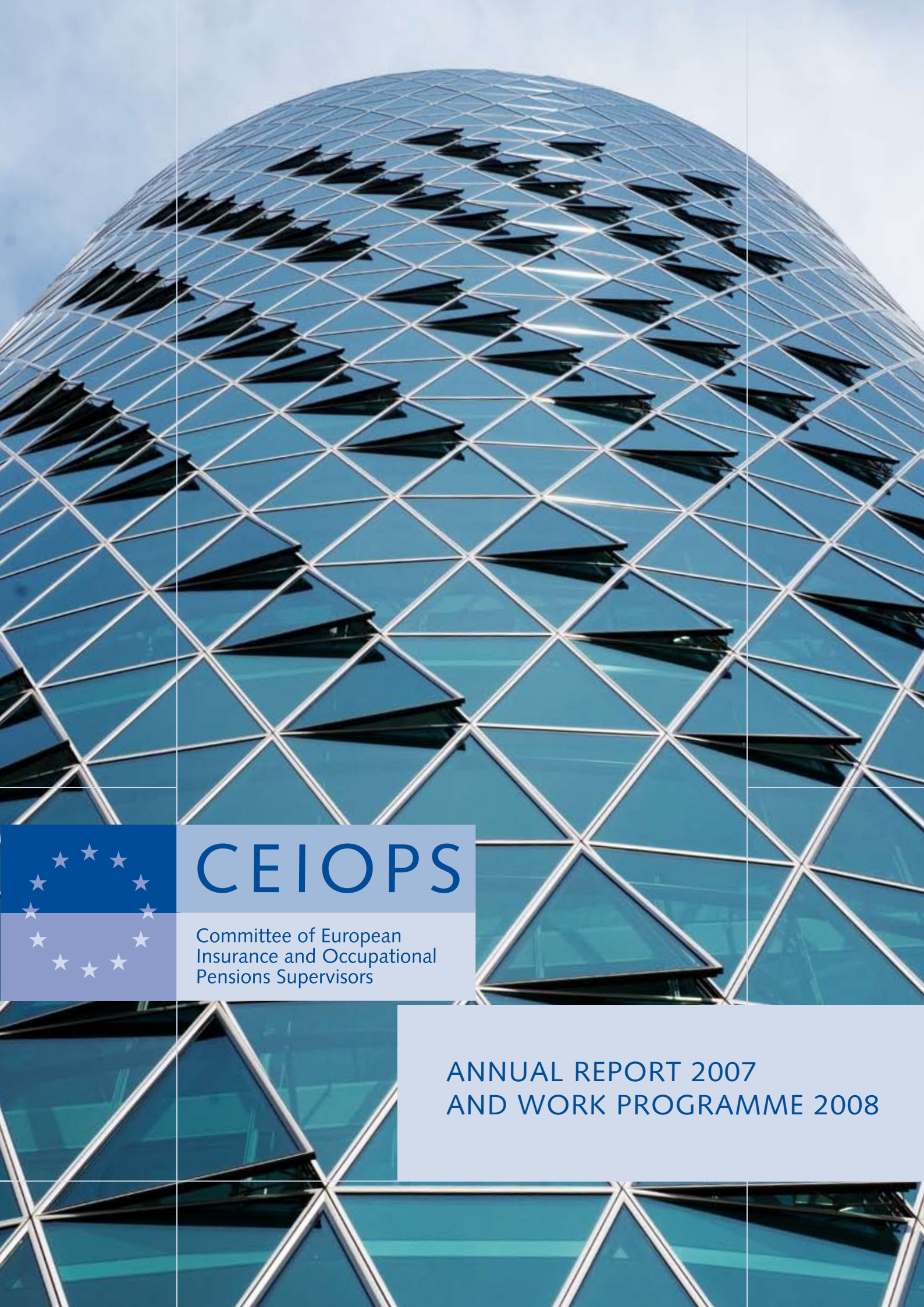
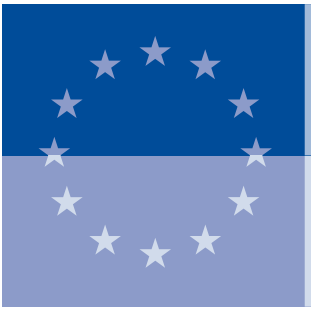


CEIOPS

Committee of European Insurance and Occupational Pensions Supervisors

ANNUAL REPORT 2007 AND WORK PROGRAMME 2008



CEIOPS

Committee of European Insurance and Occupational Pensions Supervisors

ANNUAL REPORT 2007 AND WORK PROGRAMME 2008

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0.0.0.

FOREWORD BY THE CHAIRMAN

I.O.O.

I am happy to welcome you to CEIOPS' fourth Annual Report.

We have much to inform you about 2007 and our commitments for 2008. Our aims, accomplishments and challenges have been wide-ranging and fascinating. It is sometimes difficult for those of us engaged with CEIOPS, to recall we are an EU Level 3 Committee of supervisors for our twin financial sectors. The scope and scale of our activities have become remarkably broad and intense. Our need for new Secretariat staff is pressing as adequate resourcing is a precondition for maintaining the high level of quality achieved up to now. We strongly encourage further secondments from our Members, to sustain the pace.

Whether you are newly-introduced to CEIOPS or a long-standing stakeholder, I invite you to take an interest in our efforts summarised in this Report. Feel free to provide us with your comments. We always take them into account. CEIOPS lives by input from its Members and stakeholders. We arrange a number of different means for dialogue.

In terms of dominant work, last year was lead by CEIOPS' contributions to the EU Solvency II project, the proposed new EU prudential insurance regulatory framework. The project is the result of the significant collaborative effort of all our CEIOPS Members. In 2007 it occupied four main CEIOPS Working Groups and many participants from across Europe and beyond.

Outside Solvency II, our numerous other tasks are of equal importance. You will see in this Report that our supervisory experts work on financial sectors' issues which embrace the EU regimes in occupational pensions, intermediaries, financial stability and CEIOPS Members' supervisory cooperation.

These all naturally include increasing safeguards for consumers, who for our sectors are policyholders and occupational pension funds members and beneficiaries.

Supervisory convergence and cooperation are the foundations for all CEIOPS' work. They have underpinned Solvency II. They are also the topic of the Siena Protocol, which has been revised to intensify and extend collaboration, also in respect of the handling of cross-border complaints. In 2007 we dedicated a new Working Group to foster them in other areas.

We have the pleasure of undertaking joint work with the other EU Level 3 Committees, CEBS and CESR. Together with them, CEIOPS aims to secure or increase convergence where possible, between insurance and occupational pension supervision on our side, with banking and securities supervision on their side, and to extend it to financial conglomerates. You can review the joint Annual 3L3 Work Programme 2008 and joint

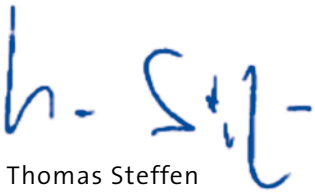
Thomas Steffen
CEIOPS Chairman (BaFin, Germany)

3L3 Medium Term Work Programme. They are summarised in all three Committees' Annual Reports. They are also submitted to the EU political institutions, as are the three Committees' own Work Programmes 2008.

We do not see the world defined by EU frontiers. The depth of our EU activities may sometimes give this impression. CEIOPS is happy to support official EU dialogues with non-EU counterparts. We are also pleased to respond to queries and share information exchanges direct, where sought by non-EU financial supervisory authorities around the world.

Finally we exist and change by decision of the political level. 2007 saw almost unparalleled political scrutiny of the EU supervisory structure. CEIOPS has been proud to contribute to this, and plans to adopt the results. This is part of our mission towards better regulation and supervision, competitiveness and consumer interests.
All are touched on in this Report. I hope you enjoy reading it and sharing our exciting drive for improvement in the frame of an evolutionary process.

Frankfurt, May 2008



Thomas Steffen

MESSAGE FROM THE SECRETARY GENERAL

2.0.0.

My first months as Secretary General have so far been of the busiest, yet most exciting times I can remember. From my arrival in October 2007 onwards I soon appreciated the huge contribution of my predecessor Alberto Corinti. I am fortunate to have inherited his legacy and his staff. I am also helped by having been closely associated with CEIOPS and its work since its formation.

CEIOPS' Secretariat is an energetic, dedicated team. Its excellent new facilities are almost as good as the working ambiance within the team. And there is room for joining and taking part in it!
Secretariat support ranges from planning for CEIOPS' present and future activities, to controlling CEIOPS' processes and documentation, and actively helping the others who do this. We participate in all CEIOPS-related meetings and communications. We facilitate CEIOPS' events. CEIOPS' Secretariat is for the high-spirited rather than the faint-hearted.
As with many hard-working environments, the morale and attitude is buoyant. We constantly look forward to our interaction with Members and stakeholders. We expect to hear of good points and bad. The Secretariat is here to create, encourage, and solve problems where possible.

One of our privileges is to assist CEIOPS' Chair in acting as CEIOPS' point of contact for the EU political level. The EU political institutions rightly have high expectations of CEIOPS. They apply across the other two EU Level 3 Committees, CEBS and CESR. The recent political review and Recommendations for the 'Lamfalussy process', and endorsement of Conclusions by the European Council of Finance Ministers in December 2007, involved us in very helpful exchanges at senior level. We have welcomed these opportunities to offer our views and support. The EU governmental Secretariats liaise with us. We are pleased to service them and their bodies. CEIOPS' ongoing work already reflects the results. It will benefit from further political comment.

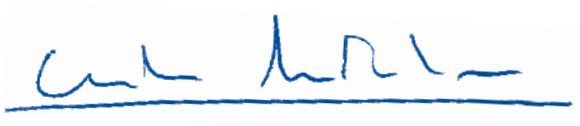
As part of our network we are in regular contact with the other Level 3 Committees' Secretariats. As Level 3 supervisory convergence properly increases, so do the demands for more. Our Committees design and carry out appropriate joint work. The potential scope covers most of the three Committees' sectoral activities.
The Secretariats play a key role in rationalising what is realistically achievable, and giving it effect.

Carlos Montalvo Rebuelta
CEIOPS Secretary General (DGSFP, Spain)

Ultimately, like the other Level 3 Committees, CEIOPS consists of its Members. I am particularly aware of this, having personally been an active CEIOPS' member from the start. I look forward to increasing CEIOPS' working and personal relationships with them.

Please consider our activities in this Report, and contact the Secretariat at any time with comments or queries.

Frankfurt, May 2008



Carlos Montalvo Rebuelta

INSTITUTIONAL AND OPERATIONAL ORGANISATION

3.0.0.

3.1.0. Institutional Bodies

CEIOPS is a German-registered private non-profit organisation, based in Frankfurt am Main. It is governed by its Managing Board and Members' Meetings.

CEIOPS thanks its former Chair, Henrik Bjerre-Nielsen (Finanstilsynet, Denmark) for leading CEIOPS' development through its first years since its establishment. Following his announcement in late 2006 to step down as Chair after nearly 4 years in this position, Thomas Steffen (BaFin, Germany), CEIOPS' former Vice-Chair, was elected his successor in March 2007. CEIOPS expresses gratitude to him as well as to its former Board members, Michel Flamée (CBFA, Belgium), Florence Lustman (ACAM, France), John Tiner (FSA, United Kingdom) and Jurij Gorisek (Insurance Supervision Agency, Slovenia), who for three years was also CEIOPS' Internal Auditor. They all have led CEIOPS through a remarkable period of growth and achievement.

In 2007 the Managing Board met 8 times and had additional telephone conferences.

In accordance with CEIOPS' constitution, end October 2007 the Managing Board was discharged. Its present members are:

Thomas Steffen
(BaFin, Germany) Chair

Peter Braumüller
(FMA, Austria) Vice-Chair

Czaba Varga
(PSZAF, Hungary)

Giovanni Cucinotta
(ISVAP, Italy)

Klaas Knot
(DNB, The Netherlands)

Hector Sants
(FSA, United Kingdom)

At the same time,
Antoine Mantel (ACAM, France)
was elected Internal Auditor.

INSTITUTIONAL AND OPERATIONAL ORGANISATION OF CEIOPS

3.0.0.

Members' Meetings 2007

Following the accession of Bulgaria and Romania to the European Union, CEIOPS' membership[1] has increased to 35 Authorities from 30 jurisdictions. A detailed list of EU member and EEA observer Authorities competent in the fields of insurance and/or occupational pensions is included as in Chapter 12.1.0.
Although its Articles of Association foresee qualified majority votes in a number of cases, CEIOPS has always strived for consensus in taking its decisions. These are usually taken during Members' Meetings, with additional approvals by written procedure, where required. In 2007, five Members' Meetings have taken place. Their main decisions are summarised below.

Members' Meetings 2007

Frankfurt, 12/13 March 2007

Approval of advice to the European Commission on Supervisory Reporting and Public Disclosure (former Consultation Paper 15)

Approval of advice to the European Commission on Pillar II issues relevant for reinsurance (former Consultation Paper 16)

Approval of advice to the European Commission on Pillar II capital add-ons for solo and group undertakings (former Consultation Paper 17)

Approval of advice to the European Commission on Supervisory powers (further advice) (former Consultation Paper 18)

Approval of advice to the European Commission on Safety Measures (Limits on Assets) (former Consultation Paper 19)

Approval of advice to the European Commission on Pillar I issues (further advice) (former Consultation Paper 20)

Approval of technical specifications for the third round of quantitative impact studies (QIS3)

Approval of report on market developments regarding cross-border activities of Institution(s) for Occupational Retirement Provisions (IORPs)

Approval for submission to the European Commission of a Report on the Implementation of the Insurance Mediation Directive's (IMD) Key Provisions

Amsterdam, 27/28 June 2007

Reorganisation of CEIOPS' Working Group structure to take account of future working priorities

Approval for submission to political level and publication of report on CEIOPS' performance assessment

1 This includes the non-EU EEA countries Norway, Iceland and Liechtenstein, which are formally observers of CEIOPS. In general, the term "Member" is used to refer to both, member and observer supervisory authorities.

Approval for public comments of Issues Paper on Risk Management and Other Corporate Issues

Approval for public consultation of draft Protocol on CEIOPS Mediation Mechanism (Consultation Paper 21)

Approval of Report on implementation of the Insurance Groups Directive (IGD) options in the Member States

Frankfurt, 14 September 2007

Election of new Managing Board, Chair (Thomas Steffen) and Vice-Chair (Peter Braumüller)

Frankfurt, 29/30 October 2007

Approval of QIS3 Report

Approval for public comments of Policy Paper on harmonisation of supervisory reporting and public disclosure

Approval for submission to European Commission of CEIOPS' Proposals for a Definition of Cross-Border Provision of Service under the IMD

Approval of Protocol on CEIOPS Mediation Mechanism (former Consultation Paper 21)

Approval of draft General Protocol relating to the collaboration of the insurance supervisory authorities of the Member States of the European Union for public consultation (Consultation Paper 22)

Approval of guidelines on the exchange of 'essential' and 'relevant' information between the 'lead' supervisor and the other 'competent authorities' in each Coordination Committee, for publication as an Annex to CEIOPS' framework protocol on the role of the lead supervisor of December 2006

Approval of Report on the results of the functioning of the Coordination Committees

Approval for consultation by the 3L3 Committees of a 3L3 Medium Term Work Plan

Frankfurt, 17 December 2007

Revision of Charter of Consultative Panel

Approval of draft QIS4 technical specifications, for submission to European Commission for consultation of stakeholders

Endorsement of Minimum Capital Requirements (MCR) – pros and cons paper for publication together with QIS3 documents

Approval for public consultation of Interim Report on proxies (Consultation Paper 23)

INSTITUTIONAL AND OPERATIONAL ORGANISATION OF CEIOPS

3.0.0.

Consultative Panel

CEIOPS' work is supported by its Consultative Panel. The Panel reviews CEIOPS' Work Programme and CEIOPS' participation in the 3L3 Work Programme. It also comments on CEIOPS' policymaking process and provides guidance on important issues. Finally, the Panel convenes with CEIOPS ' representatives, to give further guidance as required. CEIOPS' Consultative Panel therefore provides valuable oversight, discernment and constructive comment, at important stages of CEIOPS' work.
In December 2007, the Charter for the Consultative Panel was amended to allow the designation of proxies. At the same time the list of nominating Associations was updated. After finalisation of its 2 year term[2], the Panel was reconstituted in March 2008. Composition and membership is as follows:

Members of the Consultative Panel

as of 27 March 2008 (in alphabetical order):

Members	MS	Proxies	MS	Nominating Association
Bogner, Hannes	AT	Corinti, Alberto	IT	CEA
Bonnet, Yannick	FR	Paakkanen, Markku	FI	AMICE
Caneparo, Kirstie	UK	Poppe, Pim	NL	CEA
Carty, Paul	IE	Hough, David	UK	BIPAR
Gabellieri, Bruno	FR	Borgdorff, Peter	NL	AEIP
Geib, Gerd	DE	Ellenbürger, Frank	DE	FEE
Goossens, Karel	BE			Groupe Consultatif Actuariel Européen
Hitchen, Chris	UK	Peaple, Nigel	UK	EFRP
Kalpala, Asmo	FI	Pozniak, Gregor	AT	AMICE
Lourdelle, Henri	FR	none		ETUC
Maassen, Jaap	NL	Verhaegen, Chris	BE	EFRP
McAteer, Mick	UK	Fily, Anne	FR	BEUC
Plas, Patricia	BE	Lempertseder, Robert	DE	CRO Forum
Seganti, Federica	IT	Nagy, Csaba	HU	Academic
Stephens, Jim	UK	none		BusinessEurope
Wehling, Axel	DE	Gladysz, Andrej	PL	CE

2 For the Panel's former composition and membership, please refer to last year's Annual Report.

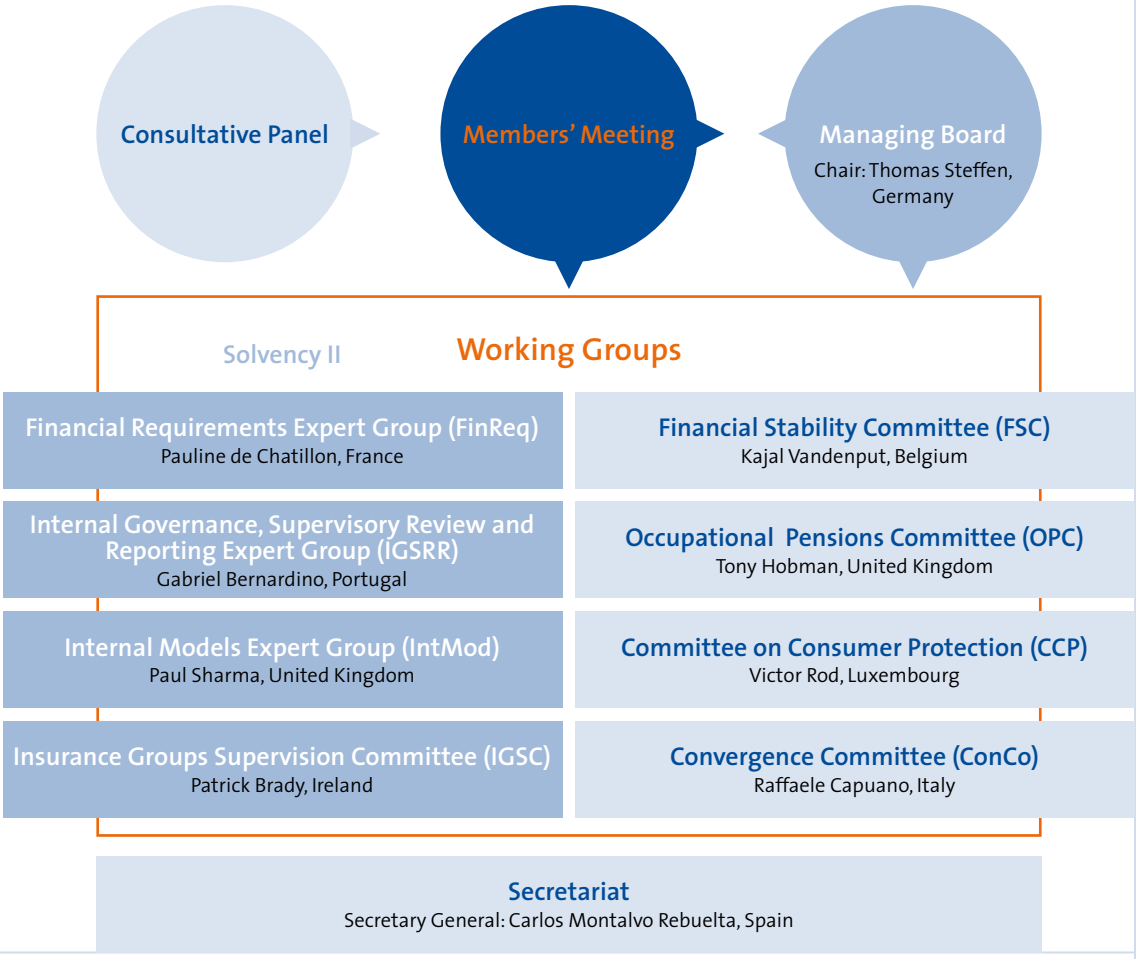
3.2.0. Operational Organisation

Most implementation work is carried out by CEIOPS' Permanent Committees and Expert Groups. They provide briefings and recommendations for the Managing Board, Members and external stakeholders. At the same time they develop products to fulfill CEIOPS' main tasks. Their Chairs often represent CEIOPS externally, publicising and explaining the work done. During 2007 all CEIOPS Working Groups changed their structure and/or focus, to accommodate CEIOPS' changing requirements.

