23
	★ CEIOPS website.....	24
	★ CEIOPS and the political institutions .....	25
	★ CEIOPS contribution to the reform of the EU financial supervisory architecture .....	25
	★ CEIOPS and the Council of the European Union .....	26
	★ CEIOPS and the EC.....	26
	★ CEIOPS and others.....	27
5	Insurance.....	28
	★ Solvency II – overview.....	28
	★ Solvency II – Pillar 1 .....	30
	★ Standard formula – capital requirements .....	30
	★ Technical provisions .....	31
	★ Own funds.....	32
	★ Internal models .....	32
	★ Solvency II: Pillar 2 and 3.....	34
	★ Governance and remuneration.....	34
	★ Transparency and accountability.....	34
	★ Valuation of assets and liabilities other than technical provisions	35
	★ Special Purpose Vehicles (SPVs).....	35
	★ Capital add-ons .....	35
	★ Reporting requirements .....	36
	★ Repackaged loan investments.....	36
	★ Extension of the recovery period.....	36



	★ Insurance Groups .....	37
	★ Equivalence .....	39
6	Occupational Pensions .....	42
7	Financial stability .....	46
	★ Stress test in the European insurance sector .....	48
8	Supervisory culture, convergence and co-operation .....	50
	★ Training .....	51
	★ Staff exchanges .....	53
	★ Supervisory practices .....	53
9	CEIOPS Review Panel .....	54
10	Consumer protection .....	56
11	Other activities .....	60
	★ Accounting .....	60
	★ International relations .....	60
	★ CEIOPS Relations with IAIS and IOPS .....	60
	★ Regulatory dialogues .....	61
	★ Opening CEIOPS training activities to third countries .....	61
12	Cross-sector work .....	62
	★ 3L3 meetings .....	62
	★ 3L3 contributions to improving financial supervision in the EU .....	63
	★ Task force on cross-sectoral risks .....	64
	★ 3L3 Anti-Money Laundering Task Force (AMLTF) .....	67
	★ 3L3 work on financial conglomerates .....	67
	★ 3L3 Task Force on internal governance .....	69
	★ Non-cooperative jurisdictions .....	70
	★ 3L3 work on home-host delegation .....	70
	★ Packaged Retail Investment Products .....	72
	★ EU terminology consistency .....	73
	★ 3L3 training .....	73
13	CEIOPS Work programme 2010 – summary .....	76
A	Annexes .....	84
	★ A 1: CEIOPS role in the Lamfalussy procedure .....	84
	★ A 2: Financial statements .....	85
	★ A 3: List of CEIOPS Members and Observers .....	86
	★ A 4: Abbreviations of terms used .....	91
	★ A 5: Endnotes .....	92

# I

## FOREWORD FROM THE CHAIRMAN

Welcome to CEIOPS 2009 Annual Report.

These are fascinating and challenging times for financial supervisors, in particular in the field of insurance and pension funds. A year ago, we were reflecting on the impact of the financial crisis. Twelve months on, some may argue that the crisis has abated. New challenges have, however, arisen in adapting the European financial supervisory framework to withstand the test of potential future crises.

This is my first foreword to a CEIOPS Annual Report as Chairman of CEIOPS and I would like to take this opportunity to pay tribute to my outstanding predecessor, Thomas Steffen – who assumed a vital role in leading CEIOPS through the demanding times of the recent past, with such extreme dedication and courage.

The Annual Report 2009 touches upon a number of important issues, highlighting the principles of accountability, transparency and consultation that underpin all CEIOPS activity.

In the context of insurance supervision, advising on the implementing measures for Solvency II in due time was one of the most resource absorbing projects during 2009. The text of the Solvency II Directive sets a challenging deadline for implementation – October 2012, and CEIOPS has been capable of delivering advice on all the relevant areas of the new regime, taking into account the Level 1 Directive text and incorporating appropriate lessons from the crisis.

On the occupational pensions side it is particularly important to recognise that, despite the huge diversity of products in the European Union pensions' landscape, steps will need to be taken to build a more consistent and robust European approach to the security of pensions. CEIOPS has produced a number of surveys and reports increasing the overall level of knowledge and common understanding of the EU pensions'

Gabriel Bernardino

CEIOPS Chairman

ISP, Portugal



arena. We await the publication, by the European Commission, of a planned Green Paper on pensions during the course of 2010, which is expected to set a challenging agenda for the regulation of pensions in the years to come.

Finally, we are facing a significant change in the supervisory landscape for European financial services, with major reforms to both macro and micro-financial supervision. Important new powers and responsibilities will be assigned to the new European Supervisory Authorities [European Securities and Markets Authority (ESMA), European Banking Authority (EBA) and European Insurance and Occupational Pensions Authority (EIOPA)]. CEIOPS supports and looks forward to the transformation and the accompanying challenges. It is my belief, that the new approach will lead to more effective, co-ordinated and efficient regulation and supervision of financial markets in the EU, for the benefit of all European citizens.

A handwritten signature in blue ink, reading 'G. Bernardino'. The signature is stylized and fluid, with a long horizontal stroke extending to the right.

Gabriel Bernardino

# 2

## MESSAGE FROM THE SECRETARY GENERAL

2009 was another extremely busy year for CEIOPS and its Secretariat. Solvency II was again at the top of the agenda, with 53 fully consulted on advice papers delivered on time to the European Commission. However demanding as it was, that was by no means all. Cross-sector work with our sister committees – the Committee of European Banking Supervisors (CEBS) and the Committee of European Securities Regulators (CESR) – gathered momentum as a consequence of the financial crisis and the need for careful and co-ordinated consideration of risks faced by European financial markets and companies. Work on financial stability matters in the insurance and occupational pensions sectors intensified, as did the work on consumer protection and supervisory convergence. The Financial Stability Board and G20 recommendations have also played a major role in dealing with the lessons learned from the crisis.

In addition to planned tasks, we have accommodated a rapidly growing number of ad hoc demands arising at EU and industry level. We were actively involved in the political level discussions, following the publication of the report of the de Larosière High Level Group on the reform of European Financial Supervision, the subsequent Commission Communication and Council conclusions on this issue, and finally, the empowering regulation for the new European Supervisory Authorities in September 2009. CEIOPS active involvement in this regard continues unabated.

Carlos Montalvo Reuelta

CEIOPS Secretary General

DGSFP, Spain



I am pleased and proud to say that we fulfilled all the demands placed on us in 2009. The depth of this Annual Report will provide an indication of the extent of the challenges faced by CEIOPS and the consistently increasing workload.

I would like to thank my colleagues at the Secretariat and CEIOPS Members and Observers for their unstinting efforts and positive attitude over the past year.

A handwritten signature in blue ink, which appears to read 'Carlos Montalvo Reuelta', written over a horizontal blue line.

Carlos Montalvo Reuelta

# 3

## CEIOPS OVERVIEW

### ★ Introduction

On 23 January 2009, the European Commission published, in the Official Journal, a revised decision establishing CEIOPS, in order to enhance CEIOPS focus on supervisory convergence and cross-sector work. CEIOPS founding documents were subsequently amended to accommodate the necessary changes. Further amendments were then introduced to allow access to EU financing for CEIOPS supervisory convergence initiatives.

CEIOPS maintains its identity as a German-registered, private, non-profit organisation, based in Frankfurt am Main.

In July 2009, a newly established Cyprus Pensions Authority joined CEIOPS as a full Member, increasing its membership to 33.



**Gabriel Bernardino**  
Chair (ISP, Portugal)



**Antoine Mantel**  
Vice-Chair (ACAM, France)



**Tony Hobman**  
(TPR, United Kingdom)

## ★ Managing Board – 2009

The composition of CEIOPS Managing Board underwent considerable change in 2009. Klass Knott (DNB, Netherlands) stepped down in the middle of the year. Then, in October 2009, and in line with CEIOPS Articles of Association, the existing Managing Board was discharged and elections for a new Managing Board held. The following Managing Board Members stepped down: Thomas Steffen (BaFin, Germany) as CEIOPS Chair, Peter Braumüller (FMA, Austria) as Vice-Chair, Giovanni Cucinotta (ISVAP, Italy), Hector Sants (FSA, United Kingdom) and Csaba Varga (PSZAF, Hungary).

In 2009, the Managing Board met eight times and held additional telephone conferences, in order to co-ordinate CEIOPS responses to the financial crisis and other rapidly growing demands.

CEIOPS would like to thank the departing Managing Board Members and, in particular, its former Chair, for their skilful leadership and management of CEIOPS business.

From the end of January 2010, CEIOPS Managing Board comprises: Gabriel Bernardino (ISP, Portugal) as Chair, Antoine Mantel (ACAM, France) as Vice Chair, Tony Hobman (TPR, United Kingdom), Joanne Kellermann (DNB, Netherlands), Flavia Mazzarella (ISVAP, Italy) and Kaido Tropp (FSA, Estonia). Antoine Mantel continues as CEIOPS Internal Auditor and Michel Flamée (CBFA, Belgium) has been invited to participate in Managing Board meetings in his capacity as the Chair of CEIOPS Review Panel.



**Joanne Kellermann**  
(DNB, Netherlands)



**Flavia Mazzarella**  
(ISVAP, Italy)



**Kaido Tropp**  
(FSA, Estonia)

## ★ Members' Meetings – 2009

CEIOPS Members' Meeting is its main decision making body. It consists of senior representatives of CEIOPS Member Authorities.

Five Members' Meetings were held over the reporting period. The key decisions taken are outlined below:

Frankfurt, 21 January 2009	<ul style="list-style-type: none"> <li>★ Approval for publication of the stock-taking report on the use of Internal Models in insurance.</li> <li>★ Endorsement of the methodology for the assessment of the equivalence of third country professional secrecy standards.</li> </ul>
Frankfurt, 25/26 March 2009	<ul style="list-style-type: none"> <li>★ Approval for publication of a report on “Lessons learned from the crisis”.</li> <li>★ Endorsement for public consultation of Consultation Papers 26 to 37.</li> <li>★ Approval for publication of the guidelines for the preparation for and the management of a financial crisis [in the context of supplementary supervision as defined by Directive 98/78/EC (Insurance Groups Directive) and the Memorandum of Understanding (MoU) on Cooperation between the Financial Supervisory Authorities, Central Banks and Finance Ministries of the EU on Cross-Border Financial Stability].</li> <li>★ Endorsement of CEIOPS Convergence Roadmap 2009 and CEIOPS Convergence Report 2008.</li> <li>★ Endorsement for public consultation of the revised text of the Budapest Protocol (Consultation Paper 38).</li> </ul>
Warsaw, 30 June/1 July 2009	<ul style="list-style-type: none"> <li>★ Approval of CEIOPS input to the European Commission on Insurance Guarantee Schemes.</li> <li>★ Endorsement for public consultation of Consultation Papers 39 to 62.</li> <li>★ Approval of a public database on the treatment of third country reinsurers under the Reinsurance Directive was approved.</li> <li>★ Approval for publication of the overview of host state legal requirements with which a guest institution for Occupational Retirement Provision (IORP) must comply.</li> <li>★ Approval for publication of “the IMD and other intermediaries' related issues – practical solutions and examples”.</li> <li>★ Approval for publication of the Report on national measures on disclosure requirements and professional requirements regarding unit-linked life insurance products, which are additional to the minimum requirements of the Consolidated Life Insurance Directive (CLD) – Directive 2002/83/EC and the Insurance Mediation Directive (IMD) – Directive 2002/92/EC.</li> </ul>

<p>Berlin, 29/30 October 2009</p>	<ul style="list-style-type: none"> <li>★ Election of CEIOPS Managing Board.</li> <li>★ Approval of Draft CEIOPS Work Programme 2010 and 3L3 Work Programme 2010 for submission to EU political institutions.</li> <li>★ Approval for submission to the European Commission of final advice on the Financial Conglomerates Directive (FCD) review.</li> <li>★ Approval for submission to the European Commission of final advice on Solvency II, Level 2 Implementing Measures – first wave (CPs 26 to 37).</li> <li>★ Approval for submission to the European Commission of final advice on Solvency II, Level 2 Implementing Measures – second wave (CPs 39 to 62).</li> <li>★ Endorsement for public consultation of Consultation Papers 63 to 79.</li> <li>★ Approval for publication of the “Report on the use of insurance market data in the valuation of technical provisions” prepared jointly by the CEIOPS and the Groupe Consultatif Coordination Group.</li> <li>★ Endorsement of the Revised Protocol relating to the Collaboration of the Relevant Competent Authorities of the Member States of the EU, in particular, in the application of the Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the Activities and Supervision of Institutions for Occupational Retirement Provision (IORPs) Operating Cross-Border (the Budapest Protocol).</li> <li>★ Approval for publication of the “Report on Market Developments 2009”.</li> <li>★ Approval for publication of the “Report on risk management rules applicable to IORPs”.</li> </ul>
<p>Frankfurt, 26/27 January 2010</p>	<ul style="list-style-type: none"> <li>★ Approval for submission to the European Commission of final advice on Solvency II, Level 2 Implementing Measures – first wave (CPs 63 to 79).</li> <li>★ Approval of “2009 Report on Convergence and CEIOPS Roadmap on Convergence for 2010” for submission to the EU political bodies and publication.</li> <li>★ Agreement to publish the list of groups included in the Helsinki list.</li> </ul>

## ★ CEIOPS Consultative Panel

CEIOPS Consultative Panel plays an essential role in ensuring CEIOPS accountability and transparency, and is a valuable source of impartial comment, advice and guidance on CEIOPS policy making process. The Consultative Panel reviews CEIOPS work programme and CEIOPS contribution to the collective work programme of the 3L3 Committees. In 2009, the Consultative Panel provided CEIOPS and the EU political institutions with valuable and timely input to the two largest topics of debate namely: the Solvency II Directive and the reform of European financial supervision.

At the end of 2009, Mr. Chris Hitchen resigned from the Consultative Panel and was replaced by Mr. Martin Ray, both nominees from the European Federation for Retirement Provision. The European Trade Union Confederation nominated Mr. Gerard Kleck as a proxy for Henri Lourdelle.

The composition of the Panel chaired by Mr. Gérard de la Martinière at the end January 2010, is as follows:

Members	Country	Proxies	Country	Organisation
De la Martinière, Gérard (Chairman)	FR	–		
Bogner, Hannes	AT	Corinti, Alberto	IT	CEA
Bonnet, Yanick	FR	Pozniak, Gregor	AT	AMICE
Caneparo, Kirstie	UK	Poppe, Pim	NL	CEA
Carty, Paul	IE	Hough, David	UK	BIPAR
Creedon, Seamus	UK	Goossens, Karel	BE	GCAE
Gabellieri, Bruno	FR	Borgdorff, Peter	NL	AEIP
Geib, Gerd	DE	Ellenbürger, Frank	DE	FEE
Kalpala, Asmo	FI	Paakkanen, Markku	FI	AMICE
Lourdelle, Henri	FR	Gerald Kleck		ETUC
Maassen, Jaap	NL	Verhaegen, Chris	BE	EFRP
Martin, Ray	UK	Peaple, Nigel	UK	EFRP
McAteer, Mick	UK	Fily, Anne	FR	BEUC
Plas, Patricia	BE	Lempertseder, Robert	DE	CRO Forum
Seganti, Federica	IT	Nagy, Csaba	HU	
Stephens, Jim	UK	–		Business Europe
Wehling, Axel	DE	Gladysz, Andrej	PL	CEA

## ★ CEIOPS permanent committees and expert groups

CEIOPS work is carried out through permanent committees and expert groups, which provide briefings and recommendations for the Managing Board, Members, Observers and external stakeholders. Their main task is to develop technical advice for the European Commission on the preparation of EU legislation in the fields of insurance, reinsurance and occupational pensions.

Chairs of permanent committees and expert groups regularly represent CEIOPS at external events to publicise and explain their work.

In the reporting period, the chairmanship of CEIOPS permanent committees and expert groups changed as follows:

- ★ IGSRR: Jan Parner (Finanstilsynet, Denmark) replaced Gabriel Bernardino (ISP, Portugal) following his election as CEIOPS Chair
- ★ OPC: Brendan Kennedy (The Pensions Board, Ireland) replaced Tony Hobman (TPR, United Kingdom) following his election to CEIOPS Managing Board.
- ★ IntMod: Paolo Cadoni (FSA, United Kingdom) replaced Paul Sharma (FSA, United Kingdom).
- ★ FinReq: Olaf Ermert (BaFin, Germany) replaced Pauline de Chatillon (ACAM, France)

Additionally, in 2009, a number of dedicated task forces were set up as a flexible organisational solution to the various demands placed on CEIOPS by EU political bodies.



## ★ CEIOPS Secretariat

CEIOPS Secretariat is responsible for carrying out the day to day business of CEIOPS. The Secretariat controls and co-ordinates CEIOPS sector and cross-sector activities, contributing operational information and technical expertise.

The Secretariat, through supporting CEIOPS working groups, participating in meetings of CEIOPS governing bodies and running CEIOPS internal processes, brings together all relevant parties and ensures that CEIOPS, as an organisation, delivers successfully and on time.

CEIOPS Secretariat continued to grow in 2009. Those who joined were: David Cowan (FSA, United Kingdom), Jarl Kure (Finanstilsynet, Denmark), Gerd Fassauer (Germany), Kerstin Maier (Germany), Sophia Milili-Makrydakis (Greece) and Deborah Krapf (United Kingdom). Those who left were: Neil Alton and Fouzia Ahmed (FSA, United Kingdom) and Sunni Holtman (DNB, The Netherlands).



## ★ Team of 31 January 2010

Carlos Montalvo Rebuelta (Secretary General, DGSFP, Spain), Gerlinde Taurer (Deputy Secretary General, FMA, Austria), Giulia Conforti (Spain), Catherine Coucke (Belgium), David Cowan (FSA, United Kingdom), Simona Dascalu (Romania), Sandra Desson (DNB, the Netherlands), Gerd Fassauer (Germany), Perrine Kaltwasser (ACP, France), Deborah Krapf (United Kingdom), Jarl Kure (Finanstilsynet, Denmark), Tanja Leimbach (Germany), Juan Lumbreras (DGSFP, Spain), Kerstin Maier (Germany), Sophia Milili-Makrydakakis (Greece), Pamela Schuermans (Belgium), Teresa Turner (TPR, United Kingdom).

**Carlos Montalvo Rebuelta**  
(Secretary General, DGSFP, Spain)

**Gerlinde Taurer**  
(Deputy Secretary General,  
FMA, Austria)

**Giulia Conforti**  
(Spain)



**Juan Lumbreras**  
(DGSFP, Spain)

**Teresa Turner**  
(The Pensions Regulator,  
United Kingdom)

**Gerd Fassauer**  
(Germany)

**Tanja Leimbach**  
(Germany)

**Pamela Schuermans**  
(Belgium)

**Sunni Holtman**  
(DNB, The Netherlands)

# 4

## ACCOUNTABILITY, TRANSPARENCY AND CONSULTATION

### ★ Introduction

Consultation and transparency are key elements of CEIOPS functioning within the “Lamfalussy process” (see Annex 1). The creation of a robust regulatory framework for supervision and the adoption of effective supervisory practices are contingent upon a comprehensive knowledge of the market and the sharing of the regulatory and supervisory knowledge and experience. CEIOPS guiding institutional principles are independence, accountability and transparency.

