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Mr Roberto GUALTIERI
Chair of the Committee on Economic and Monetary Affairs
European Parliament
1047 Brussels
econ-secretariat@europarl.europa.eu

Dear Roberto,

Thank you for your letter of 29 January, detailing a number of questions and issues raised by ECON Members in regard to the Delegated Regulation adopted on 30 September 2015 amending the Solvency II Delegated Regulation, and the Delegated Decision of 26 November 2015 granting temporary equivalence to Japan for reinsurance.

As you know, I think it is very important that the level 2 process is as transparent as possible, so I appreciate this opportunity to answer the questions of the ECON Committee.

I believe the key measure in the amendment to the Solvency II Delegated Regulation is the revised calibrations for qualifying infrastructure investments by insurers, because they are aimed at driving economic growth. It is keenly awaited by the European insurance sector, and the political urgency of this measure necessitated a shortened consultation in August 2015. The Committee itself had underlined the need for urgency calling for an early review of the infrastructure calibration in your letter of 19 December 2014. But I agree with you of course that such derogations from established practices should be avoided under normal circumstances.

On your request for a methodological justification for the proposed calibration for infrastructure investments, the definition and calibration of the new infrastructure asset class are closely based on EIOPA's technical advice of

29 September 2015 on the identification and calibration of infrastructure risk categories. This technical advice is in turn founded on a thorough analysis of relevant data and on contributions received during a public consultation conducted by EIOPA.

A modification to the scope of the equity transitional, extending it to unlisted equities, was included in the August consultation. This is another growth-related measure, translating the objectives of the Action Plan on Building a Capital Markets Union into support for investment in the economy. It aims to avoid abrupt disinvestment by insurers in certain equity categories such as venture capital, but does not apply to new purchases of equities after 1 January 2016, and its significance should therefore diminish rapidly over time. The submission by EIOPA of implementing technical standards on the equity transitional was slightly delayed for practical reasons, in order to ensure compatibility with the Delegated Regulation, but the Commission intends to proceed to the adoption of those ITSs as soon as possible.

On your request to reconsider the introduction of sub-tiers in the own funds classification, as I stated in my letter of 11 May 2015, I intend to look into this issue in the context of the review of the Solvency II standard formula, which is scheduled to be conducted before 2018 at the latest. Before carrying out any such major change in the current system of own funds classification, a careful analysis should be conducted of the affected items and their classification into tiers. In my view, such an analysis should be accompanied by an impact assessment, in order to avoid any possible unintended effects on the quality of own funds that is necessary to ensure policyholder protection. I can assure you that I will examine all possible evidence of unintended effects on small business with great care, and I hope that the contributions to the Call for Evidence on the EU regulatory framework for financial services, which my services are currently evaluating, will provide further insights in this area.


Regarding bundling of empowerments, the Solvency II Delegated Regulation of 2014 contains 78 empowerments, many of which are closely interlinked, in one single act. The amending Delegated Regulation therefore followed the same approach. For your convenience I provide in the annex to this letter a mapping of the empowerments which were exercised.

Finally, the question of temporary equivalence of Japan for reinsurance, and whether or not they have fulfilled the criteria, has been assessed regularly in an

intensive dialogue involving the European Commission, EIOPA and the Japanese Financial Services Agency (JFSA) since 2010. We are not there yet, but we are keen to make progress towards convergence on respective regulatory frameworks for the (re)insurance sector. In this context, two equivalence assessments were performed by EIOPA (in 2011 and in 2015), the latter taking stock of the progress achieved by 2015. I see this process, and the moves towards Solvency II principles such as market valuation, as an expression of constructive commitment towards the implementation of the Solvency II principles. I attach, with this letter, a copy of EIOPA's gap analysis of Japan, as requested. Please note that it has not been published, in line with EIOPA's previous practice, and I would ask the Parliament to use it as an internal document only.

I look forward to continuing to work closely with you and other Members on these and other matters. As ever, I am ready to discuss them with you at your convenience.

With best wishes,


JONATHAN HILL