Major developments in the Solvency II project demanded reorganising the previous five CEIOPS Expert Groups round four themes: Financial Requirements; Internal Governance, Supervisory Review and Reporting; Internal Models and Insurance Groups. The other CEIOPS Working Groups were: Financial Stability Committee, Occupational Pensions Committee, Intermediaries Expert Group, Convergence Committee, and the Task Force on the Revision of the Siena Protocol. Information on these groups is provided in the relevant section of this report.

CEIOPS operational organisation

as of 28 March 2008



INSTITUTIONAL AND OPERATIONAL ORGANISATION OF CEIOPS

3.0.0.

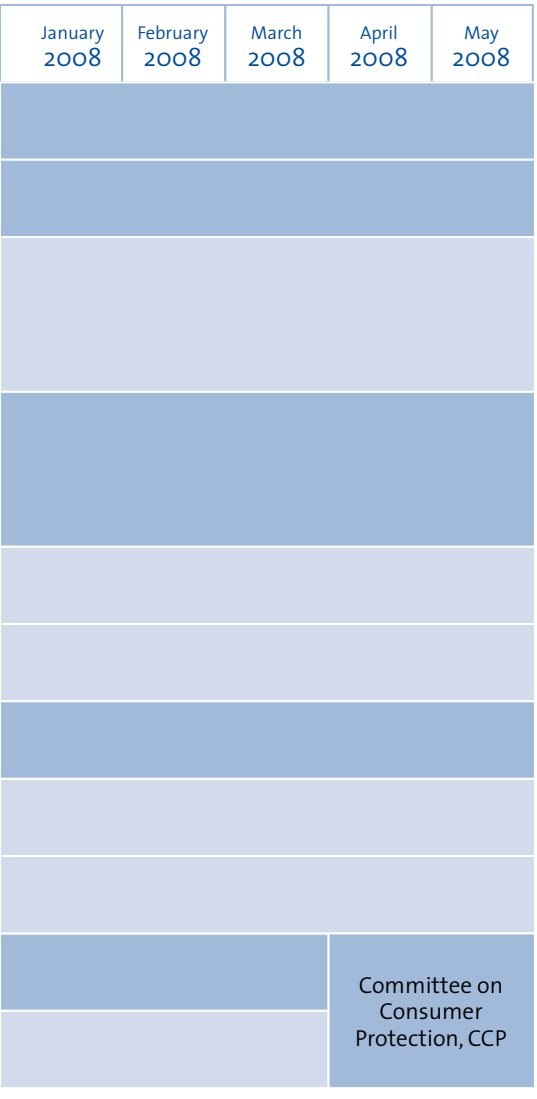
The tables below show the reorganisation of CEIOPS' Working Groups in 2007 and the number of meetings held. Their considerable output was only possible due to the personal engagement of the participating national supervisors of these Working Groups and their Authorities, who have provided and continue to provide expert resources to CEIOPS' cause. All are to be thanked for their contributions.

Reorganisation of CEIOPS' Working Groups

January 2007	February 2007	March 2007	April 2007	May 2007	June 2007	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007
Pillar I Expert Group						Financial Requirements Expert Group, FinReq					
						Internal Models Expert Group, Int Mod					
Pillar II Expert Group						Internal Governance, Supervisory Review and Reporting Expert Group, IGSSR					
Pillar III / Accounting Expert Group											
Group/Cross-Sectoral Issues Working Group, GCS						Insurance Groups Supervision Committee, IGSC					
Occupational Pensions Committee, OPC											
						OPC Solvency Subcommittee, OPC SS					
Financial Stability Committee, FSC											
Convergence and Impact Assessment Task Force, COMPASS				Convergence Committee, ConCo							
									ConCo Subcommittee on Equivalence		
Insurance Mediation Expert Group IMEG											
Task Force on Revision of Siena Protocol											

A number of work streams were carried out by ad hoc Task Forces and coordination groups. Where appropriate the work was undertaken in conjunction with the other three Level 3 Committees. The main cross sectoral Working Committee jointly established by the three Level 3 Committees in early 2006 – the Interim Working Committee on Financial Conglomerates (IWCFC) – continued its increasing work programme with CEIOPS' full participation.

Meetings of CEIOPS WGs in 2007



	Meetings	Meeting days
former Pillar I WG, FinReq, Int Mod	14	24
former Pillar II WG, former Pillar III WG and IGSRR	11	22
former GCS and IGSC	8	11
OPC, OPC SC	7	12
FSC	4	5
ConCo and ConCo Equ.SC	3	3
IMEG	4	4
Siena Protocol Revision TF	6	12
Total	57	93

INSTITUTIONAL AND OPERATIONAL ORGANISATION OF CEIOPS

3.0.0.

Secretariat

The administrative nerve centre of CEIOPS and its twin financial sector activities is its Secretariat. The Secretariat conducts the business of CEIOPS.

CEIOPS as a whole is primarily dedicated to helping introduce an EU risk-oriented supervisory regime for insurance. The implications of this for the occupational pension funds regime may be reviewed by CEIOPS in the future.

From participation in CEIOPS' governing bodies, to running its processes, the Secreteriat ensures that CEIOPS work 'happens'. From all quarters, views are considered, contrary positions are debated and where possible reconciled, products are formulated, and results are appropriately communicated. CEIOPS' windows to the world – its publications and website – are run by the Secretariat. In order to function properly, often working to tight deadlines, CEIOPS' Secretariat has increased its staff to 11 members.

In terms of staff movement in 2007, CEIOPS' first Secretary General, Alberto Corinti (ISVAP, Italy) and another (Secretariat) staff member left. The current Secretary General (Carlos Montalvo Rebuelta) who (formally) took up office as of 1 November 2007, four additional secondees and one direct recruitment, joined the Secretariat.

The Team

Carlos Montalvo Rebuelta
(Secretary General, DGSFP, Spain)

Gerlinde Taurer
(Deputy Secretary General, FMA, Austria)

Neil Alton
(FSA, United Kingdom)

Catherine Coucke
(Belgium)

Federica Cameli
(COVIP, Italy)

Sandra Desson
(DNB, The Netherlands)

Pamela Schuermans
(CBFA, Belgium)

Teresa Turner
(The Pensions Regulator, United Kingdom)

Giulia Conforti
(Spain)

Sunni Holtman
(DNB, The Netherlands)

Tanja Leimbach
(Germany)

ACCOUNTABILITY, CONSULTATION AND TRANSPARENCY

4.0.0.

CEIOPS is an independent EU Level 3 Committee, comprising its Members, the supervisory authorities competent for the supervision of insurance and reinsurance undertakings and/or occupational pensions.[3]

CEIOPS regards itself as accountable to the EU political institutions, CEIOPS' stakeholders and the public. Accountability varies from reporting on its progress, to seeking and taking account of relevant external comments on its activities. The results are made available (to the extent confidentiality allows) as CEIOPS aims for transparency.

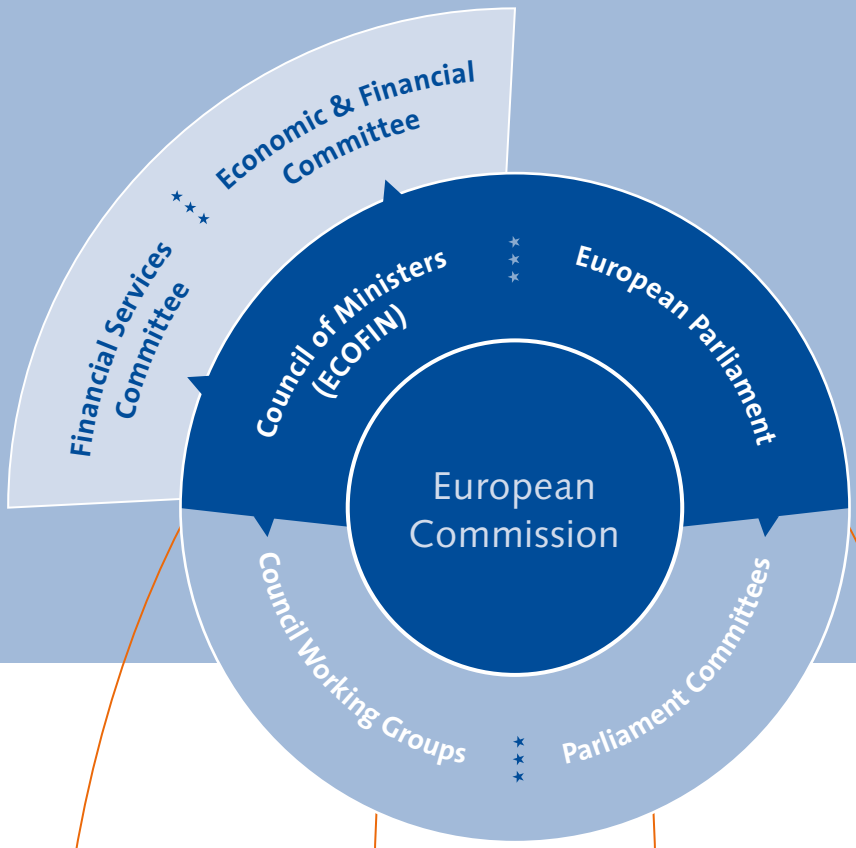
Where the EU political bodies discuss and change Level 3 Committee reporting practices (as proposed during the 2007 Lamfalussy review process) CEIOPS is pleased to contribute to the debate and adopt its conclusions.[4]

4.1.0. CEIOPS' Public Consultations

CEIOPS' public consultations were fewer in number, but more varied than in previous years. Historically, these consultations were dominated by the Solvency II project. However, 2007 saw an enhanced emphasis on other issues, including supervisory cooperation and the three Level 3 Committees' joint proposals. CEIOPS has also taken into account the feedback received from its Members and industry on its consultation practices, in CEIOPS' 2007 Self-Assessment Questionnaire[5].

3 See also chapter 12.1.0.
4 See relevant extract of ECOFIN conclusions of 4 December 2007 in chapter 12.3.0.
5 See website.

CEIOPS within the Lamfalussy structure



Regulators 'Level 2' Committees

ESC	EIOPC	EBC	FFC
European Securities Committee	European Insurance and Occupational Pensions Committee	European Banking Committee	European Financial Conglomerates Committee

Regulators 'Level 3' Committees

CESR	CEIOPS	CEBS
Committee of European Securities Regulators	Committee of European Insurance and Occupational Pensions Supervisors	Committee of European Banking Supervisors

'3L3'

ACCOUNTABILITY, CONSULTATION AND TRANSPARENCY

4.0.0.

In 2007 the following CEIOPS documents were published for consultation or finalised following consultation: [6,7]

CP No.	Title	End of public consultation	Consultation period
CP 15	Advice to the European Commission on Supervisory Reporting and Public Disclosure in the Framework of the Solvency II project	12 January 2007	2 months
CP 16	Advice to the European Commission in the Framework of the Solvency II project on Pillar II issues relevant for reinsurance	12 January 2007	2 months
CP 17	Advice to the European Commission in the Framework of the Solvency II project on Pillar II capital add-ons for solo and group undertakings	12 January 2007	2 months
CP 18	Advice to the European Commission in the Framework of the Solvency II project on Supervisory powers – further advice	12 January 2007	2 months
CP 19	Advice to the European Commission in the Framework of the Solvency II Project on Safety Measures (Limits on Assets)	12 January 2007	2 months
CP 20	Advice to the European Commission in the Framework of the Solvency II project on Pillar I issues – further advice	19 January 2007	2 months, extended by a week with publication of Supplement to CP
CP 21	Consultation Paper on the establishment of a Mediation Mechanism between Insurance and Pensions Supervisors	5 October 2007	3 months
	Issues Paper Risk Management and Other Corporate Issues	17 October 2007	3 months
	Issues Paper Policy on harmonisation of contents and formats for public disclosure and supervisory reporting	1 February 2008	3 months
CP 22	General Protocol relating to the collaboration of the insurance supervisory authorities of the Member States of the European Union	5 February 2008	3 months
CP 23	Interim Report on Proxies	15 February 2008	2 months
CP 24	Advice on the Principle of Proportionality in the Solvency II Framework Directive Proposal	25 April 2008	3 months
CP 25	Advice on aspects of the Framework Directive Proposal related to Insurance Groups. Measures to facilitate the effective supervision of groups	25 April 2008	3 months

6 Issues Papers are published in order to receive stakeholders' input and comments at an early stage, before a final draft document is attempted. Neither do comments serve to revise the original document, nor is direct feedback on comments published like this is the case for Consultation Papers. Instead, comments serve as an input for CEIOPS' further work, and are taken into account in shaping its future Level 2 advice or Level 3 guidance or standards.

7 Other documents which CEIOPS worked on together with the other Level 3 Committees are mentioned in chapter 10.0.0.

Publication of final document	Document number
March 2007	CEIOPS-DOC-03/07
March 2007	CEIOPS-DOC-04/07
March 2007	CEIOPS-DOC-05/07
March 2007	CEIOPS-DOC-06/07
March 2007	CEIOPS-DOC-07/07
March 2007	CEIOPS-DOC-08/07
October 2007	CEIOPS-DOC-14/07
—	—
—	—
March 2008	CEIOPS-DOC-07/08
soon	—
May 2008	CEIOPS-DOC-24/08
May 2008	CEIOPS-DOC-25/08

4.2.0. CEIOPS' Consultative Panel

CEIOPS' meetings with the Consultative Panel constitute an essential mechanism for ensuring CEIOPS' accountability, transparency and cooperation with stakeholders. The Panel's membership is high level and mixed. Delegates bring a variety of senior backgrounds and views to CEIOPS. They are all valued. Meetings are formally organised, but a free style of presentations, questioning and debate is encouraged. The agendas are flexible, in reaction to CEIOPS' current and proposed developments. CEIOPS' Managing Board, Working Group Chairs and Secretariat attend. The conclusions shape CEIOPS' future direction.[8]

8 See conclusions of Consultative Panel meetings and relevant presentations during meetings on the website.

ACCOUNTABILITY, CONSULTATION AND TRANSPARENCY

4.0.0.

Consultive Panel Meetings 2007

18 January 2007

The Panel discussed and commented on the CEIOPS 2007 Work Programme. CEIOPS informed about its intention to present a "self-assessment" report in the framework of the review of the Lamfalussy model. In this context a questionnaire was published on the website to collect the views of interested parties. The Panel members discussed the latest developments in respect of the Solvency II project, in particular, the preparation of QIS3, the supervisory process (including solvency control levels and capital add-ons) and the supervision of groups. Finally, CEIOPS presented its Report on the exchange of staff and training initiatives for 2007 and the OPC's working methodology, current activities and 2007 work plan.

24 May 2007

This meeting was mainly dedicated to market conduct and consumer protection issues. Following the Intermediaries' Expert Group's presentation on its past activities and future work, the Panel was informed about the status of the work on the revision of the Siena Protocol. The CEA and BIPAR presented their respective comments on the EC's interim report on the Business Insurance Sector Inquiry published in January 2007. CEIOPS further reported on the joint Level 3 initiative to address the possible level playing field issue between "substitute" investment products (a complex and sensitive issue, especially in the context of the low level of financial competency of many consumers). In addition, CEIOPS presented the summary of its Performance Assessment Exercise, organised in the framework of the review of the Lamfalussy process.

27 September 2007

This Panel session was predominantly devoted to the Solvency II project. External relevant experts participated in the extensive discussions on the preliminary findings of QIS3 and on the treatment of small undertakings. The Panel was further briefed on: the establishment of the OPC Solvency Subcommittee; the stage of the consultation process of CEIOPS' Consultation Paper on Mediation Mechanism; and the development of a 3L3 Medium Term Work Programme.

4.3.0. Self-Assessment

In early 2007, CEIOPS conducted an assessment of its own performance. The purpose was to receive feedback about the work carried out by CEIOPS since its formation. It was prompted by the 2007 stage of the EU's review of the Lamfalussy approach – in particular by the EU's Inter-Institutional Monitoring Group (IIMG) – the functioning of this approach and, in this context, the activity of the three Level 3 Committees. CEIOPS had already reported on its activity to these institutions under its accountability policy and has made direct contributions to the review, together with CEBS and CESR.[9]

CEIOPS' self assessment exercise comprised an internal section based on a questionnaire to CEIOPS Members, and a second, external section based on a public survey. Responses to the assessment informed CEIOPS' further contribution to the Lamfalussy review, and its present and future organisational and work planning. The Report on the results of the public questionnaire was attached to CEIOPS' annual report to the EU FSC, and published with it.[10]

4.4.0. CEIOPS' Public Hearings

Throughout 2007, the pace of CEIOPS' activities, its participation in Public Hearings by other EU bodies, and its informal dialogues with representative associations and stakeholders, reduced the need for formal CEIOPS Public Hearings. Nevertheless at the beginning of October 2007, CEIOPS combined into one Public Hearing, discussion of all open published Solvency II Consultation Papers, i.e. Consultation Papers 16 to 20.

In 2008, CEIOPS has, to date, arranged two further Public Hearings, one on Consumer Protection issues and one on specific matters under the Framework Directive Proposal for Solvency II. (Consultation Papers 24 and 25).

4.5.0. CEIOPS' Conference

CEIOPS' third annual Conference took place in Frankfurt on 20 November 2007. It was held as part of Frankfurt's internationally successful 'Euro-Finance Week'. Over 350 delegates from across Europe attended CEIOPS' premier event.

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

The Chair introduced the main programme with a summary of CEIOPS' considerable efforts and achievements in the few years since it was founded, and the challenges it now faces.

The programme opened with two Keynote Speeches. These were delivered by Carlos Costa Pina, the Portuguese Secretary of State for Treasury and Finance, and Johnny Åkerholm, Chairman of the IIMG. They addressed CEIOPS' progress and future challenges in conjunction with the EU political assessment of the Lamfalussy Model.

9 See 3L3 letter dated 26 March 2007 responding to the second interim IIMG report., and CEIOPS' later contribution, dated 1 November 2007, both on the website.

10 See Interim Progress Report on Supervisory Convergence in the Field of Insurance and Occupational Pensions for the Financial Services Committee (FSC), CEIOPS-SEC-33/07 (June 2007), on the website.

4.0.0.

Three Panel discussions followed, with high-level Speakers addressing some of CEIOPS' most relevant areas of work.

The first Panel, chaired by Klaas Knot (CEIOPS Managing Board member) discussed the Solvency II project and the results of the latest quantitative impact assessment exercise (QIS3). The second Panel, led by Ingrid Bonde (Director General of the Swedish Supervisory Authority) debated the future challenges and priorities of the Solvency II project. The third panel, led by Tony Hobman (Chairman of CEIOPS' OPC) looked at the supervisory framework for EU occupational pensions, the basis of which is the Institution for Occupational Retirement Provision (IORP) Directive adopted in 2005.

The day's formal programme finished with a privileged top level speech by Internal Market's Commissioner, Charlie McCreevy. The audience was given a unique insight into some of the Commission's latest thinking. Commissioner McCreevy commented on CEIOPS, its work, and relevant aspects of the future course of EU regulatory and supervisory developments.

Thomas Steffen then summarised the day's programme and forthcoming intentions. He announced that CEIOPS planned to continue its Conference as a regular event, due to strongly positive feedback and requests for repeating it. CEIOPS' 2008 Conference will be on 19 November 2008 in the same excellent venue.

Reactions during and after the Conference were of praise and support. Those attending welcomed not only the opportunity to meet with more CEIOPS Conference colleagues than in previous Conferences, but in addition delegates from other events taking place in the renowned Euro-Finance Week Programme. Its venue facilitates a significant degree of interaction between all participants. And the various accompanying exhibitions and the presence of senior international financial services representatives, add to making CEIOPS' Conference a notable opportunity.[11]

4.6.0. CEIOPS' Website

CEIOPS sees its website as an important mechanism for achieving accountability, transparency and consultation.

The website is the first place to look for CEIOPS publications, work in progress, and their links to relevant bodies. It has proved highly popular and as such, in 2007 CEIOPS changed its service supplier to cope with the risen demand.

The present website is much improved, but still in need of enhancement, as more developed functions are now required. This process of demand-led change is anticipated to continue, with the corresponding cost implications. New databases and electronic fora are planned in any event. All changes will be announced on the website itself.

11 The full Conference 2007 Programme and available written statements and speeches are published on the website.

4.7.0. Political Events

EU political interest in the Level 3 Committees reached a new intensity during 2007. The strongest impact was felt during the Lamfalussy review process. All the EU institutional bodies and their subgroups concerned with financial services regulation and supervision were active. Most invited contributions from the three Level 3 Committees, and CEIOPS was pleased to oblige through the submission of reports, papers, interventions and comments. Responses were coordinated with CEBS and CESR. Content naturally differed to reflect sectoral variations.

Contributions by CEIOPS' representatives at political, public and private events were also unprecedented. This applied to the occasions' number and global locations. Chair, Managing Board, Working Group Chairs, Secretariat and Member delegates all participated, according to the programme and level expected. Contributions extended to the delivery of speeches or presentations at official EU Public Hearings, receptions, public and private conferences and seminars, briefings, and more. Their subjects encompassed the Solvency II project as well as CEIOPS' other workstreams. They reached a peak, politically, in Autumn 2007 and have continued into early 2008. Those written contributions which are not confidential were published on CEIOPS' website.

4.8.0. Informal Dialogues

CEIOPS has an open and flexible culture. Structured formality is observed when considered beneficial. Otherwise, informal dialogue is welcome and encouraged.

CEIOPS receives views, comments, praise and criticism in any form offered. It is not unusual for the Managing Board, the Secretariat, or Working Group members, to spend significant periods of time in informal telephone conversations or in small meetings with third parties. CEIOPS' new premises are ideal for accomodating these arrangements.