CEIOPS accountability to its Members, stakeholders and the European political institutions (European Parliament, the EU Council of Ministers (ECOFIN) and the European Commission) is fulfilled through an open and transparent dialogue, exchange of views, information sharing, consultation, public hearings and regular reporting on progress and achievements. The results of CEIOPS work are made publicly available on its website, subject to confidentiality restrictions.

### ★ CEIOPS Consultative Panel

The Consultative Panel is the main platform through which CEIOPS fulfills its obligation of accountability to its stakeholders. The panel reviews and advises on CEIOPS work programme and its contribution to cross-sector (3L3) activities. Information is shared on CEIOPS projects, progress discussed and views and opinions sought on CEIOPS proposed solutions.

The Consultative Panel met three times in 2009, under the chairmanship of Mr. Gérard de la Martinière. The key issues addressed during these meetings included:



February 2009	Financial conditions and financial stability in the insurance and occupational pensions market; Solvency II timeline; and the survey on Co-ordination Committees (Co-Cos)
May 2009	CEIOPS Work Programme 2009 and CEIOPS Roadmap on Convergence 2009
September 2009	CEIOPS Work Programme for 2010; 3L3 Work Programme for 2010; proposals for the new European supervisory architecture; consumer protection (including CEIOPS input to the European Commission on Insurance Guarantee Schemes); Solvency II; financial stability; and a stress test for the largest European insurance groups

## ★ CEIOPS public consultations

Stakeholders provided CEIOPS with valuable feedback on numerous consultation papers issued in 2009. Consultation on technical advice to the European Commission on Level 2 implementing measures under Solvency II – the most extensive – was conducted in three waves.

Two other consultations were carried out in 2009:

- ★ Consultation on the revised text of the Budapest Protocol (Consultation Paper 38) was launched on 7 April 2009;
- ★ On 28 May 2009, CEIOPS and CEBS (under the auspices of the Joint Committee on Financial Conglomerated (JCFC), issued a joint consultation paper on the advice to the European Commission on the review of the FCD. This was complemented by a public hearing on 8 July 2009, held jointly by CEBS and CEIOPS, to provide an opportunity for direct dialogue and an exchange of views with stakeholders.

# 4

All CEIOPS consultations are available on CEIOPS website<sup>1</sup>. Consultation papers relating to Solvency II implementing measures are also listed below.

March 2009 – 1 <sup>st</sup> wave	Consultation Paper no. 26 – Draft Level 2 Advice on Technical Provisions – Methods and statistical techniques for calculating the best estimate
	Consultation Paper no. 27 – Draft Level 2 Advice on Technical Provisions – Segmentation
	Consultation Paper no. 28 – Draft Level 2 Advice on Solvency Capital Requirement (SCR) Standard Formula – Counterparty default risk
	Consultation Paper no. 29 – Draft Level 2 Advice on Own Funds – Criteria for supervisory approval of ancillary own fund
	Consultation Paper no. 30 – Draft Level 2 Advice on Technical Provisions – Treatment of Future Premiums
	Consultation Paper no. 31 – Draft Level 2 Advice on SCR Standard Formula – Allowance of financial mitigation techniques
	Consultation Paper no. 32 – Draft Level 2 Advice on Technical Provisions – Assumptions about future management actions
	Consultation Paper no. 33 – Draft Level 2 Advice on System of Governance
	Consultation Paper no. 34 – Draft Level 2 Advice on Transparency and Accountability
	Consultation Paper no. 35 – Draft Level 2 Advice on Valuation of Assets and other “Liabilities”
	Consultation Paper no. 36 – Draft Level 2 Advice on Special Purpose Vehicles
July 2009 – 2 <sup>nd</sup> wave	Addendum to CP 37 – Draft Level 2 Advice on the Procedure to be followed for the approval of a group internal model
	Consultation Paper no. 39 – Draft Level 2 Advice on Technical Provisions – Best Estimate
	Consultation Paper no. 40 – Draft Level 2 Advice on Technical Provisions – Risk Free Interest Rate
	Consultation Paper no. 41 – Draft Level 2 Advice on Technical Provisions – Calculation as a whole
	Consultation Paper no. 42 – Draft Level 2 Advice on Risk Margin
	Consultation Paper no. 43 – Draft Level 2 Advice on Technical Provisions – Standards for Data Quality

July 2009 – 2 <sup>nd</sup> wave, cont.	Consultation Paper no. 44 – Draft Level 2 Advice on Technical Provisions – Counterparty Default Adjustment
	Consultation Paper no. 45 – Draft Level 2 Advice on Technical Provisions – Simplifications
	Consultation Paper no. 46 – Draft Level 2 Advice on Own Funds – Classification and Eligibility
	Consultation Paper no. 47 – Draft Level 2 Advice on SCR Standard Formula – Market Risk
	Consultation Paper no. 48 – Draft Level 2 Advice on SCR Standard Formula – Non-life Underwriting Risk
	Consultation Paper no. 49 – Draft Level 2 Advice on SCR Standard Formula – Life Underwriting Risk
	Consultation Paper no. 50 – Draft Level 2 Advice on SCR Standard Formula – Health Underwriting Risk
	Consultation Paper no. 51 – Draft Level 2 Advice on SCR Standard Formula – Counterparty Default Risk
	Consultation Paper no. 52 – Draft Level 2 Advice on SCR Standard Formula – Reinsurance Mitigation
	Consultation Paper no. 53 – Draft Level 2 Advice on SCR Standard Formula – Operational Risk
	Consultation Paper no. 54 – Draft Level 2 Advice on SCR Standard Formula – Loss Absorbing Capacity of Technical Provisions
	Consultation Paper no. 55 – Draft Level 2 Advice on Minimum Capital Requirement (MCR) calculation
	Consultation Paper no. 56 – Draft Level 2 Advice on Tests and Standards for Internal Model Approval
	Consultation Paper no. 57 – Draft Level 2 Advice on Capital add-on
	Consultation Paper no. 58 – Draft Level 2 Advice on Supervisory Reporting and Disclosure
	Consultation Paper no. 59 – Draft Level 2 Advice on Remuneration Issues
	Consultation Paper no. 60 – Draft Level 2 Advice on Group Solvency Assessment
	Consultation Paper no. 61 – Draft Level 2 Advice on Intra-group Transactions and Risk Concentration
	Consultation Paper no. 62 – Draft Level 2 Advice on Cooperation and Colleges of Supervisors
	October/ November 2009 – 3 <sup>rd</sup> wave
Consultation Paper no. 64 – Draft Level 2 Advice on Extension of Recovery Period	
Consultation Paper no. 65 – Draft Level 2 Advice on Partial Internal Models	

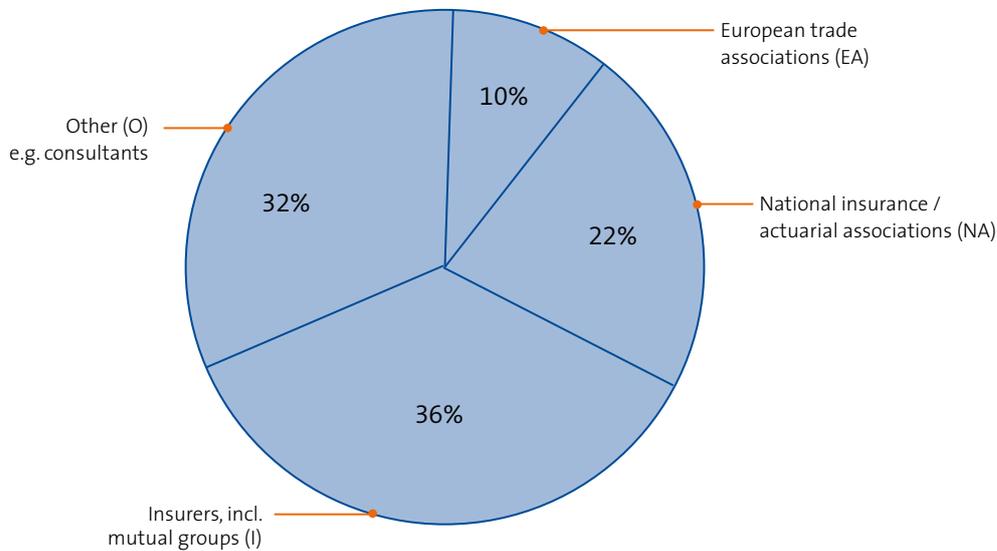
# 4

October/ November 2009 – 3 <sup>rd</sup> wave	Consultation Paper no. 66 – Draft Level 2 Advice on Group Solvency for Groups with centralised Risk Management
	Consultation Paper no. 67 – Draft Level 2 Advice on Treatment of Participations
	Consultation Paper no. 68 – Draft Level 2 Advice on Treatment of ring-fenced Funds
	Consultation Paper no. 69 – Draft Level 2 Advice on Design of the Equity risk Sub-module
	Consultation Paper no. 70 – Draft Level 2 Advice on Calibration of the Market Risk Sub-module
	Consultation Paper no. 71 – Draft Level 2 Advice on Calibration of the Non-life underwriting Risk
	Consultation Paper no. 72 – Draft Level 2 Advice on Calibration of the Health-underwriting Risk
	Consultation Paper no. 73 – Draft Level 2 Advice on Calibration of the MCR
	Consultation Paper no. 74 – Draft Level 2 Advice on Correlation parameters
	Consultation Paper no. 75 – Draft Level 2 Advice on Undertaking Specific Parameters for SCR
	Consultation Paper no. 76 – Draft Level 2 Advice on Simplifications for Technical Provisions
	Consultation Paper no. 77 – Draft Level 2 Advice on Simplification for SCR
Consultation Paper no. 79 – Draft Level 2 Advice on Simplifications for Captives	
December 2009	Consultation Paper no. 78 – Draft Level 2 Advice on Technical Criteria for Equivalence Assessments in relation to art. 172, 227 and 260.
January 2010 – 1 <sup>st</sup> Level 3 guidance	Consultation Paper no. 80 – Level 3 Guidance Paper – Pre-application process for Internal Models

More than 3,600 comments were received in the first wave and close to 20,000 in the second, from 110 stakeholders. The third wave produced over 6,800 comments from 126 stakeholders.

Submissions were received from insurance undertakings (including mutuals and insurance groups), national insurance and actuarial associations, European trade associations, consultants, legal practitioners and academia.

★ Submissions received per type of stakeholder



★ CEIOPS Annual Conference

CEIOPS fifth Annual Conference took place in Frankfurt am Main, Germany on 17 November 2009, attracting more than 300 participants. The Conference offered an interesting and exciting programme, as well as an opportunity to hear from experienced and respected figures in European financial supervision. The latest developments affecting European insurance and occupational pensions were covered, including issues pertinent to the future supervisory architecture for financial services in Europe. The Conference, which benefits from partial European Commission funding in respect of CEIOPS Members, constitutes an effective tool in CEIOPS efforts to enhance convergence of Member States' supervisory practices and approaches throughout the EU.

CEIOPS Conference was opened by its newly elected Chair, Gabriel Bernardino and included two keynote speakers:

- ★ Mr Jean-Claude Trichet – President of the European Central Bank and member of the Board of Directors of the Bank for International Settlements and
- ★ Mr Jacques de Larosière – Chairman of the High-Level Group on Financial Supervision mandated by the European Commission to give advice on the future of European financial regulation and supervision.

CEIOPS Conference had three Panels:

- ★ Insurance – focus on the Solvency II framework. The Solvency II panel highlighted the increased focus of the new solvency framework on the insurance undertakings' own responsibility for identifying, measuring and managing risks.

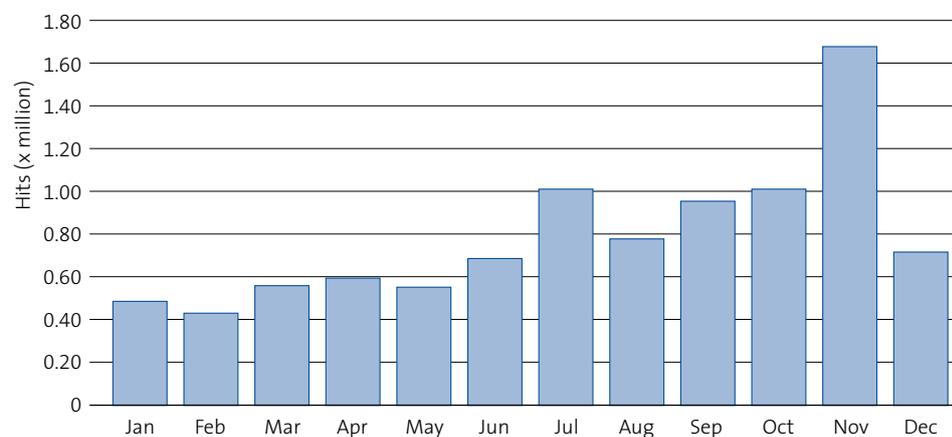
- ★ Occupational Pensions – towards a more comprehensive and robust European approach to the safety of pensions: The pensions’ panel examined developments in funded occupational pensions over the previous year. Although pension funds weathered the short-term impact of the crisis well, the crisis raised a number of issues (discussed by the panel) about sustainability and affordability of funded occupational pensions, which will need to be addressed in the long-term.
- ★ 3L3 Convergence – overhaul of the European financial supervisory landscape. The panel discussion on “3L3 Convergence from Crisis” allowed 3L3 Chairs to share their views on (i) lessons learned from the crisis (including the option of using contingent capital), (ii) the European Commission’s legislative proposals regarding the European Supervisory Authorities (ESAs) and (iii) the quality of current 3L3 co-ordination and EU convergence with global initiatives.

### ★ CEIOPS website

The website is CEIOPS main communication channel, both with its Members and most importantly, stakeholders.

In 2009, the public area of CEIOPS website underwent major restructuring and content development.

The stakeholders’ interest in CEIOPS Solvency II work and financial stability reports was most notable in 2009, with approximately 10 million visitors accessing the public area of CEIOPS website.



The Members' area of the website allows Members to access meeting documents, while CEIOPS Forum continues to facilitate the sharing of experience among CEIOPS Members.

In the middle of 2009, CEIOPS initiated further work on developing the website. The project benefits from partial European Commission funding.

## ★ CEIOPS and the political institutions

### ★ CEIOPS contribution to the reform of the EU financial supervisory architecture

The reform of the EU financial supervisory architecture has been at the forefront of CEIOPS activities during 2009. Together with the other Lamfalussy Level 3 Committees, CESR and CEBS, CEIOPS has played an important role in contributing to the on-going development of the architecture. On 10 April 2009, the 3L3 Committees provided their joint contribution to the European Commission's consultation on the improvement of supervision for the financial services' sector, launched on 10 March 2009. The 3L3 Committees presented their response to the conclusions put forward in the report of the High Level Group chaired by Jacques de Larosière, of 25 February 2009 and the European Commission Communication of 4 March 2009, entitled "Driving European Recovery". The 3L3 Committees expressed their strong support for the conclusions of the de Larosière report to transform the 3L3 Committees into independent supervisory Authorities.

On 15 July 2009, the 3L3 Committees also responded to the European Commission's Communication of 27 May 2009 on European Financial Supervision and expressed support for the objectives laid down in the European Commission's Communication and, in particular, the proposals to realize a single European regulatory rulebook and to develop a European System of Financial Supervisors (ESFS), comprising three European Supervisory Authorities (ESAs) and a European Systemic Risk Board (ESRB).

In addition, the 3L3 Committees submitted, in the course of 2009, their sector-specific contributions to the European Commission and the Council on the above issues, leading to the draft regulations on the ESAs as published by the European Commission on 23 September 2009.

## ★ CEIOPS and the Council of the European Union

Throughout 2009, CEIOPS regularly attended the meetings of the Financial Services Committee (FSC) and was invited to attend most meetings of the Economic Financial Committee (EFC), in order to discuss financial supervision issues and provide updates on its own activities in this respect. The recent financial crisis has substantially raised awareness of the need for effective, co-ordinated and efficient supervision of financial markets in Europe.

The report of the EFC's working group on procyclicality (on which CEIOPS was represented), was endorsed by the ECOFIN in July 2009. A number of recommendations of the working group were incorporated in the European Commission's legislative proposals for strengthening financial supervision in Europe, published in September 2009.

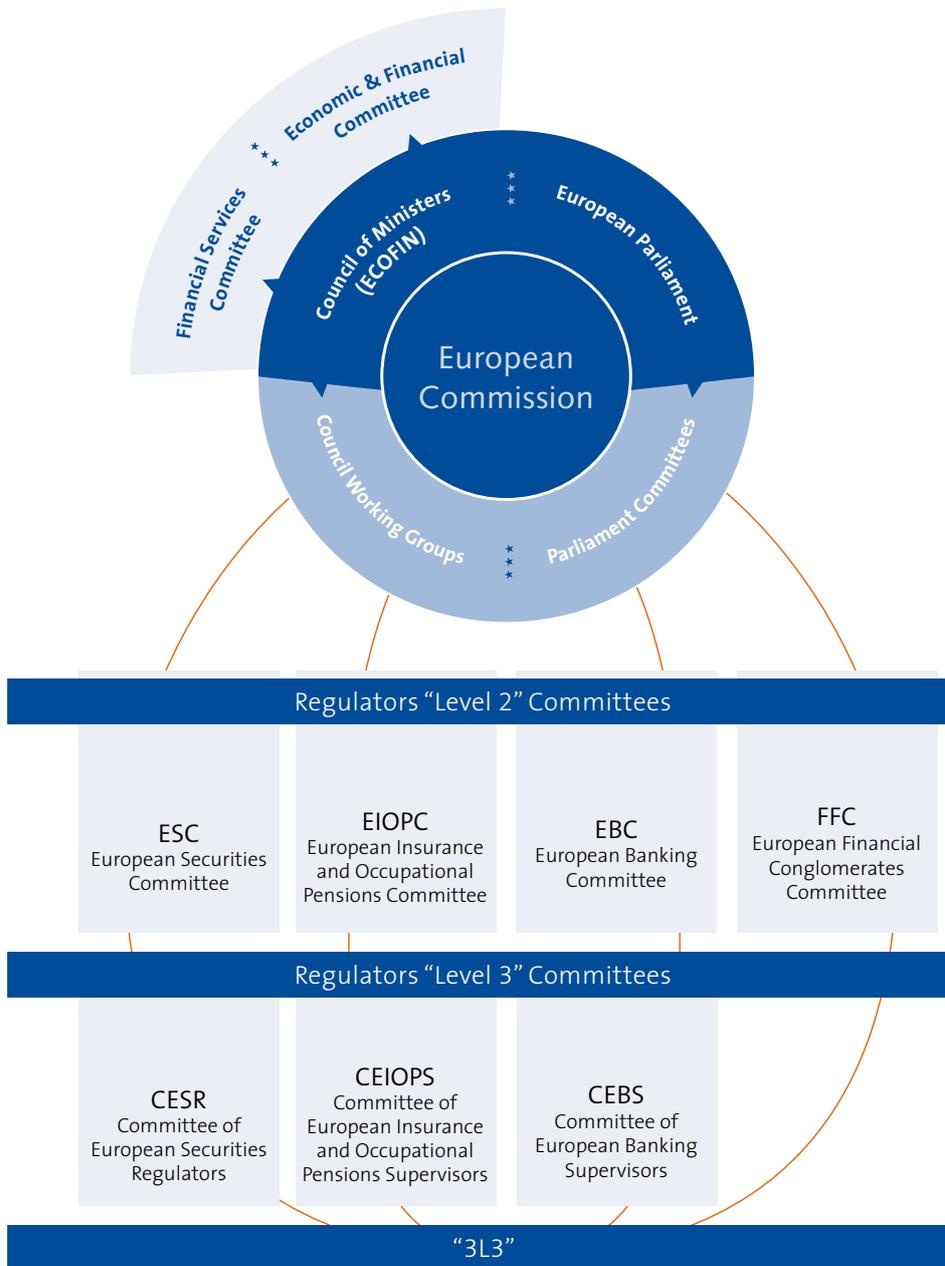
## ★ CEIOPS and the European Commission

2009 was a year of very close co-operation and co-ordination of efforts with the European Commission – particularly on Level 2 advice on implementing measures under Solvency II – including preparatory actions for the fifth Quantitative Impact Study (QIS5) to be run between August 2010 and November 2010. There was also extensive reporting on financial stability matters and consumer protection issues in the insurance and occupational pensions sectors, as well as specific reporting on issues affecting occupational pensions in the EU.

