



Gabriel Bernardino
Chairman

Mr. Michel Barnier
European Commissioner for Internal Market and Services
European Commission
BERL 10/034
200, rue de la Loi
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Subject: Solvency II timetable

Dear Commissioner Barnier, *DEAR MICHEL,*

I am writing to you and the other parties to the OMNIBUS II dialogue to set out EIOPA's strong concerns regarding the stagnant OMNIBUS II negotiations and their impact on the Solvency II project. The concerns expressed reflect the major worries of the heads of the relevant national competent authorities in Europe as stated during our last Board of Supervisors meeting.

While we agree with the necessity to build a sound and prudent regime for long-term guarantees under Solvency II and welcome the role that the EU political institutions are willing to attribute to EIOPA in the impact assessment, we are also seriously concerned about the lack of a clear and credible timetable for the implementation of the new regime.

The EU is faced with an outdated and fragmented regulatory and supervisory system in the insurance area. The current regime (Solvency I) lacks risk sensitivity, restricts the proper functioning of the single market, includes sub-optimal arrangements for the supervision of groups and does not ensure accurate and timely intervention by supervisors. Neither does it properly capture a number of key risks, as reflected in the recent EIOPA Risk Dashboard, including significant market and credit risk.

Moreover, the Solvency I regime is not forward-looking, contains very few qualitative requirements regarding risk management and governance and does not provide supervisors with adequate information on the undertaking's risks. If we have to continue supervision on this basis, there is a huge danger that supervisors will not be able to

identify and analyse risks correctly and will not be able to take the necessary supervisory actions in time, which may have serious consequences for policyholder protection.

Without a robust supervisory system at European level, European supervisors will be forced to develop national solutions in order to ensure sound supervision. Instead of reaching consistent and convergent supervision on Europe, conflicting national solutions will emerge.

The uncertainties on Solvency II also have wider consequences. The lack of certainty about the implementation is undermining EU credibility in international discussions as Solvency II is meant as a reference framework for risk insurance based supervision at the international level.

In order to keep the momentum and to be consistent with all the financial and human resources already dedicated to this project both by supervisors and the industry, we urge the political parties involved to come up with a sound and reliable timetable for the implementation of Solvency II as soon as possible.

The timetable should consider a realistic assessment of the expected time needed to deliver the different milestones and it should be appropriately communicated to all stakeholders in order to eliminate the current uncertainty. To secure the credibility of the project it is clearly preferable to set operationally achievable timings.

Once a credible overall timetable is agreed, a reflection should be made on the possibility of earlier implementation of some Solvency II elements, in order to address the above mentioned concerns.

Yours sincerely,