CEIOPS' Working Groups have also welcomed arranged attendances, presentations and discussions by guests. In 2007 these guests included accountants, actuaries, consultants, rating agencies, firms professionally supplying information, industry representative bodies, the industry, other Supervisory Authorities and different CEIOPS Working Groups.

Requests for CEIOPS' contacts and information can be addressed to the Secretariat.

5.0.0. SUPERVISORY CULTURE AND CONVERGENCE

In spring 2007, CEIOPS' Convergence Committee (ConCo) formally replaced the Convergence and ImPact Assessment Task Force (COMPASS). The aim of this Task Force was to support the fostering of a European Culture of Supervision, by facilitating the exchange of staff between supervisory authorities and by analysing how to organise EU-wide training schemes. Convergence is a core area within CEIOPS' work, and it constitutes a priority for all its Members.

After the first analysis carried out by COMPASS, CEIOPS decided to extend the scope and the membership of the Task Force, restructuring it in a regular Committee, to reflect the importance given by Members to cooperation and convergence. With this in mind, the Convergence Committee was mandated to develop further work to foster the creation of a European Supervisory Culture in the insurance and occupational pensions sector and to work on setting up and developing tools aimed at ensuring an appropriate follow-up of CEIOPS' standards, guidelines and recommendations.
At the beginning of the year, the ConCo was chaired by Michel Flamée (CBFA, Belgium), who had already chaired its predecessor, COMPASS. After he stepped down as ConCo Chair in October 2007, Raffaele Capuano (COVIP, Italy) was appointed as his successor.

In 2007, CEIOPS, through ConCo, developed its work along the lines of the recommendations stated in the EU Financial Services Committee Report on Financial Supervision[12].
Bearing in mind that the development of a European supervisory culture plays a fundamental role in fostering convergence in supervisory practices, CEIOPS developed a comprehensive and free of charge training programme addressed to supervisors:

Seminar on Institutions for occupational retirement provision

(26 April 2007, Frankfurt): aimed at increasing the knowledge both of the IORP Directive and the Budapest Protocol, and on their implementation in Member States, especially focusing on the practical procedures to be followed by Authorities in IORPs' cross-border activity.

Seminar on Solvency II for beginners

(29 June 2007, Amsterdam): aimed at increasing the knowledge of the Solvency II project and the work of CEIOPS' relevant Working Groups and providing practical explanations of the standard formula and the new approach to eligible capital.

12 The so-called Francq report, endorsed in the ECOFIN Council's conclusions of 5 May 2006.

Raffaele Capuano
ConCo Chair, COVIP, Italy

Seminar on Insurance Groups Supervision

(22–23 October 2007, Cracow): aimed at increasing knowledge of group supervision and its practical implications; the seminar included panels with industry representatives, and covered training for supervisors of insurance groups, with workshops and presentations.

Seminar on Impact Assessment

(28 November 2007, Frankfurt): aimed at providing knowledge of Impact Assessment, based on a practical exercise.

SUPERVISORY CULTURE AND CONVERGENCE

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Increasing importance was given to interactive workshops, during which the attendees could put into practice the lessons learnt during the training sessions. The workshops, together with evening events, were organised also to give the supervisors the possibility of getting to know each other and networking in an international context. Experience shows how cooperation improves by a better understanding of how colleagues work, and by building a network of relevant contacts, relations and mutual trust.

Based on the positive feedback received, CEIOPS decided to step up this activity in the future, increasing the number of sectoral courses offered to supervisors. More than 500 supervisors will be involved in such training initiatives. These will be partly organised in cooperation with third parties.

Seminar on Internal Models for beginners
(25 February 2008, Frankfurt, Germany)
Seminar on Solvency II for advanced
(26 February 2008, Frankfurt, Germany)
Seminar on Current Market Developments and Risk Management Responses
(27–28 March 2008, Eltville, Germany)
Occupational Pensions Seminar
(24–25 April 2008, Frankfurt, Germany)
Training on QIS4 Insurance Groups' Spreadsheet Completion
(28 April 2008, Frankfurt, Germany)
Training on QIS4 Spreadsheet Completion for Supervisors
(6 May 2008, Frankfurt, Germany)
Seminar on Solvency II: Participation in the quantitative impact studies QIS4
(28–29 May 2008, Frankfurt, Germany)
Solvency II Regional Seminar
(12–13 June 2008, Bucharest, Romania)
Insurance Groups Seminar
(4 November 2008, Triest, Italy)
Seminar on Internal Models for advanced
(5 November 2008, Triest, Italy)

The sectoral training activity is also complemented, on a cross sectoral basis, with the work conducted together with CEBS and CESR, in the development of a cross sectoral training platform. Seminars and courses under the umbrella of this cross sectoral platform are already scheduled for 2008.

In 2007, CEIOPS Members formally recognised the importance of staff exchange, in the form both of study visits and longer term secondments, as a relevant practical tool aimed at developing a common supervisory culture and fostering the convergence of supervisory practices. In June 2007, CEIOPS Members agreed on a Common Statement on their commitment to facilitate convergence through the movement of staff[13]. On

13 See website.

this basis, CEIOPS' ConCo, building on the work developed by its predecessor, COMPASS, decided to develop a concrete toolkit aimed at reducing the procedural obstacles to secondments and study visits. In order to conduct an effective work-stream, an HR Network was set up under the umbrella of the Committee.

Besides this work specifically devoted to supervisory culture, CEIOPS explored, through its ConCo, other tools to foster convergence and strengthen the national application of EU legislation and Level 3 measures. In particular, it investigated the preconditions for a non-binding mediation mechanism between supervisors. In developing this work, CEIOPS decided again to work in close cooperation with CEBS and CESR and to endorse the approach followed by these Committees, in order to achieve consistency. In mid-2007, CEIOPS published for consultation a draft Protocol on a CEIOPS Mediation Mechanism. It was finalised in September 2007. The mechanism will be tested as cases arise, and reviewed in the light of experience, taking into account any need for adaptation following the finalisation of the Solvency II project.

CEIOPS' Mediation Mechanism

The mediation mechanism is a peer mechanism aiming at improving the cooperation and convergence amongst CEIOPS Members and non-CEIOPS national Authorities competent under the relevant sectoral directives. It covers insurance, occupational pensions, reinsurance and intermediaries.

Given the current EU legal setting and by nature, the mediation mechanism is not legally binding. It operates on a voluntary basis, coupled with a comply-or-explain approach.

CEIOPS Members have expressed a strong commitment to participate in the process. The mechanism is also open to other Authorities which are competent under the Directives but not Members of CEIOPS.

The mechanism deals only with issues of a cross-border nature. It intends to support other tools of supervisory cooperation, like the CEIOPS Protocols.

In principle, it will help to find a solution in cases where 2 Authorities in different jurisdictions cannot reach a consensual agreement. It could however also serve to settle a matter in a more general context (e.g. to) adopt a common approach or settle acceptable terms for similar issues for the future.

Mediation is a peer mechanism, not a complaint mechanism. Market participants can activate it only indirectly, via their national Supervisory Authority or via the Consultative Panel.

Furthermore, in 2007, a first analysis was conducted to develop a Protocol on self-assessment and review by peers. It is planned to finalise the Protocol in the first half of 2008, and to set up the Review Panel immediately after.

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Most of CEIOPS' efforts in this field continue to be devoted to the Solvency II project, but a number of other activities have taken place regarding the application of the current legal framework. In this respect the continued work regarding the supplementary supervision of insurance groups under the Insurance Groups Directive (IGD), or steps taken to increase supervisory convergence and develop a joint supervisory culture, should be mentioned.

The Proportionality Principle

At the request of the European Commission, on 25 February 2008, CEIOPS published for consultation its draft advice[14] regarding the application of the proportionality principle as set out in the Directive Proposal. The deadline for this advice has been set at May 2008, in time before the planned approval of the Proposal by the European Council and the European Parliament.
In the Framework Directive Proposal particular care has been taken to ensure that the new solvency regime is not too burdensome for low risk profile undertakings, which are often small and medium-sized undertakings. Although the principle is valid and applicable as a general principle of European Law, the Directive Proposal explicitly highlights it in a number of Articles, leaving its concrete implementation to Level 2 measures and Level 3 guidance. The implementation of the proportionality principle will rest on the future implementing measures to be developed as well as – given the case – future Level 3 guidance.

Solvency II represents a new, risk-oriented regime. The principle of proportionality will be important to gear it to the nature, scale and complexity of the risks which an undertaking is exposed to, particularly, but not only, with regard to small and medium-sized undertakings.[15]

CEIOPS' draft advice aims at setting out more detailed views on the application of the principle to all three Pillars of the new regime as well as in a group context. First, it strives to define the three criteria which are the basis for the assessment under the Directive proposal, then it sets out its application to different aspects of the new solvency framework based on these criteria.

14 CEIOPS-CP-01/08 (25 February 2008), see website.

15 CEIOPS has already addressed this issue in its Answers to the third wave of Calls for Advice, i.e. Call for Advice 23. In this Call for Advice, the European Commission asked CEIOPS to advise on whether a specific treatment of small undertakings was necessary. In its answer, published on 3 May 2006, CEIOPS recognised the importance of the proportionality principle in the application of the Solvency II regime but also found that "policyholders should not expect a lower degree of protection simply because their cover is provided by a smaller undertaking. In addition, CEIOPS recognises that size in itself may not be an adequate proxy for the risk to which an undertaking is exposed. Undertakings within the scope of the Directive should not be classified differently on the basis of size." (paragraph 23.40)
This was further elaborated for Pillar I in CEIOPS' Advice to the European Commission in March 2007.

Nature: The underlying risk profiles of the classes of business an undertaking is writing, e.g. whether it is long or short-tail business, whether it is a low frequency and high severity business or consists of high frequency and low severity risks should be assessed, taking into account also the specific nature of risks inherent to the reinsurance and the captives business.

Scale: This introduces a size criterion. Relating to the valuation of assets, liabilities or risks, the criterion resembles a materiality requirement. In order to meet the scale criterion, the valuation approach applied should ensure an appropriate relative or absolute approximation of the theoretically correct value. Relating to Pillar II, cost-benefit analysis can also be seen as a scale issue, applied for example to governance processes.

Complexity: This is somewhat linked to the nature of the business as certain kinds of business may dictate the use of methods or an advanced system of governance, in particular a more sophisticated risk management system in order to deal properly with all risks the undertaking faces. However, it may also be introduced via the investment strategy of the undertaking or because the insurer chooses to employ challenging methods or processes in some areas that require a commensurate degree of complexity in other areas of the undertaking. It is also linked to the complexity in the evaluation of the commitments, for example unlimited motor liability, or investment in a complex option, or annuities (as opposed to a lump sum), or non-proportional reinsurance (as opposed to a straightforward direct insurance business).

In assessing what is proportionate, the focus must be on the combination of all three criteria to arrive at a solution that is adequate to the risk which an undertaking is exposed to.

Following the public consultation, during which numerous comments were received, CEIOPS will issue its official advice to the European Commission end May 2008.

6.I.O. The Solvency II Project

Upon the publication of the Framework Directive Proposal for a Directive on the taking-up and pursuit of the business of Insurance and Reinsurance on 10 July 2007, the work on the Solvency II project has gained momentum.[16]

The publication has opened negotiations at the level of the Council of Ministers and the European Parliament. Adoption of the Level 1 Framework Directive is expected at the end of 2008.

The publication of the Framework Directive Proposal has also shifted the focus of CEIOPS' efforts from providing advice to the European Commission in the preparation of the Level 1 Framework Directive to developing on the Level 2 implementing-measures and Level 3 guidance, which are to be adopted by the European Commission in the second half of 2010. Solvency II will remain one of CEIOPS' core work streams for a number of years to come.

16 See http://ec.europa.eu/internal_market/insurance/solvency/index_en.htm

INSURANCE

Following the publication of the Proposal, the European Commission has set out its roadmap[17] for covering the development and adoption of Level 2 implementing measures and future work to be done on Solvency II.

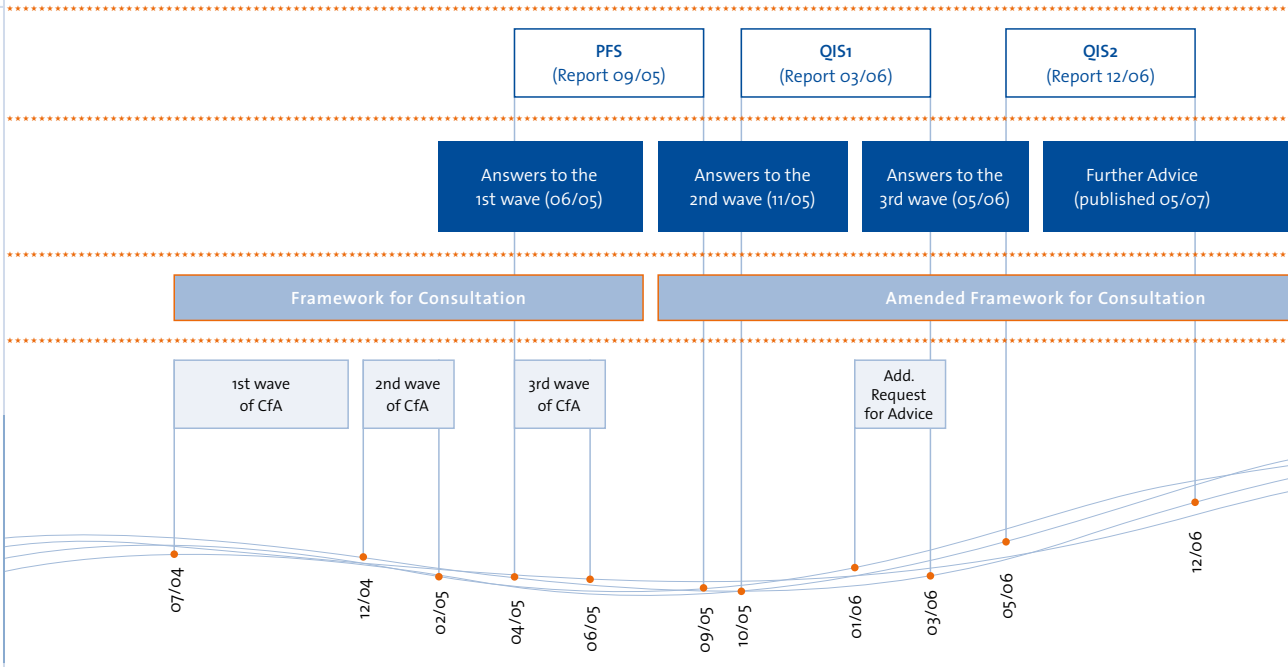
Detailed information on past CEIOPS contributions from 2005 to the elaboration of the principles forming its Solvency II Advice, can be found in previous CEIOPS Annual Reports and on the website.

CEIOPS' organisational structure, which has been tailored along the fundamental lines of the new prudential model, has been restructured during 2007 in order to deal with the new focus of the Solvency II project. The following Expert Groups contribute to Solvency II:[18]

Pillar I:	Financial Requirements Expert Group (FinReq)
	Internal Models Expert Group (IntMod)
	Coordination Group on Proxies
Pillar II and Pillar III:	Internal Governance, Supervisory Review and Reporting Expert Group (IGSRR)
Group Issues:	Insurance Groups Supervision Committee (IGSC)

In February 2008, the European Commission decided to adopt amendments to the Solvency II Directive Proposal adopted in July 2007, which contains updates to a number of the recast Directives on which the Solvency II proposal is based and includes changes following the adoption of the Rome I Regulation.[19]

Solvency II Time Schedule



17 For the full roadmap see the letter of the European Commission to CEIOPS of 19 July 2007 on the website.

18 See also chapter 3.2.0 (Reorganisation of CEIOPS' Working Groups).

19 See Amended Proposal for a Directive of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (SOLVENCY II), Brussels, 26.2.2008 (COM(2008) 119 final, 2007/0143 (COD)), http://ec.europa.eu/internal_market/insurance/docs/solvency/proposal_en.pdf.

Solvency II Roadmap

2nd Semester 2007

CEIOPS reports on results of QIS3 (Nov. 2007):
- ★ Architecture and high level design of the SCR standard formula
- ★ Own funds
- ★ MCR

CEIOPS completes draft QIS4 specifications (Dec. 2007):
- ★ Simplifications (TP, SCR)
- ★ Use of entity specific parameters in SCR

1st Semester 2008

CEIOPS submits Advice on key issues with relevance for Framework Directive (May 2008):
- ★ Groups
- ★ Proportionality principle

Consultation with EC on draft QIS4 specifications, including Public Hearing, meeting with Member States and technical meetings with stakeholders. EC finalises QIS4 specifications.
CEIOPS runs QIS4 between April and July 2008

2nd Semester 2008

CEIOPS reports on results of QIS4 (Nov. 2008)

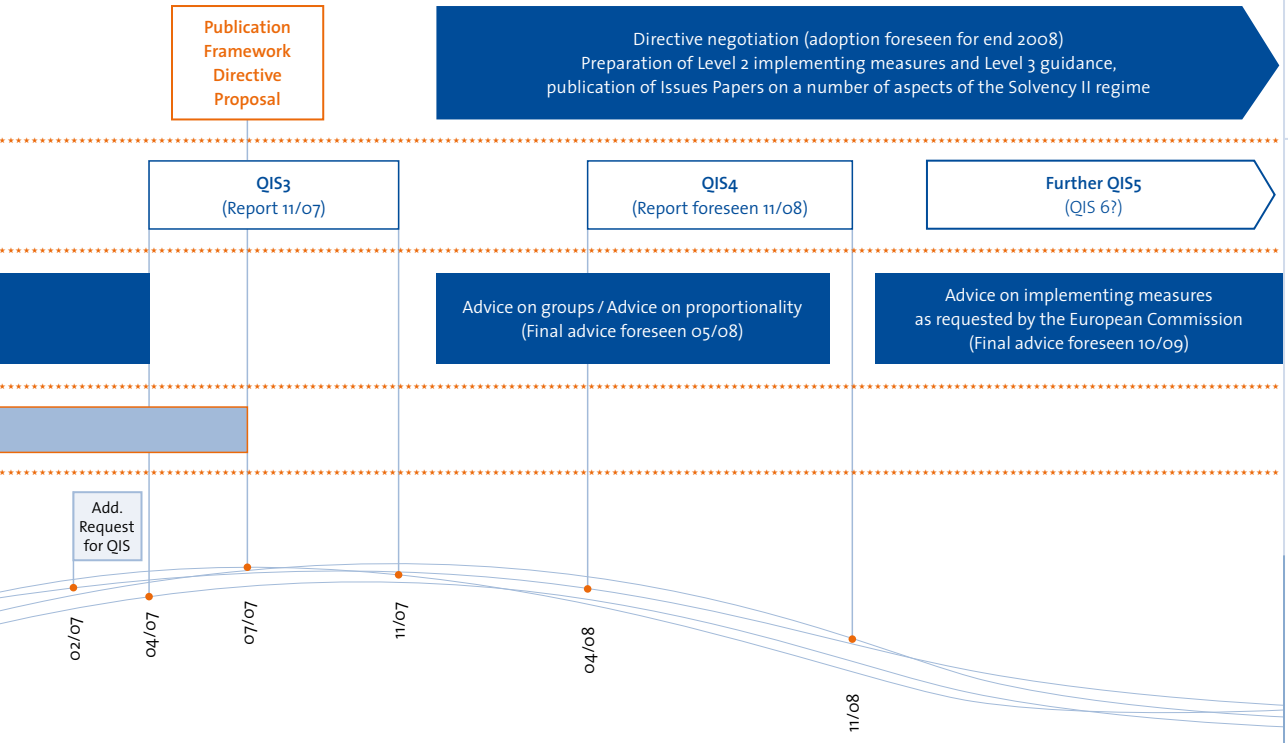
1st Semester 2009

Directive adopted

2nd Semester 2009

CEIOPS submits Advice (Oct. 2009), taking into account the results of QIS3, QIS4 and international developments:
- ★ Technical provisions
- ★ Detailed technical design and calibration of SCR
- ★ Simplifications (TP, SCR)
- ★ Use of entity specific parameters in SCR
- ★ Own funds
- ★ MCR

CEIOPS submits Advice (Oct. 2009), on:
- ★ Full and partial internal models
- ★ Governance requirements
- ★ Regular supervisory reporting
- ★ Public disclosure
- ★ Capital add-ons



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6.1.1. Pillar I

In its continuous effort to determine the quantitative aspects of Solvency II, the work on Pillar I (solo) issues has been carried out predominantly by three Expert Groups: the Financial Requirements Expert Group, the Internal Models Expert Group and the Coordination Group on Proxies.
Each group has carried forward its work plan according to the requirements and deadlines set by the overarching Roadmap published by the European Commission.
Since July 2007, CEIOPS' Financial Requirements Expert Group (FinReq) has taken over the responsibility for the design and implementation of Pillar I standards for life and non-life insurance business from the former Pillar I Expert Group. It is chaired by Pauline de Chatillon (ACAM, France).

Taking forward the work done by its predecessor, the FinReq has published in August 2007 two reports on eligible capital in the insurance sector:

- Report on the Implementation of the Current Insurance Directives with regard to the Eligible Elements to meet the Solvency Margin.[20]
- Summary of the Industry's Contribution on the Use of Innovative Instruments and Supplementary Members' Calls as Eligible Elements of Capital.[21]

Both reports were based on questionnaires issued to CEIOPS Members and the industry and aimed at preparing the ground for the further development of CEIOPS' advice on eligible elements.