CEIOPS also participated in the European Commission's Derivatives Expert Group. Following a report from the Expert Group on 3 July 2009, the European Commission adopted a Communication on ensuring efficient, safe and sound derivatives markets in the EU. The Communication offers an insight into the role played by derivatives in the financial crisis and the benefits and risks of the derivatives markets and undertakes an assessment of how the risks can be reduced.

## ★ CEIOPS and others

In 2009 – as in previous years – CEIOPS Chair, Managing Board, working group chairs, Secretariat and Member delegates continued to represent CEIOPS at various public and private events in Europe and internationally. This involved speeches and presentation at official EU public hearings, various industry conferences, seminars and receptions, as well as dialogues with third country counterparties. The demand for CEIOPS contribution to these events has grown considerably.





### ★ Solvency II – overview

On 17 December 2009, Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) was published in the Official Journal of the European Union. The adoption of the Directive marked the official starting point for discussions on further work to be undertaken by CEIOPS on the preparation of Level 2 implementing measures.

2009 was a busy and productive year for CEIOPS with regard to Solvency II, characterised by intensive consultation with stakeholders on CEIOPS draft advice for Level 2 implementing measures (see chapter on accountability, transparency and consultation). Based on the European Commission's letters of 19 July 2007 and 12 June 2009<sup>2</sup>, CEIOPS delivered three sets of final advice to the European Commission, following approval by CEIOPS Members at their meetings in October 2009 and January 2010.

CEIOPS also contributed to the Level 2 impact assessment of the European Commission by providing impact assessment on specific policy issues and by supporting the work of the external contractor appointed by the European Commission.

CEIOPS participated, as an observer, in discussions held at Level 2 in the EIOPC Solvency Expert Group, regarding Level 2 implementing measures drafted by the European Commission based on CEIOPS advice. Discussions will continue in 2010.



Overall, CEIOPS has aimed at providing advice which would ensure consistency with the Level 1 risk measure. The first impact assessment was carried out to establish the impact of the changes on the SCR standard formula compared to Fourth Quantitative Impact Study (QIS4) proposals and with regard to the current solvency position of the European (re)insurance market. CEIOPS continued this work until March 2010, when it submitted calibration papers to accompany the draft technical specifications for a further Quantitative Impact Study (QIS), i.e. QIS5, to be run in 2010. It is not sufficient to consider only the impact on the capital requirements, but it is essential to aim for a global assessment of the Level 2 measures with regard to capital requirements, own funds and the level of technical provisions. Therefore, the overall impact of the proposals on the undertakings' balance sheets will be tested extensively in QIS5. To this end, CEIOPS has put in place a QIS5 task force, which will support the working groups in preparing the exercise, assist in addressing questions during the exercise and draft the final report for April 2011. In addition to the work on the Level 2 measures, CEIOPS has started developing Level 3 guidance in specific areas.

In 2010, Solvency II will remain a priority for CEIOPS, with a particular focus on QIS5 and the proposals of the European Commission on Level 2 measures.

## ★ Solvency II – Pillar 1

In 2009, a significant amount of Solvency II advice covered Level 2 implementing measures for the standard formula capital requirements (20 papers), technical provisions (12 papers), own funds (4 papers) and internal models (3 papers).

### ★ Standard formula – capital requirements

Advice on the standard formula for capital requirements included proposals for the design of the risk modules and sub-modules, as well as the technical background and assumptions needed to derive risk charges for these modules (calibration and correlation parameters). In drafting these parameters, CEIOPS built upon the QIS4 specifications (expanding for additional data and statistical analysis) and, where relevant, sought to reflect lessons learned from the crisis. The resulting advice led to discussion between CEIOPS and the industry, allowing CEIOPS to refine its proposals. Furthermore, a specific task force on the development of standardised catastrophe scenarios for non-life underwriting risk was established in 2009. This task force, which is composed of several CEIOPS Members and industry representatives (reinsurers, catastrophe modelers and consultants), will deliver a first set of scenarios in time for consultation on the QIS5 technical specifications at the end of March 2010.

Key issues that arose from the consultation with regard to capital requirements included the level of the calibration of the capital requirements.

Solvency II aims to define a capital charge for all quantifiable risks and should reflect the overall risk measure of 99.5 % Value at Risk (VaR). CEIOPS recognises that further work is needed in this area in order to balance these objectives with the Level 1 Directive. Therefore, in response to the comments from stakeholders during consultation – that the proposals resulted in a significant increase of capital requirements for some risks compared to QIS4 – CEIOPS has refined its proposals to ensure consistency with the calibration requirements, leading, among others, to important adaptations in the calibration of the market risk module.

In order to arrive at a proper calibration, sufficient data of good quality needs to be available. Specifically with regard to the calibration of the non-life underwriting risk, CEIOPS has agreed with the Commission Services to collect further data to enhance the calibration of the risk until end of March 2010.



## ★ Technical provisions

With regard to technical provisions, CEIOPS advice covered the valuation of the best estimate (including methods, requirements for data quality, choice of the risk free interest rate), the calculation of the risk margin (cost-of-capital rate and reference entity) and the requirements for calculating best estimate and risk margin separately and as a whole.

Key issues that arose from the consultation with regard to technical provisions included the choice of the risk free rate.

As a result of the financial crisis, some stakeholders requested the inclusion of a liquidity premium in the valuation of insurance liabilities. After intense discussions in CEIOPS, CEIOPS Members agreed to set up a task force composed of CEIOPS Members as well as industry and academia representatives, with the European Commission as an observer.

The task force was mandated to consider, from a technical point of view, the implications of allowing for a liquidity premium in order to enable CEIOPS Members to formulate their advice to the political level in this area. The task force concluded its work in February 2010. At the same time, the choice of the reference rate (adjusted swap rate or government bond rate) and the extrapolation of the interest rate curve (for discounting insurance companies' long-term liabilities beyond the last available data point of sufficient liquidity) remain on the agenda of the CEIOPS task force and the European Commission.

## ★ Own funds

With regard to own funds, CEIOPS has provided advice on the criteria for the approval of ancillary own funds, as well as on the classification and eligibility of basic own funds. Specific advice has also been provided on the treatment of participations, where more work remains to be done on the treatment of ring-fenced funds.

Key issues that arose from the consultation with regard to own funds included the quality of own funds.

CEIOPS considers it of crucial importance to safeguard the quality of capital under Solvency II. CEIOPS is keen to ensure that Solvency II requires a high quality of own funds and has been striving (consistent with previous work carried out by CEBS and CEIOPS in the Joint Task Force on capital) to achieve appropriate cross-sector consistency<sup>3</sup>. CEIOPS advice allows only for hybrids instruments of high quality (i.e. loss-absorbing) in Tier 1, up to a certain percentage, in line with proposals made for the revision of the Capital Requirements Directive (CRD).

## ★ Internal models

In order to increase supervisory convergence and prepare industry and supervisors for the use of internal models as an alternative to the standard formula under Solvency II, CEIOPS has provided supervisors with a platform for the exchange of information and knowledge.

CEIOPS work programme for 2009 committed CEIOPS to the delivery of advice to the European Commission, regarding internal models' approval in the context of Solvency II.

In November 2009, CEIOPS published its final advice to the European Commission on the procedure to be followed for the approval of a full or partial internal model – both at solo and group level – with specific requirements for group and partial internal models, and on the tests and standards that internal models have to fulfill in order to obtain approval from the supervisory authorities.

Internal models are one of the cornerstones of a risk-oriented system like Solvency II. As such, CEIOPS allows, in its advice, for an approach to modelling that should embed a clear incentive to improve the quality of the undertaking's internal model.

In January 2010, CEIOPS provided its final advice on partial internal models. The advice addressed, in detail, how the results of partial internal models may be integrated into the standard formula results for the calculation of the SCR.



Consultations with stakeholders (including presentations to CEIOPS given by insurance companies, consultants and designers of vendor models) have provided valuable information for the preparation of the advice.

In addition, CEIOPS is improving the expertise and convergence of supervisory practices in the area of internal models. Pre-visits to undertakings using internal models and a training session for supervisors on internal models were among the measures used by CEIOPS in 2009 in order to achieve these objectives.

In January 2010, following CEIOPS final advice to the European Commission on the internal model approval process, CEIOPS published a Consultation Paper on guidance for the pre-application process.

As many of the internal model applications are likely to relate to group internal models, the paper provides for guidance on the operation of the College of Supervisors (former Coordination Committees) in the pre-application process.

## ★ Solvency II – Pillars 2 and 3

An appropriate system of governance, the Supervisory Review Process (SRP) of Pillar 2 and the reporting requirements of Pillar 3 are closely interlinked and together supplement Pillar 1 requirements under the new Solvency II framework.

CEIOPS work programme for 2009 committed CEIOPS to deliver fully consulted upon advice to the European Commission, regarding Level 2 implementing measures for a number of Pillar 2 and 3 issues. CEIOPS also contributed to European Commission's impact assessment for Pillars 2 and 3.

The advice (delivered in November 2009) covered: governance and remuneration; transparency and accountability; valuation of assets and liabilities other than technical provisions; Special Purpose Vehicles (SPVs); capital add-ons; and reporting requirements, while advice delivered in January 2010 covered repackaged loan investments and the extension of recovery periods.

## ★ Governance and remuneration

CEIOPS provided separate advice on the system of governance and remuneration. The paper on governance covered general governance, fit and proper requirements, risk management, internal control, internal audit, actuarial function and outsourcing.

CEIOPS believes that the Level 1 text already contains a high level of detail on the principles and requirements for the system of governance, especially compared to the Level 1 text or Level 2 implementing measures in other EU directives on financial services. The advice aims to ensure appropriate governance standards within (re)insurance undertakings

## ★ Transparency and accountability

Transparency is a key element of effective insurance supervision and accountability. To ensure such accountability, appropriate disclosures by supervisory authorities about their supervisory approaches are needed. Supervisory authorities should provide stakeholders with access to the rules, principles and guidelines they apply while performing their supervisory tasks. Disclosure by supervisory authorities will help foster harmonised practices across Member States.

Following its advice on implementing measures, CEIOPS also published a preliminary list of key indicators that CEIOPS envisage would be included in Level 3 guidance at a later stage.



### ★ Valuation of assets and liabilities other than technical provision

CEIOPS developed advice on Level 2 implementing measures in respect of the valuation of assets and liabilities other than technical provisions which are essential to build the so-called “Solvency II balance sheet”.

The advice is based on the Level 1 text, with assets and liabilities valued at fair value. For solvency purposes, the assessment is to be made on the individual balance sheet items and on the assumption that the undertaking will continue as a going concern.

### ★ Special Purpose Vehicles (SPVs)

SPVs have been the subject of considerable attention in the context of the financial crisis. Supervisors acknowledge that there are risks inherent in using SPVs and hence an appropriate supervisory regime needs to be established to protect policy holders and to avoid systemic risks, while not preventing innovation. CEIOPS advice to the European Commission, with regard to reinsurance SPVs, addresses the authorisation, regulatory requirements and scope of supervisory review that relate to the establishment of SPVs under Solvency II. It also includes material that could be considered for Level 3 guidance at a later stage.

### ★ Capital add-ons

Capital add-ons are a supervisory tool aimed at ensuring an adequate level of SCR. The advice to the European Commission includes the specification of the circumstances under which a capital add-on may be imposed and the methodologies for its calculation.

## ★ Reporting requirements

This advice covers reporting and disclosure requirements relating to solo undertakings and groups, using either the standard formula or internal models.

The advice sets out the information CEIOPS would expect to be covered in the:

- ★ Annual public disclosure through the Solvency and Financial Condition Report<sup>4</sup> and
- ★ Report to Supervisors.

CEIOPS CP on reporting was followed by the development of preliminary quantitative reporting templates.

## ★ Repackaged loans investment

The Level 2 advice to the European Commission concerned the requirements for investing in repackaged loans that effectively transfer credit risk from originators to investors.

Depending upon the economic substance, those tradable securities and other financial instruments whose underlying exposures are liabilities, issued by an originator (or originators in the case of multi-seller structures), with the intention of raising funds and which do not transfer credit risk, were out of the scope of this advice. CEIOPS intends this definition (the requirements and the exemptions) to be consistent with the CRD and proposes to deal with specific exemptions from this advice on a case-by-case basis.

## ★ Extension of the recovery period

CEIOPS provided Level 2 advice on the circumstances in which a supervisory authority may extend an undertaking's recovery period in the event of an exceptional fall in financial markets, in cases where the SCR of an undertaking is no longer met.

The recent financial crisis has shown that a major slump in financial markets is not an unrealistic scenario. Undertakings and supervisory authorities alike must be able to respond effectively to such circumstances, ensuring policyholder protection is maintained whilst avoiding short-term actions that may exacerbate the market downturn and endanger wider market stability.



## ★ Insurance Groups

Considerable effort and resources are being devoted by CEIOPS Members to the supervision of insurance groups.

CEIOPS' work in relation to insurance groups under Solvency I includes initiatives to harmonise and streamline group supervision, as well as to enhance co-operation between supervisors within the Colleges of Supervisors (former Co-Cos). The name was formally changed in January 2010. In 2009, there were 102 insurance groups involved in cross-border activities through their subsidiaries<sup>5</sup>.

CEIOPS' work related to insurance group supervision in respect of the Solvency II framework, involves preparing advice and guidance on group solvency assessment and on co-operation between supervisors in a group context, particularly for groups operating cross-border. CEIOPS also ensures that the group perspective is taken into account when necessary (for example in its advice on capital add-ons). CEIOPS work programme for 2009 committed CEIOPS to the delivery of advice to the European Commission on Level 2 implementing measures regarding group supervision in the context of Solvency II.

Aware of the importance of the preparation of Colleges of Supervisors for a financial crisis, CEIOPS published, in March 2009, “Guidelines on preparation for and management of a financial crisis” in the context of the MoU on Cooperation between the Financial Supervisory Authorities, Central Banks and Finance Ministries of the EU on Cross-Border Financial Stability. Those guidelines complement the existing Guidelines for Colleges.

In November 2009, CEIOPS submitted its final advice to the European Commission on the assessment of group solvency and co-ordination within Colleges of Supervisors. The latter advice includes lessons learnt from the recent financial crisis for the functioning of Colleges of Supervisors in periods of stress.

The financial crisis has highlighted the high impact that risk concentration and intra-group transactions can have on the financial well-being of groups. Therefore, CEIOPS also issued its own-initiative advice on the supervision of intra-group transactions and risk concentrations, so as to highlight the need for a holistic approach to group supervision, encompassing all the entities that influence the risk profile of an insurance group.

January 2010 marked a number of further group-related initiatives.

Co-Cos were formally renamed ‘Colleges of Supervisors’. This change reflects common international standards and, more importantly, the commitment of CEIOPS and its Members to ensure a smooth transition from Solvency I to Solvency II, under which Colleges of Supervisors will have additional tasks to perform.

Group issues were included in CEIOPS Consultation Paper on the pre-application process for internal models to respond to the need for the enhanced level of cooperation expected of supervisors of cross-border groups under Solvency II.

In co-operation with FINMA, CEIOPS published a list of groups for which a College of Supervisors is in place to increase transparency and to ensure that non-European Economic Area (EEA) supervisors are aware of the existence of a College for a particular group. The list is based on the Helsinki list and covers EEA activities of non-EEA groups, and, for the EEA groups, it covers EEA and Swiss activities.

And finally, CEIOPS submitted its final advice on the solvency of groups with centralised risk management. For the first time, the advice addresses the importance of effective governance systems at group level.



## ★ Equivalence

In the first quarter of 2009, CEIOPS completed an initial analysis of the key roles and responsibilities of various parties under the Solvency II Directive. This was followed by a request from the European Commission in June 2009 for advice relating to the:

- ★ Development of the general criteria to be used in the assessment of the equivalence of third country regimes (to be provided by end March 2010) and
- ★ Assessment of individual third country supervisory regimes.

At the end of November 2009, CEIOPS published, for public consultation, draft advice on Level 2 implementing measures in respect of the technical criteria to be applied when assessing third country equivalence under Articles 172, 227 and 260 of the Solvency II Directive (i.e. in relation to reinsurance supervision, group solvency calculation and group supervision).

