

Valdis Dombrovskis  
Vice-President for the Euro and Social Dialogue, also in charge of Financial Stability,  
Financial Services and Capital Markets Union  
EU Commission  
Berlaymont, Rue de la Loi 200  
1040 Brussels

Cc: Kai Wynands, Head of Cabinet; Tatyana Panova, Member of Cabinet; Olivier Guersent, Director General DG FISMA

## Pan-European Insurance Forum's views on the Insurance Capital Standard

Munich, 18 December 2017

Dear Commissioner,

I am writing to you in my capacity as Chairman of the Pan-European Insurance Forum (PEIF), a forum for the CEOs of major European insurers to exchange and present views on policy and regulatory issues amongst themselves and with other key stakeholders.

In early November the IAIS issued a press release on the Insurance Capital Standard (ICS) supplemented by an explanatory note on the IAIS agreement for the Implementation of the ICS version 2.0. The implementation is proposed to be conducted in two phases: a monitoring period of five years with confidential reporting for discussion within the supervisory colleges and a subsequent implementation of the ICS as a group-wide Prescribed Capital Requirement (PCR).

PEIF Members have taken note of the IAIS announcement, which - to our understanding has been the outcome of lengthy negotiations between IAIS members for defining the roadmap for the further ICS development and implementation, ensuring the commitment of all jurisdictions involved. Notwithstanding the importance of this intermediate stage in the whole process, we would like to point out some topical issues and their potential implications.

One of the main elements of the IAIS agreement is the 'mandatory' confidential reporting during the monitoring period to allow group-wide supervisors and host supervisors to discuss and assess the ICS. We question the basis of this mandate and would like to highlight potential unintended consequences.

The only relevant capital requirement for European companies is Solvency II and ICS reporting risks interfering with this. Although the IAIS state "the ICS will not be used as a PCR in this phase (i.e. the ICS results will not be used as a basis to trigger supervisory action)" we are concerned whether this will be the case in practice, when the results are shared in the supervisory colleges. The latter play a key role under Solvency II and ICS reporting should not interfere with the supervisory process. It is therefore essential that any ICS 'monitoring' is only used to help assist the global ICS development since European groups are solely subject to Solvency II.

Additionally, as part of the agreement, the IAIS specifically mentions developments in the US market where a group solvency calculation (based on an aggregation method) is under discussion. The US aggregation approach will be explicitly assessed as to whether it provides comparable outcome to the ICS and hence considered an 'outcome equivalent' approach for the ICS. PEIF Members consider that the scope of such 'outcome equivalent' assessments should include all approaches that are viable, including Solvency II and should not be limited to the US aggregation approach alone. Such recognition will have the advantage that within the ICS all important politically agreed elements of the Solvency II framework are secured, including its long-term guarantee measures, third country equivalence, own fund qualitative requirements and internal models.

Solvency II was developed within a comprehensive political framework and oversight that involved consideration of wider socioeconomic factors such as the impact on long term product provision and investment. No such oversight is currently in place within the context of the ICS developments. This raises relevant questions about the current and future ICS development and implementation governance process, the impact on the review of Solvency II as well as on the consequences for a level playing field.

PEIF Members kindly ask the European Commission to continue to closely engage in the ICS developments. In particular it is essential that the ICS will not be used as a basis to trigger supervisory action during the monitoring reporting period and is just used to further develop the ICS. Such engagement is important both before ICS version 2.0 is finalised as well as subsequently during the monitoring reporting period where we would expect further changes to the ICS where necessary.

PEIF would be more than happy to discuss these matters with you further.

Best regards,

A handwritten signature in black ink that reads "Oliver Bäte". The signature is written in a cursive, flowing style.

Oliver Bäte

Chairman of the Pan-European Insurance Forum

#### [About the Pan-European Insurance Forum \(PEIF\)](#)

PEIF is an informal forum for the CEOs of major European insurers (Aegon, Allianz, AVIVA, AXA, Generali, MAPFRE, Munich Re, RSA, Swiss Re, UNIQA, and Zurich) to exchange and present views on policy and regulatory issues amongst themselves and with others. PEIF companies represent around two-thirds of the STOXX® Europe Insurance.

PEIF Secretariat: [peifsecretariat@allianz.com](mailto:peifsecretariat@allianz.com)

EU Transparency Register: 03667978021-69