As part of the Solvency II project, the European Commission has requested that CEIOPS runs a number of quantitative impact studies (QIS)[22], i.e. large scale field-testing exercises designed to assess the practicability, the implications and possible impact of the different alternatives considered.
One of the major achievements in 2007 was the successful conclusion of another, i.e. the third, round of quantitative impact studies: QIS3. Following analysis of the QIS2 results and further technical discussions, CEIOPS issued further advice on the structural design of Pillar I requirements (technical provisions, Solvency Capital Requirement (SCR), Minimum Capital Requirement (MCR), internal models, special treatments and safety measures), also setting out the steps CEIOPS will take to calibrate the system to meet the overall soundness objectives. The paper came at a critical point in the project, as the European Commission began to shape its first proposal for the Solvency II Framework Directive, together with its formal impact assessment.
Detailed technical specifications for QIS3 were published in April 2007 after extensive public consultation with the industry. The exercise took place from April until the end of July 2007. Based on the national country reports compiled by the national supervisors, a Task Force drafted an overall report, which was released on the day of the CEIOPS Conference in November 2007. CEIOPS published the results and presented them to Council and European Parliament in November and December 2007.

20 CEIOPS-PI-14/07, August 2007, see website.
21 CEIOPS-PI-15/07, August 2007, see website.
22 For details, see previous Annual Reports.

Pauline de Chatillon
FinReq Chair, ACAM, France

Main conclusions from QIS3

The QIS3 exercise has been a very successful and fruitful one. Important lessons have been learned.

The EU insurance industry appeared to be well capitalised. The results showed no evidence of a major need of recapitalisation for the EU insurance industry as a whole.

The move from Solvency I to Solvency II reflects however a transition from a non risk-oriented system to a risk-oriented solvency framework. Inevitably, financial requirements from relatively high-risk undertakings will increase, whereas financial requirements for low-risk, well managed undertakings will decrease.

Against this backdrop for overall financial requirements, offsetting developments can be observed for technical provisions and solvency requirements. The move from Solvency I to Solvency II entails a shift from implicit prudence in conservative parameter assumptions in the calculation of technical provisions to a more explicit form of prudence in the risk-oriented SCR.

Key political open issues

QIS3 tested multiple approaches for the MCR. The choice between these approaches has political as well as technical aspects. A political choice needs to be made between the option of the MCR being a stand-alone capital requirement (such as the modular approach or another alternative stand-alone approach) and the option of taking the MCR as a percentage of the SCR (or the option of the MCR being a combination of a stand-alone requirement and a percentage of the SCR). QIS3 demonstrated that the interaction between the modular approach and the SCR was broadly consistent for non-life undertakings, but not satisfactory for life undertakings.

QIS3 also tested two alternative approaches for equity risk in the SCR. In response to comments received in QIS2, the default charge for equity risk was reduced. According to the qualitative returns, these modifications were in general well-received by the

industry. In quantitative terms QIS3 demonstrated that for life undertakings the tested modifications to the default standard formula jointly lead to a reduction up to one third in the overall SCR compared to QIS2. In addition, an alternative duration-based proposal was tested where equity holdings were tagged to the liability structure of the undertaking, with declining risk weights and accompanying further reductions in the SCR. Comments received on this duration approach were mixed.
QIS3 also tested group issues such as the likely size of diversification benefits. The partial character of the returns received did not allow CEIOPS to make meaningful inferences about the size of any such effects. However, the major European groups have already expressed full commitment to the QIS4 exercise. A related question here concerns third-country diversification benefits. While the QIS3 exercise focussed on diversification and consequent solvency effects within the EEA, many globally active insurance undertakings have argued that the group regime should also be extended to third countries outside the EEA. This would of course require political negotiations with countries like the US on the preferred allocation of capital, as a result of diversification effects, within and outside the EEA.

During QIS3, some participants raised the question of how to deal with taxation under Solvency II, as in practice this may strongly influence the comparability of results. It was argued by some that deferred taxes should be counted either as reducing technical provisions or as part of available capital, since under stressed conditions insurance and reinsurance undertakings would not need to pay taxes. QIS3 was neutral and agnostic with regard to any accounting or tax issues, but as this is an issue that exceeds its scope, a political decision had to be taken for QIS4 on this and a number of other issues, such as the design of the MCR, and the treatment of equity risk for the next quantitative impact study.

Under considerable time pressure, CEIOPS' Expert Groups managed to deliver – exactly one month after the publication of the QIS3 Report – the draft specifications for the next quantitative impact study: QIS4. The European Commission had requested CEIOPS to submit draft QIS4 technical specifications by 20 December 2007 with a view to publicly consulting on them. Considering that the QIS4 specifications build upon the lessons learned from QIS3, the timely delivery of the new specifications is an achievement which adds to CEIOPS' successful contribution to Solvency II.
On 21 December 2007, the Commission held a public consultation on the draft QIS4 technical specifications produced by CEIOPS, in order to allow stakeholders wide consultation before the launch of the QIS4 exercise in April 2008.[23]

The purpose of the consultation run by the European Commission was to provide stakeholders with the opportunity to comment on the draft technical specifications that form the basis of the QIS4 exercise. This is important as the results of QIS4 will provide the main quantitative input into the development of Level 2 measures. The consultation was designed to ensure broad support for the technical specifications

23 See http://ec.europa.eu/internal_market/insurance/solvency/index_en.htm#qis4.


CEIOPS
IOPS Members Meeting
Frankfurt, 26-27 March 2008
10:30-18h

to be tested and the direction to be taken on key issues. The consultation provided stakeholders and decision makers with an opportunity to provide early input on the shape of the future Level 2 measures.

On 26 March 2008, the Commission has issued a formal Call for Advice asking CEIOPS to conduct QIS4. During the QIS4 exercise, CEIOPS will keep the Commission Services informed, in particular of any problems encountered and any questions arising during the exercise which require political guidance.

In the course of the reorganisation of CEIOPS' Working Groups, the overarching responsibility for coordinating and carrying out future quantitative impact studies, starting with QIS4, has been transferred from the Financial Stability Committee to the FinReq. Quantitative impact studies will be run with the support of the QIS4 Task Force chaired by Patrick Darlap (FMA, Austria), who had already chaired the QIS3 Task Force. The QIS4 Task Force will analyse the results of the exercise, and draft the conclusions drawn from it, which will be published in November 2008, at CEIOPS' next Annual Conference.

Areas of particular relevance in QIS4

- ★ The suitability and practicality of the testing proposals, in particular with respect to the simplified methods for the calculation of the SCR and proxies for the valuation of technical provisions, as well as the use of entity-specific parameters: these proposals are intended to increase the participation of EEA undertakings to the exercise and to provide workable alternatives in particular for small and medium undertakings with a low risk-profile;
- ★ The quantitative impact on insurance and reinsurance groups' solvency balance sheets;
- ★ The comparability of results produced by the SCR Standard Formula and those derived from insurers and reinsurers' full and partial internal models, as well as the current state of preparedness of those insurers and reinsurers which would like to use a full or partial internal model following the introduction of Solvency II;
- ★ Design and calibration of the MCR formula.

In order to ensure that comprehensive information is received regarding the suitability and practicality of the technical specifications, it will be of utmost importance to achieve a high participation rate, ensuring the participation of an important number of small and medium sized insurance and reinsurance undertakings and an increased participation of groups.

Paul Sharma
IntMod Chair (FSA, United Kingdom)

Internal models

In 2007, CEIOPS set up an Expert Group on Internal Models (IntMod) under the chairmanship of Paul Sharma (FSA, United Kingdom). The Group was set up to prepare the implementation of internal models under the Solvency II framework. This Expert Group is working on the elaboration of future implementing measures and Level 3 guidance for internal models and provides supervisors with a platform to exchange and improve knowledge with regard to internal models, their use, validation and review, thus fostering convergence of supervisory practices in a fundamental area within the Solvency II project.

For QIS4, the group has drafted an elaborate questionnaire aimed at collecting information on the state of development of internal models in the (re)insurance sector. The results of QIS4 will be complemented by a stock taking exercise, which will be based on presentations by insurance undertakings, supervisors, consultants and designers of vendor models, and it will aim at compiling current (best) practices with regard to the design and implementation of internal models, together with a stock take of the already acquired experience of banking supervisors in the field of validation and ongoing supervision of the proper use and functioning of internal models. The information thus obtained will form the basis for CEIOPS' advice on Level 2 implementing measures.

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Simplifications and proxies

The simplifications and proxies for the calculation of the SCR and technical provisions that were incorporated into the QIS4 technical specifications were the result of the joint work carried out by the FinReq and the Coordination Group on Proxies.

The Coordination Group on Proxies was jointly established, in July 2007, by CEIOPS and the Groupe Consultatif Actuariel Européen (GC). It acts as an umbrella group for national working groups on proxies, in which up to now 12 different Member States are represented[24]. The Coordination Group is co-chaired by Olaf Ermert (BaFin, Germany), and Rolf Stölting (GC). Its task is to steer and coordinate the work of the national proxy groups, and to act as a point of contact for CEIOPS and the GC. In December 2007, the Coordination Group has published for consultation an Interim Report on Proxies[25], setting out the broader framework for the use of proxies, their application criteria and concrete proxy proposals, which have been included in the QIS4 technical specifications. The work of the group has focused on developing proxies for non-life technical provisions. Following the consultation and the publication of the QIS4 technical specifications, the Coordination Group will finalise the Interim Report and continue its work on developing best practices for the calculation of technical provisions.

Proxies cover pragmatic solutions for overcoming the practical difficulty of a lack of available data by proposing harmonised simplified valuation techniques for the calculation of technical provisions. Proxies have been included into the QIS4 exercise, in order to lead to a better assessment of the suitability and reliability of various proxy techniques, as well as their interplay with more advanced measurement methods. The comparability of the data could be enhanced and the overall quality of data would increase. Facilitating the valuation of technical provisions will also help to increase the participation of the insurance industry in QIS4.

24 Belgium, Bulgaria, France, Germany, Ireland, Italy, The Netherlands, Norway, Portugal, Slovenia, Sweden and the United Kingdom.
25 CEIOPS-CP-03/07 (December 2007), see website.

26 Advice to the European Commission in the framework of the Solvency II project on insurance undertakings' Internal Risk and Capital Assessment requirements, supervisors' evaluation procedures and harmonised supervisors' powers and tools (CEIOPS-DOC-06/06, November 2006) see website.

Gabriel Bernardino
IGSRR Chair (ISP, Portugal)

6.1.2. Pillar II

In November 2006[26] and March 2007[27] CEIOPS provided advice to the European Commission on its Framework Directive Proposal in respect of a number of Pillar II issues.

Further to this, CEIOPS has published on its own initiative, in July 2007, an Issues Paper on "Risk Management and Other Corporate Issues".[28]

This Paper set out CEIOPS' initial thinking on high level principles and minimum qualitative requirements, which could form the basis for a risk and governance structure of undertakings, whether in a group context or on a solo level. Its purpose was to inform possible further work by CEIOPS in defining fundamental requirements for all undertakings, identifying potential options in the light of forthcoming Level 2 implementing measures, and also to inform any wider discussion, including on a 3L3 basis. Reactions from stakeholders were invited by 17 October 2007. These are being taken into account in CEIOPS' further work carried out on the basis of this paper.[29]

Following the reorganisation of the Solvency II-related Expert Groups, the Internal Governance, Supervisory Review and Reporting Expert Group (IGSRR) takes care of Pillar II and Pillar III related issues under Solvency II. This Working Group was created at the end of June 2007, by merging the former Pillar II Working Group chaired by Petra Faber-Graw (BaFin, Germany), with the former Pillar III and Accounting Working Group chaired by Gabriel Bernardino (ISP, Portugal), and is chaired by the latter.

27 Advice to the European Commission in the Framework of the Solvency II project on Pillar II issues relevant for reinsurance (CEIOPS-DOC-04/07, March 2007), Advice to the European Commission in the Framework of the Solvency II project on Pillar II capital add-ons for solo and group undertakings (CEIOPS-DOC-05/07, March 2007), Advice to the European Commission in the Framework of the Solvency II project on Supervisory powers – further advice – (CEIOPS-DOC-06/07, March 2007), Advice to the European Commission in the Framework of the Solvency II Project on Safety Measures (Limits on Assets) (CEIOPS-DOC-07/07, March 2007), see website.
28 CEIOPS-PII-11/07 (17 July 2007), see website.
29 see website.

INSURANCE

In 2007, CEIOPS has submitted a number of Advices to the European Commission, following public consultation, on the following areas:

- Pillar II issues relevant for reinsurance[30];
- Pillar II capital add-ons for solo and group undertakings[31];
- Supervisory powers[32];
- Safety measures (limits on assets)[33].

This advice was taken into account by the European Commission at Level 1 for its Framework Directive proposal. In addition, the IGSRR, in early 2008, contributed to the work on QIS4 regarding valuation issues, operational risk, and by specifying the application of the proportionality principle for Pillar II and Pillar III issues.

For 2008 a number of issues are on CEIOPS' agenda relating to Pillar II. Many of these depend on progress in the development of Pillar I and group issues, as the supervisory review process, which is the core of Pillar II, is tightly interlinked with the other Directive requirements.

The European Commission has asked for advice, by October 2009, on a number of issues in view of drafting Level 2 implementing measures. Work on these has mostly been taken up already in 2007, or will be commenced during 2008 and formally consulted on during the first half of 2009.

The above mentioned Issues Paper on Risk Management and the comments received on it will serve as a basis for the development of advice in relation to the system of governance. This advice will address not only the system of governance in general but also some specific issues, such as the definition of key functions, fit and proper requirements, and the definition of conditions for outsourcing. As part of an adequate risk management function, in particular to properly manage the investment risk, undertakings will have to develop investment strategies and policies. CEIOPS will elaborate on this by giving advice on minimum requirements for undertakings to understand and control the risks of investments and in particular with regard to derivatives and securitisation products.

In order to allow feedback from stakeholders at an early stage of the process, and to provide them with clarification and further detail in the frame of a transparent process, CEIOPS plans to issue its preliminary views on the Own Risk and Solvency Assessment (ORSA) by the end of May 2008. The intention is to set out in detail the purpose of this assessment, its outcome and the related processes, including duties of undertakings as well as of supervisors ensuring a harmonised approach regarding the requirements in the framework of the ORSA and the review of the ORSA by supervisors. The Framework Directive proposal does not foresee any Level 2 implementing measures on the ORSA, but formal Level 3 guidance could follow the consultation process. Furthermore, in October 2008, an Issues Paper on Governance is planned for publication, also for consultation, in view of preparing CEIOPS' advice on Level 2 implementing measures.

30 CEIOPS-DOC-04/07 (March 2007), see website.
31 CEIOPS-DOC-05/07 (March 2007), see website.
32 CEIOPS-DOC-06/07 (March 2007), see website.
33 CEIOPS-DOC-07/07 (March 2007), see website.

Following its past high-level advice on harmonisation in the application of capital add-ons, CEIOPS is also continuing its work on the circumstances under which a capital add-on may be imposed, as well as the calculation methods for capital add-ons. In parallel to, and building upon, the development of its Level 2 technical advice, CEIOPS will start preparing Level 3 measures on these issues, where appropriate. Also in this context it is planned to publish an Issues Paper to inform stakeholders of CEIOPS' evolving views and to receive their comments at an early stage.

Further to this, CEIOPS continues to work on the Supervisory Review Process (SRP), including a risk assessment framework, in view of preparing Level 3 guidance. An Issues Paper is planned for publication in the third quarter of 2008, in order to receive stakeholders' feedback at an early stage. This Paper will also set out CEIOPS' preliminary thoughts on the development of a new supervisory reporting system. The rationale of this parallel development is that supervisors should ask only for the information that they will need to perform their tasks, i.e. the SRP.

CEIOPS may decide to discuss and assess the need for further guidance on the issues identified in the Framework Directive Proposal that may, but will not necessarily, have implementing measures, such as undertakings in difficulty, Special Purpose Vehicles, investments, and transparency and accountability of supervisory authorities.

6.1.3. Pillar III

Work on Pillar III is linked to the progress in the development of Pillar I and II requirements. In its response to Call for Advice 21, included in its answers to the "third wave of Calls for Advice", CEIOPS gave preliminary advice regarding high-level principles of supervisory reporting and public disclosure[34], complemented by further advice following the progress reached in CEIOPS' work on Pillars I and II. This supplementary advice[35] described the main information requirements for undertakings to fulfill, in order to permit an assessment of their solvency and financial condition, both for public disclosure and supervisory reporting.
To continue its work on Pillar III requirements with greatest possible transparency, and to take into account stakeholders' views at the earliest possible stage before entering into more detailed work, CEIOPS published, in November 2007, its "Policy on harmonisation of contents and formats for public disclosure and supervisory reporting"[36] prepared by its IGSRR. This Issues Paper presents CEIOPS' intended approach to determining the extent to which the contents and formats of information should be harmonised. It proposes to build further work on the premise of an "adequate high level of harmonisation of contents and formats" for supervisory reporting and public disclosure. This work should be driven by best-practice considerations, rather than by aggregation of differing national requirements, in order to promote more streamlined supervisory practices in 2012 and beyond. Moreover, the proportionality principle should be applied to the utmost extent possible.

34 Answers to the European Commission on the third wave of Calls for Advice in the framework of the Solvency II project (CEIOPS-DOC-03/06, May 2006), see website.
35 Advice to the European Commission on Supervisory Reporting and Public Disclosure in the Framework of the Solvency II Project (CEIOPS-DOC-03/07, March 2007), see website.
36 CEIOPS-IGSRR-05/07, see website.

6.0.0.

Issues Paper on harmonisation regarding public disclosure and supervisory reporting

This Issues Paper was open for comments by stakeholders until 1 February 2008. Regarding the level of harmonisation of reporting by undertakings to supervisors, it presented 4 options. These ranged from a harmonisation on a minimum level, foreseeing additional regular reporting requirements defined by individual supervisors on top of commonly defined minimum requirements, to a harmonisation of information to be reported from insurance undertakings to supervisors "to a sufficiently high level of content and format", minimising to a certain degree the request of country-specific information on a regular basis. The latter may occur where, for example, the legal responsibilities of a local supervisor extend further than those defined under Solvency II, or where justified by local market specificities.

Stakeholders supported to a large degree CEIOPS' preferred option, i.e. option 4.[37] CEIOPS will continue to work on this basis, concentrating first on supervisory reporting requirements, i.e. the content and formats of reporting, as well as the alignment of reporting and remittance dates, and focusing at a later stage on public disclosure.

The Issues Paper and comments received from stakeholders on its deliberations form the basis of CEIOPS' further work. The European Commission has asked CEIOPS' advice in respect of Level 2 implementing measures on supervisory reporting as well as public disclosure by October 2009. This means that CEIOPS will consult on its draft formal advice in the first half of 2009.

This work is especially of importance for cross-border insurance groups. The intended harmonised reporting formats for quantitative information are seen as an important step to reduce the administrative burden for undertakings and to facilitate the comparison of data across jurisdictions. In fact, the changes necessary through the implementation of Solvency II can be taken as an opportunity to align requirements (as far as appropriate) in order to create an efficient and cost-effective reporting and supervisory regime.[38]

CEIOPS' Solvency II-related work on groups issues is explained under paragraph 6.2.0., where the current initiatives on insurance groups supervision are also dealt with.

37 See comments received on the website.

38 The 3L3 Committees have, in 2007, conducted a survey aiming at identifying potential inconsistencies or overlaps of reporting requirements stemming from European legislation applying to the three Committees' constituents. Although the survey was expressly focussed on cross-sectoral inconsistencies or overlaps due to the applicable European legislation – the existence of which was perceived by none of the respondents -, a number of stakeholders indicated inconsistencies of requirements between different Member States or between European legislation and individual Member States. These inconsistencies will be addressed in CEIOPS' work, in its advice on Level 2 implementing measures as well as in detailed Level 3 guidance. See also chapter 10.3.2.

6.2.0. Insurance Groups

Introduction

Considerable effort and resources are being invested by CEIOPS' Members in the supervision of insurance groups within the current legislative framework and also the future legislative framework of Solvency II. The aim is to provide supervisors with a holistic view of insurance group, in the current and future framework.

Following the signing of the Helsinki Protocol in May 2000[39] the Helsinki Protocol Working Group (HPWG) was established, which was later transformed into the Insurance Groups Supervision Committee (IGSC). Since October 2005 Patrick Brady (IFSRA, Ireland) has been the Chair of this Committee, succeeding its former Chair, Ole-Jørgen Karlsen (Norwegian Financial Supervisory Authority).

Presently, the tasks of the IGSC are two-fold:
The original task of the Committee was to enhance the understanding of the IGD, to find ways of harmonising or streamlining the supplementary supervision of insurance groups and to study solutions for enhancing cooperation between supervisors in dealing with multinational groups in their Coordination Committees (Co-Cos).
Following the reorganisation of CEIOPS' operational structure in June 2007, the Committee has received additional mandates in the framework of the Solvency II project from the former Group/Cross-Sectoral Issues Expert Group (GCS) which was chaired by Noël Guibert (French Autorité de contrôle des mutuelles et des assurances). These tasks include, inter alia, the consequences in terms of capital requirements, the assessment of potential diversification effects in insurance groups (both within the EU and in third countries) including related matters of availability and transferability of capital and the organisation of cooperation between supervisors both within and outside the EEA.