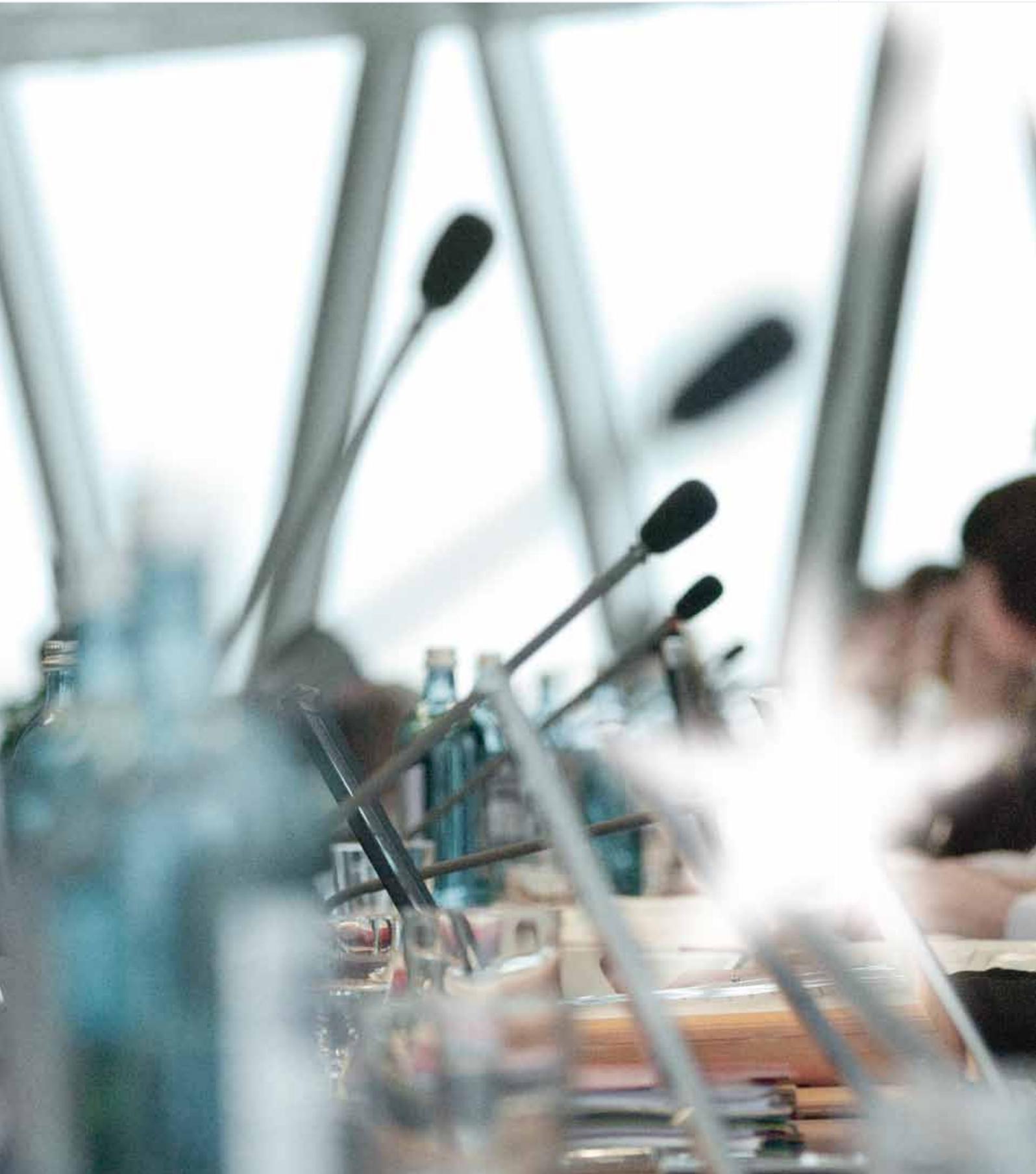
On 7 January 2010, as part of the consultation process, CEIOPS held a stakeholder meeting to discuss third country equivalence. Major EU stakeholders, as well as representatives from third countries had the opportunity to comment on CEIOPS draft advice. The public consultation period ended at the beginning of February 2010.

In January 2009, CEIOPS published a report on the results of a questionnaire, completed by CEIOPS Members and Observers, on their regulatory and supervisory treatment of third country reinsurance undertakings and existing equivalence practices. This was followed, in September 2009, by the publication of a database containing details of individual responses to the questionnaire.

In January and February 2009, CEIOPS also published methodologies for the assessment of the equivalence of third country regimes under Directive 2005/68/EC (Reinsurance Directive)<sup>6</sup> and the professional secrecy standards of the Consolidated Life (2002/83/EC), Third Non-Life Insurance (92/49/EEC) and Reinsurance Directives<sup>7</sup>. CEIOPS subsequently invited specific non-EU countries and territories to participate in equivalence assessments by way of the completion of questionnaires modelled on the aforementioned methodologies – the responses in respect of which, are currently being reviewed by CEIOPS.

In January 2010, following approval by CEIOPS Members, CEIOPS published, the conclusions of its equivalence assessment of the Swiss supervisory system in relation to the Reinsurance Directive – namely that the Swiss supervisory regime, as applied to reinsurance undertakings, achieves, in an equivalent manner, the key supervisory principles and objectives encapsulated in the Reinsurance Directive.

CEIOPS Members also agreed to recognise the Swiss Financial Market Supervisory Authority as the legal successor to the Swiss Federal Office of Private Insurance.



# 6

## OCCUPATIONAL PENSIONS

CEIOPS work in the area of occupational pensions in 2009 covered a wide spectrum of issues. This section focuses on initiatives relating to the consistent implementation of the IORP Directive, particularly for cross-border IORPs, and on some specific crisis-related work streams. Work relating to financial stability, accounting, consumer protection and training is covered under separate headings elsewhere in the report.

CEIOPS Work Programme for 2009 envisaged:

- ★ The completion of the experience based review of the Budapest Protocol;
- ★ A 2009 update to CEIOPS Report on Market Developments;
- ★ A report on risk management in IORPs, to be followed by work on internal controls;
- ★ Identification of pension schemes or institutions providing pensions in the occupational environment, but neither covered by, nor explicitly excluded from, the IORP Directive and
- ★ Work on a selection of topics recommended for further analysis by CEIOPS' 2008 key implementations report<sup>8</sup>, namely: the practical aspects of the different interpretations of the definition of cross-border activity; ring-fencing of assets and liabilities in stress situations; an analysis of the correlations between supervisory reporting requirements and supervisory regimes and the implications for the level playing field of any additional requirements on information to members and beneficiaries that may be imposed by a host Member State on IORPs operating cross-border. Level 3 guidance on a common definition of "risk capital markets" was also to be considered.



The review of the Budapest Protocol was completed in October 2009, with the revised texts coming into force at the end of October 2009. The protocol sets out a framework for collaboration and co-operation among CEIOPS Member Competent Authorities and those signatory non-CEIOPS Member Authorities which are Competent Authorities under the IORP Directive in the supervision of cross-border IORPs. The revised protocol incorporates common aspects of other CEIOPS protocols, including a new section on the handling of cross-border consumer complaints.

In November 2009, CEIOPS published a 2009 update to its Report on Market Developments<sup>9</sup>. The report tracks overall activity and developments in the European cross-border occupational pensions market since the IORP Directive came into force.

In order to understand how the various types of risks faced by IORPs are being addressed in practice, CEIOPS carried out a survey-based project to map existing national legal frameworks and practical approaches to risk management in IORPs across Member States. A report on the findings of this project was published in early November 2009<sup>10</sup>. Work on approaches to management oversight and internal controls in IORPs started thereafter.

In March 2009, CEIOPS completed an internal report identifying pension schemes or institutions which provide pensions in the occupational environment, but are neither covered nor explicitly excluded from the IORP Directive. At CEIOPS Members' request, this was followed by an extended survey to identify any type of pension fund in the EU,

which was not covered by any EU legislation. A report on the outcome of this work was submitted to the European Commission in October 2009 as input to the Green paper on pensions (expected in June 2010).

The exchange of information on Host State requirements in respect of IORPs operating cross-border is an important factor in the effective management and supervision of such IORPs. Following the publication on its website of web links to the information on national social and labour law provisions relevant to occupational pensions (where available), in June 2009, CEIOPS published a brief overview of all legal requirements with which a guest IORP, operating a pension scheme in a Host State must comply. The overview consists of an explanatory note<sup>11</sup> and a matrix indicating the position in each Member State<sup>12</sup>. The overview is based on a selection of topics that fall under three headings: national social and labour law relevant to occupational pensions; investment restrictions and additional information requirements.

As part of CEIOPS measures, taken in response to the financial and economic crisis between June and October 2009, an internal survey among CEIOPS Member Supervisory Authorities was carried out to identify approaches to stress testing for European IORPs. Detailed analysis of the consequences of the financial crisis on pre-crisis supervisory methods and approaches, including investment rules, for both defined benefit and defined contribution IORPs, was scheduled for 2010.

Work on topics recommended by the key implementations report for further analysis continued throughout 2009, with the following outcomes:

- ★ An issues paper on the practical aspects surrounding the different definitions of cross-border activity that currently exist, will be finalised and sent to the European Commission in early April 2010, as CEIOPS input to the forthcoming Green paper on pensions;
- ★ An issues paper on the ring-fencing of assets and liabilities in cross-border IORPs will be published around the middle of 2010;
- ★ Further analysis of supervisory reporting and information to be provided to members and beneficiaries started in the fourth quarter 2009 and
- ★ After further consideration, it was agreed that there was no need at this stage for a Level 3 guidance on the definition of risk capital markets.

In June 2009, CEIOPS gave evidence to the European Commission's public hearing on the harmonisation of solvency rules for IORPs subject to Article 17 of the IORP Directive and cross-border IORPs. Debate has continued since then. It is anticipated that the Green Paper on pensions, announced for June 2010, will give an indication of a proposed way forward for the safety and security of European occupational pensions.



# 7

## FINANCIAL STABILITY

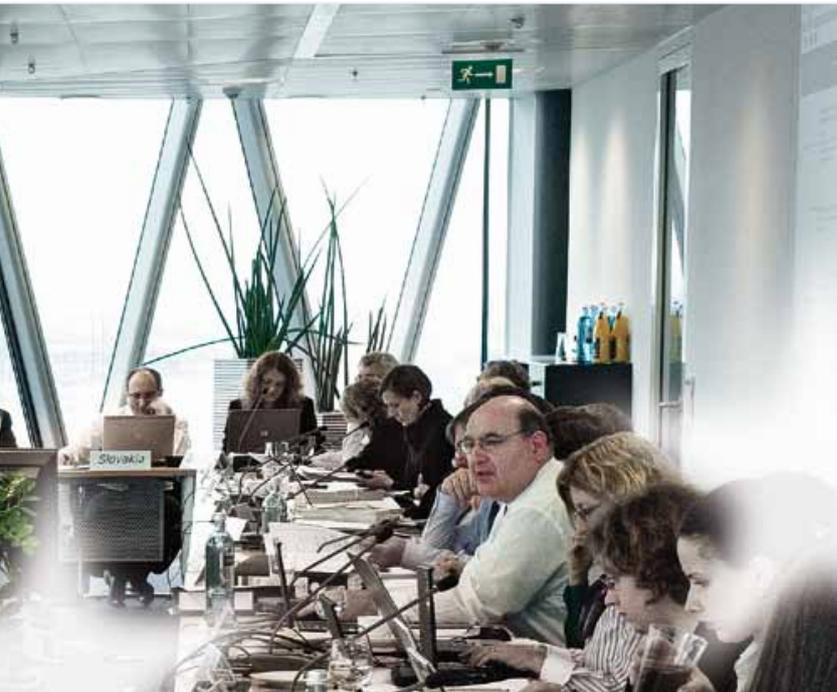


During 2008 and 2009, in view of the financial and economic crisis, CEIOPS considerably increased its emphasis on, and devoted resources to, financial stability matters relating to the insurance and occupational pensions sectors. Work on financial crisis issues was given the highest level of priority. This section outlines work carried out under the CEIOPS work programme for 2009, as well as additional initiatives undertaken in response to ECOFIN recommendations and requests from the FSC and the EFC. CEIOPS was represented in numerous meetings of the FSC and the EFC, including the EFC Financial Stability Table (EFC-FST), and delivered various reports and updates in response to the requests from these committees.

In line with the mandate from the EFC-FST, CEIOPS Work Programme for 2009 committed CEIOPS to:

- ★ Bi-annual reporting on financial conditions and financial stability in the insurance, reinsurance and occupational pensions sectors;
- ★ Joint reporting with the banking supervisors on the macro-prudential developments, financial conditions and financial stability of European financial conglomerates;
- ★ Delivery of sectoral risk assessment as input to the 3L3 pilot report on cross-sector risks to financial stability in Europe;
- ★ Conducting a Europe-wide stress test exercise in the insurance sector and
- ★ Monitoring national measures taken by supervisors in response to the crisis.

In May 2009, as in previous years<sup>13</sup>, CEIOPS published the first of its bi-annual reports – the provisional spring report on the main market trends within the insurance and occupational pensions sectors. CEIOPS' second bi-annual report (published in December 2009), contained the annual assessment of developments in the insurance and occupational pension sectors, and highlighted financial stability implica-



tions and uncertainties. While most insurance undertakings coped well with the financial crisis and solvency margins were still reported to include shock absorption capacity to cover losses, insurers' overall solvency positions had deteriorated. The report also considered the impact of depressed equity markets and low interest rates on the occupational pension funds sector, as well as the policy responses, distinguishing between defined benefit and defined contribution schemes. It was concluded that there was still uncertainty about the future outlook for the insurance and occupational pensions in relation to developments in interest rates, equity prices as well as the influenza A (H1N1) virus.

As a joint effort with the banking supervisory committees, CEIOPS reported, in September 2009, on the financial conditions and financial stability issues relevant to financial conglomerates, focusing on the contagion risks stemming from intra-group transactions and business trends. This reporting was based on quantitative supervisory and market data on financial conglomerates, as well as on a qualitative assessment of cross-sector risks specific to financial conglomerates.

In order to respond to the need for regular monitoring of developments and the impact of the crisis on insurance and occupational pensions sectors, as well as to ensure timeliness of the information contained in CEIOPS bi-annual reporting, CEIOPS made considerable improvements to its tools and systems for data collection in 2009. A dedicated task force of financial stability experts was established in 2008 for this purpose.

In 2009 the experts developed a generic template to collect information on specific investment exposures applicable to both the occupational pensions and insurance sectors, thus ensuring consistency in the use of definitions of, for example, direct and



indirect investments. The timeliness of CEIOPS' data collection improved considerably through establishing a representative sample of occupational pension funds and insurance groups. Furthermore, since 2009, qualitative information on supervisors' assessment of the main risks and their relevance to their markets in the foregone period as well as in the forthcoming period, has been gathered through regular surveys.

As another crisis related initiative, CEIOPS set up in October 2008 a crisis contact list for its Members. The list contains contact information for each CEIOPS Member and was regularly updated in 2009. In September 2009, an e-mail alert procedure was put in place so as to enable CEIOPS Members to exchange and share information about supervisory interventions in individual companies.

In June 2009, CEIOPS published a Report on Insurance Linked Securities (ILS)<sup>14</sup>. ILS have grown in importance over the last few years and are an important tool for insurance undertakings to effectively transfer risks and tap new sources of capital market funding. The report gives an overview of the ILS market, its development and the investor's structure. It also explores the potential prospects and challenges, associated with it under Solvency II.

In January 2010, following discussions at the FSC meeting held on 20 January 2010 in preparation for the forthcoming EU discussion on the Financial Stability Board paper on systemic risk, CEIOPS was requested to prepare a concept note on systemic risk components of insurance business models. CEIOPS Members consider that, in the current financial crisis, the European insurance sector did not turn out to be a source of systemic risk, but has, instead, significantly contributed to the stability of the financial system as a whole. However, a wide-spread disruption amongst insurers could be a source of vulnerability for other sectors of the financial system. CEIOPS considers that the interconnectedness of financial sectors and links of the insurance sector with the real economy are crucial to recognising the relevance of insurance to systemic risk. The "systemic relevance" of risks relates to contagion likelihood by means of the interdependencies in place amongst (re)insurance undertakings and with other market players. These linkages have developed considerably in the last few years.

### ★ Stress test in the European insurance sector

In July 2009, CEIOPS Members took a decision, followed by a request from the EFC, to conduct a European-wide stress test in the insurance sector by the end of 2009.

The aim of the stress test was to evaluate the overall resilience of the insurance sector to the economic and financial markets environment under several stress scenarios. The exercise included a sample of large and important European insurance groups, accounting for in excess of 60% of premiums in the European insurance market.



CEIOPS' stress test exercise was based on market conditions at the end of June 2009 and was conducted in November-December 2009, following consultation with the participating groups and industry bodies (e.g. CEA, CRO Forum and CFO Forum) in October 2009. CEIOPS also organised a workshop on 17 November 2009, in order to explain the exercise and clarify technical and procedural aspects to participating insurance groups and their lead supervisors.

The exercise consisted of testing three scenarios: an adverse scenario, a deep recession scenario and a high inflation scenario. The stress within these scenarios focused on market risks with an additional lapse risk stress in each scenario. The adverse scenario mirrored development in capital markets between the end of September 2008 and the end of September 2009. The second scenario tested resilience to a more severe and prolonged recession and the third scenario tested a situation where inflation picks up rapidly, leading to a steep rise in interest rates.

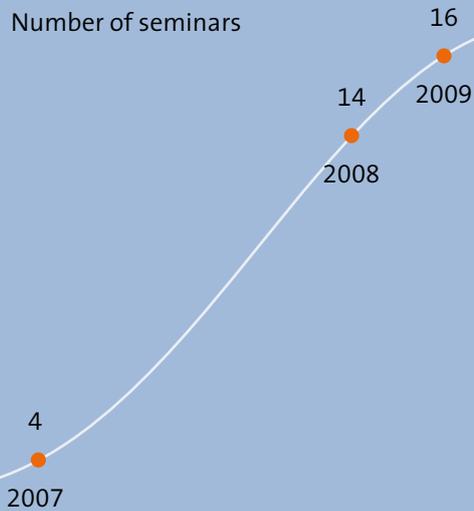
The outcome of the stress test was shared with the Members of the EFC in March 2010. The results indicated that the large and important European insurance groups would remain resilient even in severe scenarios. In all scenarios, the aggregated level of available capital exceeded the regulatory requirements.

### ★ Supervisory culture and convergence

The new European Commission Decision establishing CEIOPS<sup>15</sup>, published in January 2009, stresses the importance of CEIOPS role in the development of a common supervisory culture in the EU, through facilitating technical training and the exchange of staff in order to build common supervisory skills and approaches.

In 2009, CEIOPS undertook major work to foster the development of a common European supervisory culture in the insurance and occupational pensions sectors and to set up and develop tools aimed at ensuring an appropriate and effective follow-up to CEIOPS standards, guidelines and recommendations.

This was translated into a comprehensive training programme for 2009 and the promotion of exchange of staff amongst CEIOPS Members.



## ★ Training

CEIOPS fulfilled the commitment made in its work programme 2009 to develop an extensive range of seminars, as part of its drive to increase supervisory convergence and expertise, while maintaining the “no-fee” policy for the staff of CEIOPS Member authorities and opening seminars to non-EEA supervisors.

As the table below shows, 16 sector seminars were organised by CEIOPS in 2009, mostly relying on speakers from CEIOPS committees and experts groups, and often with the co-operation of CEIOPS Members and non-profit institutions.

In addition to the sector training, CEIOPS continued to co-operate with CEBS and CESR in order to deliver the cross-sector training programme, which involved the organisation of 4 cross-sector seminars lead by CEIOPS.

In 2009, CEIOPS Members continued to focus their efforts on increasing both the quantity and the quality of training seminars. Over 1100 supervisors benefited from a total of 20 seminars run by CEIOPS. Overall feedback was positive. The European Commission, by means of a co-funding programme started in June 2009, has made it possible to finance half of the training costs from non-CEIOPS funds.

### 2009 CEIOPS sectoral seminars

- ★ Introduction to Solvency II – Frankfurt, 4 March
- ★ Methodology, definition and valuation – Frankfurt, 2 April
- ★ Solvency II SRP and Reporting – hosted by the Hungarian FSA in Budapest, 23 April
- ★ Solvency II Governance System incl. Risk management, Own risk and solvency assessment – hosted by the Hungarian FSA in Budapest, 24 April
- ★ Solvency II Valuation of assets and liabilities – hosted by the Polish FSA in Wroclaw, 6–7 May
- ★ Financial Reinsurance & Securitisation of insurance risks – Frankfurt, 09 June
- ★ IORPs – Supervisory Issues – hosted by CBFA in Brussels, 15–16 June
- ★ Insurance Groups supervision – hosted by DNB in Amsterdam, 10 July
- ★ Consumer Protection – Frankfurt, 15 September
- ★ Simplified Methods in the Market Consistent Valuation of Technical Provisions – hosted by the Bayerisches Finanzzentrum (BFZ) in co-operation with BaFin and the Groupe Consultatif in Munich, 21–22 September
- ★ Solvency II Internal Models – hosted by UK FSA in London, 25 September
- ★ Revised Budapest Protocol and cross-border cooperation – hosted by UK TPR in Brighton, 12 November
- ★ Supervision of International Insurance Groups (Open to non EEA Supervisors) – in co-operation with BaFin – Frankfurt, 17 November
- ★ Stress test workshop – hosted by CBFA in Brussels, 17 November
- ★ CEIOPS Annual Conference – Frankfurt/Main Congress Center, 18 November
- ★ Cooperation and convergence between supervisors – hosted by LUISS University in co-operation with COVIP and ISVAP in Rome, 14 December



## ★ Staff exchanges

CEIOPS Members recognise the importance of staff exchanges in building a common European supervisory culture.

