



4 June 2009

Mr. Carlos Montalvo Rebuella  
Secretary General  
CEIOPS  
Westhafen Tower  
Westhafenplatz 1  
D-60327 Frankfurt Am Main

Ref.: *CEIOPS-CP-32-09*

Our Ref.: INS/HvD/LF/SR

Dear Mr. Montalvo Rebuella,

**Re: FEE Comments to CEIOPS on Consultation Paper No. 32 Draft CEIOPS' Advice for Level 2 Implementing Measures on Solvency II: Technical Provisions – Assumptions about Future Management Actions**

- (1) FEE (the Federation of European Accountants) is pleased to provide you below with its comments on the CEIOPS Consultation Paper No. 32 Draft CEIOPS' Advice for Level 2 Implementing Measures on Solvency II: Technical Provisions - Assumptions about Future Management Actions ("the Paper").

#### **General comments**

- (2) Based on the objective of Solvency II and the wording of Article 76 (2) of the "Framework Directive", we understand that the purpose of the measurement of technical provisions is to depict cash flows (in and out) "required" to settle the insurance obligations arising under existing contracts. We note that this may result in a contradiction with the proposals under paragraph 3.25 of the Paper requiring future actions (that are discretionary in nature) to be taken into account in the methods and techniques for the estimation of future cash-flows when assessing the provisions for insurance liabilities.

- (3) It may well be the case that management takes future actions “voluntarily” in order to grant existing contracts or to attract new business. Any such “not required” cash flows could be considered as a type of acquisition costs for future new business. As described in Consultation Paper No. 30 (of the Draft CEIOPS’ Advice for Level 2 on Treatment of Future Premiums), future premiums arising from existing contracts or future contracts are not taken into account unless the contracts are onerous. This would lead to an inconsistent treatment of the consideration given and the benefits expected to be received.
- (4) Overall, we recommend that the subject of the assumptions about future management actions be considered in conjunction with the discussion on the treatment of future premiums (a topic which is covered under CEIOPS Consultation Paper No. 30 of the Draft CEIOPS’ Advice for Level 2 Implementing Measures on Solvency II: Technical Provisions).

For further information on this letter, please contact Ms. Saskia Slomp from the FEE Secretariat.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Hans van Damme', written over a horizontal line.

Hans van Damme  
President