In early 2007, the GCS gave input on the group-related aspects of the Pillar II consultation papers on capital add-on (Consultation Paper 17)[40] in a solo and group context, and on supervisory powers (Consultation Paper 18)[41], which were published for consultation in November 2006 and approved as final CEIOPS' advices in March 2007. These advices addressed the powers, the responsibilities and the tasks of the group supervisor under Solvency II, specifically regarding the capital add-on at group level and capital transfers within a group to ensure compliance with the requirements set at group level.
In summary, CEIOPS advised that the principles laid down in the explanatory text of the paper concerning the aim, definition and calculation of the capital add-on should in general be the same for solo and group undertakings. CEIOPS further advised that the solo supervisor will inform the group supervisor of the setting of a capital add-on. The group supervisor will decide on a case-by-case basis after a dialogue with the solo supervisor and the involved entities if it is relevant also to apply this capital add-on at group level.

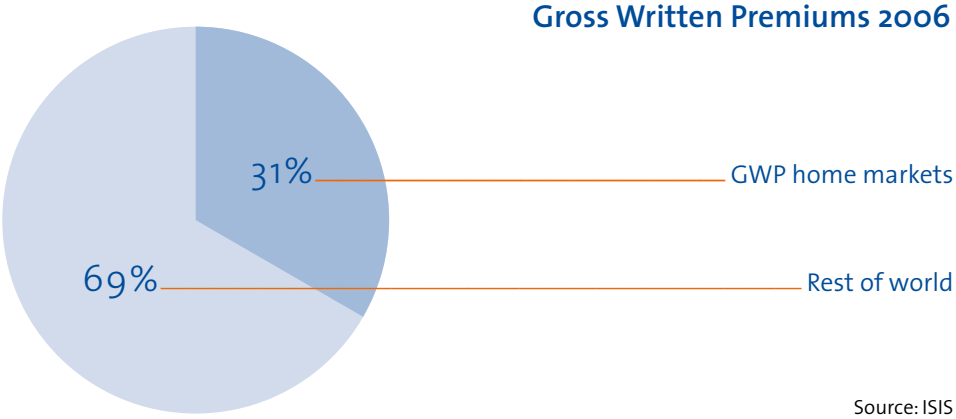
39 Protocol relating to the Collaboration of the Supervisory Authorities of the Member States of the European Union with regard to the Application of the Directive 98/78/EC on the Supplementary Supervision of Insurance Undertakings in an Insurance Group (DT/NL/194/00 Final), 11 May 2000, see website.
40 See final document "Advice to the European Commission in the Framework of the Solvency II project on Pillar II capital add-ons for solo and group undertakings" (CEIOPS-DOC-05/07, March 2007) on the website.
41 See final document "Advice to the European Commission in the Framework of the Solvency II project on Supervisory powers – further advice –" (CEIOPS-DOC-06/07, March 2007) on the website.

CEIOPS noted that further work will be needed on the SRP for a group including the issues of diversification between individual undertakings that are members of a group, the extent to which practical, legal, or regulatory barriers to the transfer of capital between group members exist and the additional risks which individual members of a group face by virtue of their group membership. On supervisory powers in relation to the supervision of a group it was advised that the group supervisor should have all the powers necessary to assess the relevant group issues and take action to ensure compliance with the requirements set at group level, including the delivery of capital support in cash in a timely manner when needed at solo level. Also where the parent company is a holding company (or any other non-regulated entity) the group supervisor should have the relevant powers to perform his duties. Member States should ensure that their supervisory authorities have the powers which are necessary to allow them to fulfil their responsibilities.
The GSC also prepared the input of the group-related parts of QIS3, in effect the first impact study related to Solvency II groups' issues, which was performed during 2007.[42]

In 2007 between 110–120 insurance groups were active in cross-border activities through their subsidiaries. The number of cross-border groups varies as does the changing nature of their activities. This figure is collected on the information provided and regularly updated by CEIOPS' Members in the so-called Helsinki List, which is maintained since the signing of the Helsinki Protocol in May 2000.

Several other studies reveal the consistent importance of the cross-border activities of insurance groups over time. A study on Financial Market Trends, undertaken by the Organisation of Economic Cooperation and Development (OECD), showed that 60% of the revenues of 74 insurance-dominated companies had their source in foreign countries in 2002 and that the mix between foreign and domestic revenues had hardly changed for financial groups during the three years under consideration. The figure below shows that in 2006 over two third of the business of the 20 largest insurance groups continued to be written outside the home market of those groups.

Gross Written Premiums 2006



Source: ISIS

42 See chapter 6.1.1.

Patrick Brady
(IGSC Chair, IFSRA, Ireland)

These data and figures clarify to a great extent the need to enhance convergence in the way that supervisory co-operation is practised, in order to reduce the burden both for industry and supervisors involved. From this perspective, the operational network based on the Co-Cos was further developed in 2007 within the limits of the present regulatory framework. The Co-Cos are composed of the national supervisors involved in the day-to-day supervision of the groups' entities. The main goal of the Co-Cos is to facilitate a common and global assessment of the financial position and management of each individual group. Co-Cos meet in order to discuss these issues within the context of the supplementary supervision of the insurance group.

The following initiatives were finalised in 2007:

- ★ The IGSC collected and disclosed in July 2007 on CEIOPS' website, information on how Member States have exercised the various options provided for in the IGD with respect to the supplementary supervision of insurance groups.[43]
- ★ By mid-2007 CEIOPS could conclude that almost all Co-Cos appointed a lead supervisor. Their role and tasks had already been clarified in a Statement published end-2006.[44]
- ★ In November 2007 CEIOPS published its Guidelines on information exchange on group supervision between the lead supervisor and other competent authorities on how and what kind of information to exchange in different situations.[45] These Guidelines are based on a CEBS document and thus consistent across sectors.
- ★ CEIOPS' IGSC monitored the functioning of its operational networks for insurance groups in 2007 and published the outcome of its survey.[46]

43 See IGD National Options Database (CEIOPS-DOC-13/07 Rev.1)
44 Statement on the role of the lead supervisor in the Context of Supplementary Supervision as defined by the Insurance Groups Directive (98/78/EC) (CEIOPS-DOC-07/06, December 2006), see website.
45 Guidelines on Information Exchange between Lead Supervisors and Other Competent Authorities. Annex to CEIOPS' Statement on the Role of the Lead Supervisor in the Context of Supplementary Supervision as defined by the Insurance Groups Directive (98/78/EC) (CEIOPS-DOC-16/07, November 2007), see website.
46 Report on the Functioning of the Coordination Committees (CEIOPS-DOC-17/07, November 2007), see website.

6.0.0.

Summary of Co-Co survey 2007

CEIOPS has conducted a survey on the practical co-operation between supervisors within its Co-Cos, covering the years 2005-2006 and including expectations for 2007. The survey was addressed to the 'lead' supervisors of more than 100 cross-border insurance groups at the end of 2006. About 70 individual responses regarding specific groups and several summary reports (in cases where a supervisor acted as lead supervisor to more than one group) were submitted from 18 different lead supervisors.

The results showed that the performance of the Co-Cos has substantially improved since 2004. The contacts between Co-Co Members have been intensified: more Co-Co meetings have been held; the contacts on a day-to-day basis have increased and there were several and diverse joint activities reported and planned for. Most improvements have been made in the Nordic countries and for the 14 largest groups.
CEIOPS' Members concluded that further improvements were within reach and committed themselves to organise Co-Co-meetings for all cross-border groups, regardless of the size of the group. CEIOPS' Members also committed to provide specific training facilities to on-site supervisors on their tasks, whether as a lead supervisor or a Co-Co member. A first specific training seminar on insurance groups issues has been held in October 2007 in Cracow, with more seminars planned from 2008 onwards.
The developments regarding Co-Cos will be monitored on a yearly basis.

The survey includes information on the joint initiatives that are taken by EU supervisors. The monitoring of the Co-Cos will continue in 2008 to follow the development of a supervisory work programme on group level on the basis of a joint risk assessment.

Furthermore, CEIOPS prepared, together with CESR, a proposal for the inclusion of specific provisions to the Memorandum of Understanding (MoU) on Financial Crisis Management[47] concluded under the umbrella of the EU Economic and Financial Committee (EFC), to allow for insurance supervisors and securities supervisors to join the MoU. The final text was signed in spring 2008.

After the merger with the former GSC end June 2007, the IGSC started to prepare - based on a Call for Advice from the European Commission in July 2007 - CEIOPS' advice on the Group Support Regime and Cooperation Arrangements as set out in the Framework Directive Proposal. The European Commission requested CEIOPS to submit proposals for the structuring of group supervision by May 2008, to assist the negotiations on the Level 1 Directive, and will then commence its work on the setting of relevant implementing measures. The main focus of this work is on the capital allocation techniques within groups in the light of the proposed group support regime and the appropriate treatment of diversification effects, as well as on the cooperation between supervisory authorities, the development of a group-wide risk management and appropriate legal and disclosure duties concerning the allocation of capital.

47 The MoU on Financial Crisis Management was signed in June 2005 by EU Finance Ministries, Banking Supervisory Authorities and Central Banks.

Advising on Solvency II

To facilitate the negotiations in the EU Parliament and the Council, the European Commission has requested CEIOPS to advise on practical measures to facilitate the effective supervision of groups and in particular the operation of the group support regime by the end of May 2008.

More specifically CEIOPS was asked:
to specify the criteria to be applied when:

- ★ assessing whether the entry conditions (Article 234) are satisfied; these criteria relate to the scope of supervision, the level of integration of risk management processes and internal control mechanism and the legal aspects;
- ★ assessing whether the conditions for acceptance of a declaration of group support (Article 237) are satisfied; these criteria refer mainly to the prompt availability and transferability of eligible own funds;

to specify the means to be used when disclosing information on the existence of declarations of group support, and on any use thereof (Article 250);
to specify the procedures to be followed by Supervisory Authorities when exchanging information, exercising their rights and fulfilling their duties in accordance with Articles 235 to 240 and 242 to 244.

CEIOPS has published its Draft advice on 25 February 2008[48] for a 2 month consultation period. CEIOPS' final advice is expected to be published by end-May 2008.

The objective of the Committee in the next phase of the Solvency II project is also to identify and analyse those areas within the three Pillars of Solvency II that are of importance for group supervision. Moreover, diversification effects are to be measured, taking into consideration the fungibility and transferability of capital within the EU and also in third countries. For QIS4 the focus regarding groups is therefore on providing specifications to collect information about diversification effects and the group support regime.

As reported in chapter 6.1.1, at the request of the European Commission, on 25 February 2008, CEIOPS has published for consultation its draft advice[49] regarding the application of the proportionality principle as set out in the Framework Directive Proposal. The deadline for this advice has been set for May 2008, in time for the planned approval by the European Council and Parliament.

48 see website.
49 CEIOPS-CP-01/08 (25 February 2008), see website.

INSURANCE

Another important work-stream in 2007 related to the practical implications of the co-operation with the Swiss and US supervisors to enhance collaboration and the exchange of information regarding European insurance groups with head offices or affiliates in Switzerland or the United States.[50] The supervisors of four specific cross-border and cross-Atlantic groups, two based in the US and two based in the EU, were invited to conclude an MoU based on the Model agreement, and commence the exchange of information in respect of those groups.

Since the agreement of a MoU with the Swiss Federal Office of Private Insurance (FOPI) at the beginning of 2007, its representatives were invited to join the meetings of the IGSC as observers.

CEIOPS will continue with its work towards strengthening the co-operation between insurance supervisors under the current legal framework by improving the co-ordination in respect of the assessment of the reporting format of intra-group transactions within Co-Cos before Solvency II comes into force, and developing a common system for a Group Risk Assessment System during 2008.

After finalising the QIS4 specifications related to groups and the work on processing the comments received in early 2008 in the public consultations of CEIOPS' draft advice to the European Commission on groups' issues, the IGSC's activity will move to developing advice to the European Commission on Level 2 implementing measures and/or Level 3 guidance on other aspects of group supervision, to facilitate the supervision of specific solvency requirements for groups, the designation of the group supervisor, and the supervision of subsidiaries under the group support regime.

The work on group supervision will be addressed also in a cross sectoral perspective by means of a 3L3 joint network. This allows the drawing of lessons from each other's sectors and facilitates cross sectoral supervisory convergence. CEIOPS' input to the joint 3L3 work on financial conglomerates (IWCFC) is also strongly linked to the work on insurance groups.[51]

50 For more details see chapter 9.3.0.
51 See more details on the IWCFC, see chapter 10.2.1.

Edward Forshaw
ConCo Equivalence SC Chair
(FSA, United Kingdom)

6.3.0. Equivalence

In September 2007 the CEIOPS' Members agreed on the need for coordination at CEIOPS level regarding the assessment of the equivalence of a third country supervisory regime as stated in the current insurance Directives and in particular the Reinsurance Directive. CEIOPS' work in this area may also contribute to any decision by the European Commission to negotiate on agreements with third countries regarding the means of exercising supervision over reinsurance undertakings under conditions of equivalence of prudential regulation. Critical to any equivalence decision is the ability to exchange information with the third country supervisory authority. Member States may themselves conclude cooperation agreements providing for the exchange of information with third countries under conditions of professional secrecy equivalent to those prevailing in the EU Directives.

Taking these factors into account, the "Equivalence Subcommittee" was established in October 2007 under the responsibility of the Convergence Committee, to carry out this work. It is chaired by Edward Forshaw (FSA, United Kingdom).
In particular, the Equivalence Subcommittee was mandated to conduct a stocktaking of any existing assessments by CEIOPS Members and to present a proposal on the methods and procedures to be applied in the assessment of the equivalence under the Reinsurance Directive. It will also undertake a survey on how Members are implementing the Reinsurance Directive in respect of third country reinsurers.

In 2008, CEIOPS will primarily map the equivalence provisions within the current directives and conduct a stocktaking of existing assessments by CEIOPS Members. Informed by the outcome of the survey on the implementation of the Reinsurance Directive in respect of third country reinsurance undertakings, CEIOPS will develop a methodology for the assessment of supervisory equivalence for the purposes of that Directive, and assess the need for the development of Level 3 guidance in this area.

OCCUPATIONAL PENSIONS

7.0.0.

In order to enhance convergence and coordination of supervisory practices in the field of occupational pensions, in February 2004 CEIOPS established its Occupational Pensions Committee (OPC) under the chairmanship of Mihály Erdös (PSZAF, Hungary). The current chair, Tony Hobman (The Pensions Regulator, United Kingdom) was appointed as of 1 July 2007.

The objectives of the OPC are to develop a common understanding of the IORP Directive, to facilitate supervisory cooperation, coordination and exchange of information on the cross-border activities of IORPs, and to identify regulatory and supervisory issues that need to be addressed.

During 2007 the OPC focused its resources on the preparation and delivery of its report to provide an early overview of the key aspects of the practical implementation of the IORP Directive. The report maps out and compares implementation in those areas of the Directive where the implementation may have given rise to differences in approach. The work is based on the findings of 11 surveys undertaken by the OPC among pension supervisors in the EU, (and where possible the EEA Member States), over the period of 18 months to January 2008. Findings from each survey have been recorded in an equivalent number of detailed summary papers containing both the analysis and the conclusions of the research undertaken.

The purpose behind this wide and complex project was to develop a common understanding of the Directive's provisions, to identify any supervisory and/or regulatory issues that might arise and to assess the need for changes or clarifications that would help enhance cross-border cooperation among national supervisory authorities and contribute to the convergence in supervisory practices. It was also envisaged that the report would inform the European Commission in its review of the IORP Directive, which was to start in 2008.

Considering the scale of the project, work was carried out in two stages. An interim report outlining findings to date was presented to CEIOPS' Members' Meeting in October 2007 for discussion and comments. This covered the following areas:

- The legal relevance of the IORP Directive, i.e. information on the relevant European legislation which Member States use to provide the legal and supervisory framework for their occupational and personal pension provision;
- The application of exemptions for small institutions;
- Ring-fencing provisions;
- The concept of 'fully funded' and the calculation of technical provisions;
- Statutory insolvency protection institutions that protect the interests of members and beneficiaries in the event of the sponsoring employer's insolvency;
- Investment regulations;
- Custodianship; and
- The cross-border activity of IORPs.

Tony Hobman
OPC Chair (The Pensions Regulator, United Kingdom)

The final and complete report incorporated findings in three further areas:

- ★ The use of subordinated loans;
- ★ Information to be provided to members and beneficiaries; and
- ★ Reporting to supervisory authorities requirements.

CEIOPS' work has shown that there is considerable diversity in the way some key aspects of the IORP Directive have been interpreted and implemented but provides little evidence of major issues arising from these differences. There is some significant scope for further analysis. Also there are areas where clarifications are needed.
CEIOPS intends to take this work forward in the course of 2008, as part of its ongoing duty to monitor the evolution of practice and issues in relation to the implementation of the IORP Directive.
Feedback was obtained from the European Federation for Retirement Provision (EFRP) and the Consultative Panel before finalising the report. The feedback was supportive of the report's conclusions.
The Report was published on 2 April 2008[52] and submitted to the European Commission for consideration of its findings. The report also highlights the need for a number of urgent definitional and legal clarifications at EU level, which, if not resolved, could lead to difficulties in future.

The OPC has been monitoring closely developments in the European cross-border occupational pensions market since the IORP Directive came into force in September 2005. As a result of this, in March 2007, the OPC published a Report on Market Developments.[53] An update to this report is planned for the middle of 2008.

52 Initial review of key aspects of the implementation of the IORP directive (CEIOPS-OP-03-08 (final) 31 March 2008), see website.
53 CEIOPS-OP-03/07 (7 March 2007), see website.

OCCUPATIONAL PENSIONS

7.0.0.

National Social and Labour Laws play an important part in the cross-border activities of IORPS. In order to facilitate mutual understanding of national provisions and to enhance cross-border cooperation among supervisory authorities, the OPC undertook two initiatives towards the end of 2007:

- a survey designed to capture information as to which of the requirements for IORPs form part of the Social and Labour Law of the Member States and which of the prudential law. The work will be finalised over the course of 2008.
- the publication on CEIOPS' website of links to the Member Authorities' websites providing information on Social and Labour Laws applicable in their countries. The initiative will be implemented in 2008.

Also, towards the end of 2007 the OPC embarked on a survey based project to arrive at a common understanding of what constituted outsourcing in the context of the IORP Directive and to map out and analyse the various approaches and practices that might have been adopted. The project will be finalised during the third quarter of 2008.

In recognition that the Solvency II project would bring a challenge not only to the insurance sector, but also to the world of occupational pensions, while bearing in mind an earlier and explicit decision to exclude occupational pensions from the scope of the Solvency II project at this stage, in the middle of 2007, the European Commission asked CEIOPS to examine the existing solvency rules for occupational pensions. In order to accommodate that request, CEIOPS' Members' Meeting of 27/28 June 2007 approved the creation of the OPC Solvency Subcommittee, with Aerdt Houben (DNB, The Netherlands), appointed as Chair.

The Subcommittee's mandate tasked it with the examination of the relevant issues, questions and considerations relating to solvency aspects of the IORP Directive and its review provisions, in the light of other relevant developments.
To deliver on its mandate, in the third quarter of 2007, the Subcommittee embarked on a fact finding exercise to map out both static (valuation assumptions) and dynamic (adjustment/protection mechanisms) aspects of IORP funding activity across the EEA in order to gain understanding of why differences in approaches to funding and solvency existed and how material they were.
A report on findings, outlining the current approaches to the valuation of technical provisions and the use of security mechanisms, was published on 7 April 2008.[54]

The report's main findings are that:

- the existing prudential frameworks for IORPs in Member States are very diverse, reflecting in part differences in nationally determined Social and Labour Laws;
- the issue of solvency for pension funds is highly complex and involves numerous, nationally determined trade-offs between the many elements that make up the overall level of benefit security afforded to members and beneficiaries of defined benefit occupational pension schemes. The IORP Directive lays down only minimal solvency requirements and does not give rise to any substantial convergence in supervisory approaches in the field.

54 Survey on fully funded, technical provisions and security mechanisms in the European occupational pension sector (CEIOPS-OPSSC-01/08 Final, 31 March 2008), see website.

Aerdt Houben
OPC SC Chair (DNB, The Netherlands)

The report has been submitted to the European Commission to provide a factual basis for a broad consultation exercise by the Commission among all interested and affected parties. The purpose of the consultation exercise will be to gain a better insight into what stakeholders consider a suitable solvency regime for pensions.

In line with its Work Programme for 2008, the OPC will embark, in the second quarter, on a review of the Budapest Protocol.[55] This experience based review will focus on the effectiveness of the notification procedure for IORPs operating cross-border as well as on the various definitional difficulties identified by the OPC in 2007 in the course of their survey based work on the implementation of the IORP Directive. The review will also consider the handling of cross-border complaints from members and beneficiaries of IORPs. It is envisaged that the review will be completed by the end of 2008.
An update to the Report on Market Developments, first published in March 2007, is planned for the middle of 2008, with a procedure being put in place for regular updates thereafter.
The project on Social and Labour Laws will be finalised by the end of 2008, and the project on the outsourcing by IORPs during the third quarter of 2008.
Work on internal controls and risk management in relation to IORPs is planned to commence in the third quarter of 2008.
A follow up action is also envisaged in 2008 on those aspects of the implementation of the IORP Directive which the OPC report, published on 2 April 2008, identifies as requiring further analysis.
Further work will also be undertaken on occupational pensions and solvency. The focus of this work will largely depend on requests from the European Commission.

55 This Protocol was concluded between CEIOPS Members in February 2006. Meanwhile, four non-CEIOPS Authorities with competence in the field of occupational pensions have joined the Protocol: Inspéction Générale de la Sécurité Sociale (Luxembourg), Comité des Entreprises d'Assurance (France), The Netherlands Authority for the Financial Markets (AFM) and the Lithuanian Securities Commission.

CONSUMER PROTECTION

8.0.0.

