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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

Munich, 02 January 2018

Dear Commissioner,

I'd like to thank you in my capacity of Chairman of the Pan-European Insurance Forum (PEIF), a forum for the CEOs of major European insurers (Aegon, Allianz, AVIVA, AXA, GENERALI, MAPFRE, Munich Re, RSA, Swiss Re, UNIQA, and Zurich) for the fruitful dialogue on policy and regulatory issues which are of key importance to the European insurance industry in 2017.

In this context, I'd like to come back to your kind answer to our letter regarding proposed changes to the Ultimate Forward Rate (UFR) earlier this year, in which you highlight the limited impact of the UFR change based on EIOPA's impact assessment while indicating to closely monitor potential effects going forward.

Notwithstanding the above, we believe that the UFR adoption deserves further consideration especially against the background of recent proposals regarding EIOPA's governance and powers in the context of the ESA review. The proposed UFR changes are based on EIOPA's own initiative especially with respect to implementation timing. At the same time, the UFR remains a key element of the political compromise underpinning Solvency II. As such we believe that an adoption of the UFR change at this point in time would de facto pre-empt the outcome of the ongoing legislation process on EIOPA's powers while arguably also distorting the political will underpinning Solvency II. In this context we would like to highlight the ongoing work by EIOPA on other important elements of the yield curve, like the Last Liquid Point and Convergence Point which could have massive implications for the solvency situation of the European insurance sector.

We would also like to reiterate our concerns regarding the timing of the proposed UFR change as a fundamental element of the long-term guarantee compromise, while not considering the interplay with other key elements (such as the volatility and matching adjustment). Modifying the UFR in isolation is inconsistent with the political compromise and may distort the overall balance and dynamics of the Solvency II framework. While the long-term guarantee measures are scheduled for review in 2020 it seems not appropriate to selectively bring forward one element of that package without closely considering the other elements. In this context it appears particularly inconsistent for EIOPA to have concluded that a change is needed to the UFR due to a change in economic conditions, but to have recommended in their draft advice on the Solvency II 2018 review that no change is needed to the cost of capital rate for the risk margin, notwithstanding its undue size and volatility across Europe.

As such, we would like to encourage the Commission to postpone the adoption of any UFR changes to the Long-Term Guarantee (LTG) review in 2020 in order to ensure a balanced and consistent further development of Solvency II with a view to support growth and ensure financial stability in Europe.

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.

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