

VALDIS DOMBROVSKIS

Vice-President of the European Commission

Mr Sergio Balbinot
President
Insurance Europe aisbl
Balbinot@insuranceeurope.eu

Brussels **06 SEP. 2017**

Dear Mr Balbinot,

Thank you for your letter of 1 June, expressing the positions of Insurance Europe on a number of issues relating to Solvency II. Some of your points concern matters within the Delegated Act, which is to be reviewed next year, and others concern matters within the Directive itself. I will deal with these in turn.

The 2018 review of the Solvency Capital Requirements in the Solvency II Delegated Act will focus on three areas: proportionality measures, unintended consequences, and long-term investments. The proportionality issue as well as the risk margin which you highlight will therefore be at the heart of the 2018 review. Furthermore, we will look at strategic equity participations and private equity and privately placed debt. The Commission has already sent two Calls for Advice to EIOPA to prepare the review, and EIOPA has already started intensive work on them. I would not wish to express any positions which might pre-judge the outcome of the 2018 review before receiving the EIOPA advice and public comments. I however assure you of the high importance which I attach to these issues and their central role in the 2018 review.

On the other hand, certain aspects of Solvency II are laid down in the Directive, which will only be reviewed later. Those aspects include the basic confidence level of Solvency II and the details of the long-term guarantees package, including the Matching Adjustment and Volatility Adjustment. It is therefore not possible to modify those aspects via the Delegated Act in 2018. I believe that a sequencing of the reviews, with the Delegated Act first and the Directive later, is appropriate. When the time comes for a review of the Directive itself, we will consider the appropriate review procedures, including the question of whether an Expert Group would be appropriate.

The risk-free rate curves, including the UFR were explicitly discussed in the Omnibus II trilogues by the European Parliament and the Council. They however were not explicitly laid down in the Directive. The Commission has some leeway to work with the parameters in the Delegated Act, for example on the UFR and Last Liquid Points. However, any changes must be based on evidence and be compatible with the Directive. This aspect was not covered in the Calls for Advice to EIOPA but I can assure you that the Commission is closely monitoring developments in these areas and keeps an open mind as to what action might be appropriate, in light of market impacts.

I welcome your offer to work closely with the Commission during the process of reviewing both the Delegated Act and the Directive itself, and I look forward to working with you on our evaluation work on Solvency II.

Yours sincerely,

A handwritten signature in blue ink, consisting of the initials 'V. D.' followed by a long, sweeping horizontal line that tapers to the right.

Valdis Dombrovskis