As a Level 3 Committee of national supervisory authorities for insurance and occupational pensions, CEIOPS' main objectives include the protection of the interests of the consumer and client.

Solvency II

In 2007, CEIOPS' work continued to concentrate on helping the European Commission develop the new European prudential insurance regulatory framework, the Solvency II project. Consumers are expected to benefit from activities in this field, since this new regime will not only further develop supervisory cooperation, but will expand risk management practices by undertakings, including qualitative requirements for their management. These are especially important where the product's risk is transferred to the policyholder. Solvency II should increase transparency, particularly in financial information, and therefore contribute significantly to European-wide harmonisation and the single market for financial services. Policyholders' protection will be strengthened as the rules will be harmonised and information will become more transparent and adequate for the purpose.

Retail financial services, disclosure to consumers, substitute products

Besides its efforts to address financial and risk management issues, CEIOPS developed other specific work-streams to enhance consumer protection and increase consumer confidence. These concerned retail financial services and relations between suppliers and customers, covering information to clients, the supervision of market conduct and the out-of-court handling of consumer complaints.

In this context, CEIOPS offered feedback to the European Commission on the Green Paper on Retail Financial Services in the Single Market[56]. CEIOPS supported the European Commission's strategy for retail services, confirming that a better and harmonised information approach will foster the single market for cross-border insurance products. CEIOPS underlined the need for appropriate and consistent information requirements in the European legislation, especially with regard to the conduct of business rules, as well as adequate and relevant information to the customer.

CEIOPS further provided CESR with comments[57] on its Consultation Paper on the content and form of Key Investor Information (KII) disclosures for Undertakings for Collective Investment in Transferable Securities (UCITS). CESR's Paper was requested by the European Commission in the context of its wider work to encourage informed decision-making by potential retail investors. CEIOPS therefore took the opportunity to make some suggestions for increasing the effective use of KII for UCITS serving as units in life insurance products. Simplified information and a user-friendly form are also important for policyholders of unit-linked life insurance products. This is particularly relevant for complex insurance products whose characteristics can in some cases be more complex than those of the direct holdings in UCITS funds.

In early 2008, CEIOPS also provided input to the European Commission's Call for Evidence on substitute investment products[58] and participated in the stakeholders' meeting on pre-contractual information organised by the EC (Health and Consumer protection DG) in March 2008.

Insurance Mediation

Concerning insurance intermediaries[57], CEIOPS published in March 2007 its status Report on the implementation of the key provisions of the Insurance Mediation Directive (IMD).[58] The report was based on a questionnaire to the members of its former Insurance Mediation Expert Group (IMEG) which was chaired by Victor Rod (Commissariat des Assurances (CAA), Luxembourg)[59]. It sought to indicate how the different key provisions of the IMD were implemented in the different Member States. The analysis of the survey's responses indicated that specific provisions of the IMD were considered as obstacles to the creation of the Single Market or to an enhanced level of consumer protection. In addition, some provisions of the Directive seemed impractical from the point of view of day-to-day supervision. CEIOPS therefore took the initiative to examine carefully the different requests for clarifying and amending the Directive. On 31 March 2008, CEIOPS informed the European Commission of the outcome of its in-depth discussion[57].

At the request of the EIOPC (the European Commission's Level 2 Committee in the field of insurance and occupational pensions), CEIOPS was mandated to work on a proposal for defining cross-border services under the IMD to enable the sector to know which 'general good' provisions to comply with. CEIOPS' proposal was presented to the European Commission in November 2007.[57]

56 COM(2007) 226 final, 30 April 2007 see website.

57 see website.

58 CEIOPS' Reply to EC's Call for Evidence Need for a coherent approach to product transparency and distribution requirements for "substitute" retail investment products?" (CEIOPS-SEC-01/08, 18 January 2008, see website, in Reply to the EC's Call for Evidence, (see http://ec.europa.eu/internal_market/finances/docs/cross-sector/call_en.pdf).

59 The IMEG was dissolved end March 2008, following the finalisation of its mandate, and succeeded by the newly established Committee on Consumer Protection.

8.0.0.

CEIOPS is planning to continue developing supervisory convergence in the effective functioning of the IMD through regular exchange of information. As part of its effort to facilitate the transposition of the IMD and enhance co-operation between Member States, CEIOPS will also pursue its efforts to invite other Authorities competent under the Directive, but who are not CEIOPS' Members, to join the Luxembourg Protocol.
The French registration organisation (ORIAS, Organisme pour le Registre des Intermédiaires en Assurances) and the Association of German Chambers of Industry and Commerce (DIHK, Deutscher Industrie- und Handelskammertag) – being the Competent Authorities under the Directive, but not Members of CEIOPS, joined the Luxembourg Protocol, in February and December 2007 respectively.

Revision of the Siena Protocol

CEIOPS recognises there are difficulties surrounding the 'general good' concept. In its newly published "General Protocol"[60] relating to the collaboration of Insurance Supervisory Authorities of the Member States of the European Union, CEIOPS' Members agreed to publish on their websites up-to-date lists of the general good conditions of their respective national jurisdictions, in their own language(s) and/or in English. Links to these national web pages will be made available on CEIOPS' website. In addition, CEIOPS will help the European Commission carry out an inventory of national general good provisions with a view to eliminating possible obstacles to cross-border business, for the benefit of the consumer.

The out-of-court handling of consumer complaints is another area that CEIOPS has acknowledged as highly important for protecting policyholder's interests. CEIOPS addressed this issue in the framework of its revision of the Siena Protocol, which resulted in the publication for consultation of a "General Protocol" in November 2007.[61] The final "Revised Siena Protocol" was published in March 2008. CEIOPS reviewed the rules and procedures to be followed by supervisors in cross-border activities, as set out in the Siena Protocol. After having been in use for nine years, CEIOPS considered it necessary to review and, if appropriate, revise the text, to ensure that it reflects any amendments from changes in law, structure and practice of the supervisory environment. The Siena Protocol was also extended to reinsurance activities. Special attention was focused on the co-operation of supervisory authorities over non-financial issues and in particular on issues directly influencing policyholder protection, such as the treatment of cross-border complaints. Part VII of this General Protocol includes an out-of-court system for handling complaints regarding insurance and reinsurance undertakings from consumers in the Member States. Following the conclusion of the General Protocol, CEIOPS will analyse if the application of this complaints handling system could be extended to the insurance intermediaries' and the occupational pension funds sectors. The work on this revision was carried out by the Task Force on the Revision of the Siena Protocol under the chairmanship of Peter Braumüller (FMA, Austria). The Terms of Reference of this Task Force were approved in December 2006. It was dissolved in March 2008, following the finalisation of its mandate.

60 General Protocol relating to the collaboration of the insurance supervisory authorities of the Member States of the European Union (CEIOPS-DOC-07/08 , March 2008), see website.
61 Consultation Paper 22 (CEIOPS-CP-02/07, 6 November 2007), see website.


Germany
Greece
Hungary
CEIOPS
CEIOPS Members Meeting

8.0.0.

The settlement of cross-border consumer complaints

The issue of cross-border consumer complaints has been an important aspect in CEIOPS' revision of the former Siena Protocol.

CEIOPS' underlying idea was to use the network of CEIOPS Member Authorities to ensure that a complaint (which had not initially been addressed by the complainant to the Authority competent to deal with it) arrives at the Authority that is competent to deal with it. A solution had to be found within the existing organisational and legal provisions and within certain restrictions. The Task Force took into account the existence of certain out-of-court settlement provisions in the EU, like FIN-NET (which, unlike the CEIOPS Authorities' network, does not cover all EEA countries), and the limitations resulting from different legal situations as to complaints handling bodies in the Member States, especially different competences of CEIOPS' Members in this regard, and limitations as to forwarding confidential data.

The intention is to avoid a situation in which no Authority assumes responsibility for the complaint.

The General Protocol distinguishes 3 scenarios:

- The Competent Authority that receives the complaint is competent to deal with the complaint.
- The Competent Authority that receives the complaint is not competent to deal with the complaint, but another body in the same jurisdiction is.
- The Competent Authority that receives the complaint is not competent to deal with the complaint, but a Competent Authority or a competent body in another jurisdiction is.

CEIOPS Members committed not to pass on any complaint to another Authority or competent body if that body has already declined responsibility for dealing with this complaint. In cases of differences of opinion Competent Authorities committed to make every best effort to resolve the issue within four weeks. In cases where the question of responsibility cannot be settled, Members committed to take recourse to the CEIOPS Mediation Mechanism.[62]

Like in other recent Protocols, CEIOPS opened the possibility for Authorities competent under the Directives or other legal provisions, but which are not CEIOPS Members, to join the cooperation mechanism by signing a Joinder Agreement.

62 See more details on the Mediation Mechanism in chapter 5.0.0.

Victor Rod
CCP Chair (CAA, Luxembourg)

Future Work on Consumer Protection

CEIOPS committed to work further in this specific field in close cooperation with consumers and their representatives in CEIOPS' Consultative Panel. As a first step, CEIOPS invited all interested parties, including consumer protection associations, to participate in the consultation process on the General Protocol. CEIOPS also organised a Public Hearing in February 2008 to give all stakeholders the opportunity to participate in a direct dialogue with CEIOPS representatives and to express their views on the proposed initiatives in this respect.

In March 2008, CEIOPS set up a Committee on Consumer Protection (CCP) to deal with consumer related issues, chaired by Victor Rod (CAA, Luxembourg). It will take up some work streams from CEIOPS' former Insurance Mediation Expert Group and Task Force on the Revision of the Siena Protocol. The new Committee' work will cover both fields of CEIOPS' competence - insurance and occupational pensions – with regard to consumer information and education, market conduct supervision, issues regarding the effective functioning of the IMD and its future review, further enhancement of the cooperation in the handling of consumer complaints, general good provisions and contributions regarding the development of insurance guarantee schemes.

9.0.0.

9.1.0. Accounting

As one of its tasks, CEIOPS follows the development of accounting issues. In this context, CEIOPS is actively trying to influence the development of international accounting standards of specific importance for insurance undertakings. This work is aimed at ensuring consistency, as far as possible, between valuations applied for accounting purposes and for solvency purposes. These tasks are carried out by its Internal Governance, Supervisory Review and Reporting Expert Group (IGSRR).

The IGSRR closely follows the work of the International Accounting Standards Board (IASB) and carries out the preparatory work for CEIOPS' contribution both, to the International Financial Reporting Standards-making process and to the related EU endorsement process. In this context CEIOPS' observer representation in the Accounting Regulatory Committee (ARC) of the European Commission and its active engagement in the work of the Insurance Working Group of the European Financial Reporting Advisory Group (EFRAG) are of relevance.

In May 2007, the IASB has published for consultation its Discussion Paper "Preliminary Views on Insurance Contracts". This Discussion Paper[63] sets out the Board's preliminary views on the main components of an accounting model for insurance contracts, in order to replace the present interim standard " IFRS4 Insurance Contracts"[64] which permits the current wide variety of accounting practices for insurance contracts to be continued.

Continuing the work started in the previous years, CEIOPS has engaged in a number of discussions, including with representatives of the IASB, in order to discuss the IASB's approaches and CEIOPS' views on them. In December 2007, CEIOPS has presented its views on the IASB's paper. At the same time, and further to its active participation in the EFRAG's Insurance Accounting Working Group (IAWG) where this Paper was intensively discussed, CEIOPS has provided comments to EFRAG on its draft comment letter to the IASB.[65]

Furthermore, CEIOPS has, through its IGSRR, worked on the valuation of assets and liabilities (other than technical provisions), in order to provide clarification on valuation issues for the purpose of preparing the draft QIS4 specifications.[66] Article 74 of the amended Framework Directive Proposal on Solvency II introduces valuation of all assets and liabilities, based upon the current IFRS definition of fair value.

In this context, it is worth mentioning that in March 2007 CEIOPS also provided comments to the IASB on its Discussion Paper on fair value measurement.[67]

63 See http://www.iasb.org/Current+Projects/IASB+Projects/Insurance+Contracts/Discussion+Paper+Preliminary+Views+on+Insurance+Contracts/Discussion+Paper+Preliminary+Views+on+Insurance+Contracts.htm.
64 See http://www.iasb.org/Products+and+Services/Education/Education+Material+and+Services+by+Standard/IFRS+4+Insurance+Contracts.htm.
65 See both comment letters on the website.
66 See more details on QIS4 in chapter 6.1.1.
67 See website.

As in the past, CEIOPS will continue to follow proactively the development of the European accounting environment, especially by following the work of, and presenting its views to, the European Financial Reporting Advisory Group (EFRAG) in the context of the adoption of International Financial Reporting Standards (IFRS) in the European Union.
Taking into account the outcome of the consultation on the QIS4 draft technical specifications by the European Commission[68] and its exercise through CEIOPS in the second quarter of 2008, CEIOPS will work on further advice to the European Commission for its future Solvency II Level 2 implementing measures, which will set out how the valuation of specific balance-sheet items should be carried out based on the principles in the Framework Directive Proposal, in order to ensure that the items are valued consistently across Member States. That advice, regarding valuation of assets and liabilities other than technical provisions, is due in October 2009.

On an international level, CEIOPS will continue to follow proactively the IASB's progress on an IFRS for insurance contracts. Concrete future deliverables will depend on the IASB's timing regarding the planned exposure draft of the IFRS on Insurance Contracts[69], and any other projects with relevance for CEIOPS' work.

9.2.0. Financial Stability

Kajal Vandenput
Chair CEIOPS' FSC, (CBFA, Belgium)

68 This consultation ended on 15 February 2008. More information can be found on the European Commission's website under http://ec.europa.eu/internal_market/insurance/solvency/index_en.htm#qis4.
69 The Board started to analyse the responses to the Discussion Paper in the first quarter of 2008. It does not expect to publish an Exposure Draft before 2009. Thus, the publication of a final standard is not expected before 2010. See http://www.iasb.org/Current+Projects/IASB+Projects/Insurance+Contracts/Insurance+Contracts.htm.

FURTHER WORK

In the field of financial stability and following the mandate of the EFC-Financial Stability Table, in 2007 CEIOPS continued to report on a semi-annual basis to the European political level and publicly on the financial conditions and their implications for financial stability in the European insurance and occupational pension funds sectors. CEIOPS delivered a Spring report based primarily on supervisory information on occupational pension funds and updated market information on the insurance sector, followed by an Autumn report based primarily on updated supervisory information on the insurance sector.[70] For the purpose of such reporting, CEIOPS' Financial Stability Committee, chaired by Kajal Vandenput (CBFA, Belgium) – who took over from Klaas Knot (DNB, The Netherlands) end June 2007 – has further improved its data collection tools and the scope of member countries that are part of the macro-prudential monitoring.

As a joint effort with the banking supervisory committees, CEIOPS also reported on the financial conditions and financial stability related to financial conglomerates. Such reporting is based on supervisory and market data on financial conglomerates, as well as an assessment of cross sectoral risks specific within the context of a financial conglomerate.

Towards the end of 2007, and in response to the situation derived from the turmoil in credit markets, CEIOPS was requested by the European Commission and the EFC to deliver an assessment of the impact of the subprime crisis on the insurance and occupational pension funds sectors. For this purpose, CEIOPS set up a specific Subprime Task Force as an extension of the Financial Stability Committee, to conduct analyses on subprime risks and potential contagion effects. In December 2007, CEIOPS submitted to the European Commission, the European Council and the European Parliament, on a confidential basis, a qualitative report on the potential impact of the subprime crisis on the insurance and occupational pension funds sectors, analysing also areas where contagion effects could arise across the different sectors of the financial system. As a follow up to this report, an updated overview of developments in the financial markets was provided in early 2008, focussing on quantitative information available from different sources, including data collected from insurance and occupational pensions supervisors.

70 Spring 2007 Report on Financial Conditions and Financial Stability in the European Insurance and Occupational Pension Fund Sector 2006–2007 Risk Update, CEIOPS-DOC-12/07 (July 2007) and
Financial Conditions and Financial Stability in the European Insurance and Occupational Pension Fund Sector 2006–2007 Risk Outlook, CEIOPS-DOC-18/07 (December 2007), both on the website.

9.3.0. International relations

IAIS and IOPS

The participation of CEIOPS Members in international associations such as the International Association of Insurance Supervisors (IAIS) and International Organisation of Pension Supervisors (IOPS) is an important element for fostering international contacts and achieving a more global understanding of insurance and occupational pensions supervision. CEIOPS Members participate actively in the work of IAIS and IOPS at various levels.

The IOPS was, in 2007, under the chairmanship of John Ashcroft (the Pensions Regulator, UK). Since the beginning of 2007, the IAIS has been chaired by Michel Flamée from the Belgian supervisory authority (CBFA). Furthermore, a number of CEIOPS Members are also members of the IAIS and IOPS Executive and/or Technical Committees. Many representatives of CEIOPS' working groups also participate in the work of the IAIS or IOPS working groups. Although CEIOPS has no official status in these organisations, it is worth mentioning its role as facilitator of coordination and exchange of information between its Members.

Regulatory dialogues

In 2007, CEIOPS together with the EC, has continued to develop its relations with the US and China.

Two EU-US regulatory dialogues took place in 2007. Dialogues with the US insurance commissioners, gathered in the National Association of Insurance Commissioners (NAIC), are to a large extent determined by the discussion on the regulation of third country reinsurers, more specifically the collateral requirements imposed on EU reinsurers for carrying out reinsurance activities in the US. Key to this discussion is the need for mutual recognition of the supervisory frameworks, which is based on the idea of equivalence of regulatory and supervisory regimes.
One of the main achievements in the EU-US relations is the signature of a number of Memoranda of Understanding in the past years, which is a result of the raised awareness of the possibilities and the need for cooperation. Work will continue in this area, as this constitutes a fundamental element in the process towards mutual recognition.

In 2007, CEIOPS has met the Chinese Insurance Regulatory Commission (CIRC) in its second Sino-EU dialogue. The parties discussed at a preliminary level the possible conclusion of an MoU between CEIOPS and CIRC and the potential for a staff exchange between CIRC and CEIOPS to foster supervisory convergence between the parties.

The dialogues are also a useful occasion for exchanging information on market conditions in the EU and in China and informing the other authorities about the Solvency II project.

IO.O.O.

IO.I.O. Supervisory convergence across sectors

The objectives of the cooperation between the three Level 3 Committees, namely the Committee of European Banking Supervisors (CEBS), the Committee of European Securities Regulators (CESR) and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) are set out in the Joint Protocol signed by the three Committees on 24 November 2005[71], and include (I) sharing information in order to ensure compatible sector approaches are developed; (II) exchanging experiences which can facilitate supervisors' ability to cooperate; (III) producing joint work and reports to relevant EU Institutions and Committees; (IV) reducing supervisory burdens and streamlining processes; and (V) ensuring the basic functioning of the three Committees develops along parallel lines. In accordance with the Joint Protocol, the three Level 3 Committees have published their joint Work Programmes and Annual Reports in the previous two years. In light of the need for convergence to take place across sectors wherever possible and appropriate, and given the increasing importance of market integration and cross sector business activities within the EU, the objective of the 3L3 Work Programme is to make supervisory cooperation transparent across financial sectors and to enhance the consistency between the sectors so that work done in one financial sector is coherent with the work developed in the others.

The Committees have established liaison contacts for the daily work/contacts that take place between the Committees, as well as specific contact persons for each of the different work streams set out in the 3L3 Work Programme. The Secretariats and Chairs of the Committees meet on a regular basis. During the course of 2007 there were three 3L3 Secretariats and three 3L3 Chairs meetings.

3L3 Medium Term Task Force

Following an initiative from the 3L3 Chairs in autumn 2006, a 3L3 "Strategic Policy Task Force" was set up. It is comprised of 13 high-level members/supervisors who came from all three Committees and who met once in June 2007 in Paris. As a result a medium term 3L3 strategy was proposed for all three Committees, which the Committees launched as a 3L3 Medium Term Work Plan Consultation Paper on 22 November 2007. This draft Medium Term Work Programme proposed six key areas for next three years: Home/host issues and delegation, competing products, credit rating agencies, internal governance and financial conglomerates and valuation of illiquid instruments. The consultation with the market resulted in contributions from 13 respondents, and will be used to produce future 3L3 Work Programmes.

The work done under the 3L3 Work Programme 2007 can be divided into joint work, consistency projects, reports to EU institutions and information exchange.

71 See website.

10.2.0. Joint work

10.2.1. Financial conglomerates

The work on financial conglomerates is led by CEBS and CEIOPS, with CESR participating as an observer. Preparations were started by the Committees in late 2005 to form an Interim Working Committee on Financial Conglomerates (IWCFC), which came into being in early 2006. The decision to set up this Committee involved the EU supervisors in banking and insurance in the Level 3 Committees, the European Commission and the finance ministries in the European Financial Conglomerates Committee (EFCC). The EFCC needs expert input on financial conglomerates issues to feed its discussions, for example when reviewing the Financial Conglomerates Directive (FCD). The European Commission confirmed in a letter to the IWCFC in November 2006 its expectations of the IWCFC to address the unique challenges posed by conglomerates.

The IWCFC has been chaired, since its establishment, by Arnold Schilder (DNB, The Netherlands); following the agreed rotation principle regarding the chairmanship, Patrick Brady (IFSRA, Ireland) will replace him in June 2008.

The Committee's work focuses on the consistent implementation of the FCD, looking at the convergence of national supervisory practices on issues such as the assessment of capital requirements, equivalence of third country supervision, and tackling issues related to the identification, inter-group transactions, cooperation and coordination requirements.

