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Mr Berry Wammes
Chief Executive Officer

ROYAL NIVRA
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THE NETHERLANDS

Subject: Your letter concerning the first sectoral management letter

Dear Mr Berry Wammes

Let me thank you for your letter dated 23 September 2010 including the first sectoral management letter on the Dutch insurance sector produced by Royal Nivra, the Dutch Institute of Chartered Accountants. I have read your contribution with great interest and would like to congratulate you to this important publication.

I understand that the sectoral management letter is written from the perspective of the Dutch insurance industry with a particular focus on the internal control perspective. However, due to the general nature of the indications presented, they may well feed into the relevant discussion at the level of the European internal insurance market.

Starting from the assumption of an increasingly complex environment in the insurance sector in general, you raise a number of important points which in their majority require sustainable and targeted responses, while taking into account the nature, size and complexity of the individual undertaking. I share your view that flexibility and adaptability are key features of an appropriate approach towards improving the quality of management and regulation in the insurance sector.

Against this background I broadly support the recommendations put forward by you. I am particularly convinced of the necessity to strengthen comprehensive risk management systems and control mechanisms at the level of the undertakings as well as within administrative and regulatory bodies. In light of this I fully support your plea for using the implementation of Solvency II as the driving force to integrate and further enhance sound risk and capital management practices within insurance and reinsurance undertakings, not only in the Netherlands but in the European Union as a whole.

Solvency II which will become applicable on January 1, 2013 will introduce in all Member States a modern, economic and risk-based regime for the supervision of insurance and reinsurance undertakings and groups. By introducing Solvency II in form of the multi-levelled Lamfalussy-structure, we intended to ensure that the framework is flexible enough to allow best practice to develop and leave room for innovation. The new principles-based regime will be built on carefully calibrated capital requirements, aiming at reflecting the true risks to which undertakings are exposed while at the same time avoiding wherever possible an overly conservative approach as well as unintended procyclical effects.

I wish you all the best in the continuation of the management letter, and let me assure you that me and my services will follow with interest any similar follow-up initiative in the future.

Yours sincerely,


Karel VAN HULLE
Head of Unit

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