

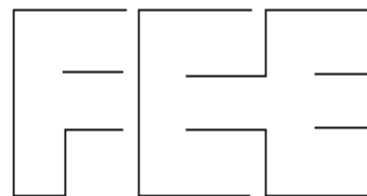
Date
22 July 2005

Le Président

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CEIOPS
Mr. Alberto Corinti
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Dear Sir,

Re: CEIOPS – CP-03/05 Report on possible need for amendments to the Insurance Groups Directive

FEE (Federation of European Accountants, Fédération des Experts Comptables Européens) is pleased to submit its comments on the consultation paper no. 6 on the *Report on Possible Need for Amendments to the Insurance Groups Directive*. FEE is the representative organisation for the accountancy profession in Europe with membership of 44 professional institutes of accountants from 32 countries in total representing more than 500.000 accountants in Europe.

We welcome the opportunity to comment on this CEIOPS Consultation Paper. We want to limit ourselves to some general comments from an auditor's perspective which should be taken into account when considering changes in the Insurance Groups Directive.

Exchange of information between supervisory authority and auditor

The Insurance Groups Directive (IGD) lays down requirements on cooperation between Member States regarding the exchange of information between competent authorities. The Financial Conglomerates Directive (FCD) specifies further the extent of information to be exchanged between relevant supervisors.

In some countries the Adjusted Solvency Margin (ASM) respectively the Parent Undertaking Solvency Calculation (PUSC) has to be audited and the auditor has to report his findings to the supervisory authority responsible for the group supervision. We wonder if all possible needs for exchange of information are considered by the Directives. We have identified the following main issues of concern:

1. Auditor of the Parent Undertaking Solvency Calculation differs from auditor of group financial statements

In the case of Parent Undertaking Solvency Calculation, the adjusted solvency margin is calculated by an insurance undertaking, the parent company of which is an insurance holding company at the level of its parent company. With respect to the obligation of auditing the ASM/PUSC, it needs to be ensured that the auditor has a right to get all the information necessary to audit the PUSC. This issue is particularly relevant for information related to those parts of the group that are not subsidiaries of the company preparing the PUSC and not audited by the same auditor.

2. Report of findings related to the Adjusted Solvency Margin

We wonder whether there is currently sufficient guidance provided on how the auditor has to report findings related to the ASM. Would the IGD require the report of findings to the authority responsible for the calculation of the ASM, or the lead supervisory authority or at least the supervisory authority of the highest group company? It should be taken into account that in different jurisdictions there are different legal frameworks for reporting from auditor to supervisory authority which might complicate the auditing process, e.g. conditions for the release and confidentiality.

At last, there may need to be clarified – if the auditor has to report abroad – which should be the reporting language.

General principles for the adjusted solvency calculation

CEIOPS recommends the deletion of the option of the Requirement Deduction Method.

Generally, we support the amendment to delete options within the Directive which are not used. But with respect to Solvency II, we want to emphasise to keep flexibility in choosing methods to the most possible extent to avoid introducing changes which have to be reversed in the future when Solvency II is introduced.

Intra Group Transactions

The Insurance Group Directive requires – at least – annual reporting by the insurance undertakings over material transactions between an insurance undertaking and participants of the insurance group to the supervisory authority.

Generally, we support CEIOPS' recommendation not to change – to the most possible extent – the IGD with respect to intra group transactions. However, we recommend specifying "significance" of intra group transactions. As reporting about intra group transactions and exposures possibly is an administrative burden to insurance companies, supervisory authorities and perhaps auditors, reporting should be limited to those transactions or exposures which are endangering stability.

We want to emphasise strongly that information about intra group transactions as with other information provides useful information on the solvency position only if it is analysed in the context of more than one period.

We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,



David Devlin
President