The IWCFC met on three occasions in 2007. Most of the Committee's work in 2007 has led to analysing and exchanging information arising from the way the FCD has been implemented in the different Member States. In addition the Committee has been working on two Calls for Advice from the European Commission and the EFCC. These cover an investigation into the eligibility of capital in the different sectors, and a joint exercise with CEBS on the arrangements for supervision in the US and Switzerland.

In September 2007, the IWCFC submitted its annual report on macro-prudential developments to the EFC-Financial Stability Table, on Financial Conditions and Financial Stability in European Financial Conglomerates. In November 2007, the IWCFC sent its list of identified conglomerates to the European Commission[72]. By defining the list of identified conglomerates the Committee also worked on the use of the waiver provided by Article 3(3) of the FCD across the EEA.

The IWCFC has a full Work Programme for 2008. In 2008, in addition to its work on the Calls for Advice on Capital and Equivalence described above, the Committee will continue its work on the current practices in applying the concept of Relevant Competent Authorities, and producing a practical guidance for supervisors

72 See http://ec.europa.eu/internal_market/financial-conglomerates/docs/200711_conglomerates_en.pdf.

regarding the supervision of risk concentration and intra group transactions. Also, the Committee will continue to work on co-operation arrangements between authorities involved in the supervision of each financial conglomerate. Finally, the IWCFC has been asked to assist the European Commission in its review of the FCD on a number of issues that relate to the language, scope and internal control requirements of the FCD. Throughout 2008, the IWCFC will continue its dialogue, with the industry, such as through presentations and case studies at its plenary meeting.

10.2.2. Integrity

CEBS, on behalf of all three Level 3 Committees, sits as an observer on The Committee for Prevention of Money Laundering and Terrorist Financing (CPMLTF). The CPMLTF expects the three Level 3 Committees to conduct work on convergence in supervisory practices for risk-based approaches to customer due diligence (CDD). The joint 3L3 Anti Money Laundering Task Force (AMLTF) was established in November 2006, when its mandate was agreed by CEBS, CESR and CEIOPS. The AMTLF is assisting the three Committees in providing a supervisory contribution to the implementation of Directive 2005/60/EC (the Third Anti-Money Laundering Directive). It also provides a forum for networking and the exchange of experiences between supervisory authorities. In conducting this work the AMLTF is, in accordance with its mandate, concentrating on practical supervisory work on risk-based approaches to CDD and the know-your-customer principle (KYC), and their impact on internal organisation and controls of intermediaries.

More specifically, the AMLTF has in 2007:

- conducted a stock-taking on the responsibilities of EEA financial supervisors in the prevention of money laundering and terrorist financing (AML/CFT), including a description of the supervisory measures and resources available;
- initiated developing surveys of practical issues facing supervisors in the area of CDD/KYC;
- provided expert input to the contributions that the CPMLTF will request from CEBS, CESR and CEIOPS;
- initiated developing a common understanding in relation to the information on the payer of accompanying fund transfers to payment service providers of payees, arising out of the EU Regulation 1781/2006, so as to propose some practical solutions in processing such messages, such as timeframes for seeking missing information, holding funds, reporting, and internal controls.

10.3.0. Consistency projects to reduce supervisory burden and streamlining processes

10.3.1. Supervisory cooperation

The Secretariats of the three Committees finalised in 2007 a report on the sharing of information methods and supervisory cooperation practices across the sectors. The Committees thereby closed this item from the 2006 work programme. The report could be used internally in the home/host and delegation work stream that will be set up in 2008. The 3L3 Medium Term Work Programme includes work on home/host issues.

10.3.2. Reporting requirements

The Committees finalised the report on reporting requirements from the 2006 work programme. The report was based on responses to a questionnaire from eight conglomerates in the EU with the objective of identifying possible inconsistencies between sectors in the application of reporting requirements in the EU. The responses have been analysed in the report, which has been approved by the Committees. It is noted that the respondents' main concern is not an overlap on a cross-sector basis.

Conclusions from the 3L3 report on reporting requirements

The goal of this exercise has been to find out, first, whether there are reporting requirements which are inconsistent and/or duplicative, and secondly, whether this poses a problem that the Level 3 Committees should address.

The main conclusions are the following:

- ★ Market participants do not perceive that there are material cross sectoral inconsistencies and overlaps in the reporting requirements arising from sectoral EU-regulations. A number of reasons were given to support this, among them: the existence of a single financial regulator (two respondents), the great differences between banking and insurance reporting that do not lead to significant overlaps (one respondent) and the lack of a centralized reporting unit, which implies that the company was not able to precise any inconsistencies or overlaps (one respondent).
- ★ Nevertheless, some entities have raised concerns about the differences in the treatment of banking activity in the insurance financial statements, and vice versa (two respondents).
- ★ Some market participants perceive not cross sectoral, but rather cross-border inconsistencies: although this was not covered by the survey, several institutions express the view that the implementation of EU-regulations increases the reporting burden on a cross-border level due to overlaps and inconsistencies (five respondents).

- Market participants also indicate that the application of different accounting standards is one of the sources of potential inconsistencies (three respondents).
- Specific concerns were voiced in the insurance sector with regard to the reporting requirements arising from the IGD and FCD in the area of intra-group transactions and adjusted solvency margin(two respondents).
- Other concerns were raised about the reporting requirements for statistical purposes stemming from ECB requirements; respondents were flagging its lack of usefulness (one respondent) or inconsistencies with financial reporting requirements (one respondent).

10.3.3. Internal governance

During the course of 2007, the 3L3 Committees continued examining the internal governance rules that exist within the three sectors. The analysis is being debated by the members of the three Committees, both regarding the similarities and the differences in sector requirements and guidelines. Further a stock-take was done on the differences that exist in the texts and the definitions of the internal governance requirements stemming from the CRD and MiFID.

Internal governance is included in the 3L3 Medium Term Work Programme and it is anticipated that during the second half of 2008, the three Committees will establish a joint 3L3 Task Force. The work of that Task Force will initiate a preliminary analysis of options for simplifying a cross sector internal governance framework, building on a stock-take done on the differences that exist in the texts and the definitions of the internal governance requirements stemming from the CRD and MiFID.

10.3.4. Competing/Substitute products

The Committees have increased their cooperation on the issue of competing/substitute products, i.e. products which have essentially the same characteristics for clients/investors, but are issued by institutions regulated in different sectors. There can be 'conduct of business' concerns as well as different burdens in case of a lack of level playing field regarding the requirements, e.g. to provide information to clients. The Committees have undertaken a cross sector survey amongst supervisors on the approach to substitute products at a domestic level, and on the issues supervisors should consider at an EU level. Given that the European Commission has undertaken work in this area the Committees consider that further work from the Committees should first await the outcome of the Commission's work. The item is included in the 3L3 Medium Term Work Programme.

10.3.5. Cross border consolidation

During the course of 2007, the three Level 3 Committees agreed to set up a new joint Task Force, the Cross Border Mergers and Acquisitions Task Force, to produce guidelines to assist supervisors in the implementation of the new Cross-Border Consolidation Directive 2007/44/EC, which came into force in September 2007, including producing common guidelines for assessing "fit and proper".
The item is included in the 3L3 Medium Term Work Programme.

10.4.0. Reports to the European Institutions

10.4.1. Financial market trends and cross sector risks

As set out in other sections of this report the three Level 3 Committees have contributed to the work of the Economic and Financial Committee's Financial Stability Table (EFC-FST) for the meetings this Committee held in April and September 2007.

For the April 2007 EFC-FST meeting, the three Committees presented a common letter as input to the Lamfalussy review, and as a response to the second IIMG Report. For its September 2007 meeting the three Committees provided the FST with a report on uncooperative jurisdictions (off-shore-financial centers, OFC). The report included references to uncooperative jurisdictions identified by the Committees and databases set up by the Committees, which will be annually updated.

In addition to the above, the IWCFC together with the Banking Supervision Committee (BSC), also provided the EFC-FST with a report on financial conditions and financial stability in European financial conglomerates.

10.4.2. Information exchange

In addition to the items covered under the first three sections of the 3L3 Work Programme the Committees have exchanged information on all issues set out under this section of the Work Programme, which is resulting in benefits such as identical or similar developments in areas such as peer review, impact assessment and mediation, and on the cross sector changes to directives on acquisitions.

10.5.0. Commodities

In December 2007, CEBS and CESR received a joint Call for Advice on commodity and exotic derivatives and related business. CEIOPS is not included in this work stream.
On the basis of the technical advice already provided to the European Commission

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by the two Committees as well as the findings of the Call for Evidence issued by the Commission in December 2006, CEBS and CESR are mandated to conduct a market and regulatory failure analysis and to provide advice whether the MiFID and CAD treatment of firms providing investment services relating to commodity derivatives and exotic derivatives continue to support the intended aims of market and prudential regulation as well as their views on various options and combinations of options relating to the exemptions set out in MiFID and CAD.
The publication of the consultation paper is envisaged for May 2008. A public hearing for all interested parties will be organised in July 2008.

10.6.0. Supervisory Culture/3L3 Training

10.6.1. Movement of staff and joint training

The three Level 3 Committees are working together on the development of a common training platform for supervisors, covering cross sectoral issues. The work to develop proposals on the creation of a 3L3 Training Platform is carried out by the Steering Committee which brings together senior representatives from each of the 3L3 Committees' Members, and is chaired by Michel Prada (Chairman of the French Autorité des Marchés Financiers, AMF). A working group of similar composition has also been set up to carry out the preparatory work.
This initiative forms part of the Committees' work to improve supervisory convergence. The members of the three Level 3 Committees have agreed that increased use of staff exchange and joint training would be useful in developing a common supervisory culture, and increasing regulatory and supervisory harmonisation/ convergence in Europe.

The ECOFIN conclusions of 4 December 2007, stated that the European Council welcomed "... the Level 3 Committees' efforts towards the development of tools with a view to overcoming or minimising differences in supervisory culture (joint training programmes and secondment schemes)" and underlined the importance placed on training as a means to deliver convergence.

The work undertaken by the 3L3 Steering Committee to develop proposals on how a 3L3 Training Platform could be organised, represents an important step forward in responding to this key request. As such, given the emphasis on the need for training to deliver convergence amongst supervisors, training will be limited at this stage to members of the three Committees.

During 2007 two test seminars were run by the 3L3 Training Steering Committee to gain a better understanding of how to organise a 3L3 training seminar successfully. These test seminars provided an opportunity to establish the demand amongst the 3L3 Committees' Members and to gain practical information on the costs that this might involve, were the 3L3 Training Platform to be developed. The first test seminar,

covering Impact Assessment, took place from 17–19 October 2007 in Eltville, Germany; it was organised jointly by the German supervisory Authority BaFin and the German Bundesbank, with the technical assistance of CESR's expert group ECONET. A second seminar, on Operational Risk, took place on 5–6 November 2007 at the CEBS' premises in London; it was organised by the UK FSA on behalf of the 3L3 Platform. The feedback from attendees on both seminars was very positive and both courses, which catered for 35–40 supervisors from across Europe, reflected a strong demand for this type of initiative.

Next steps

A report has been prepared by the 3L3 Training Steering Committee, to be approved by the three Committees during the first half of 2008.

This report will propose how the Training Platform could function and establish potential governance structures, the budget that would be needed and administrative practicalities which should be considered. Priorities for courses will be established as part of a 1-3 year forward plan.

During 2008, the 3L3 Platform will continue to offer further courses for its members, on an interim basis, and with the organisational support offered by some members of the 3L3 Committees.

Two further test seminars are scheduled to take place during the first half of 2008: one on Risk Models on 14-15 May, preceded in April by a further seminar on Credit Risk Transfer Modelling and Risk Management. It is likely that a further 3L3 training seminar will take place on the Financial Conglomerates Directive in the fourth quarter of 2008. In addition, in light of the success of the first seminar, it is likely that a re-run of the course on implementing the 3L3 Impact Assessment Guidelines will be organised during the course of this year.

The Three Level 3 Committees: Comments on Impact Assessment (IA) Guidelines

On 24 May 2007 CESR, CEBS and CEIOPS launched their joint consultation paper on draft IA Guidelines to be used by the EU Level 3 Committees (CEIOPS-3L3-07/07). The consultation period ran until 24 August 2007. The guidelines are designed to provide the Committees' Expert Groups with a practical tool to assist them when using Impact Assessment ("IA") as part of their policy analysis and in the course of formulating recommendations.

The three Level 3 Committees' commitment to developing an IA methodology for their own use reflects agreement reached by the European Institutions in December 2003 to implement the principles of better regulation in their legislative practices. In addition, the White Paper on Financial Services published at the beginning of 2006 (in Annex 2 COM (2005)629 of 05/12/2005), mentions explicitly that IA will

accompany any new Commission proposal. As such, the adoption by the 3L3 Committees of their own IA Guidelines keeps the three Level 3 Committees in line with approved EU practice.

Key features of the IA methodology

The proposed IA methodology set out in the Guidelines is consistent with the European Commission's own IA guidelines. This means that it involves identifying problems relating to institutional objectives, identifying possible solutions (including leaving it to the market to solve), analysing their potential impacts, consulting with stakeholders on preferred policy options and considering their feedback.

The 3L3 Guidelines draw an important distinction between 'Screening IAs' (implemented at the first stages of policy development) and 'Full IAs' (used only when a screening IA is deemed insufficient for assessing the problem and identifying and evaluating policy options). This has been done in order to ensure that a proportionate and flexible approach to IA is adopted, which takes into account the distinct working practices of the 3L3 Committees.

Scope

The expectation is that IA will apply to the work of the three Level 3 Committees where the policy issues under consideration are likely to have significant structural and cost implications to consumers/investors and/or market participants. The scope of the Committees' IA work will take account of IA work to be conducted by the Commission or others. This is so as to avoid unnecessary duplication of effort and to ensure that the exercise adds value.

Procedure

The proposed IA methodology does not represent a complete break with existing 3L3 Committee practices. Each Committee, in developing its advice and proposals, already considers the consequences of adopting a range of different policy options and consults extensively. Nevertheless, by adopting the proposed IA Guidelines the Committees will be putting these procedures on a more structured footing.

Testing via pilot studies

Before finalising the IA Guidelines, the three Committees conducted pilot studies to establish that the guidelines could work effectively. CESR tested the guidelines in relation to the existing simplified prospectus work stream. CEBS tested the guidelines in relation to the large exposures work stream. CEIOPS is applying the methodology described in the guidelines in its work to deliver advice to the European Commission in the frame of the broad Solvency II project.

Next steps – Impact assessment

The IA guidelines have been approved by the three Level 3 Committees in spring 2008.

10.7.0. 3L3 Medium Term Work Plan and the 3L3 Priorities going forward

Joint 3L3 priorities

The 3L3 Committees have identified and consulted in November 2007 in their 3L3 Medium Term Work Plan on a comprehensive list of cross sector areas to work on for the next three years. From these, they have identified six key areas to focus their efforts, which are:

I home-host co-operation, with a specific focus on setting up a common framework for the delegation of supervisory tasks;
II consistency issues in the regulatory and supervisory treatment of competing products, such as investment funds and insurance policies;
III the self-regulatory standards for - and possible coordinated regulatory approaches towards - credit rating agencies;
IV consistency issues on internal governance requirements stemming from different directives;
V financial conglomerates; and
VI issues concerning the valuation of illiquid financial instruments, also in light of the weaknesses highlighted during the recent market turmoil.

Whilst work has commenced on all these areas, for some there are preliminary deliverables in 2008, although the full visible results on all topics are not envisaged until 2010.

In addition to the identified 3L3 work as such and irrespective of the differing stages that each of the Committees have attained to date, the Committees will also continue to work, individually, coordinated or jointly, as relevant, on areas identified in the December 2007 Council Conclusions of the Lamfalussy Process.
The key priorities will be

I the implementation and/or further strengthening of self-assessment and peer review mechanisms;
II the identification of possible obstacles stemming from differences in supervisory powers and objectives;
III the exploration of tools to further foster convergence and strengthen the national application of Level 3 guidelines, recommendations and standards; and
IV their work on developing convergence in day-to-day supervisory practice and support co-operation within colleges of supervisors.

The Committees will also develop their supervisory culture efforts, including providing individual sector and cross sector training together with developing a 3L3 training platform, and facilitating staff exchanges.

Further, the Committees will continue their cooperation in following the recent market turmoil, and coordinating their supervisory efforts, where appropriate.

CEIOPS' ACTIVITIES FOR 2008

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Regardless of the fact that since its establishment, CEIOPS' working activities have been driven mainly by the Solvency II project, a close look at the Work Programme 2008 will help understand the broad number of other areas it covers, and the fact that it is an ambitious yet achievable programme.

In order to prepare the content of the programme, CEIOPS has taken as a basis the achievements of 2007; the views of its Members and Observers; the opinion of its Consultative Panel; comments made by stakeholders; and the political guidance received from both the Commission and the ECOFIN.

CEIOPS, in its role as a Level 3 Committee, together with CEBS and CESR, will continue with the existing close cooperation, based on the MoU between the Level 3 Committees signed in 2005; this cooperation has been translated into a joint annual Work Programme, as well as a medium term joint 3L3 Work Programme.

The fact that CEIOPS, as a Committee, deals with both Insurance and Occupational Pensions related issues has an effect on the activities scheduled for 2008 and therefore on the content of the Work Programme itself, as well as on its structure, where both areas of work deserve consideration on a stand alone and on a joint basis.

The content of the Work Programme 2008, in line with the aforementioned, mirrors the main priorities and commitments of CEIOPS, namely:

- Insurance specific issues;
- Occupational Pensions;
- Supervisory culture, convergence and cooperation, both on the Insurance and Occupational Pensions' side;
- Consumer protection;
- Accounting, Financial Stability, International Relationship and other work streams.

Insurance specific issues

Regarding insurance related issues, Solvency II is the main driver, but CEIOPS is also carrying out other work, deemed necessary until 2012. Group issues under the current Insurance Groups Directive or Equivalence are examples of these working areas that demand the active involvement of the relevant Working Groups constituted within CEIOPS.

When it comes to the Solvency II project and its impact on the Work Programme 2008, one should start by reflecting on the fact that the European Commission published in July 2007 the Framework Directive Proposal for Solvency II, so that CEIOPS' work will focus mainly on Level 2-implementing measures and Level 3-guidelines and non binding recommendations. The European Commission has provided CEIOPS with a detailed roadmap covering the period 2008-2010 and CEIOPS will deliver accordingly. Also in 2008, CEIOPS will submit to the European Commission advice that will be relevant to the negotiations at Level 1: Proportionality and Groups. Consultation Papers on its draft advice have been published on 25 February 2008.[73]

In parallel to this work, CEIOPS will again play a key role with regard to QIS4, the fourth quantitative impact study regarding the Solvency II project. The Commission will lead the consultation process, then issue a Call for Advice to CEIOPS, and CEIOPS will run the exercise and publish the report in November 2008.

The work on Solvency II carried out and in progress can easily be split into different Pillars:

- Pillar I (quantitative requirements): the advice on Proportionality, dealing with the application of the principle according to nature, scale and complexity of an undertaking's risks to all three Pillars, including on groups, will be complemented by a comprehensive stock take report on Internal Models, as well as extensive training on the issue. As an example of the ongoing cooperation with stakeholders, a Coordination Group on Proxies has been established between CEIOPS and the Groupe Consultative. CEIOPS will also work on the definition of valuation criteria for assets and liabilities, and send to consultation by the end of 2008 its advice on the subject.

- Pillar II (qualitative requirements): the most important amount of working hours will be devoted to preparing the content of Level 2 implementing measures, to be published during 2009. Parallel work at Level 3 in all those areas will also be taken on board by the expert working group in charge. Systems of governance, the use and amount of capital add-ons or the ORSA are among these areas of work. Other areas such as special purpose vehiclces (SPVs), investments, undertakings in difficulty etc. will deserve the expertise and time needed from CEIOPS.

- Pillar III (transparency, reporting and disclosure): the European Commission has asked CEIOPS to deliver advice on Level 2, regarding Supervisory Reporting and Public Disclosure, by October 2009. CEIOPS has already started to work on these, and will continue in 2008. Also in 2008, CEIOPS will provide, in response to a request by the ECOFIN, a timetable for the introduction of European-wide reporting formats for single data requirements and reporting dates.

This should be complemented with the work at the Group level, both under the frame of the Solvency II project and in line with the existing legislation.

73 Consultation Papers Nr. 24 and Nr. 25, see website.

CEIOPS' ACTIVITIES FOR 2008

Concerning Solvency II, CEIOPS will publish, after consultation and a Public Hearing, a paper on Group issues under the Framework Proposal and, in the second half of 2008 it will start with Level 2 and 3 work on designation of the group supervisor, supervision of subsidiaries under the group support regime and supervision of specific solvency requirements for groups. As regards the existing situation, cooperation and convergence of supervisory practices under the existing regime, as well as reduction of supervisory burden, are amongst the areas CEIOPS is focusing on. In 2008 CEIOPS will start to design a commonly agreed Risk Assessment System for insurance groups and, on request by ECOFIN, will examine potential areas for delegation of tasks (and responsibilities).

Occupational pensions

In the field of occupational pensions, two survey-based reports were published by CEIOPS at the beginning of April 2008. A report on the implementation of the IORP Directive, and how a number of its key provisions have been dealt with at a national level, was published on 2 April 2008. The report acknowledges that, given the Directive's very early days, further work is needed in some areas. It also invites clarifications at EU level on a number of definitional and legal issues, which, if not resolved, could cause problems in future. The report will provide a factual basis for the European Commission's limited review of the IORP Directive scheduled for 2008. CEIOPS will monitor the evolution of practice and issues, and continue its analysis, so as to identify any further matters that might also require clarification.