As the following table demonstrates, in 2009, there was a considerable increase in staff exchanges, especially in respect of study visits. The main obstacles to engaging in long-term staff exchanges (such as secondments), as reported by CEIOPS Member Authorities, include the language barrier, lack of resources and capacity (particularly in small authorities), increased workloads and/or restructurings in the aftermath of the financial crisis.

	Secondments (staff members involved)	Study visits (staff members involved)	Authorities involved
End 2007	8 (7 to CEIOPS)	12	13
End 2008	16 (10 to CEIOPS)	67	23
End 2009	16 (10 to CEIOPS)	80*	23

*\* 6 out of 80 refer to other staff exchange initiatives*

## ★ Supervisory practices

In addition to the work specifically devoted to developing a common supervisory culture, CEIOPS also explored other tools to foster convergence and strengthen the national application of EU legislation and Level 3 measures (without changing their legally non-binding nature).

One of the tools developed by CEIOPS is common formats to be used for the disclosure of national transposition and implementation of EU legislation. In 2009, CEIOPS launched a pilot exercise on the Reinsurance Directive to map the Directive's transposition and implementation at a national level. The results of this pilot, carried out in the last quarter of 2009, will be published in the first quarter of 2010.

Another tool in response to ECOFIN recommendations is the Protocol on Mediation, approved by CEIOPS Members at the end of 2007. In 2009, CEIOPS commenced work on a pilot exercise aimed at verifying the functioning of the CEIOPS Mediation Protocol. A one-day simulation exercise is scheduled to take place in the second quarter of 2010.

The Review Panel, formed in 2008, is a significant instrument in CEIOPS efforts to foster convergence of Member States' supervisory practices and approaches throughout the EU. The role of Peer Review will become more significant within the context of the new supervisory framework, with the formation of CEIOPS' successor – EIOPA – which will have expanded powers and obligations in this area.

In Spring 2009, CEIOPS Review Panel launched its first peer review exercise to assess compliance by Members and Observers' Supervisory Authorities with the provisions on information exchange and supervisory co-operation in the context of the General Protocol, the Budapest Protocol, the Helsinki Protocol and the CEIOPS-CEBS 10 Common Principles for Colleges of Supervisors.

Members and Observers were invited to self-assess the application of the aforementioned provisions. The publication<sup>16</sup> in November 2009 of national replies and the reports summarising factual results of the self-assessment constituted the initial phase of the Peer Review process.

Michel Flamée

Review Panel Chair

CBFA, Belgium



In December 2009, the Review Panel started the second phase of peer review. This constitutes an independent and objective evaluation of Members' self-assessments, both on an individual and comparative basis. The aim is to assist Members and Observers in improving supervisory co-operation and to enhance the operation of the aforementioned Level 3 guidelines. The second phase will be conducted as three separate projects, run consecutively. The first one will cover the General Protocol. All three review projects are expected to be completed by the end of 2010, subject however, to new developments in the prudential appraisal of insurance groups by Colleges of Supervisors.

2009 was a busy year for CEIOPS in terms of its work on consumer protection.

In March 2009, CEIOPS organised the publication on its website of a database<sup>17</sup> that aims at increasing the exchange of information and co-operation among competent authorities involved in the supervision of cross border insurance activities. In line with the provisions of the General Protocol<sup>18</sup>, the database facilitates access to national information on general good provisions and provides a list of licensed insurance undertakings and contact points for specific insurance-related questions, such as notifications and consumer complaints.

In response to the European Commission's request for Advice in May 2009, CEIOPS submitted its contribution to the Commission's work on Insurance Guarantee Schemes<sup>19</sup> on 30 June 2009. The report includes CEIOPS preliminary recommendations regarding the harmonisation of 13 specific aspects of insurance guarantee schemes, an analysis of the pros and cons of other design options and an update of the information provided in the Commission OXERA report of November 2007<sup>20</sup>. The main recommendation of CEIOPS is to introduce European legislation on guarantee schemes both for the life and non-life sectors, covering natural persons as a minimum and based on the principle of minimum harmonisation. CEIOPS report was prepared by a task force on Insurance Guarantee Schemes, established in March 2009 under the chairmanship of Ole-Joergen Karlsen, Norway.

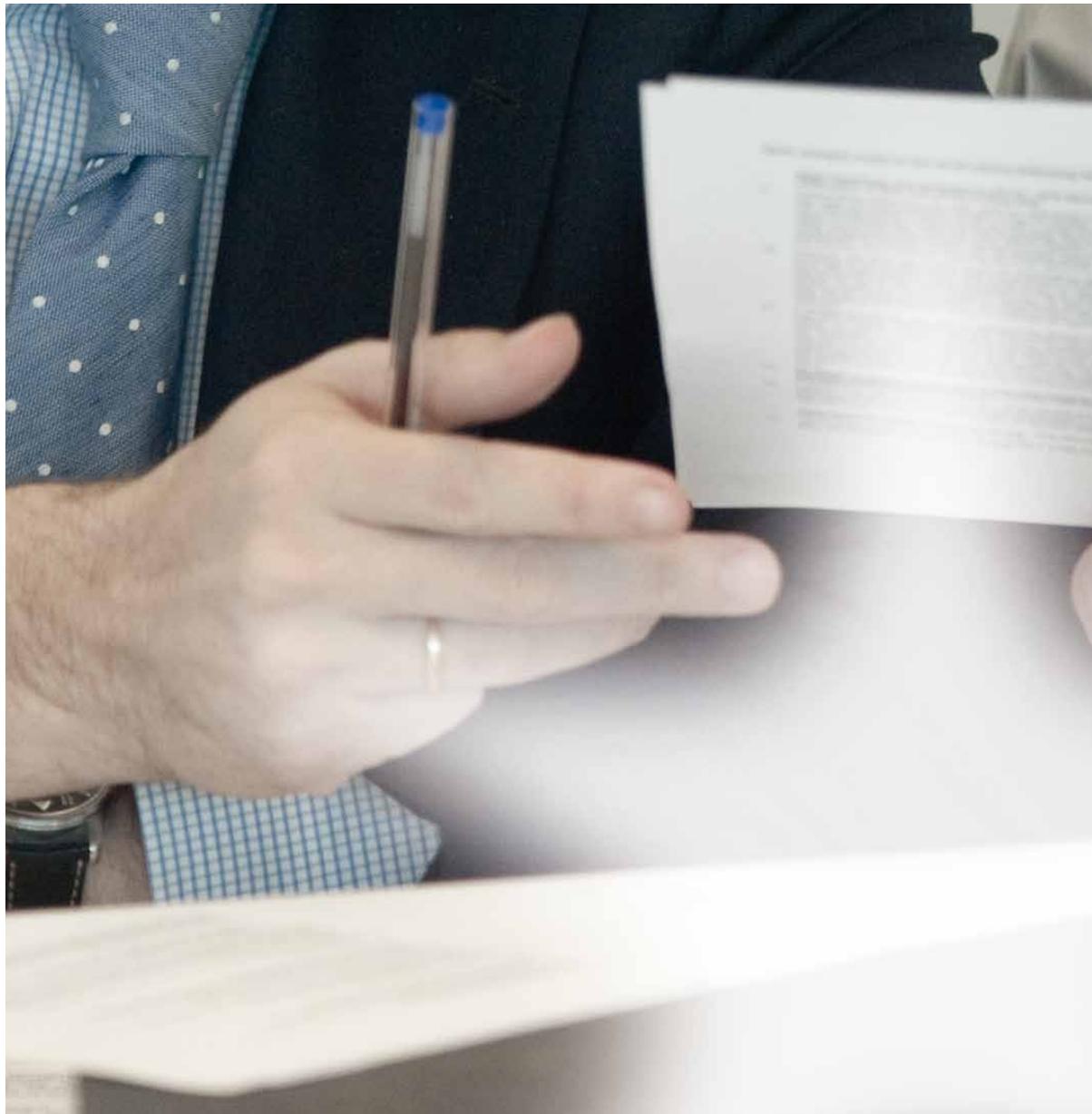


On 2 July 2009, CEIOPS published a report on “The IMD and other intermediaries related issues – practical solutions and examples”, as a further step to strengthening supervisory co-operation and the convergence of supervisory practices. The report is based on experiences of CEIOPS Members, in their role as competent authorities under the IMD (Directive 2002/92/EC), and views expressed by the Commission Services.

CEIOPS, subsequently, received a Request for Advice<sup>21</sup> from the European Commission on the revision of the IMD on 27 January 2010. Under Recital 139 of the Solvency II Directive, the European Commission is required “as soon as possible and in any event, by the end of 2010, to put forward a proposal for the revision of [the IMD], taking into account the consequences of this Directive for policy holders”. CEIOPS will be working actively on responding to this Request for Advice during the course of 2010.

On 2 July 2009, CEIOPS published a “Report on National Measures regarding Disclosure Requirements and Professional Requirements for Unit-Linked Life Insurance Products, which are additional to the Minimum Requirements of the CLD (Directive 2002/83/EC) and the IMD”<sup>22</sup>. This mapping exercise is underpinned by the desire to enhance consumer protection through improved disclosure. The aim was also to see to what extent the requirements of the Market in Financial Instruments Directive (MiFID) may mirror those additional national measures. N.B. Work on this report was initiated prior to the publication of the European Commission’s Communication on Packaged Retail Investment Products (PRIps)<sup>23</sup> on 29 April 2009.

In response to the publication of the aforementioned Commission Communication on PRIPs, CEIOPS Members agreed, at the end of June 2009, to establish a specialised Task Force to provide technical input to the European Commission on the scope of PRIPs, pre-contractual product disclosures and selling practices. The focus of the Task Force was specifically on the product grouping “investments packaged as life insurance policies” as defined in the European Commission’s Communication. A report representing the preliminary position of CEIOPS Members was approved at the Members Meeting on 30 October 2009 and submitted to the European Commission, together with sectoral reports from CEBS and CESR under a joint covering letter, on 18 November 2009. CEIOPS will continue, in a similar vein in 2010, by responding to the Commission Services’ “Update”<sup>24</sup> on the on-going work on PRIPs which was published on 16 December 2009.



In February 2009, CEIOPS participated in the Commission's consultation on Alternative Dispute Resolution in the area of financial services.

CEIOPS also collected, for internal purposes only, statistics on complaints received against insurance undertakings, intermediaries and IORPs.

Finally, throughout 2009, CEIOPS monitored the work of the European Commission relating to discrimination in financial services and to developing a harmonised methodology for classifying and reporting consumer complaints and enquiries.



# II

## OTHER ACTIVITIES

### ★ Accounting

CEIOPS specific aim is to ensure consistency and compatibility between the general accounting framework and the valuation rules under Solvency II.

To this end, in 2009, CEIOPS provided the International Accounting Standards Board (IASB) and European Financial Reporting Advisory Group (EFRAG) with a comment letter on the IASB's Exposure draft on financial instruments on classification and measurement. CEIOPS also commented on the IASB's Exposure draft on the discount rate for employee benefits.

CEIOPS is participating actively as an observer in the European Commission's Accounting Regulatory Committee and in EFRAG.

### ★ International relations

#### CEIOPS Relations with IAIS and IOPS

CEIOPS Members continue to be actively involved in the work of international associations such as the IAIS (International Association of Insurance Supervisors) and the IOPS (International Organisation of Pension Supervisors). Regular updates on the activities of these bodies are provided or shared, and are then fed into relevant CEIOPS workstreams.

CEIOPS relations with the IAIS and the IOPS are likely to be reshaped under the proposed new supervisory framework, as a stronger role in international relations is envisaged for the new ESAs, including CEIOPS successor EIOPA.

#### Regulatory dialogues

CEIOPS regulatory dialogues on financial stability, insurance group supervision and Solvency II continued in 2009. As in the past, the aim was to increase mutual understanding of regulatory and supervisory systems, to promote co-operation in cross-border supervision and to enhance the exchange of information on relevant supervisory and financial stability issues. More recently, the review of the supervisory architecture for financial services in the EU, has become a topic of great interest, as reforms are currently being discussed in a number of jurisdictions, including the US. Meetings were held with the: Association of Latin-America Supervisors; US Insurance Commissioners and the NAIC, as well as the Chinese Supervisory Authority. Discussions relating to insurance group supervision and the assessments of the equivalence of specific third country supervisory regimes also took place during the course of 2009.

The proposals for a new supervisory structure for financial services in Europe attracted particular interest from Bermuda, Chinese Taipei, Croatia, Guernsey, Japan, Russia, South Africa and Switzerland.

CEIOPS will continue to develop these dialogues and exchanges.

#### Opening CEIOPS Training activities to third Countries

In addition to publishing CEIOPS advice and reports on its website, CEIOPS training seminars are another useful way to inform stakeholders and third party supervisors about CEIOPS work.

Therefore, in 2009, CEIOPS Members decided to open CEIOPS sector training seminars to the staff of third country supervisory authorities. The Solvency II SRP and Reporting Seminar on 23 April 2009 attracted two participants from Mexico, as did the Solvency II Governance System Seminar on 24 April 2009. The seminar on the Supervision of Cross-border Groups on 17 November 2009, attracted one participant from Australia, two from Bermuda, one from Guernsey, one from South Africa, one from Chinese Taipei and three from the USA.

CEIOPS will continue to invite interested non-EEA colleagues to its seminars. Their participation provides a valuable opportunity to enhance collaboration, cooperation and convergence at an international level.

The joint work of the 3L3 Committees, CESR, CEBS and CEIOPS, is generally focused on achieving convergence between the financial sectors of securities markets, credit institutions (banks), and the insurance and pensions markets. The inter-linkages of these sectors call for co-operation among the 3L3 Committees of regulators in order to ensure a European level playing field, consistency in legislative implementation, cost effectiveness and proper assessment of cross-sector risks. To that effect, CESR, CEBS and CEIOPS have been co-operating closely since their establishment, and continuous steps have been taken to further enhance this co-operation. In 2005, the 3L3 Committees formalised this co-operation by signing a joint protocol on co-operation. In December 2008, this protocol was updated to reflect the 3L3 experience of joint work completed, and to take into account the latest developments, such as the Lamfalussy review and the deepening financial crisis.

In 2009, the European Commission proposed draft regulations reinforcing the 3L3 co-operation even further and suggested transforming the 3L3 Committees into new European Supervisory Authorities, called ESMA, EBA and EIOPA respectively. The three new Authorities are expected to be operative by 2011.

### ★ 3L3 Committee meetings during 2009

In the course of 2009, the Chairs of the 3L3 Committees met on a regular basis in order to prepare for the meetings held at the EFC and the FSC; other meetings and contacts also took place. In 2009, the 3L3 Chairs and Secretariats dealt with all activities described in the 3L3 work programme but were kept occupied, to a large extent, by discussions on the transformation into European Supervisory Authorities and by compiling 3L3 Committees' views on the appropriate regulatory responses to the financial crisis. The Committees have, for these purposes, participated in the discussions on these topics in the FSC and the EFC and ensured the communication of 3L3 positions.

## ★ 3L3 contributions to the European Commission and Council on improving financial supervision in the EU

On 10 April 2009, the 3L3 Committees provided their joint contribution to the European Commission's consultation on the improvement of supervision for the financial services sector launched on 10 March 2009. This was based on the proposals of the High Level Group chaired by Jacques de Larosière of 25 February 2009 and the European Commission Communication of 4 March 2009 entitled "Driving European Recovery". In their paper, the 3L3 Committees expressed their strong support for the conclusions of the de Larosière report to transform the 3L3 Committees into independent supervisory Authorities. The 3L3 Committees further emphasised that, in their view, the statutory provisions should:

- ★ Accommodate the requirements of self-governance/independence and accountability needed for delivering advice within the Lamfalussy framework;
- ★ Present the most appropriate and effective sound legal solution for implementing and empowering the new independent EU Supervisory Authorities and
- ★ Achieve a balance between the macro and micro-prudential tiers of the future EU supervisory architecture and the future EU Authorities and national supervisors.

Further, the 3L3 Committees highlighted the need for adequate tools in order to fulfil the new tasks under the contemplated re-organised structure, and, in particular, the following key aspects of the new structure:

- ★ A harmonised set of core rules (rule book) in the EU;
- ★ The establishment of the colleges of supervisors as core structures for cross-border supervision in Europe;
- ★ The need for a coherent framework for crisis resolution in Europe;
- ★ Increased and further formalised co-ordination among the sector regulators and supervisors and
- ★ The need for increased and adequate resources.

On 15 July 2009, the 3L3 Committees also responded to the European Commission's Communication of 27 May 2009 on European Financial Supervision. They expressed support for the objectives laid down in the European Commission's Communication and, in particular, the proposals to realise a single European regulatory rulebook and to develop a ESFS, comprising of three ESAs, and a ESRB.

The 3L3 Committees commented, in particular, on the “role and responsibilities” of the ESAs in that they should be:

- ★ Contributing to the development of a single set of harmonised rules;
- ★ Improving the supervision of European financial institutions, including cross-border, by developing common supervisory and high quality requirements/ approaches;
- ★ Helping to settle possible disputes between national supervisors and
- ★ Contributing to the efficient enforcement which will be set in place in cases of manifest breach of community law. In these cases, the ESAs should be able to investigate issues on own initiative and if necessary adopt a recommendation for action addressed to the national supervisors. Although enforcement of agreed legislation would remain part of Level 4 of the Lamfalussy framework, the ESAs could support the European Commission in this task, for example by following up the implementation of the community legislation.

Further, the 3L3 Committees provided their sector-specific contributions to the European Commission on the same issues as above during the course of 2009, leading to the draft Regulations on the ESAs as published by the European Commission on 23 September 2009.

Subsequently, the 3L3 Committees’ views on improving financial regulation in the EU were also communicated on several occasions, during October and November 2009, to the Swedish Presidency’s Working Group on Financial Services, although the 3L3 Committees did not participate in the work of this group. In these submissions, the 3L3 Committees reiterated their views on the nature, function and independence of the future ESAs and included drafting suggestions for parts of the ESA regulation texts. An ECOFIN common position text was issued on 2 December 2009.

#### Next steps

The 3L3 Committees will continue to forge co-operation with the European Commission, Council and Parliament during the course of 2010 as they prepare for their transformation into the new ESAs.