A second report mapping out both static (valuation assumptions) and dynamic (protection mechanisms) aspects of scheme funding activity across the EEA was published on 7 April 2008. It will provide a factual basis for a broad consultation by the European Commission on solvency issues for occupational pensions, envisaged for 2008.

In recognition of the fact that cooperation between Supervisory Authorities constitutes a key element of an effective pan-European supervisory practice, CEIOPS will embark, in the second quarter of 2008, on an experience-based review of the Budapest Protocol. The Protocol, which came into force in early 2006, sets out a framework for cooperation among Competent Authorities of Members States in the implementation of the IORP Directive in respect of cross-border activities of IORPs.

Also in 2008, CEIOPS will take a look at outsourcing practices of IORPs, as well as at internal controls and risk management systems relating to IORPs.

Further work will also be undertaken on occupational pensions and solvency, as agreed with the European Commission.

Supervisory culture, convergence and cooperation

CEIOPS aims at developing, and contributing to an European supervisory culture, both for insurance and occupational pensions. In line with this, convergence and the ways to increase it have become a priority.

Different measures, such as sectoral and cross-sectoral training, staff exchange (with the ambitious goal of full involvement of all supervisors belonging to CEIOPS), are foreseen.

Additional tools to foster convergence, such as a non-binding mediation mechanism for insurance and occupational pensions supervisors, have been investigated and will be tested in the next months.
ECOFIN conclusions also will demand concrete lines of work for CEIOPS, in close cooperation with CEBS and CESR where necessary, during 2008 in this field, namely by developing a Protocol on self-assessment and review by peers.

Consumer protection

Protection of consumers and clients is a core objective for CEIOPS. To underline the importance given to it, in March 2008 CEIOPS created a new working group that will deal with issues in areas of insurance and occupational pensions, raised both by CEIOPS' Members and its stakeholders[74]. The tasks of this new Committee on Consumer Protection (CCP)[75] include treatment and information to customers, market conduct, and financial education. Handling of complaints, as well as contractual and pre-contractual obligations will also be targeted by CEIOPS.

Directly linked to this activity, CEIOPS' CCP will continue to work on intermediaries, and in particular on the functioning of the IMD, as well as on the Luxembourg Protocol.

Accounting, Financial Stability, International Relationship and other work streams

CEIOPS will continue, during the year 2008, as it has in the past, to actively follow the international developments at the IASB level, and participate in the EFRAG's activities.

CEIOPS will also report to the EFC-FST, in 2008, on financial conditions and financial stability in the insurance and occupational pensions sectors.

CEIOPS will work on the developments for the insurance and occupational pensions sectors, of the financial turmoil/subprime crisis, producing a report on impact and exposures.

In 2008, following political guidance by ECOFIN and EFC, CEIOPS Members will join a MoU on Financial Crisis Management that, originally created for banks, Central Banks and Ministries of Finance, will be extended to both insurance and occupational pensions.

Last but not least, CEIOPS will continue to liaise with other international bodies, and in 2008 will continue dialogue and cooperation with its US, Swiss and Chinese counterparts. In addition, it will start a dialogue with ASSAL (Insurers Association of Latin America – Asociación de Supervisores de Seguros de América Latina).

74 CEIOPS held a Public Hearing on consumer protection on 6 February 2008 (see website), in order to allow all stakeholders to express their expectations for CEIOPS' further work, following the conclusion of its report to the European Commission on insurance mediation and the revision of the Siena Protocol.
75 See website.

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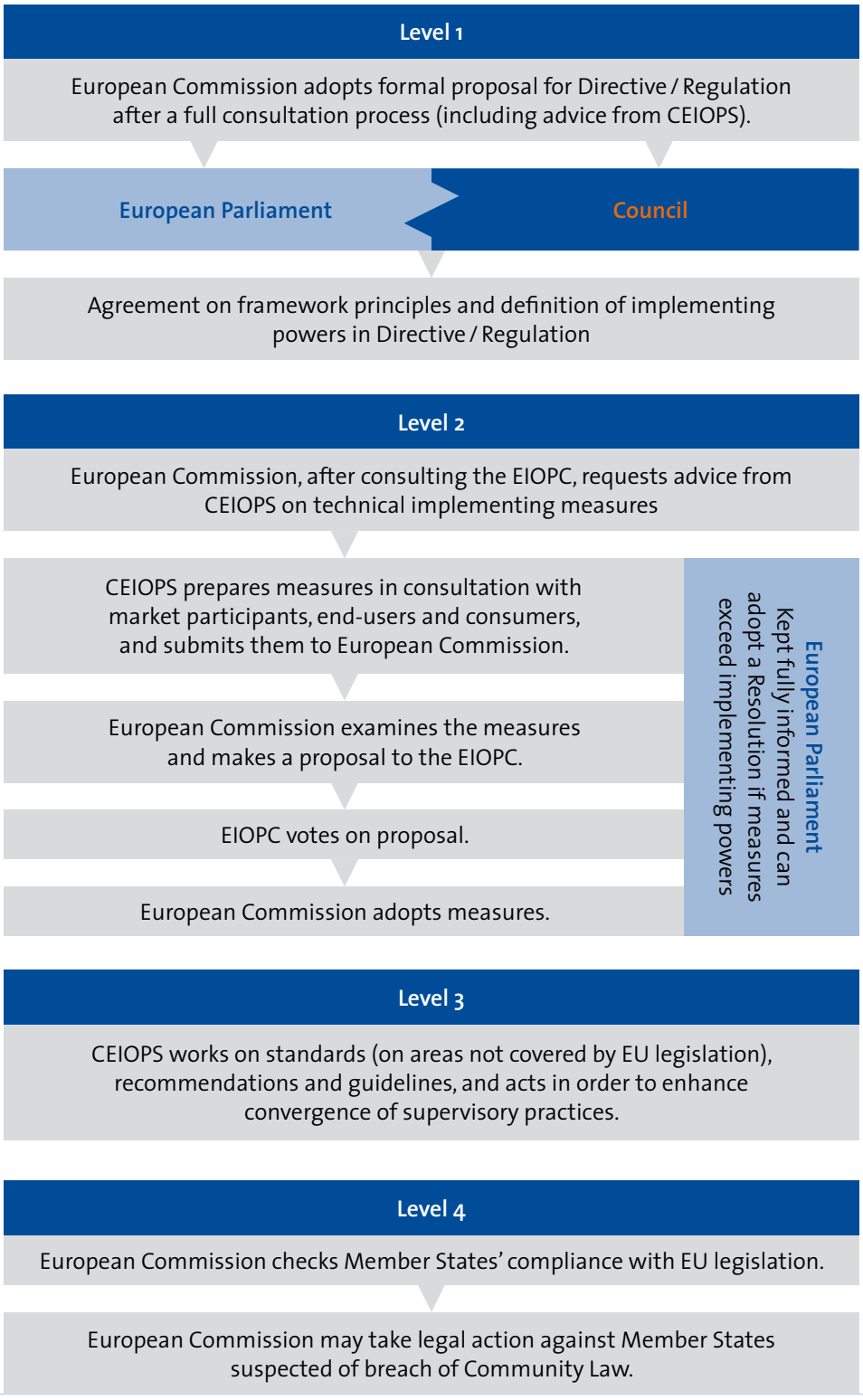
12.2.0. CEIOPS' Role in the Lamfalussy Procedure

Lamfalussy-model from the perspective of CEIOPS



12.3.0. Council Conclusions on Review of the Lamfalussy Process

2836th ECONOMIC AND FINANCIAL AFFAIRS Council meeting Brussels, 4 December 2007

(extract)

The Council adopted the following conclusions:

(...)

Lamfalussy Level 3:

The Council **recalls** its conclusions of 5 May 2006 on the FSC Report on financial supervision, whereby it supported "the Lamfalussy framework as well as the level 3 supervisory committees in their co-operation and convergence of their tasks" and endorsed the FSC report, and **reiterates** its strong support for the swift implementation of all the recommendations therein.

The Council therefore **stresses** the importance of Level 3 committees and their members having adequate means to fulfil their tasks in terms of EU supervisory convergence and cooperation. To that end, the Council:

- ★ **invites** the Commission, in cooperation with the Level 3 Committees, to study the differences in supervisory powers and objectives between national supervisors and, where (still) necessary and appropriate, define an adequate set of powers in the relevant Directives to ensure the proper implementation of EU Directives across Member States. In addition, the Commission, in cooperation with the Level 3 Committees, is **invited** to conduct a cross-sectoral stock taking exercise of the coherence, equivalence and actual use of powers among Member States and of the variance of sanctioning regimes. That stock-taking exercise should in particular allow to ascertain whether such sanctioning powers have sufficiently equivalent effect;
- ★ **invites** the Commission by April 2008 to clarify the role of the Level 3 Committees and consider all different options to strengthen the working of these committees, without unbalancing the current institutional structure or reducing the accountability of supervisors;
- ★ **invites** the Level 3 committees to transmit to the Commission, the Council and the European Parliament their draft work programmes, so as to allow them to express their view on the key priorities and give policy advice on supervisory convergence and cooperation. The Level 3 committees should then report annually on the achievement of their objectives;
- ★ **underlines** the importance of considering including in the mandates of national supervisors a task to cooperate within the EU and to work towards European supervisory convergence and to take into account the financial stability concerns in all Member States; and **invites** the FSC and EFC to examine this issue with a view to report to the Informal ECOFIN in April 2008;

- ★ **invites** the Level 3 Committees to explore the possibilities to strengthen the national application of their guidelines, recommendations and standards, without changing their legally non-binding nature;
- ★ While recognising the importance to continue making their decisions by consensus wherever possible, **requests** the Level 3 committees to enhance the efficiency and effectiveness of their decision-making procedures by introducing in their charters the possibility to apply qualified majority voting where necessary. While these committees' decisions are not legally binding, those who do not comply should explain their decision publicly;
- ★ **notes** the increasing number of obligations for the Level 3 committees stemming from the EU legislation, and **invites** the Commission to consider financial support under the EU budget for specific EU wide projects that are requested from the Level 3 Committees. It should also be considered to subject all requests by the EU institutions to the Level 3 Committees which would require significant investments to be made by the latter, to ex ante cost-benefit analysis on a case-by-case basis;
- ★ **welcomes** the Level 3 Committees' efforts towards the development of tools with a view to overcoming or minimising differences in supervisory culture (joint training programmes and secondment schemes), and **invites** the Commission to study the possibilities for EU funding under the EU budget of such programmes, based on properly defined specific projects of the Level 3 Committees.

The Council **stresses** the need for efficient and effective supervision of cross-border groups and to that end:

- ★ **invites** the Commission to review financial services Directives, where still necessary, to include provisions to enable the use of the voluntary delegation of tasks. In addition, the Commission, as well as the Level 3 Committees, are **invited** to analyse the options for the voluntary delegation of supervisory competences;
- ★ **considers** that the functioning of the colleges of supervisors could be enhanced by the introduction of a set of common operational guidelines for the operation of such colleges and the rights and responsibilities of the different members (home and host Member States' authorities), and **invites** the level 3 Committees to study the possibilities for setting these guidelines to provide consistency in the working procedures of the different colleges and effectiveness of the decision making process and provide reassurance to supervisors involved in the college. In addition, the Level 3 Committees are **invited** to monitor the coherence of the practices of the different colleges of supervisors and to share best practices;
- ★ **invites** the Commission, with the assistance of the Level 3 Committees, to review the financial services Directives, where still necessary, with a view to ensuring that provisions underpinning supervisory cooperation and the exchange of information between competent authorities are satisfactory;

★ **recalls** its conclusions of 5 May 2006 on financial integration, whereby it invited the Level 3 committees to „to take into account the obstacles identified, and the FSC report on supervisory convergence, in their efforts directed at convergence of rules and practices and in particular to work on common formats for financial institutions reporting to supervisors in order to avoid duplication of costs“ and further **invites** the Level 3 Committees to introduce EU-wide common reporting formats with a view to reducing the cost of reporting for industry where possible, and **invites** the Commission and the Level 3 Committees to suggest a timetable by mid-2008 in order to move towards EU-wide reporting formats so as to have a single set of data requirements and reporting dates.

A roadmap

★ Commission by April 2008 to prepare an assessment on how to clarify the role of the Level 3 committees and to consider all different options to strengthen the working of these committees, with a view that the FSC and EFC will examine this issue for the informal ECOFIN meeting in April 2008;

★ The FSC and EFC to examine the inclusion in the mandates of national supervisors of the objective of EU supervisory cooperation and convergence; and report to the Informal ECOFIN in April 2008;

★ Member States by April 2008, with the contribution of the level 3 committees as appropriate, to adopt common formats, where appropriate, to disclose national transposition and implementation of EU legislation;

★ The level 3 committees by the mid of 2008 for the first time to transmit to the Commission, the European Parliament and the Council draft work programmes; and thereafter start reporting annually on progress;

★ The level 3 committees by the mid of 2008 to explore the possibilities to strengthen the national application of guidelines, recommendations and standards of Level 3 Committees, without changing their legally non-binding nature;

★ The level 3 committees by the mid of 2008 to introduce in their charters the possibility to apply qualified majority voting coupled with a comply or explain procedure;

★ The level 3 committee by the mid of 2008 to study the possibilities to introduce a common set of operational guidelines for the operation of colleges of supervisors and monitor the coherence of the practices of the different colleges of supervisors;

- The level 3 committees and the Commission by the mid of 2008 to suggest a timetable for the introduction of EU-wide reporting formats for single data requirements and reporting dates;

- The Commission by the end of 2008, in cooperation with the level 3 committees, to conduct a cross-sectoral stock taking exercise of the coherence, equivalence and actual use of sanctioning powers among Member States and variance of sanctioning regimes;

- The Commission by the end of 2008 to consider financial support under the EU-budget for specific EU-wide projects that are requested from the Level 3 Committees;

- The Commission by the end of 2008 to study the possibilities for EU funding under the EU budget of the development of tools to help build a common supervisory culture by the level 3 Committees;

- The Commission and the level 3 committees by the end of 2008 to review financial services Directives to include provisions to enable the use of the voluntary delegation of tasks and analyse the options for voluntary delegation of supervisory competences;

- The Commission, with the assistance of the level 3 committees, by the end of 2008 to review financial services Directives with a view to ensuring that provisions underpinning supervisory cooperation and the exchange of information between competent authorities are satisfactory;

- The Commission, in cooperation with the level 3 committees, to (1) study by the end of 2008 the differences in supervisory powers and objectives between national supervisors; and (2) define, by the end of 2009, where still necessary and appropriate, a coherent set of powers in the relevant financial services Directives;

- The Commission to carry out by the mid of 2009 cross sectoral consistency checks, where still necessary to foster coherence of terminology and effect across all EU financial services law.

12.4.0. Financial Statements

as of and for the Year ended December 31, 2007

Income and Expense Account	Actual 2006 Euro	Actual 2007 Euro	Budget 2007 Euro	available 2007 Euro
Revenues				
Membership fees, gross	1.625.000,00	1.790.000,00	1.790.000,00	
Rebate to members	-275.981,86	-309.699,67		
Membership fees, net	1.349.018,14	1.480.300,33	1.790.000,00	
Interest income	19.237,28	19.381,64	0,00	
Income from release of prior year accruals	4.640,00	0,00	0,00	
Total revenues	1.372.895,42	1.499.681,97	1.790.000,00	
Current expense				
Salaries and wages	631.392,94	854.648,90	1.100.000,00	245.351,10
Rental expense	94.333,61	168.087,47	160.000,00	-8.087,47
Travelling and entertainment	118.478,05	118.156,33	100.000,00	-18.156,33
Office supplies	189.510,66	15.608,82	20.000,00	4.391,18
Organisation and meetings	108.946,01	130.959,04	130.000,00	-959,04
Telecommunication expense	22.610,16	28.223,50	25.000,00	-3.223,50
Delivery and communication	6.139,01	5.921,34	5.000,00	-921,34
Printing	16.939,39	27.486,20	20.000,00	-7.486,20
EDP installation and maintenance	165.973,28	71.160,90	70.000,00	-1.160,90
Website	2.088,00	11.816,71	40.000,00	28.183,29
Professional fees	47.346,80	46.929,65	40.000,00	-6.929,65
Miscellaneous expense	30.329,46	66.225,19	80.000,00	13.774,81
Total expense	**1.434.087,37**	**1.545.224,05**	**1.790.000,00**	**244.775,95**
Result for the year (ordinary business)	-61.191,95	-45.542,08	**0,00**	
Retained earnings beginning of year	1.139.032,15	1.077.840,20		
Retained earnings at end of year	**1.077.840,20**	**1.032.298,12**		
Analysis of Assets and Liabilities	**31.12.2006**	**31.12.2007**		
Cash and Bank Accounts	1.422.373,39	1.528.609,27		
Membership fee receivables	62.779,46	50.674,23		
Other receivables	166.378,27	227.692,34		
Total assets	**1.651.531,12**	**1.806.975,84**		
Less: Liabilities and Accrued Expense				
Accrued expense	229.797,09	254.094,95		
Prepaid membership fee	329.394,54	498.492,13		
Other liabilities	14.499,29	22.090,64		
Total liabilities	**573.690,92**	**774.677,72**		
Total committee members' equity	**1.077.840,20**	**1.032.298,12**		

Note – Committee Members Equity: The committee members do not hold any equity on CEIOPS e.V. The equity shown in the balance sheet consists of the prior and current year's unused membership contributions. These remainders will be used to cover future expenses and/or to decrease future membership fees according to the resolutions taken by the Members.

12.0.0.

12.5.0. Abbreviations and Terms Used

3L3	refers to the three Level 3 Committees, (CEIOPS, CEBS, CESR)
AEIP	European Association of Paritarian Institutions
AMICE	Association of Mutual Insurers and Insurance Cooperatives in Europe
BIPAR	European Federation of Insurance and Investment Intermediaries
Budapest Protocol	Protocol Relating to the Collaboration of the Relevant Competent Authorities of the Member States of the European Union 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 (CEIOPS-DOC-08/06), February 2006
CAD	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions (recast), OJ L 177/201 of 30 June 2006 (Capital Adequacy Directive)
CCP	Committee on Consumer Protection
CEA	Comité Européen des Assurances
CEBS	Committee of European Banking Supervisors
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors
CESR	Committee of European Securities Regulators
CIRC	China Insurance Regulatory Commission
Co-Co(s)	Coordination Committee(s)
COMPASS	Convergence and Impact Assesment Task Force
ConCo	Convergence Committee
CP	Consultation Paper(s)
CPMLTF	Committee for Prevention of Money Laundering and Terrorist Financing
EC	European Commission
ECB	European Central Bank
ECOFIN	Economic and Financial Council
EEA	European Economic Area
EFC	Economic and Financial Committee
EFC-FST	Economic and Financial Committee – Financial Stability Table
EFCC	European Financial Conglomerates Committee
EFRAG	European Financial Reporting Advisory Group
EFRP	European Federation for Retirement Provision
EIOPC	European Insurance and Occupational Pensions Committee
EU	European Union
e.V.	eingetragener Verein (legal form of CEIOPS; a private non-profit organisation under German law)

FCD	Financial Conglomerates Directive (Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 3/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council, OJ L 35 of 11.2.2003)
FEE	Federation of European Accountants
FinReq	Financial Requirements Expert Group
FOPI	Federal Office of Private Insurance (Swiss Insurance Supervisory Authority)
FSC	Financial Services Committee
GCS	Solvency II-Group/Cross Sectoral Issues Expert Group
Helsinki Protocol	Protocol relating to the Collaboration of the Supervisory Authorities of the Member States of the European Union with regard to the Application of the Directive 98/78/EC on the Supplementary Supervision of Insurance Undertakings in an Insurance Group (DT/NL/194/00 Final), 11 May 2000
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IGD	Insurance Groups Directive (Directive 98/78/EC of the European Parliament and of the Council of 27 October 1998 on the supplementary supervision of insurance undertakings in an insurance group, OJ No. L 330 of 5 Dec. 1998)
IGSC	Insurance Groups Supervision Committee
IGSRR	Internal Governance, Supervisory Review and Reporting Expert Group
IIMG	EU's Inter-Institutional Monitoring Group
IMD	Insurance Mediation Directive (Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 on insurance mediation, OJ No. L 9 of 15 Jan. 2003)
IntMod	Internal Models Expert Group
IWCFC	Interim Working Committee on Financial Conglomerates
IOPS	International Organisation of Pension Supervisors
IORP(s)	institution(s) for occupational retirement provision
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, OJ No. L 235 of 23 Sept. 2003
IWCFC	Interim Working Committee on Financial Conglomerates
Level 3 Committees	CEIOPS, CEBS and CESR

Luxembourg Protocol	Protocol Relating to the Cooperation of the Competent Authorities of the Member States of the European Union in Particular Concerning the Application of Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 on Insurance Mediation (CEIOPS-DOC-02/06), April 2006
MCR	Minimum Capital Requirement
MiFID	Markets in Financial Instruments Directive (Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC, OJ No. L 145 of 30 April 2004
MoU	Memorandum of Understanding
MS	Member States
NAIC	National Association of Insurance Commissioners
OJ	Official Journal of the European Union
OPC (-SC)	Occupational Pensions Committee/Subcommittee
OECD	Organisation for Economic Cooperation and Development
ORSA	Own Risk and Solvency Assessment
PFS	Preparatory Field Study
QIS	Quantitative Impact Study/Studies
Siena Protocol	Protocol relating to the collaboration of the supervisory authorities of the Member States of the European Community in particular in the application of the Directives on life assurance and non-life insurance (DT/F/182/97), 30 October 1997
SCR	Solvency Capital Requirement
SRP	Supervisory Review Process
UCITS	Undertakings for Collective Investments in Transferable Securities
US	United States of America

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