#### 3L3 Task Force on Cross-Sectoral Risks

Identifying cross-sectoral risks will help the 3L3 Committees, their members and the EU institutions with their efforts in ensuring the stability of European financial markets. Following the 14 May 2008 conclusions of the ECOFIN Council, the Commission’s decisions of 23 January 2009 establishing each of the 3L3 Committees, and the request to the 3L3 Committees to respond to financial stability concerns of a cross-sectoral nature, the 3L3 Committees set up a 3L3 Task Force on cross-sectoral risks. The task force’s mandate was enhancing the 3L3 Committees’ sectoral risk assessments by capturing cross-sector issues and identifying contagion channels. The task force delivered the first of its two pilot reports to the EFC’s Financial



Stability Table (EFC-FST<sup>25</sup>) in September 2009. The cross-sectoral perspective has been assigned to those sectoral working groups already established earlier for assessing sectoral risks.

The developments of the last year in the financial markets show the importance of the 3L3 Committees' ability to capture cross-sectoral risks relevant to the risk assessments of the Committees at an early stage:

- ★ Common risks across sectors;
- ★ Risks which are contagious from one sector to another and
- ★ Endogenous risks where regulatory action in one sector may have significant risk implications for another sector.

This task force contributes to the 3L3 response to additional requirements that follow from the review of the European Commission's decisions in establishing the 3L3 Committees.

Following the first pilot report submitted to EFC-FST in September 2009, the 3L3 risk task force on cross-sectoral risks started its work on the second pilot in October 2009. The exercise aimed at capturing contagion risks between individual institutions and sectors from a supervisory cross-sectoral viewpoint.

The first pilot report highlighted:

a) The risks in relation to the economic conditions deriving from a more severe than expected downturn of financial markets, such as more specifically:

- ★ Risk of further deterioration in European property markets;
- ★ Exposures to emerging markets and
- ★ Period of persistent low interest rates.

b) Risks deriving from the deterioration in financial conditions in the context of exit strategies and bearing in mind the potential cost stemming from the regulatory overhaul.

Once the production of the second pilot report has been completed, the task force will have fulfilled its mandate.

#### Next steps

The intention is that the 3L3 task force on cross-sectoral risks will deliver its second and final pilot report to the EFC-FST for its April 2010 meeting. The 3L3 Committees will, in 2010, also based on the task force's recommendations, evaluate the arrangements used for the preparation of the two pilot reports and agree on a structure and process for the future.

### 3L3 Anti-Money Laundering Task Force (AMLTF)

The 3L3 Committees' AMLTF was established in the second half of 2006 by CESR, CEBS and CEIOPS, with the aim of achieving convergence in national implementation of the Third Anti-Money Laundering Directive across the different sectors of European financial markets and with a view to provide input into anti-money laundering issues, with a specific focus on the Third Anti-Money Laundering Directive.

In October 2009, the 3L3 Committees published a "compendium paper" on the supervisory practices in the Member States. This document provides an overview of Member States' practices in relation to the application of customer due diligence and customer identification and verification requirements of the Third Money Laundering Directive 2005/60/EC. Furthermore, it identifies divergences of supervisory practices across Member States and also provides a compendium of the legal frameworks within the Member States.

The data for the document was obtained directly from the individual members of CEBS, CESR and CEIOPS. The data is comprised of responses received from all 27 Member States from two surveys that were commissioned in 2008 and analysed by the AMLTF. The first survey dealt with the assessment of supervisory practices in relation to customer due diligence and cross-border issues at group level, and the second survey focused specifically upon customer identification requirements in face-to-face situations.

#### Next steps

The AMLTF will continue its work in relation to the practical aspects of the Third Money Laundering Directive. In 2010 the AMLTF will work, in particular, on issues regarding the Payment Services Directive and the topic of Ultimate Beneficial Owners (UBO). In the second half of 2010 the AMLTF will start to work on Simplified Due Diligence and High Risk Jurisdictions, and thereafter work in late 2010/2011 on Wire Transfers/Cover Payments and Politically Exposed Persons (PEPs).

### 3L3 work on Financial Conglomerates

The work on financial conglomerates is led by CEBS and CEIOPS, with CESR participating as an observer. Much of the work in 2009 of the Joint Committee on Financial Conglomerates (JCFC) (the renamed IWCF<sup>26</sup>), was related to the measures following the financial crisis and to responding to the request for advice received from the Commission and the European Financial Conglomerates Committee (EFCC).

In January 2009, CEBS and CEIOPS jointly published ten principles regarding the functioning of colleges of supervisors, based on their existing work and supervisory experience.

Following the call for advice from the European Commission in April 2008 for the JCFC to undertake a stock-take of Member State practices in implementing the Financial Conglomerates Directive (FCD) focusing on:

- ★ Use of definitions;
- ★ Scope and
- ★ Internal Control Requirements (including risk concentration and intra-group transactions).

In February 2009, the Commission requested an additional call to identify policy options to address the issues that the JCFC had identified and to recommend solutions to the issues. Accordingly, the JCFC conducted an impact analysis exercise by developing and incorporating suggested solutions into a paper that was released for consultation at the end of May 2009. A public hearing was also held in July 2009, where the JCFC's proposals were well received by supervisors and industry. As a result the advice<sup>27</sup> was finalised and submitted to the European Commission on 30 October 2009.

In the advice the JCFC recommends legislative amendments of the FCD to address specific areas where the FCD does not meet its objectives in the current framework. These include a change to the definition of “holding companies” to ensure that the application of the sectoral group directives is supplemented by the FCD irrespective of the structure of the group, and a change to enable supervisors to waive the application of the FCD for small and heterogeneous groups if their risk profile justifies exemption. The JCFC recommends the development of guidance to address the other issues identified in the advice.

Throughout 2009, the JCFC conducted further work on the assessment of the crisis and its consequences for the regulation and the supervision of financial conglomerates, and hosted a training seminar for supervisors on understanding complexity, contagion and concentration risks in compiled groups, and contributed to the 3L3 proposals on the EU supervisory architecture.

#### Next steps

The JCFC will assist the EC in its review of the scope of the FCD and, following advice submitted to the European Commission in 2009, JCFC has started developing guidance for the supervision of financial conglomerates in the area of participations, risk concentrations and intra-group transactions in 2010.

### 3L3 Task Force on Internal Governance (TFIG)

In July 2008, the 3L3 Committees set up a common TFIG intended to address cross-sectoral issues related to internal governance. The purpose of the work was to develop, within the current legal framework, cross-sectoral guidance on internal governance for institutions and conglomerates operating in different financial sectors. To this end, the task force would identify the consequences of differences in Level 1 and 2 measures regulating internal governance which might have a significant practical impact on institutions in terms of, for example, difficulties in application. The 3L3 Task Force would also make recommendations, for Level 3 measures, to enhance convergence in the EU. To this purpose the 3L3 Task force will be looking at Level 1 and 2 measures on internal governance for the different financial sectors, namely MiFID, the CRD, Solvency II and the FCD.

In autumn 2009 the TFIG finalised its report on the main findings of the 3L3 internal governance issues following a cross-sectoral stock-take and analysis of internal governance requirements contained in MiFID, CRD and Solvency II. The report presents some preliminary findings on internal governance where the 3L3 could see merit in further work on convergence, such as conflict of interest and outsourcing. Before undertaking further work, however, the 3L3 Committees sought the views of market participants and, in December 2009, issued a call for evidence to get input from interested parties on whether cross-sectoral convergence is needed in the area of internal governance. The Call for Evidence runs until 9 April 2010.

#### Next steps

On 18 December 2009, the 3L3 Committees launched a call for evidence (running until 9 April 2010) in the area of internal governance. The Task Force's report was included as an Annex.

The industry's comments are sought on the findings of the Task Force's stocktaking, and in particular on areas where conflicting rules for the different financial sectors might cause additional implementation burdens and where efforts of further harmonisation could be undertaken, specifically including:

- ★ Management of conflicts of interest;
- ★ Policies, processes and procedures related to the risks covered by the risk management systems;
- ★ How the risk management, compliance and internal audit functions might be "independent" in light of their different sectoral requirements and
- ★ The supervisory review process (SRP).

Taking into account the industry comments, the 3L3 Committees will decide on further steps and possible 3L3 work with a view to further convergence.

### Non-Cooperative Jurisdictions

Following the request from the EFC-FST, dating back to 2004, the 3L3 Committees have been preparing annual written updates on the level of progress that the Committees' members have made in relation to non-cooperative jurisdictions. "Non-cooperative jurisdictions" is used as a reference to those jurisdictions that do not, for different reasons, co-operate on supervisory matters, either in the sense of being unwilling and/or unable to cooperate.

The 3L3 Committees have been asked by the EFC to make progress firstly, in the area of establishing common databases on the existing problems in relation to non-cooperative jurisdictions and secondly, in developing a common approach for the supervision of business operations in these jurisdictions, focused especially on internal governance issues in the context of the CRD and MiFID.

#### Next steps

The 3L3 Committees take note of the ECOFIN roadmap following G20, including requested action in relation to "Implementation of national and international measures that protect the global financial system from uncooperative and non-transparent jurisdictions that pose risks of illicit financial activity", as well as the G20 agreement "that the FATF should revise and reinvigorate the review process for assessing compliance by jurisdictions with AML/CFT standards, using agreed evaluation reports where available". The 3L3 Committees therefore stand ready to assist the EU Institutions in 2010 with their work on non-cooperative jurisdictions (with their members' regulatory/supervisory competencies) including, continuing to undertake their annual stocktaking.

The 3L3 Committees shall continue the establishment of common databases, including work related to the degree of detail and timeliness of the information, the confidentiality of information and the storage of the data.

### 3L3 work on home-host delegation

In 2009, the 3L3 Committees finalised their work on delegation of responsibilities and tasks following a request from the Commission in June 2008. Consistent and predictable application of EU legislation across financial sectors leads to greater convergence across different jurisdictions and helps supervisors rely on each other's work.

The work of the 3L3 Committees was intended to feed into the European Commission's review of the Financial Services Directives, with a view to include provisions on the voluntary delegation of tasks and the analysis of options on voluntary delegation of supervisory competences. The request related to delegation of tasks and to the delegation of supervisory responsibilities including legal and practical obstacles to delegation. A 3L3 task force was set up for the purpose of reporting on these two aspects.



In April 2009 the 3L3 delegation task force finalised its work on delegation as requested by the Commission with the production of a paper on obstacles to delegation of supervisory responsibilities. The task force delivered to the European Commission a report on the first part of the work, delegation of tasks in 2008 (as referred to each of the 3L3 Committees' annual reports for 2008). The report analyses the concept of delegation covering aspects of it and examining it from different angles; identifies delegation as opposed to other techniques, notably mutual recognition; deals with the usefulness of delegation of responsibilities; looks at the legal aspects of delegation; and examines three different forms of delegation.

The 3L3 task force report concluded that the delegation of responsibilities could be useful. Further, it identified a number of important legal and practical issues which need to be addressed in order to make delegation of responsibilities operational and which to date have impeded the use of the delegation. Some of those issues should be addressed at EU level, and therefore, be introduced in all Member States.

#### Packaged Retail Investment Products (PRIPs)

The Commission provided its preliminary thinking on PRIPs, in its Communication of 29 April 2009. The Communication referred to four "families" or product groupings of PRIPs:

- ★ Investment (or mutual) funds (both UCITS and non-UCITS);
- ★ Investments packaged as life insurance policies;
- ★ Retail structured securities and
- ★ Structured term deposits.

The Communication outlines the European Commission's view that the current EU regulatory framework needs to be updated and suggests that legislative measures would be required in two main areas – product disclosure and selling practices. The aim is to create consistency in approach in relation to these two areas for all PRIPs in order to enable consumers to receive the right information and treatment.

The European Commission held a technical workshop on 22 October 2009 with industry experts and consumer representatives from around Europe, who were invited to present their views. The workshop was also attended by representatives from each of the 3L3 Committees.

In November 2009, the 3L3 Committees submitted jointly to the European Commission, their sectoral views in relation to the European Commission's Communication following internal work carried out by CESR, CEBS and CEIOPS. As a follow up, the 3L3 Chairs decided to set up a 3L3 task force.

The European Commission Services published an update on 16 December 2009 on their on-going work on PRIPs and further detail on how the commitments made in the aforementioned Communication on PRIPs will be taken forward.

#### Next steps

The task force is expected to take up its work in Spring 2010, with a view to formulating a common 3L3 position on the key topics for submission to the European Commission, in good time, ahead of the adoption of a draft legislative proposal.

#### EU terminology consistency

The European Commission services are finalising their work on a cross-sectoral consistency check of terminology in EU financial services legislation. Within that context, and in response to a request from European Commission services in November 2009, the 3L3 Secretariats delivered a non-exhaustive review on a “best efforts” basis of the European Commission services’ preliminary report.

#### 3L3 training

The 3L3 Committees set up a task force on cross-sector training:

In 2009, the 3L3 task force on training continued to foster convergence by reaching a higher level of co-operation on cross-sector training. These cross-sector training courses are organised in addition to sector training courses each of the 3L3 Committees organised on their own behalf.

The three major areas of co-operation during 2009 included:

- ★ The preparation of applications for 2009 to the European Commission action grants for co-financing, inter alia, cross-sector training;
- ★ The yearly 3L3 training program and subsequent organisation of cross-sector training courses and
- ★ The development of a 3L3 manual on training processes.

The European Commission agreed on grant agreements to the 3L3 Committees:

The grant agreements which were agreed by the European Commission and each of the 3L3 Committees were by far the most important area of co-operation. This is the first time the 3L3 Committees have received European Commission funding, and therefore developing the applications for European Commission action grants has been an important priority this year. The task force and Committee’s Secretariats co-operated not only on the development of their grant requests, but also in the development of the operational procedures required by the grant agreements, to ensure reporting on the use of the funds meets strict EU requirements.

Along with other projects of the 3L3, cross-sector training has therefore benefited too from European Commission financial support from June 2009 to end 2009.

### 3L3 develop manual on training process:

Due to the large number of training seminars to be developed, Members across the 3L3 Committees have been used as an effective means to develop and deliver the training and they have therefore been heavily involved in the organisation of programmes and hosting seminars. To ensure consistency and convergence in practices, the 3L3 task force thought it important to develop a single manual on training procedures that could set out the process for delivering training in a step by step format. The manual on training consists of guidelines for organising a seminar, forms for registration/evaluation and budgeting information to help and ensure a high quality of seminars, regardless of the experience of the organising authority. In addition, the Manual plays a key role in ensuring that the 3L3 Committees can meet their reporting requirements to the European Commission on the funds received, by establishing clear procedures.

Following consultation with the Members, the final Manual on Training was approved in December 2009 and has been published on the members' only section in each of the 3L3 Committees' websites.

### 3L3 held more cross-sector trainings in 2009:

The three sister committees have developed consistent sector-specific training programmes for 2009. Apart from those, the 3L3 Task force on Training has developed also a cross-sector training programme to ensure cross-sector convergence.

The effort devoted to train staff of EU supervisory and regulatory authorities on a cross-sector basis during 2009 has resulted in the increase in number of seminars – 10 more in comparison with 2008, and in the number of participants – 90 supervisors in excess of the previous year, which means further strengthening of the common supervisory culture.

#### Next steps

The task force will develop and realise the training programme for 2010, in line with the grant request for 2010, as well as continue to strengthen cooperation on education.

The 3L3 training programme for 2009 included the following cross-sector seminars:

No.	Name of seminar	Date	Number of participants
01	Negotiating skills for European Supervisors	22–23 January 2009	10
02	Negotiating skills for European Supervisors	19–20 February 2009	9
03	Negotiating skills for European Supervisors	23–24 April 2009	9
04	IFRS and accounting	27 April 2009	18
05	Undertaking Impact Assessment	16–18 June 2009	25
06	Negotiating skills for European Supervisors	1–2 July 2009	10
07	Negotiating skills for European Supervisors	3–4 September 2009	14
08	Reputational Risk and Global Internal Control	30 September – 2 October 2009	40
09	Securitisation	1 October 2009	38
10	Negotiating skills for European Supervisors	22–23 October 2009	12
11	Negotiating skills for European Supervisors	19–20 November 2009	13
12	Assessment of IT systems and applications in financial institutions	25–27 November 2009	35
13	Understanding Complexity, contagion and concentration risks in complex groups	27 November 2009	46
14	Quantitative approaches to risk	8–9 December 2009	50
15	Conduct of business (MiFID)	25 January 2010	30
16	Corporate Governance	26 February 2010	30
Total			389

## CEIOPS 2010 WORK PROGRAMME – SUMMARY



CEIOPS is pleased to present its Work Programme for 2010. Much of the issues presented in CEIOPS work programme 2010 can be regarded as “business as usual”; however, we are mindful of the considerable amount of additional work that will be required in the course of 2010 as part of the transition to the new supervisory structure, which is expected to come into operation from the beginning of 2011. This in turn, will require a high degree of flexibility that can only be achieved through careful prioritisation of our work.

As in previous years, CEIOPS has designed its 2010 work programme according to the political, external and internal priorities. CEIOPS will continue to place significant emphasis on issues of convergence, financial stability and consumer protection, while allowing flexibility in its plans to accommodate additional tasks arising from the transition to the new supervisory architecture. At the time of writing, not all of these tasks or their scope and timelines could be anticipated with certainty. But CEIOPS intends to continue to deliver in the light of the tasks set for it and changing market conditions.



## ★ Insurance

In the insurance area, Solvency II will remain the key project for CEIOPS in 2010 as well. Following the publication by the European Commission of the Solvency II Framework Directive Proposal in July 2007, political negotiations resulted in the adoption of the Directive by the European Parliament on 22 April 2009. The official publication of the Directive is foreseen for Autumn 2009. By the end of January 2010, CEIOPS will publish its final set of advice on Level 2 implementing measures, covering issues that were introduced in the final stages of negotiations over the text of the Directive (e.g. the duration dampener) and taking into account consultation comments on earlier sets of advice as well as lessons learnt from the financial and economic crisis of the last two years. One of the next steps in the Solvency II project will be to run another Quantitative Impact Study (QIS) exercise in 2010. CEIOPS will continue to participate in the discussions at Level 2 (EIOPC), during which the Commission will be consulting with Member States on the legal form, structure and substance of the proposals for implementing measures. CEIOPS stands ready to provide further clarifications on its advice to stakeholders, the European Parliament and the Council.

### Solvency II – overview

CEIOPS detailed deliverables for Solvency II in 2010 are based on the European Commission's letter of 12 June 2009<sup>28</sup> and the timetable annexed to the letter.

CEIOPS advice on Level 2 implementing measures will form a basis for the QIS5 technical specifications which will be produced in early 2010.

Taking into account the results of the QIS5 exercise and the progress made by the European Commission on the adoption of Level 2 implementing measures, CEIOPS also plans to start developing Level 3 guidance on those areas where guidance is most needed for the successful implementation of the Solvency II regime.

### Solvency II – Pillar 1

By the end of January 2010, CEIOPS aims to submit the third and final set of advice on Level 2 implementing measures, following consultation held at the end of 2009.

This third set of advice will include specific Pillar 1 issues regarding equity risk, the treatment of participations, the specificities of ring-fenced funds, the correlation between risk modules in the SCR standard formula, the use of undertaking-specific parameters and simplifications for the calculation of technical provisions and the SCR standard formula.

In 2010, as part of the advice on the SCR standard formula, CEIOPS will publish advice on the calibration of the SCR modules, as well as a paper on the calibration of the MCR (which depends on the calibration of the SCR under the so-called "corridor approach").

Standardised scenarios for the non-life catastrophe risk sub-module will also be developed in time for testing under QIS5.

In 2010, with regard to internal models, CEIOPS will issue advice on the treatment of partial internal models and the integration of a partial internal model within the standard formula.

A specific task force on internal models pre-application was set up in July 2009. The objective of the task force is to develop pre-level 3 guidance<sup>29</sup> for solo undertakings and groups to help enhance supervisory convergence among Member States with regard to the processes to be followed for the pre-application for internal models. This follows CEIOPS advice on Level 2 implementing measures, issued in 2009, in respect of the pre-application part of the internal model approval process.

### Solvency II – Pillar 2 and Pillar 3

As part of the third and last set of Level 2 advice due by the end of January 2010, CEIOPS will submit, after consultation, its Level 2 advice on re-packaged loans investments and on the extension of recovery periods (also known as a Pillar 2 dampener).

As CEIOPS aims to issue Level 3 guidance on a large number of Pillar 2 and Pillar 3 topics in 2011, the plan for 2010 covers the preparation of and a consultation on, draft guidance, including that on qualitative and quantitative reporting by (re)-insurance undertakings to both the general public and supervisory authorities. The aim is to develop a harmonised approach through the introduction of common reporting formats from 2012, as requested by ECOFIN in its Conclusions of 4 December 2007.

### Group issues

By the end of January 2010, CEIOPS aims to submit the third and final set of advice on Level 2 implementing measures. This third set will cover the issue of insurance groups with centralised risk management and will reflect comments received following a consultation held at the end of 2009.

At the beginning of 2010, CEIOPS will also consult on the criteria to be used when assessing the equivalence of group supervision in third country jurisdictions and the equivalence of third country jurisdictions' calculations in the context of the deduction aggregation method. Advice will be delivered by the end of March 2010.

Further, in 2010 CEIOPS foresee an outline of a transformation process for Co-Co's into the Colleges of Supervisors under Solvency II framework and also within the new supervisory structure.

### Group issues under the current Insurance Groups Directive

The supervision of cross-border insurance groups under the current regulatory framework also requires CEIOPS attention. In 2010 CEIOPS will continue to focus on the convergence of supervisory practice and supervisory co-operation, in order to minimise the supervisory burden on insurance groups. This work will, as last year, feed into Solvency II work-streams on supervisory colleges by clarifying, strengthening and streamlining the role of the lead supervisor and the functioning of the current Co-Co's.

CEIOPS will continue to monitor the functioning of the Colleges of Supervisors. CEIOPS is committed to producing annual reports on the status of co-operation as part of its monitoring obligation.

In this context, CEIOPS will use, as inputs, the results of the peer review on the application of the Helsinki protocol to strengthen group supervision and co-operation within colleges. By the beginning of 2011, CEIOPS also aims to put in place a common IT tool for ensuring safe and timely communications within Co-Co's.

CEIOPS sector work on insurance group supervision will be coordinated at 3L3 level to ensure cross-sector consistency.

#### Equivalence

By the end of March 2010, CEIOPS will deliver advice on the criteria for assessing equivalence of non-EU countries in the context of reinsurance and group supervision (articles 172 and 260 respectively) and third country calculations in respect of the deduction aggregation method (art. 227).

In 2010, CEIOPS will complete equivalence assessments of the reinsurance and professional secrecy regimes of an initial set of non-EU countries<sup>30</sup>. Further assessments are envisaged.

#### ★ Occupational pensions

CEIOPS work on occupational pensions in 2010 will continue to focus on the exchange of information and supervisory co-operation with the aim of enhancing convergence of supervisory practices, in relation to IORPs operating cross-border.

A number of projects, started in 2009 as a follow up to the recommendations of CEIOPS report on key aspects of the implementation of the IORP Directive<sup>31</sup>, will be finalised. These include: an issues paper on the practical aspects of the different approaches to the definition of a cross-border activity; an issues paper on the different national approaches to the ring-fencing of assets and liabilities in stress situations; an analysis of the correlation between supervisory reporting requirements and supervisory regimes; and a report on the implications of any additional requirements on information to members and beneficiaries that may be imposed by a host member state on IORPs operating cross-border.

Other workstreams planned for 2010 include: a report on Market Developments 2010, a survey-based analysis of internal control mechanisms in IORPs, a crisis related project with a specific focus on occupational pensions; and a Defined Contribution focused project to map the risks to members of DC schemes at key stages of the lifecycle of a participating member. CEIOPS stands ready to provide input to European Commission initiatives that may follow the Commission's consultation and their 27 May 2009 Public hearing on the harmonisation of solvency rules for Article 17 and cross-border IORPs.

## ★ Financial stability

In 2010, CEIOPS will continue to report on financial conditions and financial stability in the EU (re)insurance and occupational pensions sectors, as mandated by the EFC-FST.

Special attention will be paid to the analysis of the implications of, and developments in, the current financial situation for the EU (re)insurance and occupational pensions sectors. To this end CEIOPS will, in addition to the ongoing national initiatives, conduct an EU-wide stress-test for the insurance sector. In co-operation with banking supervisors, CEIOPS will continue to monitor cross-sector contagion risks as well.

CEIOPS systems for data collection and storage will continue to be developed and a database created to include the current and historical data for occupational pension funds, insurance and reinsurance undertakings in the European Union, gathered in the context of CEIOPS Financial Stability Reports.

CEIOPS will ensure that the data to be collected for the purposes of single reporting standards, due to come into force in 2012 under Solvency II, also includes data required for financial stability purposes.



## ★ Supervisory culture, convergence and cooperation

In line with the recommendations from the EU political institutions and requests from CEIOPS Members, CEIOPS continues to devote an increasing amount of time and resources to supervisory convergence issues. 2010 will see further strengthening of focus on horizontal activities aimed at developing a common European supervisory culture – such as staff exchange and training – and other effective mechanisms – such as mediation and review by peers – in order to increase supervisory cooperation and convergence in the insurance and occupational pensions sectors.

The development of a supervisory disclosure framework based on common formats will be a major contribution to convergence.

## ★ Consumer protection

In 2010, CEIOPS will continue, along with the other 3L3 Committees, to provide technical assistance to the European Commission in the context of its policy-making on Packaged Retail Investment Products (PRIPs).

CEIOPS will continue to provide specialist input to the European Commission as it prepares its proposal for a revision of the IMD by the end of 2010. CEIOPS will, in particular, focus its attentions on the interaction between the PRIPs work (referred to above) and the IMD revision with regard to sales practices (e.g. information/remuneration requirements applicable to insurance intermediaries).

Insurance guarantee schemes (IGS) are highly important in terms of policyholder protection and restoring confidence in times of crisis. In May 2009 the European Commission requested CEIOPS input to its work on IGS. CEIOPS report, delivered on 30 June 2009<sup>31</sup>, includes preliminary thoughts gathered during the short imposed reflection period. CEIOPS stands ready to play a constructive role in the Commission's further work in this field.

In 2010, the different databases of links to national General Good provisions and to national web pages providing information on insurance classes and/or insurance products for which policy conditions have to be disclosed to the Competent Authorities of the host member states will be updated in line with the provisions of the General Protocol. In taking forward these and any further work-streams relating to consumer protection, CEIOPS will seek close cooperation with consumers, its Consultative Panel and other important stakeholders.

## ★ Accounting

As in the past, CEIOPS will continue to follow developments in the European accounting environment, especially by following the work of, and providing input to, the EFRAG in the context of the application of International Financial Reporting Standard (IFRS) in the European Union. On an international level, CEIOPS will, as the main priority, continue to follow proactively the IASB's progress on the development of IFRS for Insurance Contracts (Phase 2), which will provide the basis for consistent accounting for insurance contracts in the longer term. As in previous phases of the project, CEIOPS will be providing input to the IASB. CEIOPS specific aim is to ensure compatibility between the accounting framework and the valuation rules under Solvency II.

## ★ International relations

CEIOPS will continue to develop its international relations by holding regulatory dialogues, exchanging information, facilitating the agreement of Multilateral Memoranda of Understanding between CEIOPS Members and the third country supervisory authorities, as well as maintaining close contacts with third countries through training activities, especially on Solvency II.

With the transformation of CEIOPS into a European Authority, CEIOPS international role will grow in importance. CEIOPS work on defining the criteria for the assessment of the equivalence of third country supervisory regimes in the context of Solvency II is likely to add further momentum to the regulatory dialogues, bringing forward discussions on specific aspects of global standards.

## ★ Transition to the new supervisory architecture

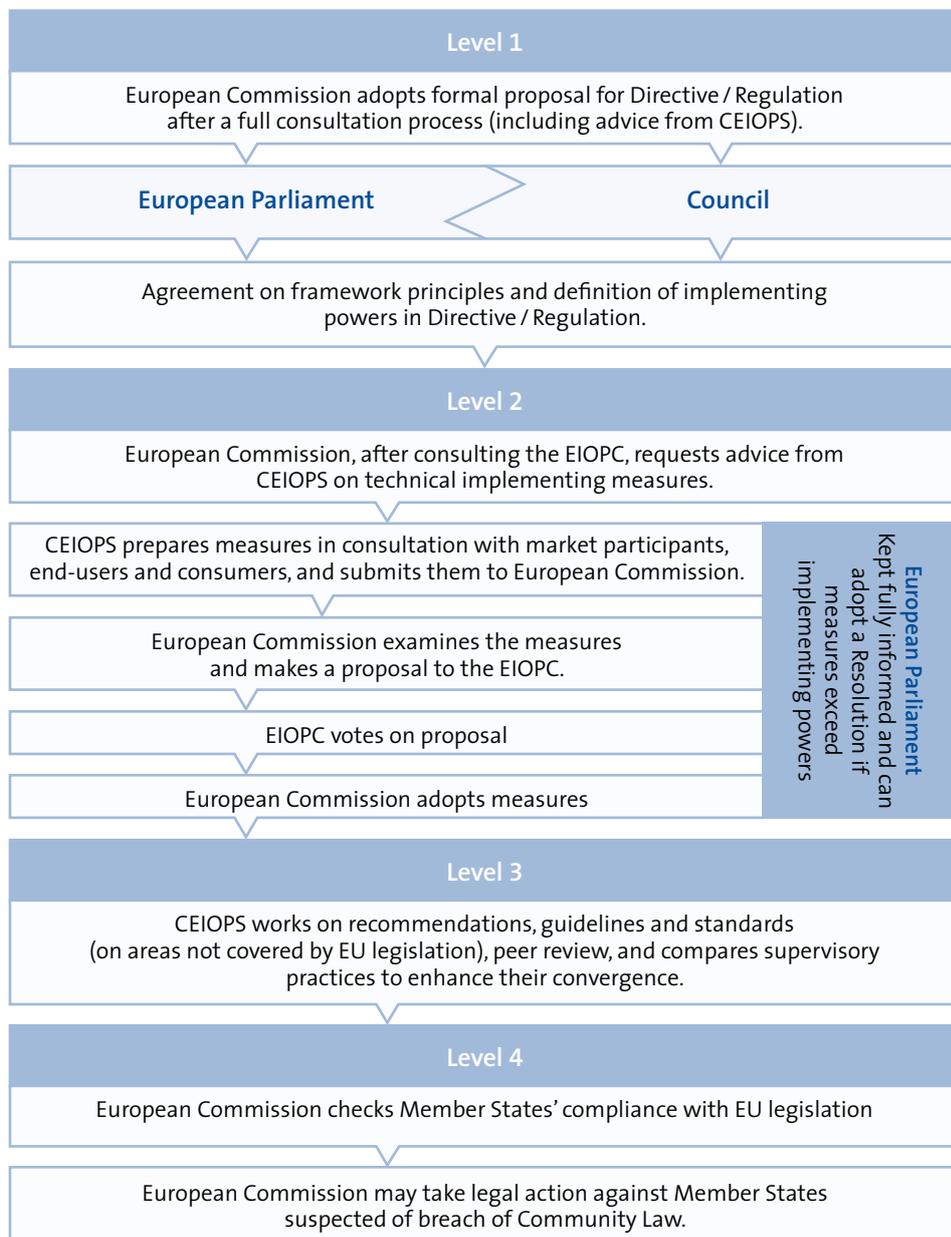
The financial crisis has highlighted the need for a robust European financial supervisory framework which is fit for purpose. During 2009, CEIOPS was actively involved in the discussions at the political level following the publication, firstly, of the report of the de Larosière High Level Group on European Financial Supervision; secondly, the Commission Communication and Council conclusions on this issue and finally, the empowering Regulation for the new ESA in September 2009. During the course of 2010, CEIOPS intends to play an equally active role in ensuring a smooth transition to its successor authority – EIOPA.



# ANNEXES

## ★ A 1: CEIOPS role in the Lamfalussy procedure

Lamfalussy-model from the perspective of CEIOPS



## ★ A 2: Financial statements

<b>Income and Expense Account</b>	<b>Actual 2008 Euro</b>	<b>Actual 2009 Euro</b>	<b>Budget 2009 Euro</b>	<b>available 2009 Euro</b>
<b>★ Revenues</b>				
Membership fees, gross	2.151.000,00	2.890.334,00	2.890.334,00	
Funding European Commission	0.00	166.666,00	166.666,00	
Rebate to members	-483.218,50	-280.801,85	0.00	
Membership fees, net	1.667.781,50	2.776.198,15	3.057.000,00	
Release of prior year accrued expense	0.0	19.548,01		
Interest income	19,381.64	35,053.43	0.00	
Other Income	22,33	169,70	0.00	
<b>Total revenues</b>	<b>1.702.857,26</b>	<b>2.817.990,04</b>	<b>3.057.000,00</b>	
<b>★ Current expense</b>				
Salaries and wages	1.013.667,88	1.432.324,04	1.672.000,00	239.675,96
Rental expense	370.454,38	330.895,47	350.000,00	19.104,53
Travelling and entertainment	119.399,97	138.573,81	201.500,00	62.926,19
Office supplies	12.021,05	23.380,10	28.000,00	4.619,90
Organisation and meetings	163.962,32	268.979,74	292.000,00	23.020,26
Telecommunication expense	28.195,60	33.361,84	36.000,00	2.638,16
Delivery and communication	7.656,89	5.826,85	7.500,00	1.673,15
Printing	74.832,68	63.862,00	65.000,00	1.138,00
EDP installation and maintenance	73.301,30	107.049,15	85.000,00	-22.049,15
Website	26.266,09	61.843,44	250.000,00	188.156,56
Professional fees	53.874,11	91.522,91	65.000,00	-26.522,91
Miscellaneous expense	1.987,64	54.148,73	5.000,00	-49.148,73
<b>Total expense</b>	<b>1.945.619,91</b>	<b>2.611.768,08</b>	<b>3.057.000,00</b>	<b>445.231,92</b>
<b>★ Result for the year (ordinary business)</b>	<b>-242.762,65</b>	<b>206.221,96</b>	<b>0.00</b>	
Retained earnings beginning of year	1.032.298,12	789.535,47		
<b>Retained earnings at end of year</b>	<b>789.535,47</b>	<b>995.757,43</b>		
<b>★ Analysis of Assets and Liabilities</b>	<b>31.12.2008</b>	<b>31.12.2009</b>		
Cash and Bank Accounts	1.648.469,31	2.379.459,38		
Lease guarantee deposit	94.810,51	95.447,43		
Membership fee receivables	0,00	0,00		
Wage tax receivables due from seconding authorities	51.939,95	138.038,48		
Receivable European Commission funding	0,00	116.000,00		
Other receivables	2.838,17	9.493,37		
Prepaid expenses	31.876,99	7.184,75		
<b>Total assets</b>	<b>1.829.934,93</b>	<b>2.745.623,41</b>		
<b>★ Less: Liabilities and Accrued Expense</b>				
Prepaid membership fee	694.650,09	1.237.225,36		
Payroll liabilities due to seconding authorities	260.299,20	346.887,33		
Accrued expense	28.232,18	40.025,60		
Wage tax liabilities	23.754,70	28.507,77		
Other liabilities	33.463,29	97.219,92		
<b>Total liabilities</b>	<b>1.040.399,46</b>	<b>1.749.865,98</b>		
<b>★ Total committee members' equity</b>	<b>789.535,47</b>	<b>995.757,43</b>		



## ★ A 4: List of CEIOPS Members and Observers

### Members

#### **Austria**

Finanzmarktaufsichtsbehörde (FMA)  
Otto-Wagener-Platz 5  
1090 Wien  
Austria  
Tel: +43 1 249 59-0  
Fax: +43 1 249 59-6099  
[www.fma.gv.at](http://www.fma.gv.at)

#### **Belgium**

Banking, Finance and Insurance  
Commission (CBFA)  
Rue du Congrès – Congresstraat, 12-14  
1000 Brussels  
Belgium  
Tel: +32 2 220 5211  
Fax : +32 2 220 5890  
[www.cbfa.be](http://www.cbfa.be)

#### **Bulgaria**

Financial Supervision Commission  
33, Shar Planina Street  
1303 Sofia  
Bulgaria  
Tel : +359 2 9404800  
Fax : +359 2 829 43 29  
[www.fsc.bg](http://www.fsc.bg)

#### **Cyprus**

Insurance Companies Control Service (ICCS)  
P.O. Box 23364  
1682 Nicosia  
Cyprus  
Tel: +357 22 60 29 80  
Fax: +357 22 66 01 35  
[www.mof.gov.cy](http://www.mof.gov.cy)

#### **Cyprus**

Supervisory Authority of Occupational  
Retirement Benefits Funds  
7 Byron Avenue  
1465 Nicosia  
Cyprus  
Tel: +357 22 40 16 28  
Fax: +357 22 67 29 84  
[www.mlsi.gov.cy/sid](http://www.mlsi.gov.cy/sid)

#### **Czech Republic**

Czech National Bank  
Insurance Regulation and Supervision  
Department  
Na příkopě 28  
115 03 Praha 1  
Czech Republic  
Tel: +420 224 411 111  
Fax: +420 224 412 404 or +420 224 413 708  
[www.cnb.cz](http://www.cnb.cz)

#### **Denmark**

Finanstilsynet  
Aarhusgade 110  
2100 Copenhagen  
Denmark  
Tel: +45 33 55 82 82  
Fax: +45 33 55 82 00  
[www.finanstilsynet.dk](http://www.finanstilsynet.dk)

#### **Estonia**

Financial Supervision Authority/  
FINANTSINSPEKTSIOON  
Sakala Street 4  
15030 Tallinn  
Estonia  
Tel: +372 66 80 500  
Fax: +372 66 80 501  
[www.fi.ee](http://www.fi.ee)

## Finland

Financial Supervisory Authority  
P.O. Box 103  
00101 Helsinki  
Finland  
Tel: +358 10 831 51  
Fax: +358 10 831 5328  
[www.fin-fsa.fi](http://www.fin-fsa.fi)

## France

Autorité de Contrôle Prudentiel (ACP)  
61 rue Taitbout  
75436 Paris Cedex 09  
France  
Tel: +33 1 55 50 41 41  
Fax: +33 1 55 50 41 50  
[www.acam-france.fr](http://www.acam-france.fr)

## Germany

Bundesanstalt für Finanzdienstleistungs-  
aufsicht (BaFin)  
Graurheindorfer Straße 108  
53117 Bonn  
Germany  
Tel: +49 228 4108 0  
Fax: +49 228 4108 1550  
[www.bafin.de](http://www.bafin.de)

## Greece

Private Insurance Supervisory Committee  
(PISC)  
Ypatias 5  
GR 105 57 Athens  
Greece  
Tel: +302 10 32 72 610/ 620  
Fax: +302 10 32 30 847  
[www.pisc.gr](http://www.pisc.gr)

## Hungary

Pénzügyi Szervezetek Állami Felügyelete  
Hungarian Financial Supervisory Authority  
Krisztina Körút 39  
1013 Budapest  
Hungary  
Tel: +36 1 4899 100  
Fax: +36 1 4899 102  
[www.pszaf.hu](http://www.pszaf.hu)

## Ireland

The Pensions Board  
Verschoyle House  
28/30 Lower Mount Street  
Dublin 2  
Ireland  
Tel: +353 1 613 1900  
Fax: +353 1 631 8602  
[www.pensionsboard.ie](http://www.pensionsboard.ie)

Irish Financial Services Regulatory  
Authority  
P.O. Box No 9138  
College Green  
Dublin 2  
Ireland  
Tel: +353 1 224 4000  
Fax : +353 1 671 6561  
[www.financialregulator.ie](http://www.financialregulator.ie)

## Italy

Commissione di Vigilanza sui Fondi  
Pensione (COVIP)  
Via in Arcione, 71  
00187 ROMA  
Italy  
Tel: +39 06 69 50 6350  
Fax: +39 06 69 50 6 271  
[www.covip.it](http://www.covip.it)



## Italy

Istituto per la Vigilanza sulle  
Assicurazioni Private e di Interesse  
Collettivo (ISVAP)  
Via del Quirinale, 21  
00187 ROMA  
Italy  
Tel: +39 06 42 13 31  
Fax: +39 06 42 13 32 06  
[www.isvap.it](http://www.isvap.it)

## Latvia

Financial and Capital Market Commission  
Kungu iela 1  
Riga, LV-1050  
Latvia  
Tel: +371 6 777 4800  
Fax: +371 6 722 5755  
[www.fktk.lv](http://www.fktk.lv)

## Lithuania

Insurance Supervisory Commission of  
the Republic of Lithuania  
Ukmerges str. 222  
LT 07157 Vilnius  
Lithuania  
Tel: +370 5 243 1370  
Fax: +370 5 243 1399  
[www.dpk.lt](http://www.dpk.lt)

## Luxembourg

Commissariat aux Assurances (CAA)  
7, boulevard Royal  
2449 Luxembourg  
Tel: +352 22 69 11 1  
Fax: +352 22 69 10  
[www.commassu.lu](http://www.commassu.lu)

## Luxembourg

Commission de Surveillance du  
Secteur Financier  
110, route d'Arlon  
2991 Luxembourg  
Tel: +352 26251 1  
Fax: +352 26251 601  
[www.cssf.lu](http://www.cssf.lu)

## Malta

Malta Financial Services Authority  
Notabile Road  
Attard  
MALTA BKR 14  
Tel: +356 21 44 11 55  
Fax: +356 21 44 11 88  
[www.mfsa.com.mt](http://www.mfsa.com.mt)

## Netherlands

De Nederlandsche Bank (DNB)  
P.O. Box 98  
1000 AB Amsterdam  
The Netherlands  
Tel: +31 20 524 9111  
Fax: +31 20 524 2500  
[www.dnb.nl](http://www.dnb.nl)

## Poland

Polish Financial Supervision Authority  
KOMISJA NADZORU FINANSOWEGO  
Pl. Powstancow Warszawy 1  
00-950 Warszawa  
Poland  
Tel: +48 22 33 26 600  
Fax: +48 22 33 26 793 (602)  
[www.knf.gov.pl](http://www.knf.gov.pl)

## Portugal

Instituto de Seguros de Portugal (ISP)  
Avenida da República, 76  
1600-205 Lisboa  
Portugal  
Tel: +351 21 790 31 00  
Fax: +351 21 793 85 68  
www.isp.pt

## Romania

Insurance Supervisory Commission (CSA)  
18th Amiral Constantin Bălescu Street,  
sector 1  
Bucharest 011954  
Romania  
Tel : +40 21 316 78 80  
Fax : +40 21 316 78 64  
www.csa-isc.ro

Romanian Private Pension System  
Supervision Commission (RSCPPS)  
90–92 Calea Șerban Vodă, Sector 4  
Bucharest 040213  
Romania  
Tel.: +40 21 330 1035  
Fax: +40 21 330 1031  
www.csspp.ro

## Slovakia

National Bank of Slovakia  
Imricha Karvasa 1  
813 25 Bratislava  
Slovakia  
Tel: +421 2 57 87 1111  
Fax: +421 2 57 87 1100  
www.nbs.sk

## Slovenia

Insurance Supervision Agency  
Trg republike 3  
1000 Ljubljana  
Slovenia  
Tel: +386 1 25 28 600  
Fax: +386 1 25 28 630  
www.a-zn.si

## Spain

Dirección General de Seguros y Fondos  
de Pensiones (DGSFP)  
Ministerio de Economía y Hacienda  
Paseo de la Castellana, 44  
28046 Madrid  
Spain  
Tel: +34 91 33 97 100  
Fax: +34 91 33 97 113  
www.meh.es

## Sweden

Financial Supervisory Authority  
P.O. Box 7821, Brunnsgatan 3  
103 97 Stockholm  
Sweden  
Tel: +46 8 787 80 00  
Fax: +46 8 24 13 35  
www.fi.se

## United Kingdom

Financial Services Authority (FSA)  
25 The North Colonnade, Canary Wharf  
LONDON E14 5HS  
United Kingdom  
Tel: +44 20 7066 1000  
Fax: +44 20 7066 1099  
www.fsa.gov.uk



## United Kingdom

The Pensions Regulator  
Napier House, Trafalgar Place  
BRIGHTON  
BN1 4DW  
United Kingdom  
Tel: +44 1273 811 800  
Fax: +44 1273 627 688  
[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

### Observers

## Iceland

Financial Supervisory Authority (FME)  
(Fjármálaeftirlitid)  
Suðurlandsbraut, 32  
108 Reykjavík  
Iceland  
Tel: +354 525 2700  
Fax: +354 525 2727  
[www.fme.is](http://www.fme.is)

## Liechtenstein

Financial Market Authority (FMA)  
Heiligkreuz 8  
P.O. Box 279  
9490 Vaduz  
Liechtenstein  
Tel: +423 236 7377  
Fax: +423 236 7376  
[www.fma-li.li](http://www.fma-li.li)

## Norway

Finanstilsynet (The Financial Supervisory  
Authority of Norway)  
Postboks 1187 Sentrum  
NO-0107 Oslo  
Norway  
Tel: +47 22 93 98 00  
Fax: +47 22 63 02 26  
[www.finanstilsynet.no](http://www.finanstilsynet.no)

## European Commission

Direction Générale Marché  
Intérieur  
Rue de la Loi, 200  
1049 Brussels  
Belgium  
Tel: +32 2 295 79 54  
Fax: +32 2 299 30 75  
[www.ec.europa.eu/internal\\_market](http://www.ec.europa.eu/internal_market)

## ★ A 5: List of Abbreviations

3L3	Three Level 3 Committees	FCD	Financial Conglomerates Directive
AML/CFT	Anti-Money Laundering/ Combating the Financing of Terrorism	FINMA	Swiss Financial Market Supervi- sory Authority
		FSC	Financial Services Committee
AMLTF	Anti-Money Laundering Task Force	IAIS	International Association of Insurance Supervisors
CEBS	Committee of European Banking Supervisors	IASB	International Accounting Standards Board
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors	IFRS	International Financial Reporting Standards
		IGS	Insurance Guarantee Schemes
CESR	Committee of European Securities Regulators	ILS	Insurance Linked Securities
		IMD	Insurance Mediation Directive
CLD	Consolidated Life Insurance Directive	IOPS	International Organisation of Pension Supervisors
Co-Cos	Co-ordination Committees	IORPs	Institutions for Occupational Retirement Provision
CRD	Capital Requirements Directive		
CP	Consultation paper	IORP Directive	Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of Institutions for occupational retirement provision
EBA	European Banking Authority		
ECOFIN	EU Council of Ministers		
EEA	European Economic Area		
EFC	Economic and Financial Committee		
EFC	Economic and Financial Committee		
EFCC	European Financial Conglomerates Committee	IWCFC	Interim Working Committee on Financial Conglomerates
EFC-FST	EFC-Financial Stability Table	JCFC	Joint Committee on Financial Conglomerates
EFRAG	European Financial Reporting Advisory Group		
EIOPA	European Insurance and Occu- pational Pensions Authority	MiFID	Markets in Financial Instruments Directive
EIOPC	European Insurance and Occu- pational Pensions Committee	MoU	Memorandum of Understanding
ESA	European Supervisory Authority	NAIC	US National Association of Insurance Commissioners
ESFS	European System of Financial Supervisors		
ESMA	European Securities and Markets Authority	ORSA	Own Risk and Solvency Assessment
		PRIP	Packaged Retail Investment Product
ESRB	European Systemic Risk Board	QIS4	Fourth Quantitative Impact Study
EU	European Union		
FATF	The Financial Action Task Force		



QIS5	Fifth Quantitative Impact Study	TFIG	Task Force on Internal Governance
SCR	Solvency Capital Requirement		
SPV	Special Purpose Vehicle	UCITS	Undertakings for Collective Investments in Transferable Securities
SRP	Supervisory Review Process		
		VaR	Value at Risk

## ★ A 6: Endnotes

<sup>1</sup> <http://www.ceiops.eu/index.php?option=content&task=view&id=549>

<sup>2</sup> <http://www.ceiops.eu/content/view/5/5/>

<sup>3</sup> See the report from the IWCFC – Recommendations on capital for financial conglomerates, 7 April 2008, p.5: “It is proposed that sectoral rules concerning the treatment of hybrids are harmonized and that hybrid instruments that meet certain requirements should be eligible for inclusion in the available solvency margin of insurance companies as well as in Tier 1 capital of banks. The principles and requirements for eligibility should be the same for banks and insurance companies. Differences between the two should not occur unless they reflect specificities of both sectors. [...] Harmonisation among sectors should occur at the latest with the implementation of Solvency II.”

<sup>4</sup> See article 50 of the Framework Directive

<sup>5</sup> This figure is based on the so-called “Helsinki List” which has been kept up-to-date since the signing of the Helsinki Protocol in May 2000

<sup>6</sup> <http://www.ceiops.eu/media/files/publications/standardsandmore/recommendations/CEIOPS-ConCo-17-08-Equivalence-Assessment-Criteria.pdf>

<sup>7</sup> <http://www.ceiops.eu/media/files/publications/standardsandmore/guidelines/CEIOPS-ConCo-04-09-Equivalence-Professional-Secrecy-Standards.pdf>

<sup>8</sup> [http://www.ceiops.eu/media/docman/public\\_files/publications/submissionstotheec/ReportIORPdirective.pdf](http://www.ceiops.eu/media/docman/public_files/publications/submissionstotheec/ReportIORPdirective.pdf)

<sup>9</sup> <http://www.ceiops.eu/media/files/publications/reports/CEIOPS-Occupational-Pensions-Market-Development-Report-2009.pdf>

<sup>10</sup> <http://www.ceiops.eu/media/files/publications/reports/CEIOPS-Occupational-Pensions-Risk-Management-by-IORPs-report.pdf>

<sup>11</sup> <http://www.ceiops.eu/media/files/publications/reports/CEIOPS-Occupational-Pensions-Risk-Management-by-IORPs-report.pdf>

<sup>12</sup> <http://www.ceiops.eu/media/files/supervisory-disclosure/CEIOPS-OPC-Survey-Law-applicable-to-IORPs-Appendix.xls>

<sup>13</sup> <http://www.ceiops.eu/content/view/692/326/>

<sup>14</sup> <http://www.ceiops.eu/media/files/publications/reports/CEIOPS-ILS-Report-Spring-2009.pdf>

<sup>15</sup> <http://www.ceiops.eu/media/files/aboutceiops/EC-Decision-2009-79-EC-establishing-CEIOPS.pdf>

<sup>16</sup> <http://www.ceiops.eu/content/view/629/250/>

<sup>17</sup> <http://www.ceiops.eu/index.php?option=content&task=view&id=521&Itemid=215>

<sup>18</sup> <http://www.ceiops.eu/content/view/19/23/>

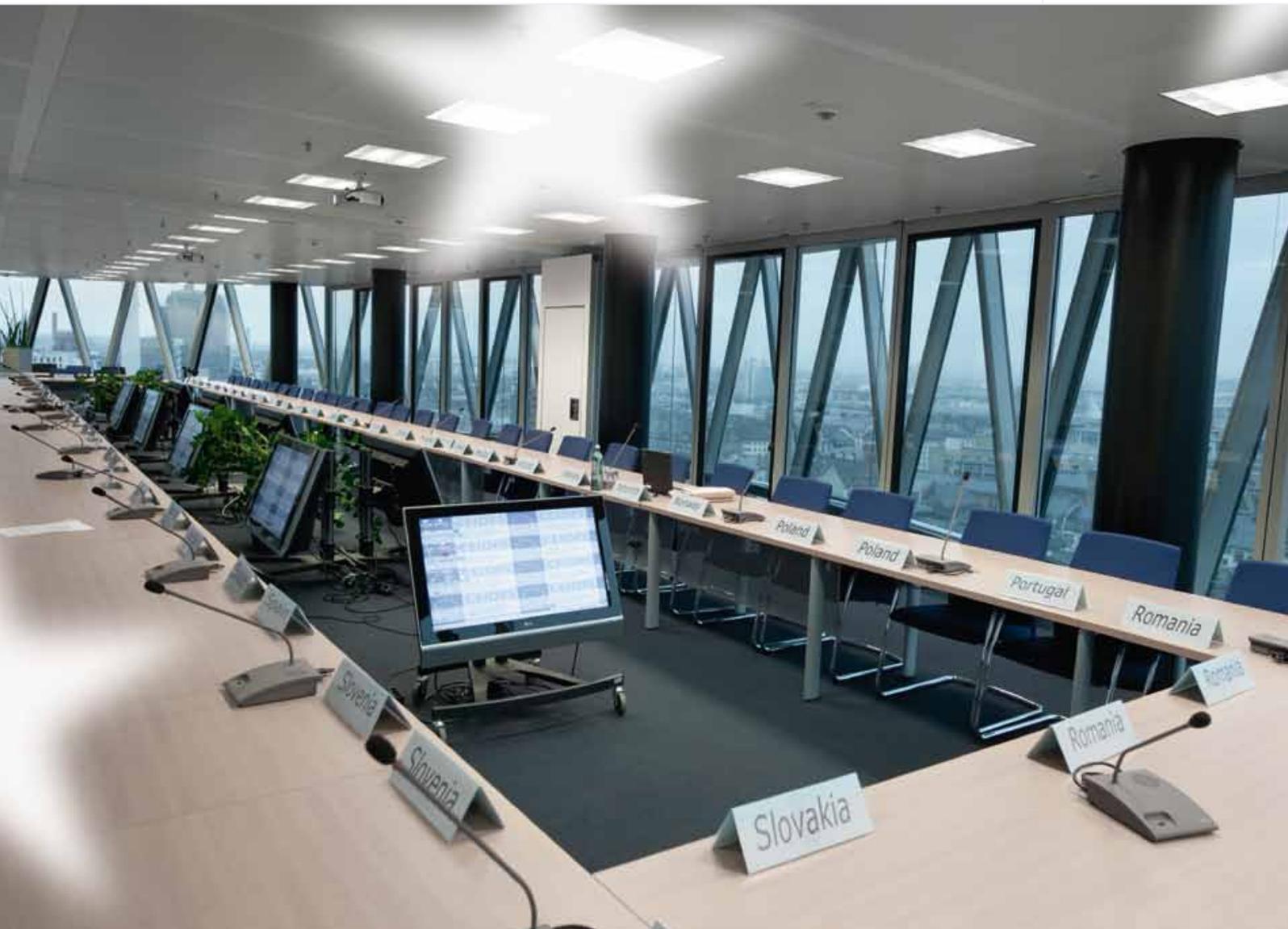
<sup>19</sup> <http://www.ceiops.eu/index.php?option=content&task=view&id=707>

<sup>20</sup> [http://ec.europa.eu/internal\\_market/insurance/docs/guarantee\\_schemes\\_en.pdf](http://ec.europa.eu/internal_market/insurance/docs/guarantee_schemes_en.pdf)

<sup>21</sup> <http://www.ceiops.eu/media/files/requestsforadvice/EC-Jan-10-IMD/20100127-Commission-Call-for-advice-IMD-revision.pdf>

<sup>22</sup> <http://www.ceiops.eu/media/files/publications/reports/CEIOPS-Report-National-Measures-Unit-Linked-Life-insurance-products.pdf>

<sup>23</sup> [http://ec.europa.eu/internal\\_market/finservices-retail/docs/investment\\_products/29042009\\_communication\\_en.pdf](http://ec.europa.eu/internal_market/finservices-retail/docs/investment_products/29042009_communication_en.pdf)



<sup>24</sup> [http://ec.europa.eu/internal\\_market/finservices-retail/docs/investment\\_products/20091215\\_prips\\_en.pdf](http://ec.europa.eu/internal_market/finservices-retail/docs/investment_products/20091215_prips_en.pdf)

<sup>25</sup> The EFC reviews financial stability issues semi-annually in its Financial Stability Table (FST) format, which convenes high-ranking representatives from the Ministries of Finance, national central banks, the ECB, the European Commission, and the Chairs of the Banking Supervision Committee (BSC) of the ESCB and of the EU Lamfalussy committees of supervisors. The EFC-FST is responsible for preparing the ECOFIN Council's discussions on financial stability matters.

<sup>26</sup> Revised following the publication in the Official Journal of the European Commission decisions of 23 January 2009 establishing CESR, CEBS and CEIOPS.

<sup>27</sup> The advice was published on CEBS' and CEIOPS' websites. See <http://www.ceiops.eu/index.php?option=content&task=view&id=589>

<sup>28</sup> <http://www.ceiops.eu/content/view/5/5/>

<sup>29</sup> This reflects the fact that the Level 2 implementing measures will not have been adopted before the paper is due to be published.

<sup>30</sup> Equivalence is judged in respect of the Reinsurance Directive (Directive 2005/68/EC) and the professional secrecy standards of the Consolidated Life Directive (Directive 2002/83/EC), Third Non-Life Insurance Directive (Directive 92/49/EEC) and Reinsurance Directives.

<sup>31</sup> [http://www.ceiops.eu/media/docman/public\\_files/publications/submissionstotheec/ReportIORPdirective.pdf](http://www.ceiops.eu/media/docman/public_files/publications/submissionstotheec/ReportIORPdirective.pdf)

<sup>28</sup> <http://www.ceiops.eu//content/view/17/21/>

CEIOPS e.V.  
Westhafenplatz 1  
60327 Frankfurt, Germany

Phone: +49 69 9511 1920

Fax: +49 69 9511 1919

[www.ceiops.eu](http://www.ceiops.eu)